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Getting to Know You

KYC – Know Your Customers – roared into business aviation’s densely-packed lexicon as a consequence of past industry shocks, largely to mitigate the risks of money-laundering and terrorism financing. While well-intended, this inauspicious labeling may have inadvertently distracted many from developing a closer relationship with their customers, who are the source of future revenues, cash flows, and valuations upon which the business of aviation depends. Is KYC about risk, reward, or both? Striking the appropriate balance – between getting to know all about them and getting both parties to like each other as a consequence – is like a song for the ages, something to remind us of the importance of putting the customer at the center of our business.

More than 11 years ago, in the middle of the debris field left by the Global Financial Crisis, we came to the realization that it was an excellent time to be starting a new business, ours focused on aviation market research, strategy, and forecasting. As a key step in the process, we white-boarded a proposed business model, drawing concentric rings around a core that included two primary elements – business aviation customers on the one hand, and key aviation industry leaders in our existing network on the other. The idea was to build a tighter, systematic link between these

two, structured around constantly refreshed data, analyses and insights. While advances in real-time condition monitoring and diagnostics are amongst the most impactful innovations in aircraft operations and maintenance, repair and overhaul (MRO), we sought to complement “deep data” applications with additional areas of customer intelligence, including their behaviors, opinions, preferences, and intentions. In late 2010 and in partnership with JETNET, we launched JETNET iQ

“Is KYC about risk, reward, or both?”

to further forge the customer-industry bond.

In this issue of JETNET iQ PULSE, Tim Obitts, NATA President and CEO, joins us to provide an overview of initiatives at the National Air Transportation Association, now in its 80th year of providing leadership to aviation businesses. Perhaps never in its history has NATA’s leadership been so vital and necessary as now in the face of COVID-19’s unprecedented shocks. Tim and NATA are amongst those in the forefront of industry efforts to work with policymakers to accelerate business aviation’s recovery as we – individually and collectively – seek ways and means to get back to business.

Rollie Vincent
JETNET iQ Creator/Director



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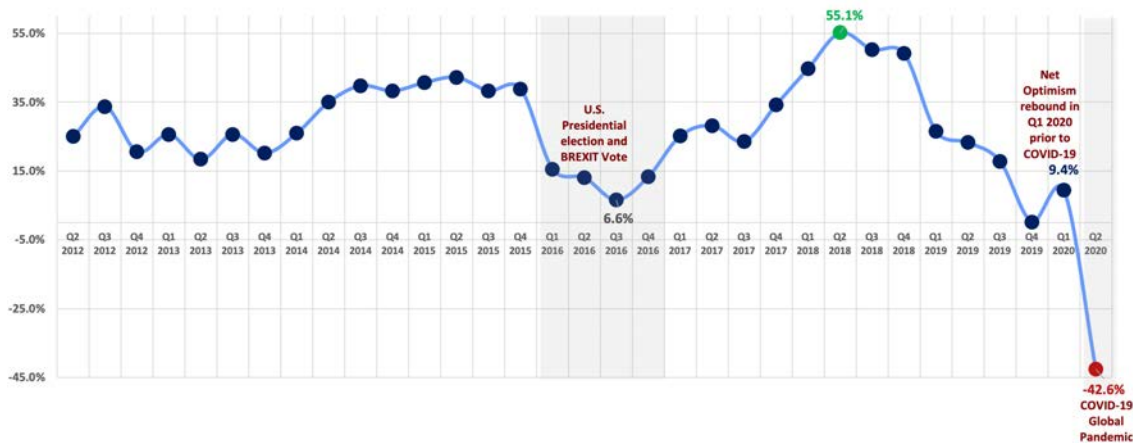
Outlook

The cornerstone of JETNET iQ is “voices of the customer” intelligence. With over 19,000 respondents from more than 130 countries, JETNET iQ’s quarterly surveys of aircraft owners / operators provide unique insights into customer behaviors, opinions, preferences, and intentions. While many companies track their own customers’ sentiment or satisfaction, we recognized the opportunity to monitor the overall optimism of the broader aircraft owner / operator community. We ask respondents to describe the current market conditions for business aviation. They are offered 3 response choices: 1) Past the Low Point; 2) At the Low Point; and 3) Not Yet Reached the Low Point. We calculate a **JETNET iQ Market Sentiment** by subtracting the percentage of respondents who select “3)” from those who select “1).”

