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Rollie Vincent
JETNET iQ Creator/Director



Oh Happy Day!

News coming out of the U.S. this week was very positive indeed for the business aviation industry. In the midst of an epic battle fraught with emotion, let the back-slapping begin! For the 2nd time in the past 2 weeks, human spirits and (not to be outdone) equity markets were lit up with a fresh injection of Jet-A as biotechnology companies began reporting vaccine trial success rates of 90% or better in the fight against COVID-19. While the pathways to international regulatory approvals, pricing, early access, and distribution are logistical challenges that are more complicated than a heap of tightly snarled wires, these announcements are the first wave of many to come that are testaments to international collaboration and human ingenuity. As the late Edwin Hawkins, an award-winning American gospel and R&B musician and composer, sang about more than 50 years ago, today is indeed an “Oh Happy Day!” For me, this is a reminder that many inspirations and good things, like Mr. Hawkins himself, have their origins in California. Unfortunately, Long Beach-built Douglas airliners – my introduction to civil aviation as a wide-eyed kid – are no longer amongst them.

While winter is clearly on the final approach path for a straight-in landing in

many parts of the Northern Hemisphere, we can all be thankful for some better days ahead, and the opportunities to gather (safely, of course). Whether as family, friends or colleagues, we will heartily toast good-riddance to the Year of the Asterisk. While equity markets continue their steep and who-wudda-thunk gyrations, with the S&P 500 up an impressive 11% in the 2+ weeks since October 30, the airways to clearer skies are opening.

“While equity markets continue their steep and who-wudda-thunk gyrations,...the airways to clearer skies are opening.”

Paul Cardarelli, JETNET’s VP of Sales and one of the most tuned-in observers of all-things aviation, joins us in this issue of JETNET iQ PULSE to share insights into the state of the business aviation marketplace. Paul and I have worked together for more than 10 years, combining the day-to-day JETNET database updates with customer and market intelligence as revealed in JETNET iQ surveys analyses, forecasts, and reports. Paul joined JETNET in 1988 and is one of the industry’s long-serving and most well-liked leaders.

