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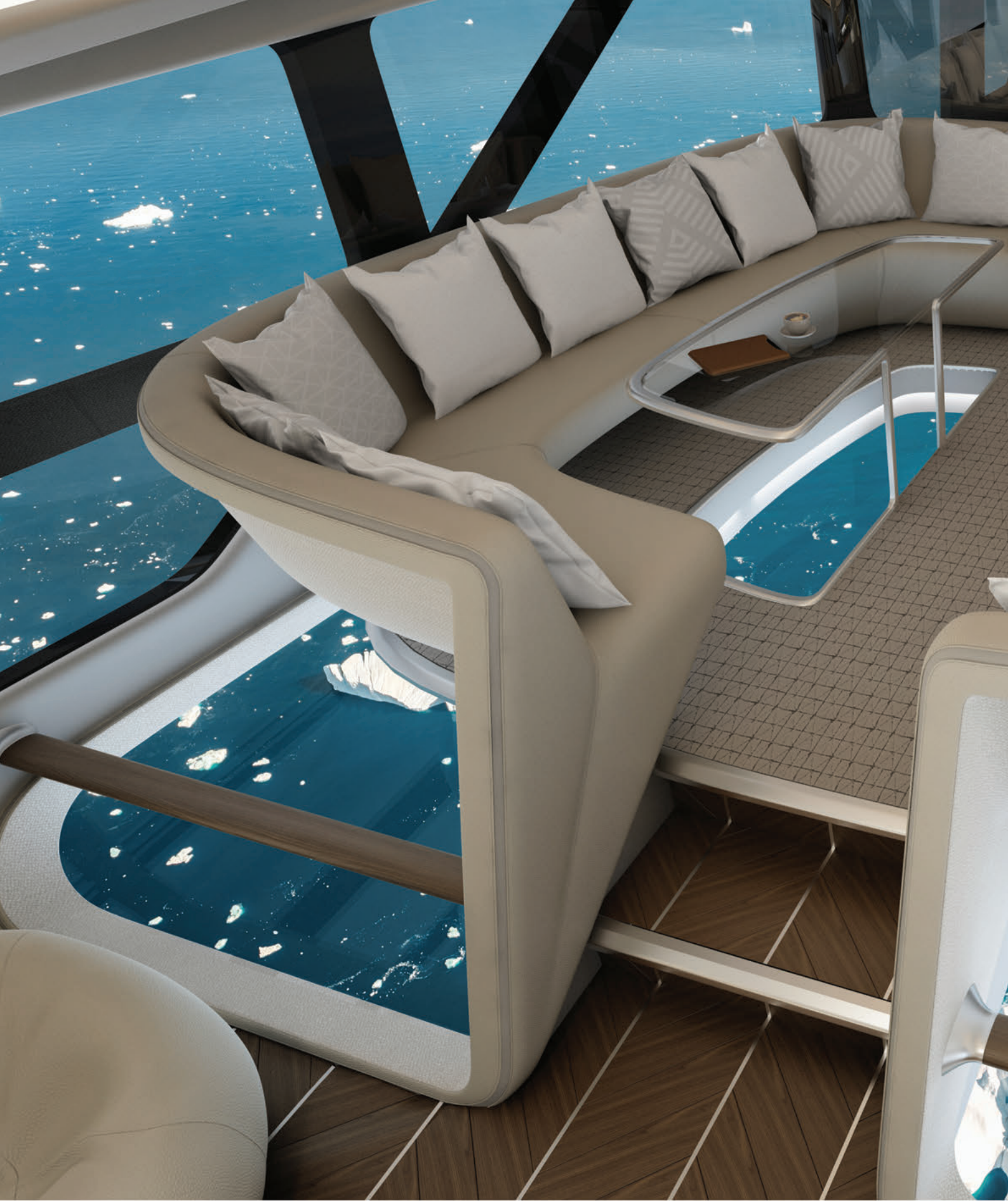
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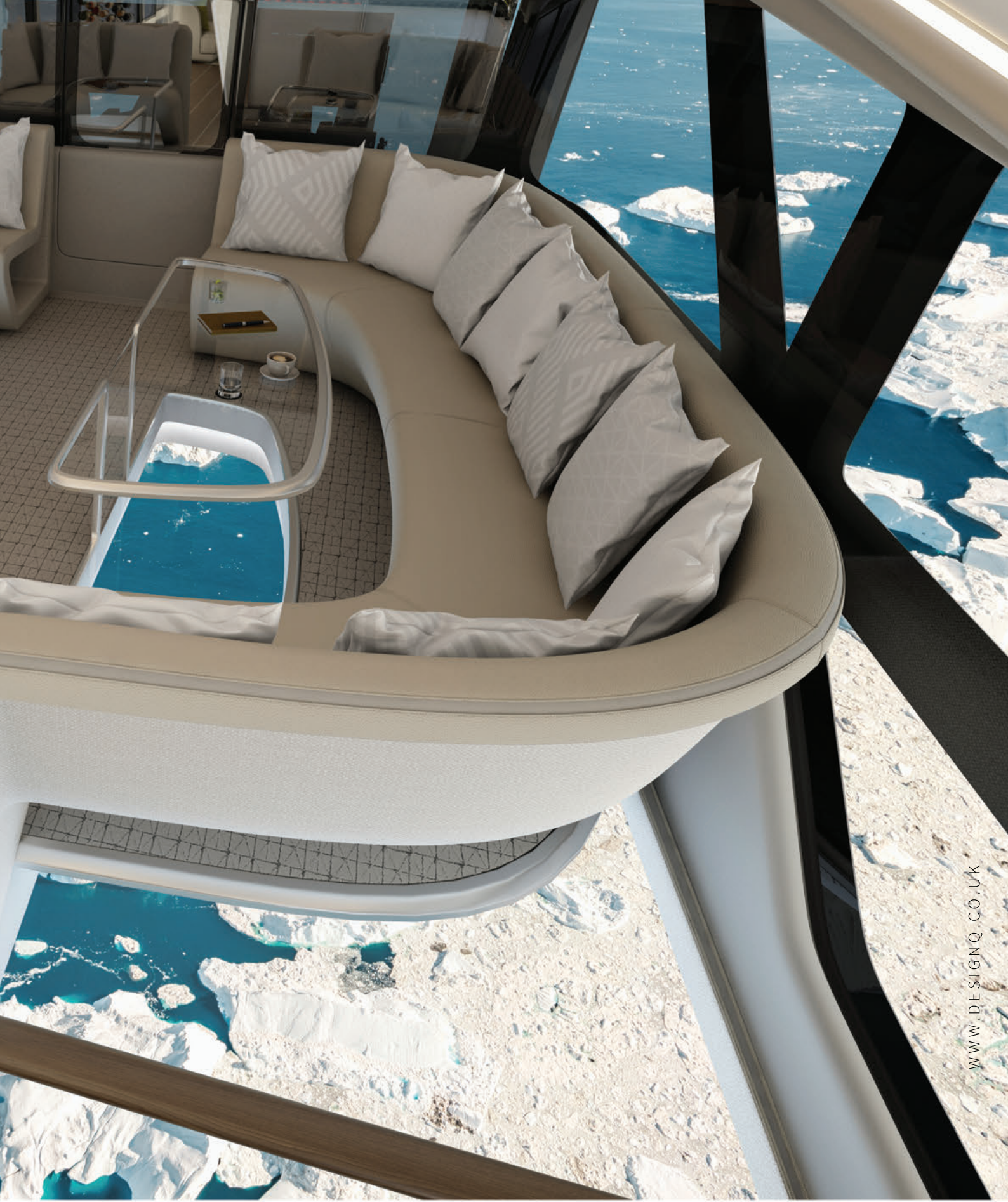
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BLUE SKIES AHEAD?

What a difference a year makes. There are still shudders and trembles going through global markets. Asia is full of companies that gorged on cheap debt and didn't use the windfall to improve their productivity. So, with interest rates rising and the dollar strengthening emerging markets are feeling the chill. But none of that, it seems, is sufficient to dampen down the optimism powering through the USA, which, after all, has more than 60 per cent of the world's business jets.

Not even the Trump tariff wars are having much of a dampening effect on the party. The President's 100 percent expensing allowance has had – and continues to have – a massively positive effect on aircraft sales. Even as these words are penned, there are people rushing to get deals completed in time for the owners to be able to offset the entire cost of their new aircraft against their 2018 corporate profits.

President Trump has undoubtedly given a huge boost to the entire business aviation market, one that might be enough to get the industry started on a new boom period.

It might seem mean spirited, in the light of this new-found momentum, to introduce a caveat, but here's a thought. A tax incentive can only do so much. Business aviation is inextricably bound up with the economic cycle. A true boom time for the industry requires both a favourable fiscal environment, which Trump has certainly created, and a sustained upswing in the global economy. The jury is still very much out on the latter.

However, the US is a huge market and once its economic engine starts to hum it has the strength to pull other economies along in its slipstream. The trade pressure on China will probably make Beijing change its toxic trading practices, resulting in more respect for the intellectual property of companies and countries it wants to trade with, which will be a good thing.

What is certain, as the many CEO interviews in this issue demonstrates in spades, is that 2018 is going to end up delivering a record year for many players in the sector. Let's hope the trend has some legs and lasts through 2019 and beyond.

This year BAM is once again hosting our After Party on Wednesday 17th October at the www.3nineorlando.com, in the Rosen Plaza Hotel, Orlando. The BAM team would like to give a heartfelt vote of thanks to our sponsors, JSSI, Skylink, Mente Group, Stevens Aviation, Design Q, Academy 147, Constant Aviation, Lee Aerospace, ITW GSE, MSB, Limousines Worldwide, Chicago Jet Group and AP Completion Services.

ANTHONY HARRINGTON

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BUILDING ON STRENGTH

Gogo Business Aviation's President, Sergio Aguirre, talks to Anthony Harrington about the company's latest services



The AVANCE L5

Q: How's business for Gogo?

SA: We're very pleased with the way things are going. Demand for our new product line – AVANCE L3 and L5 – has been higher than we expected, and feedback from our customers has been very positive in regards to performance and feature set. We now have nearly 500 L3 and L5 systems in operation combined, and we have shipped another 500 that are in the process of being installed. Plus, we have a very healthy backlog of orders right through to 2019.

Q: Can you take us through the difference between AVANCE L3 and L5?

SA: The easiest way to explain the difference is that AVANCE L3 is designed for smaller aircraft. It is the central hub for all the on-board networks, governing in-flight data, text and voice, moving maps and entertainment. The equipment is specifically designed to be a small, lightweight solution that can be put on any aircraft, from a turboprop to mid-size jets, at a budget price.

But what makes the L3 so unique is the flexibility it provides for customers to add capabilities as their business needs evolve, and enables them to move seamlessly to different service offerings without being constrained by the hardware. Because the AVANCE platform is software centric we no longer need to physically replace the onboard hardware to change configurations – it's done over the air with a simple call to our customer service team. Customers can choose between Core at the base level and move to our Plus or Max configurations to accommodate more users. It's revolutionary in business aviation.

And then the L5 solution is designed to cater to users who expect to be much more demanding in their use of in-flight connectivity. It caters to larger cabin aircraft with more passengers and is well suited to coast-to-coast flights across the USA providing full-internet capabilities such as streaming or video conferencing.



“The L5 solution is designed to cater to users who expect to be much more demanding in their use of in-flight connectivity. It caters to larger cabin aircraft with more passengers and is well suited to coast-to-coast flights across the USA providing full-internet capabilities such as streaming or video conferencing.

Q: It seems to me that supporting business aviation requires you to fund a global support team in locations around the world. How do you keep that manageable, so costs do not get out of control?

SA: One of the things we've striven to provide here at Gogo is a superior customer experience that is supported by technology, but enhanced with a personal touch. There are three main areas we've focused on to put this into action: the AVANCE platform, enhanced support tools and continued investment in a talented pool of field service engineers. We've created the AVANCE platform with that in mind. AVANCE is a software-centric solution and is a great example of IoT in aviation. What that means to our customers is that if an issue arises, the AVANCE system self-reports the issue to our technical support team on the ground so we can begin to address and repair any issues before a passenger's experience is compromised. Already today, more than 10 percent of our customer calls are already being 'self-reported' by the system during flight, and that will only increase in the future.

So we have built a lot of capacity into the system that allows us to scale up our customer base without overburdening our support network. And we've made huge investments to improve our customer support operations team over the past several years. Personally, I'm very proud that our customer support continues to rank at the top of industry surveys and we will continue to invest in that area because it's critical to the overall customer experience.

Another thing we are doing is giving flight crews and the aircraft's home base an insight into both performance and usage through Gogo DASH. A director of maintenance in the home base can use DASH to pull up the status of the in-flight entertainment and communications system, and see the state of connectivity on any or all of the aircraft in his fleet, wherever those aircraft might be in the world. Before we released DASH, the Director of Maintenance, who is the person responsible for the smooth running of the aircraft systems, would be the last person to know that something was wrong. Now, with DASH, he or she is the first person to know!

Similarly, our support centre can see that something is not right and can get a message straight off to the Director of Maintenance's smart phone, keeping that person as well informed, or better informed, than the passengers and crew on the aircraft. This enables the Director of Maintenance to be a lot more proactive, and it saves us significant sums on support. The benefit for the client is that we can get support to them much faster and get their systems back on track.

At the same time, we have field service engineers throughout the USA and Europe, so when something goes wrong we do not have to dispatch technicians from Colorado. They are already in-territory and they have flight departments in their locality that they are accustomed to working with. So they can respond with local knowledge and are very rarely starting from scratch with a client they don't know. We are expanding our technical teams around the world, focusing on the areas that are home to the highest densities of business jets.

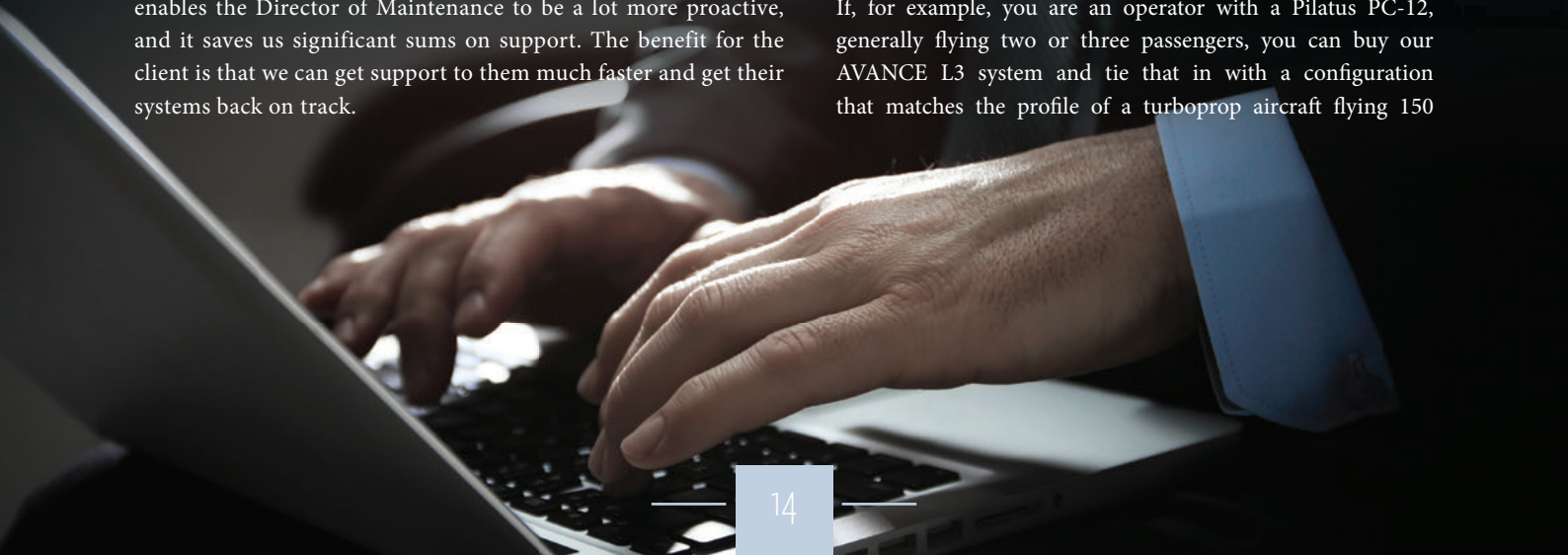
Another area where we have made important headway is that the people on the aircraft do not need to have any particular depth of expertise in wireless communications to resolve problems. Most of the time issues that crop up are basically configuration problems. Our support technicians can see the configuration remotely and can see if it has the latest updates and software, for example. So many things can be done remotely now, with very little need for onsite support.

