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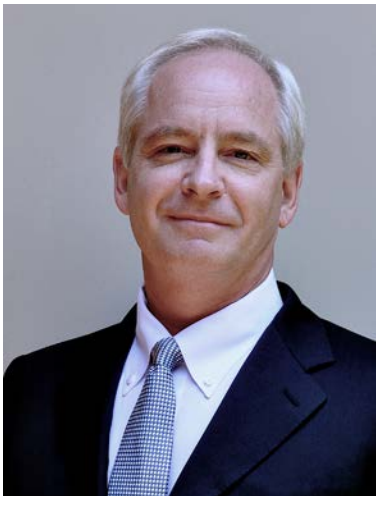
Rollie Vincent
JETNET iQ Creator/Director



Goodbye Yellow Brick Road

As expected, industry consolidation pressures that have mounted as a result of the COVID-19 pandemic are driving changes in many corners of the business aviation industry. Some of the most significant impacts include mergers & acquisitions, corporate reorganizations, production rate adjustments, and end-of-life product decisions. For OEM leadership, one of the toughest calls is suspending production of older model lines, some of which may represent a significant share of its worldwide fleet. With more than 3,000 factory deliveries and an ~60-year production run, Bombardier's recent announcement of the suspension of Learjet production feels like the end of an era, and the loss of a friend.

"….. the suspension of Learjet production feels like the end of an era, and the loss of a friend."

British superstar Elton John and his bandmates travelled to Hérouville, France in 1973 to record what would become their *magnum opus*, Goodbye Yellow Brick Road. This double-album established the band – and their brand – as sensational performers, instantly recognizable around the globe.

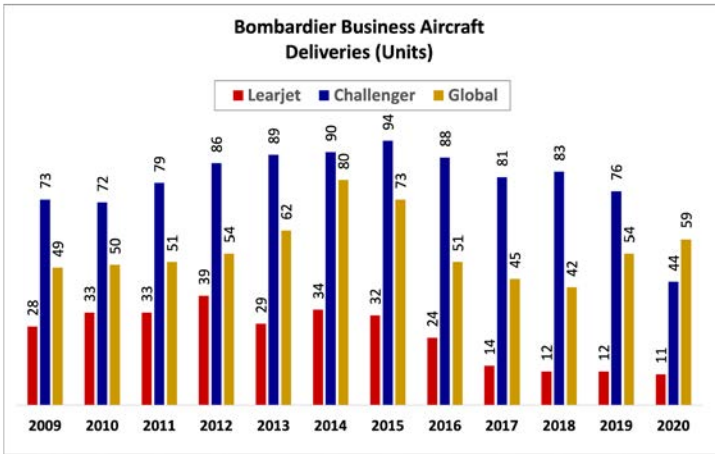
Colorful, confident, self-taught, and essentially restless, American inventor Bill Lear decided years ago that he wanted to devote his energies towards building an executive jet, around the same time that Elton John was still in primary school. Lear established Swiss American Aviation Corporation to develop the SAAC-23 Execujet, a sleek Mach 0.82 twin-turbojet design with a rocket-like 0.46-to-1 thrust-to weight ratio that would leave the competition gasping in its smoke stream. In 1962, Lear moved his fledgling operation from the mountain lake region of Altenrhein, Switzerland to Wichita and the flat plains of Kansas, the center of gravity for general aviation aircraft production. This decision was apparently based on Lear's desire to accelerate the program timelines, engage local talent (engineering, certification, and production), and access initial industrial revenue bond funding that the city was offering to attract business investment.

While the Lear brand is today synonymous with one word – Speed! – the rapid-fire Lear 23 program accomplishments were equally impressive for an all-new business jet and will remain uncontested in the modern era: 298 days from 1st flight to FAA certification, and 372 days from 1st flight to initial customer delivery. For Bill Lear and his team, it was an incredible time of boundless possibilities - for doing things that everyone said could not be done.

Jason Lorraine, JETNET's Director of Strategic Solutions and Product Sales, joins us in this issue of JETNET iQ PULSE to share his perspectives on Learjet aircraft. Expert on JETNET's vast aircraft databases and a key customer-facing executive, Jason is highly regarded in the business aviation community for his technical expertise, problem-solving skills, and personalized approach to customer service.

