

BizJets, Bubbles, and the Next Detroit: An Aviation Forecaster's View



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Wichita Aero Club
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Question 1

Have business jet demand and supply forces permanently changed?



Demand and Supply Forces

- Why has the market not rebounded yet?
 - Cash-flush but risk-averse buyers
 - Lower flight utilization and idled aircraft
 - An oversupply of light and mid-size jets
 - New competition, especially from Embraer
 - Stricter credit requirements in aircraft lending
 - Product life cycle realities

Relative to the Good Ol'Days....

Light / Mid-size bizjet order and delivery rates?

Manufacturer backlogs?

Pre-owned inventory and days-on-market?

Pre-owned transaction prices?

Relative to the Good Ol'Days....

Light / Mid-size bizjet order and delivery rates?

- **Cratered**

Manufacturer backlogs?

- **Evaporated**

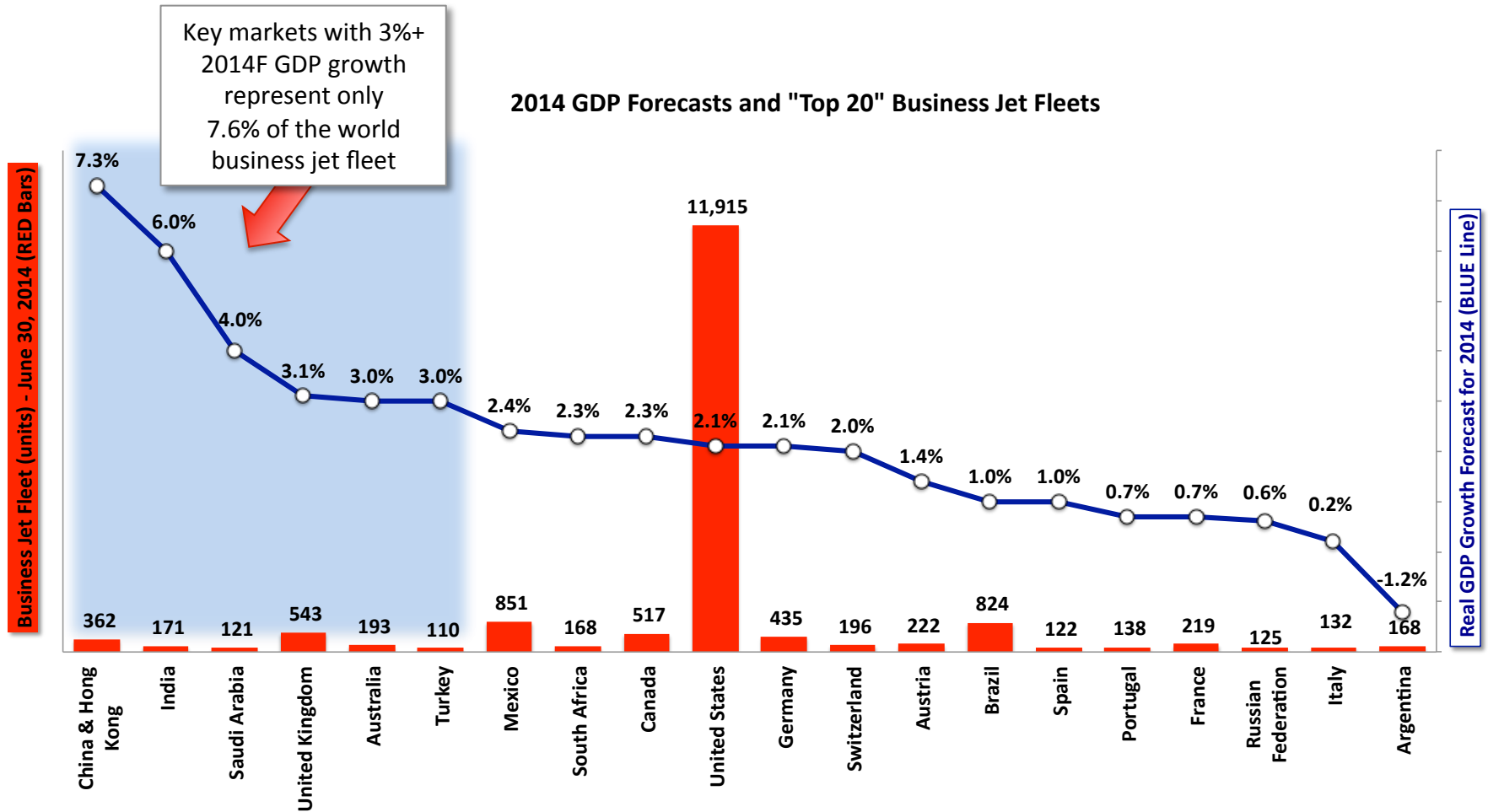
Pre-owned inventory and days-on-market?

- **Spiked**

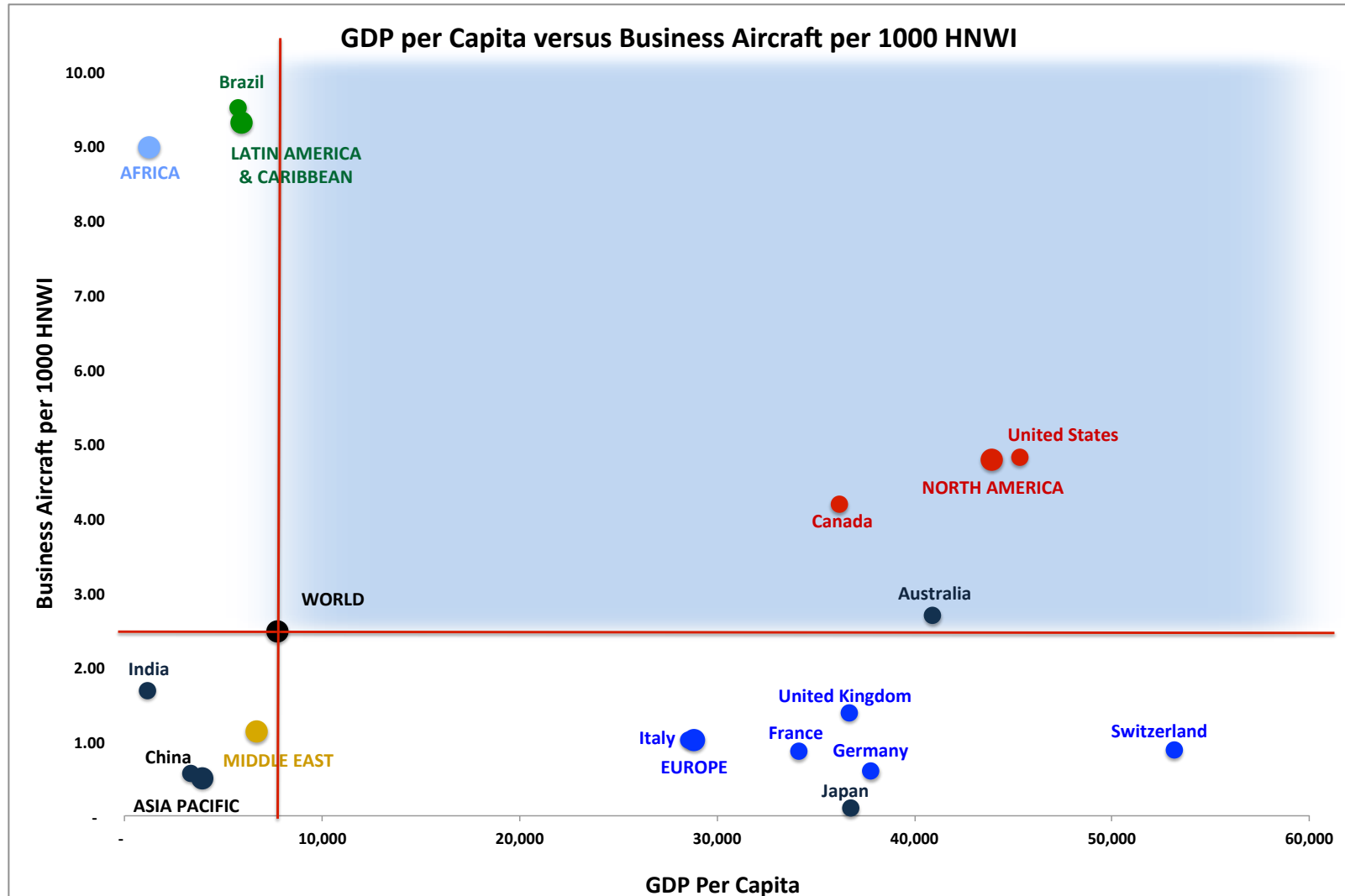
Pre-owned transaction prices?

