

# Re-thinking ownership



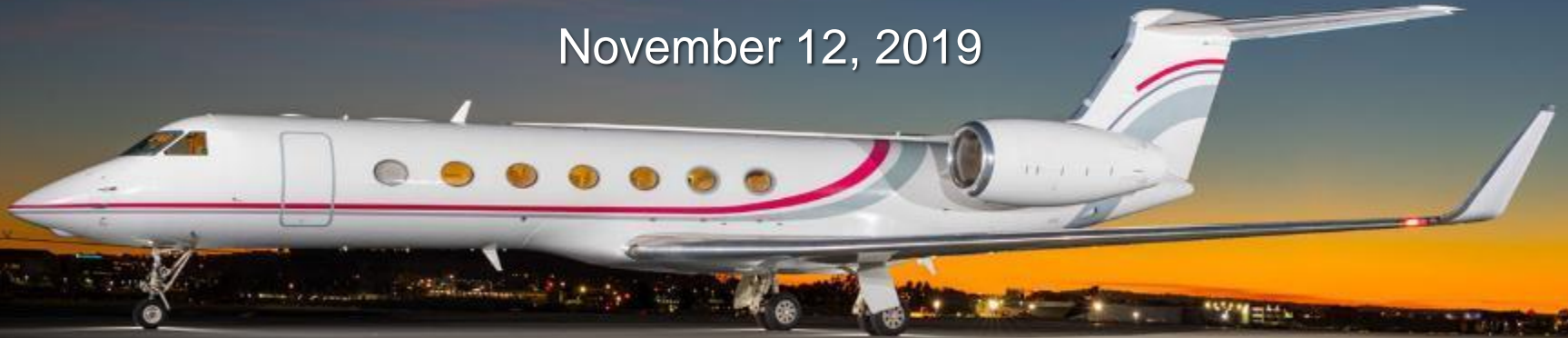
Brian Proctor – President & CEO  
Mente Group

# Re-thinking Ownership

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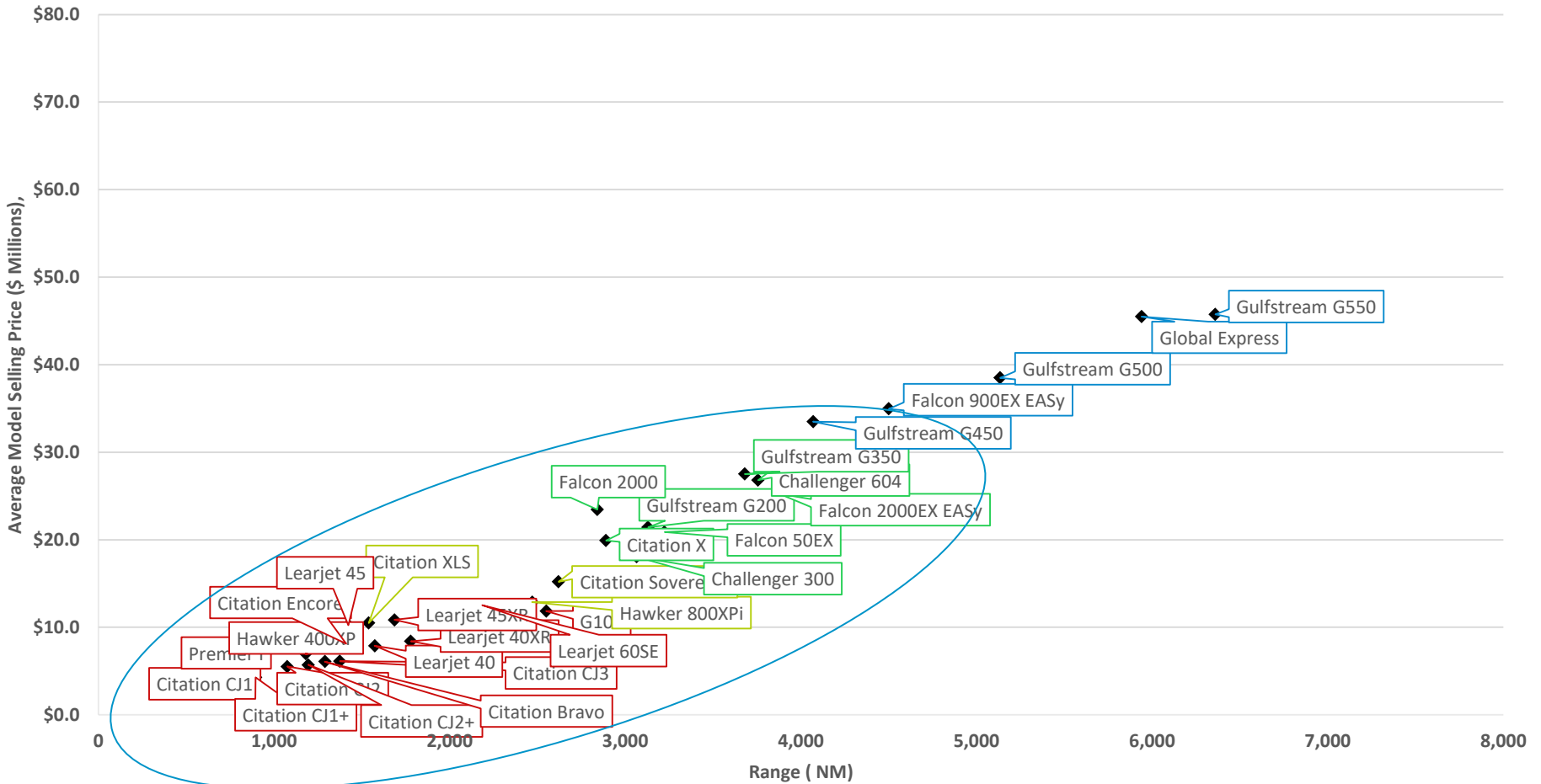
Corporate Jet Investor

