



# JET MATCH

# REPORT



5TH EDITION, NOV 2024

# INDUSTRY REMARKS

## Business Jets - All Segments

A brief look into the executive aviation industry reveals that prices remained stable in the third quarter, when compared to the second quarter of the year. This stability was also witnessed in inventories, which had a slight increase of 4% in the quarterly comparison. However, there is more to the executive aviation market than meets the eye. In the yearly comparison (3Q24 vs 3Q23), inventories jumped 20% while prices grew 3.2%.

This apparent contradiction between raising inventories and solid prices reveals a healthy and active market. Overall, the percentage of aircraft for sale is 7.7%. Another explanation is that different models and segments have their own behavior. Think of them as markets inside the market.

## Light Jets

First, we'll consider the light jets segment. In the quarterly comparison, the number of jets for sale grew 5%, and prices fell 9%. In the yearly comparison, however, inventories jumped 21% and prices advanced 12%. Days on the market remained practically stable: they inched down 1% in the quarter and fell 4% yearly.

## High-End Midsize and Super-Midsize

The scenario here was quite different. Inventories of this segment jets grew 14% in the quarterly comparison and a whopping 44% yearly, while average asking prices fell 4% quarterly and 10% yearly. Days on the market grew 6% quarterly and 26% yearly.

## Large&ULR

This segment behaved in a more stable way: inventories inched down 4% in the quarterly comparison and up 9% yearly. Average prices remained practically unchanged in the yearly comparison (+1%) but rose 5% quarterly. However, the number of days on the market advanced 8% in the quarter and 38% yearly. This lengthening of days on the market is likely a consequence of a slower buying process. Clients being more thorough when choosing and negotiating an aircraft than in a theoretical market slowdown. The availability of slots for pre-purchase inspections and even parts and labor availability are surely impacting the scenario as well.

## INDUSTRY REMARKS

In this case, it is worth taking a closer look at two models whose behavior has caught our attention:

### G450

After inventory reached 10% of the total fleet in 2Q24, the number of aircraft for sale tumbled 25% in 3Q24, while prices fell by 8% and days on the market rose by 25% in the same period. The story is simple: with many aircraft for sale, days on the market began to rise, and it became harder to close a deal. Prices had to come down, and we started seeing an attractive price/benefit ratio for the G450s on the market. This, in turn, led to sales and an inventory reduction. However, it is worth noting that we still see many good opportunities to buy a G450 on the market today.

### G650

On the other hand, the number of G650s for sale has reached a peak in absolute numbers: 27 by the end of the third quarter. (Inventories rose 17% quarterly and 109% yearly!). Prices have fallen 16% yearly, and we already see very good jets in the market with asking prices in the low \$30MMs. This phenomenon might be related to the increased deliveries of the G700 and points to the fact that this is a good time to purchase a pre-owned G650. By late November, we accounted 36 units for sale, including a handful of pending deals.

In short, when analyzing pre-owned executive aviation aircraft, one needs to look beyond general numbers and search for good opportunities in specific segments and models.

### OEMs

All manufacturers recorded a total of 172 deliveries in the third quarter (up 7% compared to the same quarter last year). As shown in this report, the top three companies demonstrated financial strength and a positive outlook within the business aviation industry. While General Dynamics experienced overall revenue growth, its Aerospace Division was challenged by lower-than-expected Gulfstream G700 deliveries, which impacted operating margins. Nevertheless, General Dynamics' diverse portfolio and strong backlog point to continued growth. Bombardier outperformed market expectations, reporting a significant profit and steady delivery progress toward its full-year targets. Embraer showed remarkable revenue growth (particularly in its Executive Aviation segment), achieved record deliveries, and strengthened a robust backlog.