- **Plummeted**

2014 GDP Forecast & Bizjet Fleets

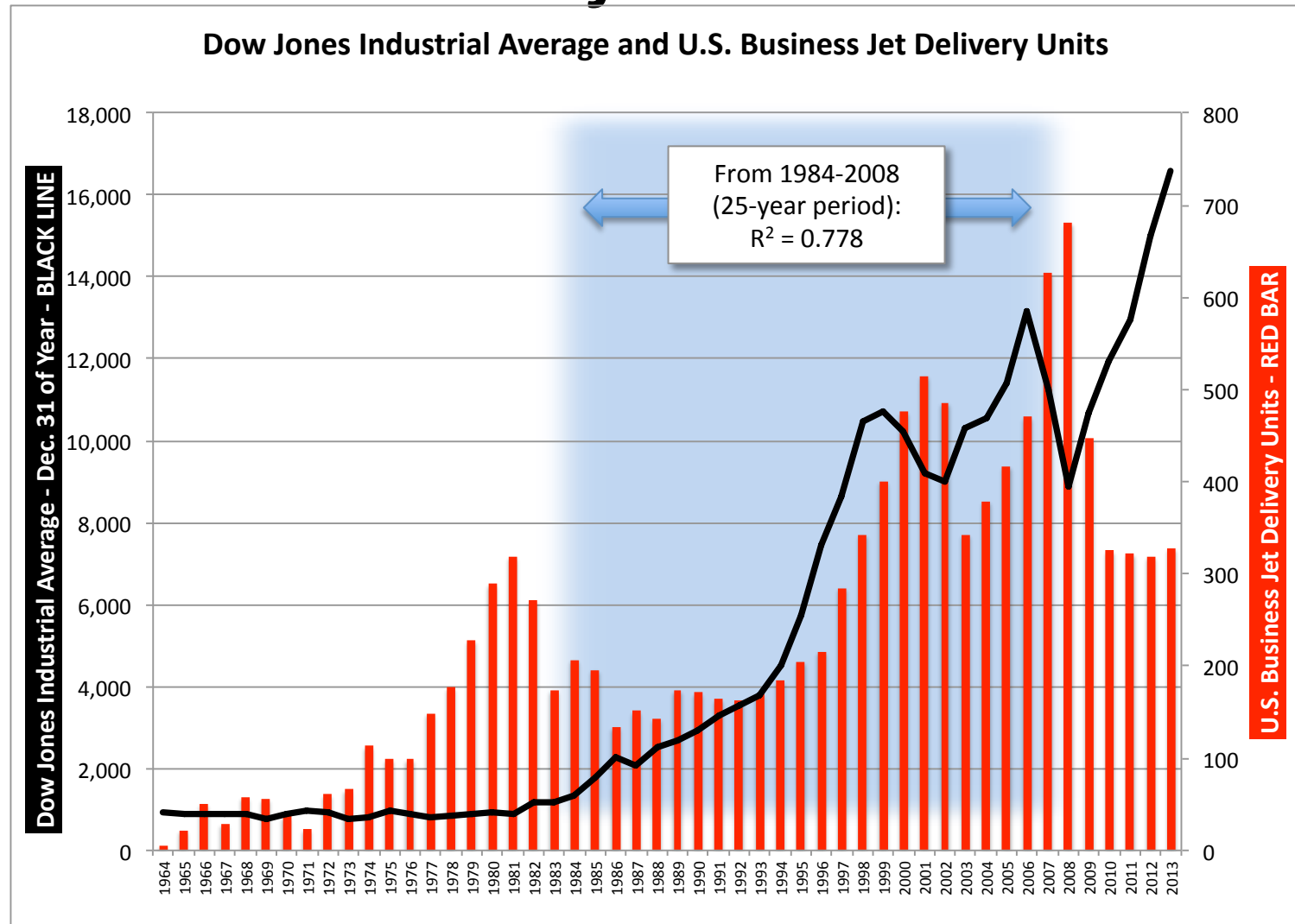


Wealth & Business Aircraft Fleets



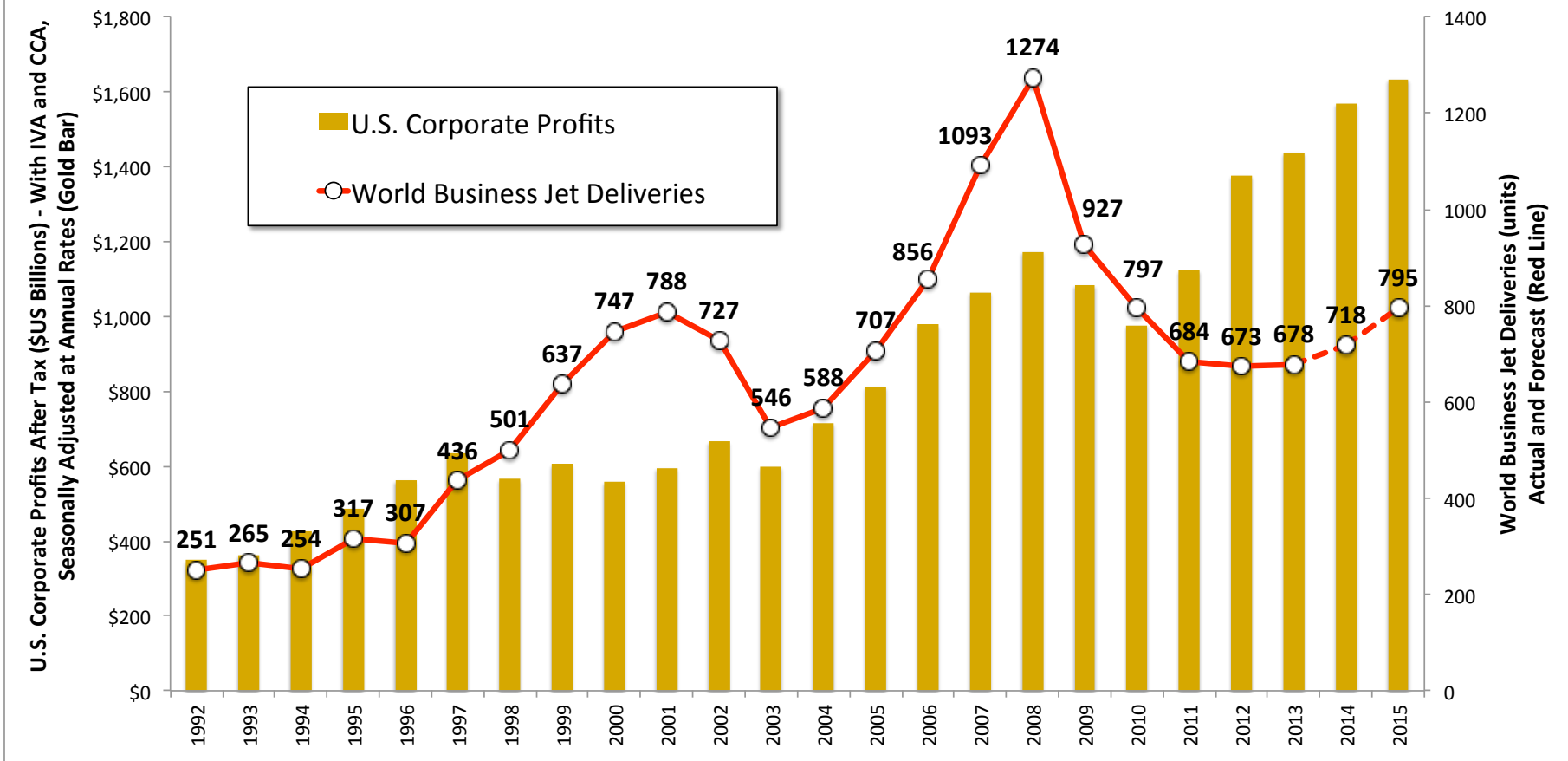
Source: World Bank, U.S. ERS, Capgemini RBC 2014 World Wealth Report, JETNET; HNWI = Individuals with \$US 1 Million or more in investable assets

DJIA & Bizjet Deliveries

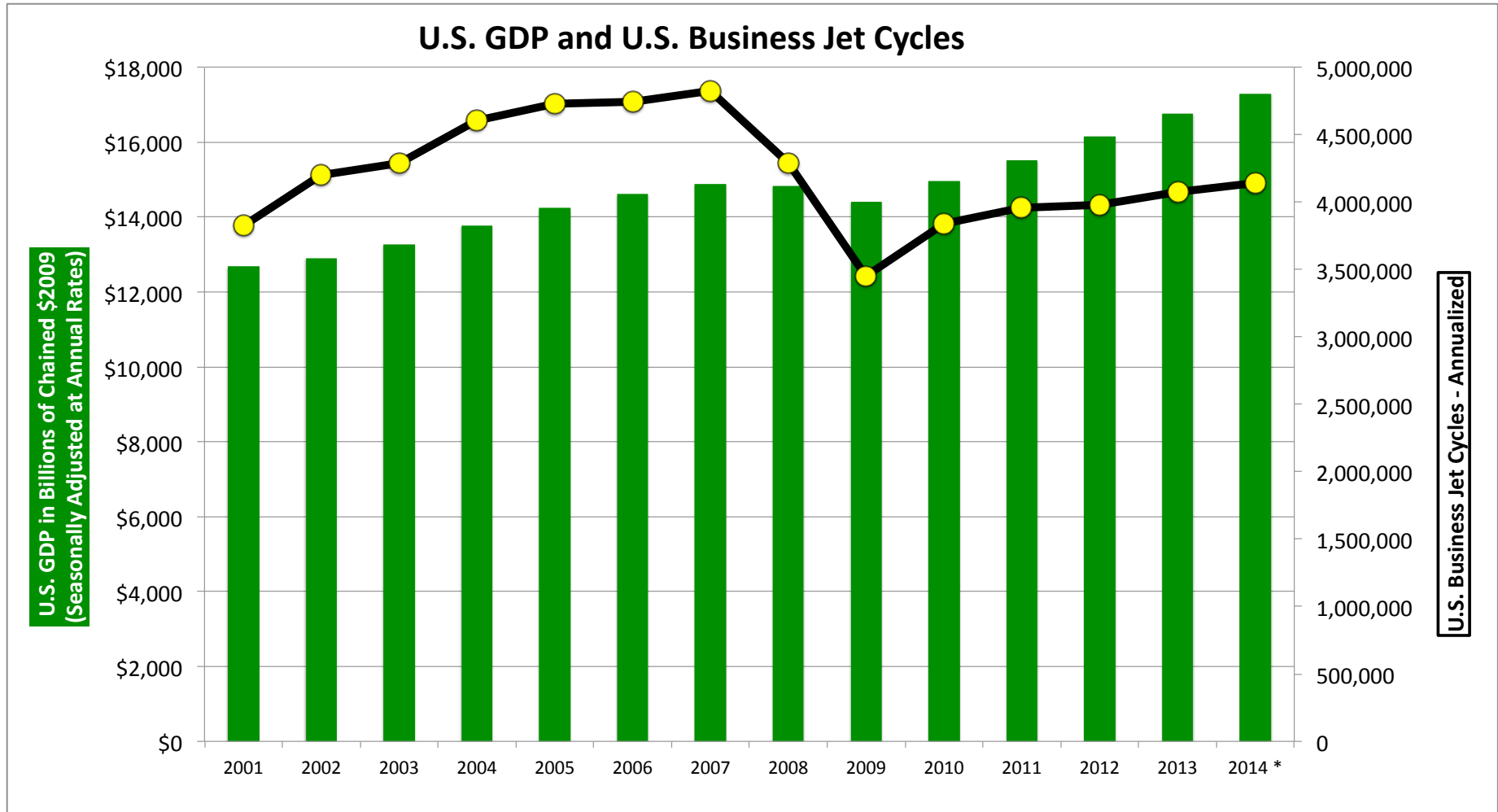


Corporate Profits & Bizjet Deliveries

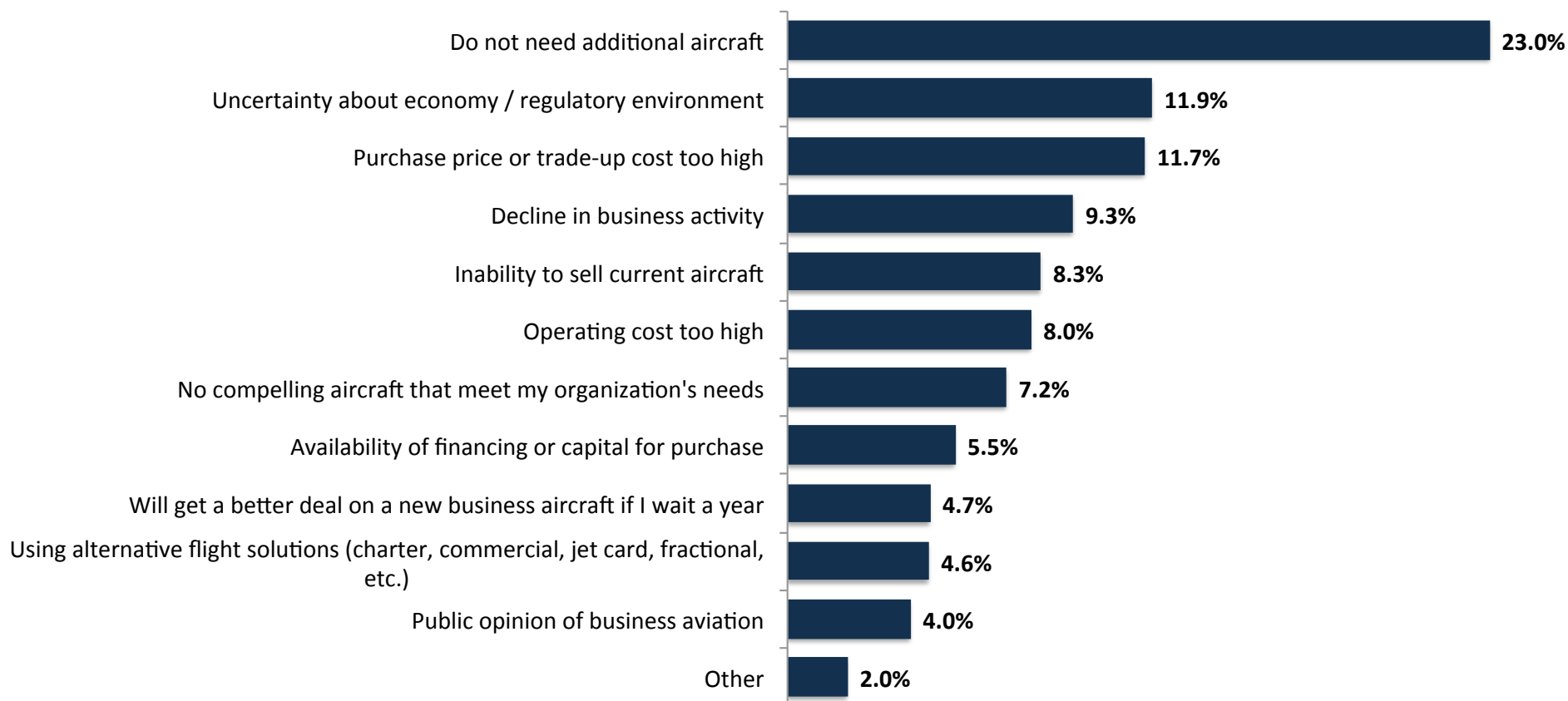
U.S. Corporate Profits (Lagged 2 Years) and Worldwide Business Jet Deliveries
Including 2014-2015 Business Jet Delivery Forecast



