

- 1** Editorial
- 2** Outlook
- 3** NAFA Industry Update & Activities
- 5** Business Conditions
- 6** U.S. Part 135 Operations
- 8** U.S. Part 91 Operations
- 10** European Operations
- 11** Next Aircraft Purchase
- 12** About JETNET iQ
- 13** Appendix

## I'll Follow The Sun

With the blazing sun of mid-July, things have heated up in the Northern Hemisphere, where the vast majority of business and general aviation (B&GA) aircraft are owned and operated. Encouragingly, flight operations have begun to rebound across all sectors of B&GA, and well ahead of trends seen in the scheduled airline industry. While transborder travel restrictions and quarantine measures remain largely in place to limit the recovery of international flight operations, it is clear from a plethora of data and even anecdotal signals that activity levels are up quite impressively from the bleak situation in April 2020. At that time, the B&GA industry established a new benchmark for ultra-low carbon emissions, not because of ultra-efficient aero-engines, slippery aerodynamics, and SAF, but because of airplanes hangared and tied-down as the fury of the COVID-19 tsunami arrived like a thief in the night. Unlike the grab-and-dash nature of most robberies, this thief apparently decided that the pickings are good, and is staying for a while, wreaking on-going and near-random havoc on businesses, families, individuals, and our ways of life.

The essentially unscheduled nature of B&GA is one of its inherent features that supports a return to service that reflects resiliency

despite occasionally violent windshear. Both operational data and anecdotal insights suggest that people are today using B&GA aircraft primarily for personal reasons, to reposition themselves and their families to bluer, greener, and higher pastures in sunspot and mountain destinations, presumably where they have an additional home. Their work, of course, follows them, made more feasible in our acceleratingly virtual way of doing business. As we will share in this issue of JETNET iQ PULSE, recovery in flight operations is proceeding but the flight patterns are very distinct from 2018-2019.

***“...recovery in flight operations is proceeding but the flight patterns are very distinct from 2018-2019...”***

As we review the current state of the market, we are pleased to be joined by Jim Blessing, President of the National Aircraft Finance Association, with an update on NAFA aircraft financing activities, with members reporting an encouraging level of inquiries and business from new and prospective buyers.