Q: What does your total user base look like now in business aircraft?

SA: We now have over 5,000 air-to-ground (ATG) systems in operation. That completely dwarfs the client base of any other broadband connectivity provider in business aviation. We can say with confidence that there is no other broadband solution that is as popular with that level of market acceptance. We have a large percentage of the business aviation IFC market today and we have a lot more to come as far as our product set is concerned.

While we are very proud of our leadership in the market what is important to us is the customer experience we deliver. We are continuously investing in innovation to help create better user experiences. For example, our AVANCE L3 product gives about 60 percent more throughput than our traditional ATG products, thanks to the technological advancements and our in-cabin network. Couple the performance with the pricing, and it's a compelling offer for our light jet customers. On the pricing front, we have very flexible subscription packages. Users can buy a single hour, or subscribe to a range of packages at different cost points.

If, for example, you are an operator with a Pilatus PC-12, generally flying two or three passengers, you can buy our AVANCE L3 system and tie that in with a configuration that matches the profile of a turboprop aircraft flying 150



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to 200 hours a year. If you find your passengers demand more connectivity, and your pilots want their weather apps connected and so on, you don't have to change your hardware, you just change the configuration of the box. So instead of serving three passengers with email only, you can serve 10 and have more data to the cabin. The L3 has three different profiles, so people can grow the system as their needs grow. Another key point in its favour is that it is a very small box, which is critical for small aircraft, and operates with just two omni-directional antennas, which makes it very easy to configure.

Q: What does it cost to “change-up” as far as moving to a more demanding usage profile is concerned?

SA: To change the profile of an L3 it just takes one call into Gogo. No one has to physically get on the aircraft to change configuration levels, it's done over the air, similar to how you manage your wireless plan. That allows us to offer affordable solutions that cater to the specific needs of the customer, and can change if needed without swapping out hardware. The bottom line here is that our customers have the ability to choose the connectivity option that fits their budget and their aircraft's mission, and can change easily if needed.

At the higher end, the L5 system gives users an ability to stream video at a connectivity rate and at a price point that is unmatched by any of our competitors. Moreover, we have a highly flexible offering. In the past people went with the most capable system with the highest service plan and price point because they had to have a system that could meet their most demanding use case, rather than their average use case.

Q: The size of the antenna that an aircraft can carry has clear implications for the connectivity and capacity of the system. How does that work in sales terms?

SA: What defines that choice is the need for reliable connectivity by the passengers and flight crews. If you are the CEO of a Fortune 500 company, flying in a turboprop or on an international flight, you have the same need and level of connectivity in both aircraft. So, what people use connectivity for drives the systems they install. If you only want to send and read emails and look at a spreadsheet, that's one thing. If you want to do real time video conferencing, that is a different use case and creates a different user profile.

Q: How is Gogo progressing with satellite services for business aviation?

SA: Two years ago, we launched our 2KU product for VVIP Boeing, Airbus and Head of State aircraft. That system is by far the most capable connectivity system world-wide, with significantly better performance than that offered by any competitor system. This is a world-wide convergence system with redundant capacity.

We entered the VVIP market with this offering a few years ago and we now have half a dozen VVIP customers that are very happy with the product. Plus, we have a very exciting pipeline of potential ultra-high-net-worth individuals and Head of State operators considering the product.

From a network standpoint, a major difference between our network and that of our competitors is that we leverage an open architecture. As a result, if we need more capacity, we don't have to spend billions of dollars to build and launch a new satellite. We simply grow our existing agreements with our satellite providers.

Earlier this year, we announced that we'd signed on with Iridium to be a value-added manufacturer and reseller of Iridium Certus, which further expands our satellite portfolio.

AH: How important is the service element to Gogo's overall strategy?

SA: Our roadmap for connectivity has services as a very important element, and we will be expanding it as we roll out the Gogo business aviation Ku system. Our Ku system is designed to provide international connectivity to business jets provided by the likes of Bombardier, Dassault Falcon Jet, Embraer and Gulfstream, and will provide a faster service, at a lower cost than the competition.

We already have L-band service through Iridium today providing a global service capable of fitting on virtually any jet worldwide. When Certus service launches, it will offer twice the speed of other comparable systems.

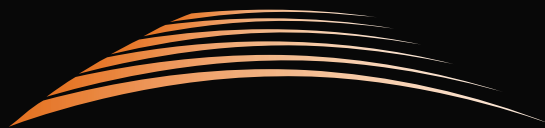
If you put all this together with our ATG product and all the technology and connectivity that we can leverage, there is no other supplier that can service the needs of business aviation with a comparable product range.

Q: And cyber security?

SA: A lot of suppliers of connectivity have jumped onto the cyber security bandwagon. The difference with us is that we are also the network operator and we have always worked on cyber security from a managed, end-to-end solution standpoint. We have spent over a decade building it not just into our Wi-Fi system but also into the design and deployment of the ATG network and the backhaul system. Cyber security is built into everything we do and has been from the beginning – it's in our DNA! |BAM

“There is no other supplier that can service the needs of business aviation with a comparable product range.”





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BREAKING RECORDS

Rob Smith, President of Jet Aviation, talks to Anthony Harrington

AH: With trade war tariffs being bandied about, and with emerging economies currently wobbling, 2018 has not been without its problems. How has it been for Jet Aviation?

RS: We have had a great year so far. The outstanding event for us was obviously closing the Hawker Pacific deal and we announced the completion of that acquisition on May 2nd. The transaction itself is valued at \$250 million and it adds 19 locations across Asia Pacific and the Middle East to our global network.

2018 brought us seven FBOs, 14 MRO facilities and over 400,000 square feet of hangar space, plus in excess of 800 additional employees. We are now several months into the integration process and that has been a very absorbing challenge. The deal was our largest acquisition ever. Their total revenues were about a third of the size of ours, so it was a huge deal for us.

We also received authorization from GACA in Saudi Arabia to provide handling services at Prince Abdul Mohsin Bin Abdulaziz Regional Airport in Yanbu, the Kingdom of Saudi Arabia.

Lastly, we are hoping to add an additional two FBO locations in Europe in the near future.

AH: How much overlap is there between your various facilities now you have added Hawker Pacific?

RS: One of the very few overlaps that we have is in Singapore, where we have six hangars on the campus between us, and the two sites are right next door to each other. By the end of the year we will have everything in Singapore badged as Jet Aviation.



We are also rebranding our Australian FBOs to Jet Aviation in the first quarter of 2019 and will continue to review the other locations.

AH: The acquisition is obviously a huge leap forward for Jet Aviation. How much organic growth are you seeing on top of that?

RS: We are certainly seeing signs of growth. We're building a new wide-body hangar at our Basel location. On top of this we have two





expansion projects in the US, at our Van Nuys and Teterboro locations. These are two busy FBO locations for us so we are working to stay abreast of, or ahead of, the growth that we see coming in the industry.

AH: Everyone in the MRO field talks about how the shortage of top rate technicians and engineers is impacting the industry. Jet Aviation has an arm that specialises in providing skilled staff. What is demand like?

RS: There is certainly a very clear shortage of skilled folk in the sector, right across the board, including pilots and flight crews. However, our staffing business helps to support the industry by providing engineers

“The outstanding event for us was obviously closing the Hawker Pacific deal and we announced the completion of that acquisition on May 2nd. The transaction itself is valued at \$250 million and it adds 19 locations across Asia Pacific and the Middle East to our global network.

or pilots and flight crew. And we are always recruiting heavily in that business to help support the industry.

AH: How is the completions side doing?

RS: One of the major highlights for us was that we were able to announce in the 2nd quarter of this year that we had secured our second Boeing 787 project for an undisclosed private individual. We have three wide body projects just finished or finishing up. We just re-delivered a Boeing 777 in mid-August and we have a second 777 nearing the final stages, plus an Airbus 330.



“2018 brought us seven FBOs, 14 MRO facilities and over 400,000 square feet of hangar space, plus in excess of 800 additional employees.



We have orders in the pipeline for Airbus Neos and BBJ MAXs. We're starting to see some of the narrow body aircraft that were gone from the market for a couple of years, and we are seeing those aircraft being adopted in the VVIP space as well, which is always interesting for completions houses.

On another note, we have just been authorised by Airbus as a VIP completions centre for the ACJ 350. We don't have orders for this yet but we are poised and ready, just as with the Boeing 787.

AH: The completions space is fascinating but hugely demanding, as well as risky. How do you rate it?

RS: It is always an interesting space. We are having some great conversations with potential clients. The great thing about running a completions business is lining up the right level of work. You want to get the backlog as close to a perfect fit for your facilities as you can. You don't want to bring in

too much work, or too little, so it is a real balancing act. Completions can so easily swing between feast and famine, so you have to plan your work out carefully.

AH: What are you seeing on the 2020 mandates? Is that driving work for you?

RS: We have not had a whole lot of the ADS-B type work here, though we are qualified to do them. However, until we get our new hangar facility finished in Basel, we are pretty much jam packed as far as workload goes.

AH: That adds credence to the point that a lot of senior MRO people are making, namely that the industry is unlikely to have sufficient capacity to help all those folks who are delaying getting to grips with 2020 mandate work, when they all dash to get their aircraft completed in time...

RS: It is going to be a crunch, no doubt about it. Both ourselves and our competitors are urging operators and





owners to book their aircraft in as early as they can. It will be a real rush from now to 2020 to get the work completed.

AH: What are you seeing by way of demand for connectivity upgrades?

RS: This is now a very interesting area. We have several solutions on connectivity that we offer clients. We recently



had a 747 in our Basel facility for a Ka band installation and we are committed to developing the STCs for a variety of aircraft type installations. There is a very high demand for high throughput broadband connectivity in the market and we are working with suppliers to have full, seamless solutions available in all our locations.

On all the services we offer, one of our key messages to industry is our independence. We don't play favourites among the OEMs. We have our sister company, Gulfstream, but we also support all other OEMs in the industry. |BAM

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SHARPENING THE FOCUS

Neil Book, President and CEO of Jet Support Services, Inc. (JSSI) talks to Anthony Harrington

Q: Your big announcement at EBACE was the acquisition of Conklin & de Decker. Can you comment on the logic that guided the deal?

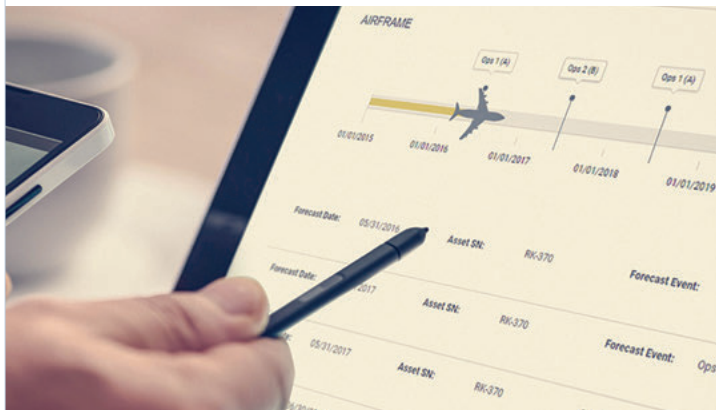
NB: There is a very real need in this market for easier access to data and more transparency for aircraft operators and owners. Conklin & de Decker's mission, as they define it themselves, is to arm operators and owners with information. Their product set is all about helping the general aviation industry to make more informed decisions around the purchase, operation and sale of aircraft, by providing objective and impartial information. They've been doing this for 35 years, so they bring a layer of credible data and a level of customer service that is very consistent with our own culture.

The starting point for the deal was the launch of our advisory services platform last year, and the early success that we have had with it. This acquisition will be the first of many as we grow the strength and depth of our services business. There is no doubt that Conklin & de Decker is a tremendous bolt-on acquisition for us.

It is worth emphasizing that JSSI's growth, prior to this, has been entirely organic. This is our first strategic acquisition and we are actively looking for more.

Q: How do you see the advisory service side? Does it simply strengthen the JSSI brand and add to the service set you provide or do you see it growing into a significant revenue earner in its own right?

NB: I think it will absolutely generate significant revenue and earnings, or we wouldn't pursue it. I also believe that it only strengthens the JSSI brand if we deliver a high quality product. We strive to be the best at what we do and if we do not provide the highest quality product, it could have a negative brand impact.

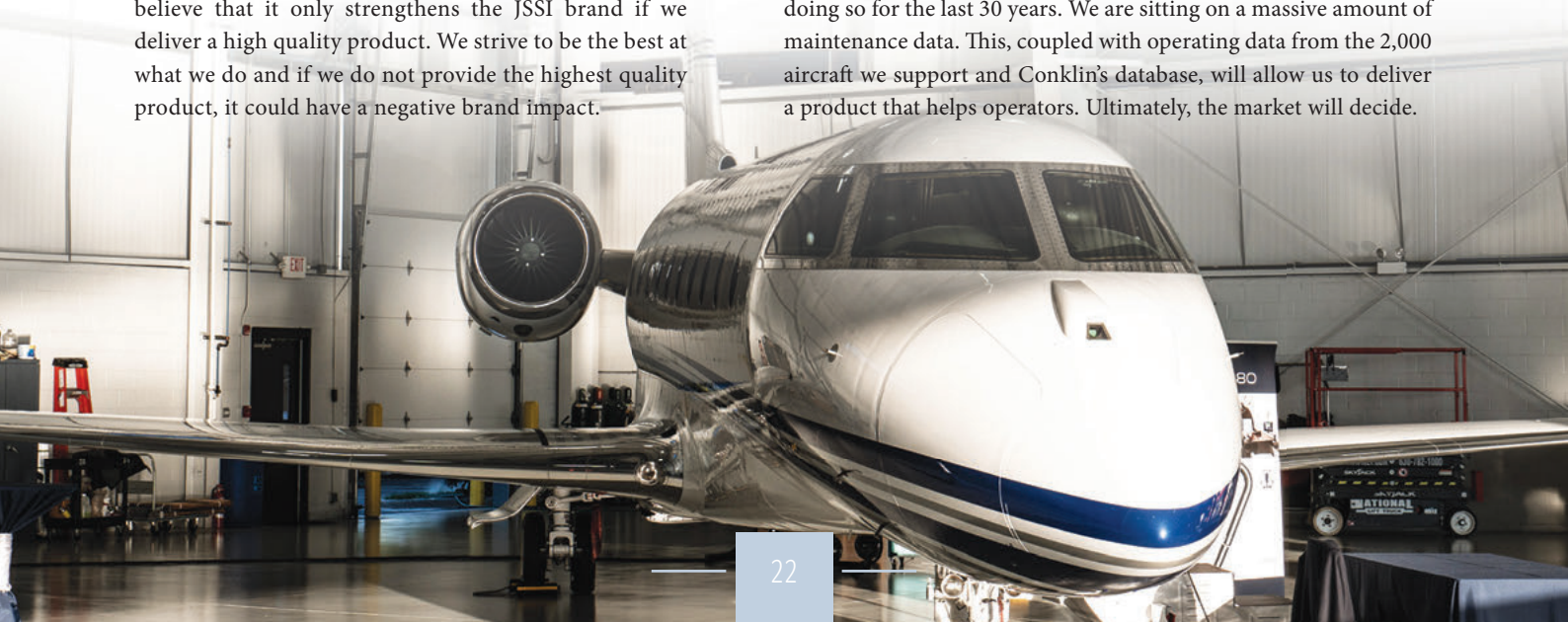


On the Conklin side, we have a strong technology team, led by our newly named CIO, Jake Gerstein. I'm confident we'll be able to relaunch Conklin's platform with even better data, features, and a more global focus.