U.S. Economy & Utilization

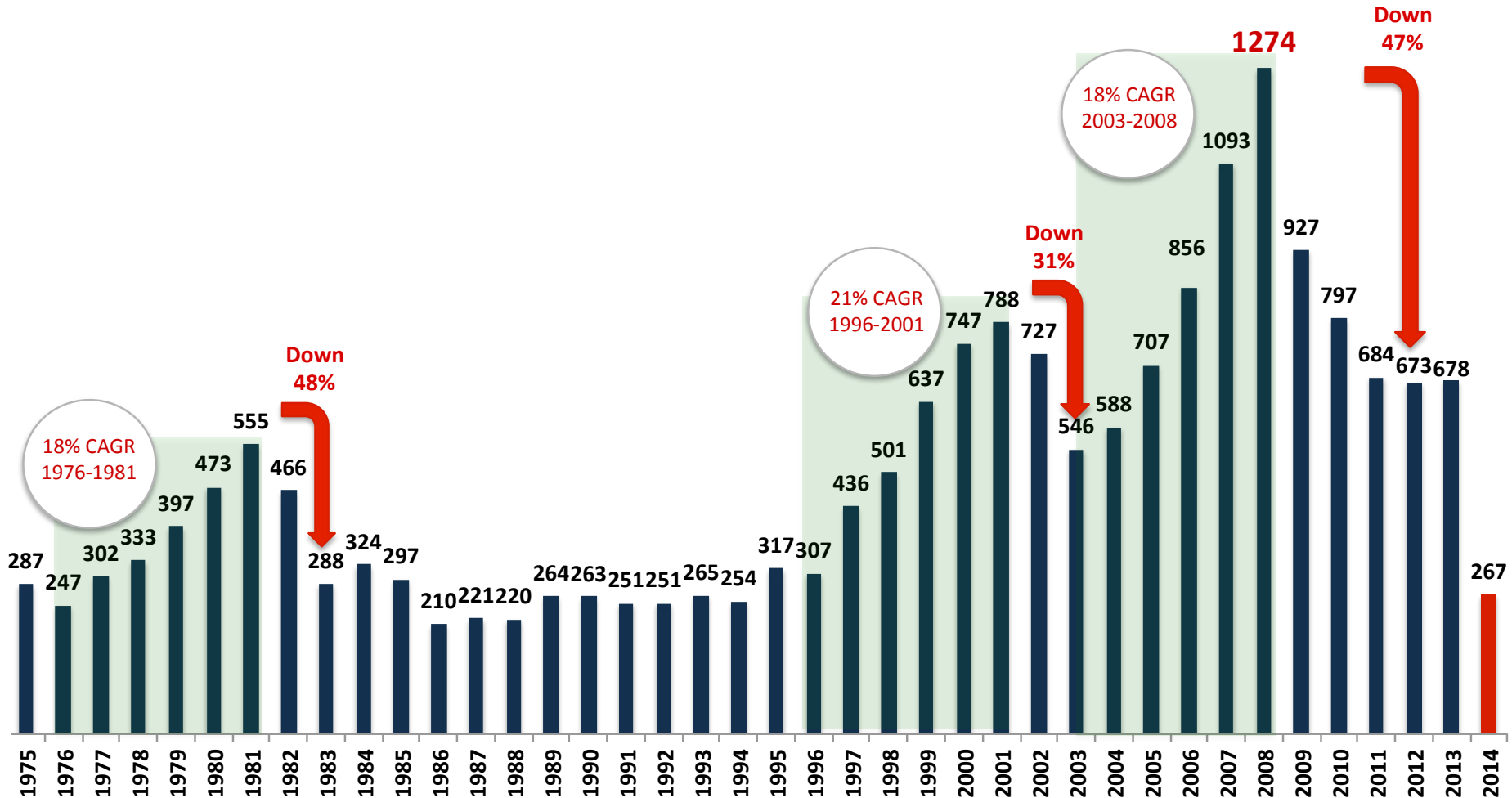


Aircraft Purchase Inhibitors



Source: JETNET iQ Q2 2014 Global Business Aviation Survey; n = 517 respondents

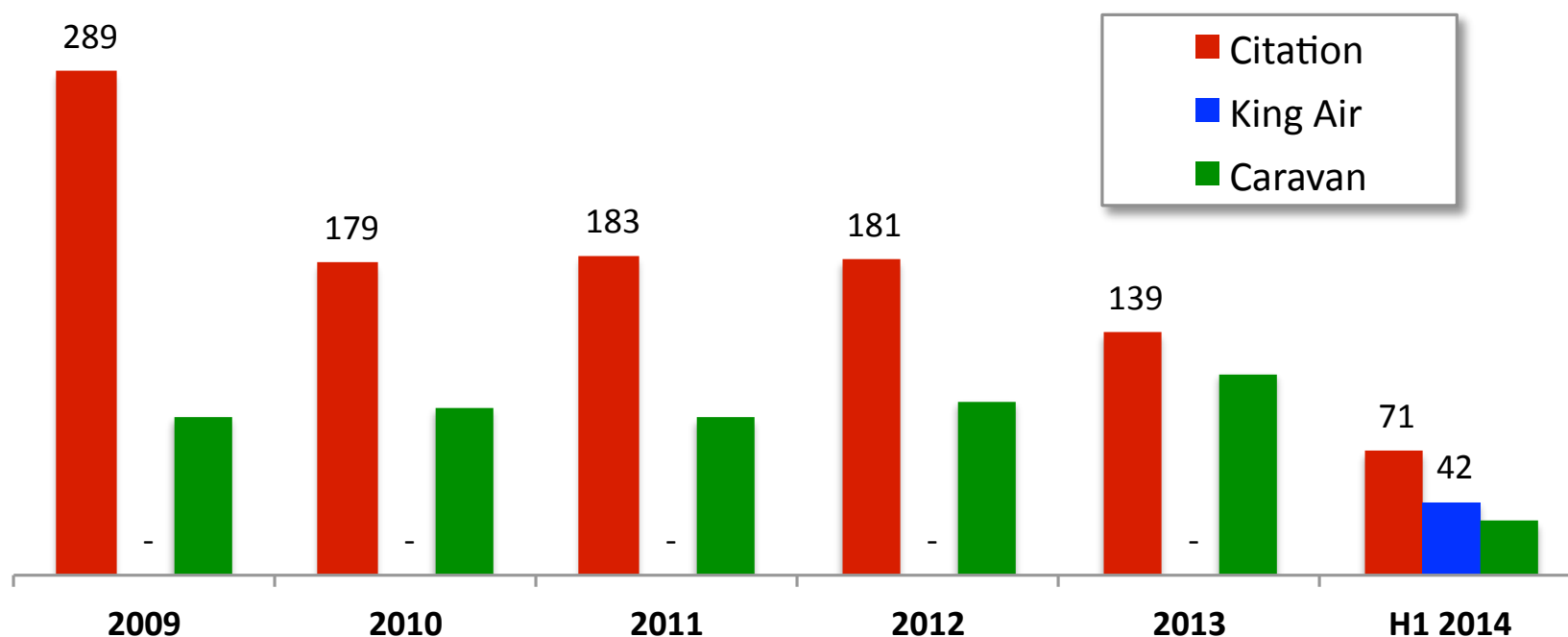
Business Jet Deliveries



Source: JETNET

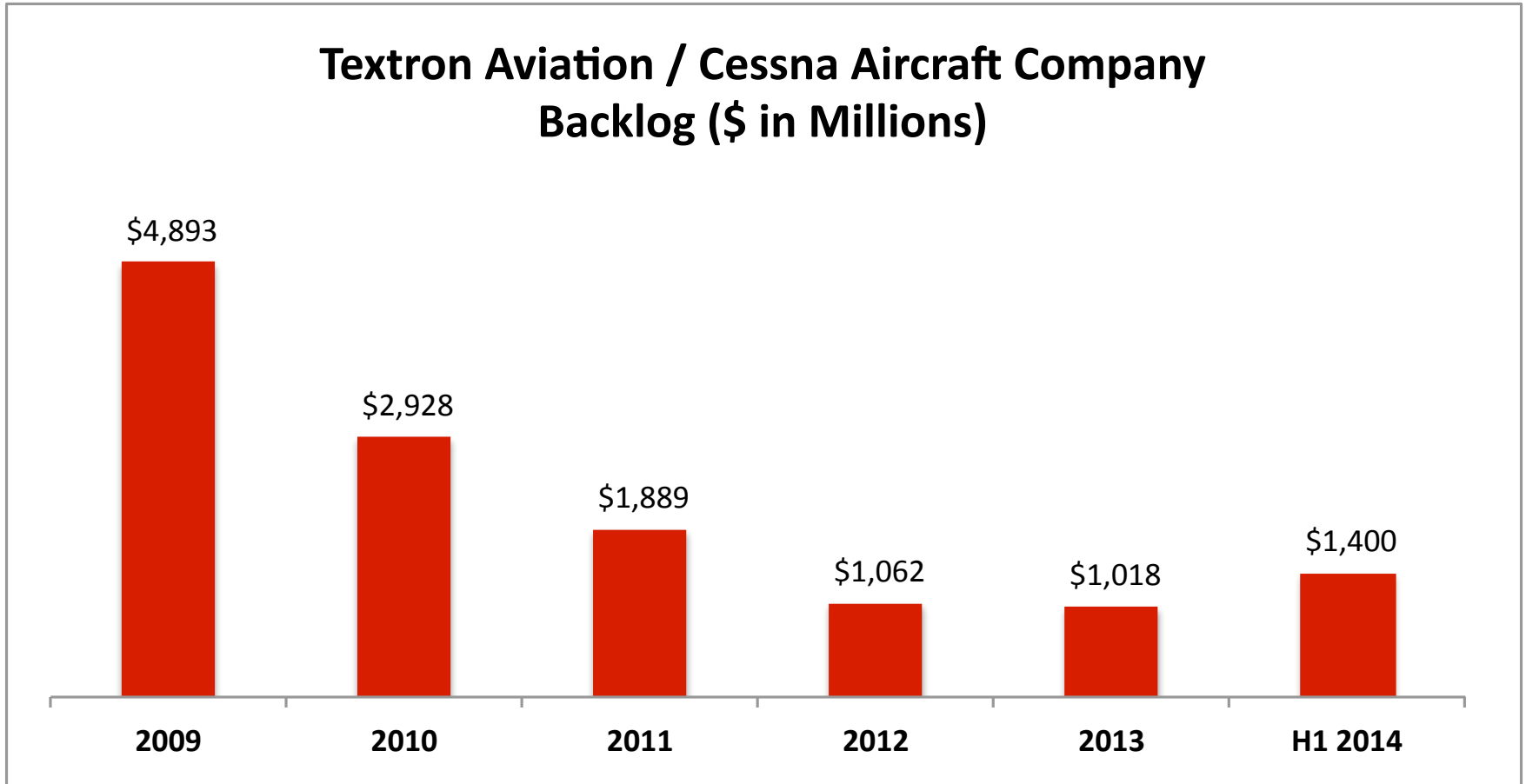
Textron Aviation Deliveries

Textron Aviation / Cessna Aircraft Company Deliveries (Units)

