



INSIGHTS

In what is increasingly looking like a sprint rather than the marathon race it is, industry volume leader Cessna is setting a scorching pace, launching new large-cabin jets in rapid succession to coincide with a new strategic joint venture partnership with China's AVIC. The transformation of Cessna, for a long time one of the industry's most vertically-oriented OEMs, is a testament to the leadership of CEOs Scott Ernest and Scott Donnelly. Both men recognize the imperative of moving quickly to counter competitive inroads and shift the company towards where many of their customers have wanted to go for years - into a cabin that fits their growing frames and pocketbooks. And in a coup d'État fittingly announced in Genève, and much to the dismay of the good people in Longueuil, Derby, and Cincinnati, SNECMA has found an unlikely launch customer for the all-new Silvercrest engine in Cessna.

Cessna's supply chain experts have no doubt been busy negotiating enterprise contracts with Rosetta Stone, first for Spanish, then Hindi, Mandarin, and now French language training. Zoot alors! Some 520 years after Columbus reached America, the Citation Columbus is now a vague memory, replaced by a family of fresh designs that are poised to renew the Cessna franchise. Et pas une minute trop tôt. Let the business aircraft Olympic Games begin!



RV

Rollie Vincent, President
Rolland Vincent Associates, LLC

Latitude 46° 14' 21" N Longitude 6° 6' 37" E

EBACE 2012 in Geneva, Switzerland has come and gone, along with more than 12,000 participants, and the immediate questions on the minds of many are: How did it compare with last year? How was the traffic in the exhibition hall and out at static? Was it worth it?

In many ways, these are the wrong questions to ask. It will be months, perhaps years, before the tangible value of a conversation, the return on an investment, or the benefit of a handshake, is realized. In an industry replete with scientific reasoning and decimal-place precision, it is natural to seek out cause-and-effect relationships. The fact is, though, that trust is built slowly, like a cathedral - one brick at a time. Despite our best efforts, many people will make up their minds about our products, our organizational and brand values, and the benefits we offer without extensive analysis and rigorous due diligence. They may even come to know us in quiet times, when no one (including ourselves) is even aware they are being observed.

Organizations, products and people project themselves in many different ways, and these elements, when taken together, create lasting impressions. They define us.

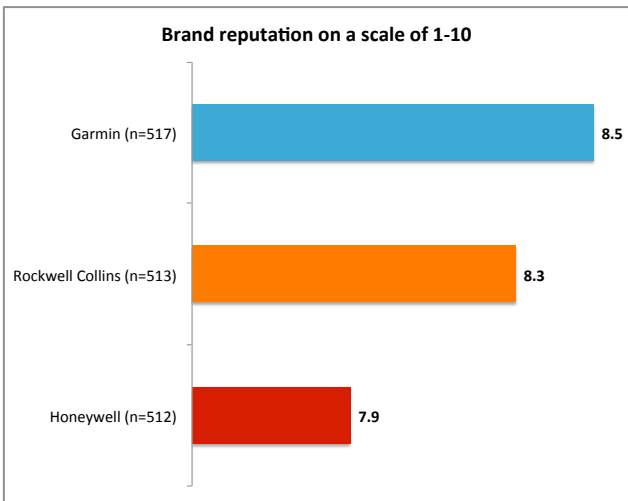
Many who work in the aerospace and aviation fields appreciate the precision of technology fusion and elegant design exemplified in a fine Hublot or Breitling watch. The notion of effortless real-time control and global connectivity is, of course, one of the primary benefits of business aviation. But, like fine Swiss timepieces, this technology requires large investments and the uncertainty inherent in long payback periods.

As in watchmaking, some aircraft manufacturers have become bellwethers for the industry. Cessna came to EBACE with another new large-cabin product announcement in the form of the Citation Longitude. Learjet renewed its commitment to its super-light product line with the launch of the much-anticipated Learjet 70/75 programs.

