



# **Air Methods Corporation**

**NASDAQ GS: AIRM**

## **Corporate Presentation**

### **March 2010**





## Forward Looking Statements

This presentation includes certain forward-looking statements, including stock prices, EBITDA and EBITDA multiples which are subject to various risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors, including but not limited to the size, structure and growth of the Company's air medical services and products markets; flight volume of community-based operations; collection rates for patient transports; the continuation and/or renewal of air medical service contracts; the acquisition of new and profitable Products Division contracts and other flight service operations; the successful expansion of the community-based operations, and other matters set forth in the Company's public filings.



## **Air Methods' Profile**

**AIRM is the largest provider of air medical transportation services in the estimated \$2.5 Billion U.S. market, transporting more than 100,000 patients in 2009 and operating in 41 states.**



## Two Service Delivery Models

- **Hospital-Based Services (HBS)**
  - Hospital owns the program, while AIRM provides the aviation services to hospital as a vendor
- **Community-Based Services (CBS)**
  - AIRM owns program and provides ALL services, including medical

## Differences of Service Delivery Models

### Community-Based Services (CBS)

**59% of TTM Flight Revenues**

- Typically no contract with third party
- Aviation services PLUS medical staffing, dispatch and communications, and billing and collections
- 100% variable revenue stream
- 131 Aircraft, 105 Bases
- Approx. \$2.8 million of revenue per base
- Growth primarily driven from outsourced hospital programs and new base expansion
- Typically 13 employees/base

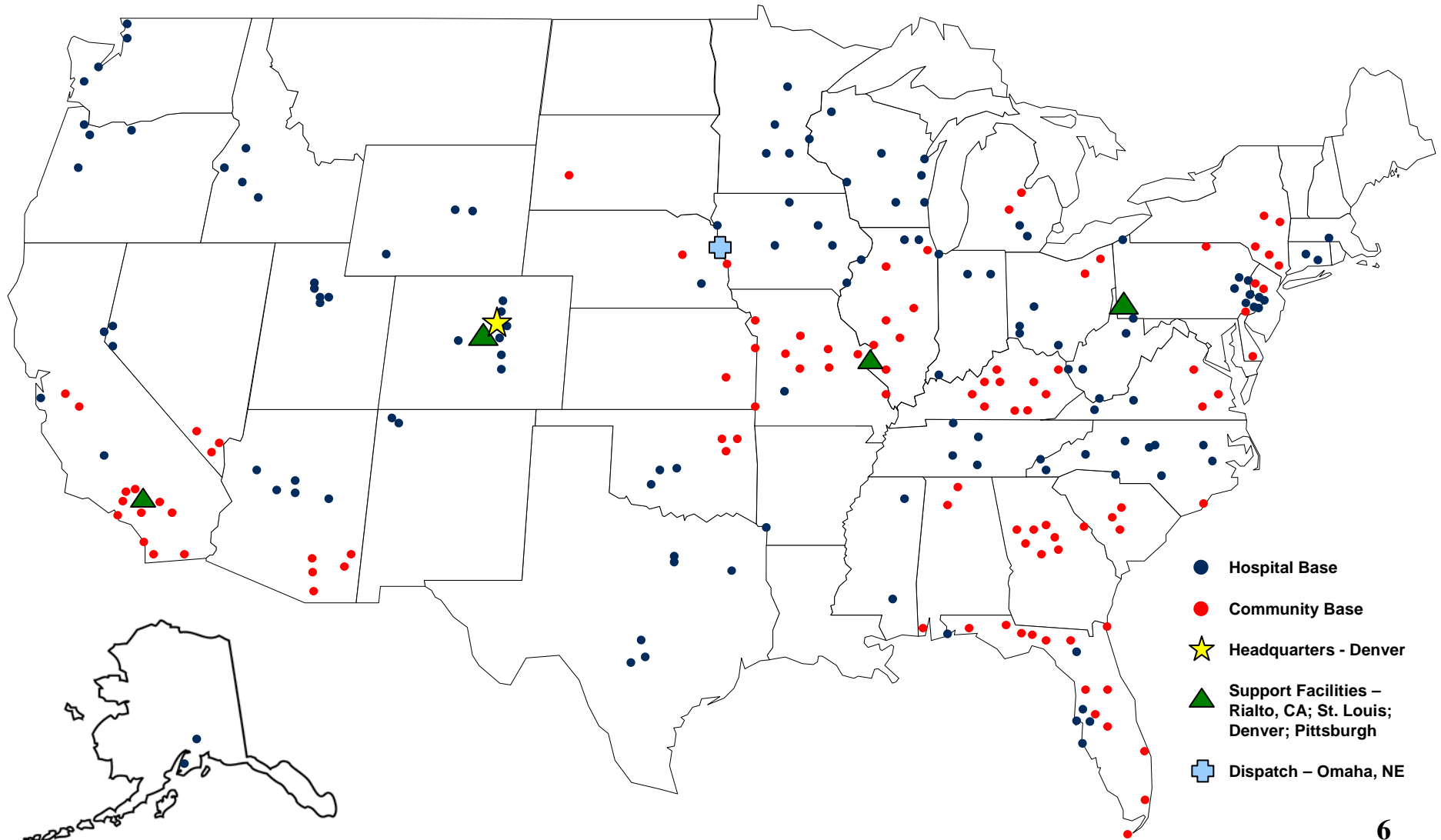
### Hospital-Based Services (HBS)

**41% of TTM Flight Revenues**

- Long term contract with hospital
- Aviation services only
- Approx. 75% fixed revenue stream
- 172 Aircraft, 129 Bases
- Approx. \$1.5 million of revenue per base
- Growth primarily driven from satellite expansion
- Typically 5 employees/base



