

To: Jeevacationjeevacation@gmail.com]
From: [REDACTED]
Sent: Thur 11/4/2010 5:57:30 PM
Subject: FW: UBS Bizjets: Used Inventories (Young) Moving Back Up
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Title: UBS Bizjets: Used Inventories (Young) Moving Back Up

From: Sean J Lancaster [mailto:[REDACTED]]
Sent: Thursday, November 04, 2010 1:46 PM
To: Sean J Lancaster
Subject: FW: UBS Bizjets: Used Inventories (Young) Moving Back Up

This months report

- **Available inventories up for third consecutive month:** Available for sale business jet inventories increased by 30 bps in October, the third consecutive monthly increase following a steady decline over the prior 14 months. With this recent increase, we estimate available inventories are now 2% higher from the July trough, although still 12% below the peak from last May. We estimate available inventories represent 15% of the installed base of business jets, lower from the 18% peak, but still above the historical average at 12-13%. The recent increase has been driven by young available aircraft inventories (0-10 years old), which moved up 2% this month and are now 8% higher from the July trough. Available new delivery position inventories declined by 5% in October and are roughly 40% below peak levels.
- **Pricing still falling:** Of the major manufacturers, Bombardier has 16% of its in-service fleet available for sale, followed by Cessna/Hawker both at 15%, Dassault at 14% and Gulfstream at 12%. We estimate asking prices on newer models have declined by roughly 30-40% from peak levels on average including another 2-3% decline this month.
- **Prefer GD/COL:** Overall, we see risk of a muted recovery for business jets given significant oversupply, fractional weakness and a cautious outlook for Europe. We favor GD over TXT as we think GD's defense businesses will hold up and Gulfstream will grow on improvement at Jet and initial G650 deliveries. Of the suppliers, Buy-rated COL is our preferred play on business jets.

Best regards,

Sean J. Lancaster

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