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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	Chapter 11
PHILIPPINE AIRLINES, INC.,[1]	Case No. 21-11569 (SCC)
Debtor.	

DECLARATION OF DOUGLAS WALKER IN SUPPORT OF CONFIRMATION OF CHAPTER 11 PLAN OF REORGANIZATION OF PHILIPPINE AIRLINES, INC.

I, Douglas Walker, declare and state as follows:

1. I am a Managing Director at Seabury International Corporate Finance LLC, which along with its FINRA-regulated broker-dealer affiliate, Seabury Securities LLC (together, "**Seabury**"), is the investment banker and financial advisor to the above-captioned debtor and debtor in possession (the "**Debtor**"). I am duly authorized to make this declaration (this "**Declaration**") on behalf of Seabury and to submit this Declaration in support of confirmation of the *Chapter 11 Plan of Reorganization of Philippine Airlines, Inc.* [ECF No. 290-1] (together with all appendices, exhibits, schedules, and supplements thereto, and as the same may be

[1] The Debtor in this chapter 11 case, along with its registration number in the Philippines, is Philippine Airlines, Inc., Philippine Securities and Exchange Commission Registration No. PW 37. The Debtor's corporate headquarters is located at PNB Financial Center, President Diosdado Macapagal Avenue, CCP Complex, Pasay City 1300, Metro Manila, Philippines.

amended, supplemented, or modified from time to time, the "**Plan**"),[2] including the agreements and other documents set forth in the *Notice of Filing of Plan Supplement to Proposed Chapter 11 Plan of Reorganization of Philippine Airlines, Inc.*, dated December 3, 2021 [ECF No. 294] (as the same may be amended, supplemented, or modified from time to time, the "**Plan Supplement**"). Specifically, with the Debtor's authorization, I make this Declaration to offer the testimony I would give, pursuant to Rule 702 of the Bankruptcy Rules of Evidence, regarding the Plan's satisfaction of the so-called "best interests" test embodied in section 1129(a)(7) of title 11 of the United States Code (the "**Bankruptcy Code**").

2. I am generally familiar with the terms and provisions of the Plan and the requirements for confirmation of the Plan under section 1129 of the Bankruptcy Code and, in particular, section 1129(a)(7) of the Bankruptcy Code. I also have consulted with the Debtor's counsel, Debevoise & Plimpton LLP ("**Debevoise**"), regarding the requirements for confirmation of the Plan under section 1129 of the Bankruptcy Code.

3. Except as otherwise indicated, all facts set forth in this Declaration are based on (i) my personal knowledge of the Debtor's operations and finances, (ii) my review of relevant documents (including the Plan), (iii) information provided to me by Seabury employees working under my supervision, (iv) information provided to me by, or discussions with, members of the Debtor's management team and the Debtor's other advisors, and/or (v) my opinion based upon my professional experience. If called upon to testify, I could and would testify to each of the facts set forth herein on that basis.

[2] Capitalized terms used but not otherwise defined herein have the respective meanings ascribed to them in the Plan.

Background and Qualifications

4. Seabury has extensive experience working with financially troubled companies in complex financial restructurings both out of court and within chapter 11 cases. In my 24-year career of advising airlines and institutional investors on debt and equity financings, restructurings, fleet acquisitions and dispositions, and mergers and acquisitions, I have worked with over 30 carriers, arranged or funded more that $20 billion in debt and equity capital, and restructured more than $40 billion in obligations through both in-court proceedings and out-of-court workouts. Among other airline financings and restructurings, I have advised AeroMexico, AirAsia X, Air Canada, Avianca, Copa, GOL, United Airlines, and VivaAerobus, and I have advised creditors of Frontier, Mexicana, Republic, and Virgin America.

5. Prior to joining Seabury, I was Managing Director and Global Co-Head of Investment Banking at SkyWorks Capital, where I advised clients in a capacity similar to my current role. Before SkyWorks Capital, I was Senior Vice President, Marketing-Americas at SMBC Aviation Capital and its predecessor, RBS Aviation Capital, where I was responsible for the origination and execution of new leasing and debt financing business in that region. Prior to that, I was Managing Director and Senior Counsel at United Airlines, where, among other things, I was responsible for assisting in the restructuring of the company's fleet and financial obligations during its extensive chapter 11 reorganization.

