

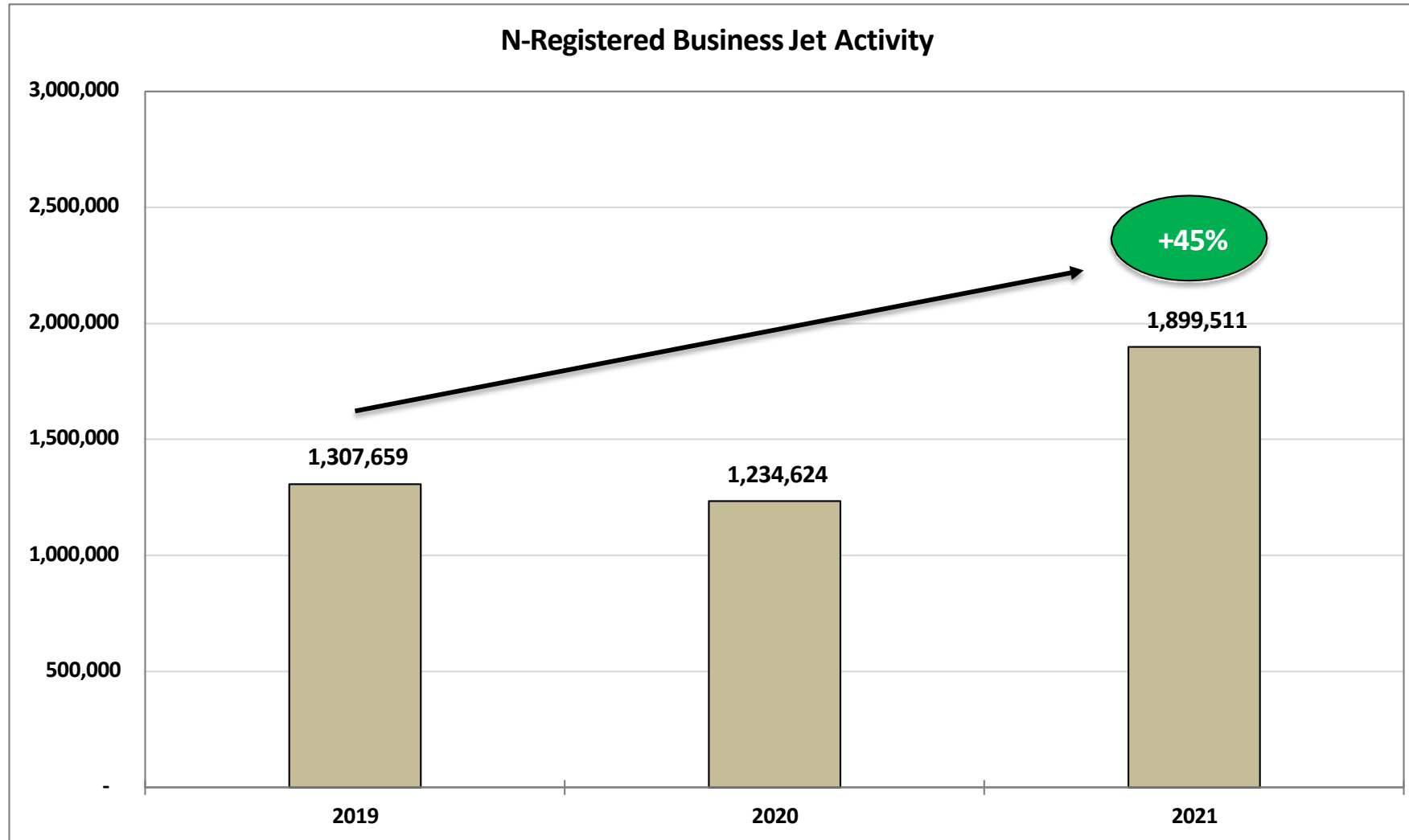


# ***Private Aviation Trends and Impact***

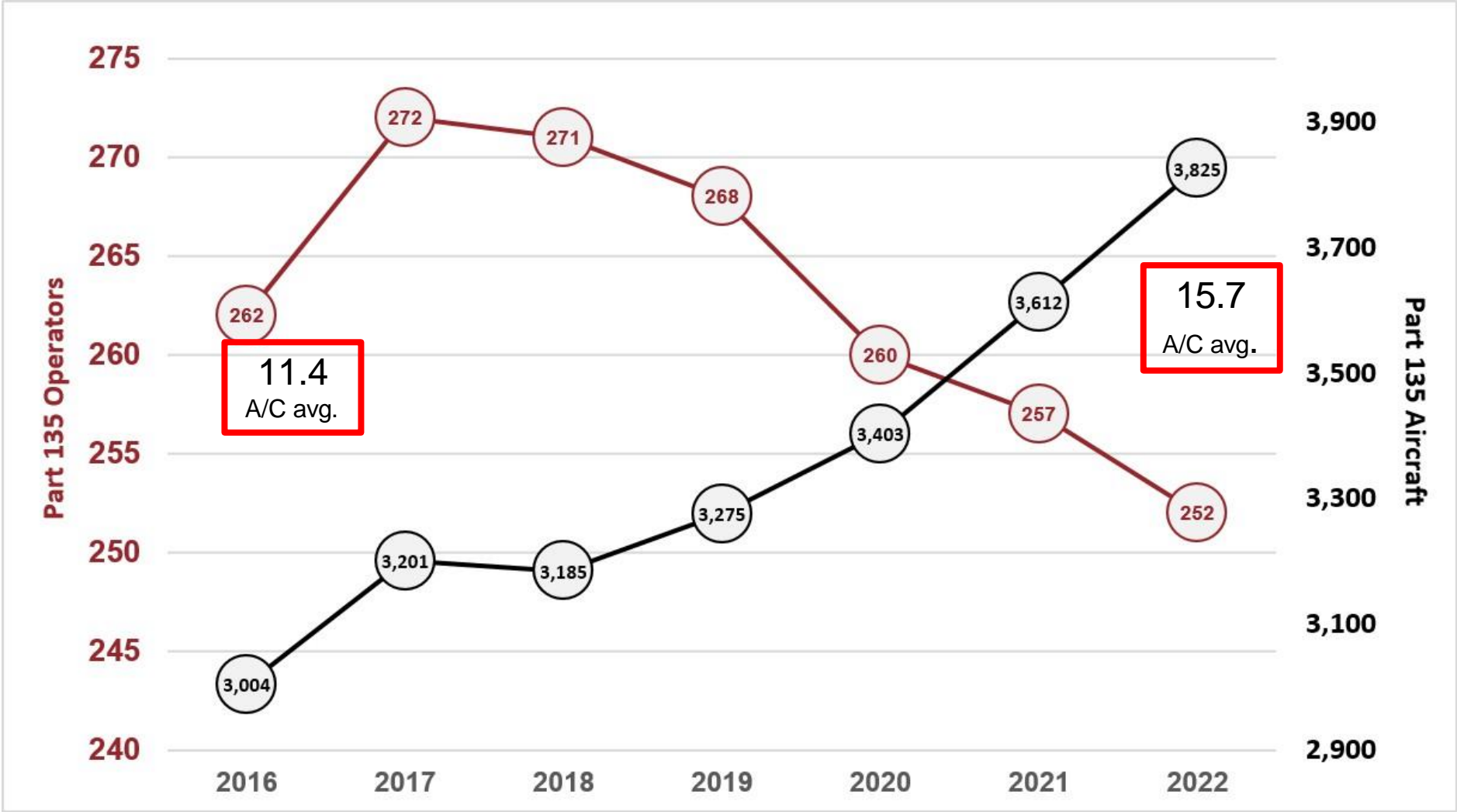
November 1, 2022

- **Current customers are flying more than they ever have before**
  - “Revenge travel”
- **Significant numbers of new entrants into private aviation coming out of the pandemic.**
- **People are starting to fly at a much younger age.**
  - A generation before, typically waited to start flying in their late 50s and early 60s.
  - Now...new entrants start to fly in their 40s.
    - A pick-up of 20+ years of additional flying demand.
- **Customers are jumping right in at the mid, super-mid, and large cabin class.**
  - Historically, customers started in light category and moved up.
- **International Travel now a significant part of our Customers Travel Profile**

