JETNET iQ PULSE

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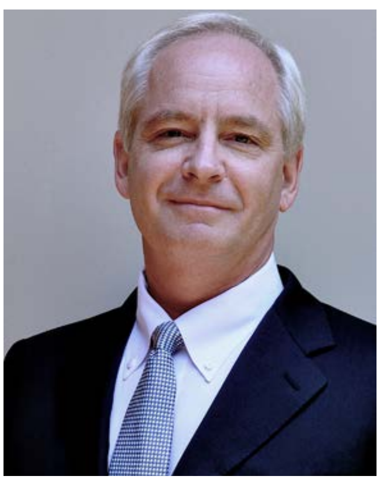


Fly Like an Eagle

Truth be told, there are times when I look to the seemingly effortless flight of a bird and imagine the complexity and elegance of the creature. Super lightweight, long-ranging, quiet in operation, fuel-efficient, with an impressively low carbon footprint, and highly evolved internal navigation systems and with near-instant vertical takeoff and landing capability, we need look no further for ideas on next-generation aircraft design. From the fascinating little hummingbird to the majestic broad-winged raptors, the *aves* class of warm-blooded vertebrates includes more than 10,000 recognized species with a breadth that puts to shame the couple of hundred models of civil aircraft that ply our skies today.

In the mid-1970s, The Steve Miller Band had a huge hit with *Fly Like an Eagle*, a song since covered by Grammy Award-winning British singer-songwriter Seal. With signs of Spring now evident in the Northern Hemisphere, getting back to "new normal" flying is on most people's radar, whether that means aboard a commercial or business & general aviation aircraft.

"With signs of Spring now evident in the Northern Hemisphere, getting back to "new normal" flying is on most people's radar"

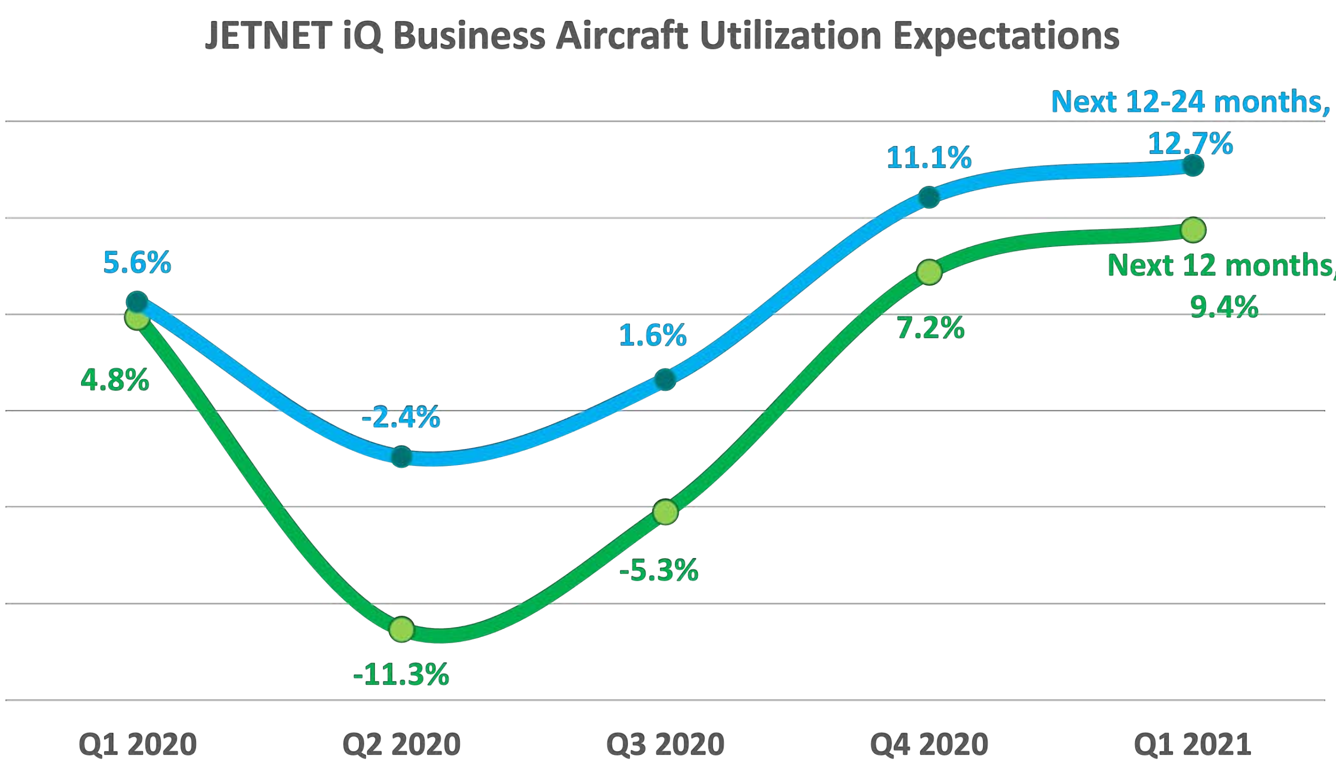
Aircraft utilization is a fundamental health indicator for the industry. While we can take solace in realizing that business aviation has fared better than many others throughout the COVID-19 pandemic, we monitor flight activity at a detail level to reveal how different segments of the market and regions are performing. We look forward to what could be a surge in flight activity worldwide as the rate of vaccinations accelerates and fears about travel and face-to-face activities subside. While nature, as always, has a way of reverting to the mean, the return of business jet flying is proving so far to be centered largely on charter and fractional demand. Larger cabin and non-commercial operator flight activity remains more muted and neither has yet to recover to pre-COVID levels based on the most recent flight tracking data that we analyze. With increasing evidence that business meetings and industry conventions are finally being planned, leaders from across the business aviation industry should be aware of the increasing potential for a broad-based recovery in business aircraft flying, especially in the latter half of this year. Will we be ready?