Outlook

Bombardier's difficult decision to end Learjet production was not unexpected, especially given the model line's low rate of deliveries over the past several years. Not for a lack of investment or effort, Bombardier has been unable to generate the level of sales needed to justify staying in the lower end of the business jet market. Competition for light jet and super-light jet sales has intensified, with Textron Aviation, Embraer, and more recently Pilatus Aircraft capturing the lion's share of new orders in recent years. Price-positioned against Part 23 light jets like the Phenom 300, Citation CJ4, and Pilatus PC-24, the Learjet 75 and its "Model 45" predecessors are part of a family of ~725 aircraft in service, with 86% of the fleet based in the Americas, led by the U.S., Mexico, Brazil, Canada, and Argentina.



With perhaps just 10-12 aircraft still to deliver before the production line is shuttered, the market exit of the Learjet 75 Liberty will have limited impact on the upper end of the light jet segment. Price-positioned below $10M to capture sales, the de-contented Liberty model had limited appeal to customers who were understandably concerned about residual values, parts availability, and technical support when acquiring an aircraft that was in low-rate production and possibly nearing the end of its product life cycle.

For other businesses and organizations in the industry, what are some of the takeaways and lessons to be learned from the Learjet experience? While the brand has an almost magical allure and worldwide recognition amongst generations of customers, the competition for sales has intensified. Competitor aircraft may not match the speed and high-altitude performance capabilities of a Learjet, but they typically offer fresher design thinking, newer engineering, lower acquisition and operating costs, lower operating weights, single-pilot operations capability, and considerably stronger residual value performance. Despite the more docile stall characteristics and good low-speed handling features of the Model 45 family, the Learjet brand has never been able to fully differentiate from its earlier reputation as an aircraft that was more demanding / less forgiving of its flight crew. While the creation of the so-called super-light segment of the business jet market was heralded almost 30 years ago by the development of the all-new Learjet 45, this corner of the market quickly attracted a competitor in the form of the quick-to-certify Cessna Citation Excel, a very successful tactical response that ultimately captured the larger share of the market.

In more recent years, new competition has come from below in the form of single-pilot Part 23 designs – including the Phenom 300, Citation CJ4, and Pilatus PC-24 – that deliver attractive value propositions at considerably lower price and operating cost points. Return on investment with the Model 45 family has been elusive as the brand faced relentless competition. In this regard, readers might want to review research authored by Harvard professor Clayton Christensen on disruptive innovation, which makes for hours of instructive reading on this topic. After an ambitious period of simultaneous investment in three large development programs – CSeries, Learjet 85, Global 7500 – only the latter survives in the company's portfolio.

The Learjet experience raises some important questions for business aviation leaders to consider: How can we balance working closely with customers we know and serve well (Know Your Customer) with those we aspire to work with (Grow Your Customer)? How do we expand our businesses to gain scale advantages while remaining agile? While acknowledging that leaders are compensated well for making the tough calls and taking calculated risks, what else can we do to ensure that we understand customer requirements to ensure that employees, suppliers, and other stakeholders are beneficiaries of change that we introduce?

2-4-2 Fox Trot

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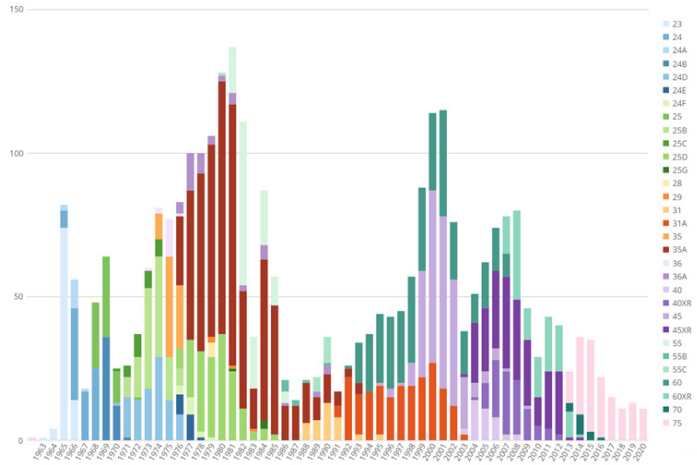
Like The Byrds' timeless "Lear Jet" song, all good things must come to an end, a fact of life reflected in the recent announcement that Learjet production would be suspended by year's end. When Bill Lear gazed upon the Swiss FFA P-16 jet fighter in the 1950's, a legendary aircraft lineage materialized. Did he imagine what it would become?