# Combined Flight Services Map





# Growth Opportunities





## Growth of CBS Operations

	2006	2007*	% Change	2008	% Change	2009	% Change
<b>CBS Revenue Growth</b>	\$206,827	\$254,946	+23.3%	\$297,388	+16.6%	\$287,451	(3.3%)
<b>Patients Transported</b>	34,116	39,256	+15.1%	42,394	+8.0%	39,613	(6.6%)
<b>Patients Transported + Missed due to Weather</b>	41,980	49,329	+17.5%	55,797	+13.1%	53,665	(3.8%)
<b># of Bases</b>	76	106	+39.4%	100	(5.7%)	105	5.0%
<b>Fleet Size</b>	101	133	+31.7%	129	(3.0%)	131	1.6%
<b>Net Revenue per Transport</b>	\$ 6,054	\$6,507	+7.5%	\$6,878	+5.7%	\$7,310	6.3%

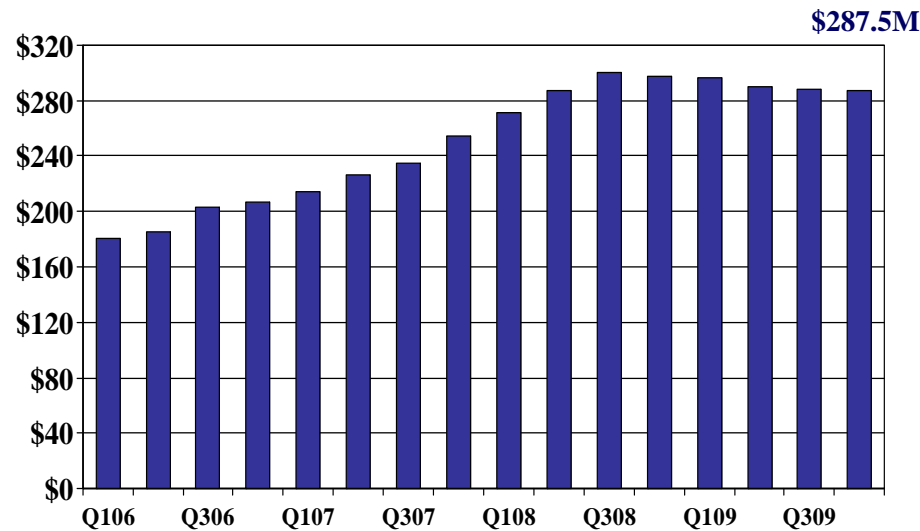
*\*Operational results includes acquisition of CJ Systems as of 10/01/07*



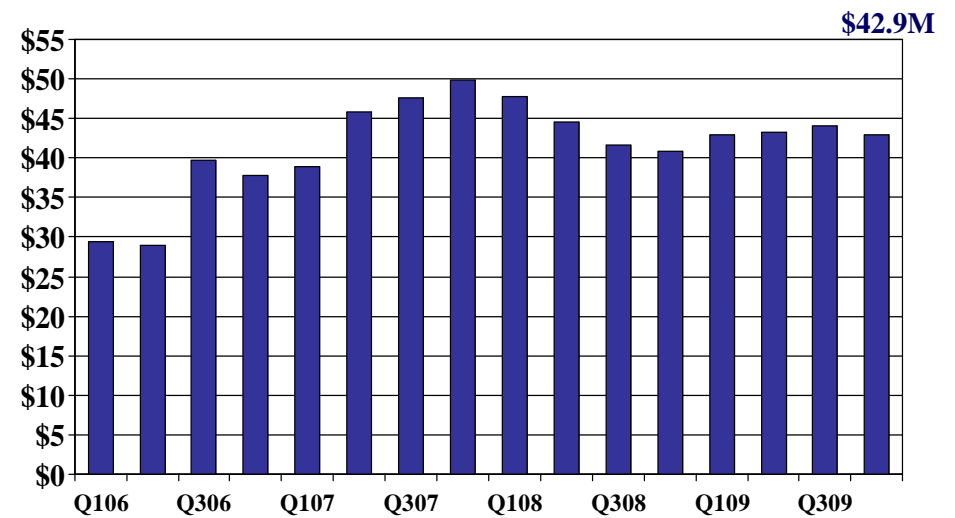
# CBS Financials

(Rolling TTM Data)