Sheryl Barden, one of our industry's most acknowledged experts on all things people, joins us in this issue of JETNET iQ PULSE to share insights on the ever-evolving world of the business aviation workplace. As organizations grapple with the most effective means to engage and re-engage with their people – whether they are working remotely or not – Sheryl's observations on professionalism are timely, classy, and hands-on practical.

Outlook

Numerous indicators suggest that flight operations activities are in a slow but steady recovery mode. Our JETNET iQ Surveys of business aircraft owner / operator opinions include an on-going question about expectations for future flight activity (as measured in average flight hours per fixed-wing turbine aircraft), looking forward over the next 12 months and the next 12-to-24-month periods. Early indications from the Q1 2021 JETNET iQ Survey (which is currently in the field) suggest that customers are expecting flight hours to increase ~9% per aircraft this year, and by a further 13% in the next 12-24 months. If this expectation turns out to be accurate, the industry is on a path to full recovery of flight operations sometime in the latter half of 2022.

While this outlook is based on global averages, we fully expect some regions and market segments to recover more quickly than others. Although thoughts of a 18-20-month recovery timeframe may not bring joy to many leaders across the industry already anxious to return to the "new normal," it is reassuring progress given the depth of the recent industry trough in Q2 2020.



Source: JETNET iQ Global Business Aviation Surveys;
Q1 2021 JETNET iQ Survey in progress; 270 respondents to date on the way to a target of 500+ respondents

Keeping It Classy: Setting a New Tone for Professionalism

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API™ It's About People.
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Regardless of our particular roles, we—all of us—serve as ambassadors for our companies. How we show up, how we lead, how we listen and communicate are all facets of being an aviation professional. And one more facet is our pursuit of self-development, in an ongoing quest for continuous improvement.

What is professionalism?

The NBAA Safety Committee identifies professionalism in aviation as: "The pursuit of excellence through discipline, ethical behavior and continuous improvement." And NBAA board member Rich Walsh adds to that description by emphasizing the need for people to be "committed to sharing and developing the talent around them." What Rich is saying is that a professional must have the expertise to mentor and the humility to be willing to be developed.

So, how do we develop as aviation professionals? And as we begin to head back to the office or hangar, how can we reset the right tone and raise the bar? Especially after a year of emotionally wrought events—the pandemic, natural disasters, civil unrest and political divide.