Based on these criteria, business aircraft customer optimism in Q2 2018 was the highest ever measured since the question was first asked in Q2 2012, with a JETNET iQ Market Sentiment of 55.1% (see chart below). Since that time, optimism has been trending downwards, falling in 7 of the last 8 quarters to a current low of -42.6% as of Q2 2020. Note that the Q2 2020 Survey was fielded from late April through early June 2020, and incorporates the full effects of COVID-19. Results are in stark contrast to those from our Q1 2020 Survey, which was fielded from mid-January through early March 2020, prior to the WHO’s COVID-19 pandemic declaration. Interestingly, respondents suggest that the year 2020 got off to a comparatively good start, with a Q1 2020 JETNET iQ Market Sentiment of +9.4%, reversing six consecutive quarter-over-quarter (QOQ) declines. The only time we have witnessed anything similar in the historical data was in 2016, when the JETNET iQ Market Sentiment collapsed to 6.6% in Q3 2016, in the midst of a highly contentious U.S. Presidential election and the U.K. vote to leave the European Union (Brexit).

While customer optimism metrics may seem like things that are “good to know,” their real value comes when considering what they can tell us about current and future customer behaviors, including buying and selling aircraft. The relationship of the JETNET iQ Market Sentiment to aircraft sales is most noticeable in the pre-owned market, where there is effectively no order backlog or need for a customer specification meeting to delay and decouple the time of the transaction to the aircraft acceptance, as we often see in new aircraft orders and deliveries. We have to recall that, while 63% of the world business jet fleet is currently based in the U.S., 66% of pre-owned retail sales and leases in January through May 2020 have been to a U.S. buyer, unchanged year-over-year (YOY). Contributing factors to somewhat higher U.S. sales include low commodity prices, weak international currencies, and diminished confidence in markets that were hard-hit by the COVID-19 pandemic before it became a source of U.S. daily news headlines. Pre-owned business jet retail sales and leases were down 15% YOY in 2019, and have declined 25% YOY in the first 5 months of 2020, and by 37% in March/April/May 2020 YOY, in line with changes in the JETNET iQ Market Sentiment. In anticipation of the results of our next JETNET iQ Survey (to be launched in mid-July 2020), we expect Q2 2020 to mark the floor of this downturn in the JETNET iQ Market Sentiment.

JETNET iQ Market Sentiment
Net Optimism (-100% to + 100% Scale)



Empowering Progress



By Timothy Obitts
President and CEO
National Air Transportation Association



The National Air Transportation Association (NATA) team has been working tirelessly to fulfill our 80-year promise to our members and the aviation business community – empowering their safety and success. We are here to be their voice and address their concerns and find solutions with Capitol Hill, the regulators (FAA, TSA, DOT, CBP, DHS, IRS, etc.), state and local governments, and airports. It is important to be proactive, and this is accomplished through having a diverse Board that represents each segment of aviation businesses and by actively working with each of NATA’s seven committees. More importantly, it’s not just everything we have achieved, it’s how it’s accomplished. This is done by being a guide, a resource, a beacon for the entire industry – member or not. By accepting that we might not have the immediate answer at first, but by continuously seeking to fill that knowledge gap with varied perspectives, intelligence, expertise, and experiences, we can affect change and make a difference. Finally, by acting as a force for those who rely upon us, while also knowing that it is vitally important to monitor and maintain the pulse of the industry.

And, we don’t stop at just listening...we develop plans, immediately act, and observe our progress to continuously make any course corrections and improvements. This is how change happens, and progress is made. This collaborative, proactive approach is how we have advanced solutions for all aviation businesses.