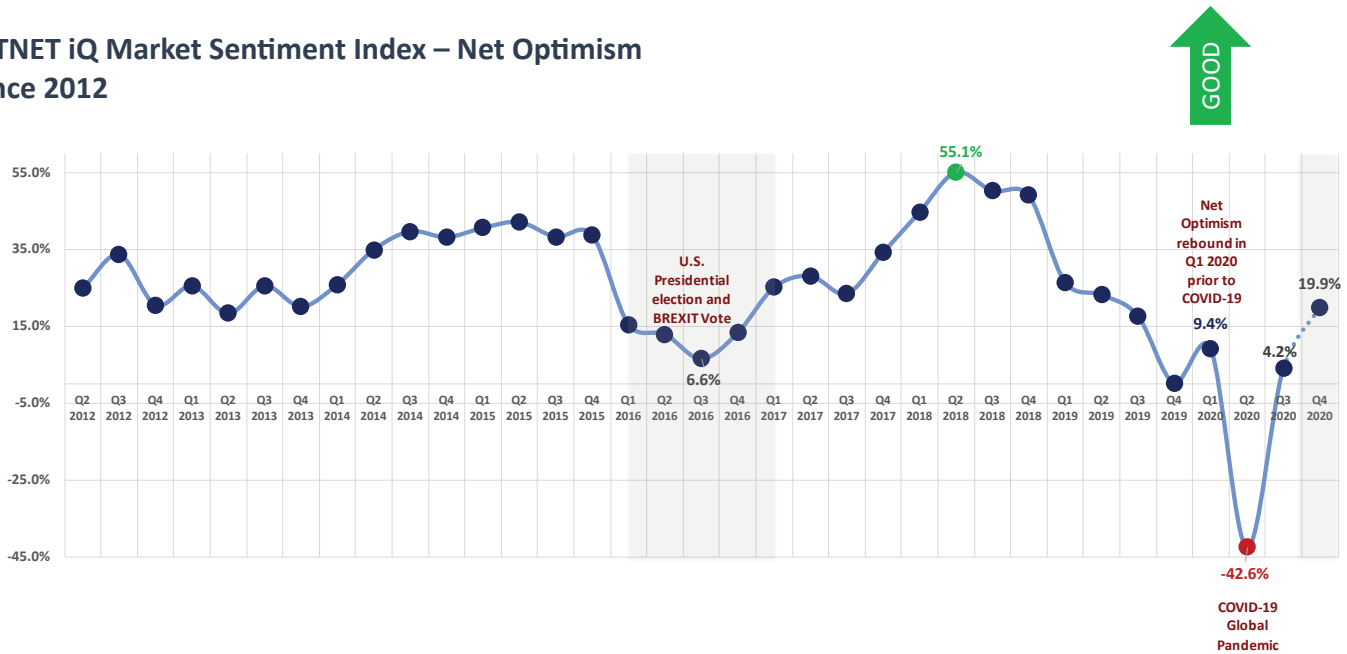


Outlook

As with many aviation topics, it is never too long before it is time to look upwards. While many will proclaim that it is still too early to say that we are through the worst of the COVID-19 pandemic, especially with caseloads rising fast in a near-vertical climb in many nations where business aviation thrives, it is hard to ignore some of the signals that we monitor that suggest we are collectively headed along a recovery trajectory. Pre-owned business jet sales have been amongst the bright spots lately, up 12% in volume YOY in Q3 2020 according to JETNET databases, while inventory levels stay in a healthy range of ~10% of the in-service fleet. While transaction pricing has softened, and overall utilization rates are muted by recent industry standards, there is evidence suggesting that more and more customers are entering the industry for the first time, whether through on-demand charter, fractional ownership, or the purchase of their own aircraft. Older business aircraft models – ones that our fathers and mothers may have flown in for their first time – are hanging around like vintage Volkswagen buses and early Chevy Corvettes, bringing joy and probably a share of maintenance downtime grief to their loyal owners.

Our in-progress Q4 2020 JETNET iQ Global Business Aviation Survey, which was about 40% complete at press time, echoes the return of optimism amongst business aircraft owners and operators. After plummeting to unprecedented depths in Q2 2020, our proprietary Net Optimism metric, which measures the difference between Optimists and Pessimists amongst the business aircraft owner / operator community, has roared back into much better territory, reaching 19.9% in Q4 2020 to date. Although the improvement in market sentiment amongst business aviation’s customers will need to be sustained before we return to levels experienced in mid-2018, we are on a good path towards being able to confidently sing about “Oh Happy Days.” From the perspective of where we were positioned just 6 months ago, the business aviation industry is on a good trajectory towards recovery. As always, vigilance and good scenario planning are critical components of organizational strategies to be prepared for, initiate, and capture opportunities in these dynamic markets.

JETNET iQ Market Sentiment Index – Net Optimism Since 2012



Source: JETNET iQ
Q4 2020 Survey in progress (212 responses from 39 countries to date)

A Year of Unprecedented Decline. Or Was It?



Paul Cardarelli
Vice President of Sales, JETNET LLC

Those of us old enough to boast “I’ve seen a few things in business aviation over the years” will probably agree that we have never seen anything like 2020. It was a year characterized by U.S.

presidential campaign debauchery, global economic decline, and a health crisis of unparalleled dimension. For anyone selling anything, save facemasks or Purell, it was a perfect storm of gastrointestinal distress.

Make no mistake, the market for business aircraft is under stress and this crisis is not helping. But many of the underlying factors for this stress were in place prior to the crisis. The trajectory exhibited by the market today was in place going back to last Fall, well before COVID-19 became part of our common vocabulary. 2019 was itself a year in decline. Compared to 2018 pre-owned sales were off last year by 12% and inventory trended upward ultimately up by 6% YoY. Demand softened because so much post-recession pent-up demand had been satiated in 2017-2018. We launched into 2020 facing the headwinds of a market in cool-down. To that was then added two former market depressants becoming relevant again: 1) BREXIT was ratified in January, and 2) Another contentious U.S. presidential election set for November. In this sense 2020 looked much like 2016 when inventory for sale and retail sales both trended unfavorably.

In March of this year President Trump sounded the alarm on the COVID-19 pandemic. What followed in the U.S., and elsewhere for that matter, was perhaps the most immediate and abrupt disruption of the national economy and workforce since the Great Depression. Over the the course of a few weeks, businesses shuttered, millions of workers were furloughed (or worse), and those of us fortunate to retain employment took up new posts at our kitchen tables, basements, and bedrooms. By April it seemed that a new low for business aviation performance was all but certain. Utilization curtailed sharply and the number of aircraft coming to market began to increase. Here at JETNET we pondered quietly about the market implications of new jet deliveries possibly dropping so low as 50% from the prior year. Drawing comparisons to 2008 could not be avoided. But drawing comparisons is only an exercise in analysis of past events, perhaps with a little introspection mixed in. What matters are the actual actions

“To date in 2020, sellers, dealers, and brokers of business aircraft are showing restraint to not over-react to the negative stimuli that surround today’s market.”

taken in response to an event.