Not far from the main spotlight, and in what has suddenly begun the norm, Olathe, KS-based Garmin has propelled itself into the avionics mainstream, with new program victory



after victory. A long way from its humble technology origins in fish finding and hand-held GPS navigation, Garmin has clearly found some bigger fish to fry, much to the chagrin of Rockwell Collins and Honeywell. According to business aircraft owners and operators in the JETNET iQ Q1 2012 Global Business Aviation Survey, Garmin has already emerged as the leading brand – the people’s choice - amongst avionics manufacturers worldwide.



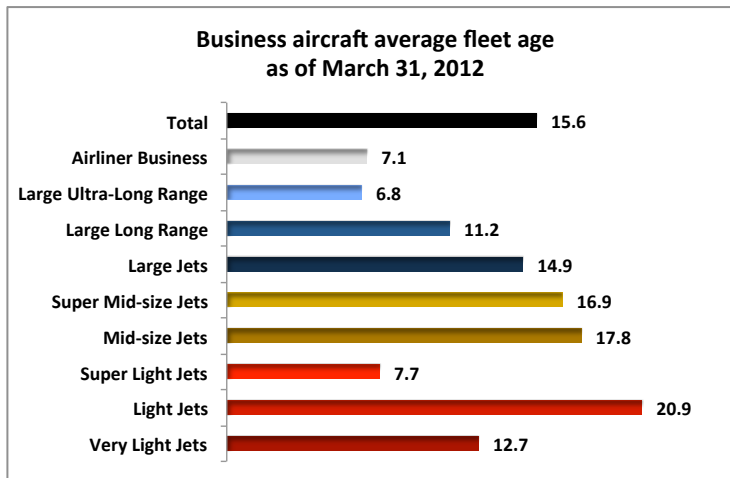
Honda Aircraft Company continues on its methodical path to bring the HondaJet and the HF120 engine to market in an efficient all-new airframe/engine combination. With perhaps \$1 billion investment in products and facilities already in place, the company is clearly positioned as a

technology innovator with some of the brightest, most curious minds - and deepest pockets - in the industry.

Already earning about 20% of top-line revenues from executive aviation, Embraer continues to impress anyone who is paying attention (including many people in Wichita), with a combination of all-new platform aircraft that have shifted buyer’s expectations about the amount of aircraft they can purchase for their dollar. Embraer’s commitment to nurturing new talent in Brazil (including establishing two new high schools) almost guarantees a future pipeline of dedicated, loyal employees. Heavy

leaders dealing with the aftermath of cutbacks by NASA and the U.S. military, programs that saw their heyday in the Cold War and the race for space.

In what appears to be an anchor weighing on the pace of industry recovery, aircraft lenders have clearly signaled their disinterest in financing transactions for aircraft built more than 10 years ago. This seems untenable to us, given that 60% of the current jet fleet was built in 2002 or before, and the fact that pre-owned transactions typically tend to outstrip new sales. According to JETNET databases, 99.1% of jets are still in operation 10 years after initial delivery, falling only slightly to 97.1% after 20 years, and to 91.7% after 30 years. Where will all the airplanes and their customers go?



investments in facilities and jobs in Melbourne, FL are a most welcome development for civic and community

Given the long lives of the underlying assets, and the longer and longer lives of the people owning and flying the airplanes, the aircraft financing market looks ripe for new entrants with a different outlook and less aversion to risk. Enter the (Chinese) dragon?

Quiet FBOs. Private boarding. Knowing everyone in the plane. A car at the base of the airstairs. How can anyone who understands how people and business work not "get" that business aviation is the way to fly for those whose time is most valuable? Whether its a baby-blue POTUS (President of the United States) B747-200 with all the mods the good people at Boeing Wichita can conceive of, or a chartered CJ4 with PRPN aboard - the



Presumptive Republican Presidential Nominee, business aviation is the way for time-pressed people to fly. In this election year in the United States, France, and elsewhere, political leaders are understandably filling the airwaves and airways. Even the election of a Socialist president in France is unlikely to lead to the retirement of one of the world's highest-profile Airbus fleets. Who can imagine a French aerospace industry strategy if M. Hollande et fils don't support it?