Over the past few months, we have witnessed the NATA staff and industry take decisive action in the face of unprecedented challenges. Since early March, the NATA team has worked closely with our committees, created a COVID Task Force, and worked with many aviation businesses to advocate for programs and provide a steady pipeline of information and guidance to empower our industry’s safety and success. Some of our most notable achievements include developing standard operating procedures during a pandemic and in preparation for return to normal, launching the Safety 1st Clean standard, obtaining much needed

regulatory relief and exemptions from the FAA, rolling out new programs to help aviation businesses, and shepherding members and nonmembers in accessing federal assistance programs (CARES Act) to help preserve our industry’s skilled workforce. We have also worked in close collaboration with the other general aviation associations (NBAA, GAMA, HAI, EAA, AOPA) to seek relief, as we truly believe that there are times when working together is the best course of action.

Even as we have worked to overcome new obstacles, NATA is making progress in our continued efforts with the Federal Aviation Administration (FAA) to identify and stop illegal charter activity. New industry polls are substantiating our efforts and our members’ perspective that we must remain ever vigilant in educating all stakeholders on the risks of illegal charter – a task our leadership team is actively engaging in through the support of industry initiatives, webinars, articles, and podcasts. In May, the FAA sent an informational letter to certificated pilots to remind them that a private pilot may not fly for compensation or hire unless that pilot holds a commercial or airline transport pilot license (i.e., Part 135). With severe market interruptions over the past few months, we applaud the agency’s work in getting ahead of this issue and collaborating to help prevent it from worsening as demand from new entrants increases.

In recent weeks, we have been pleased to see the energy surrounding the quick, industry-wide adoption of the newly launched Safety 1st Clean standard. Safety 1st Clean was created by NATA’s Safety Committee to provide general guidance on facility cleaning, disinfecting, and facility operations in response to the pandemic. The goal of Safety 1st Clean is to safeguard FBO team members, clients, corporate assets, and the general public. Safety 1st Clean is a free, self-certified program, that can be achieved through the increased safety protocols and programs businesses have already put in place – further emphasizing their commitment to their employees and customers.

Finally, with an increased focus on our industry, NATA is working on ways to help our members use their voice to tell the unique story of how their essential businesses empower their airports, customers, communities, and the economy of their country. Drawing on those voices to fuel the attention, excitement, innovation, service, and compassion that are synonymous with our industry is how we will all continue to put safety first; empower success; demonstrate our immense value; provide the economic engine that moves the country forward; foster new business pipelines; and attract and retain a diverse, enthusiastic, and skilled workforce, no matter what lies ahead.

“...business aviation is in a unique position to be a key player in restarting the economy...”

We at NATA believe that business aviation is in a unique position to be a key player in restarting the economy, and that NATA members are able to provide a safe, secure, and clean way to travel in which the public can be confident. The need for our industry is further highlighted by the fact that Part 121 commercial passenger airlines have obtained exemptions from DOT to temporarily cease operations to many commercial airports. It is imperative that as an industry we are proactive in telling our story to the general public. These are exciting times and we as an industry have much to do. The NATA team is pleased and humbled to help and serve the industry.

For additional information, see NATA’s Coronavirus Resource Page at: <http://www.nata.aero/advocacy/coronavirus>



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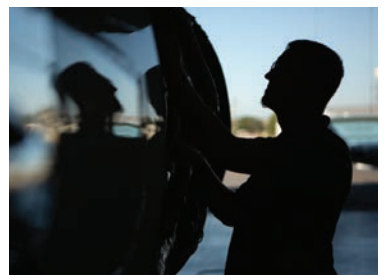
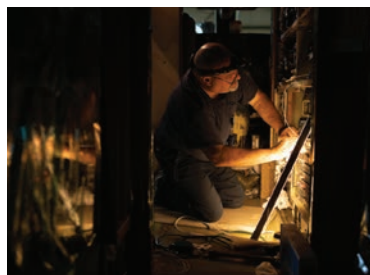
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Business Conditions

GDP



The Economist's **GDP forecasts** for the U.S. and Euro Area economies were lowered to -4.8% and -8.2% respectively in 2020; U.K.'s 2020 growth rate is -8.7%; China is the only major business aviation economy expected to grow in 2020, but by just 1.0%



Business jet cycles (take-offs and landings) in May 2020 up over April but down YOY, by -59% for U.S. Part 91 (an improvement from -78% in April YOY), by -54% for U.S. Part 135 (vs. -74%), by -71% for U.S. Part 91K (vs. -84%), and by -58% for Europe – all operations (vs. -69%)



