

From: "Sean J Lancaster" <[REDACTED]>

To: "Sean J Lancaster" <[REDACTED]>

Subject: This month's report: UBS Business Jets: Improvement Stymied by Macro Concerns

Date: Thu, 14 Jun 2012 12:44:19 +0000

Attachments: BizJets_Rpt_061412.pdf; disclaim.txt

Inline-Images: image001.png; image002.png; image003.gif

Please see our attached Business Jet Monthly Report, with additional color around some of our recently published business jet market data points including our survey, used inventories and flight activity, along with our quarterly look at the fractional market.

***Survey index at 43, down 13%:** Our latest Business Jet Market Index came in at 43, down 13% and reversing most of improvement seen in our prior survey in March. All three of our market segment indices moved lower with large cabin down the most. Our straight up measure of absolute business conditions came in at 4.2, 6% below recent peak at 4.5 in March.

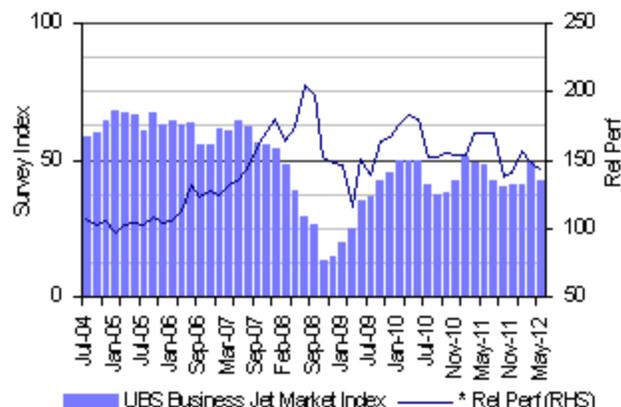
***Inventories roughly unchanged in May:** Available for sale business jet inventories were roughly unchanged in May leaving them 18% below the peak from May 2009. We estimate available inventories represent 14% of the installed base of business jets, in-line with the historical average. Young available aircraft inventories (0-10 years old) were roughly unchanged at 9% of the installed base, still above the 5-6% level seen during the last upcycle.

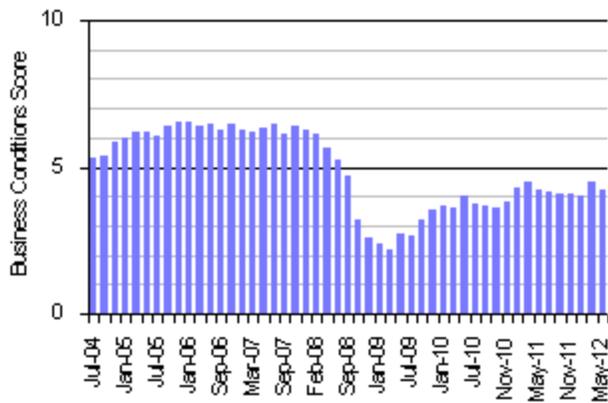
***Cycles 1% lower sequentially, flat last 1.5 years:** We estimate business jet cycles (takeoffs & landings) were 1% lower from the prior year in April, better compared to 3% decline in March on easier comp as seasonally-adjusted cycles moved 1% lower sequentially. We estimate cycles are now running 26% higher from trough in early 2009, although still off 18% from prior peak in late 2007 including relatively flat cycles for past 18 months.

***See positive risk-rewards for stocks:** Despite weakness in our survey, we continue to believe North American bizjet market is improving, driven by replacement demand postponed during the downturn. We still see positive risk-rewards as we don't think stocks incorporate much for bizjets at current levels including Buy rated TXT/COL/GD.

Chart 1: UBS Business Jet Market Index

Chart 2: Overall Business Conditions Score





Best regards,

Sean J. Lancaster
 Bristol Associates Inc.
 ☎ +1-540-665-5135 direct
 ☎ +1-202-682-4000 ext 1130 Main Office
 📱 +1-540-533-8183 Mobile
 📠 +1-202-682-1809 FAX
 📠 +011-44 7896003013 UK CELL



This message may contain confidential and/or legally privileged information. If you are not the intended recipient of the message, please destroy it. Any unauthorized dissemination, distribution or copying of the material in this message, and any attachments to the message, is strictly forbidden. (c) 2012 all rights reserved.