

FLY-BY



3 MINUTES IN THE PRIVATE JET MARKET



Why the Maintenance Schedule is so important

What to do when supply spikes

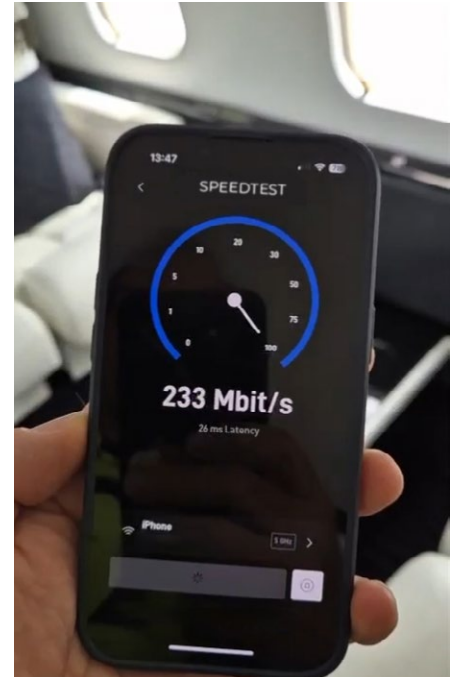
Analysis of the Market

QUICK STATS



16 years

Interval for 2C Inspection
of Dassault Falcon 7X.



\$330,000

approximate cost of Starlink
installation outside of a major
inspection - half the price of
competitor's WIFI installation.



37

Citation Mustangs sold
worldwide in the first half of
2024 - the most of any pre-
owned jet so far this year.

23 April 2024

first delivery of Gulfstream G700
– the 3rd ultra-long range model
in production for Gulfstream
(with the upcoming certification
of the G800 becoming the 4th).



400

Cessna Citation Latitudes delivered since deliveries
began in 2015.



GROW OR DIE?

There is an oft used mantra in the business world of 'Grow or Die', a reference to the idea that any business must grow lest their competitors do and out-compete them to irrelevance. It is an idiom that is bandied about the venture capital and start-up scenes with remarkable regularity. But the private jet industry has a very notable exception to this mantra: Europe.

The European market has been extraordinarily steady over the last 8 years. In fact, the fleet size since 2016 has never varied more than 3% over that time, and as of today, it is within 4 aircraft of the same size it was at the end of 2016.

This isn't a bad thing – the fleet is the second largest geographic fleet in the world, coming in a distant second to the USA. The European industry is healthy, and companies continue to invest not just in the industry, but also in Europe. This is particularly evident with regards to maintenance and airport facilities, both of which have seen enormous expansions in recent years.

The consistency of the fleet hides the fact that the registrations within the European area have changed enormously. The starkest examples are the UK's decline of 49%, and Malta's increase of 74%.

Overall, we are generally seeing a couple of trends occurring. The first is the willingness of owners to move operators within the European area. This is particularly the case with UK based owners, for whom we are seeing a larger number choose to register the aircraft in an

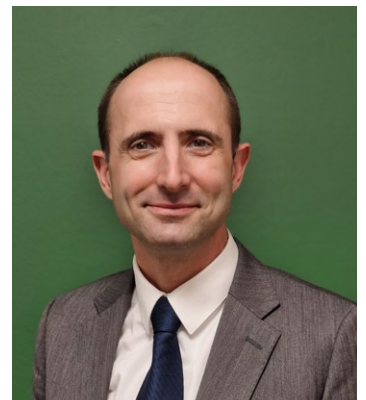
EASA member state to take advantage of the easier operations provided by EASA. The second trend is a movement of more people to fractional / branded charter. NetJets and VistaJet now comprise 10% of the European fleet, a testament to their growth and the number of members in each who have opted out of whole ownership. It is a trend we predict to continue for the foreseeable future.

But the contrast to the United States is notable. Over this same period, the USA fleet has grown by 24%. Both the EU and the USA are very wealthy and have grown economically in that time. Both are large areas with numerous airports that should be equally suited to the use of private aircraft. One has grown – the other has not. I can speculate on reasons but there really isn't a good explanation for it.