Seabury's Retention and Role in This Case

6. Since January 1, 2021,[3] Seabury has rendered investment banking and financial advisory services to the Debtor in connection with its restructuring efforts. Seabury worked with key members of the Debtor, including members of the Debtor's finance, financial planning and

[3] The Debtor and Seabury entered into a prior engagement letter in June of 2020, which was replaced with the Engagement Letter in January of 2021.

analysis, fleet, and other groups to evaluate and understand the Debtor's cash flows, business plan, capital structure, fleet strategy, and operations.

7. As a senior member of the Seabury team assisting the Debtor, I have been deeply involved in the Debtor's evaluation of their relationships with vendors, contract counterparties, and other suppliers. Specifically, I have assisted the Debtor in analyzing opportunities for cost reductions, leading the fleet restructuring, assessing initiatives affecting the Debtor's liquidity requirements and financial projections, developing strategic restructuring alternatives and strategies, and providing other financial analysis and planning. Accordingly, I have knowledge of the Debtor's assets, liabilities, and cash-flow needs and projections.

The Plan Is in the Best Interests of the Creditors

8. In conjunction with the Debtor, Debevoise, and the Debtor's other advisors, Seabury prepared a liquidation analysis (the "**Liquidation Analysis**")[4] to determine whether the Plan is in the best interests of the holders of Claims against and Interests in the Debtor pursuant to section 1129(a)(7) of the Bankruptcy Code, which is commonly referred to as the "best interests" test. I understand that section 1129(a)(7) of the Bankruptcy Code requires that holders of Impaired Claims and Interests either accept the applicable chapter 11 plan or receive or retain value under the Plan that is at least equal to the amount that such holders would receive if the Debtor was instead liquidated under chapter 7 of the Bankruptcy Code ("**Chapter 7**").

9. All calculations put forth in the Liquidation Analysis are based on the unaudited book values as of September 3, 2021, as a starting point, or more recent values where available. The Liquidation Analysis assumes operations of the Debtor will cease and the related individual assets will be sold in a rapid sale under the direction of a Chapter 7 trustee, utilizing the Debtor's

[4] A copy of the Liquidation Analysis was annexed as Exhibit C to the Disclosure Statement. I incorporate the Liquidation Analysis to this Declaration by reference as if fully set forth herein.

resources and third-party advisors, to allow for the wind down of the Debtor's estate. In the hypothetical Chapter 7 liquidation, all of the Debtor's cash proceeds, net of liquidation-related costs, would be distributed to creditors in accordance with applicable law.

10. As set forth in the Liquidation Analysis and described herein, the recoveries that will be realized under the Plan by holders of Impaired Claims and Interests that did not vote to accept the Plan are not less than what such holders would otherwise receive if the Debtor was instead liquidated in a hypothetical Chapter 7 case.

11. Based on my experience, the methodology used to prepare the Liquidation Analysis is appropriate, and the assumptions and conclusions set forth in the Liquidation Analysis, including the estimate of the proceeds that would be realized in a Chapter 7 liquidation of the Debtor, are reasonable. The Liquidation Analysis provides a fair and reasonable assessment of the effects that a conversion of the Debtor's Chapter 11 Case under to a case under Chapter 7 would have on the proceeds available for distribution to holders of Claims and Interests.

12. Pursuant to the Liquidation Analysis, holders of Claims in Class 3 (General Unsecured Claims) and holders of Interests in Class 8 (Existing Equity Interests) are expected to receive no recovery in a hypothetical Chapter 7 liquidation. Under the Plan, holders of General Unsecured Claims will receive their Pro Rata shares of the Unsecured New Equity Allocation, and holders of Existing Equity Interests will be diluted to a degree intended to approximate cancellation (it being my understanding that outright cancellation of existing shares is generally prohibited by Philippine law).