To date in 2020, sellers, dealers, and brokers of business aircraft are showing restraint to not over-react to the negative stimuli that surround today’s market. They are taking a short-term position on the crisis that it is a temporary anomaly that can be waited out. It seems as if some lessons were learned from the recession of 2008. As a result of this discipline many key market metrics have yet to turn exceedingly negative.



...Or Was It? (cont.)

Inventory – there are at the time of this writing just fewer than 2,100 business jets offered for sale, 9.3% of the in-service fleet. This is down some 200 units from July when inventory was at 10.2% – technically a buyer’s market then but just barely so; 10.7% was the highest value recorded to date this year by JETNET. That occurred just briefly in early June when the COVID-19 crisis news was most alarming on the U.S. East Coast. While there has been an increase of aircraft coming onto the market in 2020, the volume has not been so much as to move us into gross oversupply. The situation is nowhere near the recessionary days of 10 years ago when the inventory of business jets for sale swelled to nearly 18%.

Pricing – although softer than in 2019, there is no wholesale degradation of prices for aircraft listed for sale on JETNET in 2020. At the height of the market impact – January to June – composite asking prices on JETNET were as follows in comparison to 2018.

- Multi Engine Turboprops down 2.3%
- Single Engine Turboprops down 3.8%
- Personal and Very Light Jets down 5.1%
- Light/Super Light Jets up 1.0%
- Mid/Super Mid Jets down 0.8%
- Large/Long Range/Ultra Long Range up 0.5%

Regarding Large/Long Range/Ultra Long Range business jets, these have dominated the market both in units and dollars throughout the post-recession era. Their long-term prognosis remains optimistic. In fact, JETNET iQ forecasts this segment, including a supersonic business jet, as comprising 37% of the units and 74% of dollars for all new business jets sales over the next ten years. But quarantines and cross border restrictions are most deleterious on big jets. Inventory for sale was up by 19% YoY through June, from 420 to 500 units offered for sale on a rolling month average for January to June 2019 versus 2020. Retail sales and leases were off 21% YoY to 256 units sold or leased during the same period. It is perplexing that asking prices remained firm throughout the first half of this year, although more recently reality seems to have taken hold on this market segment which now posts asking prices off by 10% and more YoY. As the world emerges from the COVID-19 pandemic it will be interesting to see how quickly this segment recovers.

Retail Sales – Unit sales were down 19% (from 1,169 to 947) for business jets sold in the first six months of 2019 versus 2020 YoY. Certainly, that is substantial. But brokers and dealers report that

phones have been ringing from prospective buyers. One might surmise that the drop in sales was less about declining demand and more about sellers not yet capitulating to distressed market offers. Notably, that decline in sales has been correcting in the 2nd half of this year and is trending now about 1.5% in volume above 2019. July 2020 was particularly strong, with the industry posting a record 253 sales and leases of preowned jets – the most ever in a July.

What has changed this year is the composition of what’s selling – a bit older, a bit larger, and less expensive than last year. For January to June of 2019 the composite of pre-owned business jets sold was a 2004 model priced at \$4.4M USD; the Light/Super Light jet category led the way with nearly a 30% share of all pre-owned business jets sold. So far in 2020 the composite is two years older, a 2002 model priced at \$3.7M with Mid/Super Mid-size jets as the market leader at 27.3% of all jet sales, up 2% YoY.

“.....what’s selling – a bit older, a bit larger, and less expensive than last year.”

With the U.S. presidential elections now behind us and news of COVID-19 vaccines just weeks away we begin to see light at the end of the dark tunnel that is 2020. Preowned aircraft sales are on the move again. If the current pace holds then closing the year in excess of 2,300 sales and leases is well within industry’s grasp. That would mark a 10% decline from 2019. For new deliveries JETNET iQ is now more bullish, forecasting a strong 4th quarter to close the year off about 29% for jets and 25% for turboprops YoY. This all must be regarded as commendable performance during a period of global catastrophe. And if from all this emerges a new breed of young, fresh concept buyers then we may one day look upon this year in a much more positive light.