Rollie Vincent  
JETNET iQ Creator/Director



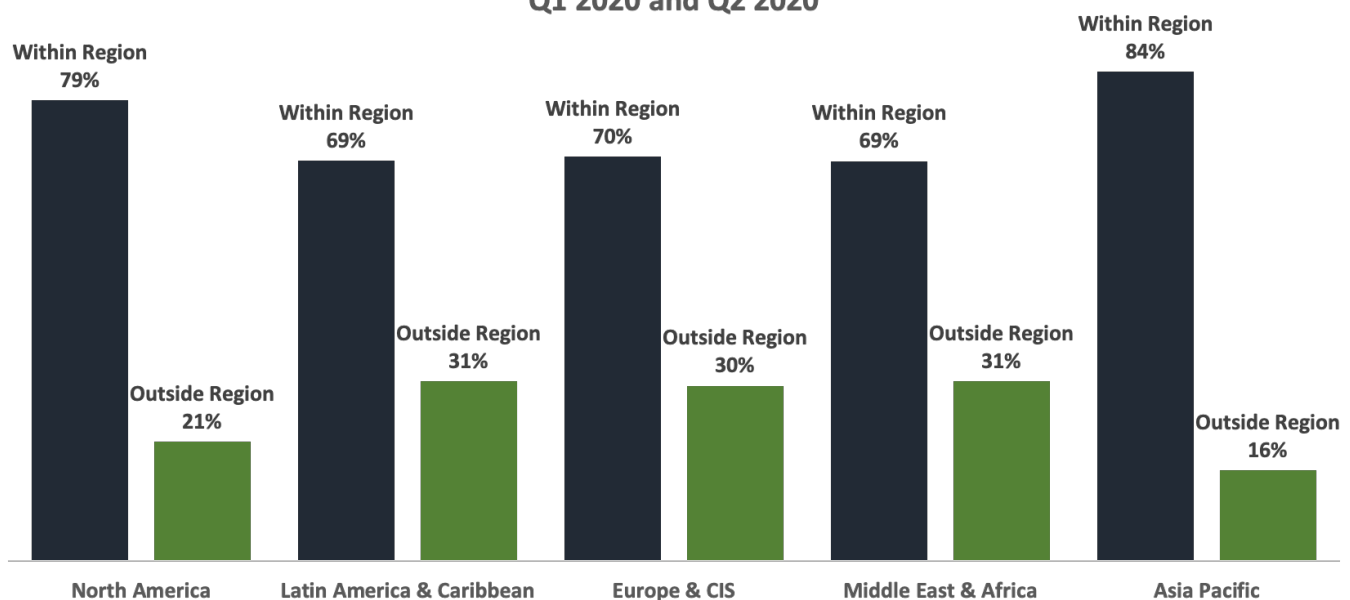
## Outlook

Aircraft utilization levels are tracked with a high level of precision by air traffic control organizations, aircraft and engine OEMs, avionics and Wi-Fi suppliers, and a number of data service providers. While these provide insights into what is happening in near real-time, much is revealed by looking at changes in airport and en-route activity over time. As with any analysis, we believe that it is revealing to look deeper than “headline” numbers to discover underlying trends by operational segment, geography, and other parameters.

The good news is that overall business aircraft flight activity has already rebounded quite impressively from the very dark days of April 2020, when the full force of a Black Swan ingestion into the engine of business aviation revealed how much damage a soft, squishy bird can actually do, despite what the chicken gun certification tests might suggest. In regions where Coronavirus cases, hospitalizations, and fatalities are trending downwards, and where economic activity is beginning to return to pre-pandemic levels, business jet flights that can operate with few or limited transborder or quarantine restrictions are recovering quite nicely. Early signs of a strong U.S. flight activity rebound have been encouraging, but a rapid spike in confirmed cases and hospitalizations in the U.S. South and West in June and July is evidence that COVID-19 is an invisible and deadly foe that is the true enemy to be defeated.

To the extent that international borders are locked down and 14-day quarantining policies are being enforced, there is a natural limit to overall flight operations recovery. Our two most recent JETNET iQ Global Business Aviation Surveys for Q1 and Q2 2020 gathered perspectives from more than 1,000 business aircraft owners and operators worldwide. They reveal that there is considerable variation in flight activities from region to region, with ~20-30% of operations in the previous 12 months involving airports outside the region of their home base. Within North America (and not counting U.S.-Canada transborder activity), owners and operators reported that about 21% of flights involved a non-North American airport over the previous 12 month period. Other things being equal, and in the absence of wide open international borders, we expect overall flight cycles in 2020 to “cap out” somewhere near 70-80% for the time being, with full operational recovery contingent on the discovery and widespread availability of a COVID-19 vaccine, hopefully in 2021.

**Where the Fleet Lands**  
**Respondents Weighted by Fleet Size**  
**Q1 2020 and Q2 2020**



Source: JETNET iQ Q1 2020 and Q2 2020 Surveys

## NAFA Industry Update & Activities



By Jim Blessing  
President  
National Aircraft Finance Association (NAFA)

The National Aircraft Finance Association (NAFA) is comprised of aircraft lenders, attorneys, CPAs, appraisers, title firms, aircraft sales professionals, and just about every type of company involved with the purchase and sale of aircraft. Celebrating our 50th year next year, the organization's 200 member-companies are actively engaged in supporting private, corporate and commercial aircraft buyers around the globe.

### Industry Update

COVID-19 has presented vast challenges to our member companies and the lending community, but our members have remained steadfast in providing services and support, whether from their office, shop or factory floor, or home computer. At the start of the pandemic interest rates dropped, and stimulus measures were launched with short notice, with most of the stimulus burden (workload) supported by the banking system.