# INDUSTRY REMARKS

## Market trends

A report by the International Aircraft Dealers Association (IADA) pointed to increased optimism for the global business aviation market. IADA believes that the summer slowdown, combined with geopolitical tensions and the election cycle, had less of an impact than previously expected. The market seems to agree that the US has achieved a soft landing (which is good news for those who feared a hard landing), and given the cooling of inflation and the recent drop in US interest rates, the optimism seems justified.

Bombardier notes in a report that there are still high risks from geopolitical conflicts, a change of government in the US, and the fragility of global supply chains. Nevertheless, the manufacturer emphasized that the industry is expected to remain stable in the short term, driven by a strong and healthy backlog for the industry.

We always have to keep in mind the rule of thumb in business aviation: the market is considered healthy when the total jet inventories is below 10% - we are currently at 7.7%. Specifically, the most in-demand models are holding their inventory for sale at around 5%.

It is important to remember that we are in the fourth quarter, which is typically the busiest in the industry. Many individuals are rushing to close deals to qualify for bonus depreciation, which allows aircraft owners to realize the depreciation benefits of an eligible asset more quickly.

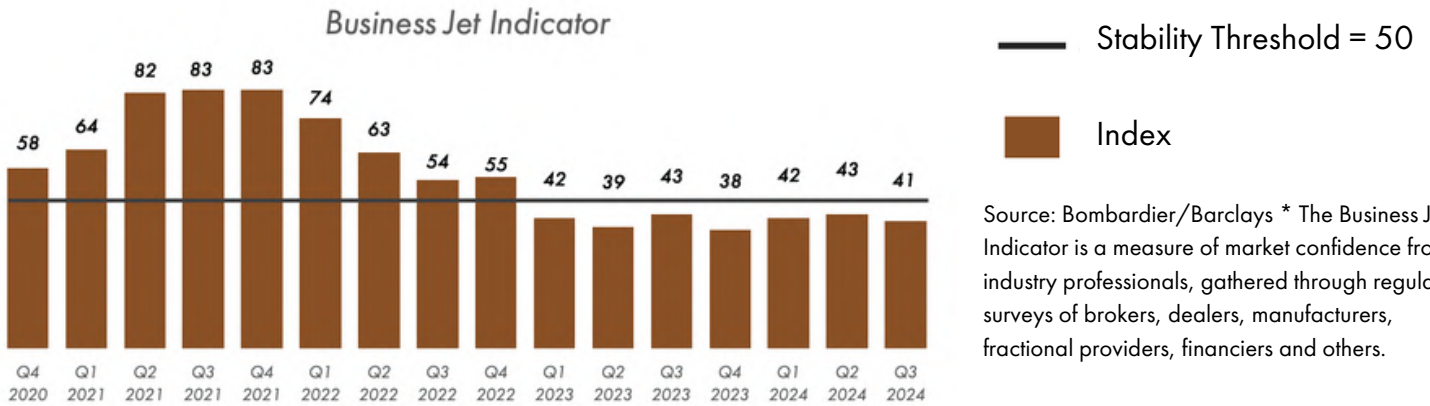
Finally, it is worth noting that specialists believe that bonus depreciation will be renewed in 2025. With Trump's election, we see better chances of a favorable economic environment for business aviation to continue growing. Stay tuned for a busy quarter - and a positive outlook for next year.