As a business operating in Europe, we are happy with its consistency. Clearly, growth would be welcome, but we find that Europe has an extremely stable base of clientele. The one thing better than lots of new clients is lots of repeat clients. And this Europe has in abundance.

Safe Travels.

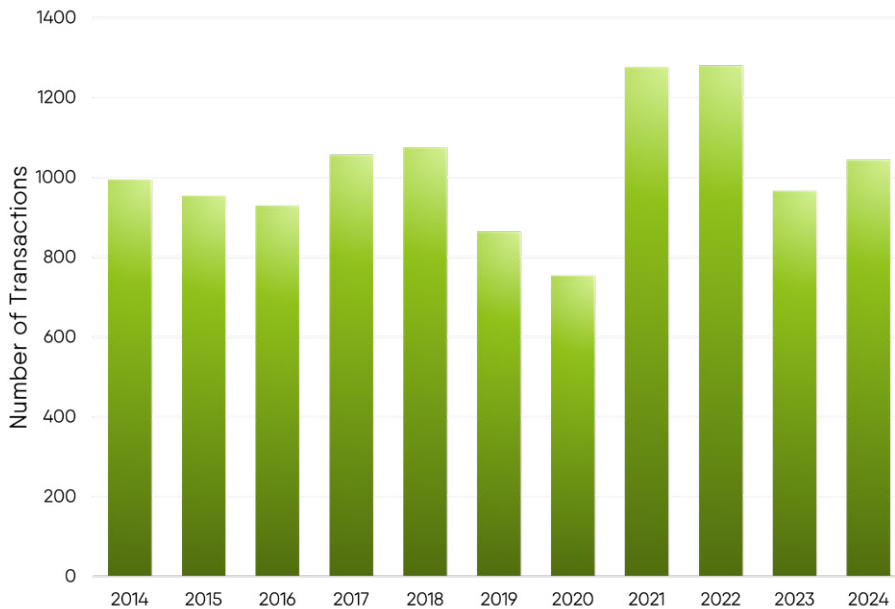
Oliver Stone
Managing Director



MARKET HEALTH

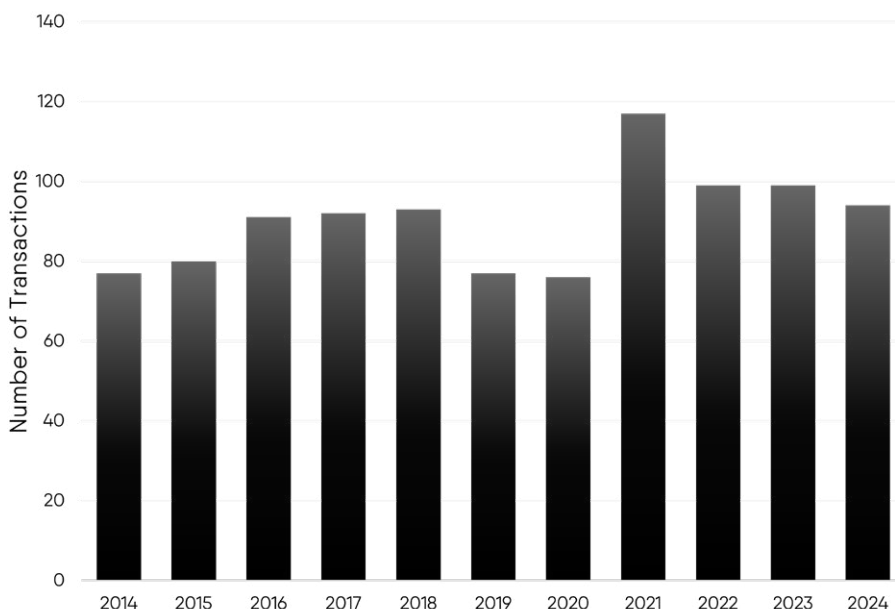
Transactions

Worldwide Pre-Owned Transactions in Q1 & Q2



The number of transactions in the first half of 2024 was higher than during the same period of 2023 – a positive sign of market health that we were not expecting. This is across the entire jet market, so some specific aircraft markets have been more active and others significantly less so, but the overall trend is reassuring. Interestingly, the first half of 2024 is about level with the transaction volumes in 2017 and 2018. The worldwide fleet of jets in service has grown over that point – from 22,930 to 24,435 aircraft. Logically, you would expect the number of transactions to grow in proportion to the size of the overall fleet, but this has not occurred.