Happy Holidays – and all the best wishes for a healthy and prosperous 2021!





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Business Conditions

GDP



The Economist's **GDP forecasts** for U.S. and Euro Area economic growth for 2020 are -4.6% and -8.3% respectively, and -10.6% for the U.K.; China is the only major business aviation economy expected to grow in 2020, but by only 1.8%



Business jet cycles (take-offs and landings) from Oct. 1-31, 2020 were down by -32% YOY for U.S. Part 91, but up by 12% YOY for U.S. Part 135, and up by 24% YOY for U.S. Part 91K



The **Dow Jones Index** (U.S.) was up 3.7% YTD from January 2 to November 16, 2020, and up 6.9% YOY; The **FTSE 100** (U.K.) was down 15.6% YTD from January 2 to November 16, 2020, and down by 12.1% YOY



U.S. Index of **Consumer Sentiment** was 81.2 in Oct. 2020, versus 80.4 in Sept. 2020 and 95.5 in Oct 2019 YOY; Euro Area **Economic Sentiment Indicator** was 90.9 in Oct. 2020, flat over Sept. and down from 103.4 in Feb. 2020 at the onset of COVID-19



U.S. initial **unemployment claims** were 67.4 million in the 32 weeks ending October 24, 2020; U.S. unemployment rate (seasonally adjusted) was 6.9% in October 2020 (representing ~11.1 million people)



U.S. **Purchasing Manager Index** (Manufacturing PMI) was 59.3% in Oct. 2020, up from 55.4% in Sept. 2020; Euro Area **Business Climate Indicator** was -0.7 in Oct. 2020, up from -1.2 in Sept. 2020



Transactions of pre-owned business jets (retail sales & leases) in September 2020 were up 9% YOY to 221; days-on-market were up 5% YOY to 279 days; transactions in Q3 2020 were up 12.4% YOY to 672



Business aircraft deliveries YTD as of Nov. 16 were 401 jets (including Cirrus, Boeing, Airbus) and 194 turboprops according to JETNET; we forecast 2020 shipments to be off ~25-30% YOY

Textron Aviation: Bellwether for an Industry

Analysis of Q3 2020 YTD Results

In many ways, the quarterly earnings weeks are all about meeting – and hopefully exceeding – expectations of the investment community. Whether reflected in analytical commentary or ultimately in buy / sell recommendations, the voices of Wall Street, Bay Street, The City of London, Kabutochō, Hong Kong, and financial centers beyond carry heft. Textron Aviation, business and general aviation’s fleet leader with 9,485 jets and 9,481 turboprops currently in service – that’s rather nicely balanced, but who’s counting? – accounts for 50% of the world total, a remarkable base of customers that is one of the prides of the company. At the close of NYSE trading on November 16, the TXT stock price was up 111% since bottoming out on March 23, 2020 in the immediate aftermath of the COVID-19 pandemic announcement.

With a product line that stretches from the lower end of the GA spectrum (4-seat single-engine piston Cessna 172) to the 12-seat twin turboprop Cessna Longitude in the highly competitive super mid-size business jet segment, Textron Aviation has not only earned its stripes over the years, it has continued to reinvent itself to be amongst the industry leaders in almost any way of ranking. Although deeply impacted as are all business aircraft OEMs by the COVID-19 pandemic, Textron Aviation has been alone amongst the larger manufacturers in retaining and even growing its order backlog value this year. Book-to-bill

performance in Q1-Q3 2020 of 1.06-to-1 on a Dollar value basis was pace-setting for the industry, as the company prepares to mark its 8th consecutive year of book-to-bills near 1.0-to-1, as far as we know unmatched in the B&GA industry. While top-line revenues were off by 30% YOY and operating margins were a disappointing -3.8%, Q1-Q3 2020 results were relatively strong given the realities of managing through the COVID-19 pandemic and creating and executing a restructuring plan. Order activity rebounded in Q3 2020, supported by higher aircraft utilization rates, customer / sales team re-engagement, limited competition from young pre-owned inventory, and (we suspect) fleet sales from some of the largest fractional and charter / membership programs. A storied aircraft manufacturer that has significant underutilized production capacity, Textron Aviation is “certainly not straining our supply chain,” according to Textron Inc. Chairman and CEO Scott Donnelly. Having just slowed its entire supplier base and lowered its factory output, Textron Aviation will be challenged to convince suppliers to crank up rates so quickly again, a good 1st World problem for its sales and operations planning team to ponder. With half of the world’s turbine B&GA fleet, Textron Aviation is a bellwether for the entire industry, one to watch closely in the weeks and months ahead for signs of continuing resilience and recovery at the leading edge of the market.