Q: Both the engine and airframe OEMs are going down a similar route, deploying sensor data beamed directly to operations centres for maintenance purposes. Is this competition for your platform?

NB: I don't see OEM real-time data being competition. I'm confident we can help operators better disseminate and understand that information.

We cover every single make and model of aircraft and have been doing so for the last 30 years. We are sitting on a massive amount of maintenance data. This, coupled with operating data from the 2,000 aircraft we support and Conklin's database, will allow us to deliver a product that helps operators. Ultimately, the market will decide.



“There is a very real need in this market for easier access to data and more transparency for aircraft operators and owners. Conklin & de Decker’s mission, as they define it themselves, is to arm operators and owners with information.





“Business is performing great and we’re having a lot of fun. We are seeing growth in every region around the world.”

Q: There is an issue in the market at the moment with the very mixed skill sets of appraisers and valuers, some of whom are very good and others who produce very questionable figures. How do you see this playing with your platform?

NB: I can’t speak for the entire market, but we take a lot of pride in the integrity of our appraisals. We just hired our eighth ASA-certified appraiser, Rich Thompson, and believe that our technical expertise really sets us apart. This service to date has been very geographically fragmented. Many banks have to partner with a number of different appraisers around the world, and, as you say, this can have very mixed results. The beauty of working with JSSI is that we have our people in key locations around the globe and this leads to a level of consistent and high quality work that our customers appreciate.

Q: How is the business doing, generally?

NB: Business is performing great and we’re having a lot of fun. We are seeing growth in every region around the world. Flight hours are up generally across the globe, so having 2018 turn into a strong flight-hours year is a very good barometer of the health of the industry.

Q: July and August have seen a considerable spike in both rhetoric and actions around protectionism and punitive tariff increases, raising the probability of trade wars weakening global GDP. Do you see this as a significant threat?

NB: I can’t opine on a theoretical trade war at this point and what impact that will have on our business or global GDP. I am highly confident, however, that business jets are a critical tool to the global economy and will continue to be so.

Q: How interesting is the insurance market for JSSI?

NB: We’re working with two of the largest aviation insurance companies, who have made the choice to outsource their engine claims to JSSI. You have to remember that we manage in excess of 8,000 different maintenance events per year. When an engine claim is filed, we step in and perform a detailed analysis of the event. We determine the insurance company’s responsibility and we direct the work to the facility that is in a position to deliver the best turn-around time, highest quality work and the best pricing. And, of course, we audit the invoices when they come in. Our work has driven significant cost savings for the insurer, which ultimately helps the operators.

Q: How big is this market for JSSI?

NB: We’re focused on the “tier one” insurers today and believe this can be a significant business for us.

Q: Over the last two years you have expanded JSSI’s remit to include smaller commercial airlines. How is that working out?

NB: We have been really pleased with our success in this regional airline market. Since launching the program, we’ve enrolled five regionals and have a very robust pipeline. This year is already the strongest we’ve had through nearly three quarters and we do not anticipate it slowing down. |BAM

“Flight hours are up generally across the globe, so having 2018 turn into a strong flight-hours year is a very good barometer of the health of the industry.”





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SCALING THE HEIGHTS

Brian Proctor, President and CEO, Mente Group, on 2018 as a record year



Q: It seems that 2018 is turning out to be a year when a lot of aircraft get bought and sold, how has it been for you and Mente Group?

BP: We are having a record year, both as far as buying and selling aircraft are concerned. We are already up on the whole year 2017, and we still have the fourth quarter in front of us. At this rate, and with the transactions already in the pipeline for the fourth quarter, I would expect 2018 to be around 40 percent better than last year, for us.

At the same time, our appraisals business is up around 200 percent on last year. We started this business two years ago and it is growing rapidly. That is a good sign because it means that the banks and finance companies are seeing a lot of demand from people who want to finance aircraft transactions.

Q: Is it mostly the banks and insurance companies that you are doing appraisal work for? And is that mostly for pre-owned?

BP: It is the banks and leasing houses that are keeping us busy. We do a lot of new aircraft appraisals as well. You have to remember that every

negotiation with an OEM over a new aircraft purchase is different, and every aircraft is optioned differently. So, lenders want to make sure that what they are financing has the value that they have been led to believe it has.

Much of what we do is document driven rather than going out on site and actually examining the aircraft. The banks use our appraisal to work out the loan-to-value structure for the deal that they feel comfortable with.

We started the appraisal business around two years ago and we have made significant investments in the business since then. We have added another experienced aircraft appraiser to the team, plus a data scientist who manages our online database. We have put a lot of money into this and it allows people to go online and manage their portfolio of aircraft. Last year our database quoted 700 aircraft transaction datapoints and it is up almost as much again so far this year.

“ We have done six G550 transactions in the last two months. When we started the search for suitable G550s for a particular client back in February this year, there were about 30 of them on the market.

Q: What are you using to drive data in this database?

BP: We have a number of sources for the data, but most of it is driven organically by our own researchers and sales folk, plus the business development people. We qualify the database by the quality of the data source and we prioritize our own data, and that of our contacts, since we know this data is going to be good.

Q: How important to you is the appraisal business?

BP: It has been very good for us and we are working at extending the reputation and reach of our appraisal service in the market. What is really good for us is that it touches a different clientele and is also more stable in terms of cash flow, so it is a very useful additional revenue stream for us.

Q: How much do you think Trump's 100 percent expensing of new and pre-owned aircraft is driving the current deal flow?

BP: It has been very significant. Remembering back, the Bill was signed off

on 18th of December 2017 and by the end of the year, or inside of two weeks, we had two clients come forward and buy aircraft. Moreover, those transactions were not even on our radar on December 18th. So that shows the kind of catalyst the Bill was for deals.

Right now, we have a number of clients working to get closure on deals before the end of calendar year 2018 so that they can claim the 100 percent depreciation against the current year's profits. It is a huge incentive.

However, we have two headwinds in the market right now. The first is that it has become increasingly more difficult to find good quality aircraft. The second is that when you do get them it is getting very hard to get them into an MRO to get pre-appraisal delivery work done on the aircraft. The MROs are all struggling with maximum capacity. Where it used to be possible to phone them up and get a plane booked within a week, now you are lucky if they can fit the job in next month or the month after.

Q: Playing Devil's advocate for a moment, do you worry that sales are perhaps bunching up and you could be looking at a long flat spell a bit further down the track as far as transactions are concerned?

BP: What I say is bring on the sales. I never worry about sales bunching up. But there is certainly price pressure out there now. I have seen several clients who were looking for pre-owned aircraft, shift to considering new aircraft because the price differential between the two is no longer as attractive as it was.

Clearly, it is becoming a very good time to be a seller, though finding a good replacement aircraft when their existing aircraft goes away, is likely to be a problem. We are not back yet to the crazy days of 2007, but I would liken the current period to what we saw in, say, 2004 or 2005.

Q: What are you seeing with respect to the slimming down of pre-owned inventory?

BP: We have done six G550 transactions in the last two months. When we started the search for suitable G550s for a particular client back in February this year, there were about 30 of them on the market. We began to whittle the choices down and the numbers kept shrinking as we were evaluating them. We ended up with just three aircraft that we could show the client. The point is that you cannot even say that there is, say, 3.2% of the fleet of a particular model available in the pre-owned market. If you have a discerning client with reasonable constraints on what they are looking for, you could end up with just two or three aircraft to pick from, even if there was 10 percent of the fleet available.

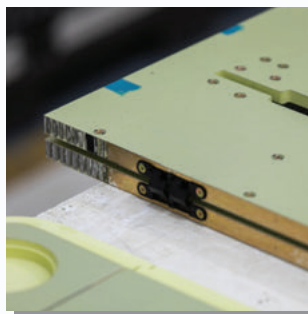
Q: An impossible question, admittedly, but how long do you think the present upturn can last for?

BP: North America is booming, and we are starting to see a lot more interest in aircraft acquisitions out of Western and Eastern Europe and Africa. The Middle East is still quiet and has yet to turn up. So, I would say there is at least a year of strong demand out there that has yet to make its way to the market.

Another point is that if you see the US dollar turning down, that will really stimulate demand for aircraft from Europe and Asia, since it will be tantamount to a big price discount on US manufactured aircraft. |BAM



“ We are already up on the whole year 2017, and we still have the fourth quarter in front of us.



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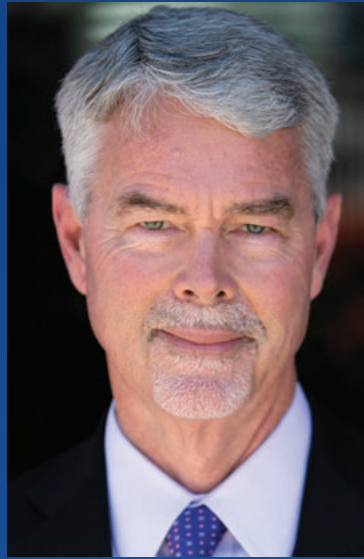
Q: Castle & Cooke has three FBOs. How did the company get started in business aviation?

TM: Castle and Cooke as a group has been around for a long time. The aviation division started in 1981, 37 years ago, when our owner, Mr. David H. Murdock, bought his own aircraft and needed a hangar at Van Nuys for it. At first, it was just his private hangar, but some of his friends and business associates also acquired aircraft and wanted hangarage, so it grew and turned into a private facility.

We ran it as such until about 2010. We built additional hangars and garnered more tenants, but it still wasn't a full service FBO, and retained its character as a private facility. It was not available, for example, to transient aircraft, though we provided fuel for our tenants. The Van Nuys facility was bordering on being a full FBO but prior to 2010 the acreage was still short of what the airport authorities required to grant it FBO status. So we decided to lease additional land from the airport authority, redeveloped a couple of hangars and paved additional ramp space, and that took us over the threshold. With that, late in 2010 Van Nuys became a full service FBO.

Q: What about your Everett and Honolulu FBOs? When did you acquire them?

TM: We bought the Everett facility in



CUSTOMER CENTRIC SERVICE

Tony Marlow, Castle & Cooke Vice President, Aviation Operations & Business Development, talks to BAM

2007. It was already a full service FBO at the time, though not a large one. A year later, we purchased a building and a hangar in Honolulu and we started our FBO there. That was when I joined the company. When Van Nuys also became a full service FBO that gave us our full complement of three FBOs. Mr. Murdock already had numerous other facilities, including commercial and residential developments in Hawaii, so the three aviation facilities made a lot of sense from a Castle & Cooke group perspective as well.

Q: Are you looking to expand with additional FBO acquisitions?

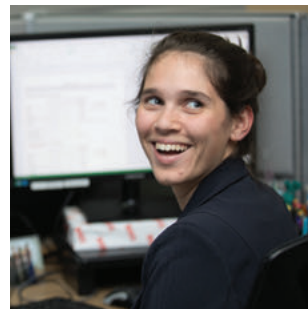
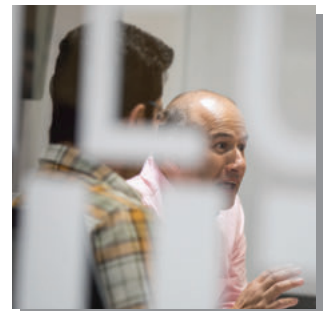
TM: We keep our eyes open about the possibility of further acquisitions but it is not high up our agenda. Our main thrust is to keep improving the operational efficiency and level of customer service we provide at our three FBOs. Van Nuys is clearly our major focus. We have 12 hangars and 210,000 square feet, plus around a further 250,000 square feet of ramp space here, while we have just a single hangar at Everett and Honolulu respectively.

Q: What are you seeing by way of aircraft movements in Los Angeles?

TM: It is impossible to produce a definitive number as there is no obligation to keep records of every arrival and departure at Van Nuys. What I can say is that we sell over three million gallons of fuel here and have about a 20 per cent market share. We



“Our main thrust is to keep improving the operational efficiency and level of customer service we provide at our three FBOs...”



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have around 60 tenants for our hangars and most of the owners fly pretty regularly, plus we get a fair number of transient aircraft calling in. I would say that we probably do around 150 to 200 arrivals and departures a week, though there can be quite a big day to day variation in the volume of aircraft movements.

Q: So is fuel your major revenue stream?

TM: Fuel is always king for a US FBO, but we have two major revenue streams, which gives us a clear advantage over many FBOs. In addition to fuel we have our hangars which generate leasing revenues both from our aircraft owners and from the tenants who occupy the various offices.

Q: I expect this helps you to weather any downturns in the industry?

TM: Absolutely. When you get an economic downturn and



there is a falling off in the number of aircraft movements, that can have a significant impact on fuel sales. However, tenant revenues and office leasing revenues are largely unaffected. That has been a great source of strength for our business.

Q: Looking ahead, are you optimistic for the next few years?

TM: I am very optimistic right now. I'm working on our 2019 Budget projections and it is already clear that 2018 will be a record year for the aviation division in terms of the total number of gallons sold. Fuel volume is up at the Van Nuys airport overall with 2018 on track to be a record year. It will surpass the previous record year, which was in 2007, just before the financial crash.

Clearly activity has ticked up a lot and we are very happy with that. Our hangars are full, or nearly full and we are as positive as we can be on the next year or two. |BAM



“ We have two major revenue streams, which gives us a clear advantage over many FBOs. In addition to fuel we have our hangars which generate leasing revenues...”



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A DELICATE BALANCE

Stevens Aviation Owner and CEO, Tom Foley, talks to Anthony Harrington

Q: How has the past year been for Stevens Aviation?

TF: We have been working on a whole range of projects over the last couple of years and a lot of them have now come to fruition, which has helped things tremendously. While the MRO business remains a difficult one, it has to be said that business has firmed up nicely over the last year for the larger players.

The fact that President Trump is himself a long-standing enthusiast of business aviation has been very beneficial. People are now buying noticeably more aircraft than they were three years ago, and all that is great for the sector.

Q: How is the refurbishment side of your business doing?

TF: We won a very important contract outside the business aviation space, to do a maintenance and refurbishment programme for the Department of Defense. This involves a good portion of the C12 fleet, probably around 200 or more aircraft. The whole fleet probably numbers around the high 300s. That contract is excellent for us.

On top of this, we are having a great deal of success with our Garmin 1000 upgrades for King Airliners. We are also doing a lot of ADS-B upgrades. In fact, the Garmin G1000 business is being partially driven by the need

for aircraft to be ADS-B ready by 2020. A lot of the old King Airliners are not compliant but with the Garmin 1000 upgrade that gives them what the regulations require.

Q: How expensive is the ADS-B upgrade?

TF: The basic upgrade does not take many hours to do, but it is expensive. The cheapest mods work out to be \$60,000 to \$70,000 for labour and equipment.

Q: Are owners and operators generally taking advantage of the necessity to upgrade to ADS-B, to do a full avionics upgrade?