Following are a few observations:

- **Listen**

Many people have things to say, but few are actually willing to listen. As we become more attuned to our team and our surroundings, we naturally become more open to new ideas. But when we are too busy to listen—when we turn to our phones, jump in too soon with our opinions or make premature assumptions—we prevent others' thoughts and ideas from being adequately expressed. Listening heightens our awareness. Plus, it's a sign of courtesy, maturity and respect.

Author and lecturer Dr. Brené Brown said: "One of the fastest ways we build trust is when we listen more than we talk. We ask what's getting in the way and we try to figure out our part in things. What are we doing that's undermining trust and safety in our teams? That's really where we have to start."

Keeping It Classy: Setting a New Tone for Professionalism (cont.)

- **Lead by Example**

Leadership roles are given to those who look and act the part. Those who "walk the talk," so to speak. Is everyone on the team carrying his or her own weight? As a leader, are you having the hard conversations with the difficult employee who's making life miserable for the others? I've learned firsthand that the biggest demotivator to taking corrective action is when I don't act swiftly enough to begin with.

- **Maintain Civility**

In elementary school, kids are taught "The Golden Rule" and urged to practice kindness ("Do unto others . . ." etc.) Yet somehow—partly due, perhaps, to the increasingly disrespectful tone of network news and social media—many of us have lost our sense of civility. We think we're entitled to share our opinion (sometimes too abrasively). This ill-mannered behavior is creating wide divisions, and when it comes to the workplace, it's fostering an atmosphere that puts our aviation clients and colleagues at risk—operationally, emotionally and physically. It will take hard work, but we can and must re-establish that enviable sense of family-like camaraderie for which business aviation has always been regarded.

- **Ditch the Gadgets**

Our phones have become an emotional crutch, in many respects. Try putting them down and, instead, opt for in-person conversations. Or make a phone call vs. sending an email or text. Our digital interactions with our colleagues may have increased, but thanks to our phones, social media and other impersonal technologies, the ties that bind us are weakening. We're not as personally connected to the people at the other end of our communication as we are when we interact face-to-face.

- **Create Some Distance**

Despite the close relationships we build in business aviation, it's a good rule of thumb to add into them some professional distance. Especially with aircraft owners and "people in the back" of the aircraft. Remember that we're here to serve, not to be someone's buddy. So the rule ought to be to create some space between you and your clients. As I often say to my son and my team alike, "Keep it classy."

- **Be Fit for Duty**

Are you healthy emotionally and physically? Fitness for duty—even when "duty" means working from home—is all about taking good care of yourself. Getting enough rest, creating work/life balance and setting boundaries to create space between work and home—these are all components of fitness as it relates to professionalism.

The path forward

So how about it? In this "new normal" environment, are you "keeping it classy" when it comes to creating your own tone for and concept of professionalism? Dr. Brown tells us that as time passes, a new workplace is emerging, as well as a new idea about what professionalism actually means. The new "professional space" is not the place we used to know—that might be gone for good. But it's been supplanted by something arguably better—a place where we can really establish a new sense of belonging, a new sense of progress and prosperity. One where we can truly help ourselves to grow, and others to thrive.

Sheryl Barden, CAM, is a member of the International Aviation Womens Association (IAWA), Flight Safety Foundation (FSF), Women in Corporate Aviation (WCA), Society for Human Resources Management and the National Business Aviation Association (NBAA). She serves on NBAA's Board of Directors, is Chair of the NBAA Advisory Council and, for six years, served on the NBAA Corporate Aviation Management Committee. Additionally, she's past president of the International Women's Forum of Northern California.