Europe Pre-Owned Transactions in Q1 & Q2



European activity has remained largely consistent over the last few years worth of activity, hovering right around 94 transactions in the first half of 2024. This is in line in with the activity of 2022 – 2023 and 2016-2018 and seems to be reliably around 9-10% of the worldwide number of transactions. The European market has never been the most active, but it is usually steady in terms of deal flow.

MARKET HEALTH

Historic Supply Levels

Percentage of Private Jet Fleet for Sale



The percentage of the private jet fleet for sale is one of the more informative data points we track. This is a great way to see how today's market relates to previous markets while taking into consideration the overall trend of a constantly growing private jet fleet. While the last 24 months witnessed a severe correction from the all-time supply lows of March / April 2022, this shows that in comparison to historical markets there are fewer private jets on the market today than at the top of

previous boom markets. It highlights both how abnormal the post-Covid years were, as well as how much farther the market would need to increase supply to even come close to being 'distressed'. Again – this is the market in aggregate, and some aircraft are witnessing record high inventory levels combined with low demand, but overall it shows that inventory levels are still well beneath historical norms.

HOW TO NAVIGATE SUPPLY SPIKES

What high inventory means for aircraft sellers



In the last six months, there have been large spikes in inventory across multiple aircraft models. This has created a supply/demand imbalance that is proving tricky for sellers to navigate.

Buyers are very aware of the marketplace through online listing sites and are cognizant of the number of aircraft for sale and if that number has increased in recent months. In these market conditions where they have witnessed this increasing inventory, buyers understand they have more leverage. With more aircraft pursuing a relatively consistent number of buyers, sellers need to compete more on both the price and the terms they are offering.

PRICE

In these supply saturated markets, we recommend clients lead the trend on value correction, not follow. If you wait months to reduce your price when others have already started to do so, you will always be behind market values. All it takes is one or two sellers to actively compete on price or terms and the marketplace shifts dramatically and can leave you behind. Predicting future movements of the market is very hard to do so look at the data to see if there are enough transactions occurring to justify the market keeping values stable, or if supply far exceeds the demand and therefore price reductions are almost certain to occur.

TERMS

While providing attractive terms in a transaction will rarely be the sole enticement for a buyer, having unattractive terms is almost certain to prevent a buyer from proceeding. One of the common themes in the extremely under-supplied market of the peak post-Covid boom was sellers' refusal to allow buyers to conduct proper due diligence to the aircraft. Those days have passed, but we find that some sellers are trying to restrict the ability of buyers to conduct proper due diligence. In markets with significantly increased supply, this serves to only deter buyers. Consider flexibility in terms of the Pre-Purchase Inspection scope, location of inspection, ferry costs and a variety of other items. While price will be what entices someone to buy, terms will be what convinces them to actually go through with the purchase.

Remember that a longer resale time means more cost to an owner. Time is money as you continue paying for maintenance, pilot salaries, operating costs, management fees, etc. In a market with inventory rising so quickly, a lower price that results in a faster sale can end up being more financially beneficial for a seller when the final accounting is taken into consideration.