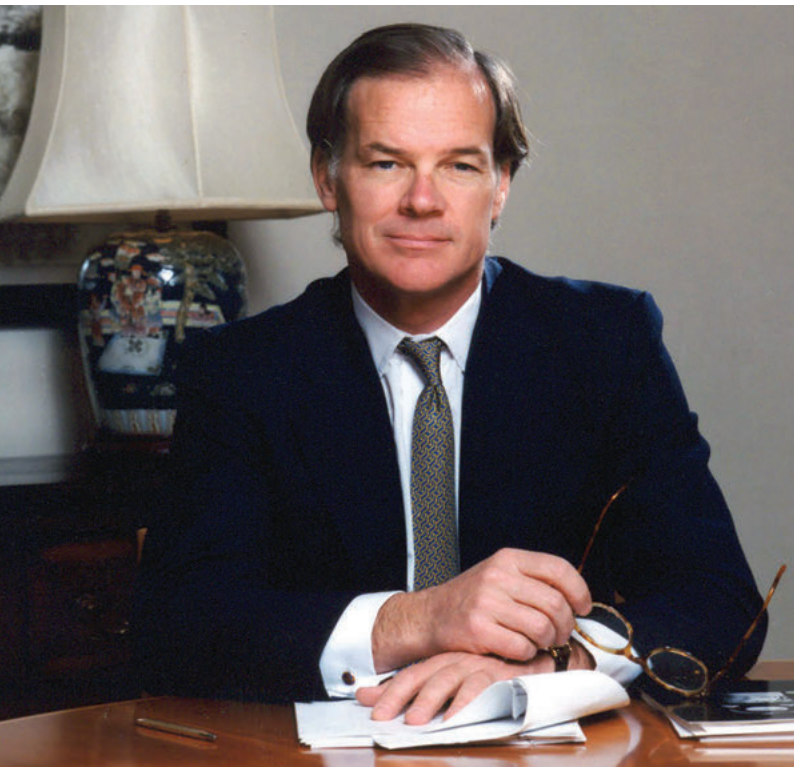
TF: It would be great if they were, but no, not in general. Some are, but the majority are definitely looking for the least expensive route to getting ADS-B compliant. We initially expected people with aircraft like Falcons and Hawkers to want to do a full upgrade, getting an ADS-B mod that fitted in with their existing avionics suite at the very least. But many, as I said, are choosing the least expensive option, being content with basic compliance.

Probably the main thing that is driving owners' thinking on this is the fact that residual values on pre-owned



STEVENS AVIATION

“We have been working on a whole range of projects over the last couple of years and a lot of them have now come to fruition, which has helped things tremendously.



aircraft have fallen dramatically since the global crash of 2008. They don't see that there is going to be any opportunity for them to recover any major spend when they come to sell. This line of thinking is exacerbated by the fact that most of the aircraft we work on are over 10 years of age. There is very little chance that they would be able to recover the cost of an integrated solution, but they could expect to get back the value of a simple bolt-on addition.

You have to keep in mind that this is nothing new. The aviation industry is very expensive, so it is only in the very best of times in private aviation that owners are not watching those nickels and dimes.

Q: What is your view of the current state of the market?

TF: Over the last year and a half we have definitely become larger, but no one in the industry is yet seeing the levels of business we all enjoyed in 2006 and 2007. Owners and operators are still being very careful about what they spend.

However, my take on the US economy is that it is quite solid at present and people are definitely less cautious than they were. The private aviation sector is stronger than it was, but

SOAR WITH THE LEADER



“The market has adjusted to the new conditions and some of the smaller, less well-capitalised MRO players have dropped out. Larger players like ourselves have stabilized our businesses and the work flow has strengthened along with the economy.

the drawback is that aircraft values have not recovered much, and people still have concerns about whether now is the right time to buy a new aircraft or even a pre-owned aircraft.

Q: How is the general refurbishment market doing?

TF: We are seeing a lot of modification and refurbishment work. The used aircraft fleet just keeps getting older, so people have to paint them and put a new interior and new avionics into them, and this is playing well for us.

Q: With sales of new aircraft being slow, the OEMs have refocused on after sales revenues, looking to capture as much of the opportunities there as they can. How is that impacting you?

TF: That has hurt all the independent MRO providers. We were a Beech service centre at all our locations and Textron pulled all that in-house. Bombardier did the same with Lear servicing. Citation have had their in-house service centres for quite a while now and they make it almost impossible to compete for aircraft that are still under warranty. But that still leaves a large pre-owned fleet out there that is more than 10 years of age. The market has adjusted to the new conditions and some of the smaller, less well-capitalised MRO players have dropped out. Larger players like ourselves have stabilized our businesses and the work flow has strengthened along with the economy.

Q: What is the key to competing with the OEMs?

TF: Our strategy is not to be cheaper than the OEMs but rather, to offer a higher level of customer service. We can turn things around more quickly than them, we offer a comparable or better quality and a more pleasant personal experience, because we are less bureaucratic and more customer focused.

Q: What are your thoughts about the future for MRO?

TF: There is no doubt that this is a tough and very technically demanding business. It is hard to execute, but when you execute well, you can make money. So, I am cautious, but I am pleased that the business and the industry as a whole seems to be in a healthier place.

One of the challenges is that this business is very volume sensitive, so when the economy turns down, your profitability deteriorates very quickly. So long as the economy stays strong, things will be healthy, but as and when the economy turns down, all bets are off. We have been around for 60 years and I have owned and run Stevens for the last 29 of those years. We have seen a lot of cycles and we know how to operate through both up and down cycles. We're glad the down cycle looks to have ended and we are hoping that the up cycle lasts for a good while yet. |BAM





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CAUSE FOR OPTIMISM

Johnny Foster, CEO, OGARAJETS,
talks to BAM

Q : What do you think of the market at the moment? How are potential buyers and sellers reacting?

JF: I am generally optimistic. This is particularly true in the heavy segment and the last 30-60 days has seen strong buying activity in all modern segments. There are some pockets of weakness; however, we are very bullish right now with respect to overall market health.

We have been in a buyer's market ever since the global financial crash, but it seems to me that we are now firmly transitioning into more of a neutral market. In fact, the market today seems to be edging towards favouring sellers, as quality supply is becoming thinner and thinner.

No one believes that we are going to see a return to the mid-2000s any time soon, where we saw asset values actually appreciating instead of depreciating. But what we are seeing is a very distinct levelling out of what had been very steep annualized market depreciations. We will still see depreciation as the norm, clearly, but I expect it to settle somewhere between 5-10% as the annualized depreciation on new aircraft for the first five years or so after purchase. The curve will begin to flatten in subsequent years and, on average, settle around 3% annually post year-10.

“With the market as tight as it is today, we have to make sure that the buyer is prepared to move rapidly when an opportunity comes up.

Q: What kind of impact are the various new models and soon-to-be-released models having on the market? Are they stimulating demand?

JF: In my view much of the impact of new models, particularly the G500 and G600, has already been priced into the market. You can see it today in the way that pre-owned G450s in the 10 to 15-year range are now selling at amazing bargain prices. The depreciation suffered by those aircraft is a direct response to the market anticipating the arrival of new platforms and expectations that demand will shift towards those new models.

Moreover, it is not just Gulfstream. Bombardier is experiencing the same thing with depreciation in Globals thanks to the new models they have in the pipeline.

Dassault is rather different. They have always been more stable, price-wise. You don't see the heavy fluctuation in asset values that are more common to Gulfstream, Bombardier, and Textron. Dassault's business model has always been very different from the other OEMs, with its focus on low volumes and high quality. Logic says that you should go for volume if you want a sustainable business, but Dassault has proved itself able to go against that model time after time. It will be interesting to see if the new leadership is as enthusiastic about bringing new models forward following the passing of Serge Dassault earlier this year. Is the passion still there? Will the new leadership be able to give the market enough confidence that a lower scale of production can still create very stable pricing?

In today's tight market what is very clear is that Falcons are holding up very well. The Falcon 2000EX is an excellent example. There is virtually no supply. We have been engaged to purchase one for a US client and we are competing with five other very experienced US corporate buyers, all with virtually the same acquisition requirements.



Q: What kind of pricing are you seeing on the Falcons?

JF: As an example, a 2008 model EX, which was delivered new at roughly \$28 million is still making every bit of \$12 million and perhaps more. So you are looking at just over a 50% depreciation rate for a 10 year old aircraft. That compares very well against ten-year-old Gulfstreams and Bombardier Globals. In my view, although Dassault argues this is because their aircraft is inherently better, it really comes down to supply and demand. Tight supply causes prices to stay stable.

Q: So how healthy is the overall market right now?

JF: When we look at the health of the aviation sector in general and the pre-owned market in particular, we generally

talk about the percentage of the overall fleet that is available for sale at any point in time. Typically, the industry has always embraced 7-10% as the normalized, 'healthy' zone for the size of the pre-owned fleet up for sale.

However, we think that a better indication of the market's overall health is the pace of turnover of that supply. We use a ten-month period as the yardstick for this measure. If the for-sale fleet turns over in 10 months, we take it that the market is very healthy. If it takes 20 months we begin to get concerned. If we are a buyer, we know that there are going to be some great opportunities when the market slows like that.

So, right now, as I began by saying, the market is transitioning over to a seller's market. There are still bargains to be had, but every bargain is relative to what is happening around it. Some 40% of our business involves serving as the buyer's agent in transactions. With the market as tight as it is today, we have to make sure that the buyer is prepared to move rapidly when an opportunity



comes up. We help them with our data and analysis, but we impress on them that the very best opportunities will only be on the market for a matter of days or weeks. Setting proper expectations from onset of the engagement remains paramount to our success with clients.

Q: Finding the best transaction opportunities

doubtless needs deep market knowledge?

JF: Absolutely. A good part of our analysis goes into understanding the nature of the supply available on the market. Many aircraft will not be priced reasonably, or they may have some adverse history of damage or corrosion. Many of the aircraft listed on the market today have been on the market for two or three years, which is almost an immediate no-no. There is no reason why an aircraft in good condition takes that long to sell, unless the owner simply has unreasonable price expectations. However, even aircraft with an adverse story or that need some modernization are sellable, if the seller has been properly guided about the pricing expectations of the market with respect to their aircraft. |BAM

“The market is transitioning over to a seller's market. There are still bargains to be had, but every bargain is relative to what is happening around it.”





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AP Completion Services celebrated the delivery of its 100th business jet in March of this year upon completion of a Gulfstream 650ER. It's total number of completions is now 140, which includes 35 helicopters. The company has expanded its services to yachts as well.

Co-founded by Andrew Broccoli in November 2009, AP Completion Services works with clients to acquire an aircraft, design its interior space, select materials and manage the completion from induction to delivery, including mechanical system checks, avionics installation and paint. It also provides entry into service support.

As far back as he can remember, Andrew has been interested in aviation. "It's a passion; I can stare at an airplane all day long. From the time I was a child of three or four, I wanted to be a pilot. I later came to the realization that I didn't want to fly airplanes, so I took my passion for aviation and channeled it a different way," he says.

Describing himself as a business person by DNA, Andrew obtained a business degree. When he was working his first job after college, he received a call from a head hunter about a contract position at Bombardier. Having been out with some buddies the night before, he thought the call was

QUALITY



WITHOUT COMPROMISE

By Ann Hein, Chief Creative Officer,
[think Communication](#)

a prank and hung up. "Thank heavens the head hunter called back, or I would have missed the opportunity that launched my aviation career," Andrew recalls.

AP Completion Services works with owners and their teams through every facet of a completion project. The company also provides counsel on the right aircraft to meet an organization's mission and then helps ready that aircraft to meet their objectives. The company's licensed aircraft maintenance engineers (AMEs), a distinctive attribute of AP Completion Services, are trained to help owners protect their investment.

The company's expertise extends to all the large, long-range business jets. Historically, its deliveries have been 60 percent Bombardier, 25 percent Gulfstream and 15 percent

Dassault airplanes with several Textron and VVIP narrow body aircraft in the mix as well. Its helicopter deliveries include Bell, Leonardo (formerly Augusta Westland) and Eurocopter products.

Aircraft with global range need a resource with global knowledge. The company has assisted clients on every continent, so it has worked with OEMs, regulatory authorities and owners around the world, which adds another layer of expertise the company can bring to its customers.

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JETCHARTERS

AP Completion Services also follows its clients once their aircraft is in service. “We look for trends: what installations are most successful; does an aircraft have recurring issues? That knowledge benefits our next customer. We are always working to prevent warranty issues and to minimize aircraft downtime for our clients,” adds Broccoli.

All projects have their own twists, which is a facet of the work Andrew enjoys. He notes that implementing the design in a production environment is more challenging than the actual design. “When we completed a VVIP A319 aircraft, for example, the customer’s designer selected some beautiful, custom fabrics for the interior. But high levels of delicate silks can be problematic. An aircraft interior is not like a house. Everything moves on an airplane, so everything in the interior must be able to withstand flexing of the fuselage,” he points out.

He also stresses that how the aircraft is going to be used often affects the design. A corporate business jet involving minimal personal use may have more seats to maximize capacity and incorporate simpler, more neutral materials. For customers who have an aircraft for their personal use, there may be things like more divans for sleeping.

“I later came to the realization that I didn’t want to fly airplanes, so I took my passion for aviation and channeled it a different way.



But Andrew says that the leading trend today is a balance between the fit and finish and the technology. “The number one priority for owners is connectivity,” he says. “A business jet means business, and my clients are the hardest working people in world. WiFi in the aircraft has become an expectation.”

While the first Global 7500s aren’t scheduled for delivery until later this year, AP Completion Services is already working with six owners across the globe to develop specifications for the aircraft and ultimately will provide the completions oversight. Defined by Bombardier as the industry’s largest purpose-built business jet, the Global 7500 has four living spaces and a permanent crew rest area. The aircraft also features a true stand-up shower and a master suite with a permanent bed.

Andrew stresses that the Global 7500 is a completely new airplane, “It’s not just a Global 6000 with an extra zone. It’s a bigger, mechanically different aircraft. During the completion, we work hand-in-hand with the owner and the OEM, acting as a team to come to solutions that benefit everyone.”

At the end of the hard work on a project, seeing the happiness of the client makes it all worthwhile for Andrew. “A client’s entire family was present for a recent delivery. Watching the owner show the aircraft to his grandson was such a great moment. It was the fulfillment of a dream for them, and it was a privilege to be a part of the story,” he says.

He sums it all by saying, “In our role, we are the interface between the client, the factory and sometimes a third-party completion center. It’s challenging to be in the middle of all of these moving parts, but it’s an honor for us to represent clients and to work with the factories on these beautiful aircraft. Our company provides a personalized boutique style service. Our customers come first, and our goal is to ensure they get the best possible aircraft. But it’s just as important to us to make sure they have great experience!” |BAM





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NEED FOR SPEED

Brad Harris, Founder, President and CEO, Dallas Jet International, on the shrinking volumes in the pre-owned market



AH: When we spoke back in January this year, you were pretty optimistic. Now that we are heading into the final quarter of 2018, how are things looking?

BH: 2018 is probably going to be the best year that Dallas Jet International has ever had. In speaking with my friendly competitors and colleagues in the aircraft brokering business, they are all echoing the same sentiment.

Starting in October 2016, our business took off and has not slowed down. It started before the Presidential election in the US, before Trump was even elected as a candidate. We are seeing tremendous activity in the United States and are now seeing Europe, the Middle East and China heating up. In addition, charter hours in the US and Europe continue to be strong. Deals are happening in the US, Europe proper, Russia, the Middle East and China. It is all very encouraging.

AH: How are the tax changes introduced by President Trump's December 2017 Tax Cuts and Jobs Act, impacting aircraft sales and purchases? I am thinking specifically of the fact that the Act withdrew the Section

“We are seeing tremendous activity in the United States and are now seeing Europe, the Middle East and China heating up.



1031 “like-kind exchange” rules, that allowed someone to sell an aircraft and buy a new aircraft while deferring the recapture of depreciation.

BH: I thought the elimination of the 1031 like-kind exchange provisions in the Act would show up as a negative impact on aircraft sales; however, in reality, the fact that the Act brought in 100 percent expensing of not only new aircraft but now, pre-owned aircraft has been very positive. We have had a number of our buyers wanting to get an aircraft deal done by year-end so that they can take advantage of Trump’s 100 percent expensing. I see this having a real impact for closing numerous deals before the end of the year.

We are currently telling our clients that if they plan on selling their aircraft or purchasing an aircraft, prior to year-end, they need to engage us now so that we have enough time to complete their aircraft transaction before December 31, 2018. Since there is no longer the 1031 like-kind exchange, in order to offset any recapture on an aircraft sale, the new or used aircraft would need to be purchased and expensed all in within the same year of 2018.