The combined impact of these measures, plus opportunistic clients seeking refinances or loan deferrals, created strains on the aircraft lending system. Some lenders changed their approach to focusing support on their existing client base and their needs. Others tightened credit standards in preparation for a possible longer-term recovery, while identifying stress-points in their portfolios and preparing for an increase in loan losses. Yet, for others it was business as usual. However, an increase in aircraft loan defaults has not materialized, and our member lenders report that their portfolios are performing exceptionally well. Within the last 60 days many of our members reported increased demand, and by the end of Q2

were experiencing activity levels equal to or better than 2019, with strong demand for growth in their pipelines. The "blizzard" that buried lenders in April and May has given way to a very active and engaged finance community, fueled by low interest rates, increases in first-time buyers and borrowers, and a higher percentage of people financing.

***"Within the last 60 days many of our members reported increased demand, and by the end of Q2 were experiencing activity levels equal to or better than 2019..."***

Aircraft lending offers banks and financiers diversity in their portfolio, with clients representing all categories of enterprise. Aircraft lending also presents banks with a unique niche that is positioned to realize growth in an environment where other loan products may be stagnant or shrinking (i.e. hospitality financing). This is a unique time for the aircraft lending community - it is healthy and well-positioned to help fuel the growth of private aviation.

### NAFA Activities

With the cancellation of most major trade events through year-end, NAFA has pivoted to online member engagement. We are keen to bring value to NAFA members in a contact-less world with increased educational content and virtual meetings. In May NAFA held its first "virtual member-business meeting", followed in June with participation in the International Aviation Womens Association (IAWA) GA Forum, where NAFA showcased the growing role that women play in the aviation finance community. Our panel presented the "Best Practices in Purchasing & Financing an Aircraft" with NAFA lender, title and escrow, OEM, legal, and tax consultancy representatives.

Moving forward, we plan to offer more member-value through additional educational content, via webinars, newsletters and other medium. July 21st we are hosting a webinar "Managing an Aircraft Loan Portfolio in a Pandemic"; evaluating changes lenders consider with their originations, default inventory management, and anticipating portfolio performance based on previous cycles. Future planned seminars include: evaluating upcoming regulatory changes, managing against fraud, and evolving changes and priorities in aircraft sales and lending, among other topics.

Our 2021 50th Annual Conference will be held next April in Napa Valley, and after all the time away from our community, we very much look forward to raising a glass of wine with our friends and colleagues in the industry. In the meantime, we hope you will consider attending our webinars, and consider using the services of our diverse NAFA membership.

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## Business Conditions

### GDP



The Economist's **GDP forecasts** for the U.S. and Euro Area economies were lowered to -5.3% and -8.3% respectively in 2020; U.K.'s 2020 growth rate is -9.0%; China is the only major business aviation economy expected to grow in 2020 - by 1.4%



**Business jet cycles** (take-offs and landings) in June 2020 were down YOY, by -31% for U.S. Part 91 (an improvement from -59% in May YOY), by -32% for U.S. Part 135 (vs. -54%), by -40% for U.S. Part 91K (vs. -71%), and by -30% for Europe – all operations (vs. -58%)



The **S&P 500 Index** (U.S.) was down 10% YTD from January 2 to July 13, 2020 and down 5% YOY; The **FTSE 100** (U.K.) was down 19% YTD from January 2 to July 13, 2020, and down by 18% YOY



U.S. Index of **Consumer Sentiment** was 78.1 in June 2020, up from 72.3 in May but down 20% from June 2019; 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 50.0 million in the 16 weeks ending July 4, 2020; U.S. unemployment rate (SA) was 11.1% in June 2020 (representing ~17.8 million people)



U.S. **Purchasing Manager Index** (PMI) was 52.6% in June 2020, up 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 March-June 2020 were down 35% to 138/month YOY while days-on-market were up 15% to 294 days/month YOY based on JETNET data



**Business jet deliveries** YTD as of July 14, 2020 were 216 units and **turboprop deliveries** were 86, down by 39% and 34% YOY, respectively, according to JETNET; Q2 2020 shipments are expected to be the low point of the current COVID-19 down cycle