Former U.S. President Lyndon B. Johnson was an early adopter of business aviation, taking advantage of his aircraft to operate a Western White House on his family ranch near Johnson City, Texas. But these were



not days of leisure for a man who led his country to enact groundbreaking social legislation that permanently changed the face of America. Civil rights, equal rights, educational reform....in an era of just 3 network stations and long before cellular phones, LBJ did his best to stay in touch, with 3 TVs installed in each room (always on, one for each TV network) and 75 phone lines (not phones) wired in to the house. His use of business airplanes was a harbinger to today's hyper-busy leaders, many of whom have learned the importance of good health, a work-life balance, and the blessings of life surrounded by family and friends.

Almost to a person, they build more companies, create more jobs, evaluate more opportunities and give away more money than I can count, and I can count quite well. While I am still crunching on my morning granola, they have already invested in fracking technologies, Angolan condominiums, meteor mining, and a micro lender funding sustainable practices and trash removal from the Nepalese highlands – all before 0930 hours.

My commercial flight from Geneva to London Heathrow is late, and the outlook for an easy connection is now as bleak as the misty morning sky. For me, "The late arrival of the incoming flight" is a description, not an explanation, of the situation I am facing for the second time in a few days. Although I hear them saying "We're glad you're here! We're glad you chose our airline. We know you have a choice of airlines..." it is not how a passenger necessarily feels these days.

Finally away from the gate more than an hour late, we cross Western Europe and the English Channel into a circling holding pattern. The captain comes on the PA system with a pleasant voice to say that we are one of "dozens and dozens of aircraft doing circles in the sky over London", and then laments the fact that this, one of the world's premier international air travel hubs, is limited to two runways. Welcome to Heathrow.... and its reputation for BAA staff shortages, security snarls, buses and roundabouts and underground roadways that wind through the bowels of a city that just happens to be an airport. Non-working "people accelerators" and escalators and "Fast Lanes" that are not. Complex meandering, a very personal pat-down and an invasive bag search, and thousands of faces, some smiling but many not,

almost all of whom I will never know. Airport policewomen with guns. People (lots) with black rolling luggage. A million phone cameras. Next to me, a returning EBACE event marketer asleep in a chair with her iPad and ear buds in after a week of long days and limited downtime.

As the B777 wings its way from perhaps the world's most valuable two miles of concrete, I am reminded to be thankful for my father. An automotive enthusiast, entrepreneur, A&P mechanic by trade, and world traveler, he fathered 3 future aviators and memorably came home one day with the keys to a pre-owned Cessna 150. CF-IRM was a bit of a mouthful for a call sign, but on those wings we were all infected with a lifelong GA bug. Now, almost 40 years later, it is intriguing to realize that no other industry can do what business aviation does so well - whisk people from point to point across continents and time zones quickly, safely, and productively. LBJ - like him or not - was a trend setter. →

BEACONS

- ✓ The Economist's May 2012 poll of economic forecasters predicts that real GDP growth in 2012 will be +2.2% in the U.S. (up from +2.1% in April) and +0.5% in the Euro Area (unchanged from April 2012); in 2013, forecasters predict that real GDP will be +2.3% in the U.S. and +0.7% in the Euro Area
- ✓ 70% of S&P listed companies reported higher profits in Q1 2012
- ✓ Bombardier booked 40 net orders (49 gross orders, less 9 cancellations) and delivered 29 business jets in Q1 2012, for a unit book-to-bill ratio of 1.4; 2012 full-year guidance is 180 business jet deliveries, including 59 Globals (up 11% YOY)
- ✓ Dassault Falcon Jet took 10 net orders (no cancellations) and delivered 15 Falcons in Q1 2012, for a unit book-to-bill ratio of 0.66; order backlog is valued at \$5.5B; 2012 delivery outlook: 65 Falcons; in work: EASy III cockpit with next-gen HUD and EFVS; "SMS" jet 1st flight is 2014, with EIS in 2016
- ✓ Gulfstream's 20th G650 appeared at EBACE 2012; GD's Aerospace operating margins were 16.7% in Q1 2012; funded backlog is \$16.7B
- ✓ Embraer has delivered 460 executive jets (including 300 Phenom 100/300s) to date; Executive Aviation represented 24% of Embraer revenues from Q4 2011-Q1 2012; Legacy 500 1st flight is scheduled for Q3 2012; 80% of Embraer's overall revenue is earned outside of North America
- ✓ Garmin is the top-rated avionics brand in business aviation, according to aircraft owners and operators polled in JETNET iQ's Q1 2012 survey; Garmin cockpits will grace the new Citation Latitude, Citation Longitude, and Learjet 70/75.