13. Accordingly, the Liquidation Analysis demonstrates that all Impaired Classes of Claims or Interests will recover value equal to or in excess of what such Claims or Interests

would receive in a hypothetical Chapter 7 liquidation. Based upon the foregoing, the Liquidation Analysis demonstrates that the Plan satisfies the best interests test contained in section 1129(a)(7) of the Bankruptcy Code. Accordingly, I believe that the best interests test is satisfied here.

The Valuation Is Reasonable

14. In conjunction with the Debtor, Debevoise, and the Debtor's other advisors, Seabury also prepared a valuation analysis (the "**Valuation Analysis**").[5] I am familiar with the methods used, and the conclusions reached, in the preparation of the Valuation Analysis. I have reviewed the material assumptions included in the Valuation Analysis, and I believe that the assumptions embodied therein were prepared in good faith and are reasonable and appropriate to provide the foundation for the Valuation Analysis, and the Plan.

15. As described more fully in the Disclosure Statement and the Valuation Analysis, Seabury estimates the total enterprise value (the "**Total Enterprise Value**") of the Reorganized Debtor to be approximately $2,619,353,000.00 as of an assumed effective date of December 31, 2021 (the "**Assumed Effective Date**"). The total equity value, which takes into account the Total Enterprise Value less the estimated net debt outstanding as of the Assumed Effective Date, was estimated by Seabury to be approximately $32,618,000.00.

16. In performing its analyses, Seabury applied a comparable company trading multiples methodology. Seabury believes that, given the unique market distortions caused by the COVID-19 pandemic, a comparable company trading multiples methodology is the most reliable valuation methodology currently available for the Debtor and is commonly used and accepted in the industry. Seabury's application of the comparable company trading multiples methodology

[5] A copy of the Valuation Analysis was annexed as Exhibit E to the Disclosure Statement. I incorporate the Valuation Analysis to this Declaration by reference as if fully set forth herein.

involved identifying a group of companies whose businesses and operating characteristics are generally similar to the Reorganized Debtor's operations.

17. In preparing the Valuation Analysis, Seabury: (1) reviewed certain historical financial information of the Debtor for recent years and interim periods; (2) met with certain members of the Debtor's senior management to discuss the Debtor's operations and future prospects; (3) reviewed publicly available financial data and considered the market values of public companies deemed generally comparable to the operating business of the Debtor; (4) considered certain economic and industry information relevant to the Debtor's operating business; and (5) conducted such other studies, analyses, inquiries, and investigations as deemed appropriate by Seabury. In addition, Seabury reviewed certain financial and operating data of the Debtor, including the Financial Projections included as Exhibit D to the Disclosure Statement.

18. No independent evaluations or appraisals of the Debtor's assets were sought or obtained in connection with Seabury's valuation. In connection with my work providing investment banking and valuation services to companies, Seabury frequently relies on projections and financial data provided by and prepared by other entities, and it is common for valuation experts in my field to rely on such projections and data. Further, Seabury did not conduct an independent investigation into any of the legal, tax, pension, or accounting matters affecting the Debtor, and therefore Seabury makes no representations as to their impact on the Debtor's Financial Projections.

19. Seabury does not offer an opinion as to the attainability of the Financial Projections. The future results of the Reorganized Debtor are dependent upon various factors, many of which are beyond the control or knowledge of the Debtor or Seabury, and consequently

are inherently difficult to project. Some of these variables are described in Exhibit D of the Disclosure Statement, which discusses certain inherent uncertainties in the Financial Projections. The Reorganized Debtor's actual future results may differ materially (positively or negatively) from the Financial Projections, and as a result, the actual Total Enterprise Value of the Reorganized Debtor may be significantly higher or lower than the estimated range herein.

20. Based on the foregoing, in my opinion, the Valuation Analysis performed by Seabury is reasonable.

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Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true and correct to the best of my knowledge, information, and belief.

Dated: December 15, 2021

Respectfully submitted,

/s/ *Douglas Walker*

Douglas Walker
Managing Director
Seabury International Corporate Finance LLC

Investment Banker and Financial Advisor to the Debtor