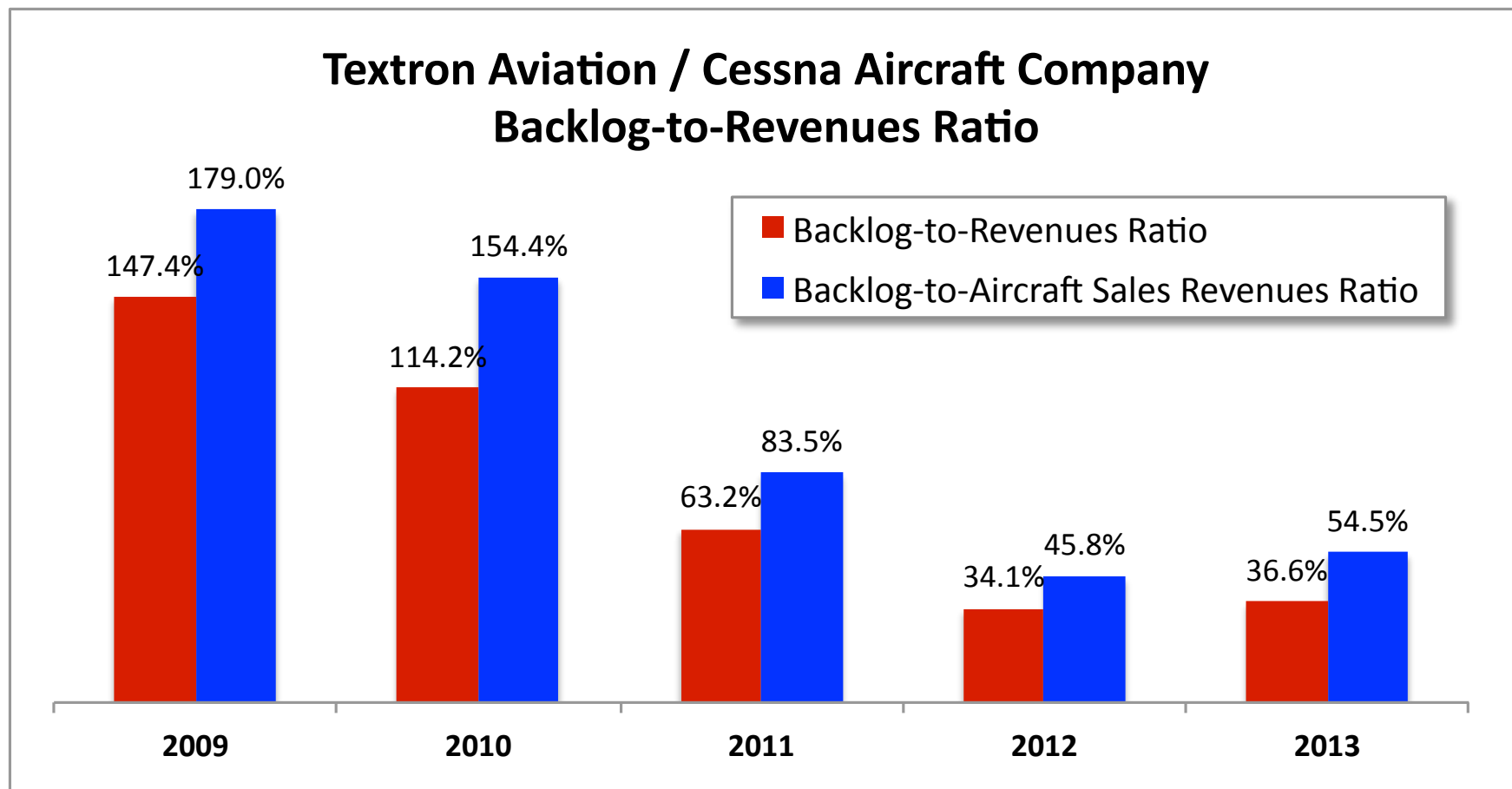


Textron Aviation Backlogs

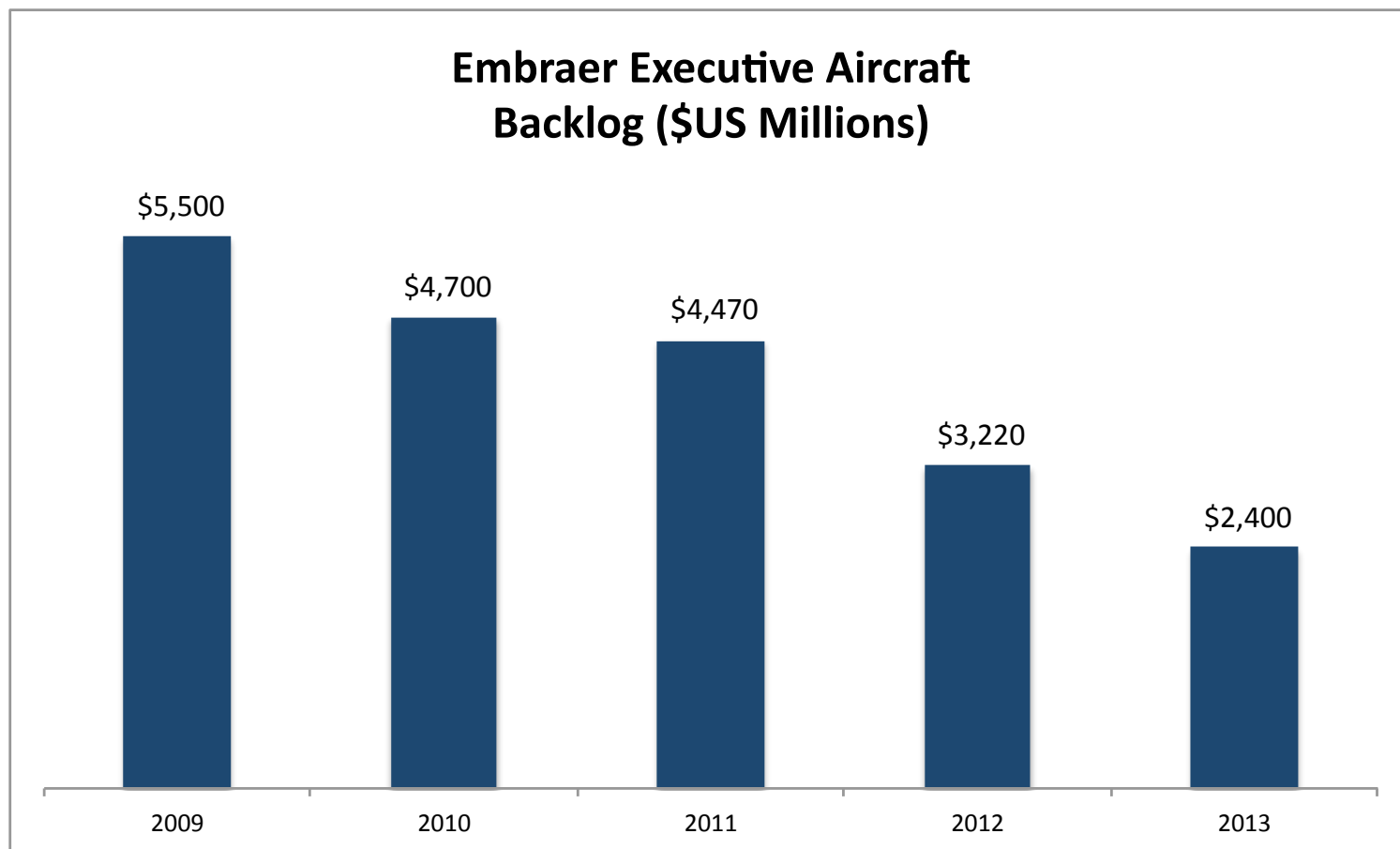
**Textron Aviation / Cessna Aircraft Company
Backlog (\$ in Millions)**