November 12, 2019





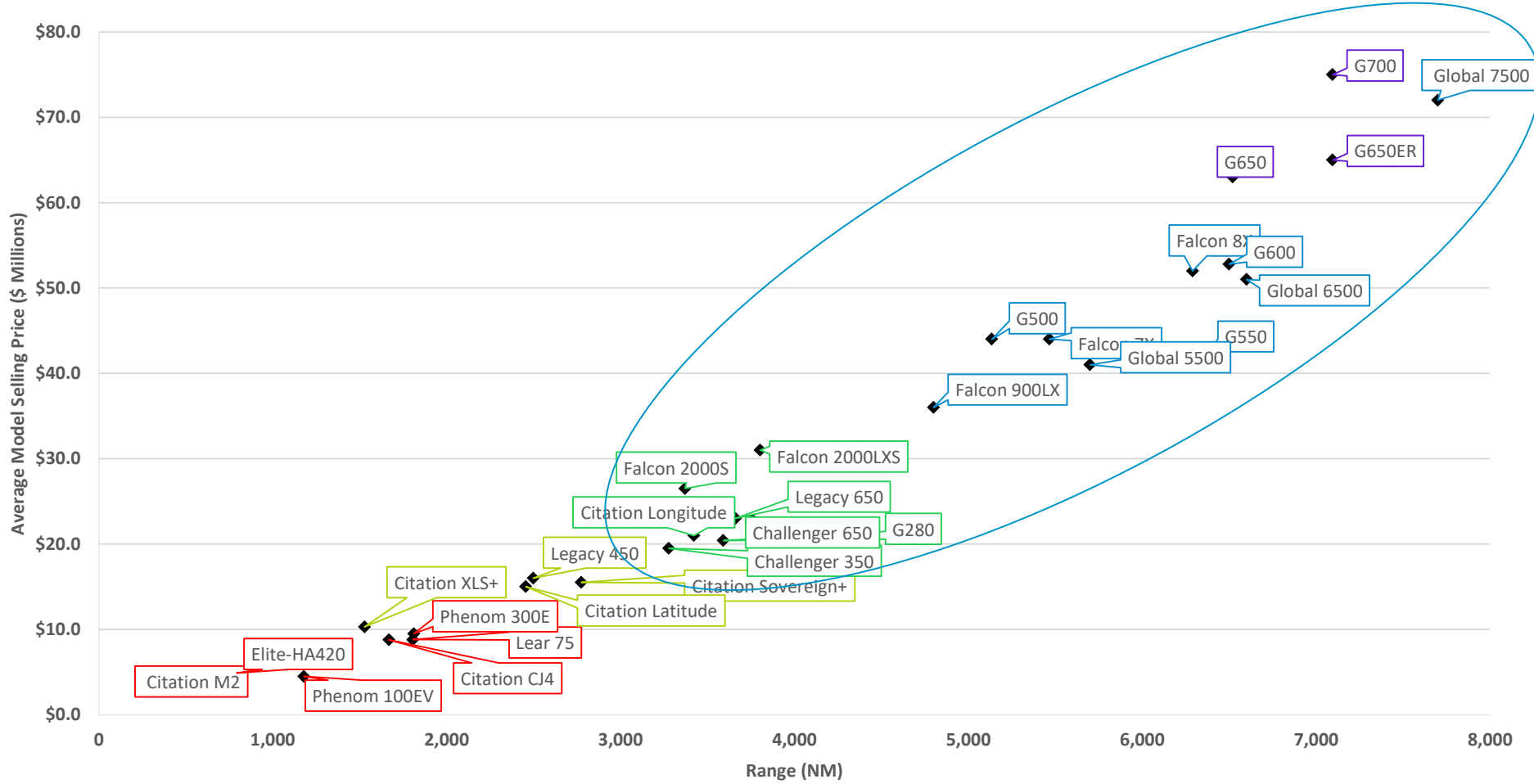
# Aircraft Options – Price vs. Range (2004)