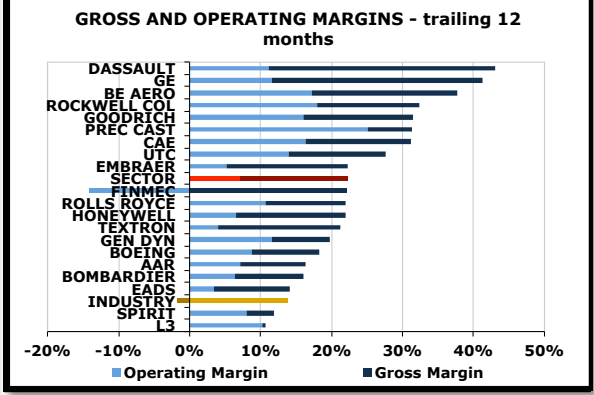
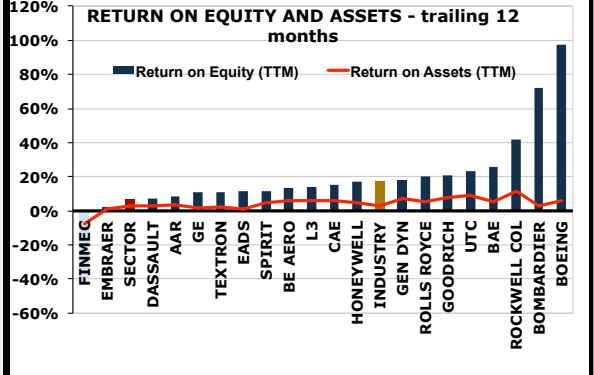
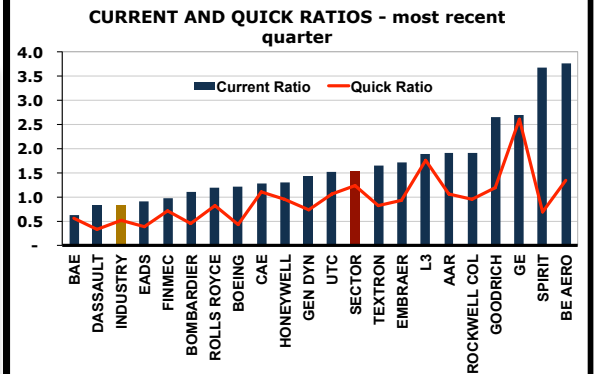
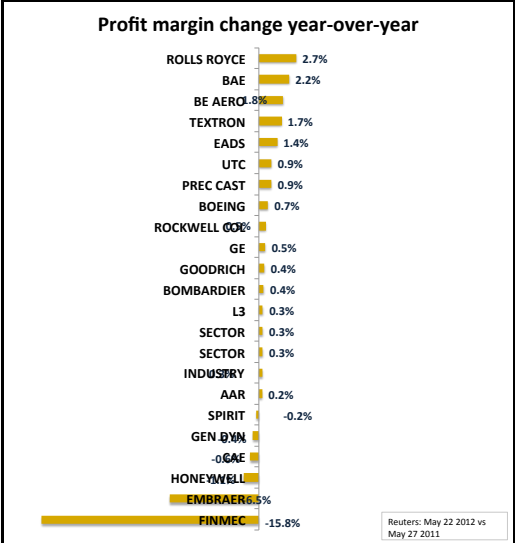
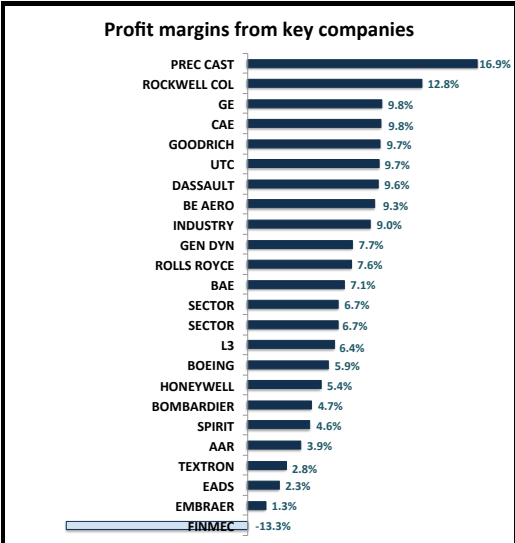
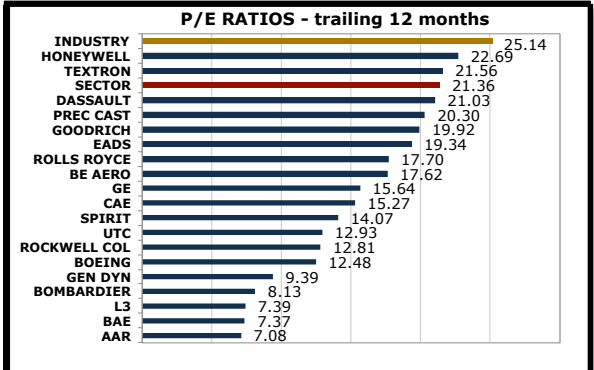
(Sources: Company reports and SEC filings, The Economist; JETNET iQ Global Business Aviation Surveys; YOY = Year-over-Year)