Learjet is a brand unto itself. When I entered this industry 20+ years ago, every business aircraft was a Learjet in my eyes. Sleek, powerful, an iconic symbol of unrestrained speed. What is not to love? Although production will conclude, the Learjet brand is not going away anytime soon. Bombardier will continue to support these aircraft for many years to come.

Fleet and Deliveries

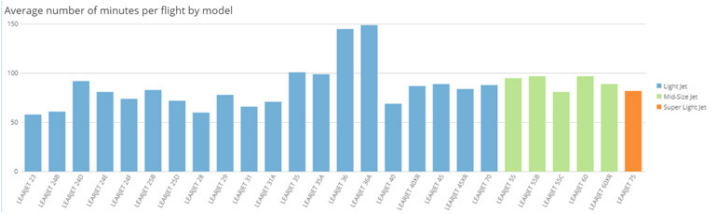
According to the latest JETNET databases, Learjet aircraft are based in 41 countries worldwide. Production to date includes 3,043 aircraft built across 6 different model classes, from the original Model 23 through the latest Model 75. More than 70% of Learjet aircraft ever delivered were in service in February 2021 – a significant fleet of 2,145 light through mid-size jets. About 59% of in-service Learjet aircraft are based in the United States; other leading country fleets include Mexico (11% of the world fleet), Brazil (5%), Argentina (4%), and Germany (4%). Learjet aircraft are based in most countries in the Americas, the European Union, and Southern Africa, and across parts of the Middle East and Asia Pacific.

In production since the early 1960s, the Learjet family of aircraft includes 6 distinct lines, from the 20-Series through the most recent 70-Series models. The brand's heydays were in the late 1970s, led by the fleet leader Learjet 35A, and in and around the dot.com boom in the late 1990s / early 2000s, paced by the Learjet 31A, 45, and 60. A 3rd production surge occurred in 2006-2008 prior to the Global Financial Crisis, with the company offering up to 5 different Learjet models. Since 2014, deliveries have concentrated on the Learjet 75 as production ramped down from 2 to 1 aircraft per month on average.



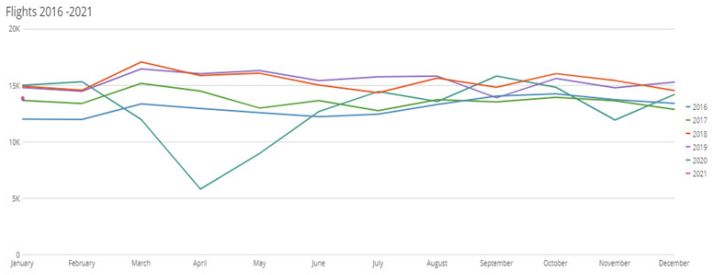
Utilization

Although missions for most Learjet average ~60-90 minutes, the 2,850-nm range Learjet 36/36A stand out as the models with the longest average sectors. Based on the last 2 years of flight operations data, Learjet 36/36A missions have averaged 145-150 minutes in duration, about 2/3rds longer than the in-production Learjet 75. As of late February 2021, more than 70% of the Learjet 36/36A fleet of 52 remaining aircraft have been in service for more than 40 years - a testament to Learjet engineering, robust design, reliability, and high-performance.



2-4-2 Fox Trot (cont.)

At the height of the Covid-19 pandemic in April 2020, Learjet fleet utilization dropped by nearly 60% YoY, but has since recovered smartly based on the latest flight tracking data available to JETNET. In fact, as of January 2021, Learjet flight operations had recovered to within 7.7% of January 2020 levels. This compares favorably to super-midsize and larger business jet aircraft, for which flight operations were down ~14% YoY. The relative strength of light jet utilization – with Learjet models well represented amongst this fleet – is an encouraging sign for our industry. Needless to say, and despite the COVID-19 headwinds, Learjets continue to soar.



A review of flight operations data reveals interesting and perhaps unexpected concentrations of Learjet flight activity. Over the past 24 months, 7 of the top 10 airports for Learjet arrivals / departures were outside the contiguous United States, with Alaska-based cargo and medevac operators amongst the fleet leaders. For those readers with an A&P license who are seeking job security and the endless outdoor adventures and hunting / fishing lifestyle, the land of plenty appears to be to the North.