AH: How long does it take to close deals in this kind of environment?

BH: It really depends on the type of aircraft you’re trying to close. A typical transaction takes between five and six weeks to complete. We tend to deal with larger aircraft, which translates to longer transaction timeframes. In this scenario, and depending on the complexity of the transaction, it can take upwards of six to twelve weeks to close. As a result, by the time it gets to mid-October, the purchaser or seller runs the risk of not closing by year-end. However, as the broker, we would most likely recommend to close the transaction by year-end for tax purposes and leave holdback money in escrow to be disbursed as needed for pre-buy discrepancy costs, test flight costs or any other transaction-related expenses.

AH: Determining the amount to be left in escrow could be a difficult conversation!

BH: Absolutely. For example, we recently had a transaction where the buyer wanted to close early on a Gulfstream G450. Our seller agreed to close early and we negotiated to leave \$200,000 in escrow for post-closing expenses. However, the





post-closing expenses ended up being \$346,000. In this rare situation, the buyer ended up having to come out of pocket the additional \$146,000 because our agreement of the holdback was final at \$200,000. Since December 2018 will likely yield higher-than-normal closing numbers with Trump's tax law, a holdback may be necessary if the aircraft is not returned to service before December 31, 2018.

As brokers, we need to be mindful of the holdback amount and make sure it is enough to cover any estimated expense plus any unknown expense. I would recommend a higher holdback amount and make sure you protect your client.

“It is okay to tell our clients that the market is tightening up but that there are still good deals out there and they should be patient but also be ready to move quickly when we send them the right deal.

AH: How is the supply and prices of the pre-owned aircraft market?

BH: As little as a year ago, brokers and dealers were complaining that there was an overabundance of pre-owned aircraft on the marketplace. However, in the last 12 months there has been a significant change in regards to low-time, well-equipped US aircraft aged fifteen-years and newer in the pre-owned aircraft marketplace. Which results in a limited supply of good and available pre-owned aircraft.

Historically, ten percent of fleet for sale dictates a buyer's or seller's market. For example, if there is more than 10 percent of the fleet for sale, then it's a buyer's market. If there is less than 10 percent of the fleet for sale, it's a seller's market. Today, the percentage of pre-owned Falcon 2000's on the market is 4.1 percent of the fleet, G450's for sale are at 6.8 percent of the fleet and shrinking. There are only ten G650 aircraft available on the market today, which is just 3.2 percent of the fleet. The Global 5000 pre-owned market is down to 5.6 percent and the Global 6000 pre-owned market is at 3.6 percent. There are currently no Embraer Legacy 450/500's on the market for sale. As stated above, the historic norm for all categories is around 10 percent which is a significant Seller's market. So, the tightening of the pre-owned market is very visible.

I recently spoke at Embraer's Industry Collaborators Summit in August 2018 and one of the points I made is that our customers need to grasp just how dramatically the market has changed. If you find an aircraft that meets your needs, the client needs to be prepared to act immediately and the buyer has to be ready to pay a reasonable price. As stated above, it is no longer a buyer's market.

We as brokers and dealers need to be smart about how we communicate with our clients. It is okay to tell our clients that the market is tightening up but that there are still good deals out there and they should be patient but also be ready to move quickly when we send them the right deal. This is an exciting time to be an aircraft broker. |BAM



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BEYOND THE SURFACE

Katharina List-Nagl talks about the disciplines required in a world class interiors business



“ This know-how we built up with the yacht business over more than a decade was an enormous advantage when we made our first attempts in the aviation business in the early 2000s.

Q : How did a small company from Austria become a market leader in high-end business jet interiors?

KLN: That is a rather peculiar story that goes back many years. During the first few decades since its foundation in 1950, the family business grew from interiors for local Lower Austrian households to international hotels. By a fortunate coincidence, the former LIST-Group got the chance to manufacture the interior of a new cruise ship. That was in the 1980's when the company began to develop new materials and processes for the flammability and weight restrictions in the nautical segment. From cruise ships we moved to yachts, continuously refining our products.

This know-how we built up with the yacht business over more than a decade was an enormous advantage when we made our first attempts in the aviation business in the early 2000s. We were looking for a new line of business then,



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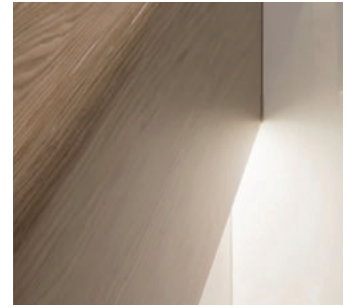


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and aviation presented itself as an avenue to new market potential. There was still a lot to learn, but we put all our efforts into making our products suitable for aviation. In 2004 we secured the first large order of 400 Learjet interiors. Since then, our inimitable combination of finest craftsmanship and state-of-the-art technology has earned us market leadership in this segment, which now accounts for 75 % of our revenue.

Q: What sets F/LIST apart from other aircraft interior providers?

KLN: I think F/LIST has a quite unique combination of traits which make us special. From a technical perspective, our large workforce and capacities certainly are factors which grant us a good deal of flexibility and facilitate swift and diligent execution of multiple projects in parallel. Our strong in-house R&D department makes sure we stay ahead of the market through the continuous development of new materials and processes to set new standards in terms of safety, comfort and precision.

We cover virtually the entire aircraft interior value chain from development and engineering over manufacturing, wood veneer treatment and production, qualification

and certification support to aircraft cleaning and interior refurbishment. This fact makes us a partner from whom customers get the complete spectrum of cabin products and services they need during the full life cycle of their business jets, which makes for longterm, trustful relationships with many customers and partners.

On a more personal level, I dare to say that our company's culture is something that often convinces customers to put their trust in us. We try to embed an open and congenial, yet professional and precise attitude, from the individual joiner up to the executive board and we've often had the feedback that our approach to business and to our customers is quite extraordinary. But I am convinced that it is essential in the field of business we're active in, because trust and reliability are just as important, or even more important than the price. We do not simply build a product and ship it out, our passion goes deeper – Beyond The Surface, as our claim states. We are only satisfied when we have achieved peak precision and quality, not only a shiny surface – the same applies to how we interact with customers. Because a truly fruitful cooperation can only stem from mutual understanding and a relationship that goes beyond superficial deal-making.

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WINDOW REPAIR & INSTALLATION

Q: Through its subsidiaries, F/LIST is now in the course of establishing itself as a major refurbishment service provider as well. When did you decide to expand into that segment and what was the motivation behind it?

KLN: When the aircraft segment took off in 2004, it was a logical consequence to seek to acquire additional business in this area. Since then we have established longstanding relationships with MROs all over the world for whom we executed everything from small touch-ups to complete refurbishments. Our experts soon discovered that there is tremendous potential in the reworking of used aircraft, and this played into our hands because our internal structure was and is a perfect fit for individual refurbishment projects. Thus, we decided to put more emphasis on this segment, and when the opportunity presented itself, we took the chance and acquired a company directly at Berlin-Schoenefeld Airport, which is now F/LIST GERMANY. This allows refurbishment customers to approach us directly rather than through an intermediary. The know-how of the over 30 refurbishment and aircraft cleaning professionals that joined the F/LIST family, and the corresponding EASA Part 145 and Part 21J approvals gave our refurbishment endeavors a significant boost. In the near future, we will push the aftermarket branch further by expanding our other international subsidiaries in the Middle East and the Americas.

Q: Are there any plans for venturing into other business segments?

KLN: We have long been contemplating bringing our products to commercial aviation, especially first and business class interiors. There have been single projects in this area in the past, but not on a grand scale. Naturally, there are some challenges to be tackled, as commercial aviation has different technical requirements, quantities and cost structures. When we decide to really enter this market, we will be thoroughly prepared for it.

Apart from aviation, we are putting more emphasis on that which we came from – luxury residence interiors. Our special know-how from aviation and also the yacht segment can be put to good use in residential interiors, especially when it comes to challenging geometries that require the application of lightweight, flexible materials that are not normally used in residences. Special wood veneers, lightweight stone and composite components, and our large workforce and cutting edge technology are capabilities your average joinery does not command. The same applies of course to the yacht business,



which is already firmly established and in which we deliver our furniture to all renowned turn-key interior suppliers.

All over our three branches we aim for 360° customer care: customers who own, let's say, a business jet outfitted with F/LIST interior can rest assured that any residential or yacht interior manufactured by F/LIST will be of the same high quality and precision. Through our proficiency in all three areas, we are able to make even the most daring individual, bespoke designs a reality.

Q: What is the vision behind the F/LIST name and what are your goals for the company in the long term?

KLN: Short and to the point, we produce the finest interiors in the world, no matter if on land, on the sea or in the sky. In the future, the name F/LIST should not be known for either of those exclusively, but for being the high-end specialist for all aspects of interior, no matter where it is used. We will stay ahead of the market with new product and process innovations and make our products and services more available through continued internationalization.

On a social level, I will strive for F/LIST to remain a good place to work at, not only at our HQ in Austria but across all our subsidiaries as well. Even as our staff grows close to 800, I will keep an open door for each and every one of our employees and their requests and concerns. The level of quality and dedication our work demands is only possible through trust, reliability and identification with our goals on all levels of our organization.

In conclusion, a successful business is complex and organic. Many interconnected aspects shape the outcome. You can't have one without the other: a healthy and productive culture, content employees, innovative and sought-after products and the desire to grow and expand. The ideal path to success considers all these aspects. I think we are on the right track.

Q: If you had to characterize F/LIST and all it stands for in one word or phrase, which would it be, and why?

KLN: Beyond The Surface – as I mentioned before, we try to live by this creed day by day, in our relationships, our products and our general mindset. To see beyond the surface means to appreciate and value people and their work inside and outside our own company more deeply than numbers can reflect. A profound passion for what we do, reliability beyond contract clauses and innovative thinking that answers questions that have not been asked yet, that is what F/LIST stands for. **BAM**



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ATTENTION TO DETAIL

Stephen Maiden, President, Constant Aviation

Q: Can you take us through a brief history of Constant Aviation?

SM: It began for us as a small MRO in Cleveland, consisting of some 25 people, which we acquired in 2006. From those beginnings we have seen double digit growth year on year for the past 12 years, to the point where we now have 850 employees across five locations. We have made an acquisition along the way but the majority of our growth has been organic.

Q: What do you put the success of the company down to?

SM: We have had the same leadership team from the beginning and we have focused completely on delivering the vision that we had at the start. This has two main thrusts. The first is to provide a unique experience



for our customers and for our employees. The second is to ensure that we retain a stable leadership team committed to growing the company at a manageable but rapid pace, while retaining the culture and customer focus that defines Constant Aviation.

Our five locations are in four major cities. We have facilities at two Cleveland airports. We acquired our Orlando facility in March 2013. We have a facility at Mesa, Arizona and one at Las Vegas.

In addition, we have an extensive nation-wide AOG network in the US. This has some 60 technicians based in 22 cities across the USA. That means that we always have one or more technicians that can respond, with more available as needed. We also do a fair amount of international travel to recover aircraft, including going to Mexico and the Caribbean.

Q: How do you manage to quality control such a far flung network?

SM: This is one of the features that is very unique about our AOG network. The teams are very experienced and they all report to a Vice President whose sole responsibility is the smooth functioning of the AOG network. It also has its own chief inspector who is responsible for quality control, and it has separate East Coast and West Coast directors. There

is also a dedicated 24 x 7 dispatch office that takes all the AOG calls and supports the teams. We have dedicated AOG vehicles but not every vehicle has every possible tool that it will need, so parts and tools are shipped as necessary from one of our five main locations.

This attention to detail is not just present in the AOG network. From an oversight perspective we have invested heavily on the management side. We have a corporate quality and safety oversight team that oversees all our facilities.

Q: One of the down-sides of running an MRO operation is the volume of spares that need to be held. How do you keep this side of things in proportion, so you are not tying up huge sums in inventory?

SM: We have a separate parts division. And yes. We do have to hold a very significant parts inventory. In our case we are holding around \$60 million of our own or consigned inventory. However, we are able to keep things in proportion because we have a tremendous relationship with the OEMs and with other brokers and distributors. However, by owning and sourcing a lot of our own inventory we are able to provide a value added service for our clients in that we can often provide them with parts at a lower cost.

We have around 600,000 parts and \$60m in our inventory and our annual spend on parts is significant, so that allows us to leverage discounts from our suppliers that we can pass on to the client.

“ Our five locations are in four major cities. We have facilities at two Cleveland airports. We acquired our Orlando facility in March 2013. We have a facility at Mesa, Arizona and one at Las Vegas.



Q: What kind of capacity issues are you having or do you see coming up as the industry gears up for the 2020 mandates?

SM: The challenge right now really is all about capacity and finding ways of supporting the industry's capacity requirements. But it is not just the 2020 mandates. Today, aircraft are flying longer distances than in the past, and owners and operators are putting more hours on them than they ever have. So this naturally means that maintenance events are coming round more frequently, and that too puts pressure on the available capacity in the MRO space.

Today, everyone is struggling to find enough qualified and experienced technicians. This is right across the park, from interior technicians to paint, avionics and structural technicians. There is just not enough skilled labour to support all the demand out there. However, that has an upside to it in that now is a great time for young people to come into the industry and build technical careers for themselves. The pay and benefits are great and this is a very rewarding industry to be a part of.

Q: What are you seeing so far about people's willingness to put their aircraft in for ADS-B fittings?

SM: Just about every aircraft that comes into one of our facilities for maintenance will also have requested to have ADS-B fitted. However, there is no doubt that there is still a lot of people out there hoping that the FAA is going to push the mandate out further. In our view, and the FAA has said this time and again, the mandate will not be extended and whoever doesn't get ADS-B fitted in time will find themselves having to leave their aircraft on the ground until they do get it fitted.

Another point is that precisely because the industry is capacity constrained, prices are going up fast. The OEMs cannot keep up with the parts production requirement so they are raising their prices. Both the OEMs and the independent MRO houses are trying to get owners to get their aircraft scheduled

“Today, everyone is struggling to find enough qualified and experienced technicians. This is right across the park, from interior technicians to paint, avionics and structural technicians.”

in for fitting, but there are a lot of customers delaying and waiting. That will not end well for them.

Q: MRO is a challenging place to be, certainly. What is needed to thrive in this space?

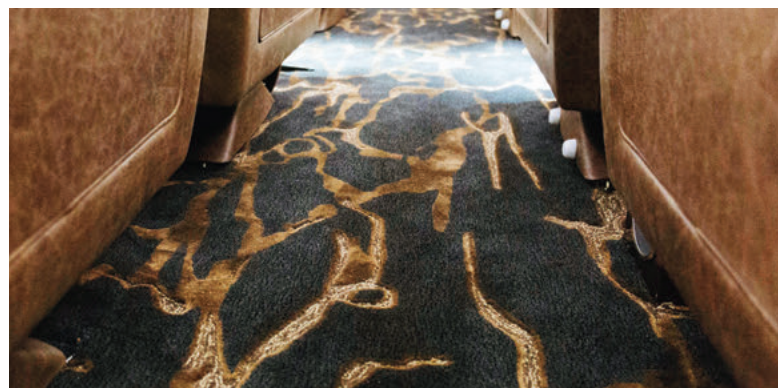
SM: You have to have great people to stay on top of everything. MRO is complex, by its nature. However, we have an amazing group of leaders and team members, that are invested in our vision, in the company's growth, and in the quality of the service that we provide. You have to be passionate about MRO to stay in MRO. It requires a tremendous amount of capital and dedication, and passion, but we are proud that we can make a difference both for our customers and for our staff. There are great opportunities here for personal success.

Q: Do you have particular jet types that you specialise in?