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Business Conditions

GDP

The Economist's **GDP estimates** for U.S. and Euro Area economic growth for 2020 are -3.5% and -7.1% respectively, and -9.9% for the U.K.; China is the only major business aviation economy that apparently grew in 2020 by 2.3% (revised from 1.9%)

Business jet cycles (take-offs and landings) In January / February 2021 were *down* by 31% YOY for U.S. Part 91, *up* by 39% YOY for U.S. Part 91K, *up* by 27% YOY for U.S. Part 135, and *down* by 24% at European airports

Dow Jones Index (U.S.) was up 33.3%, **FTSE 100** (U.K.) was down 12.6%, **CAC 40** (France) was up 25.4%, and **DAX 30** (Germany) was up 35.3% from Mar. 9, 2020 to Mar. 8, 2021

U.S. Index of **Consumer Sentiment** (preliminary) was 76.8 in Feb. 2021, versus 79.0 in Jan. 2021 and 101.1 in Feb. 2020 YOY; Euro Area **Economic Sentiment Indicator** was 93.4 in Feb. 2021, versus 91.5 in Jan. 2021 and 104.0 in Feb. 2020 at the onset of COVID-19

U.S. initial **unemployment claims** were 80.5 million in the 50 weeks ending Feb. 27, 2021; U.S. unemployment rate (seasonally adjusted) was 6.2% in Feb. 2021 (representing ~10.0 million people)

U.S. **Purchasing Manager Index** (Manufacturing PMI) was 60.8% in Feb. 2021, versus 58.7% in Jan. 2020; Euro Area **Business Climate Indicator** was -0.14 in Feb. 2021, versus -0.31 in Jan. 2020

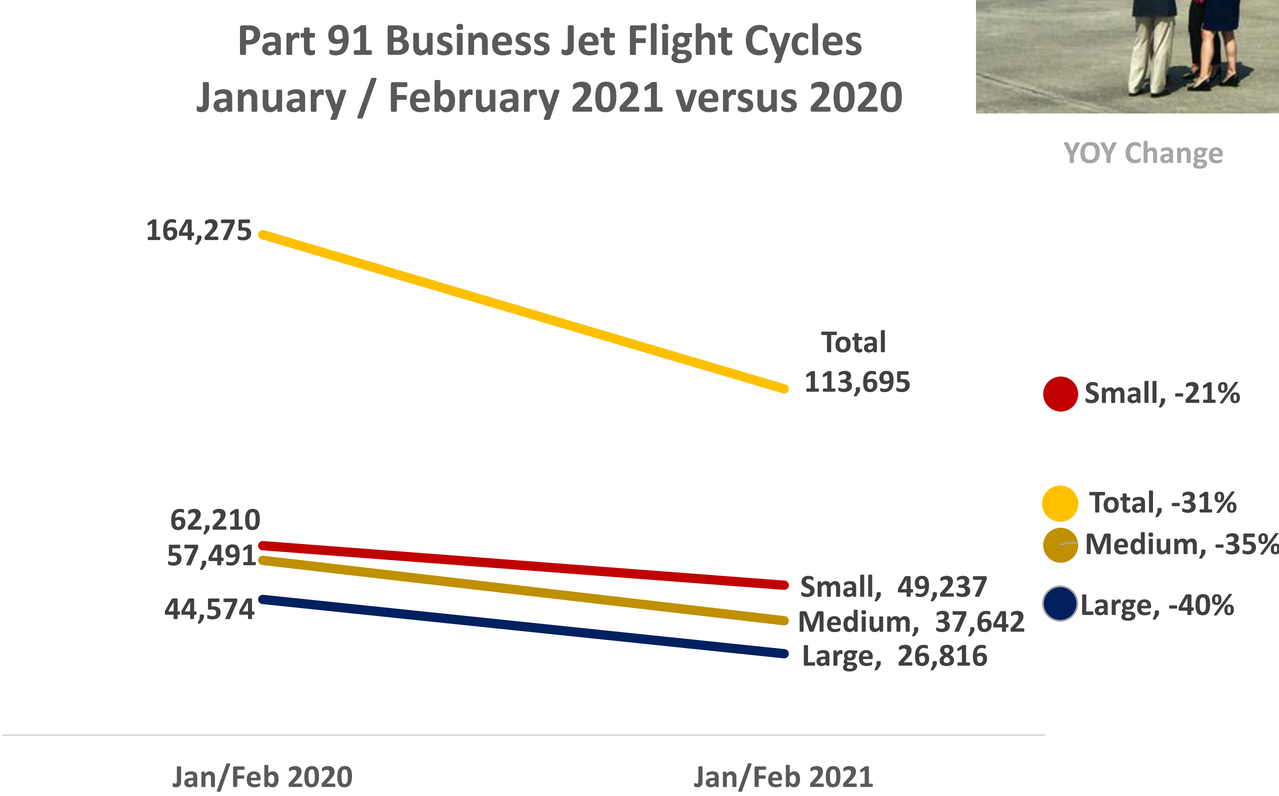
Transactions of pre-owned business jets (retail sales & leases) in Jan. 2021 were down 25% YOY to 149; days-on-market were up 23% YOY to 290 days (preliminary; JETNET as of Mar. 1, 2021)