Textron Inc. (TXT) - NYSE Stock Price Performance (\$U.S.) - March 1 - November 16, 2020



Source: Yahoo Finance

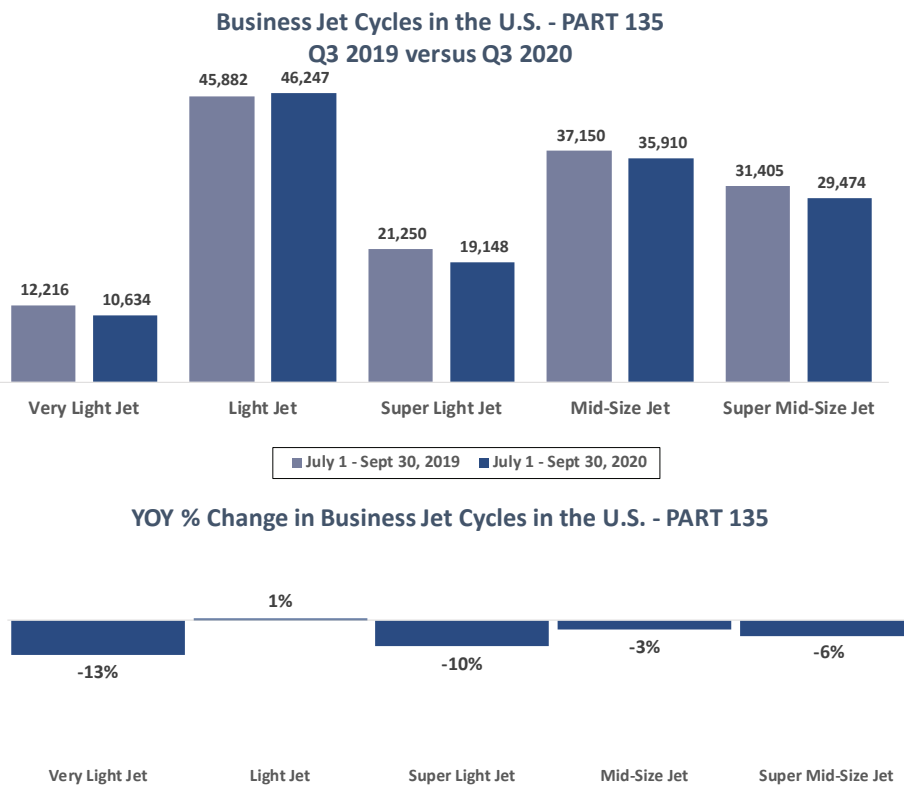
U.S. Part 135 Business Jet Cycles

Very Light Jet Through Super Mid-Size Jet Segments Only Q3 2019 vs. Q3 2020

The Very Light Jet through Super-Mid-Size Jet segments have been the darlings of the recovery in on-demand (so-called Part 135) flight operations in the last several months. An analysis of U.S. flight cycles in Q3 2020 versus the same period one year ago highlights the relative strength of business jet charter, which for all intents and purposes has returned to pre-COVID levels. The comparative strength of the lower end of the business aviation market is in stark contrast with the situation the industry was facing in 2009 in the early aftermath of the Global Financial Crisis, when results at the top of the market were bolstered by sales in the Asia Pacific region, and particularly by buyers in China. Today's recovery is largely built on a foundation of U.S. sales, a situation that somewhat favors U.S.-based OEMs given some evidence of "buy local" tendencies in markets where

there is a domestic-based manufacturer.

Although we are aware of both empirical and anecdotal evidence suggesting that much of the recent charter flying is for personal (and not corporate) purposes, there would appear to be considerable upside to Part 135-style flight activity, in the U.S. and elsewhere. Whether the apparent strength of Part 135 flight operations continues post-COVID remains to be seen, however, and is another 1st World challenge for the industry to manage. Today's new customers will no doubt be teased to consider their best travel options in a world once again serviced by restructured airlines blanketing the market with relatively affordable, reliable, and high frequency scheduled air services.