The **S&P 500 Index** (U.S.) was down 6% YTD from January 2 to June 30, 2020 but up 3% YOY; The **FTSE 100** (U.K.) was down 19% YTD from January 2 to June 30, 2020, and down by 18% YOY



U.S. Index of **Consumer Sentiment** was 72.3 in May 2020, up from 71.8 in April but down 28% from February 2020; Euro Area **Economic Sentiment Indicator** was 75.7 in June 2020, up from 67.5 in May but down 27% from 103.4 in February 2020 at the onset of COVID-19



U.S. initial **unemployment claims** were 47.2 million in the 14 weeks ending June 20, 2020; U.S. unemployment rate (SA) was 13.4% in the week ending June 13, 2020 (representing ~19.5 million people)



U.S. **Purchasing Manager Index** (PMI) was 43.1% in May 2020, down from 50.9% at the beginning of the year; Euro Area **Business Climate Indicator** was -2.3 in June 2020, up from -2.4 in May (lowest since September 2009)



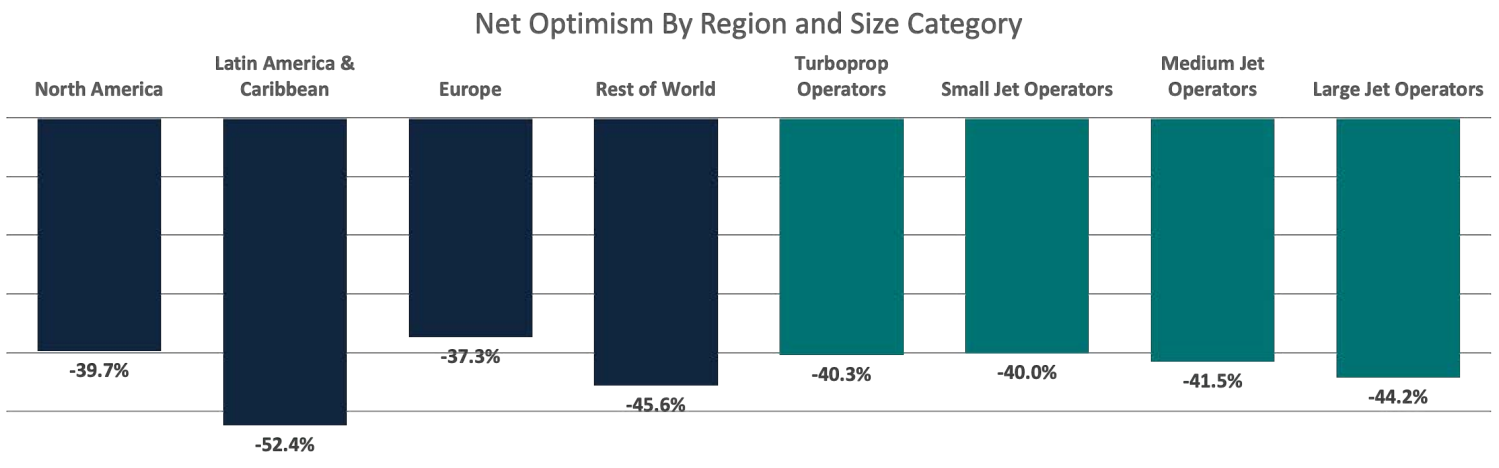
Transactions of pre-owned business jets (retail sales and leases) in January-May 2020 were down 22% to 148/month YOY while days-on-market were up 7% to 280 days/month YOY based on JETNET data



GAMA's Q1 2020 shipments of business jets (114 units) and turboprops (71 units) were down by 19% and 42% YOY, respectively; Q2 2020 shipments are expected to be the low point of the current COVID-19 down cycle

JETNET iQ Market Sentiment

Net Optimism By Region and by Aircraft Size Category in Operation
Q2 2020 JETNET iQ Survey



Source: Q2 2020 JETNET iQ Survey
(n= 512 respondents from 61 countries)