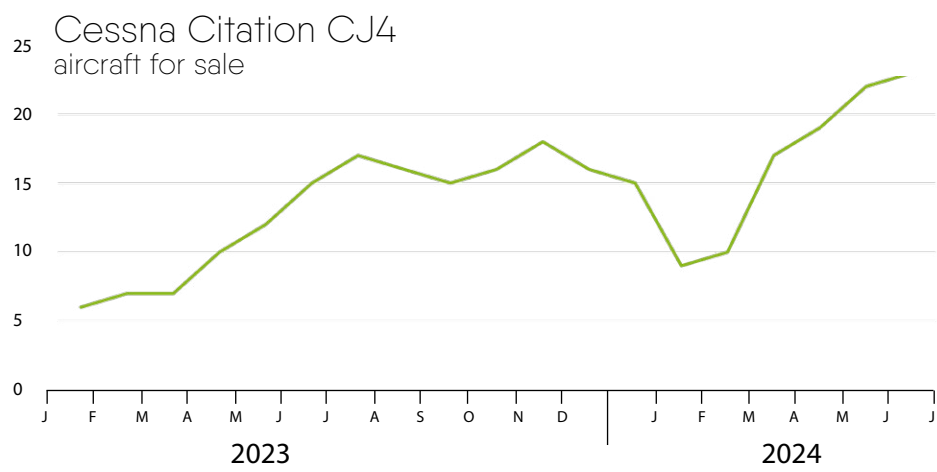
Determining your real motivator for the sale is important in a supply heavy market. If you really want to sell your aircraft, you will need to act accordingly with regards to your market. If you are not willing to take what you perceive as a hit on the price, then remove it from the market and enjoy it until you are more committed to competing in the market conditions of the day.

We tell clients to carefully look at what will make a buyer fall in love with their aircraft. Buyers fall in love for one of two reasons: 1) there is some unique attribute about your aircraft that is not otherwise available in the market, or 2) they fall in love with the price. Buyers can be choosy so look at your aircraft and determine what

sets it apart such as a recent inspection completed, Starlink installed, low hours, a uniquely beautiful or new interior, or upgraded avionics. These are the sorts of things buyers fall in love with. Conversely, it may be that your aircraft does not have a standout attribute which means your price point will be the biggest factor to attract someone to move on your aircraft.

From a buyer perspective, know that desperation in a seller is rare. Most owners sell their aircraft out of convenience not necessity, and it is very rare to encounter an owner that needs the money. If you come in at an offensively low offer, you will be disregarded and not taken seriously. Be reasonable in your initial offers, and remember that while the market has more supply now, you still are not the only buyer. A heavily discounted first offer usually does far more harm than good with regards to your chances of buying an aircraft.

For buyers and sellers, your broker should be keeping you up to date with your latest market conditions. This knowledge will enable you to make the best and most beneficial choices for you.



THE MAINTENANCE SCHEDULE

Why understanding it can save buyers and sellers
time and money

An important aspect to consider when buying a private jet is the aircraft's maintenance schedule. The maintenance schedule is the frequency of airframe and engine inspections that are completed at specific calendar or hourly intervals. Knowing if a large inspection is coming due or has just been completed on an aircraft can have large repercussions on your ownership experience. Your broker and maintenance rep should discuss these inspections with you and guide you through what to look at in your aircraft search.

Main implications to the Maintenance Schedule

Cost – known costs (fixed rate of the scheduled inspections) and unknown costs (parts and labour for repairing defects discovered during those scheduled inspections)

Time – length of inspection. Aircraft downtime is a hidden cost of aircraft maintenance that is often overlooked. While some downtime is inevitable just as maintenance is compulsory, some of the largest inspections can take periods of months. The costs of this downtime in extra charter, crew salaries and other items is significant and materially impacts your costs for the year. While most maintenance inputs are a few weeks in duration, some can take up to 16 weeks or more to complete.

It is most desirable to find an aircraft that has just finished a major inspection. There is peace of mind knowing the aircraft was recently looked at thoroughly, and that (hopefully) the major defects have already been rectified, as well as saving you time and money during your ownership by not having to perform the inspection. If you are unable to get a major inspection included in your sale, you can still get an in depth look inside the aircraft during a Pre-Purchase Inspection (PPI).