Business aircraft deliveries in 2021 YTD are 38 jets (including Cirrus, Boeing, Airbus) and 11 turboprops (JETNET as of Mar. 9, 2021)

Business Jet Utilization – U.S. Part 91

Non-Commercial Flight Cycles

Amongst the various flight operations segments, corporate, private, and other non-commercial flight activity remains subdued relative to pre-COVID levels, based on the latest IFR data capture as reported by the U.S. FAA and ADS-B network signals. With so few face-to-face meetings and businesses largely shifted to virtual meeting platforms, the Part 91 segment of the U.S. business jet market has been the hardest hit by the COVID-19 downturn in flight activity. Part 91 flight cycles in January / February 2021 were down 31% versus the same period in 2020, which was largely "pre-COVID" given the WHO's March 11, 2020 pandemic declaration. As is evident across all key regions and flight operations categories, the impacts are apparently inversely proportional to aircraft size, with light jets faring considerably better than their larger brethren. Cycles in January / February 2021 were off 21% YOY for Small Jets but down ~40% for Large Jets based on the latest U.S. data, despite modest underlying fleet growth.

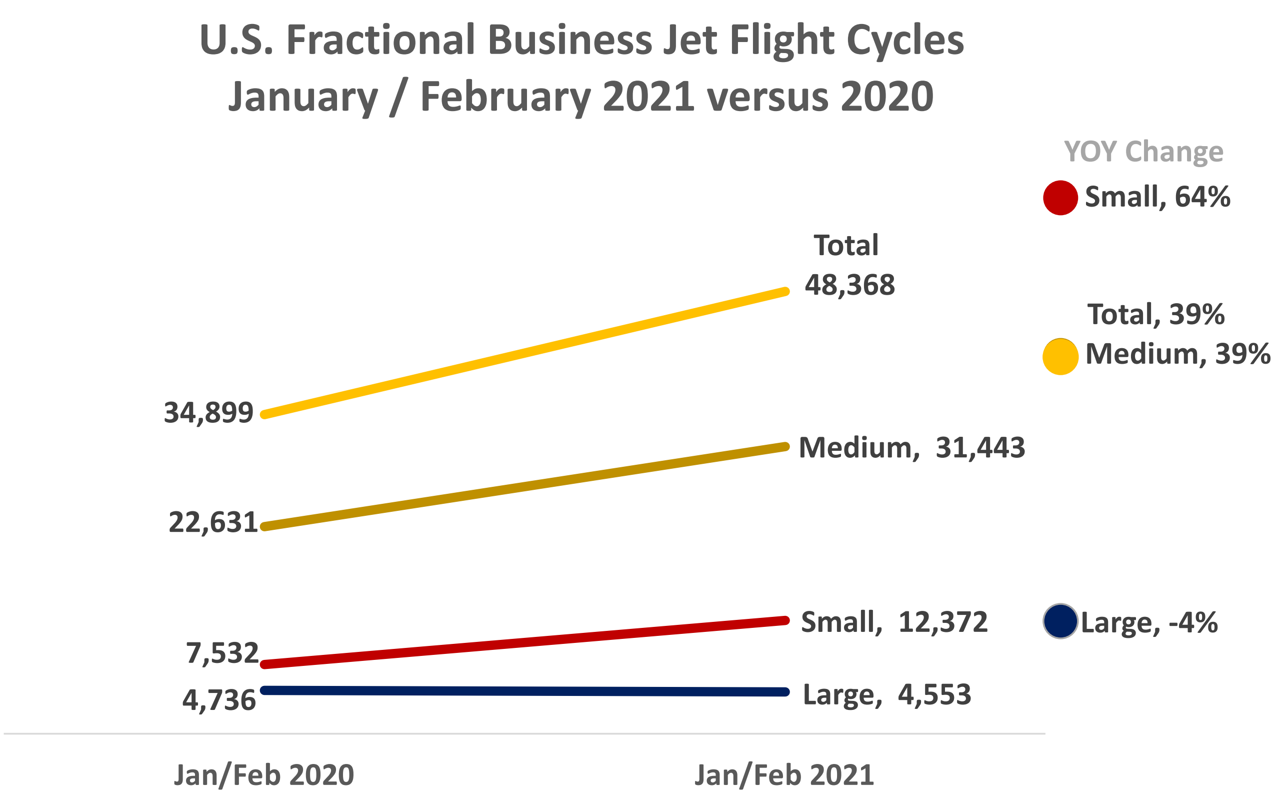


Sources: U.S. FAA / DOT; ADS-B network signals; for definitions of business jet size categories, please see the Appendix

Business Jet Utilization – U.S. Part 91K

Fractional Program Holder Flight Cycles

U.S.-based business jet fractional ownership programs are experiencing dramatically higher demand for Small Jet and Medium Jet flights in early 2021, up 39% YOY based on a comparison of January / February flight activity. Demand is led by the Small Jet category, for which flight cycles were up an impressive 64% YOY. This performance was in stark contrast to Large Jet flying, which was off by ~4% YOY. Embraer's Phenom 300 is the dominant Small Jet model in operation amongst the various U.S. fractional programs, accounting for 80% of the in-service fleet of Small Jet models as of early March 2021, according to the latest JETNET databases. Combined, NetJets, Flexjet / Flight Options, and Airshare operate 124 Phenom 300 / 300E aircraft at this time, according to JETNET.



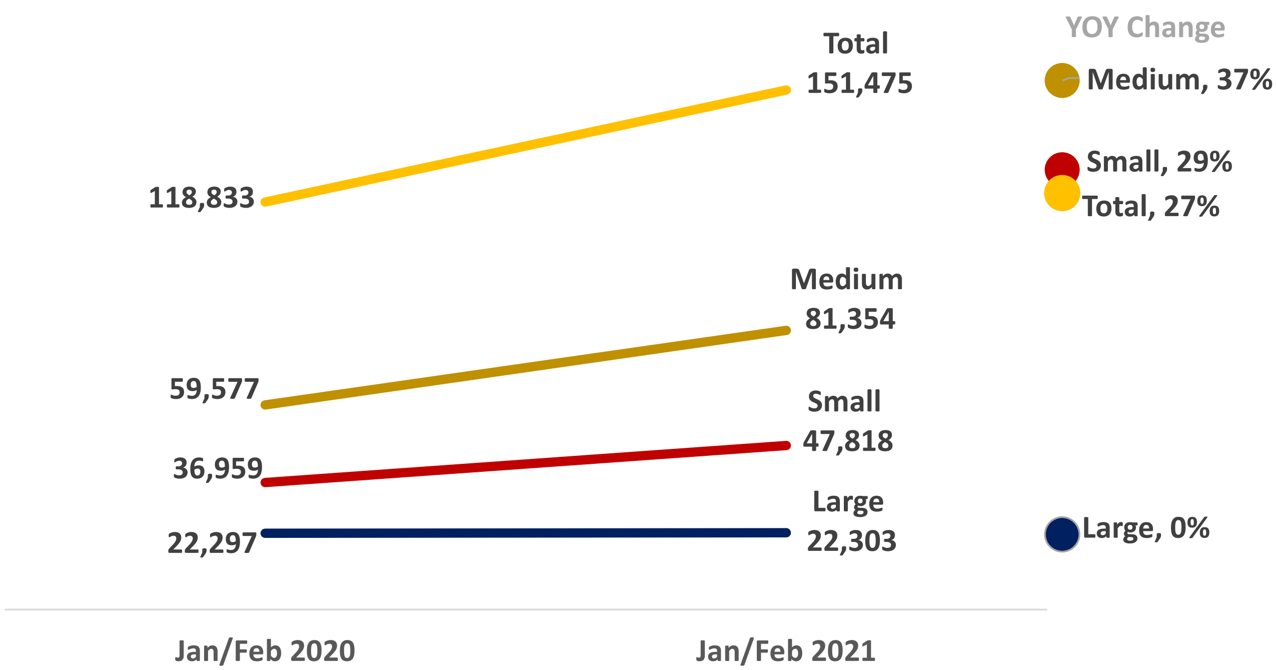
Sources: U.S. FAA / DOT; ADS-B network signals; for definitions of business jet size categories, please see the Appendix