Optimism amongst business aircraft owners and operators shifted sharply downwards in Q2 2020, based on responses to the JETNET iQ Global Business Aviation Survey. Aircraft owners / operators in Latin America & Caribbean and in Rest of World (Asia Pacific, Middle East, Africa, and CIS) were somewhat more pessimistic than the global

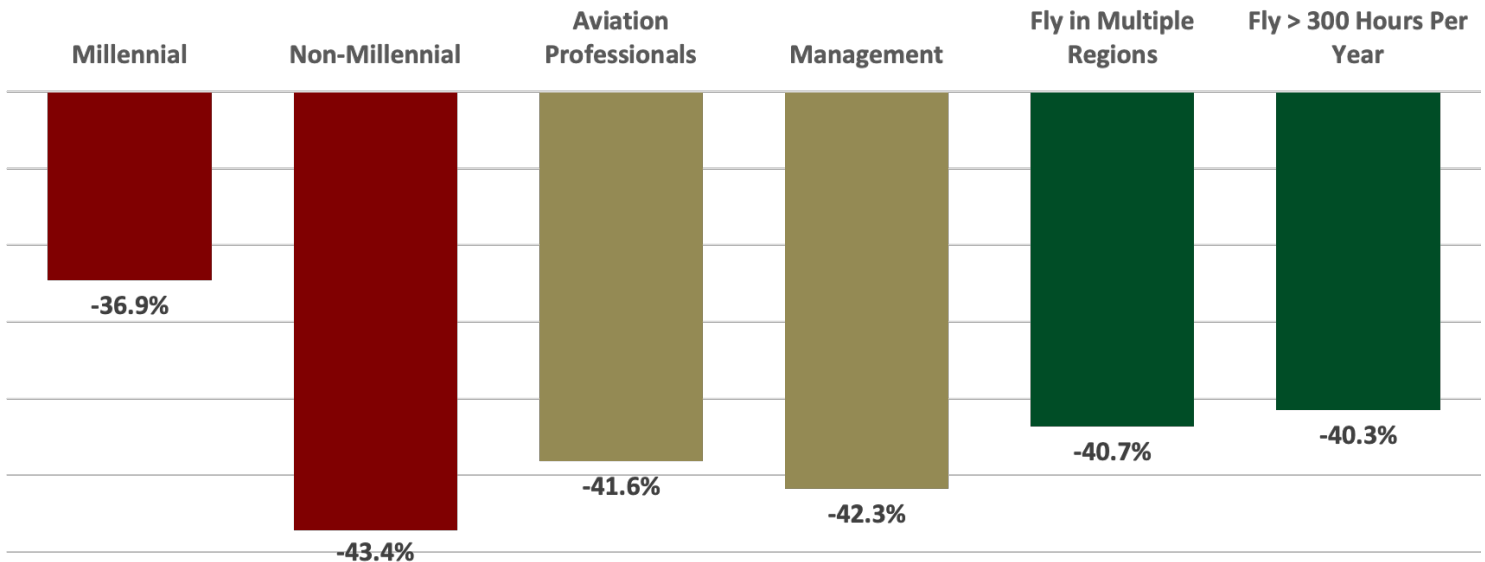
average of -42.6% in Q2 2020. Owners / operators of Large Jets were somewhat more pessimistic than were those with smaller aircraft, likely a reflection of the imposition of border closures and quarantine requirements on international travel.

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JETNET iQ Market Sentiment

Net Optimism By Respondent Age, Job Responsibility, and Flight Operations Profile
Q2 2020 JETNET iQ Survey

Net Optimism By Various



Source: Q2 2020 JETNET iQ Survey
(n= 512 respondents from 61 countries)