Source: JETNET IQ

* For aircraft size category definitions, please refer to the Appendix

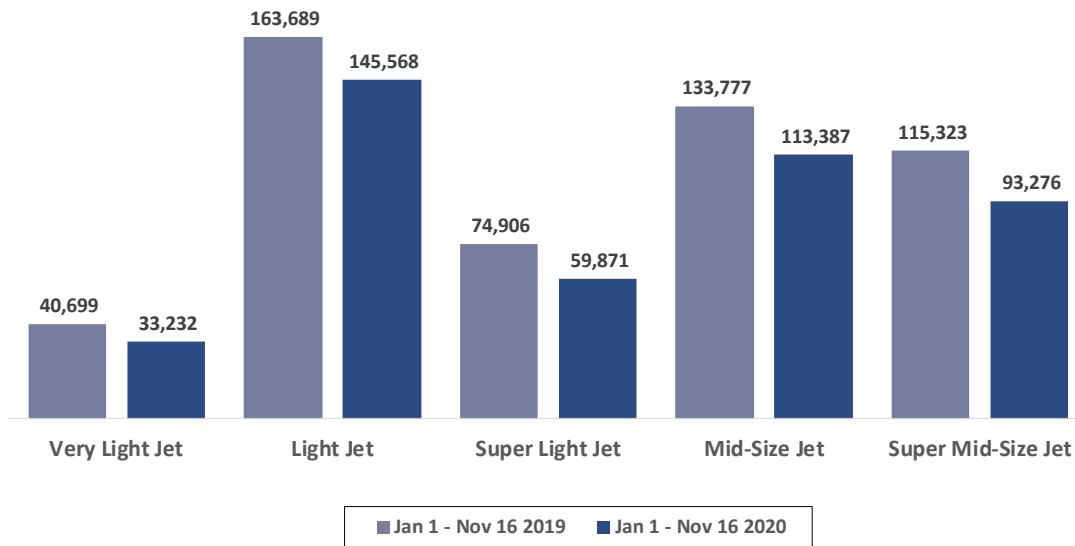
U.S. Part 135 Business Jet Cycles

Very Light Jet Through Super Mid-Size Jet Segments Only January 1 to November 16 - 2019 vs. 2020

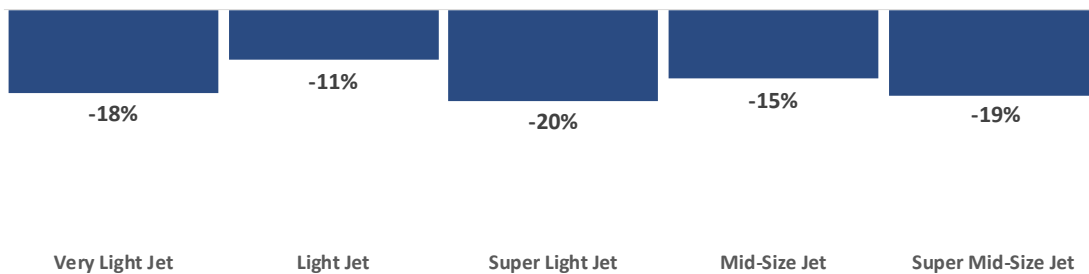
Year-to-date through November 16, U.S. Part 135 flight operations are recovering most of the COVID-19 induced drop-off that headlined the April-May period. Cycles (one takeoff and landing) are off ~10-20% YOY through mid-November in the Small and Medium Jet segments. Part 135 cycles in the popular super mid-size segment, which includes a variety of stand-up cabin transcontinental jets (e.g. Challenger 300 / 350, Gulfstream G280,

Legacy 500 / Praetor 600, and Citation Longitude), are off by 19% YTD in 2020 versus the same period last year. This performance is demonstrably stronger than U.S. Part 91 private / corporate flight cycles, which remain 41% down this year versus 2019, with just 45 days remaining before year-end. For comparative purposes, U.S. fractional (Part 91K) flight cycles in the super mid-size segment are off by 29% YTD though mid-November 2020.