**Revenue**  
(\$ Millions)



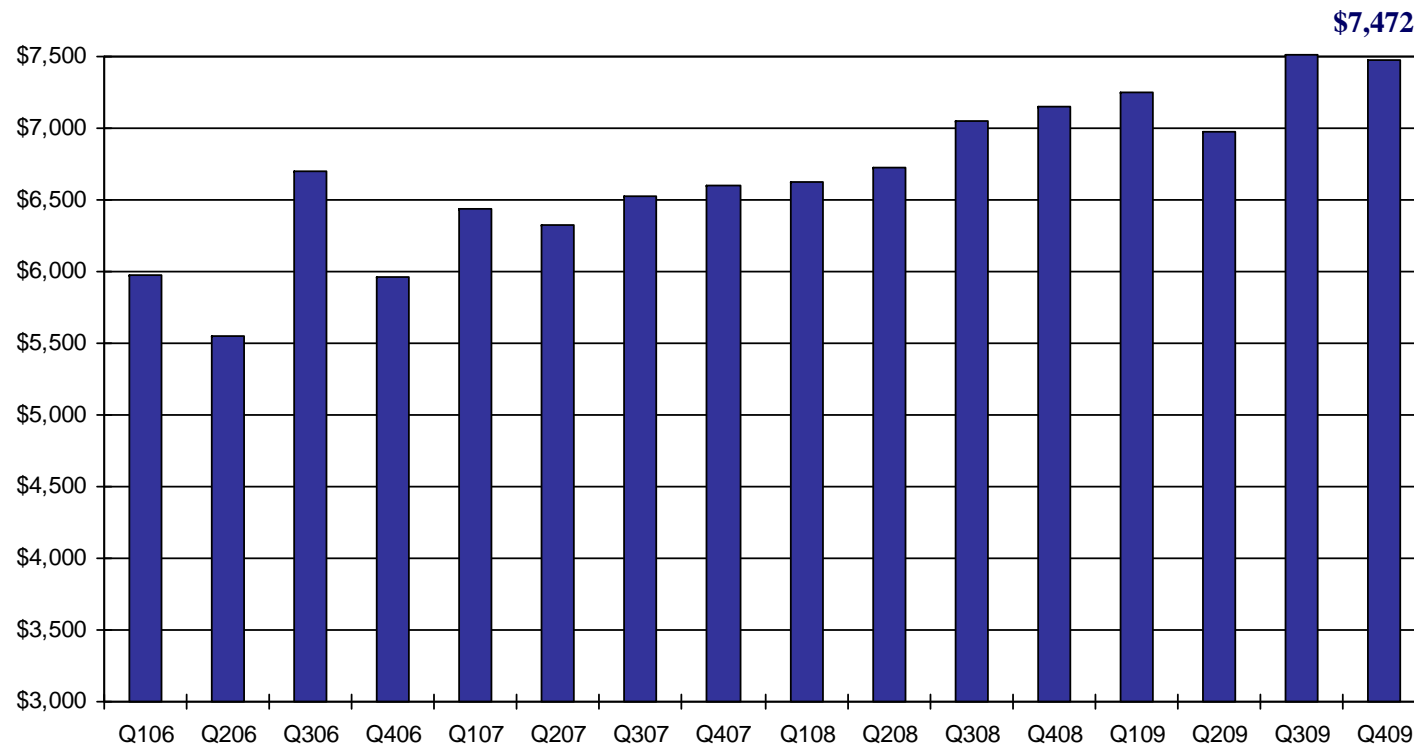
**Divisional Net Income**  
(\$ Millions)





# CBS Net Revenue Per Transport

(After Medicare/Medicaid Discount & Bad Debt Expense)



## Key Variables

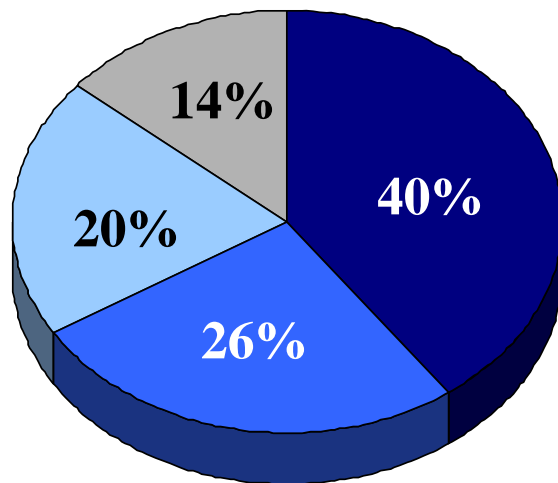
- Price Increases
- Payor Mix
- Collection Percentage by Payor Type

**Increases in bad debt as a percentage of revenue do not necessarily correlate to decreases in net cash per transport.**