# of Flights	Departure Airport	Arrival Airport
851	Ted Stevens Anchorage ANC / PANC	Fairbanks FAI / PAFA
803	Bethel BET / PABE	Ted Stevens Anchorage ANC / PANC
737	Ted Stevens Anchorage ANC / PANC	Bethel BET / PABE
649	Ted Stevens Anchorage ANC / PANC	Juneau JNU / PAJN
579	Miami MIA / KMIA	Ft. Lauderdale Executive FXE / KFXE
516	Fairbanks FAI / PAFA	Ted Stevens Anchorage ANC / PANC
503	Aeropuerto Internacional General Juan Álvarez MMAA	Licenciado Adolfo Lopez MMTO
490	Juneau JNU / PAJN	Ted Stevens Anchorage ANC / PANC
487	Licenciado Adolfo Lopez MMTO	Aeropuerto Internacional General Juan Álvarez MMAA
457	Seattle Boeing Field BFI / KBFI	Juneau JNU / PAJN

Aircraft Ownership

An analysis of JETNET aircraft records reveals some fascinating insights into Learjet ownership patterns. Based on a sample of newer models developed since Bombardier purchased the Learjet company in 1990, owners buying factory-new aircraft have tended to keep their aircraft for 71 months on average. This ownership experience is about 58% longer than that for buyers of pre-owned Learjet aircraft, a pattern that is repeated with other popular models in the light jet segment. With entry-in-service in late 2013, a significant number of Learjet 70/75 aircraft remain with their original owners, which accounts for the seemingly lower ownership duration of these two aircraft in the table below.

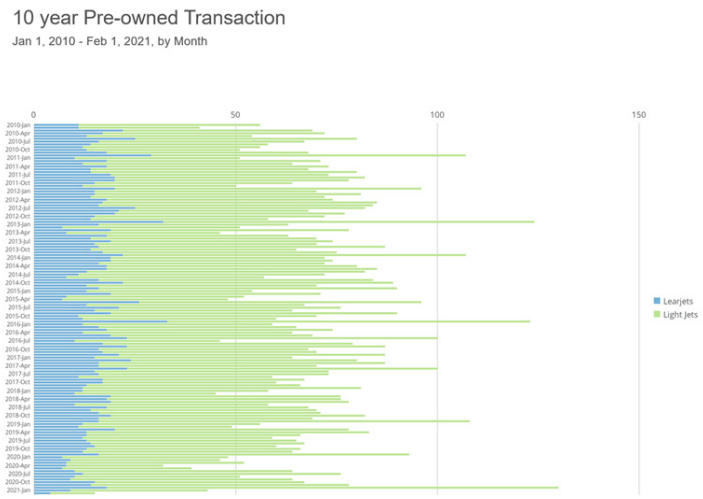
Brand	Model	New (months)	Pre-owned (months)
LEARJET	40	82	42
LEARJET	40XR	76	35
LEARJET	45	76	44
LEARJET	45XR	72	35
LEARJET	60	67	42
LEARJET	60XR	57	27
LEARJET	70	35	27
LEARJET	75	37	31
ALL LEARJETS		***71***	***45***

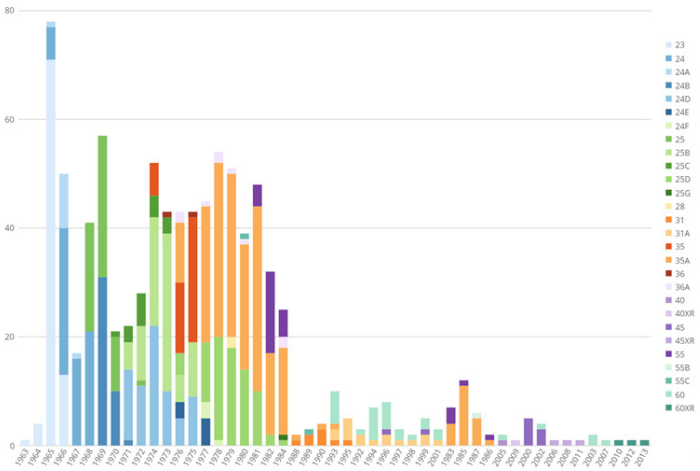
A review of ownership history data in the JETNET database suggests that Learjet customers are brand loyal, consistently choosing to upgrade within the Learjet family to newer and often larger models. Other key upgrade paths to Learjet models come from operators of a wide variety of light jets including the Citation I / II as well as King Air 100 / 200 aircraft.