Business Jet Cycles for Small and Medium Jets - Part 135
Jan 1 - Nov 16 2019 versus Jan 1 - Nov 16 2020



YOY % Change in Business Jet Cycles - Part 135



Source: JETNET IQ

* For aircraft size category definitions, please refer to the Appendix

Aircraft Utilization Expectations

Next 12 Months and Next 12-24 Months

JETNET iQ Global Business Aviation Surveys – Q1 2019 through Q4 2020 (Survey in Progress)

Since 2011, JETNET iQ Global Business Aviation Surveys have tracked the expectations of the business aircraft owner / operator community to gauge their expectations on the next 12 months and next 12-24 months of aircraft utilization. With the

rebound in customer sentiment, and more new and prospective customers coming into business aviation, the outlook is improving for higher flight operations, led by on-demand flying.

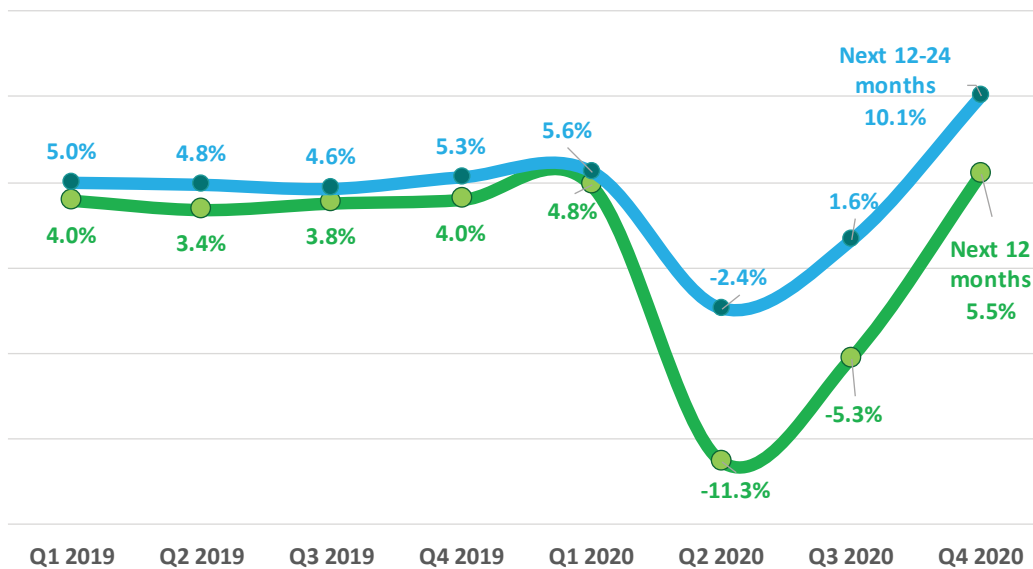


JETNET iQ Global Business Aviation Surveys

Expectations for Aircraft Utilization in the Next 12 Months and the Next 12-24 Months

Compared with your past 12 months, what changes do you expect in your TOTAL ANNUAL FLIGHT HOURS over the following time periods:

Aircraft Utilization Expectations



Source: JETNET iQ
Q4 2020 Survey in progress (212 responses from 39 countries to date)

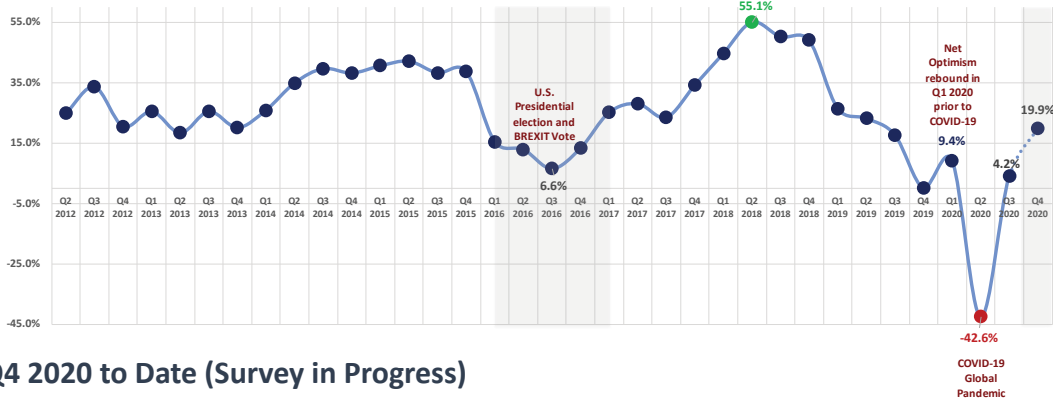
JETNET iQ Market Sentiment Index – Net Optimism