## U.S. Part 135 Operations

### Key U.S. Airports for Business Jet Flights (Based on Departures)

Flight Activity Change - Part 135 by Major Airport					
ICAO	Airport	April 2020 YOY change	May 2020 YOY change	June 2020 YOY change	July 1-11 2020 YOY change
KTEB	Teterboro (NJ)	-89.7%	-78.6%	-59.8%	-50.8%
KDAL	Dallas Love Field (TX)	-68.3%	-54.4%	-22.4%	-5.0%
KIAD	Washington Dulles (VA)	-82.4%	-72.0%	-46.9%	-29.6%
KPBI	West Palm Beach (FL)	-66.7%	-14.6%	102.8%	40.9%
KHOU	Houston Hobby (TX)	-73.7%	-57.6%	-7.7%	-14.3%
KLAS	Las Vegas McCarran (NV)	-91.9%	-82.6%	-44.9%	-52.3%
KSDL	Phoenix Scottsdale (AZ)	-56.7%	-17.4%	36.9%	38.6%
KMDW	Chicago Midway (IL)	-81.0%	-75.0%	-53.5%	-39.1%
KAPA	Denver Centennial (CO)	-58.0%	-49.8%	-0.2%	4.5%
KOPF	Miami Opa Locka Executive (FL)	-68.5%	-23.5%	58.4%	36.6%
KVNY	Van Nuys (CA)	-79.7%	-63.1%	-23.0%	-8.0%
KHPN	White Plains Westchester (NY)	-86.5%	-82.0%	-26.5%	-33.9%
KSJC	San Jose (CA)	-84.0%	-76.2%	-27.2%	-24.4%
KAPF	Naples Municipal (FL)	-53.9%	7.7%	108.3%	40.0%
KBED	Boston-Bedford Hanscom Field (MA)	-74.5%	-57.6%	-36.3%	-25.2%
KBFI	Seattle Boeing Field (WA)	-68.1%	-53.0%	-31.0%	-25.3%
Total - Key Business Aviation Airports		-77.2%	-59.8%	-21.6%	-20.0%

Source: FAA

On-demand (charter) business jet flights plunged to previously unimaginable levels in April 2020, with takeoffs and landings off by ~77% on average year-over-year (YOY) at a selection of the busiest U.S. business aviation airports. Recovery from the April 2020 nadir has accelerated in May and June, and appears to be stabilizing in the first half of July 2020, currently down by ~20% on average. Part 135 flight activity at key airports in the Boston-New York-

Washington, D.C. corridor remained off by about 25-50% in the first half of July YOY. Despite the summertime heat and with sharp cutbacks in commercial airline services, business jet charter flights to popular Florida and Arizona destinations - any of which are presumably second homesites - have jumped well ahead of 2019 levels, while the slot machines of Las Vegas likely remain heavily underutilized.

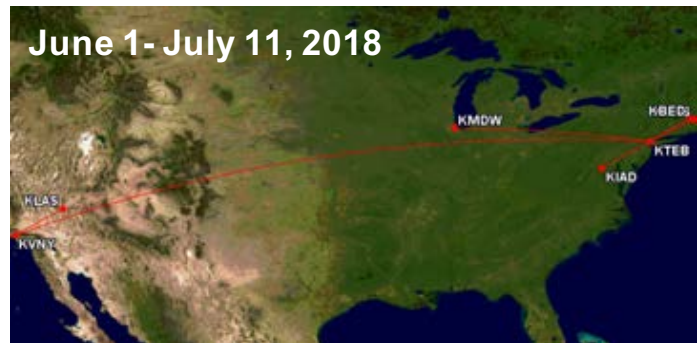
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## U.S. Part 135 Operations

### Top 6 U.S. Airport Pairs for Business Jet Flights

In 2018 and 2019, the top airport pairs for business jet charter flights over a 6-week period beginning June 1 were relatively unchanged. With the exception of the ever-popular Van Nuys CA – Las Vegas, NV route, most flight activity involved connecting New York City with key business and government centers including Washington, D.C., Chicago, and Boston.