➤ **45 % Growth in overall Commercial Business Jet Activity**



# Commercial Aircraft & Operators: 2016–2022



## Fleet Size

- The number of available Private Jet Commercial Aircraft have increased
- The number of Commercial Operators have decreased
- Average Fleet Size per Operator has increased by **38%** from 11.4 aircraft per operator to 15.7

\*\* Greater Than 3 A/C on Certificate/s

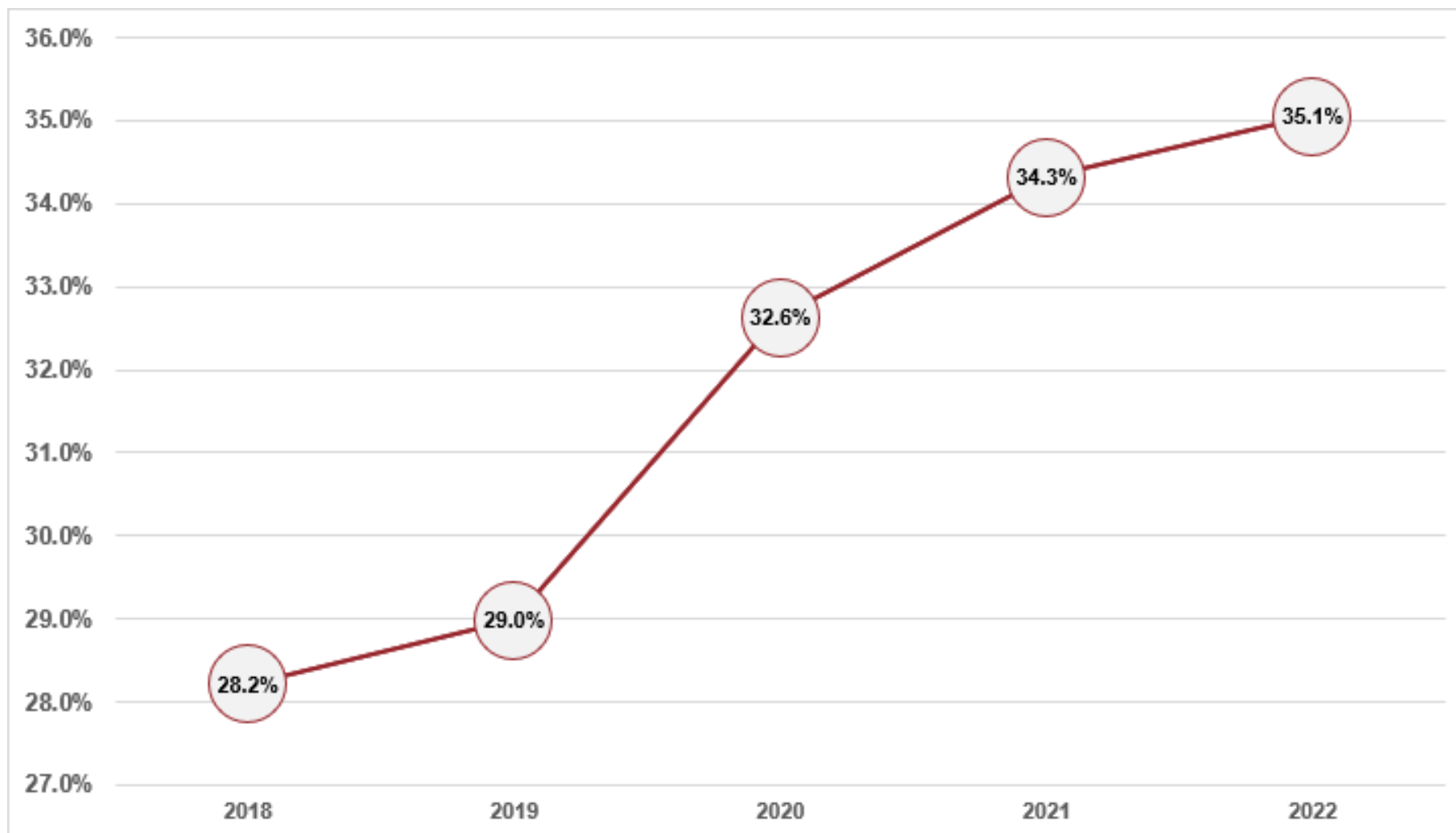
# Increase in Fleet Operators

Percentage of Commercial Fleet controlled by the Largest 5 of Operators



## Fleet Consolidation

- The top 5 Operators control 35% of the Private available Commercial Jet Aircraft Fleet
- 2017 - Only 2 Operators had Fleets of over 80 Aircraft
- 2022 – 7 Operators have Fleets of over 88 Aircraft