Detailed Results of Q4 2020 JETNET iQ Global Business Aviation Survey (Survey in Progress)

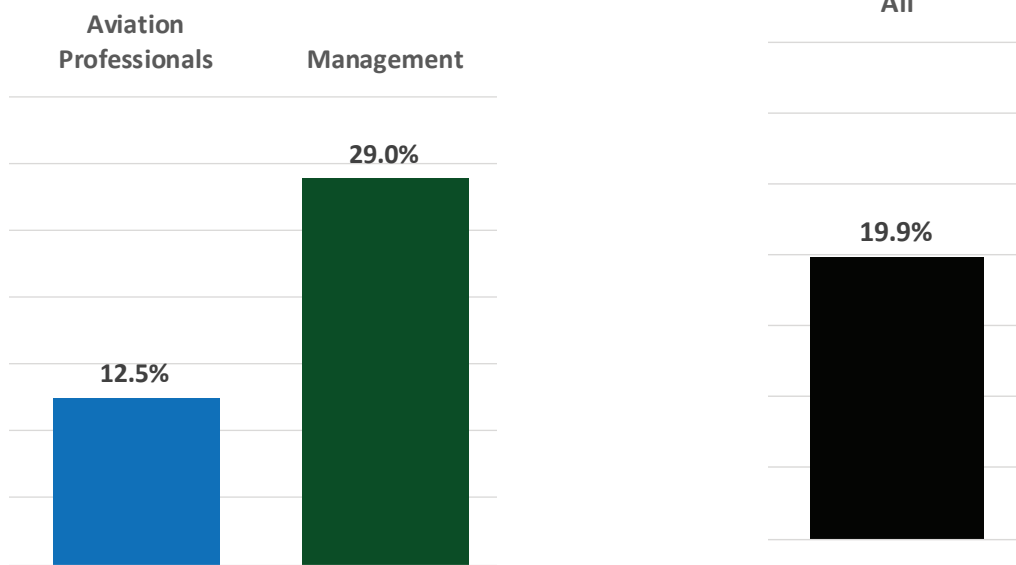
Further to our commentary on Page 2 regarding the current outlook for business aviation, we will be closely watching the evolution of market sentiment amongst the business aircraft owner / operator community. The rebound in sentiment evident so far in Q4 2020 responses to our JETNET iQ Surveys is encouraging, led by higher optimism amongst company leadership within our Survey response community.

Respondents with organizational management responsibilities are considerably more optimistic – and hopefully more acutely informed – about the trajectory of the industry’s recovery path. While there appear to be significant regional differences in the mood of the market today, with Europe dragging, overall customer sentiment is clearly on the climb.

JETNET iQ Market Sentiment Index – Net Optimism Survey Results Since 2012



Survey Results in Q4 2020 to Date (Survey in Progress)



Source: JETNET iQ
Q4 2020 Survey in progress (212 responses from 39 countries to date)

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.

For more information on JETNET iQ, please contact:

Rolland Vincent, JETNET iQ Creator/Director

Tel: 1-972-439-2069

e-mail: rollie@jetnet.com

To subscribe to JETNET iQ Reports or inquire into sponsorship of JETNET iQ PULSE, please contact:

Paul Cardarelli, JETNET Vice President of Sales

Tel: 315-797-4420, ext. 254

e-mail: paul@jetnet.com

Appendix

Data sources:

Real GDP growth forecasts, Unemployment Rates, Exchange Rates (2020): The Economist – November 14, 2020
<https://www.economist.com/economic-and-financial-indicators/2020/11/14/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>

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.); <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; DOM refers to aircraft that were sold / leased

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

Photo credits: Rolland Vincent Associates, LLC / JETNET iQ

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.

B&GA: Business & General Aviation
EIS: Entry in Service
FBO: Fixed Base Operator (private air terminal)
GAMA: General Aviation Manufacturers Association
GDP: Gross Domestic Product

FTSE: Financial Times Stock Exchange (London)
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
YOY: Year over Year
YTD: Year to Date

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JETNET iQ: A Market Research, Strategy, and Forecasting Service For Business Aviation, in Three Components:

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- JETNET iQ Summits: Thought-leadership forums providing state-of-the-market perspectives and networking opportunities.
- JETNET iQ Consulting: Customized research and analysis for clients requiring proprietary insights.



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