**31 Models / Average Cost: \$17.1M**

Light  
Midsize  
Super Midsize  
Large  
Ultra Large

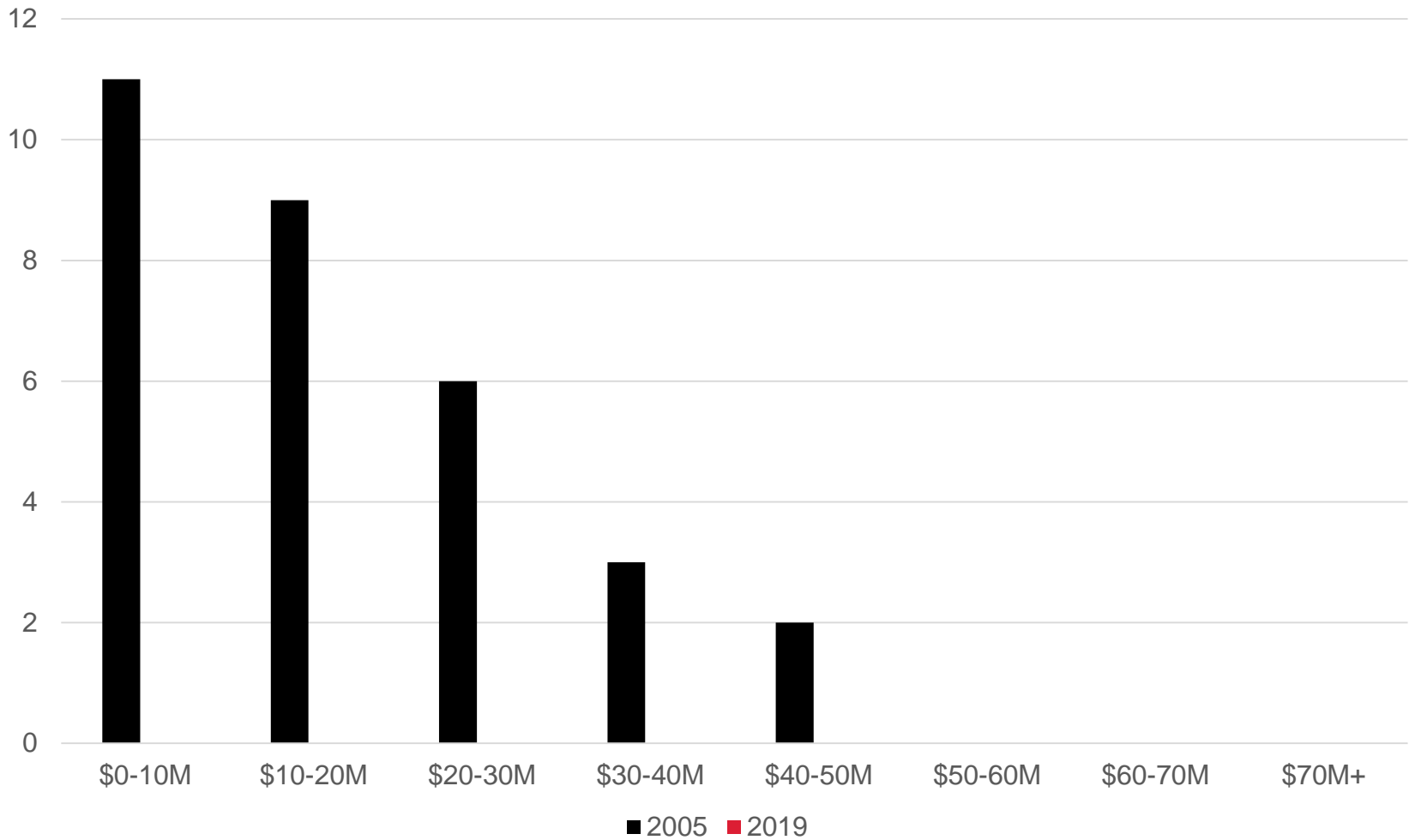
# Aircraft Options – Price vs. Range (2019)



