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Signs Point Toward General Aviation Rebound

After the better part of a decade in the doldrums, the reminder of the general aviation industry is finally expected to improve noticeably next year. “I have a deep conviction that 2015 will be the indisputable pivot point when the industry, including its laggard segments, turns meaningfully upward,” predicts aviation consultant Brian Foley of BRiFO. In early 2009 Foley publically warned of an impending nosedive in the sector which later saw order backlogs collapse, employment halved and a major aircraft maker disappear.

For some seven years now the market has had a split personality with deliveries of the largest, most expensive business jets relatively unscathed by the great recession, while small- and medium-sized jets experienced a sales decline of two-thirds from which they have yet to recover. After many fits and starts there are several key elements falling into place that suggest to Foley that a measurable improvement is imminent across the board.

First, Foley like what he sees in the way of industry metrics. Pre-owned jet inventories, which provide a cheaper alternative to new aircraft, are at their lowest levels since 2008. According to aviation data provider AMSTAT, a greater percentage of the active fleet of business jets transacted in the first 9 months of 2014 than in the first 9 months in any year within the last decade. Business jet takeoff and landing activity is the busiest in 6 years, a sign that companies and individuals are flying more. And jet maker executives, normally reserved, have been more upbeat lately.

North America, notably the United States, has always been the world's largest market for private aircraft. For perspective, the active business jet fleet is five times the size of the next largest market. And now the U.S. economic situation is greatly improved, with GDP growth in the past 6 months the best in a decade, stock markets hitting record levels and consumer confidence at seven year highs. "Add to that the lowest oil prices in 4 years which reduces plane operating costs, and historically low interest rates from which aircraft loan and lease rates are derived and you've painted a great scenario for an all-encompassing rebound."

A sustaining element is the number of new jet models being introduced in the relative near-term. "Between the years 2014 and 2019 there are 18 new and derivative business jets entering the market. New products act as a sales catalyst, stimulating the market by giving customers a reason to buy. This will keep the pump primed for deliveries to continually increase until the 2019 time frame, at which time Foley expects the next cyclical downturn.

"The industry's improved outlook will manifest itself next year as markedly higher manufacturer backlogs, increasing book-to-bill ratios and a jump in unit deliveries in double-digit percentages. Life's good."

About Brian Foley Associates (BRiFO)

Since 2006 BRiFO has provided investors and aerospace companies with industry analysis, market research, diligence, consultations and other high-level support. For more information, including their 10-year business jet forecast, visit www.BRiFO.com