Business Jet Utilization – U.S. Part 135

Commercial On-Demand / Charter Flight Cycles

U.S. business jet charter flights were up 27% in January / February 2021 versus the same period last year, led by Medium Jets. This segment includes popular stand-up cabin aircraft like the Bombardier Challenger 300 / 350 and Gulfstream G280, as well as the more traditional mid-size cabin Citation X, Citation XLS / XLS+, Hawker 800XP, and Learjet 60. This operational category has experienced a demand surge that began in mid-2020 and shows no signs of abating. Charter providers offer their on-demand services with no long-term or ownership commitment, at prices that are attracting a significant share of new customers into business aviation.

Part 135 Business Jet Flight Cycles
January / February 2021 versus 2020



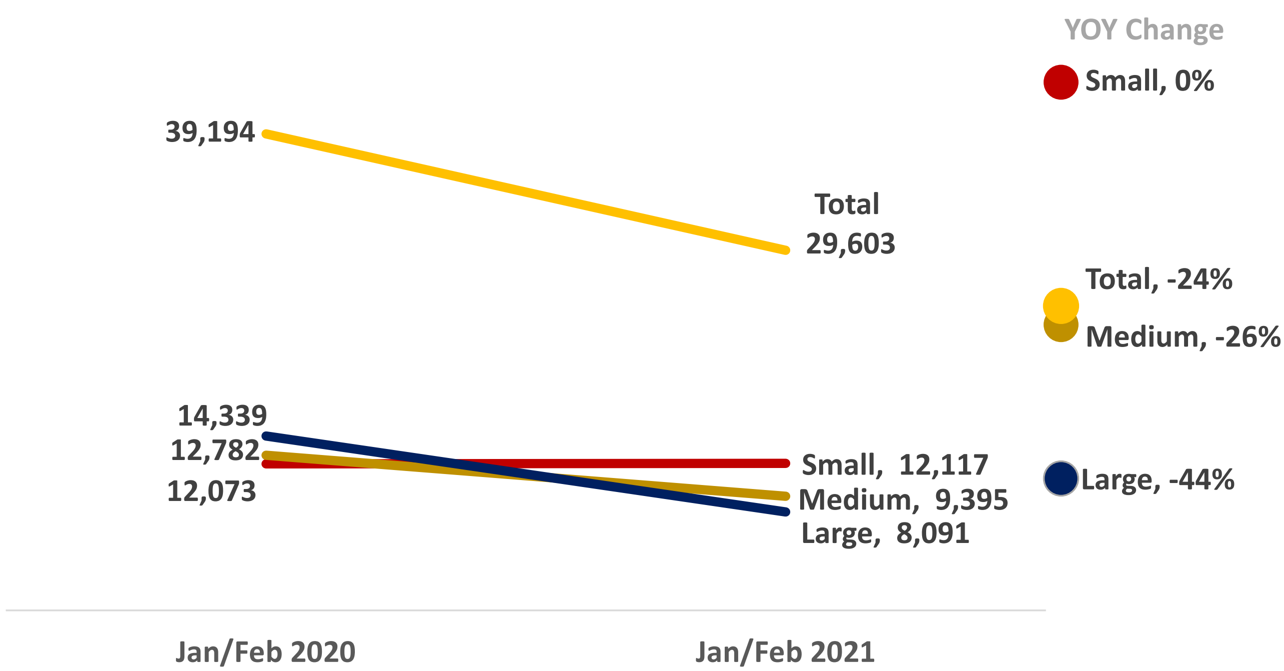
Sources: U.S. FAA / DOT; ADS-B network signals; for definitions of business jet size categories, please see the Appendix