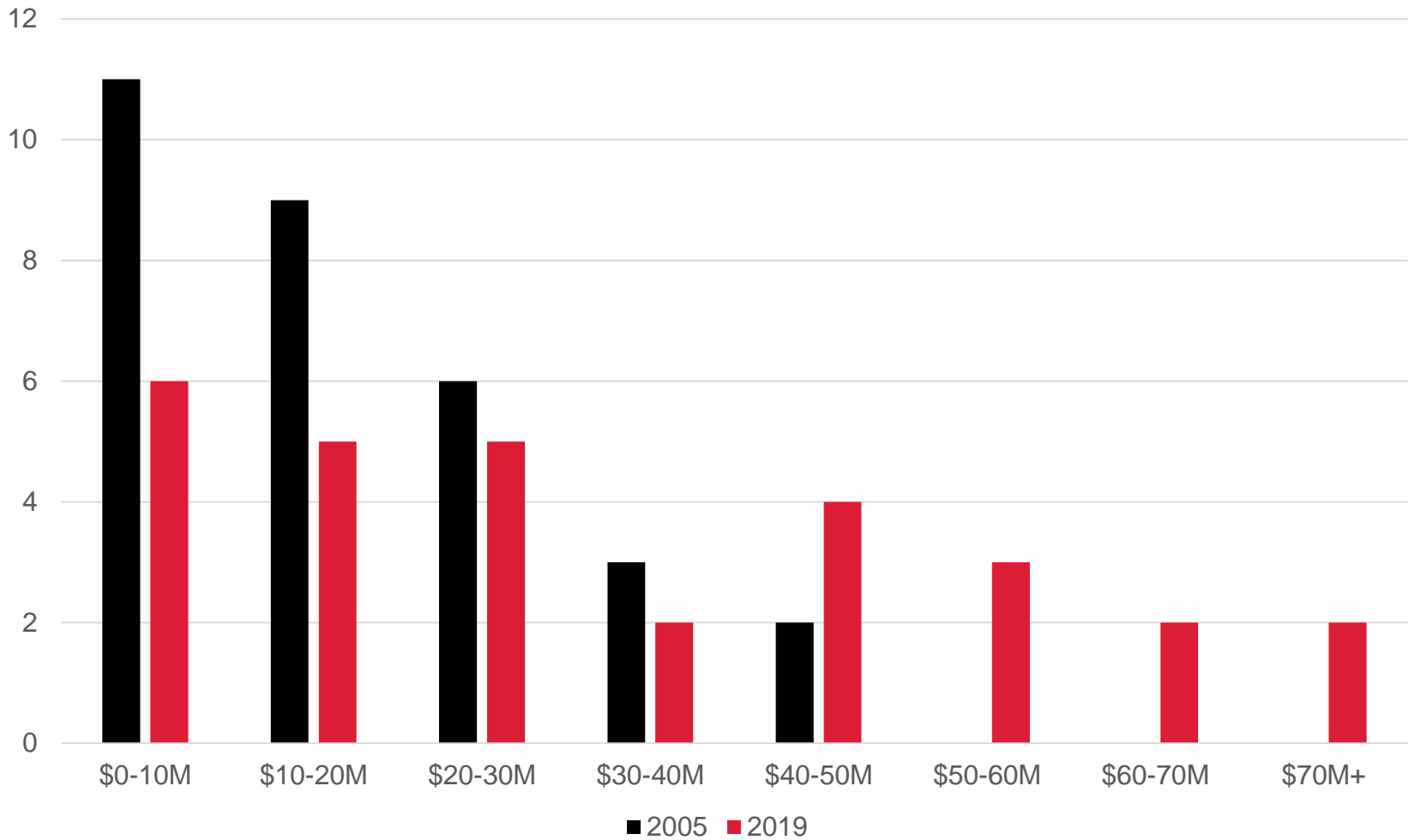
**29 Models / Average Cost: \$30.0M**

Light  
Midsize  
Super Midsize  
Large  
Ultra Large

# What Does This Look Like



# What Does This Look Like - Comparison



# Market Trends

- ▼ Good rationalization of the fleet
  - Fewer competing models in each segment
- ▼ Couple of key gaps
  - \$10M-\$15M segment virtually empty
    - Traditional Mid-sized market (Hawker 900XP) replaced by Super-mid
  - \$30M-\$40M DA900LXS as the only option – aging platform
- ▼ Evolution of the High End of the market
  - 7 models above \$50M
  - Upper End moving up - \$70 mm+



# | What Does This Mean – Case Study

- ▼ Fortune 500 Company
- ▼ Missed Earnings Q1
- ▼ CEO Called, wanted to sell some aircraft
- ▼ Reviewed the fleet; all aircraft were leased
- ▼ G650:
  - \$65M Purchase
  - LRF 0.9
  - \$585,000 per month
- ▼ Here's where the problem starts
  - Capital: \$7M
  - Fixed: \$2.6M
  - Variable (Direct): \$2.3M
  - 400 Hours per Year
  - Fully Loaded: \$29,775 per hour

# | Charter Market

## ▼ Soaring Costs

- Pilot Comp up 20% YoY for three straight years
- Maintenance and Engine cost increases

## ▼ Plummeting Aircraft Values

- New aircraft approaching **40% value loss** in first five years of ownership (60% RV)
- Clearly 50-60% of annual ownership is capital

## ▼ Evolution of pricing tools

- Eroding margin