Textron Aviation Backlogs

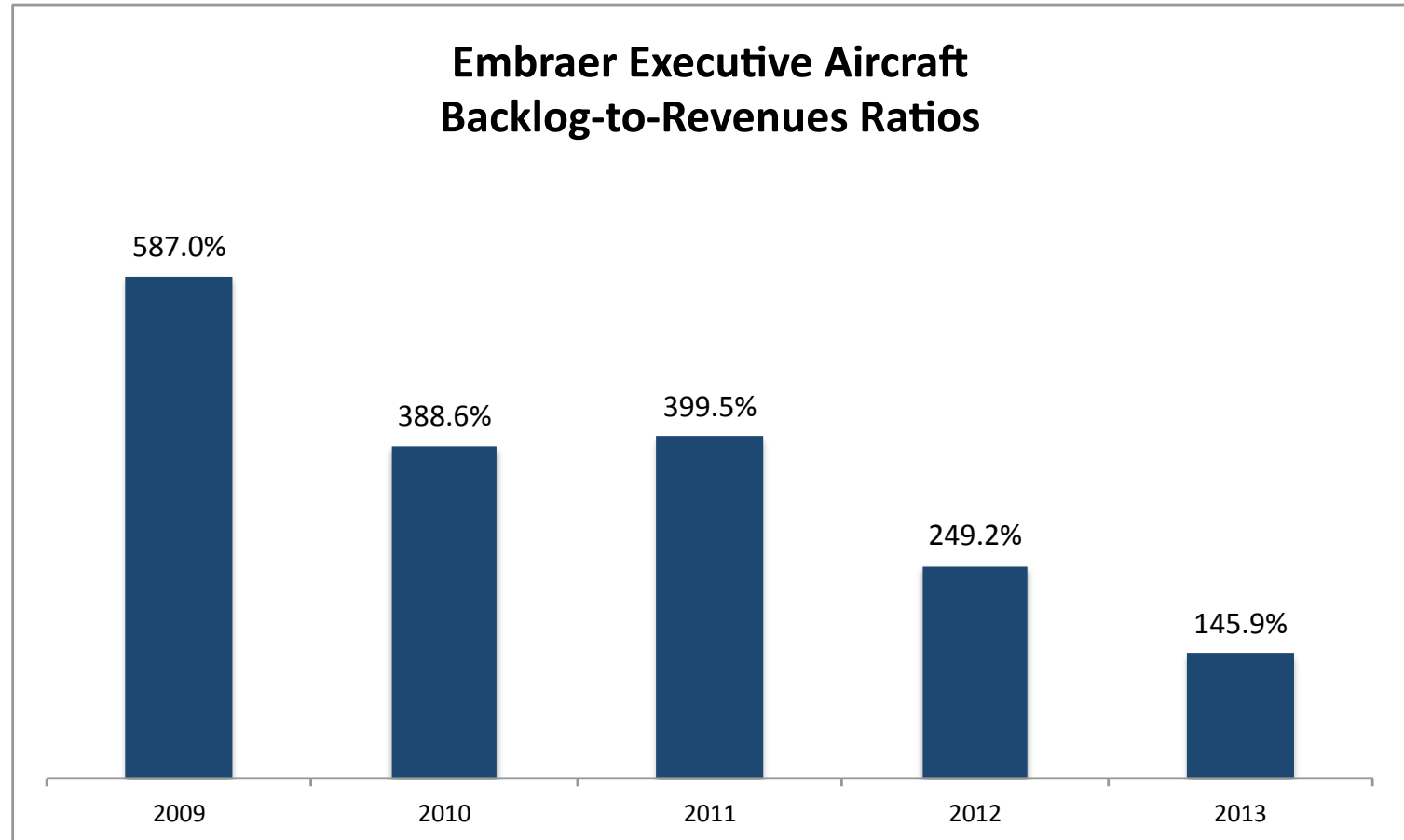


Embraer Executive Aircraft Backlogs



Source: Embraer SEC filings

Embraer Executive Aviation Backlogs



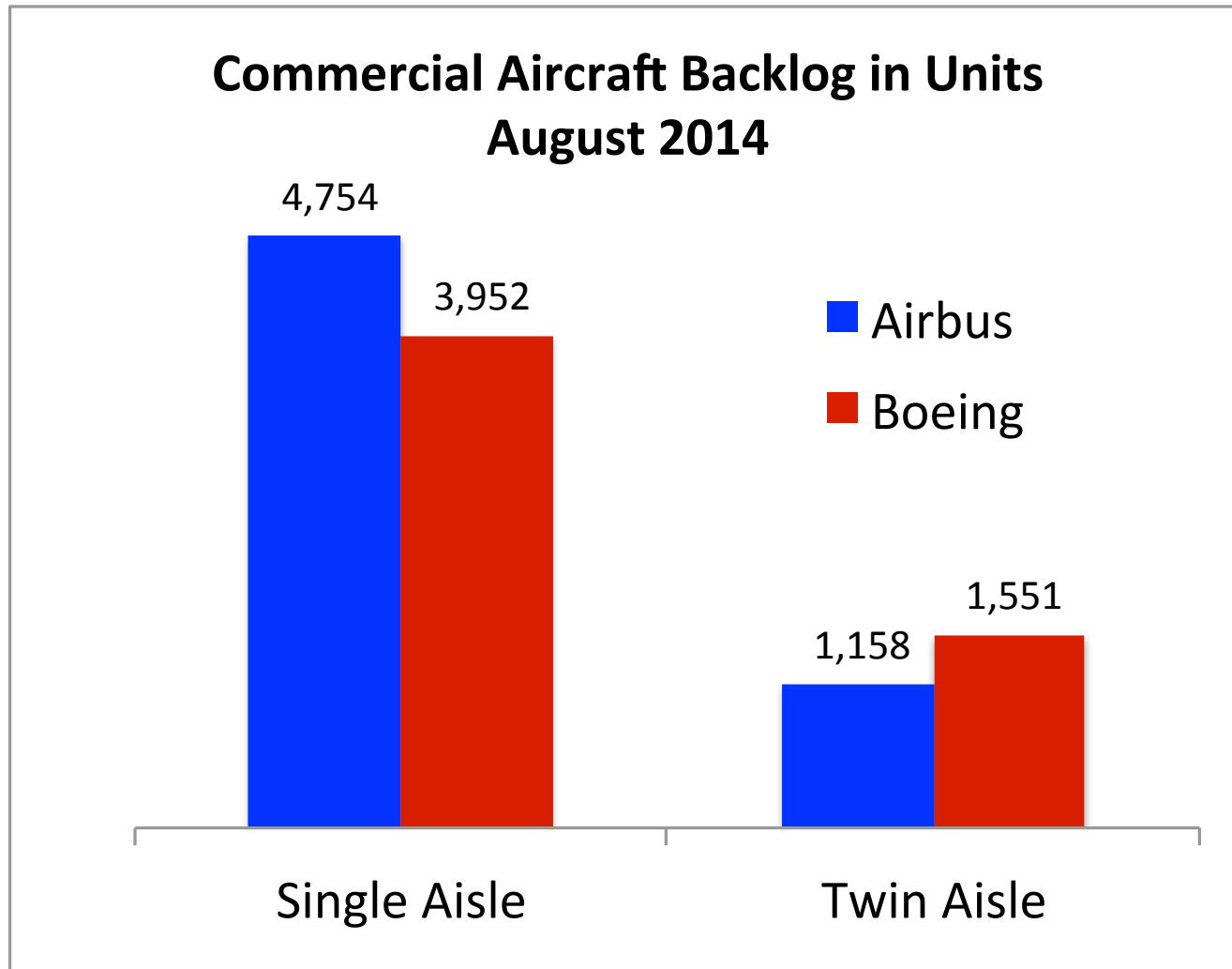
Source: Embraer SEC filings

Question 2

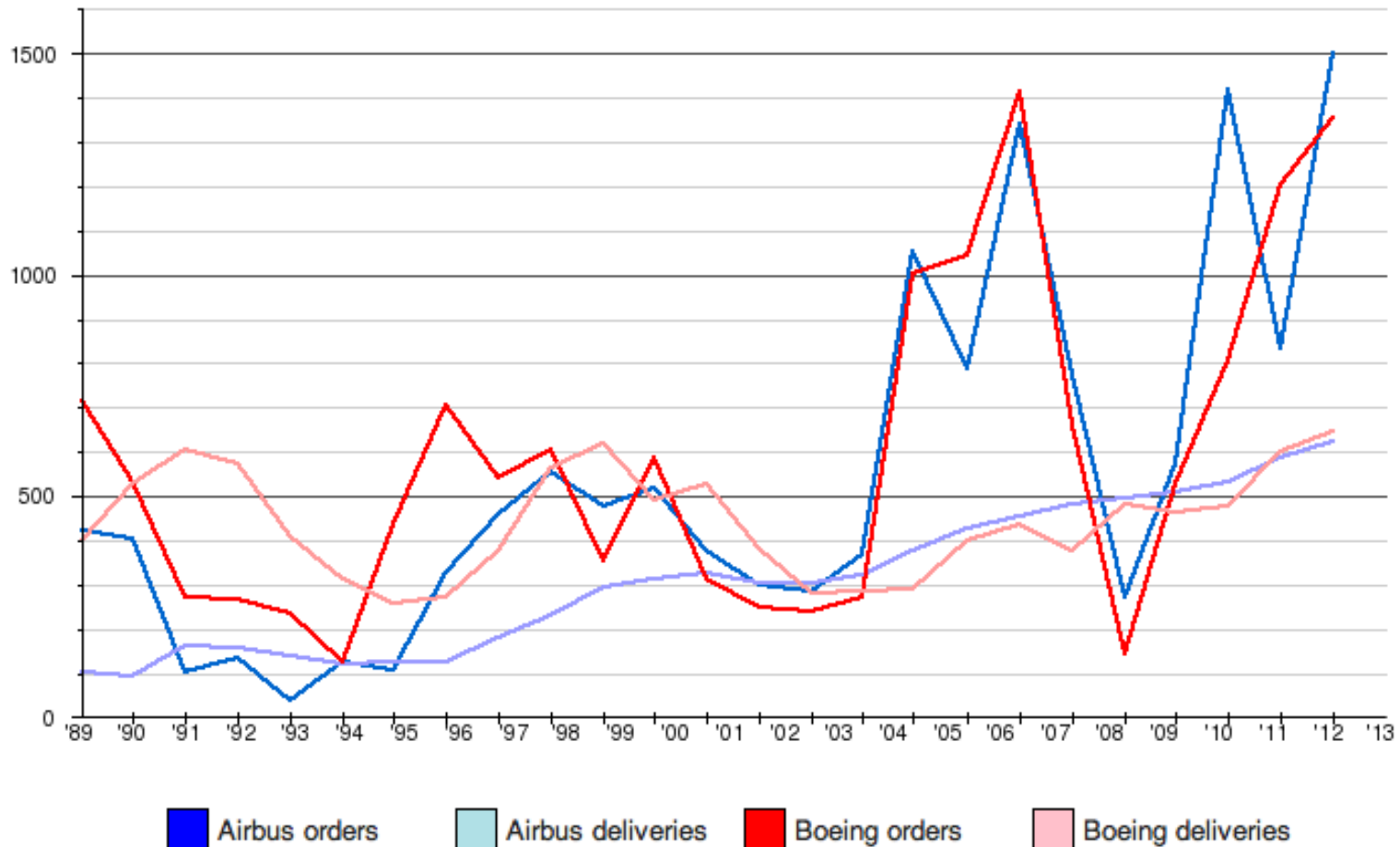
Is commercial aircraft
the next bubble to burst?



Airbus / Boeing Backlog



Boeing / Airbus Orders and Deliveries



Question 3

Is the Air Capital the aircraft industry's Detroit?



Photo: www.andrewlmoore.com

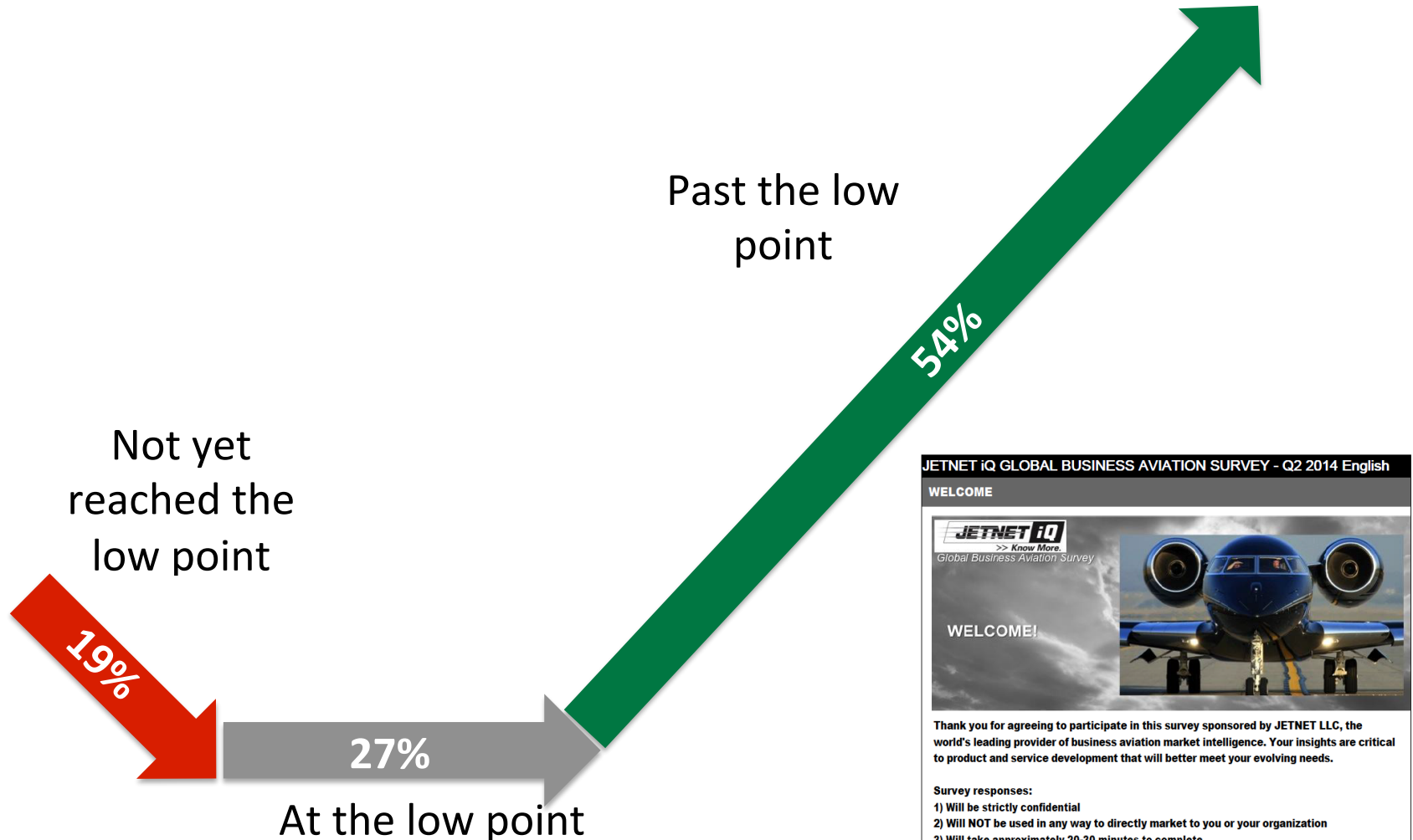






Photo: www.flickr.com; Mike Darga

Where are We in Current Business Cycle?



JETNET iQ GLOBAL BUSINESS AVIATION SURVEY - Q2 2014 English

WELCOME

JETNET iQ
Global Business Aviation Survey

WELCOME!

Thank you for agreeing to participate in this survey sponsored by JETNET LLC, the world's leading provider of business aviation market intelligence. Your insights are critical to product and service development that will better meet your evolving needs.

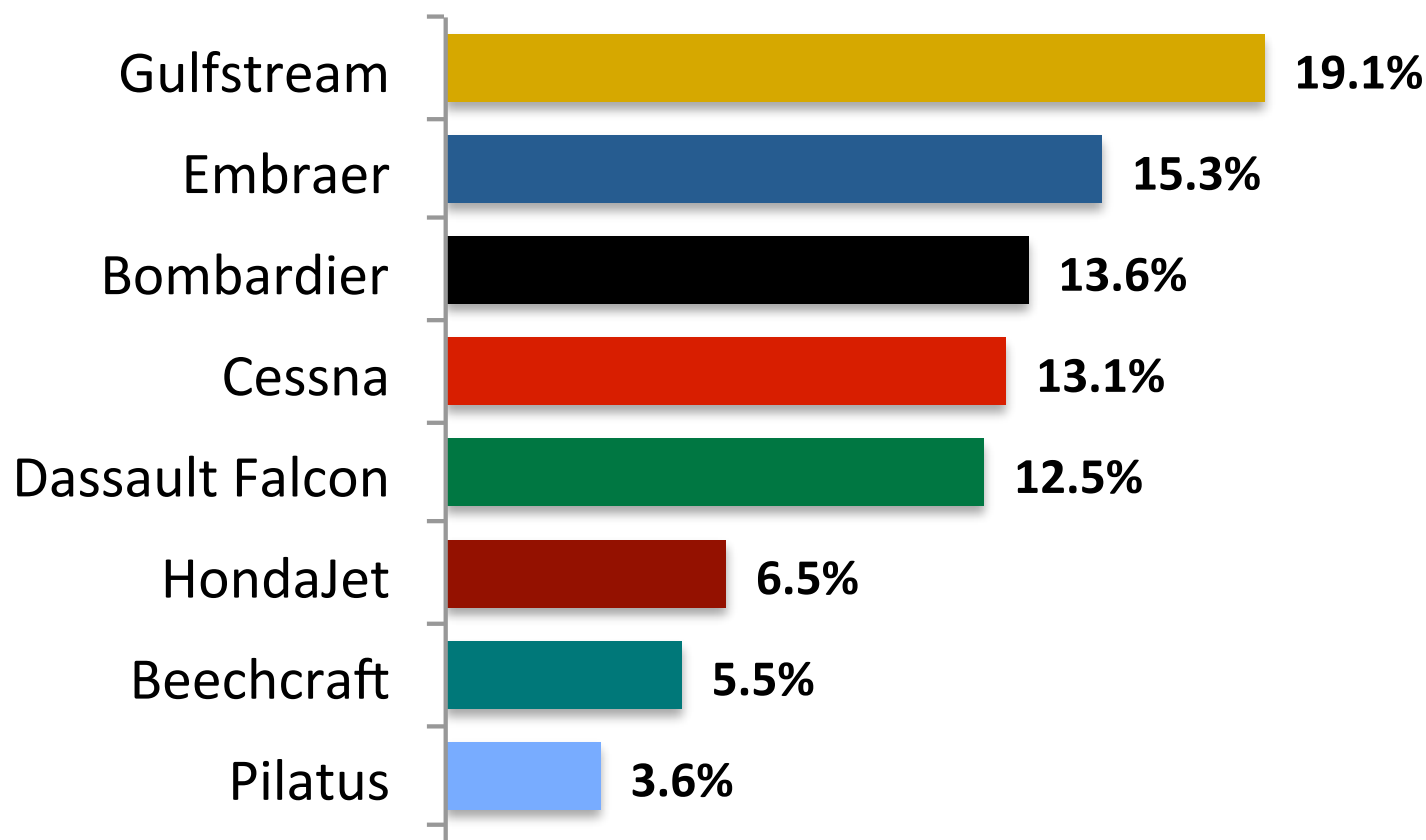
Survey responses:

- 1) Will be strictly confidential
- 2) Will NOT be used in any way to directly market to you or your organization
- 3) Will take approximately 20-30 minutes to complete

PASSWORD:

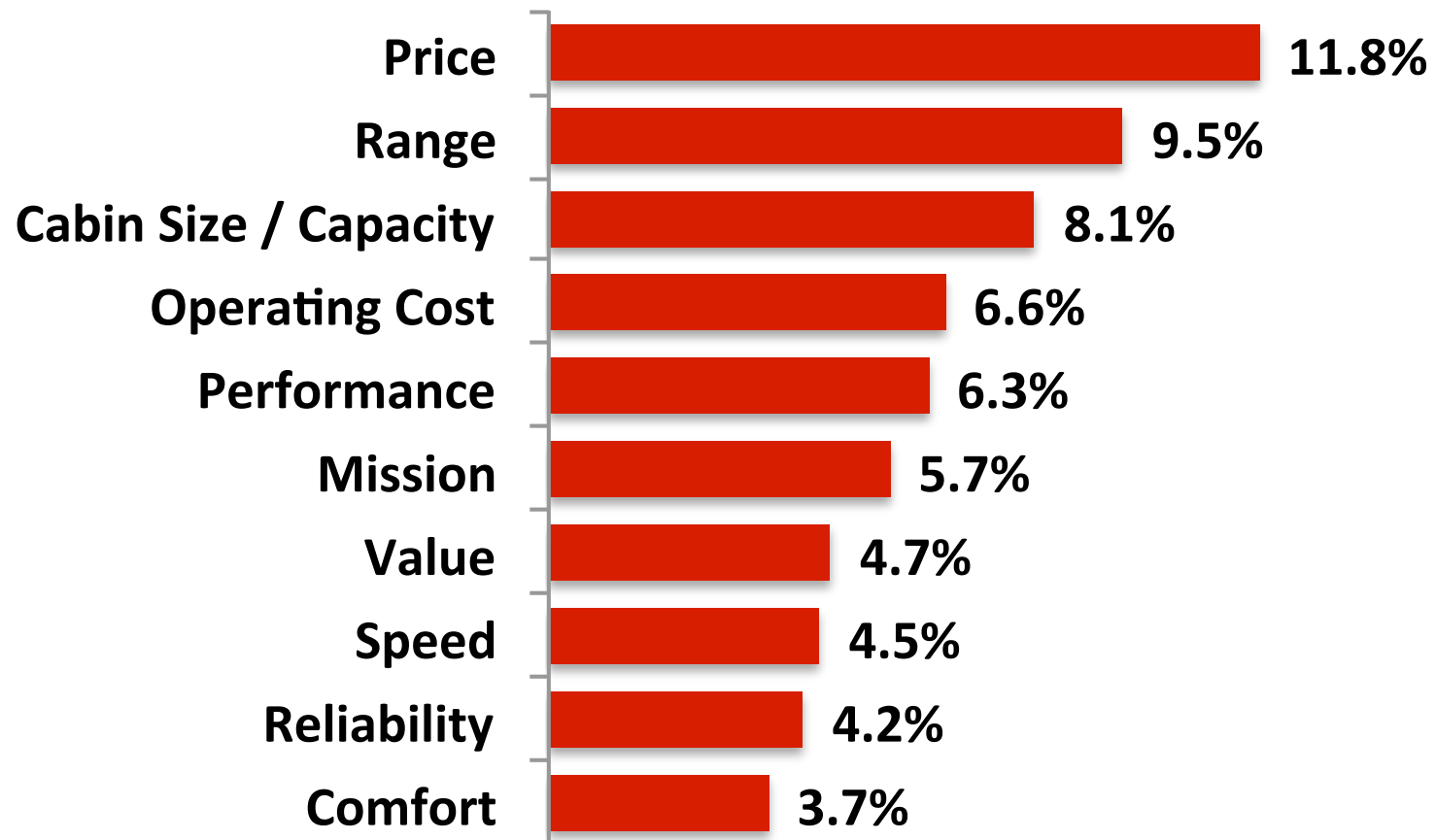
Source: JETNET iQ Q2 2014 Global Business Aviation Survey; n = 517 respondents

Brand Expected to Improve the Most Next 5-10 Years



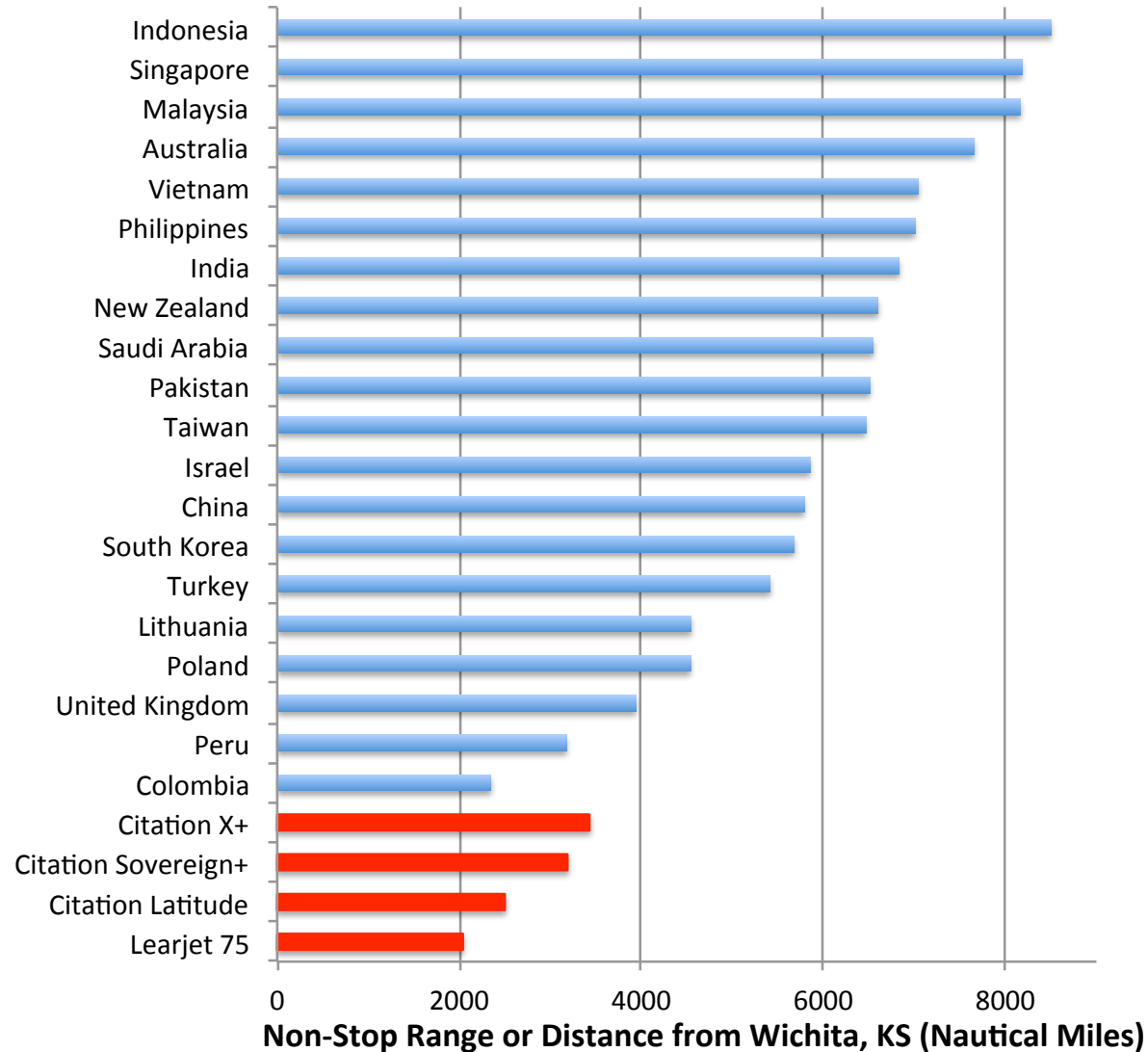
Source: JETNET iQ Q2 2014 Global Business Aviation Survey; n = 517 respondents

Most Recent Business Aircraft Purchase – Purchase Criteria



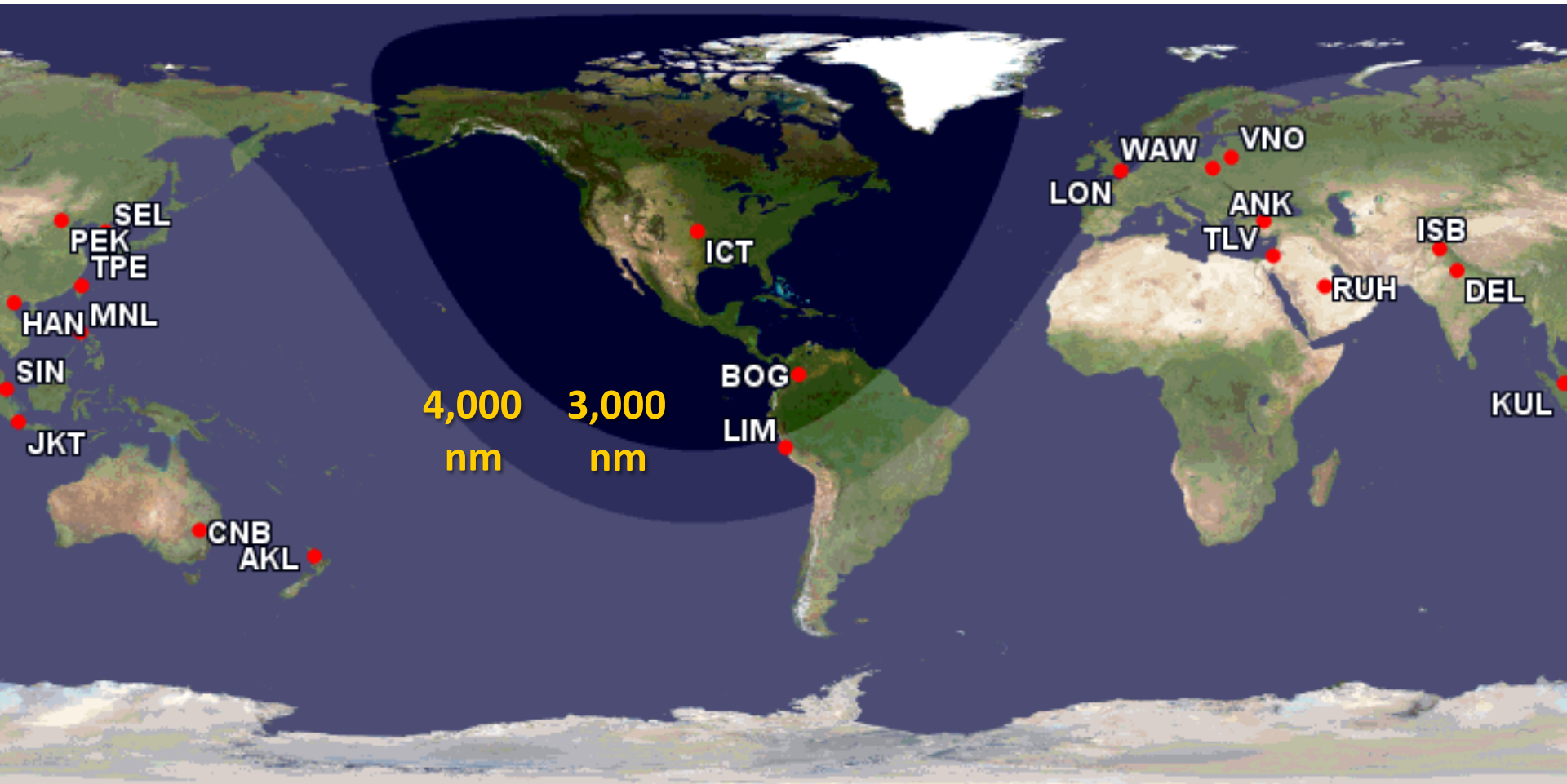
Source: JETNET iQ Q2 2014 Global Business Aviation Survey; n = 517 respondents