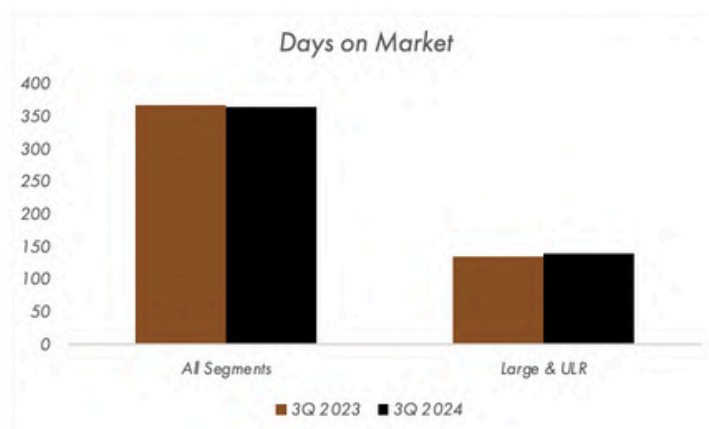
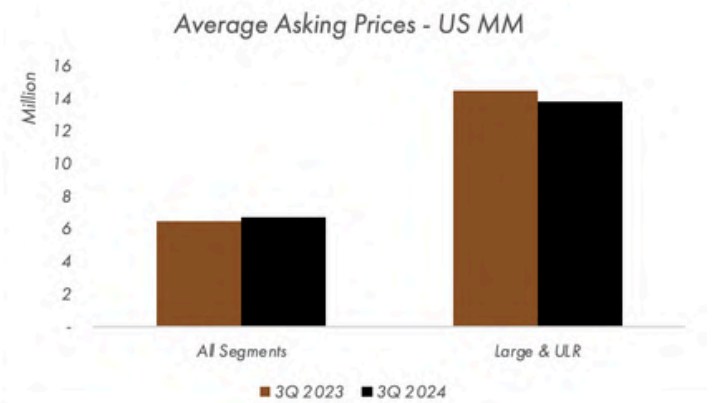
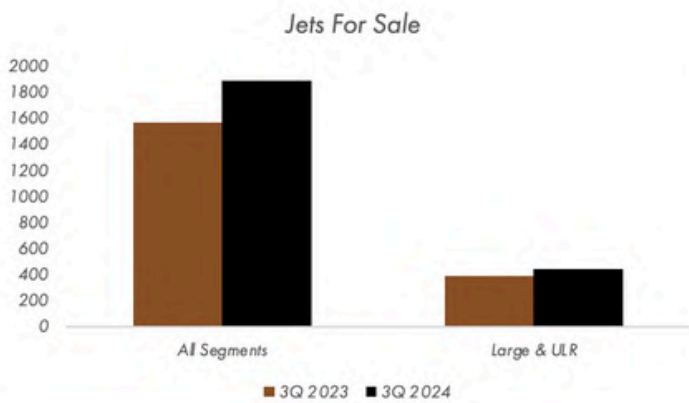
Luiz Sandler, founder

# INDICATORS

The Barclays Business Jet Indicator remained below the stability threshold of 50 points during the third quarter.



# PRE-OWNED MARKET



## 3Q24 MANUFACTURERS' RESULTS

# Gulfstream®

### General Dynamics (Gulfstream's Parent Company)

- Reported net earnings of \$930 million during 3Q24 (+11.2% over 3Q23) on revenue of \$11.7 billion (+10.4% over 3Q23). Diluted EPS (Earnings Per Share) was \$3.35 (+10.2% over 3Q23).
- The company generated a free cash flow of \$1.2 billion during the quarter (up 11% from the year-ago quarter).
- Company-wide book-to-bill was 1.1-to-1, and the backlog reached US\$92.6 billion.

### Aerospace Division (includes Jet Aviation and Services)

- The division received \$2.4 billion in new orders during the quarter (-19% over 3Q23), and registered a backlog of \$19.8 billion.
- Revenue was \$2.5 billion, a 22.1% increase versus 3Q23.
- The book-to-bill ratio was 1-to-1 during the last quarter.
- Operating margins fell from 13.2% in 3Q23 to 12.3% in 3Q24.

### Gulfstream

- Gulfstream delivered 28 aircraft in the quarter, of which 24 were large-cabin aircraft, including four G700s. This compares to 27 delivered in the year-ago quarter, of which 22 were large-cabin aircraft.
- The results frustrated the market and the key issue was the lower than expected G700 deliveries. According to Bernstein Research, "G700 deliveries came in at 4 for the quarter (vs. expectations of 15-16) and management lowered its 2024 outlook to 42 deliveries (vs. 50-52 previously), implying 27 deliveries in 4Q24. Total jet deliveries for the full year were lowered to 150 (vs. 160 previously)."
- Gulfstream management attributed the softened delivery outlook to issues arising from late certifications and highly customized interior selections, resulting in longer turnaround times. However, Bernstein Research believes the lower G700 deliveries are likely temporary and should be resolved by 2025.