- Benefitting the charterer (ie., the person taking no risk)

## ▼ Pricing must change

- If pricing doesn't begin to increase, market supply will naturally decline

## ▼ On a brighter note

- Charter a G650 on the way home
- Cost: Only \$10,000 per hour!

# Trends in Market – Anti Business Jet Movement

## ▼ Undesirable Identifiable Business Asset

- Ford, GM, GE
- Press and Activist Investors
  - WeWork
  - “America’s #1 Corporate Jet Abuser?” Seeking Alpha, 18 Sept 2019
  - Investment Fund D.E. Shaw and Emerson Electric, 22 Oct 2019

## ▼ Environmental Perception

- Corporate Sustainability Policies
- British Labour Party – proposed ban on fossil fuel powered corporate jets in England by 2025 announced 04 November

## ▼ Tax the Rich

- Canadian Liberal Party (reelected 21 Oct 2019) – proposed 10% Luxury Tax on Private Aircraft, Boats and Cars over \$100,000 Cdn

# | There's Something Missing

- ▼ The entire Business Aviation industry is aligned with selling and operating aircraft
- ▼ Most buyers, however, don't want to "buy" an aircraft
- ▼ They want access to what the aircraft provides...lift.
- ▼ We are working with several industry partners and will be announcing in Q12020 a new business, designed to deliver what the market wants
- ▼ See you in London!



# | Thank You

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Thank you!