Aerospace Industry Financial Highlights

Sources: Reuters, Forbes, ADVFN – May 22, 2012. ('Industry' includes both civil and defense.)

Industry Summary:

- P/E ratios for the industry have been trending higher over the past three years, with the current 25.1 ratio up 86% from 13.5 in May 2009. The average dividend yield in May 2012 of 2.2 is up 30% over last May's yield of 1.7 and is marginally higher than the yield of 2.1 in May 2009.
- The 5-year sales growth rate of 6.8% is 26% below May 2009's 9.1% and 19% down from May 2011's 8.3%
- Although the industry's average current ratio remains below 1 at 0.84 (i.e. current liabilities are higher than current assets), 16 of the 22 companies tracked in our charts show current ratios between 1.1 and 3.6.
- The trailing 12-month net profit margin for the industry of 9% has improved sharply from May 2009's 2.8%. The net profit margin has been steadily on the upswing over the past 30 months.
- The industry's 12-month return on equity of 17.5% has not yet returned to May 2009's ROE of 22.7% and remains relatively unchanged from 16.9% one year ago. →



JETNET iQ's 2nd annual Global Business Aviation Summit returns to New York City for a fast-paced, content-rich day of insights, analyses, and forecasts. As the financial and media capital of America and the home base of more Big Iron business jets than anywhere else, the city is the perfect venue for a business aviation event. Add to the fact that the Summit precedes by one day the highly-acclaimed New York-area NBAA Regional Forum, and this is the place to be for those who want to "Know More".

Speakers, moderators, and panelists include leaders from across the industry, from market research to consulting, banking, stock analysts, policy makers, trade associations, aircraft sales, marketing communications, the OEMs, legal counsel, trade media, and the aircraft operating community.