SM: We are one of the largest Embraer service centres in the USA. We made a significant investment in Embraer when they first came to the US, when they were just dipping their toe in the sector, so now we regularly service all jet models in the Embraer fleet. We also support the entire Bombardier Challenger range and their Globals. We support Dassault, Hawker Beech, Cessna and Gulfstream. At our five locations we have niches in dedicated teams to support all six of these OEMs.

Q: Do you see further consolidation taking place in the MRO sector?

SM: We have already seen some consolidation among MRO players. I think this will continue over the next three to five years. This is a good thing, since you need scale to do MRO properly. It brings a greater degree of focus for the customer to have larger MROs. This means the MRO operator can afford to make long term investments in people, training and tooling. Plus they can put a greater focus on rounding out a full service offering that includes paint, interiors, composites and so on. A number of the MRO companies that are no longer in the business were just focused on, say, avionics work and maintenance. That is not enough to offer the customer. |BAM





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MASTERING LOW MARGINS AND HIGH RISK

Aaron Hilkemann, President of Duncan Aviation, talks to Anthony Harrington

Q: What can you tell us about the early days of Duncan Aviation?

AH: The company began life as a Beechcraft specialist, selling Bonanzas. In 1956, our founder, Donald Duncan bought into a distributorship that ultimately became Duncan Aviation. From there, the company added services through the 1960s and on up to the present day. It has been owned by the Duncan family from the beginning and continues to be a privately held company.

In the 1960s, Donald Duncan became very friendly with Bill Lear and selling Lear Jets became a focus for many years. Then the company started buying and selling positions in new and used aircraft until interest rates went sky high in the early 1980s. At that point they sold the aircraft inventory side and focused on the services side. Today we still buy and sell aircraft for people, but the focus of our business is very much on the service side, providing a full range of MRO, completions and paint services.

Q: MRO is a challenging market to be in, is it not?

AH: The standard joke about MRO is that it is a low margin, high risk, high capital business. That tells you very simply that it is going to be a tough game and will certainly not be for everyone. However, we have excellent team members that we have been able to retain over the decades. They have a lot of experience and that with our focus on the customer and providing a quality service, allows us to be successful.

With MRO you really want your work pipeline to be totally full in order to be profitable, but even when you get this, the margins are not very strong. In terms of growth, MRO is definitely a single digit business, year over year. After the recession of 2008, margins got cut even more as everyone tightened their belts, so it has taken us a number of years to try to recover to our pre-recession levels of business.



“You have to be efficient, highly focused on the customer and be able to deliver the highest standards of service...”

So, yes, it is challenging, but you can get there if your team members feel ownership for the company. You have to be efficient, highly focused on the customer and be able to deliver the highest standards of service, then you have a shot at being a success for yourself and for the customer.

Q: With new aircraft sales being down over the last few years – though that position could be changing now – the OEMs have really sharpened their focus on after

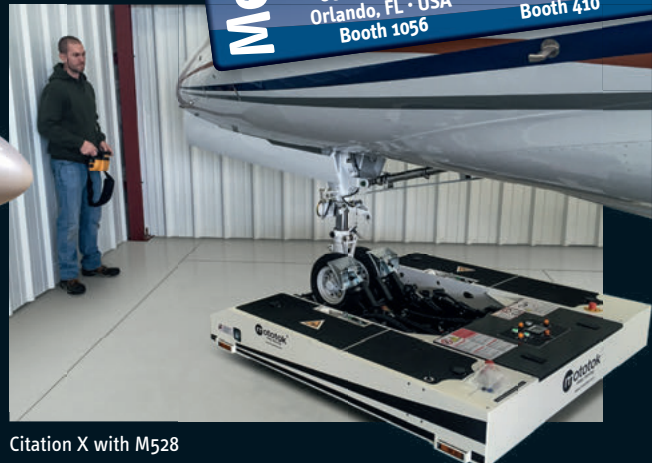
sales services. They are very keen on capturing all the maintenance and refurbishment work they can. Is that a problem?

AH: I understand the OEMs desire to both sell the aircraft and provide an after sales service to the customer. However, we have been able to hold our own because we have built very solid relationships with customers over the years. Moreover, the same customer often operates multiple aircraft types from a variety of OEMs. So bringing their work to us gives them

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“ The fact that we do work on different OEMs’ products enables us to stay busy.

the continuity that they could not get splitting their work across multiple OEMs. Our strength is to be able to meet the customer’s needs across their whole fleet and to represent all the OEMs consistently, with a high quality of service.

OEMs, of course, recognise that it is important for them to sell both aircraft and parts, but the present difficulty for them is labour. You have to be at a certain scale to be able to service reasonable volumes across multiple aircraft types. And there is an important truth here. The fact that we do work on different OEMs’ products enables us to stay busy.

To make this clear, remember that when an OEM introduces a new aircraft type, the service intervals for that type tend to cluster and bunch up, since you get a whole bunch of sales in the launch year and the following year. The big maintenance intervals come around and all those jets tend to need work in a cluster.

So that accentuates the “feast to famine” cycle that you can get into if you focus on just one OEM’s aircraft. We may do a lot more of one model in one year, and the next year will be a very different model or group of aircraft. That fluctuating volume of work is very difficult for any MRO shop focused on a single OEM’s product line, and it is a problem for the OEMs themselves.

Q: Can you run through your primary locations?

AH: We have three major locations. Our Lincoln location has 1,300 staff. Battle Creek, Michigan, has another 650 and our Utah facility has just one hangar, but we are building additional hangars for maintenance work and paint. Between transfers and new hires, we will have around 100 people by January 2019. Our new facility there will open in phases, beginning in January with our first new maintenance hangar and March with our paint facility. An additional hangar and backshops for full-service capabilities will then be added. By 2020, that location will be complete.





Q: What are you seeing on ADS-B compliance?

AH: I think it is fair to say that it is very hard to see everyone getting ADS-B compliant by the FAA's mandated time frame of 2020, and the FAA has been very consistent in saying it will not be extending that date. We have been tracking it diligently and we have tried to communicate with owners who have not yet been in touch to get the work scheduled in. Certainly, we have seen more coming in over the last six months but there is still a significant number of people hoping to have the deadline extended.

We hear all the excuses, people saying they hope to sell the aircraft before then, or that they are going to park it and not fly it while they wait for less expensive products. We have some 27 locations capable of doing ADS-B fittings on site, but right now we are at about 75 per cent capacity and availability is filling up fast. We already know of MRO shops that are full to capacity right up to the end of the year. Every aircraft is different, so it requires a lot of analysis to see exactly what is required. |BAM

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“ We straddle two aviation areas and both new divisions have expanded much more quickly than we’d have imagined.

Q: You are nearing the end of your first year of operations in the USA, how has that gone for you?

A: We straddle two aviation areas and both new divisions have expanded much more quickly than we’d have imagined. MSB Aerospace, based in Savannah, provides design and engineering services, whilst our human resources division MSB Global Resources (MSB GR), based in Wichita, provides contract work forces and packages for the international aerospace sector. As we both supply services associated with extremely specialised work performed to the highest standards we have the term “expertise” at our core. MSB Aerospace LLC

(our Savannah facility) is already producing more than 30% of the North American inventory for MSB, and MSB GR is already supporting leading international aerospace companies across the continent.

Q: What have been the challenges in setting up the operations?

A: Finding the right team. For MSB Aerospace we looked for the right combination of attitude and cultural fit, as we can always train in the practical aspects. Our clients expect a particularly high standard, as do we, so we recruited employees that understood this. We then created an exchange system that saw a number of Montreal-based experts move

DRIVING GROWTH

Shannon Gill, Managing Director,
MSB Aerospace



to Savannah's production facility to share knowledge with new recruits. For specific hands-on training new team-members spent time learning the ropes, and the Montreal ethos, at the Canadian HQ. So far, this approach has worked well, and we've created an incredible team in a short time frame. For MSB GR we are slowly growing our team to make sure we have the best manpower experts in position.

Q: It's quite an investment on all fronts, opening a USA facility, what really influenced the decision?

A: The backing of Sogclair Aerospace, our parent company, enabled our roll-out. We started from a strong position in that both companies had already developed relationships with a number of US clients and consequently



wanted to give them the best service possible. Experience tells us we can only deliver our highest standards through regular interaction with the clients. The investment literally, and metaphorically positions us closer to our customers which means we can respond more quickly to requests.

There are other benefits too. For MSB particularly we've increased the amount of locally purchased materials from 40% to 100% which means we're not susceptible to currency fluctuations, potential custom delays, or import taxes, all benefits we pass on to the customers. We've also grown geographically. Initially I'd planned for growth in this South East region of the US, but we are already working with companies right across the USA and I know that is as a result of having a US location.



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u.s.pat. 6,669,250



SH105-A-Open

Limited travel hinge
Adjustable, Springs Open



SH105-A-Close

Limited travel hinge
Adjustable, Springs Close



Q: What are you producing for who at the Savannah facility and how is that business developing?

A: Traditionally MSB has delivered a highly-engineered, defined, set of interior components for the executive jet interior. The client roster includes Bombardier, Embraer and Gulfstream, all of which have MSB items as line-fit options. Products include crystal, china and flatware stowage inserts (CCFs) that keep valuable items secure, bespoke stowage items for prized objects and a suite of hi-lo tables, including single, dual or quadruple pedestal, that can be transition from dining table to work desk to coffee table either mechanically or via Bluetooth.

We are continually redefining product functionality, adding more value by maximising cabin space. Our tables are becoming multi-functional, as they can also stow monitors that fold out to synch with hand held devices, provide a screen to watch pre-loaded entertainment or review presentations. We're also working on some very cool tech that recharges hand held devices without wires or chargers.

Galleys are becoming increasingly advanced with new equipment enabling preparation of more refined dishes. We are being asked to create stowage systems for dishes used in a variety of cuisines such as Japanese, Chinese or Middle Eastern. Cocktails are fashionable, and this has transferred on to aircraft, so we're developing inserts that protect the cocktail glasses. This invariably means more items to protect and our latest order requires 150 inserts for a VVIP jet, which reflects the changing dining habits. Bespoke items are also in high demand, we've been asked to protect everything from a valuable piece of art to a disco glitter ball. We work with designers, completion centres and OEMs to produce these customized pieces.



Q: And what about MGR how is that doing?

A: As aerospace continues to grow the skills shortage is increasing. MSB GR has devised a particular methodology that supports organisations with skills or work-package gaps and is really working well for us. We upped the number of positions we filled seven-fold in 2017, and more than doubled its specialized contract engineering team. The team implements a collaborative client approach to ensure selected teams become a genuine asset for the host company. Being closer to candidates and clients is a big advantage.

Q: I saw a red circle target on the wall of your facility – what's that about?

A: We have just opened a new 10,000 square foot R&D facility adjacent to our headquarters in Montreal. It has its own engineering team which in conjunction with our two MSB facilities is devising new products that customers don't even know they need yet.

We know that means we will continue expanding and as we mirror Montreal's work space we need to think big for the future. The adjacent facility is currently empty, the target is there to remind us that's where we're aiming for, to keep hitting the market dead-centre and expand our North American footprint. |BAM



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MACHINING PERFECTION

Carole Tower, Owner, St. Louis Design, talks to BAM about the company's unique range of products for the business aviation sector

Q: What led you to start St. Louis Design?

CT: My background was mainly in the medical research and legal fields. I have a BA Degree and a Law Degree, both from the University of Texas. Saint Louis Designs was founded by Matt St Louis and myself. Matt was a skilled blacksmith, forging custom furniture and fixtures for interior designers and their clients. It was this experience that educated him in the properties of metals which was critical in the development of our products.

Q: When was the company founded?

CT: Saint Louis Designs was established as a C Corporation in 1998.

Q: What was the inspiration to go into such a precision manufacturing business, with a focus on mechanical parts and mechanisms?

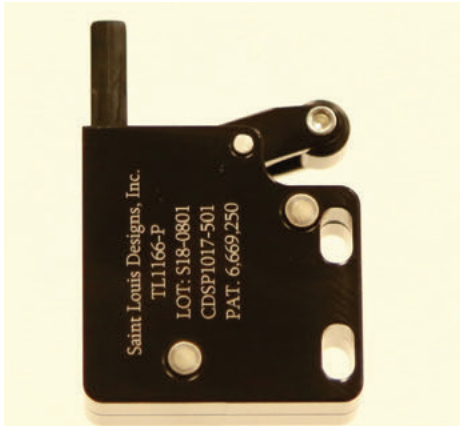
CT: Initially, we did not consider establishing a manufacturing business. Our focus was to design and development novel products that we could bring to market,

whether aviation or marine. The actual fabrication of components, we thought, would be outsourced to local machine shops.

We quickly realized the need to have our own machining center in order to test ideas during the development process. In early 2000 we received a bank loan and purchased a used 3-axis machining centre.

Q: How did the company begin to make a name for itself in business aviation?

CT: Our brief prior experience in the aviation interiors industry created a focus. We learned that most aircraft interior suppliers were unwilling to modify their own product line to satisfy customers seeking unique mechanisms. We felt we could meet this demand for bespoke products. Our willingness to absorb the cost of development in order to retain ownership of the design was an incentive for customers to work with us. We visited with completion centres, wood shops and aircraft interior design firms in Texas to gain knowledge of the industry.



Q: What were the first products you began engineering at SLD?

CT: During the first three 3 years, we developed custom products in low volume. Many times, this would be for just one VIP aircraft. As completion centres became aware of our capabilities and our willingness to take on mechanical challenges, our portfolio expanded. Repeat orders allowed us to standardize designs.

Early custom products were:

- Six axis articulating personal monitor mounts
- Vertical and horizontal stowable tray tables

- Satellite phone lift
- Multimedia port system lift
- Tilt-out drink holders & Linear extension stowable drink holders
- Satin nickel plated curtain rod encapsulated tract system, cantilevered out 42" that folded into a small hall closet no tools required to operate
- electronic scissor type platform lift with manual override
- electronic scissor bar lift with manual override that stowed in a 10" cube and traveled to a height of 36" under a cantilevered load of 75 lbs



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- a 52" TV manual close-out panels for BBJ Demonstrator in 1999. This project introduced our new touch-latch design that was integrated into the assembly.

Q: What was the time line for other product types as you began expanding the product portfolio?

CT: During this same time period, while attending NBAA, a cabinet builder told us our touch latch would become very popular and we should protect it. We took his advice and patented the design. We contracted with outside engineering firms to perform destructive testing on our various latches as they were improved. Our strongest latch actually broke one engineer's test equipment.

We provided test results and samples to cabinet shops in order to gain trust in Saint Louis Designs' as a new manufacturer in the aviation market. Eventually our various latches became our volume production. We then added mount plates, some with integral pre-load pushers, designed with slots for easy installation in honeycomb panels.

In 2009 we were contacted by an aircraft manufacturer requesting us to develop spring-loaded limited travel hinges for their side ledge panels. They wanted the panel to remain open at 90 degrees to protect the upholstery from damage during flight. This type of hinge was not available in the market.

Others requested limited travel hinges without springs; still others requested opening to various degrees, so a set screw was incorporated to allow custom adjustments.

We find it takes about three years from when a new product enters the market to when we receive increasing and repeat orders. This is more likely a factor of their project timeline.

Q: When did SLD start using titanium and what were the reasons.

CT: We originally machined some of our latch components from stainless steel that required heat treating to increase strength. Strength was important to the function of our latches.

However, the heat treating process was inconsistent and often resulted in nonconforming material that had to be scrapped.

We met with cabinet shop employees at various completion centres who gave us their wish list for improving our products. Higher static load was a universal request. Titanium was a natural choice. The negatives were increased cost and cutter wear; however, cost became less of an issue because it allowed us to have control over production and each run produced components that met our design criteria.

Q: Is there much overlap with the super yacht sector? Do they require much the same product set?

CT: We do have occasional sales in the yacht market; however, their budget is lower than the aviation market.

“While attending NBAA, a cabinet builder told us our touch latch would become very popular and we should protect it. We took his advice and patented the design.

Q: How big is the company now and what are your recruitment plans going forward?