2-4-2 Fox Trot (cont.)

Pre-Owned Transactions

Approximately 25% of light jets transacted in the pre-owned business jet market over the past 10 years have been Learjet-branded aircraft. Interestingly, we can recognize no major ebbs and flows in Learjet pre-owned sales as we might see in other sectors of the light jet fleet. While average asking prices for pre-owned Learjet light jet models has declined by $U.S. 1.58 Million over the past 10 years, the average age of those aircraft for sale has also increased by ~8 years which is equivalent to a 1995 vintage aircraft. Despite initial drops in residual value, the majority of in-service Learjet aircraft are now 15+ years old and have entered a relatively flat portion of the depreciation curve, with many years of productive operations ahead.





Aircraft Retirements / Removals

As of late February 2021, ~30% of Learjet aircraft ever built have been retired or otherwise removed from service. Noteworthy amongst the inactive fleet are the large number of early-production models, particularly those built prior to 1975. JETNET records suggest that ~73% of 1970s-era Learjet aircraft have been taken out of service, and it would be safe to hypothesize that this generation will continue to be parked at an accelerating pace. Based on current utilization patterns and our assessment of Learjet production life cycles and in-service survivor curves, we expect that fleet retirements will rise again in ~10-15 years when another handful of higher delivery year aircraft will likely reach the end of their useful lives.

The era of Learjet production may be ending, but the value of a Learjet aircraft endures. Alas, I wonder how much Dodson International Aircraft Parts would sell a Lear 25 hull for? That would make for a cool Airbnb experience - or the chilliest tree-fort on the block.

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Business Conditions

GDP

The Economist's **GDP estimates** for U.S. and Euro Area economic growth for 2020 are -3.6% and -7.6% respectively, and -9.9% for the U.K.; China is the only major business aviation economy that apparently grew in 2020 but by only 1.9%

Business jet cycles (take-offs and landings) In January 2021 were *down* by 32% YOY for U.S. Part 91, *up* by 37% YOY for U.S. Part 91K, *up* by 27% YOY for U.S. Part 135, and *down* by 23% at European airports

Dow Jones Index (U.S.) was up 12.7%, **FTSE 100** (U.K.) was down 7.4%, **CAC 40** (France) was down 0.4%, and **DAX 30** (Germany) was up 7.0% from Feb. 24, 2020 to Feb. 22, 2021

U.S. Index of **Consumer Sentiment** (preliminary) was 76.2 in Feb. 2021, versus 79.0 in Jan. 2021 and 101.1 in Feb. 2020 YOY; Euro Area **Economic Sentiment Indicator** was 91.5 in Jan. 2021, versus 92.4 in Dec. 2020 and 104.0 in Feb. 2020 at the onset of COVID-19

U.S. initial **unemployment claims** were 79.0 million in the 48 weeks ending Feb. 13, 2021; U.S. unemployment rate (seasonally adjusted) was 6.3% in Jan. 2021 (representing ~10.2 million people)

U.S. **Purchasing Manager Index** (Manufacturing PMI) was 58.7% in Jan. 2021, versus 60.5% in Dec. 2020; Euro Area **Business Climate Indicator** was -0.27 in Jan. 2021, versus -0.40 in Dec. 2020

Transactions of pre-owned business jets (retail sales & leases) in Dec. 2020 were up 47% YOY to 550; days-on-market were up 23% YOY to 265 days (JETNET as of Feb. 23, 2021)

Business aircraft deliveries in 2021 YTD are 25 jets (including Cirrus, Boeing, Airbus) and 6 turboprops (JETNET as of Feb. 23, 2021)