Global Business Aviation Summit Agenda

Ready To Be In The Know?

2nd Annual JETNET iQ Global Business Aviation Summit *Igniting Ideas. Provoking Change.*

June 5-6, 2012, New York City, NY | Millenium Hilton

TUESDAY, JUNE 5

Chelsea Room (business casual attire)

6:00 - 7:30pm **Welcome Reception (For All Summit Attendees)**

WEDNESDAY, JUNE 6

Chelsea and NoSoTri Rooms (business casual attire)

7:30 - 8:30am **Breakfast**

8:30 - 8:35 **Welcome**

- Susan Sheets Brogan, Summit Chair, Introductory Remarks

8:35 - 9:30 **JETNET iQ Survey Results and Forecast**

- Lucia Frontera, Director, Research, JETNET LLC
- Rolland Vincent, JETNET iQ Creator / Director

9:30 - 10:15 **The One Percent at the Top of the Pyramid**

- Jim Taylor, Vice Chairman, The Harrison Group

10:15 - 10:30 **Break**

10:30 - 12:00 **Bankers and Brokers: Moderator - Michael Amalfitano, Banc of America Leasing**

- David Strauss, Aerospace & Defense Analyst, UBS Securities | "Corporate Profitability and Historic Correlation with Bizjet Cycles"
- Ford von Weise, Director, Global Aircraft Finance Group, CITI Private Bank
- David Labrozzi, President, GE Capital Solutions, Corporate Aircraft Finance
- Thomas Taormina, SVP, PNC Aviation Finance
- Rene Banglesdorf, CEO, Charlie Bravo Aviation, LLC

12:15pm **Working Lunch - Chelsea Room**

12:15 - 12:45

Keynote Speaker: Election Year Implications for Business Aviation

- Jeffrey Shane, Partner, Hogan Lovells | *Jeff completed five tours of duty with the U.S. Department of Transportation, serving for six years as Associate Deputy Secretary and Under Secretary for Policy, both Presidential appointments*

12:45 - 1:00

No Plane, No Gain

- Ed Bolen, President and CEO, National Business Aviation Association

1:00 - 1:25

From Bulletins to Bytes - A Look at Aviation Marketing's Past and Future

- Sonia Greteman, President/Creative Director, and Jennifer Szambecki, Associate Vice President, Greteman Group

1:25 - 1:40

Break

1:40 - 2:50

OEMs Perspective: Moderator - Bill Garvey, Business & Commercial Aviation

- Bob Knebel, VP Sales North America, Embraer Executive Jets
- Bill Shira, VP Marketing, Gulfstream Aerospace
- Brant Dahlfors, President, US Sales, Bombardier Aerospace Corp.
- Dave Armstrong, SVP Sales, Cessna Aircraft Company

2:50 - 4:00

Leadership and Customers: Moderator - Paul Cardarelli, JETNET LLC

- J. Bruce Peddle, VP Sales and Marketing, Bombardier Flexjet
- David Porter, COO and CFO, Critical Information Network
- Keith Swirsky, President & Chairman, Aviation & Tax, GKG Law, P.C.
- Roger Whyte, ABACE Special Counsel to NBAA

4:00

Summit Conclusion

- Susan Sheets-Brogan

Questions, please contact Susan Sheets-Brogan at susan@jetnet.com >> **Know More.**

Rolland Vincent Associates, LLC is an aviation consulting firm. Drawing from almost 30 years of aviation experience, we deliver trusted insights in market research, strategy, business and product development, industry analysis and financial modeling. We are here to help you understand customer needs and preferences, design products and services to delight your customers, and discover and seize business opportunities. We provide you with practical, intelligent solutions to unleash the power of your business and navigate for global aviation leadership. Since 2011, we have partnered with JETNET to launch JETNET iQ, a quarterly state-of-the-industry research and forecasting service for business aviation. Proprietary quarterly surveys of business aircraft owners and operators worldwide are a cornerstone feature of JETNET iQ.

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