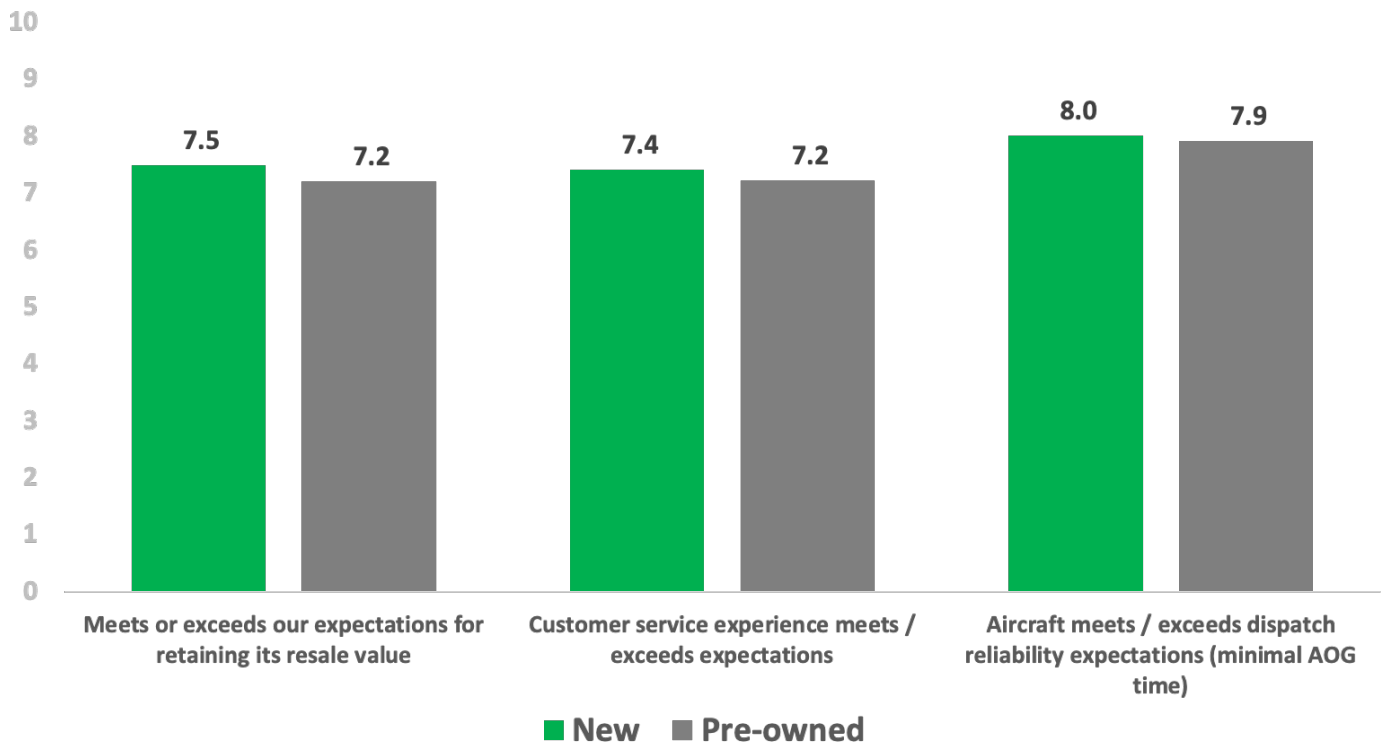
Millennial respondents appear to be more optimistic regarding current market conditions than are non-millennials, which may reflect the fact that they have less experience with the duration or severity of cyclical downturns. There is little apparent distinction in responses

based on job responsibility or operational profile, highlighting the broad-based challenges facing the industry in its return to growth.

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Customer Satisfaction with Aircraft Purchase

Based on Most Recent New and Pre-Owned Aircraft Purchases
(1-to-10 Scale, where "10" is Highest)
Q2 2020 JETNET iQ Survey



Source: Q2 2020 JETNET iQ Survey
(n= 512 respondents from 61 countries)

Respondents to the Q2 2020 JETNET iQ Survey were generally satisfied with the dispatch reliability of their aircraft, whether or not their most recent purchase was a new or pre-owned model. They were also quite pleased with their customer service experience and with the way their aircraft retains its resale value relative to their expectations. While overall scores varied between 7.2 and 8.0 on a 10-point scale, purchasers of new aircraft were somewhat more satisfied than those purchasing pre-owned models. In 2019, pre-owned aircraft purchases outnumbered new purchases by a factor of