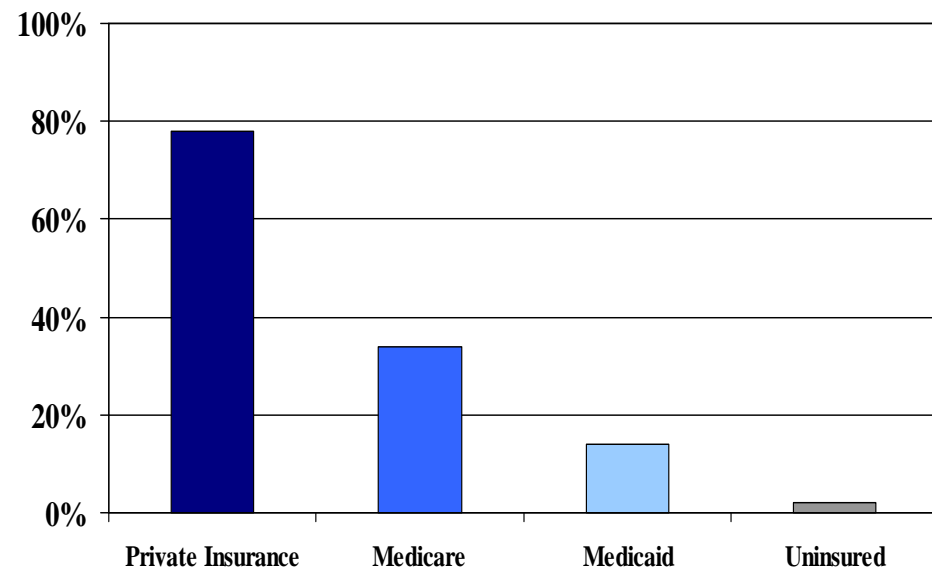
# CBS Payor/Reimbursement Mix

**Patient Mix**  
(TTM 9/30/09)



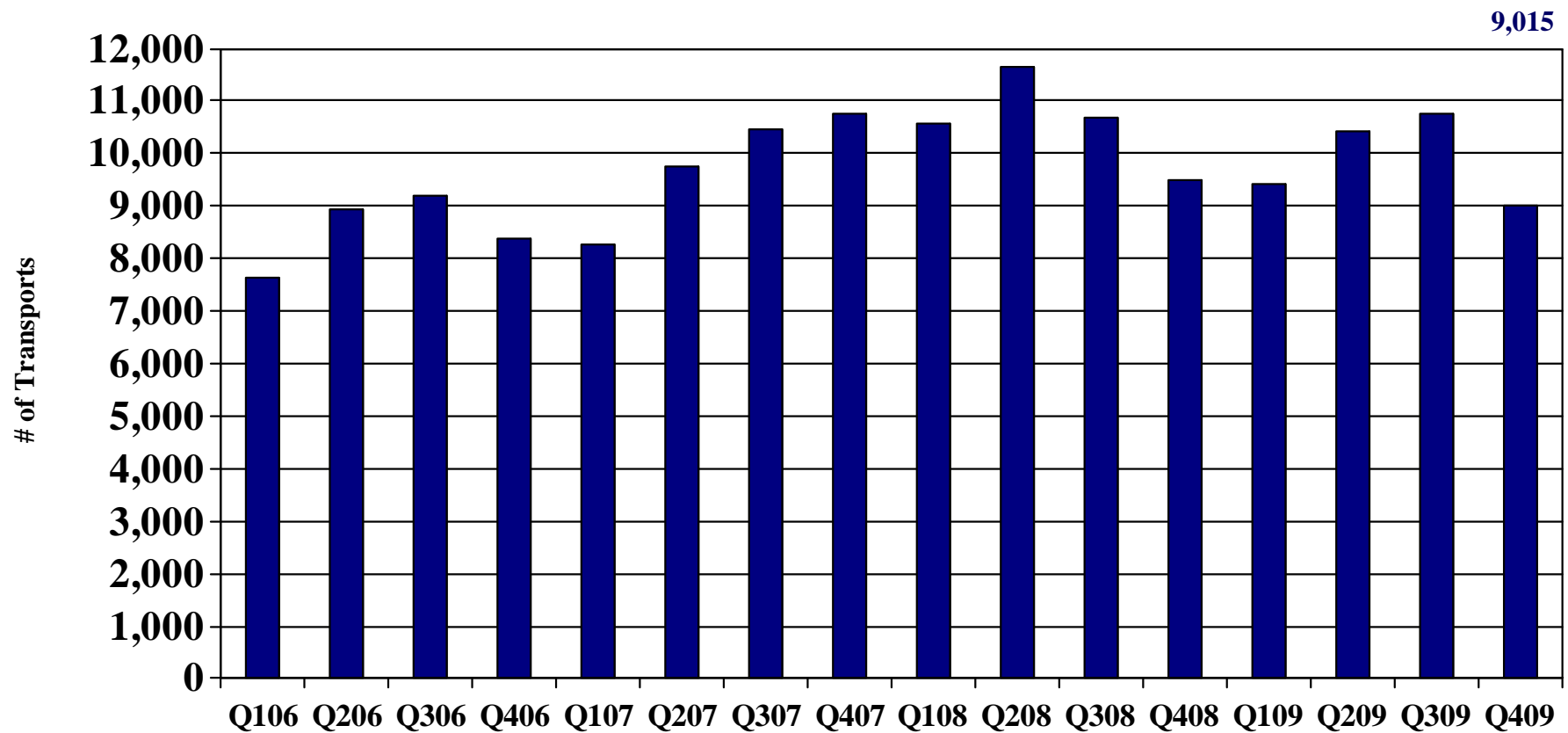
- Private Insurance
- Medicare
- Medicaid
- Uninsured