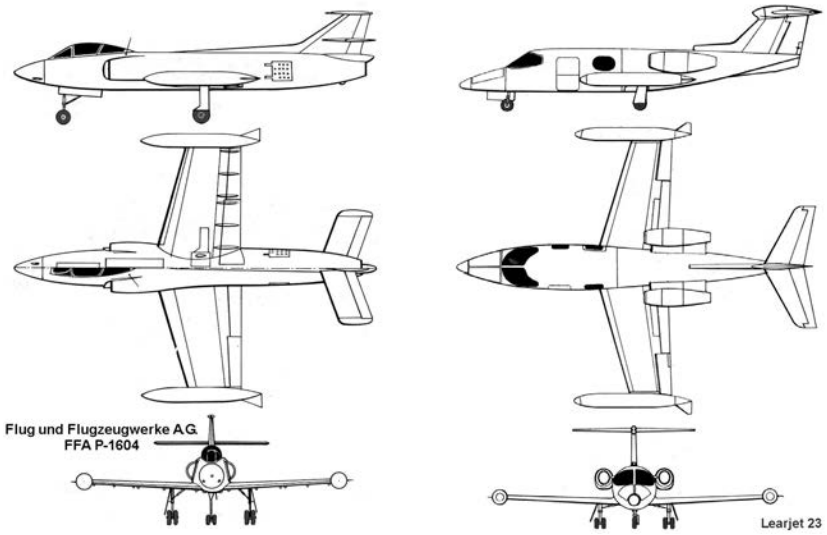
A Design for the Ages

The Origins and Future of the Learjet

While most aircraft share basic design features (the pointy end, the not-so-pointy end), the heritage of the original Lear Jet 23 design has much in common with a supersonic fighter-bomber jet developed in Switzerland in the 1950s. Flug- und Fahrzeugwerke Altenrhein AG (FFA) was a privately-held company that ultimately built five prototypes of the single-engine P-16 but was unsuccessful in securing Swiss government orders to launch serial production. Bill Lear, who lived in Switzerland at least on a part-time basis at the time, eventually collaborated with Dr. eng. Hans-Luzius Studer and Dr. Claudio Caroni of FFA on what would become the Lear Jet 23. While many features of the two aircraft are clearly unique, areas of design commonality include the compact cruciform general arrangement, small fuselage cross-section, eight-spar wing with wingtip fuel tanks, robust and wide-set dual main landing gear, and breathtaking acceleration and climb capability.

Developed for high-performance, Learjet designs have come up against a slew of competition over the years, particularly from Cessna with its Citation 500-Series family of straight-wing light jets. With excellent low-speed performance, benign stall characteristics, and single-pilot capability, the Citation brand became known for being simply reliable, affordable, and achievable with an appeal to owner / pilots. Many small and medium sized enterprises who operate Citation light jets appear to be comfortable with not having a full-time A&P mechanic on staff.

With typical service lives of 40+ years, Learjet aircraft are serviced by an extensive network of maintenance, repair and overhaul facilities. One-stop MRO shops for owners / operators include Bombardier's worldwide service center network in the U.S. (5 facilities), U.K., Germany, Singapore, China, and Australia (under construction). Factory-authorized facilities with heavy maintenance capability are primarily concentrated in the U.S. (including Duncan Aviation, Flying Colours, and Standard Aero), Canada (Skyservice), Europe (Aero-Dienst and Jet Aviation Basel), and South Africa (Execujet). These shops are well positioned to capture a significant share of customer service and support business from Learjet customers as the fleet continues to age.