Distance to “Top 20” GDP Growth Markets

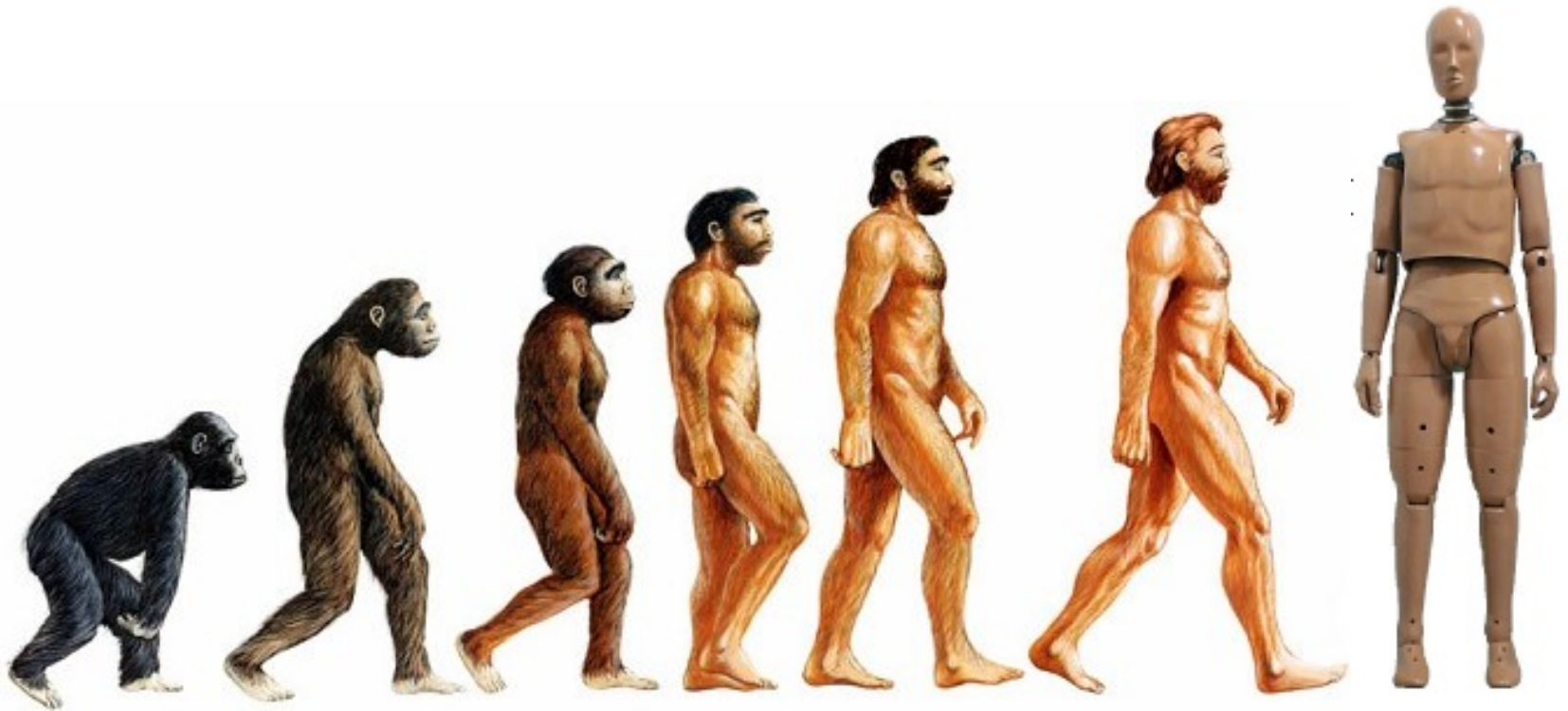


Source: The Economist, Aug. 18, 2014; Textron Aviation; Bombardier Aerospace

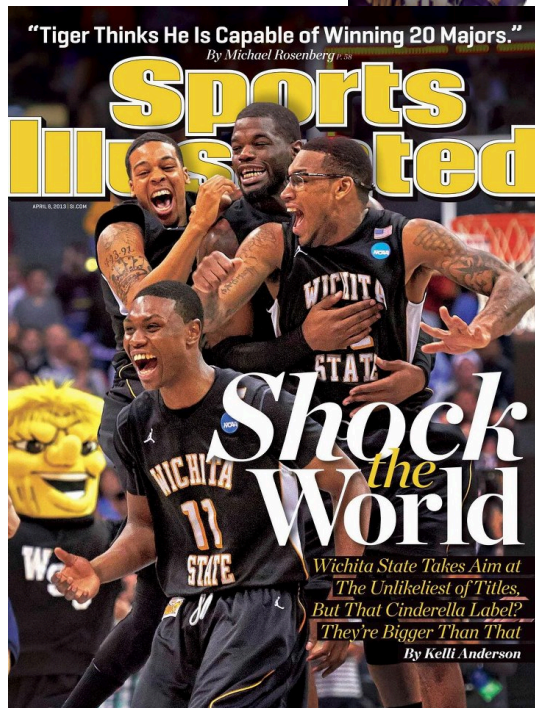
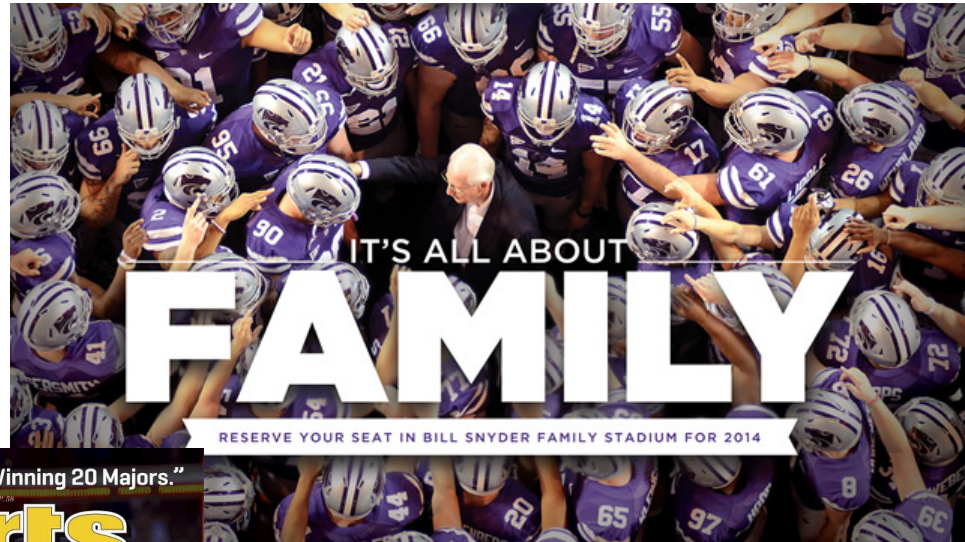
“Top 20” GDP Growth Markets - 2014



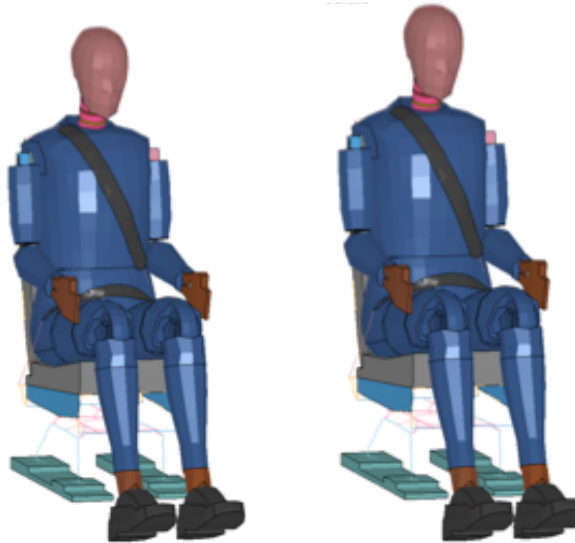
The Evolving Customer



The Evolving Customer



The Evolving Customer



95th Percentile Male	1960-1962	2003-2006	Change	% Change
Weight (Pounds)	217.0	269.1	52.1	24.0%
Height (Inches)	72.8	73.5	0.7	0.9%

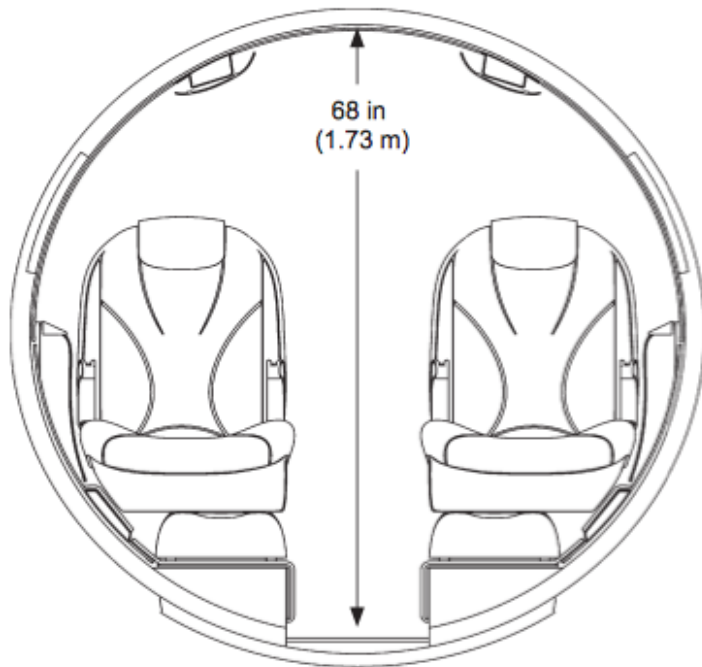
Sources:

1960-62: Weight, Height and Selected Body Dimensions of Adults, 1960 -1962, US Dept. of Health, Education and Welfare, National Center for Health Statistics Series 11 No. 8;

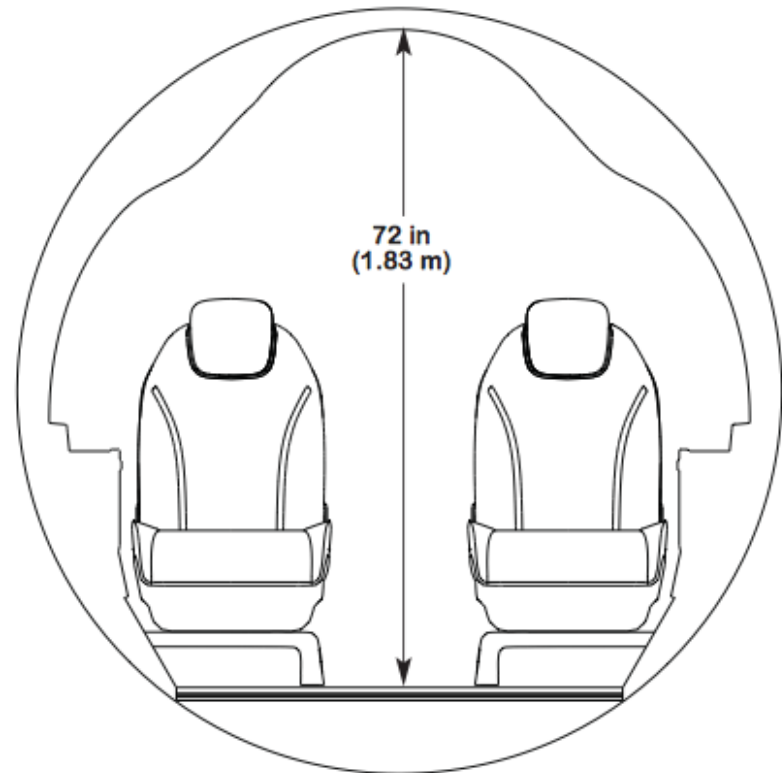
2003-2006: Anthropometric Reference Data for Children and Adults: United States, 2003–2006, National Health Statistics Report: Number 10n October 22, 2008.