**Reimbursement Rate by Payor**  
(TTM 6/30/09)



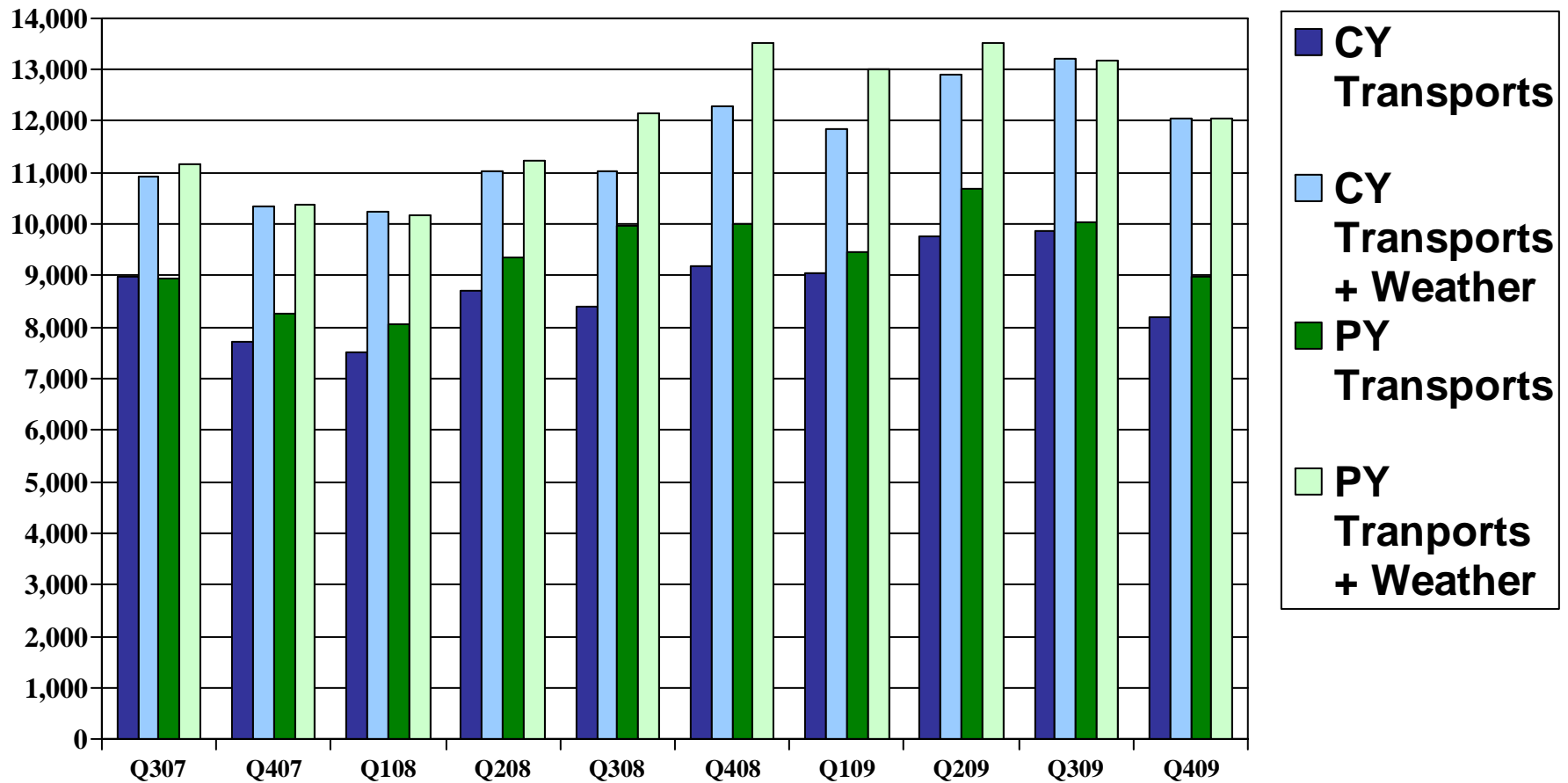


# CBS Patient Transports





# CBS Same Base Patient Transports





## CBS Flight Programs





## Growth of HBS Operations

	2006	2007*	% Change	2008	% Change	2009	% Change
<b>HBS Revenue Growth</b>	\$107,414	\$131,586	+22.5%	\$187,927	+42.8%	\$198,901	+5.8%
<b># of Dedicated Bases</b>	90	157	+74.4%	145	(7.6%)	129	(11.0%)
<b>New Bases added during period</b>	4	8		8		3	
<b>AIRM Contracts Renewed vs. Lost</b>	8 vs. 0	10 vs. 1		7 vs. 2		8 vs. 3	
<b>CJ Contracts Renewed vs. Lost</b>				3 vs. 3		6 vs. 3	
<b>Fleet Size</b>	107	190	+77.6%	178	(6.3%)	172	(3.4%)

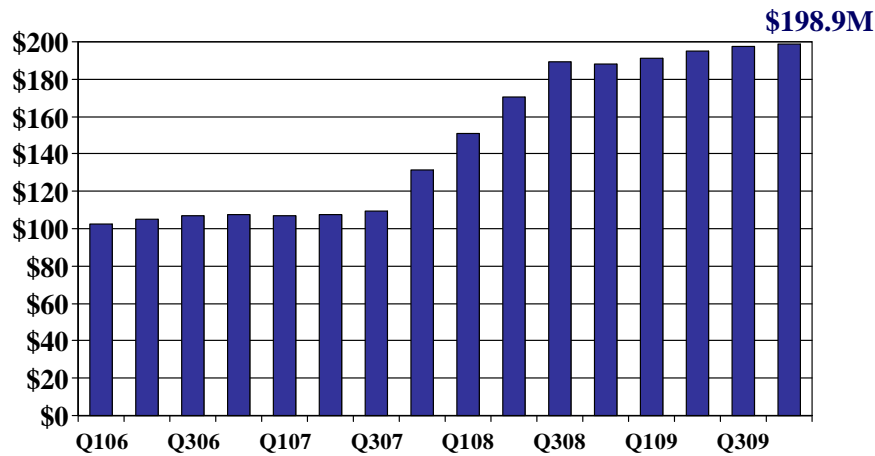
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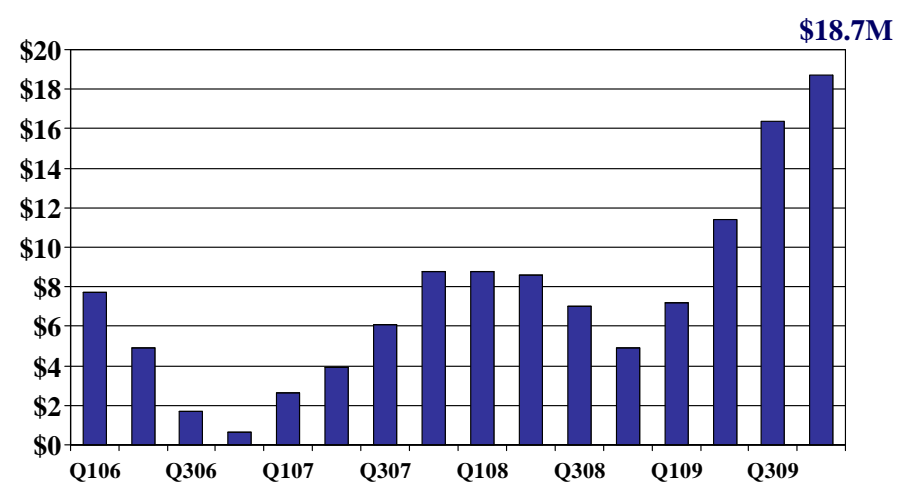
# HBS Financials

(Rolling TTM Data)