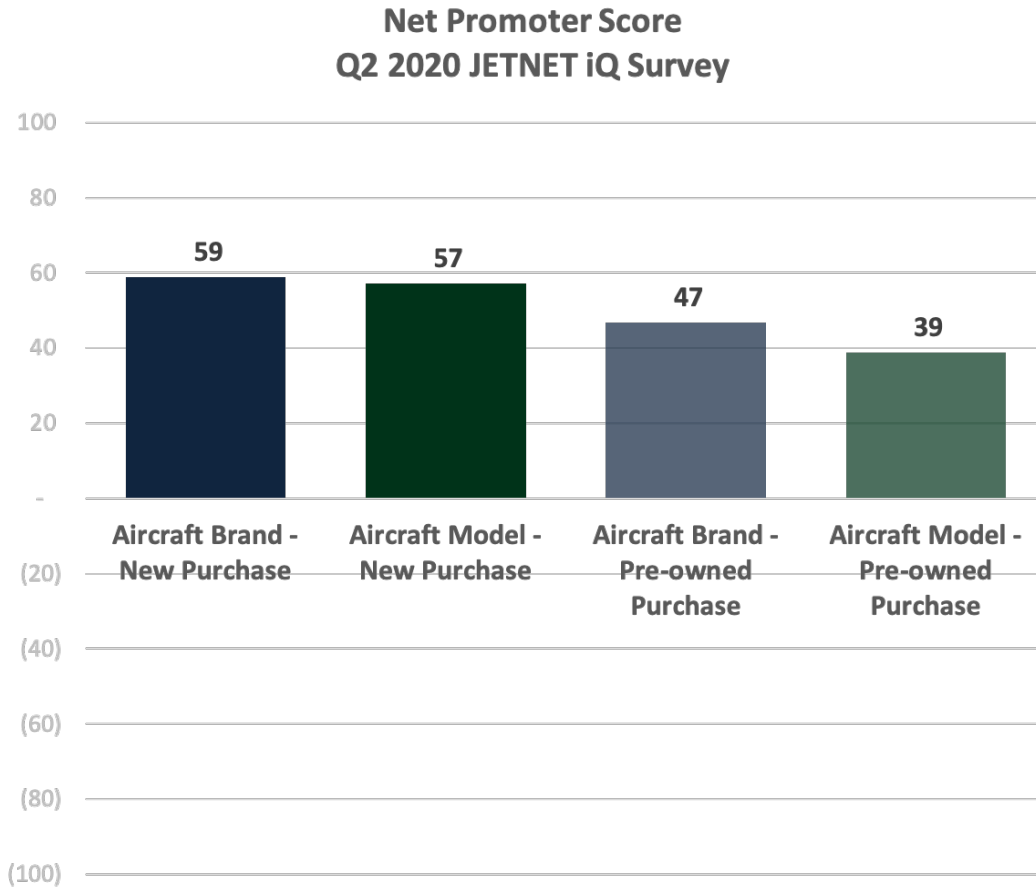
more than 3-to-1 worldwide.

While these scores reflect industry averages, further analysis indicates that there is considerable variability in scores by aircraft brand, with some OEM brands scoring significantly higher than others. Such analyses can be particularly revealing when they incorporate data on brand awareness, brand quality, and brand loyalty, all of which are available to customers with access to the JETNET iQ survey database.

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Net Promoter Scores

Based on Most Recent New and Pre-Owned Aircraft Purchases
 -100 to +100 Scale, where “+100” is Highest
 Q2 2020 JETNET iQ Survey



Source: Q2 2020 JETNET iQ Survey (n= 512 respondents from 61 countries); Note: Net Promoter Score measures the % of respondents who are “Promoters” – scoring “9” or “10” on a 10-point scale, less the % scoring “0” to “6”

Respondents to the Q2 2020 JETNET iQ Survey were generally pleased with their most recent new aircraft purchase, scoring an impressive +59 (brand purchased) and +57 (model purchased) on a scale of -100 to +100, where “+100” is the highest possible rating. Net Promoter Scores (NPS) were calculated based on responses to a question as to whether they would recommend the brand / model that they had most recently purchased to a friend or client. An NPS above 0

is considered to be “Good,” whereas an NPS above 50 is considered to be “Excellent.” As with Customer Satisfaction scores, JETNET iQ Surveys reveal a significant variation in NPS scores by OEM brand and model. Overall, NPS scores in the ranges revealed by the Q2 2020 JETNET iQ Survey bode well for aircraft sales as the market rebounds in a Post COVID-19 world.