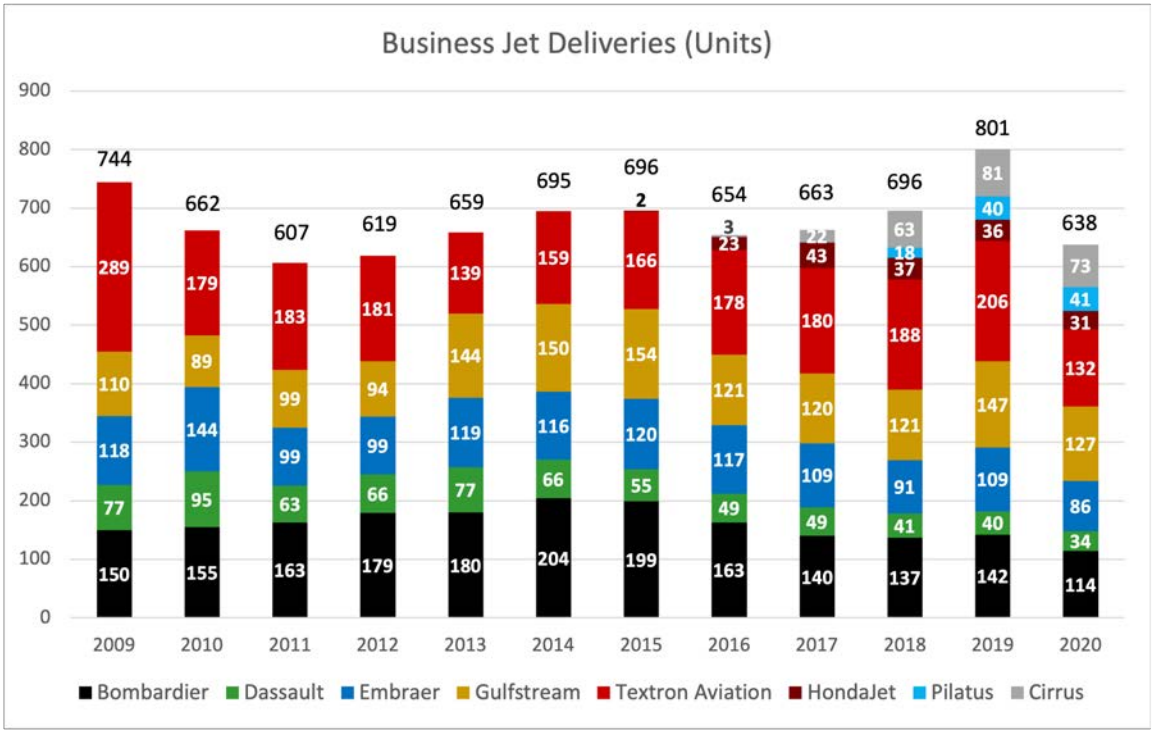


Source of 3-View Drawings: Richard Ferriere

New Business Aircraft Deliveries in 2020

By Aircraft Model and Size Category

The General Aviation Manufacturers Association (GAMA) 2020 year-end general aviation aircraft shipments report was issued on February 24, 2021 in Washington, D.C. As expected, production and customer deliveries shipments were down quite sharply year-over-year, dragged down by widespread factory furloughs across business aircraft manufacturers regardless of their location. New business jet shipments were down 20% YOY to 638 units, while business turboprop deliveries were also off 20%, to 298 units. Most hard hit was industry volume leader Textron Aviation, which delivered 36% fewer Citation jets and 36% fewer Caravan and King Air models to customers in 2020 than they did in 2019. At the other end of the spectrum, Pilatus Aircraft shipments of the PC-24 light jet and of the PC-12 turboprop were virtually unchanged YOY. While the 4th Quarter is typically the annual high-water mark for deliveries in any given year, some OEMs had what can only be described as remarkable productivity, in some cases managing to squeeze approximately half of the year's deliveries into the final 92 days of the calendar year. After a very tough Q2 2020 and a quieter than normal Q3, this year-end performance brought smiles to the faces of many industry leaders glad to see the worst of the Year of the Asterisk in the industry's rearview mirror.



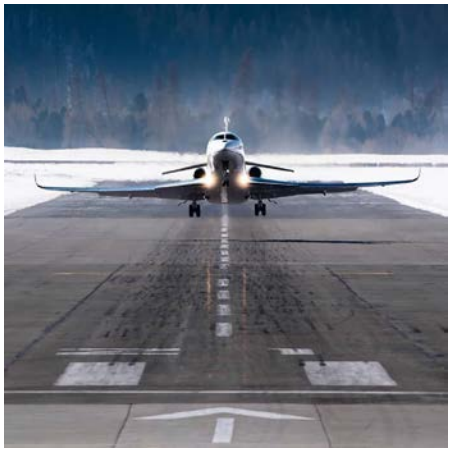
Source: GAMA / JETNET iQ
Excludes Boeing and Airbus