The Evolving Manufacturer

Citation XLS+
Citation Sovereign+
Citation X+



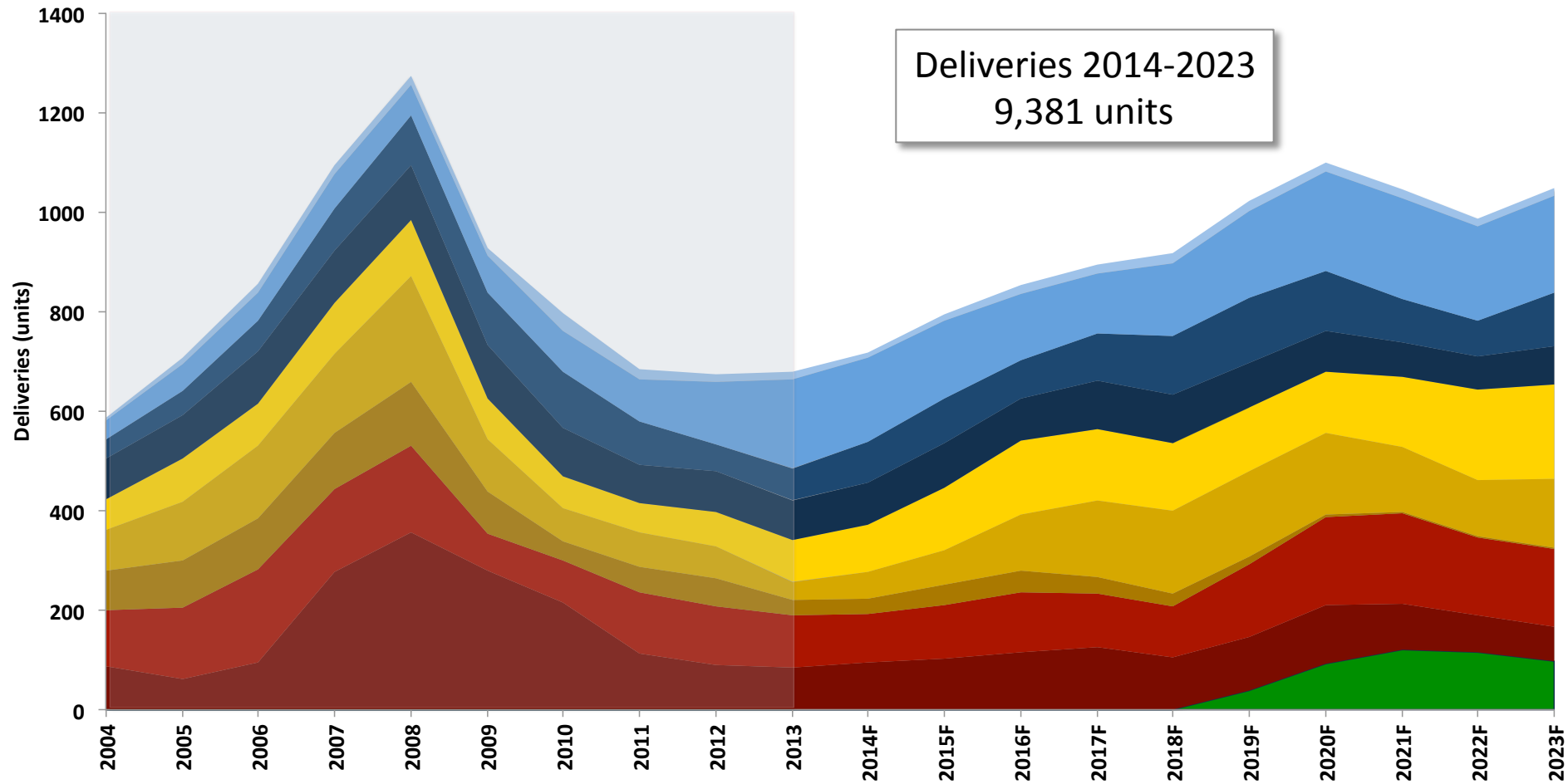
Citation Latitude
Citation Longitude



Bigger Things to Come.....

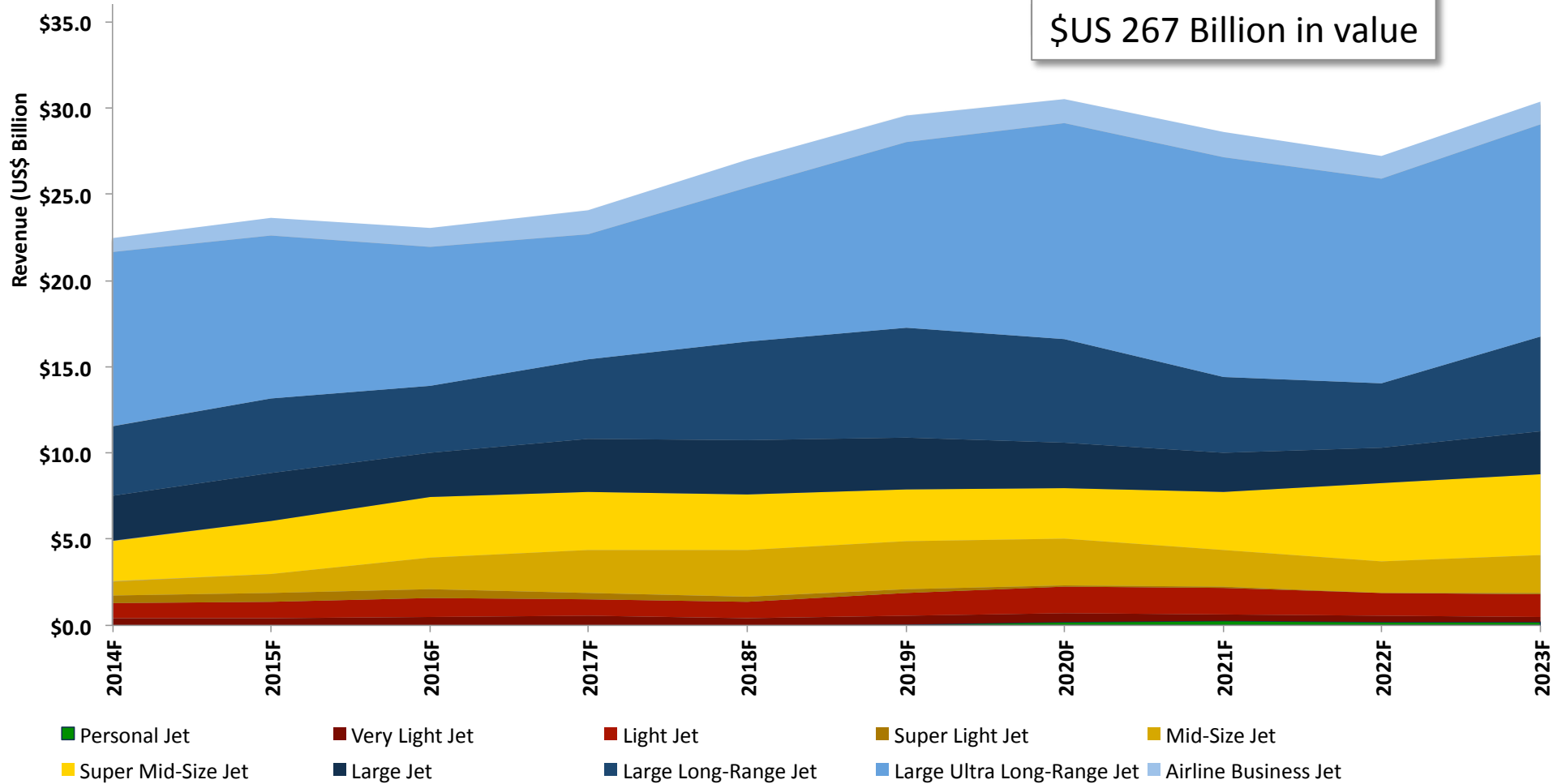


Business Jet Delivery Forecast

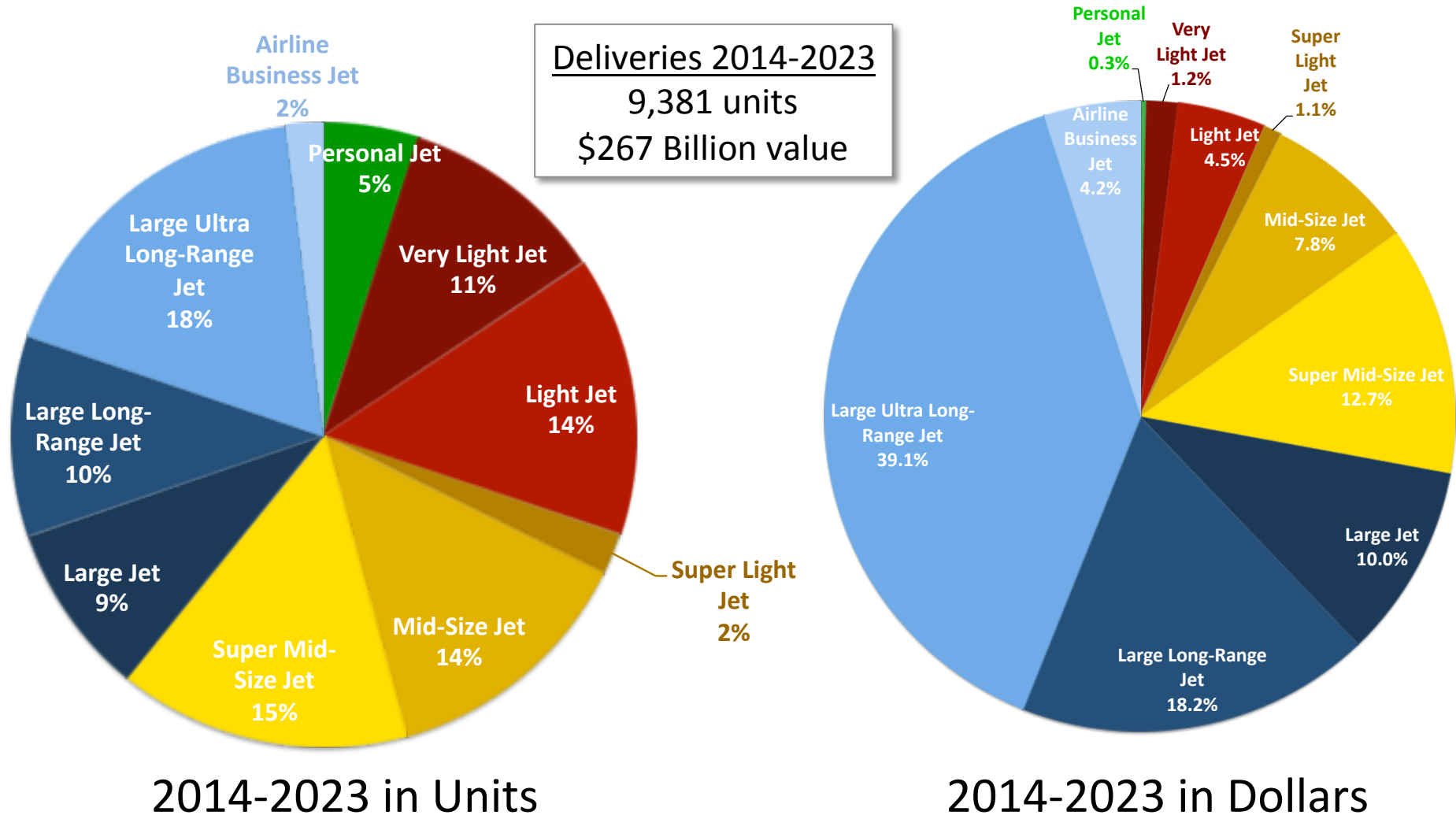


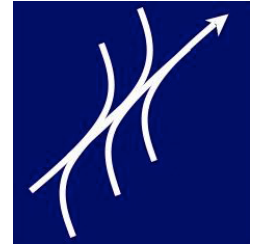
Business Jet Delivery Forecast

Deliveries 2014-2023
\$US 267 Billion in value



Business Jet Delivery Forecast





About Rolland Vincent Associates, LLC

Rolland Vincent Associates is a consulting firm focused on market research, industry forecasting and strategic planning for the aerospace and aviation industry.

Our customers include:

- Aircraft manufacturers
- Engine manufacturers
- Tier I and II aerospace suppliers
- Aircraft operators
- Aviation service providers
- Banks and equipment lessors
- Investors

Drawing from more than 30 years of aviation experience, we provide state-of-the-industry intelligence to help customers navigate for global aviation leadership.

Rolland Vincent, President

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About JETNET iQ

Launched in January 2011, JETNET iQ is a forecasting and premium advisory service for the business aviation market, designed to help customers “Know More”.

JETNET iQ consists of three main elements:

1. **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.
2. **JETNET iQ Summits** are annual industry conferences providing unique data, insights and networking opportunities.
3. **JETNET iQ Research** provides customized research and analysis for clients on a project-by-project basis.

For more information on JETNET iQ, please log on to www.jetnetiq.com or contact Rolland Vincent, JETNET iQ Creator / Director at 1-972-439-2069 or rollie@jetnet.com.