CT: Saint Louis Designs is very small but highly productive. We currently have 5 full time employees. As a self-driven, lean manufacturer we have invested in automation.

Going forward we will consider adding a second shift and the necessary employees to meet increased product demand. Our machining centres produce finished parts in a lights out environment rather than the typical operator-controlled equipment.

We will continue to train our personnel in order to increase their ability to work independently. This will allow more time for new product development. |BAM

What Do All of These Aircraft Have in Common?

Falcon 900/900EX • Falcon 2000/2000EX • Falcon 50/50EX
Gulfstream GII/ GIII • Gulfstream G-IV/IVSP/G300/G400
Gulfstream G-V/G500/G550 • Gulfstream Astra/G100
Challenger 600/601 • Boeing 767-200

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DREAMS OF GLORY

Birth of the Ecurie Ecosse LM69, by Alasdair McCaig,
Managing Director of Ecurie Ecosse



This is the wonderful story of the creation of a beautifully innovative 1960s race car that Ecurie Ecosse might have taken to Le Mans in 1969 had they decided to develop their own car. The Ecurie Ecosse LM69. With over 60 years of racing history, Ecurie Ecosse has embodied the winning spirit of the underdog, and with our racing pedigree and iconic blue cars, we have remained a popular automotive icon. We have raced in the most exciting racing championships, including Formula 1 and the 24 hours of Le Mans.

When a group of car enthusiasts like ourselves get together, conversation inevitably turns to debates about which era produced the most exciting, beautiful, innovative race cars? This is exactly the kind of conversation that prepared the ground for what has turned into a fascinating and far reaching project.

The debate has over 100 years of motoring history to draw on, and is never-ending as we all have our own personal taste. But at Ecurie Ecosse we found, by common consensus, that we are all passionate about automotive design and the racing history of the mid to late 1960s.

At that time, Ferrari, Aston Martin, Maserati, Alfa Romeo and Jaguar, along with many others, were producing iconic designs for both road and

track. Our Le Mans success as Ecurie Ecosse, in the 1950s led us to dream about the wins we could have had in the next decade. We have long pondered that 'What if?' question - what if Ecurie Ecosse had designed our own car in the 1960s? Well, going on for 60 years later, we have (along with our partners)! The car we have come up with never existed in the 1960s, but definitively answers that "What If?"

The prototype for this car was first put together by engineer Neville Swales. Working from small beginnings in his workshop in Coventry, England, Neville has been quietly creating meticulously engineered cars inspired by Jaguar's 1966 XJ13 Le Mans Prototype. That car was originally designed to return Jaguar to their glory days at Le Mans and was meant to take on the might of Ford and Ferrari. Sadly, Jaguar's car never turned a wheel in anger.

Neville always harboured an ambition to design and engineer a car that would combine his knowledge and all that was great about late 1960s race cars – cars like

the Ferrari 312P, the Porsche 908, the Alpine A220, the Lola T70 and the mighty Ford GT40. All he needed was a design that would faithfully represent that golden era of sportscar racing. For this, he turned to Howard Guy at Design Q.

Design Q, founded in 1997, is an internationally recognised, multi-award winning automotive & aviation design consultancy. CEO Howard Guy was a former Principal Designer at Jaguar from 1987 to 1997 and worked on the design of the XJ & XJR. Working alongside Swales with his design team, Howard has acted as a catalyst for this project and

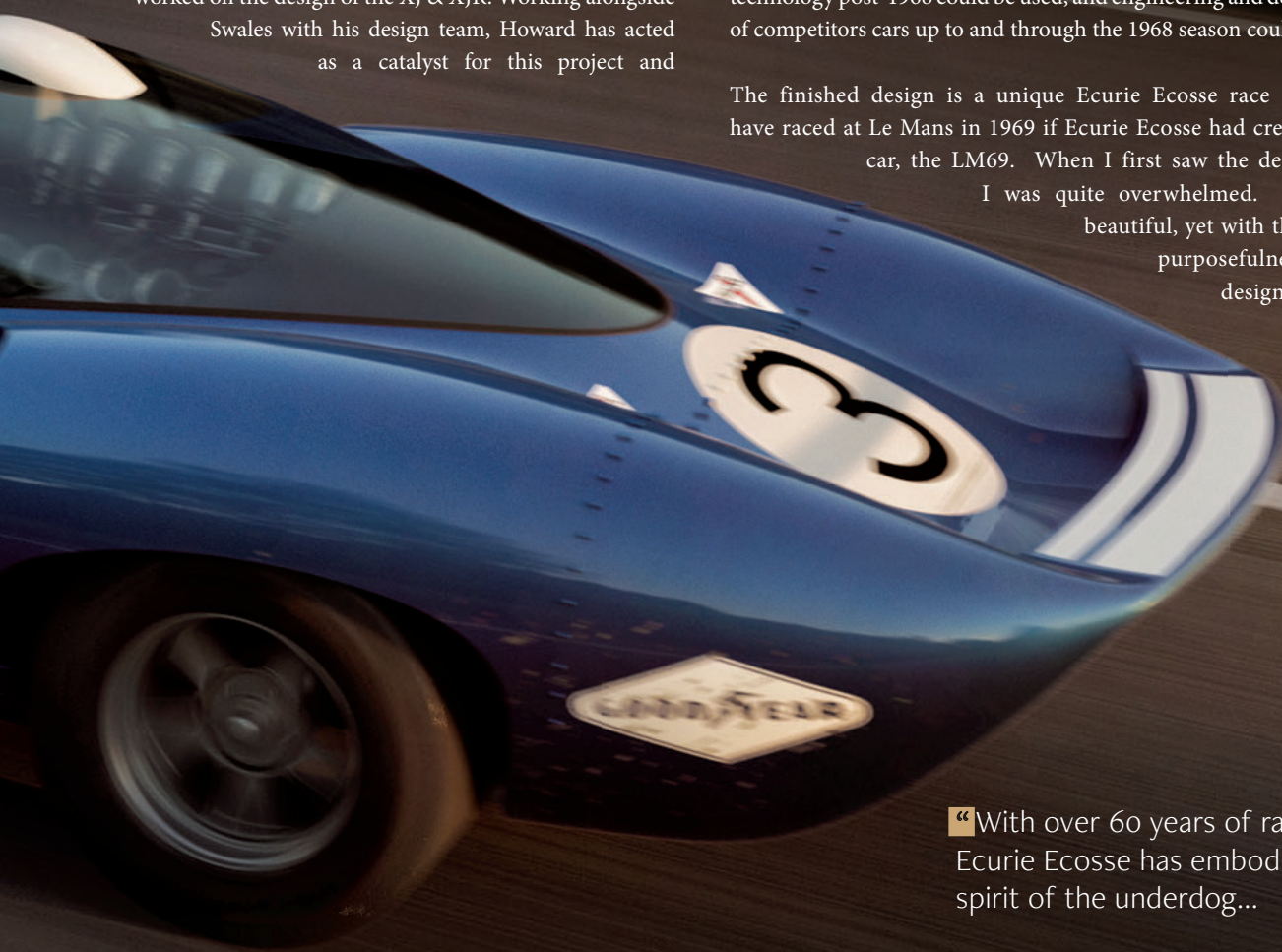
proposed that Swales seek our backing and expertise based on our historical involvement with Le Mans racing.

Howard's vision presented a fantastic opportunity to create something truly unique, a car that pays homage to a phenomenal era, a brilliant race team, and the event that inspired everything, the Le Mans 24 hours.

The talented team of automotive designers at Design Q were tasked with designing a car that could have raced at Le Mans in 1969. With this unique brief, strict guidelines had to be set. As the car was due to race in 1969, no technology post-1968 could be used, and engineering and design influences of competitors cars up to and through the 1968 season could be adopted.

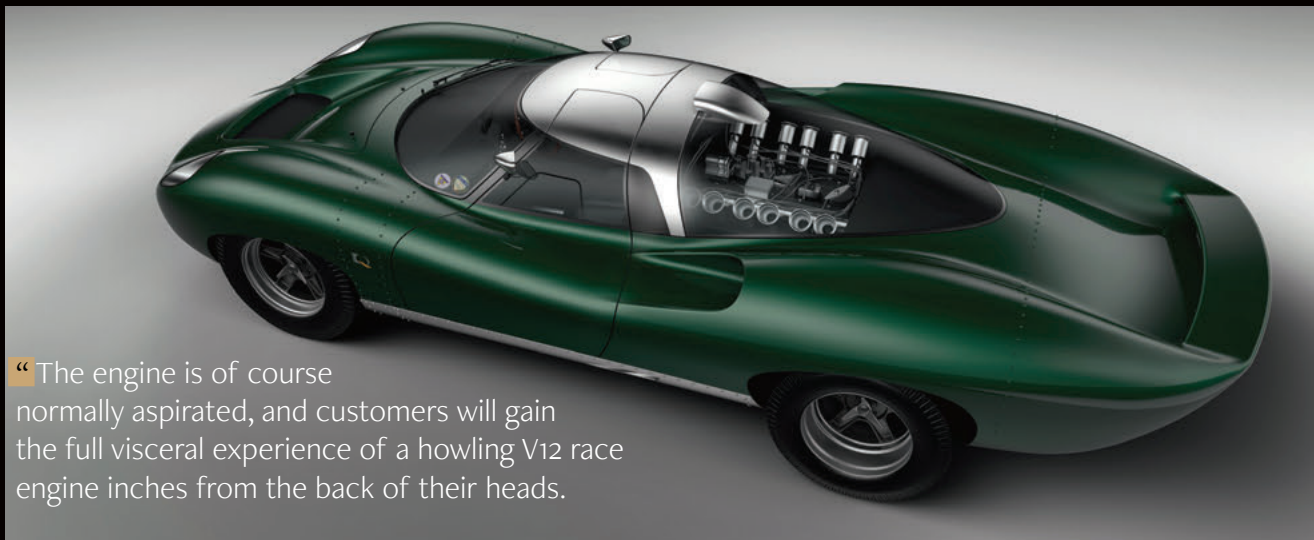
The finished design is a unique Ecurie Ecosse race car that could have raced at Le Mans in 1969 if Ecurie Ecosse had created their own car, the LM69. When I first saw the design for LM69

I was quite overwhelmed. It is achingly beautiful, yet with the menace and purposefulness that it is designed to win the



“With over 60 years of racing history, Ecurie Ecosse has embodied the winning spirit of the underdog...”





“The engine is of course normally aspirated, and customers will gain the full visceral experience of a howling V12 race engine inches from the back of their heads.

greatest race on earth! I’m sure that Jackie Oliver and Jacky Ickyx, who won the race in 1969 in their GT40, would have had a major competitor to worry about had this car been on the Le Mans grid 49 years ago. Imagine that!

However, a brilliantly designed race car needs a great engine. Under development currently is our own unique quad-cam V12 power unit, the type which could have been heard howling down the Mulsanne Straight in 1969 and beyond.

Assisted by a team of experienced engine designers and machine shops, we are developing a quad-cam V12 engine that will be “of the period”, albeit incorporating some of the best design practices. It’s being designed to be both powerful (c.95 hp/litre) and a reliably fast race/road engine which celebrates and is inspired by the basic architecture of those engines which powered cars to victory in the late 1960s.

The engine will be available in typical 1960s condition with traditional distributors and mechanical fuel injection, but we plan to offer clients the option of fully programmable fuel injection & ignition due to the much-improved efficiency and tuneability.

The engine is of course normally aspirated, and customers will gain the full visceral experience of a howling V12 race engine inches from the back of their heads (best ensure good ear protection!).

We intend to offer the engine in two capacities – the “standard” 1966 5.0 – 5.3 litre version, and Neville’s own 7.3 litre version that uses the same basic architecture, but bored and stroked. The 7.3 litre engine is expected to exceed 700 hp.

DO YOU WANT TO DREAM TOO?

Potential customers are welcome to participate alongside Ecurie Ecosse and play a part in the bringing of LM69 to life. You can purchase and drive the car for yourself, race it and be a part of the greatest drive that could have happened. Each customer will become a participant in the story, deciding exactly what specification and interior they want, and experience the exquisite engineering and beauty of the Ecurie Ecosse LM69 for themselves. Production will be limited to just 25 cars. |BAM



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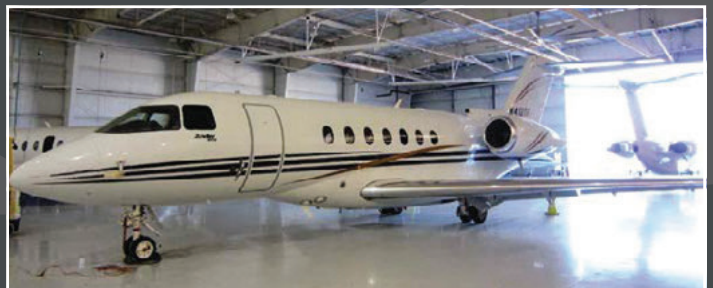
2014 King Air 350i | sn FL-972 | C-GOKI
719.8 hours since new, Canadian Mod Package, Collins venue Media Center, GWX-3001 Collins Satellite Graphical Weather. Asking \$4,650,000.



2012 Gulfstream G450 | sn 4247 | N450HQ
1,979.8 hours since new, engines enrolled on RRCC, APU enrolled on MSP, Airframe enrolled on PlaneParts, Fresh Level ARCS Pre-Buy, Asking \$16,950,000



2012 Nextant 400XT | sn RK-334 | N590TM
11,194.5 hours since new, Remanufactured Nextant in 2012, Collins ProLine 21 Avionics Suite, Aircell Axxess (Dual Iridium SAT Phone, Internet & Wifi) Asking \$1,950,000



2010 Hawker 4000 | sn RC-50 | N458WB
2,055.3 hours since new, ESP Program Coverage, Hawker 4000 Block Point upgrade Enhancement cw. June 2012, 600 hour inspection cw. October 2016, Swift Band Worldwide WiFi, Asking \$4,500,000



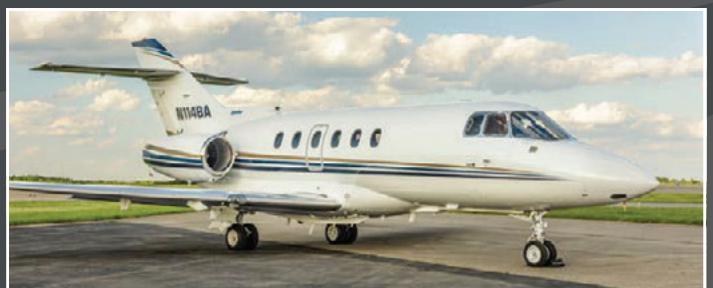
2009 Hawker 900XP | sn HA-91 | CN-RBS
2,326 hours since new, Engines Enrolled on MSP Gold, Honeywell Solid State FDR, WAAS / LPV equipped. Asking \$3,995,000



2009 Hawker 900XP
2,410.7 hours since new, Engines and APU enrolled on MSP, WAAS / LPV, ADSB-Out, Asking \$4,400,000.



2007 Falcon 2000EX EASy II | sn 117 | N331HA
5,117 hours since new, engines enrolled on ESP Gold, FANS 1/A, CPDLC, ADSB-Out, Delivered with Fresh Z Check, and Fresh Interior Refurb, Asking \$10,350,000



1999 Hawker 800XP | sn 258436 | N114BA
11,171.6 hours since new, engines enrolled on MSP, ATG-5000 WiFi, Part 135 operated, ADS-B Out compliant, Asking \$1,495,000

HONDA ELITE: OUT IN FRONT

Honda Aircraft Company President and CEO, Michimasa Fujino, talks to Anthony Harrington

Q: How are deliveries doing so far?
MF: First, HondaJet became the highest selling jet in 2017. I think the performance and comfort that it offers is now recognised by many pilots and by many inside the industry. We outsold the previous best selling light jets, so that was very pleasing.