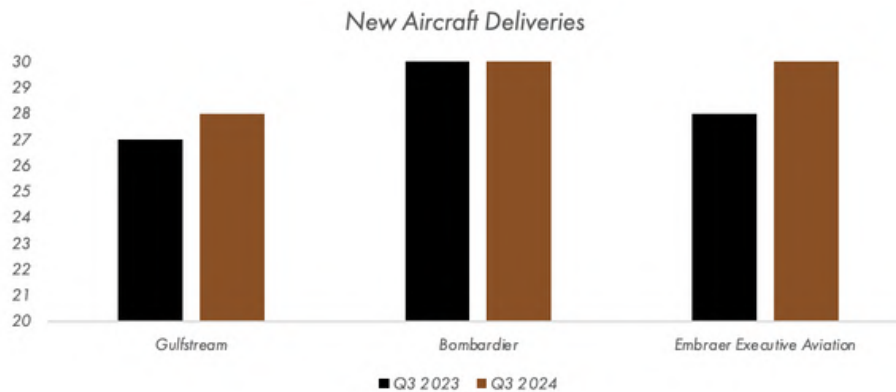
## Bombardier

### Bombardier

- Net income increased to \$117 million in 3Q24, against a net loss of \$37 million from year-ago quarter. Revenues increased 5% to \$2.1 billion during the same period. Diluted earnings per share (EPS) were \$1.09 compared to a negative \$0.47 in 3Q23.
- Free cash flow: The company burned \$127 million in the third quarter, against a positive FCF \$80 million from the year-ago quarter.
- Book-to-bill for the entire company was 1-to-1, and backlog grew 4% to \$14.7 billion.
- The company delivered 30 aircraft in the quarter, of which 13 were large-cabin aircraft and 17 medium-cabin. This compares with 31 aircraft delivered in the year-ago quarter, of which 16 were large cabins.
- According to Corporate Jet Investor, Bombardier remains on track to meet its planned delivery guidance of between 150 to 155 aircraft in 2024.
- The results surpassed market estimates, helped by strong demand for business jet parts and repairs.

### Global 8000

- On October 21, 2024, Bombardier announced that manufacturing of major structural components for the Global 8000 jet is underway across Bombardier facilities in Saint-Laurent (Québec), Red Oak (Texas) and Querétaro (Mexico). The development and certification process for the Bombardier Global 8000 aircraft remains on track, with an expected entry into service in 2025. Announced in 2022, the Global 8000 business jet will have a range of 8,000 nautical miles and a top speed of Mach 0.94.



## Embraer

- Adjusted net income for the quarter was \$221.1 million compared to \$80.4 million a year ago.
- The company recorded revenues of \$1.7 billion in 3Q24, an increase of 32% compared to the same period in 2023.
- Adjusted Free Cash Flow excluding EVE (FCF) was of \$241 million (up from \$44 million in 3Q23)
- The company's total order backlog grew 27% between 3Q23 and 3Q24 to \$22.7 billion - the highest level in the past nine years. Embraer delivered 57 jets in the third quarter, a 33% increase over the same period in 2023.

## Executive Aviation

- The division generated net revenues of \$562 million in the third quarter, an increase of 65% compared to the same period last year.
- There were 41 deliveries (22 light jets and 19 medium jets), up 46% year-on-year, due to increased deliveries of medium jets. The company maintained guidance of 125-135 deliveries in the year.
- Backlog advanced 3% to \$4.4 billion in the third quarter (against same period of 2023).
- "This is the best third quarter and first nine months in terms of revenue and deliveries ever recorded by the business unit," the company said in its earnings statement.