As a seller, a basic guideline regarding the Maintenance Schedule and a transaction is if a major inspection with a multi-year interval is coming due in the next year, a buyer will want it completed as their PPI. If a seller refuses to do an upcoming major inspection, many buyers will simply wait, and the owner will have to perform the inspection anyway when it comes due. Any inspection between 1 to 2 years away will most likely not be included in the sale, but a buyer will want to have a thorough PPI so they can mitigate some costs and issues that may arise in the next inspection. Anything over 2 years is far enough out to not be a factor to consider.

From an owner's perspective, the best time to sell your aircraft is when you are about to put your aircraft into a major inspection or when it has just come out of one. Buyers love the idea of an aircraft fresh out of an inspection, and rightly so. However, keep in mind that

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if you have just finished a large inspection, buyers will often want to look at items that may not have been covered during that input. No large inspection reviews all areas of the aircraft so be prepared that even after a large inspection, buyers will likely still want to do some element of A Pre-Purchase Inspection.

As an example of what to look for in the Maintenance Schedule, certain inspections require specific facilities or tools. For example, the Gulfstream's MAUS Inspection requires specific tools and machinery that can only be completed in 3 facilities worldwide that are all located in the USA. For buyers living outside the USA, if this inspection is coming due for the aircraft soon, you need to account for the cost and time to fly the aircraft to one of these USA facilities and the downtime it will require once there. If you just bought an aircraft, the last thing you want to do is put it in maintenance and not use it for months.

Maintenance (and defects) are a fact of life in aircraft ownership. There is no such thing as a risk-free aircraft so be prepared that any ownership experience will involve maintenance, including potentially expensive rectifications. But with proper advice and due diligence in the search and purchase of an aircraft, you can significantly reduce your exposure for your ownership experience.

Examples of Large Inspections

Heavy Jets

Bombardier Global series: 120 Month Inspection

Gulfstreams: 96 Month and 144 Month Inspections

Dassault Falcons: 2C Inspection

Small to Mid-size Jets

Bombardier Learjets: D Check

Cessna Citations: ID 10 Inspection

Embraer Phenom series: 10 Year Inspection and Landing Gear Overhaul



FOR SALE



2004 Cessna Citation CJ2

Serial Number 525A 0204 Registration D-ICBA

Engines enrolled on Williams TAP Elite

Airframe enrolled on ProParts

Upgraded Avionics

Seating for 7 passengers with belted lavatory

ID10 completed March 2023

Asking Price: \$3,075,000 USD



2008 Cessna Citation CJ2+

Serial Number 525A 0389 Registration CS-DOT

Engines enrolled on Williams TAP Blue Deferred

Dual Collins 3000 FMS

Forward side-facing seat

Seating for 8 passengers with belted lavatory

ID10 completed March 2024

Contact us for pricing details



FOR SALE

UNDER CONTRACT



2009/10 Bombardier Global XRS

Serial Number 9333 Registration D-ACCF

13 Passenger Interior

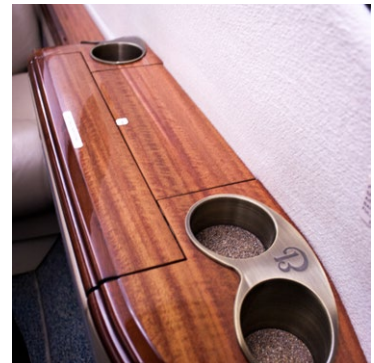
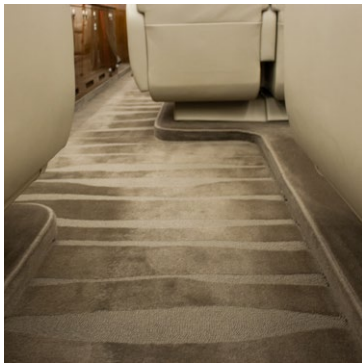
Interior shows like new

Enrolled on engine, airframe and APU programs

Perfect for Starlink Internet Upgrade

1C and 2C Inspections completed October 2022





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