In 2020, demand shifted to connecting the New York City area with South Florida, and Los Angeles / Van Nuys, CA with both Las Vegas and Aspen, CO. With the State of Florida now experiencing a sharp spike in COVID-19 cases and hospitalizations, many indicators point towards a long, hot summer in The Sunshine State.



Sources: FAA, [www.gcmapp.com](http://www.gcmapp.com)

## U.S. Part 91 Operations

### Key U.S. Airports for Business Jet Flights (Based on Departures)

Flight Activity Change - Part 91 by Major Airport		April 2020 YOY change	May 2020 YOY change	June 2020 YOY change	July 1-11 2020 YOY change
KTEB	Teterboro (NJ)	-95.8%	-91.7%	-85.2%	-78.5%
KDAL	Dallas Love Field (TX)	-81.1%	-58.2%	-41.4%	-32.9%
KIAD	Washington Dulles (VA)	-91.3%	-86.2%	-77.6%	-69.0%
KPBI	West Palm Beach (FL)	-78.8%	-45.5%	0.0%	-11.3%
KHOU	Houston Hobby (TX)	-77.6%	-59.3%	-38.4%	-30.3%
KLAS	Las Vegas McCarran (NV)	-91.5%	-84.4%	-46.8%	-40.6%
KSDL	Phoenix Scottsdale (AZ)	-67.8%	-30.2%	-13.8%	14.1%
KMDW	Chicago Midway (IL)	-94.4%	-89.4%	-81.3%	-71.2%
KAPA	Denver Centennial (CO)	-78.6%	-47.4%	-27.8%	-12.0%
KOPF	Miami Opa Locka Executive (FL)	-86.0%	-63.0%	-30.3%	-38.6%
KVNY	Van Nuys (CA)	-84.9%	-67.1%	-43.5%	-41.5%
KHPN	White Plains Westchester (NY)	-91.6%	-90.4%	-62.6%	-50.0%
KSJC	San Jose (CA)	-73.6%	-69.5%	-54.6%	-39.9%
KAPF	Naples Municipal (FL)	-66.3%	-22.6%	28.2%	34.8%
KBED	Boston-Bedford Hanscom Field (MA)	-81.2%	-77.3%	-63.2%	-51.9%
KBFI	Seattle Boeing Field (WA)	-75.9%	-67.8%	-50.1%	-38.2%
<b>Total - Key Business Aviation Airports</b>		<b>-83.9%</b>	<b>-70.4%</b>	<b>-52.3%</b>	<b>-41.4%</b>

Source: FAA

With the exception of sunspot homesites in Florida and Arizona, and the ever-popular cool, crisp air of the Colorado Rockies, private flight operations remain sharply lower across most key business jet airports. Part 91 activity at Teterboro, Washington Dulles, and Chicago Midway was down 70-80% YOY in the first half of July,

reflecting the depth of COVID-19 impacts on the U.S. economy and government. Compared to the same period in 2019, Part 91 flights were off ~41% YOY at sixteen key U.S. business jet airports in early July 2020, with Naples, FL and Scottsdale, AZ amongst the few bright spot exceptions.

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## U.S. Part 91 Operations

### Top 6 U.S. Airport Pairs for Business Jet Flights

Similar to Part 135 charter, private flight operation patterns were little changed between 2018 and 2019, centered on California and the U.S. Northeast Corridor. This includes high-frequency corporate shuttle operations for Intel Corporation that connect San Jose, CA / Silicon Valley with major operations centers near Portland, OR and Phoenix-Mesa, AZ.

Unlike Part 135, private flight operations patterns appear to be relatively little changed in 2020 versus the two prior years, at least in terms of the airport pairs that are served. Based on flight operations at some of the busiest U.S. business jet airports, the most significant change is in overall Part 91 flight frequency, which is down ~41% YOY.