**Revenue**  
(\$ Millions)



**Divisional Net Income**  
(\$ Millions)





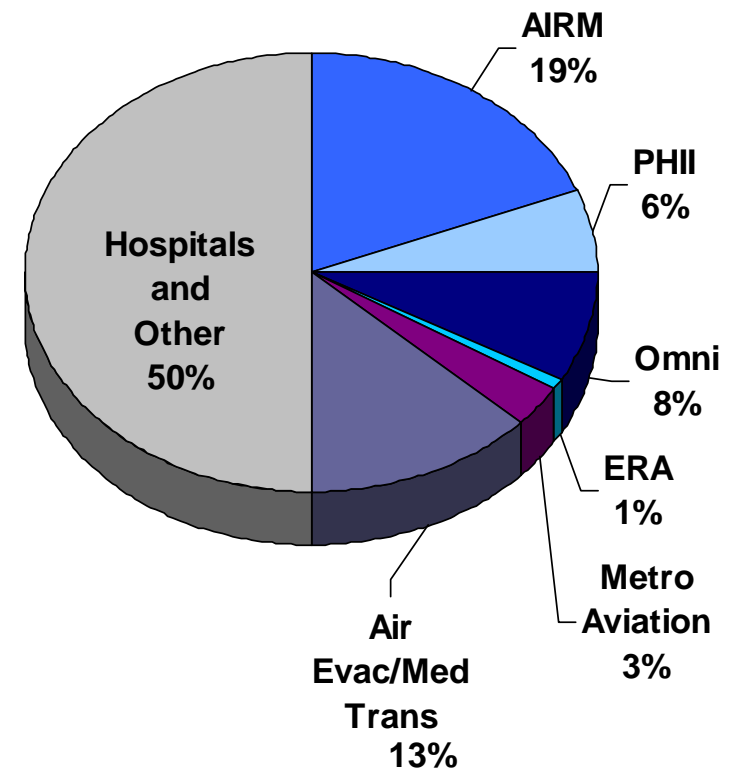
# HBS Flight Programs



# Opportunity for Additional Consolidation

- **AIRM - \$486M TTM**
- **National Competitors (4)**
  - Air Evac/MedTrans - est. ttm \$300M
  - PHI, Inc. - \$160M
  - OmniFlight, Inc. - est. ttm \$200M
  - Metro Aviation, Inc. - est. ttm \$75M
- **Regional Competitors (numerous)**
  - ERA - est. ttm \$30M
- **Hospitals and Other - est. \$1.2B**

Based on Revenue



\*Estimated peers as of 12/31/09



## Products Division

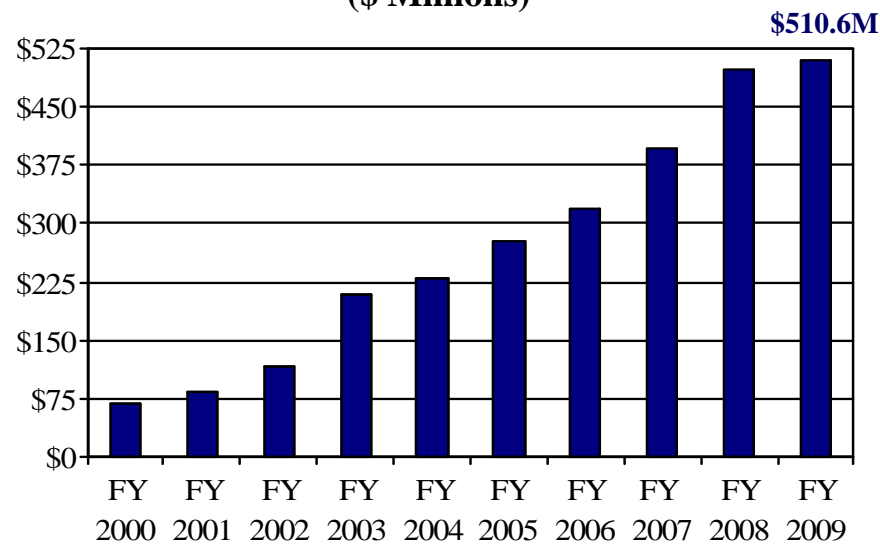
- Expert in design, engineering, manufacturing, installation and certification of aeromedical and aerospace products
- Supports AIRM fleet
- ISO 9001 certified
- Includes two exclusive military contracts to retro fit Blackhawk helicopters and Medical Evacuation Vehicles (MEV), with anticipated significant future orders
- Good gross margins
- Significant backlog - \$15 million



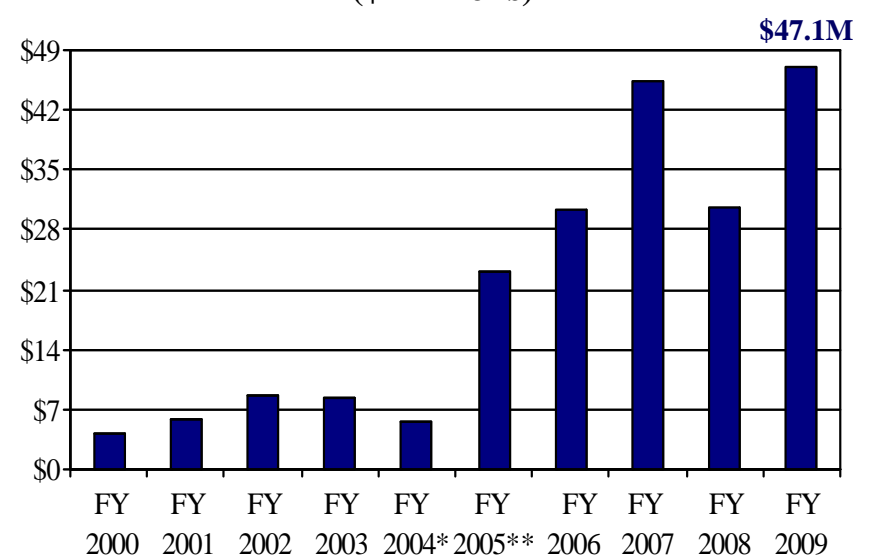


# Income Statement Highlights

**Total Sales**  
(\$ Millions)



**Pre-Tax Income**  
(\$ Millions)



\*Excluding cumulative effect of change in accounting principle

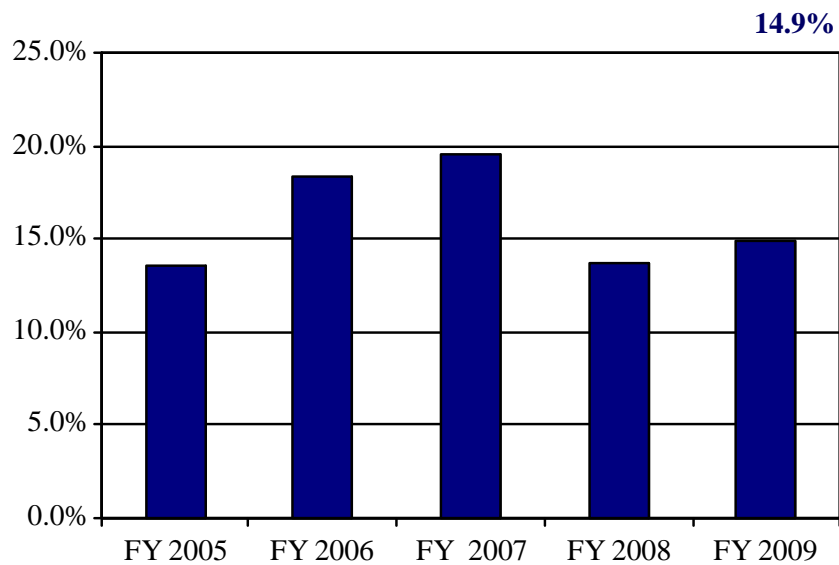
\*\*Excluding loss on early extinguishment of debt