Q: How many jets did you deliver in 2017?
MF: Last year we delivered 43 jets across a good spread of countries, including North and South America and Europe, with most of the sales going to North America and Europe.

We were also the number one jet in terms of sales for the first quarter of 2018. Our market share in the segment in which we are competing now exceeds 50 per cent.



“HondaJet became the highest selling jet in 2017. I think the performance and comfort that it offers is now recognised by many pilots and by many inside the industry.”





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Q: You announced avionics upgrades and the whole concept of the HondaJet Elite at EBACE in May. Does this come at a price premium?

MF: We regard the HondaJet Elite as a new aircraft for us. It is more than an avionics upgrade. It has an increased range that is improved by more than 17 per cent over our original HondaJet. We found aerodynamic improvements and we were able to shed some weight and marginally increase the size of the fuel tanks. These three things together give us the improved range.

This is big for customers, particularly if you are flying into strong winds. We can now go from London to Moscow, so the number of city pairs that we can do has grown. Plus we improved the comfort. We created a new technology structure to suppress noise, so the cabin improvements are not just about a new interior, it gives passengers a quieter and more comfortable experience.

Q: What is the internal cabin pressure?

MF: Passengers enjoy a cabin pressure equivalent to 8,000 feet at 43,000 foot cruising altitude. This is better than other light jets. Passenger fatigue is often due to low frequency noise and pressure, so we have very low noise levels and a very comfortable cabin pressure.

We have Gogo as our in-cabin wireless provider, and we installed a full service galley, which again, makes it very different from other light jets. On the interior refurbishment, we introduced two tone leather seats.

We do not change the interior configuration except for giving users the option of either having a side facing seat or the full-service galley. Users can, however, choose the colour of the seats.

Q: I believe you have opted for a bring-your-own-device approach for screens, so people can use their iPads or iPhones or other smart phones?



MF: TV screen technology is one of the fastest moving pieces of technology. I did not want to have to start second guessing what screens would be rated as the most popular a year or two years from now. It is much simpler to use Gogo to provide the full wireless and connectivity experience and let users enjoy that on the devices that they are most accustomed to.

In addition, we have introduced the Bongiovi Digital Power Station from Bongiovi Labs. This is a sound processing engine that we run through 24 transducers in the aircraft. It produces a very immersive sound. When I tested it I watched a documentary and the noise of monkeys on the screen moved all the way around me, it was very pleasing!

Q: How are sales and your production capabilities matching up?

MF: Today sales are exceeding our production output so we are building up quite a nice backlog of orders that still have to be fulfilled.

Q: What is the parent company view of the HondaJet?

MF: They see it as a very hi-tech product, that is very popular and has a great reputation in the aviation industry.



So it is one of the Company's flagship products. So we see ourselves as a mobility company, so having a jet as a premium product really fits that profile.

Q: How do you keep the culture of the company consistent?

MF: First, I push myself very hard, and I challenge my team to constantly strive for higher goals. I try to instill this in the team. We have to be competitive, there is no room for complacency. |BAM

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POWER IN NUMBERS

Gillian Hayes, CEO, AVIAA, talks to BAM

Q: Where did the idea of AVIAA come from?

GH: The idea for the company first came up about two-and-a-half to three years ago. The two founders of AVIAA, Dustin Dryden, founder of Hangar8, sold to Gama Aviation, and James Hall, began exploring ways of pooling their respective skill sets to create something new in business aviation.

James has an extensive background in group purchasing in healthcare and insurance and knows a great deal about professional procurement services. James has owned aircraft but was always in the back. As such, he paid little attention to the running of the aircraft and the related expenses. That side of things is Dustin's expertise. He has a deep understanding of aircraft management and operations from the various aviation businesses he has owned and run.

When the two began talking, it was clear to them that the whole supply side of business aviation was hugely fragmented and presented a near perfect group purchasing opportunity if they could put together an appropriate platform, community of members, and portfolio of suppliers.

This was a real opportunity since the platform could be designed to benefit both suppliers and aircraft owners and operators. It would make volume purchasing available to owners of single aircraft and operators with any size fleet, while at the same time providing them with a portfolio of vetted, high quality suppliers to serve their businesses.

Q: So, when did AVIAA officially launch and when did you take up your position as CEO?

GH: Work began 18 months ago and I joined shortly thereafter. My background is a PhD in computer science and I have been Professor of Informatics for the last ten years at the University of California, Irvine. I have maintained my professorship though I have cut my teaching hours way down. I kept the academic connection for multiple reasons. It provides us with an excellent route in to some of the best and brightest graduates, and as a technology company, that is tremendous for us. Some of them come and work with us as interns and some choose to join us at the end of their studies. Plus, I like to have our business practices informed by the best of existing academic research, be it on management issues, IT, or supply chain management.

Then too, as a company, we are able to provide the University with interesting management problems for their graduates, so it is a very good, two-way relationship. Our offices are currently housed within the university's innovation center. This allows us to translate academic research into practice, while bringing business challenges back to the university. My dual role puts me in a position to facilitate this.



“When the two began talking, it was clear to them that the whole supply side of business aviation was hugely fragmented and presented a near perfect group purchasing opportunity if they could put together an appropriate platform, community of members, and portfolio of suppliers.”



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Q: AVIAA is now off and running. How are things shaping up?

GH: It is going really well. We did our soft launch in January 2018 and we did our formal European launch at EBACE. Our US launch is just about to happen, it will be at NBAA in October.

As James and Dustin point out, this is a fly-wheel effect. A good platform creates momentum. The more members you sign up, the more appealing you become to vendors, and the more vendors you sign up, the more attractive you become to new members, so you get a virtuous circle forming and things ramp up rapidly. We have US beta customers right now and we are anticipating signing up some 500 members by the end of 2018. We want to have 1000 aircraft on the platform by the end of 2019.

When you first launch, you need the early adopters, those who get the vision. One of our advisors is Sandra Green, the retired CEO of MedAssets, one of the biggest GPOs in healthcare, acquired by Vizient. She saw the same pattern in healthcare GPOs. Early, it was only a few of the larger hospitals that combined to do group purchasing. Today, probably 80% of healthcare purchasing in the US goes through GPO group purchasing platforms.

When we started we had some core clients, including some Part 91s, the corporate flight departments and Jet Edge, a major management and charter company here in Southern California. On the supplier side, Satcom Direct and Universal Weather came in very early on. They were attracted by our expertise and vision. That combination is very important.

We have only grown from there, recently adding Constant Aviation for maintenance, Go Rentals and Enterprise for car hire, as well as a huge number of local suppliers in a variety of markets. It is all about building a community of people who want to work together and make the whole purchasing issue much simpler, more efficient, and more transparent.

Q: I get the volume purchasing part, but what other value add does the platform provide to your users?

GH: We are really a professional procurement service for many of our members. Some have no in-house procurement at all, while others use us to augment services provided by their own employees. We have a very sophisticated data analytics platform that shows users where they are saving money and where they could be saving further sums if they made different choices. We also use this platform to share information as a community and to help educate our members about suppliers they may not know or be thinking about. Our customer success team checks invoices, monitors spending, and makes sure that every customer is getting value from the system and that they are buying the volumes committed to suppliers.

Today, with all the pressure on margins, business aviation has become very price sensitive. However, value and price are not the same thing, and our whole platform and approach is designed to deliver maximum value to users. We work closely with suppliers too, to make sure that the quality of the end user experience is very high, as well as working with them to ensure that pricing is great for members. Our aim is to create a very positive experience for both suppliers and customers. [|BAM](#)



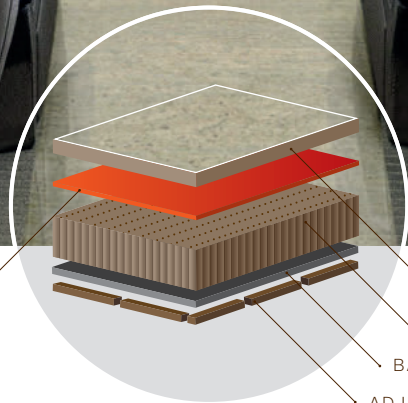
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Q : Meridian opened its West Coast FBO at Hayward in September 2016. How has the year been for Meridian on both coasts?

MM: Over the last couple of years, the company has enjoyed tremendous growth. We've opened our 30,000 square foot hangar at Hayward and that is filling up nicely. In addition to our 40,000 square foot Main Hangar in Teterboro, we have just opened up Hangar 12 here, which adds 40,000 square feet of hangarage plus stores and offices, and we have our smaller hangar, 107, across the field, which is 22,000 square feet.

Q: Teterboro has five FBOs at the airport. How does the addition of a 40,000 square foot hangar leave you placed with respect to the competition?

MM: It is hard to overstate its importance for us, both in terms of the increased space it makes available and because it is right next to the US Customs ramp here at Teterboro. We always had less acreage here than our competitors. Jet

SPACE COUNTS

Mike Moore,
VP Aviation Sales, Meridian

Aviation and Atlantic Aviation have 30 acres each and Signature has 50 acres. Now we have more or less levelled the playing field.

Plus, Hangar 12 gives us another two floors of office space. We have been in our existing building, which was purpose built, for twelve years now and we have pretty much outgrown it. So we have moved a lot of our maintenance work to Hangar 12.



It's location, right next door to the Customs ramp is fantastic for us. Until it opened, when international jets chose to use Meridian at Teterboro, we transferred passengers by shuttle from Customs to our FBO. It is a very short, one-minute ride, but it was still a disincentive for some visitors, who could opt to use one of the competitors FBOs and go on foot straight from clearing customs, to their FBO and through to the car park. Now, the door to our new facility is just 30 metres from the Customs building and that is so much more attractive to international visitors.

Q: I imagine the importance of gaining a good share of international jet arrivals at Teterboro has to do with the fact that these are large jets, landing with near empty fuel tanks?

MM: An international jet is going to take on 3,000 to 5,000 gallons of fuel, so yes, that is a massive benefit. As it is, we probably sell more fuel per square foot than any other supplier at the airport, and now we are enjoying more large uplifts, so that is great. We are really going to be marketing this hard at both NBAA this year and at EBACE 2019. We officially opened the facility a few months ago but we are just starting to ramp up the marketing side!

“Over the last couple of years, the company has enjoyed tremendous growth. We've opened our 30,000 square foot hangar at Hayward and that is filling up nicely. In addition to our 40,000 square foot Main Hangar in Teterboro, we have just opened up Hangar 12 here, which adds 40,000 square feet of hangarage plus stores and offices...”

Q: Is the demand for hangar space outstripping supply at Teterboro?

MM: Absolutely. We still have a little space available in Hangar 12, but it is going fast. In Hayward we are now at about 80 per cent capacity so we still have room to grow there. 2018 has been a very good year for us there. We've made great strides in bringing the Meridian brand to the West Coast and winning recognition for it. We've landed some big national accounts, including Wheels Up and NetJets who are using our facility there. Plus, we are having some very good conversations with potential clients for our aircraft management side.

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Q: Have you seen growth in your charter business as well?

MM: Charter is up around 22 per cent year over year for us, and this is on top of a very good year last year. But we are actually up across all our revenue generating arms, MRO, aircraft management, fuel and charter. So it is really a good time to be in business aviation. The demand for private flying just seems to grow and grow.

“We’ve made great strides in bringing the Meridian brand to the West Coast and winning recognition for it. We’ve landed some big national accounts, including Wheels Up and NetJets who are using our facility there.

Q: Has the Trump 100 per cent expensing Act helped to stimulate growth?

MM: There is no doubt that some owners have moved to take advantage of it. I had three contracts come in on the aircraft management side that were very specifically due to owners wanting to be able to offset the cost of their new aircraft against their company profits for calendar 2018. I know of two other owners who are rushing to get deals done inside this calendar year, for the same reason. |BAM



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PANORAMIC

Howard Guy, CEO, Design Q, talks about the challenge of outfitting the largest flying object in the sky, the Airlander Airship



Q: This was a truly staggering project and the results are spectacular. When did the project start?

HG: We began working with the manufacturers of Airlander HAV in late 2016. The idea was to create a completely new concept in travel – an absolutely unique experience for ~~seasoned and~~ discerning travelers that would be

at once exhilarating, wondrous and like nothing else on earth.


The Airlander is in many ways a designer's dream. The technology originated in a military programme, which means that the aircraft can stay aloft for long periods of time and can travel very slowly, or even

hang stationary in the sky at whatever low altitude the pilot deems appropriate. So slow travel takes on a whole new meaning. The journey becomes a series of experiences and the trip itself is the focus. This is not just another way of getting from A to B.

Q: So the view becomes all important? Along with comfort, of course...

HG: The concept we went with is “a stateroom for the sky”, called Airlander 10. It nestles in the belly of the Airlander, giving the operators the ability to create a bespoke space for discerning guests, from the ultimate honeymoon in the Royal Suite, to an extended family

SPLENDOR



gathering of up to 18 persons. The cabin is infinitely variable and can be modular, depending on demand.

It features several luxury spaces in addition to the Royal Suite. These include multiple Private Horizon Suites, an extensive Infinity Suite and the Altitude Bar. This is possibly the coolest place in the world to enjoy your sundowners as the world glides by very slowly beneath your feet. The views really are horizon to horizon.

As Stephen McGlennan, the CEO of HAV comments, “the Airlander 10 is changing the way we think about air travel. Until now it has all been about getting from

“The idea was to create a completely new concept in travel – an absolutely unique experience for seasoned and discerning travelers that would be at once exhilarating, wondrous and like nothing else on earth.



A to B as quickly as possible. What we are offering is a way of making the journey a joy.”

Airlander 10 can take off and land from virtually any flat surface, eliminating the need for traditional infrastructure such as ports and airports. This opens up opportunities for luxury expeditions to places existing transport can't get to.

Q: It is clearly a very special project. What were the highlights for you?

HG: We love doing different things. We have a fantastic team of young designers who never cease to surprise me with their ideas and creativity. They relish the opportunity to do something no one has done before – to imagine a new concept and then get into the detailed design of what the space will consist of.



“Airlander 10 can take off and land from virtually any flat surface...”

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Design Q has become synonymous with fresh new cabins in the aerospace world. Although my business partner and I started our design careers in the studios of Jaguar, the English sports car company, we have spent much of the last 20 years using our automotive skills to bring new concepts and levels of luxury to the jet world.

Most recently, Aerion commissioned Design Q to design the interior of their supersonic AS 2 jet. This development is progressing and reopens the exciting prospect of flying supersonic. Airlander is at the other extreme as far as speed is concerned and can loiter its way across a continent. This is the largest, flying luxury craft in the world. So, what is most exciting for me about this, apart from the beauty of the project itself, is that it establishes Design Q as the go-to design consultancy for really outstanding and unusual projects.

The thing about Airlander 10 is that it is kind of like the Orient Express of the sky. It has that level of opulence and luxury but also has the ability to get to absolutely anywhere in the world, from Antarctica to the plains of Africa. It can float about the mountains of Patagonia or glide above the glories of the Amazon.

The project was a great fit for us. Design Q has particular expertise in luxury product design. For example, all the materials and the finishes convey excellence. Similarly, the colours and finishes we have appointed for the interior are all high-end finishes. Luxury is about nurturing the senses, providing delight by thoughtful touches down to the tiniest detail. The real wood flooring and the Tai Ping silk carpets lift the Airlander 10 interior into a class of its own.

Q: What's next?

HG: Having announced Airlander 10 at Farnborough 2018, along with the images that my team have created, we are now working closely on finalizing the production design with the Airlander engineering team. We anticipate having further exciting news in the coming months. [BAM](#)



“The thing about Airlander 10 is that it is kind of like the Orient Express of the sky.”

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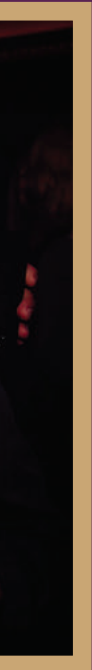
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"A heartfelt thank you to all our sponsors and everyone who made this possible." - Max Raja





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