Business Jet Utilization – Europe

Flight Cycles – All Types of Operation

Utilization across Europe, home base for 12% of the world's business jet fleet, remains relatively subdued based on an analysis of flight cycles in January and February 2021 versus the same period last year, just prior to the COVID-19 pandemic announcement. The structure of the European market is complicated by some 45 national and territorial boundaries within the region, and the December 31, 2020 breakaway of the United Kingdom. While overall European business jet activity was down 24% YOY in January / February 2021, U.K. flights were reportedly off by more than 2x that rate. So far in 2021, flight activity has been inversely proportional to aircraft size, with Small Jet flights essentially at par YOY, while Medium Jets are off 26% and Large Jets are down sharply by 44%. This is a pattern that became evident across Europe beginning in mid-2020, with no signs of it abating at this time. In Europe as elsewhere in the world, widescale distribution of COVID-19 vaccines and the re-opening of international borders are developments that cannot arrive soon enough to reinvigorate air travel markets.

European Business Jet Flight Cycles
January / February 2021 versus 2020



Sources: Eurocontrol; ADS-B network signals; for definitions of business jet size categories, please see the Appendix

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 11 different levels**. JETNET iQ is a partnership between JETNET LLC of Utica, New York and Rolland Vincent Associates, LLC, of Plano, Texas.

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:

Real GDP growth estimates (2020): The Economist – March 6, 2021
https://www.economist.com/economic-and-financial-indicators/2021/03/06/economic-data-commodities-and-markets
Stock Markets:
Dow Jones Industrial Average: http://ca.spindices.com/indices/equity/dow-jones-industrial-average
London Stock Exchange (FTSE 100) : https://www.londonstockexchange.com/indices/ftse-100
Euronext Paris (CAC 40): https://live.euronext.com/en/product/indices/FR0003500008-XPAR
Frankfurt Stock Exchange (DAX 30): https://www.boerse-frankfurt.de/indices/dax?mic=XETR
Initial Unemployment Claims: Bureau of Labor Statistics (U.S.); https://www.dol.gov/ui/data.pdf; "SA" = seasonally adjusted
Unemployment: Bureau of Labor Statistics (U.S.); https://www.bls.gov/news.release/pdf/empsit.pdf
Consumer Confidence: University of Michigan Survey of Consumers (U.S.); http://www.sca.isr.umich.edu
European Commission (Euro Area) – Economic Sentiment Indicator; https://ec.europa.eu/info/sites/info/files/full_bcs_2020_09_en.pdf
Business Confidence: U.S. ISM Manufacturing PMI (U.S.)
https://www.instituteforsupplymanagement.org/about/MediaRoom/newsreleasedetail.cfm?ItemNumber=31182
Eurostat (Euro Area); https://ec.europa.eu/eurostat/databrowser/view/teibs010/default/table?lang=en
https://ec.europa.eu/eurostat/databrowser/view/ei_bsci_m_r2/default/table?lang=en
Business aircraft fleet, deliveries, transactions, days-on-market (DOM), utilization: JETNET; GAMA
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 turbofan-powered models, today represented by the Cirrus Vision Jet.

B&GA: Business & General Aviation
EIS: Entry in Service
FBO: Fixed Base Operator (private air terminal)
FTSE: Financial Times Stock Exchange (London)
GAMA: General Aviation Manufacturers Association
GDP: Gross Domestic Product
HNWI: High Net Worth Individual
MTOW: Maximum Takeoff Weight
NGO: Non-Governmental Organization
OEM: Original Equipment Manufacturer
QOQ: Quarter over Quarter
QTD: Quarter to Date
S&P: Standard & Poor's
TTM: Trailing Twelve Months
WHO: World Health Organization
YOY: Year over Year
YTD: Year to Date

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