Prior to 2004 the Company accounted for maintenance on a accrual basis. For Fiscal Year 2004 and subsequent periods the Company accounts for maintenance under the direct expense method.

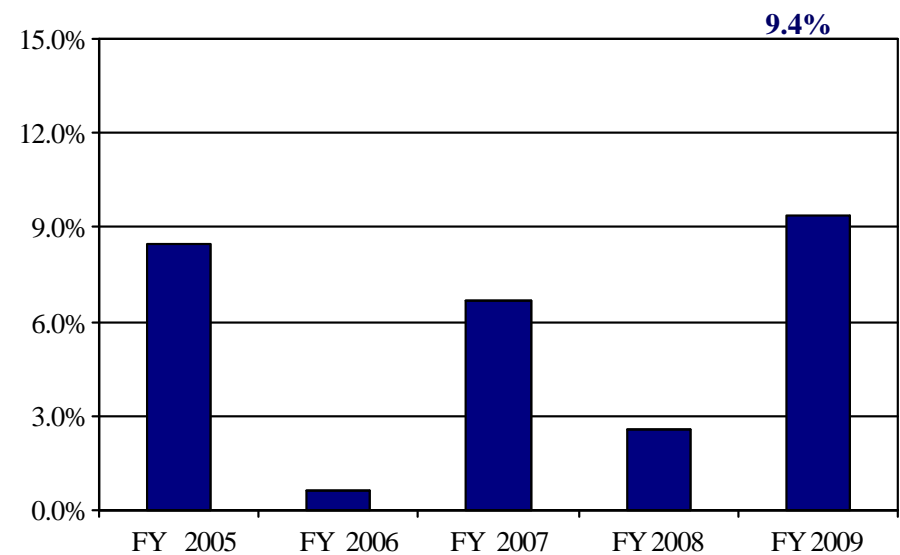


# Operating Margins

## Community Based Services



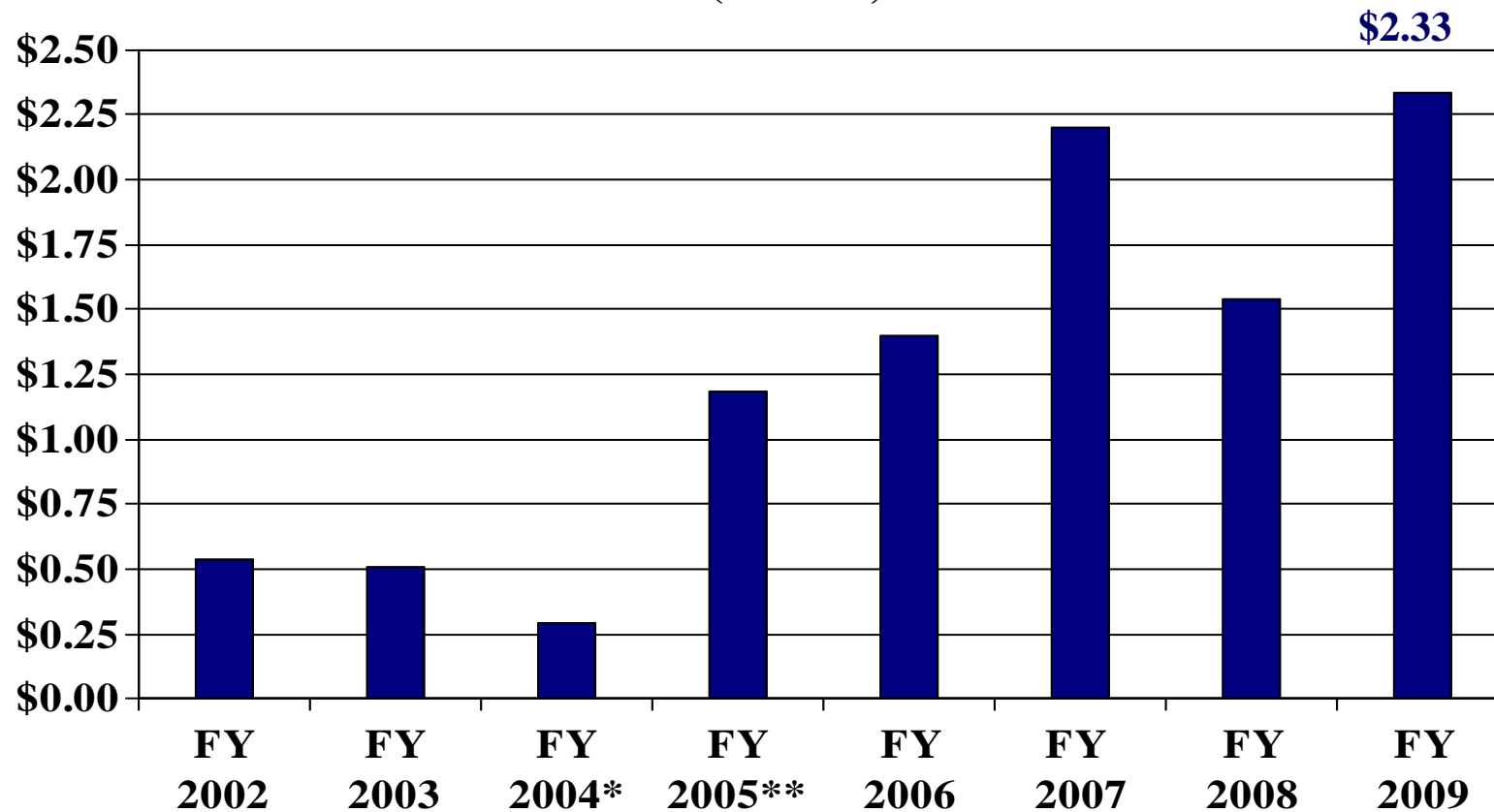
## Hospital Based Services





# AIRM TTM EPS

(Diluted)