Sources: FAA, [www.gcmap.com](http://www.gcmap.com)

## European Operations

### Key European Airports for Business Jet Flights (Based on Departures)

Flight Activity Change - All Operations by Major Airport		April 2020 YOY	May 2020 YOY	June 2020 YOY	July 1-11 2020
ICAO	Airport	change	change	change	YOY change
LFPB	Paris-Le Bourget	-80.7%	-63.7%	-37.5%	-17.4%
LSGG	Geneva	-82.1%	-62.8%	-25.7%	4.5%
LFMN	Nice-Cote d'Azur	-89.4%	-79.8%	-32.5%	30.8%
EGLF	London-Farnborough	-83.2%	-72.6%	-67.2%	-41.1%
LSZH	Zurich	-71.3%	-48.1%	-11.6%	17.8%
LIML	Milan-Linate	-85.0%	-74.9%	-29.9%	-16.4%
EGGW	London-Luton	-82.4%	-70.4%	-64.8%	-48.4%
UUWW	Moscow-Vnukovo	-81.9%	-64.6%	-41.1%	9.7%
LEPA	Palma de Mallorca	-91.8%	-93.3%	-58.9%	127.3%
LOWW	Vienna	-57.2%	-55.6%	34.5%	73.8%
EDDS	Stuttgart	-81.9%	-64.6%	-37.6%	-18.8%
EDDM	Munich	-34.5%	-37.1%	15.3%	72.4%
LKPR	Prague	-57.3%	-33.1%	-8.1%	47.5%
EHAM	Amsterdam	-53.2%	-54.5%	-27.6%	12.9%
LIRA	Rome-Ciampino	-70.3%	-70.0%	-32.0%	-9.3%
EDDB	Berlin-Schonefeld	-55.8%	-53.2%	2.0%	13.0%
EGKB	London-Biggin Hill	-52.0%	-29.5%	-46.7%	-27.5%
<b>Total - Key Business Aviation Airports</b>		<b>-75.6%</b>	<b>-63.9%</b>	<b>-34.2%</b>	<b>1.5%</b>

Source: Eurocontrol

Business jet flight operations in Europe appear to be recovering more quickly than those in the U.S., no doubt aided by a “flattening of the curve” with many nations across Europe seemingly past the worst of the COVID-19 pandemic. With the notable exception of the U.K., most key business jet airports on the European Continent have witnessed a significant recovery in flight operations, which on average returned to pre-pandemic levels in the first half of July

2020. Every airport amongst the 17 listed in the table above has been on a steady year-over-year recovery since the darkest days of April 2020, when operations were down by ~76% YOY. Although some airports are still not yet back to pre-coronavirus traffic levels, this is a remarkably quick rebound given the immense impact of the pandemic on European economies, its people’s health and welfare, and ways of life.

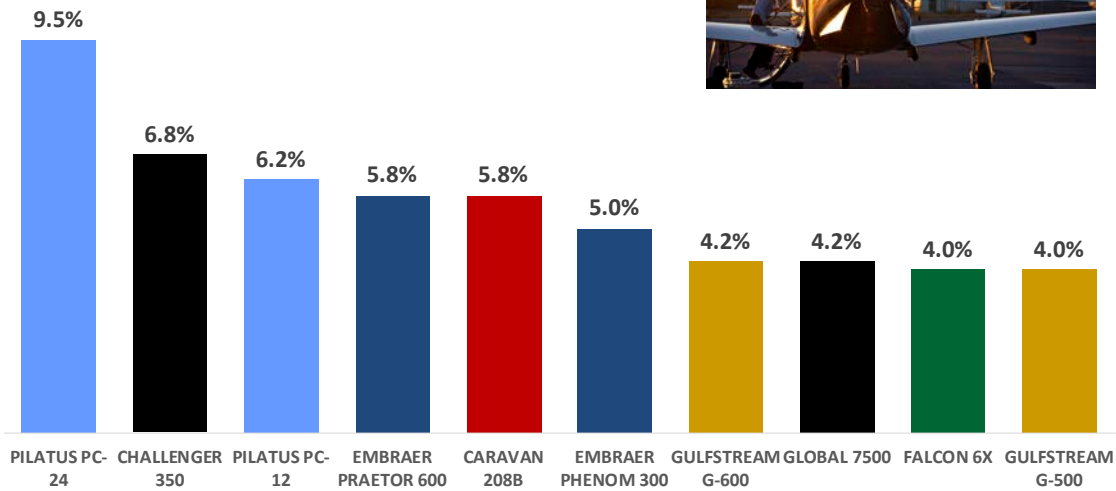
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## Next Aircraft Purchase