Net Jets
Flexjet
Vista Jet
Wheels Up
Jet Linx

# Drivers of the Emergence of Fleet Operators



## ➤ Pilot Shortage

- Large Fleet Pilot careers are competitive with the Airlines
  - Increasing Challenges for smaller Operators to Retain Pilots
- In many Cases more stability than Airlines and Corporate Flying
  - Many unfilled Corporate Flying Positions

## ➤ Acceleration in Market Growth Rate

- “Frugal Wealthy” have appeared
- Airlines have Reacted Slowly mainly based on Pilot Shortage
  - Many Commuter Airlines with unfilled flying positions
- Airlines are Redesigning different Profit Profile

➤ ***Demand has increased Prices and combined with Lower Interest Rates has created a Willingness to putting “Risk On” with regard to Asset Ownership***

## ➤ Significant Capital has been deployed to Private Aviation

**Pitchbook reported 92 Private Aviation Aircraft Operating Company Transactions from 2017- 2022**

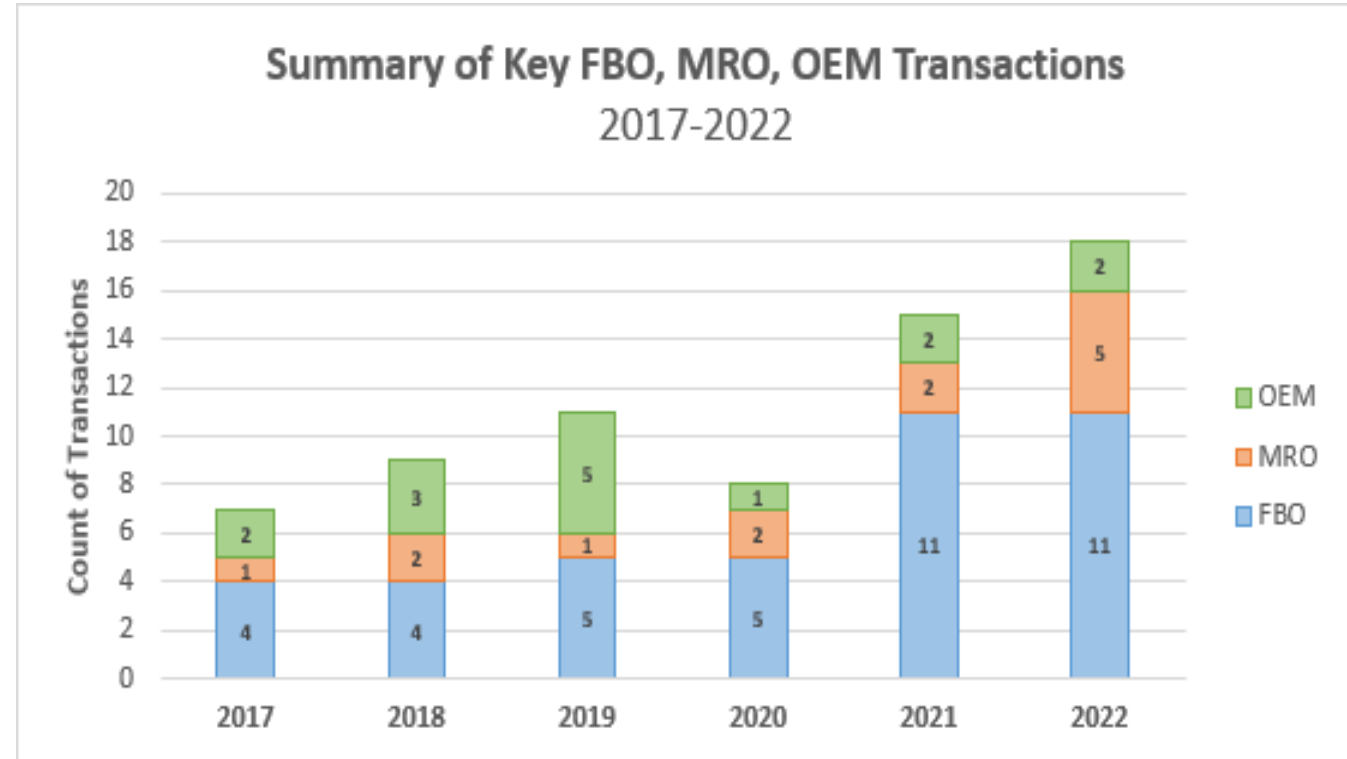
*Capital looking for opportunity* ➡ *Product Expansion* ➡ *Fleet Expansion*