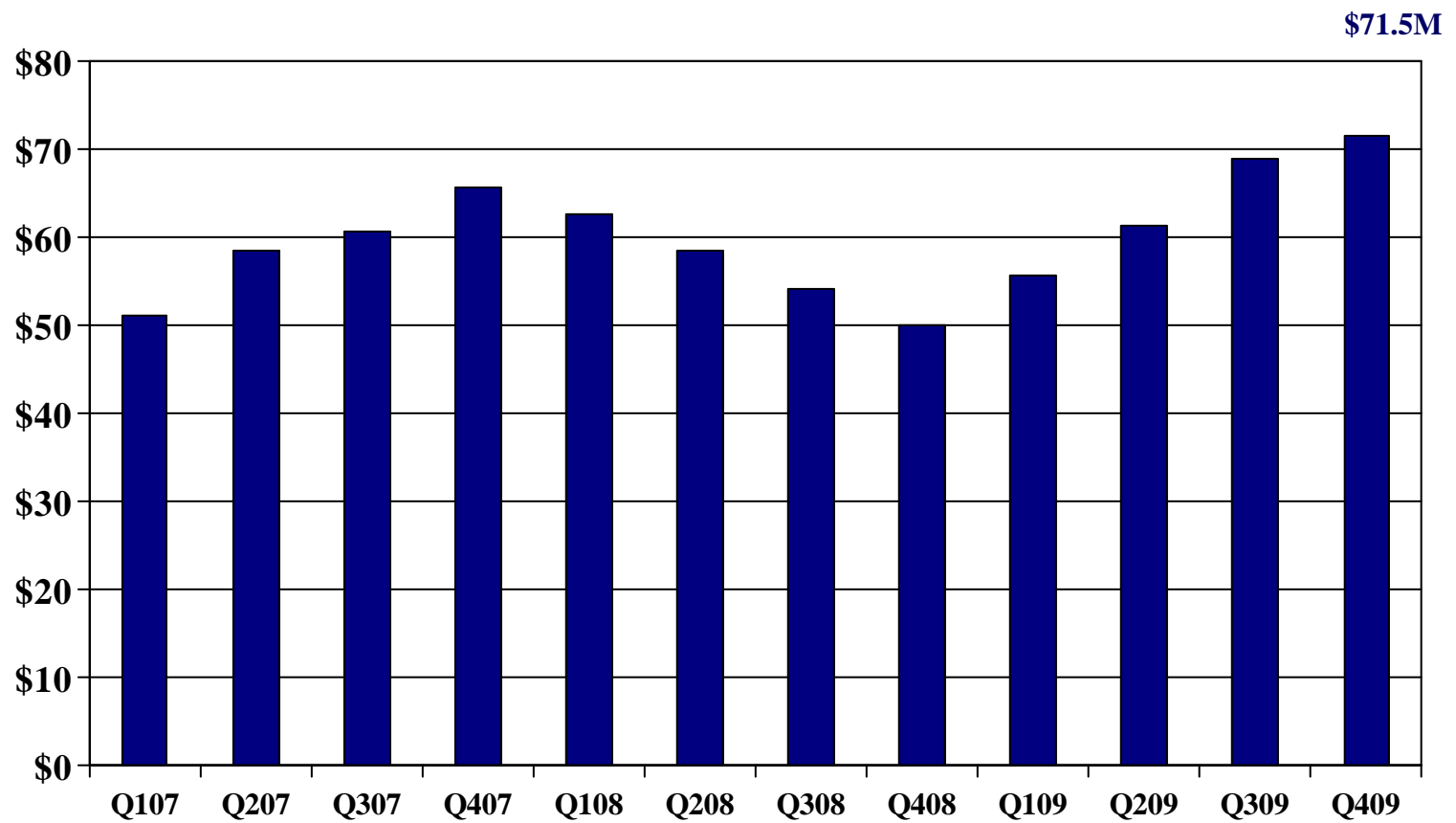
\*Excluding cumulative effect of change in accounting principle.

\*\*Excluding loss on early extinguishment of debt



# AIRM Rolling TTM EBITDA

(\$ Millions)



## AIRM Free Cash Flow

(\$ Millions)

	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>EBITDA</b>	\$48.8	\$65.6	\$50.0	\$71.5
<b>Interest</b>	\$5.4	\$5.8	\$5.1	\$4.9
<b>Income Taxes</b>	\$15.1	\$20.1	\$(15.7)	\$9.8
<b>Cap Ex, Excluding Asset Buyouts and Sales</b>	\$9.9	\$13.4	\$14.7	\$11.0
<b>Purchase of Treasury Stock</b>	-	-	\$4.9	-
<b>Excess Cash Flow</b>	\$18.4	\$26.3	\$41.0	\$45.8



## Operational Challenges

- Recent softness in demand for service due to the economy and weather
- The economy and its impact on payor mix
- Realization of price increases for community-based operations
- Retention of key hospital contractual relationships
- Industry accidents and their impact on regulatory environment and insurance costs
- Renewing collective bargaining agreement (expired April 30, 2009)