The Light Jet Market

Have we reached the bottom of the market?
Contents

• Oriens Advisors

• Defining the Oriens perspective of the market

• The evolving air travel marketplace and estimated market size

• Definition: Air charter vs Air Taxi

• Where is the Light Jet air taxi market now

• Lessons from JetBird and others - ingredients for success

• Can this be funded and how?

• Conclusions
Oriens Advisors

Commercial focus on Light Jet market

Work with:
- Operators
- Airports
- FBO
- Software

To provide the following solutions:
- Corporate Directors
- Interim commercial management services
- Advise on sourcing funding
- Advise on business planning
- Advise on corporate governance
- Developing revenue traction

Partnerships with Interflight Global Corporation and Gates Aviation LLP
Focus on the commercial, end-user market:

- Market size
- Profitability
- Prospects and outlook

Oriens does not focus on:

- Owner / pilot market
- Asset (residual) values
Today and tomorrow’s Air Travel marketplace

- Low Cost
- Economy
- Business

Short-haul air travel
Today and tomorrow’s Air Travel marketplace

Short-haul air travel

Value

Price

Low Cost

Economy

Business
Today and tomorrow’s Air Travel marketplace

Value

Price

Short-haul air travel

New Business Class

Low Cost

But PRICE is key here!
How big is this potential market?

**EXISTING MARKET SIZE**


annual Bizav flights in 2010

Average flight 1:40hrs = 1m - 1.2m hrs

Average price: €2,500 per hour

**TARGET MARKET SIZE**

Airline market in 2010 €122bn (1.7% increase on 2007).

Of which 40% are business

Half again are non-discounted full fare / business class flights

Gives a target market size of €24bn

VLJs today are only 2.7% of this €3.2bn

Source: Eurocontrol EBACE 2010 and Avinode 2010

Source: Datamonitor 2010
# Focus on Light Jet Charter - most common models

<table>
<thead>
<tr>
<th>Traditional Air Charter / Fractional</th>
<th>(Light Jet) Air Taxi</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Lower volume, higher margin</td>
<td>• Higher volume, lower margin</td>
</tr>
<tr>
<td>• Asset owned by third parties or customers</td>
<td>• Initially managed. Ultimately, owned / leased aircraft</td>
</tr>
<tr>
<td>• Lower cash burn with managed asset</td>
<td>• Higher cash-burn with owned / leased asset</td>
</tr>
<tr>
<td>• Multiple-type fleet</td>
<td>• Single-type fleet</td>
</tr>
<tr>
<td>• Disparate owner agreements (except fractional)</td>
<td>• Fewer complex owner agreements</td>
</tr>
<tr>
<td>• Complexity limits (speed to) scale</td>
<td>• More rapidly scalable</td>
</tr>
<tr>
<td>• Owner is major customer</td>
<td>• No “inherent” customer base</td>
</tr>
<tr>
<td>• Break-even with fewer aircraft</td>
<td>• Break-even with more aircraft</td>
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</tbody>
</table>
VLJ Air Taxi attempted to differentiate on price.
Who’s left?

- Bikkair
- Air Cannes
- TaxiJet
- DayJet
- FriendlyJets
- JetBird
- JetSet
- Pogo
- MagnumJet
- Wondair

Light Jet “Air Taxi”:

- FlairJet
- JetReady
- Blink
- Ambeo
- GlobeAir
- Wijet
- LinearAir
- JetSuite

“Traditional Charter” with Light Jets:

- LEA
- Triple Alpha
- New - NetJets? (Phenom 300?)
What are the ingredients for commercial success?

1) Excellent demand management

2) Scale at the right time:
   - Scale too early leads to demand management and cash flow issues
   - Scale too late delays break even and profitability

3) Sensible Asset Strategy

4) Use of logistics and optimisation technology

5) Strong Corporate Governance

6) Relevant, actionable management information and vigilant monitoring

Understand COMMERCIAL drivers

CASH IS KING!
Funding

Debt

Difficult to obtain for start-up. Requires collateral and cash flow. Asset finance remains difficult but gradually becoming available.

Equity

For working capital.

Grants

Generally employment driven

All cases require:

Founder skin in game
Good business case
Good corporate governance
**Brief History of the Low Cost Carriers**

- **Late 1970s**
  - Traditional Airline
  - Freddie Laker starts low-cost evolution

- **Late 1980s**
  - Traditional Airline
  - Low Cost Carriers
  - Failure of Laker, People Express, others

**But it took a long time!**
Summary - Have we reached the bottom?

- Opportunity: New business class - IF the price is right. The airlines are watching.
- There is a market to be captured, if we can educate end-users.
- Key lessons learnt are commercial in nature
- Funding is gradually becoming available again.

- So - are we at the bottom? The jury is still out but depends on:
  - Ability to educate customers
  - Availability of funding, assuming a clear path to break-even
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