Wheels Up (233)	Vista Jet (225)
Alante Air Charter (11)	Air Hamburg (43)
Delta Private Jets (67)	Jet Edge (22)
GAMA Aviation (47)	XO Jet (43)
Mountain Aviation (27)	Jet Select (24)
Sterling Aviation (17)	Talon Air (32)
Travel Management Co (42)	Western Air Charter (48)
TWC Aviation (22)	Red Wing (13)

# Capital has gone to Private Aviation Infrastructure



- **Consolidation into large Providers**
  - **Signature Aviation** – \$4.700B
  - **Atlantic Aviation** – \$3.475B
  - **Tac Air** – \$1.197B
  
- **Maintenance**
  - **WestStar** – The Sterling Group \$310mil
  - **Signature Maint** – Standard Aero \$230mil
  
- **OEM's significant investment in Maintenance Capacity**
  - **Bombardier** – Miami Service Center
  - **Textron** – Parts Distribution Expansion
  - **Embraer** - Hangar Expansion
  - **Gulfstream** – Texas Service Center Expansion





- **OEM's will need to develop an Airline Model Sales Process**
  - Sales targeted to the CFO not the Chief Pilot
  - More Focus on Operating Costs/ RTS times / Financing vs. “new” cockpit features
    - Used to be Netjets and Flexjet were the only large fleet buyers
    - Management Company Filter Sales
      - May even find Speculation on Delivery Positions
  
- **“TUG OF COST WAR” Between Fleet Operators and Consolidating FBO Chains**
  - Larger Operators and Management Companies will obtain Competitive Advantages not necessarily only price
    - Branded Facilities
    - Access
  
- **MAINTENANCE COST AND CAPACITY moving leverage to the OEM's**
  - Not as much focus on maintenance technician demand as pilot
  - Third party aftermarket intervention

- **Independent Corporate Flight Departments will decline in popularity**
  - Pilot Retention more challenging for the corporate flight department
    - Corporate HR Places Limitations on unique Pilot Needs
  - Corporate Office dispersed – less user friendly to geographically based aircraft
  - Corporate Flight Dept moving to lower profile
    - Anonymity(LVMH announcement)
    - ESG focus - Lower Environmental Profile
  - Large Management Company Purchasing Power will be more attractive Option
  
- **Buying and Selling Leverage of Larger Operators will put Margin Pressure on Smaller Operators**
  - **Lower Revenue**
    - Wholesale rates under pressure
    - Forced focus on Price oriented Buyer – lack of direct to market retail
  - **Higher costs**
    - Training / Fuel/ MAINTENANCE – result of Significant MRO expansion
      - Priority Access more Challenging

# Strategic Implications



## ➤ Not all Capital is Rational

- Glamour of Aviation incubates “unique” but non executable strategies
- Recent Macro Investing Environment led to “assumption of more risk” in projected success
- Follow on Capital will be Challenging without a demonstration of Success

## ➤ Interest Rates have more implications than you think

- Will affect Demand
- Not only Costs but Debt Markets do Evaporate
  - ➔ Sharp Decline in Aircraft Values

## ➤ Opportunistic Recoil from Failed Investment Thesis