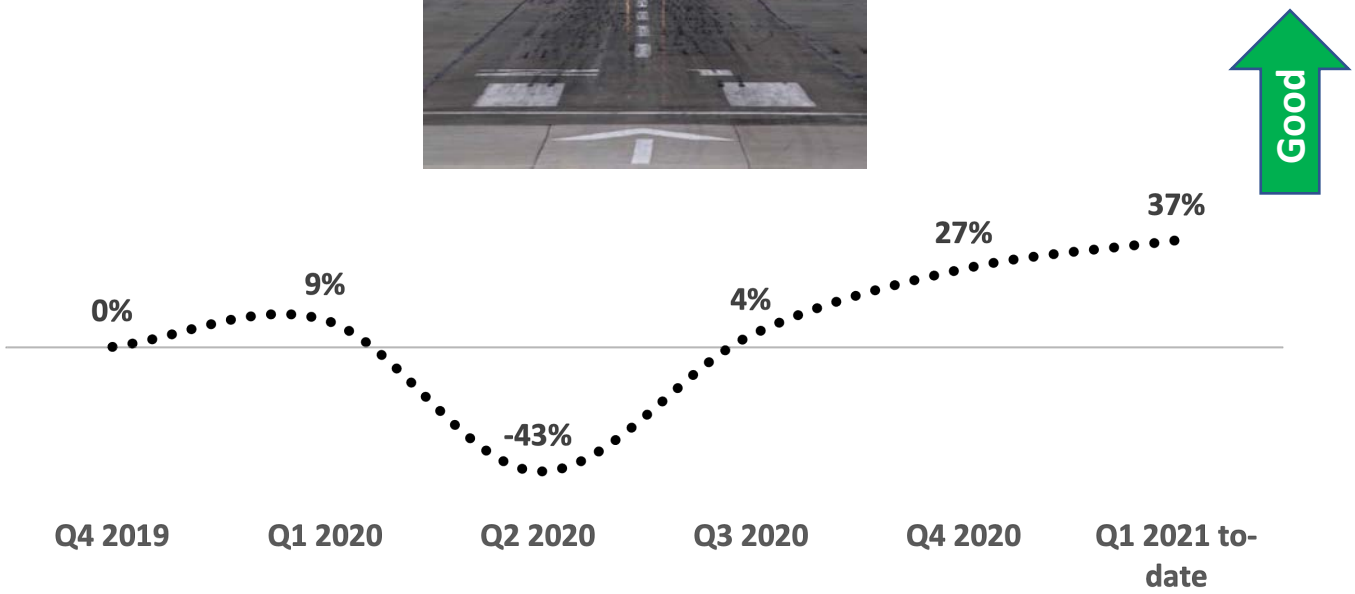
Ladies and Gentlemen, Start Your Engines

JETNET iQ Market Sentiment - Climbing in Q1 2021

The mood of the business aircraft owner / operator community continues to improve in Q1 2021, based on early results coming in from the Q1 2021 JETNET iQ Global Business Aviation Survey. Our latest survey, our 41st in this series, has generated 163 responses to date, about 1/3rd of the way to our quarterly target of 500. Based on preliminary results, the overall sentiment of the business aircraft owner / operator community has improved from +27% in Q4 2020 to +37% in Q1 2021. The highest sentiment we have yet measured was +55% in Q2 2018, and the lowest was -43% in Q2 2020. The JETNET iQ Market Sentiment Indicator measures the difference in the percentage of respondents who believe that the business aviation industry is past the low point in the current business cycle, versus those who believe that we have not yet reached the low point.

Q1 2021 preliminary results suggest that the mood of the market has improved in the Americas and in Europe in particular. Given that these regions are home base to ~88% of the world fleet of fixed-wing turbine-powered business aircraft, the industry continues to accelerate out of the depths of the COVID-19 induced recession.





Source: JETNET iQ
Scale is -100% to +100%

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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e-mail: paul@jetnet.com

Appendix

Data sources:

Real GDP growth estimates (2020): The Economist – February 18, 2021
https://www.economist.com/economic-and-financial-indicators/2021/02/18/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)
Photo credits: Page 1: Joe Koepnick; Page 4: https://www.bjtonline.com/aircraft/bombardier-learjet-35a
Page 5 Upper RHS: Air Affairs Australia - http://www.adf-gallery.com.au/gallery/Learjet-VH-LJA/AAA_learjet_fleet_001
Page 5 Lower RHS: KTWU's Sunflower Journeys
- https://www.facebook.com/SunflowerJourneys/photos/pcb.10158775131435235/10158775129740235/?type=3&theater
Page 8 LHS 3-view: Richard Ferriere - http://richard.ferriere.free.fr/3vues/ffa_p1604_3v.jpg;
Page 8 RHS 3-view: Richard Ferriere - http://richard.ferriere.free.fr/3vues/lear23_3v.jpg
Page 10: Matthias Geiger @mg_aviationphotography
All other photos / images: Rolland Vincent Associates, LLC / JETNET iQ / JETNET

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

Disclaimer:

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