About JETNET iQ

JETNET iQ is a business aviation market research, analysis and forecasting service consisting of three main elements:

- **JETNET iQ Reports** are the definitive analytical reference for business aviation, incorporating quarterly state-of-the-industry analyses, owner / operator surveys, and detailed delivery and fleet forecasts;
- **JETNET iQ Summits** are annual industry conferences providing unique data, insights and networking opportunities; and
- **JETNET iQ Consulting** provides customized research and analysis for clients on a project-by-project basis.

JETNET iQ Reports are available in various formats on a subscription basis, and are published regularly by JETNET LLC, 101 First Street, Utica, NY 13501 - **currently offered at 8 different levels**. JETNET iQ is a partnership between JETNET LLC of Utica, New York and Rolland Vincent Associates, LLC, of Plano, Texas.

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Since late 2010, JETNET has conducted quarterly surveys of the worldwide community of business aircraft owners and operators in order to gauge customer sentiment, brand perceptions, aircraft purchase, selling, and utilization expectations, and other factors. JETNET iQ Global Business Aviation Surveys are password-protected and by invitation-only. Potential respondents are drawn randomly from the JETNET worldwide database of business jet and business turboprop owners and operators; they are initially contacted by telephone and/or e-mail by JETNET's team of multilingual researchers. Target respondents include chief pilots, directors of aviation, and senior management. Each survey includes at least 500 respondents in 50 or more countries each quarter, and respondents closely reflect the worldwide distribution of the business jet and turboprop community.

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Appendix

Data sources:

GAMA shipments report (Q1 2020): <https://gama.aero/wp-content/uploads/2020ShipmentReportQ1-05272020Final.pdf>

GDP growth forecasts (2020): The Economist – June 27, 2020

<https://www.economist.com/economic-and-financial-indicators/2020/06/27/economic-data-commodities-and-markets>

Stock Markets:

S&P 500 Index: <https://www.marketwatch.com/investing/index/spx>

London Stock Exchange (FTSE 100) : <https://www.londonstockexchange.com/indices/ftse-100>

Unemployment: Bureau of Labor Statistics (U.S.); <https://www.dol.gov/ui/data.pdf>; "SA" = seasonally adjusted

Consumer Confidence: University of Michigan Survey of Consumers (U.S.); <https://data.sca.isr.umich.edu/fetchdoc.php?docid=65386>;

European Commission (Euro Area) – Economic Sentiment Indicator; https://ec.europa.eu/info/sites/info/files/full_bcs_2020_06_en.pdf

Business Confidence: US ISM Manufacturing PMI (U.S.)

<https://www.instituteforsupplymanagement.org/about/MediaRoom/newsreleasedetail.cfm?ItemNumber=31182>

Eurostat (Euro Area); https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ei_bsci_m_r2&lang=en

Business aircraft fleet, deliveries, transactions, days-on-market (DOM), utilization: JETNET; DOM refers to aircraft that were sold / leased

Survey results: JETNET iQ Global Business Aviation Surveys (Quarterly)

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Definitions and Abbreviations:

For the purposes of these Reports, business aircraft may be classified into 4 primary categories, reflecting propulsion, price, performance, and weight class differences. These categories are: Turboprops (Single-Engine Turboprops - SETP and Multi-Engine Turboprops - METP), Small Jets (Personal Jets, Very Light Jets, Light Jets), Medium Jets (Super-Light Jet, Mid-Size Jet, Super Mid-Size Jet), and Large Jets (Large Jet, Large Long-Range Jet, Large Ultra Long-Range Jet, Airline Business Jet). The "Personal Jet" category includes single-engine turboprop-powered models, today represented by the Cirrus Vision Jet.

S&P: Standard & Poor's

EIS: Entry in Service

FTSE: Financial Times Stock Exchange (London)

GAMA: General Aviation Manufacturers Association

GDP: Gross Domestic Product

OEM: Original Equipment Manufacturer

QOQ: Quarter over Quarter

TTM: Trailing Twelve Months

YOY: Year over Year

YTD: Year to Date

Disclaimer:

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