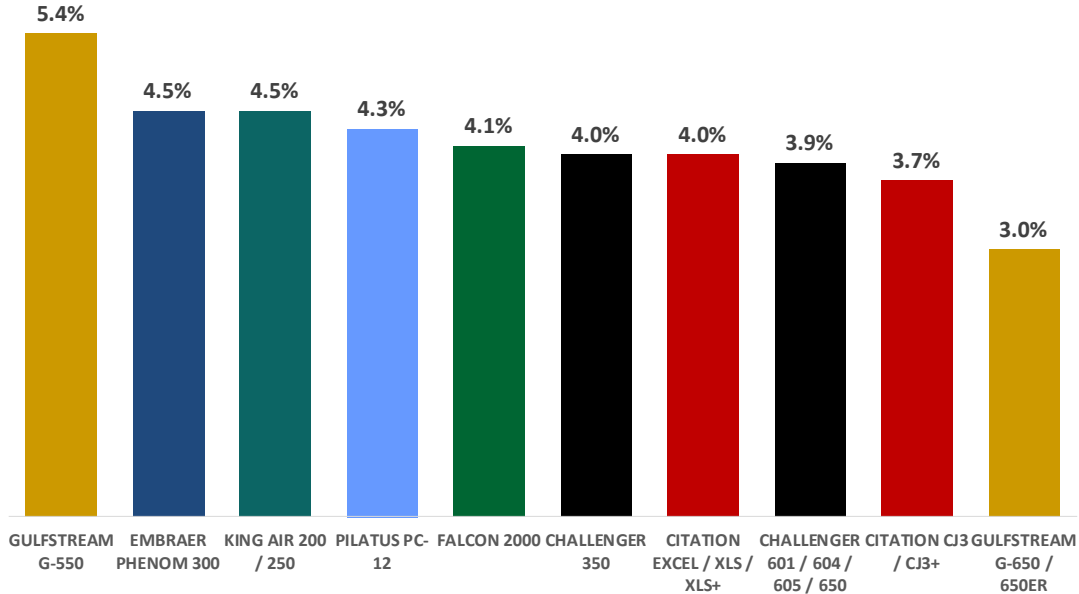
### Model Preferences of Prospective Buyers



#### New Business Aircraft



#### Pre-Owned Business Aircraft



Source: Q3 2019-Q2 2020 JETNET iQ Surveys

As flight operations recovers, we are continuing our efforts to monitor the perspectives, preferences, and opinions of business aircraft owners and operators. Today perhaps as much as ever, we believe that it is important to hear and understand their “Voices of the Customers.” Opinions drawn from more than 2,000 responses to our JETNET iQ Surveys over the past 4 quarters suggest that they

are interested in a wide variety of aircraft for their next purchase, whether they expect that model to be purchased new or on the pre-owned market. On-going JETNET iQ Surveys of purchase intentions help us understand customer preferences and enhance our ability to more accurately forecast the direction of future markets.

## 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:

**GDP growth forecasts (2020):** The Economist – July 11, 2020

<https://www.economist.com/economic-and-financial-indicators/2020/07/11/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](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](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)

**Photo credits:** Page 11: Pilatus Aircraft Ltd.

### 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 and general aviation

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

S&P: Standard & Poor's

TTM: Trailing Twelve Months

YOY: Year over Year

YTD: Year to Date

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