



INSIGHT

STATE OF THE MARKET

QUARTER 2 2023

Pre-owned Business Jets

MARKET HIGHLIGHTS

The same trends evident in Q1 continued throughout Q2, with inventory now up to 5.6% of the total fleet for sale, due to both an increase in aircraft coming to market and a lower level of demand than seen in prior years. If this pace of increasing inventory continues, we should reach the 8% historical benchmark of fleet availability in Q2 of 2024.

Total retail transaction volume in Q2 2023 was down 23% year-over-year, but up 32% quarter-over-quarter. Through the first half of the year, transaction volume is down 28% versus 2022 but remains in line with the levels seen through the first half of 2018–2020.

The predominant sentiment amongst many in the Broker/Dealer community is that by and large, the pre-owned jet market is healthy and more fairly buyer-seller balanced than in recent years—similar to the dynamics seen before the pandemic and the subsequent rush to private aviation.

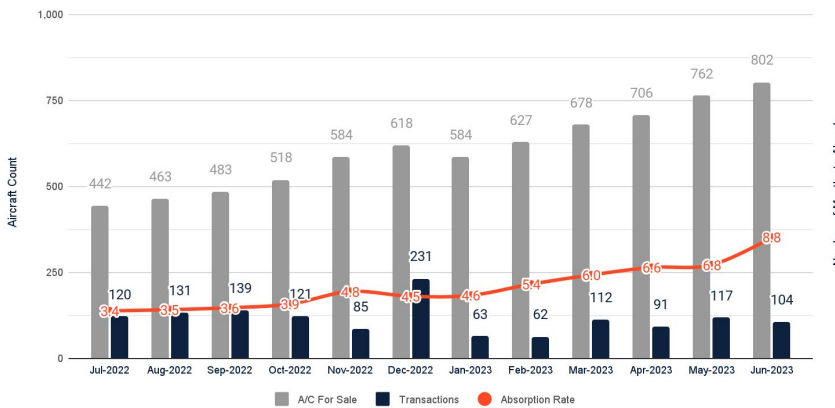
Market Overview

| | |
|-------------------|---|
| Active Fleet | 14,400 |
| For Sale/Lease | 802 |
| % for Sale | 5.6% ▲ |
| Sold Year-to-Date | 549 ▼ |
| Sold Prior Year | 1,586 |
| Absorption Rate | 8.8 ▲ |

Seller Market Rankings

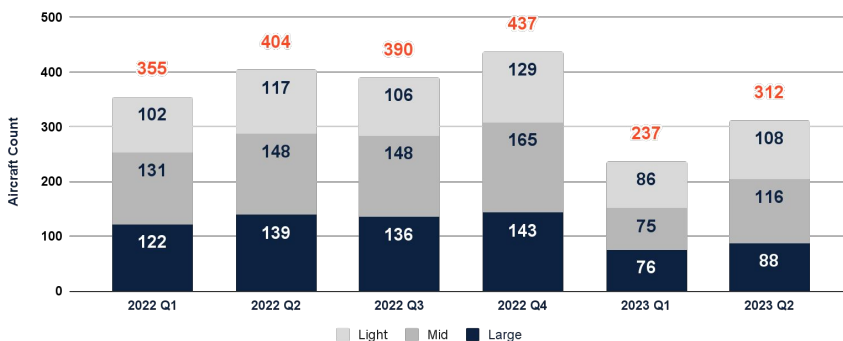
| | | | |
|----|------------|----|-------------|
| 1 | Mustang | 31 | Premier I |
| 2 | Excel | 32 | 2000EXEASy |
| 3 | G550 | 33 | G200 |
| 4 | CJ3 | 34 | M2 |
| 5 | 900EXEASy | 35 | CL 300 |
| 6 | G650ER | 36 | Lear 60XR |
| 7 | Phenom 300 | 37 | G150 |
| 8 | GL 6000 | 38 | 900EX |
| 9 | Falcon 7X | 39 | H850XP |
| 10 | CL 350 | 40 | CL 604 |
| 11 | CJ1 | 41 | G650 |
| 12 | XLS+ | 42 | CJ1+ |
| 13 | CJ2+ | 43 | Lear 45XR |
| 14 | Premier IA | 44 | Lear 60 |
| 15 | Legacy 650 | 45 | Phenom 100 |
| 16 | CJ4 | 46 | 2000LX |
| 17 | CJ2 | 47 | GL 5000 |
| 18 | Sovereign | 48 | Falcon 2000 |
| 19 | H800XP | 49 | Encore+ |
| 20 | G450 | 50 | H900XP |
| 21 | Latitude | 51 | GL XRS |
| 22 | G280 | 52 | Sovereign+ |
| 23 | 900LX | 53 | Encore |
| 24 | Lear 75 | 54 | Legacy 500 |
| 25 | CL 650 | 55 | CL 605 |
| 26 | Lear 45 | 56 | 2000EX |
| 27 | CJ3+ | 57 | GIVSP |
| 28 | Citation X | 58 | GV |
| 29 | XLS | 59 | Legacy 450 |
| 30 | Legacy 600 | 60 | GL EXP |

12-MONTH MARKET TREND



| YTD | Inventory | Transactions | Absorption Rate |
|------|--|---|--|
| 2022 | 390 | 759 | 3.1 |
| 2023 | 802 106%▲ | 549 28%▼ | 8.6 184%▲ |

TRANSACTIONS BY QUARTER AND CABIN CLASS



Competitive Market Rank is a measure of each model's market performance in key metrics relative to the average of the top 60 modern business jet markets, and which is based on current month market and the last six months of transaction data.

VALUE TRENDS

Fleetwide, quarter-over-quarter pre-owned modern jet values decreased by an average of 4.7% in Q2, the third consecutive quarter in which we have seen average values decline.

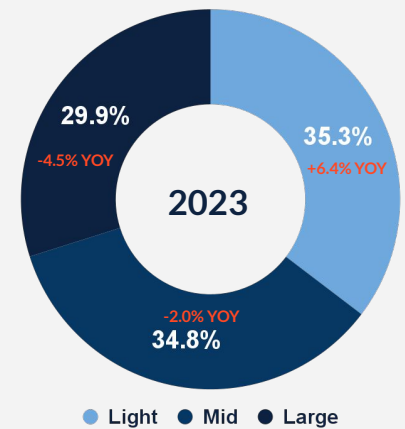
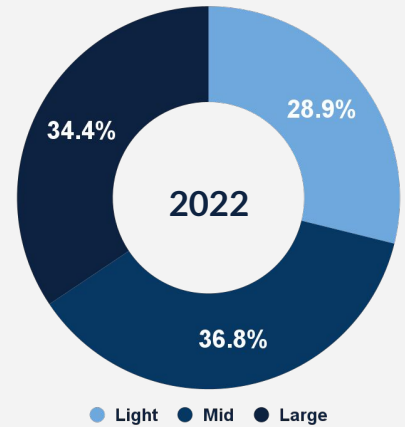
Individual fleet value performance continues to vary, with 20 of the 26 fleets detailed below recording a reduction in values compared with the prior quarter. Aircraft values remain up an average of 21.7% compared to Q4 2019 and only three of the detailed fleets are below their pre-pandemic values.

The sentiment among the Broker/Dealer community in relation to price is that the market will return to the dynamics it had seen before 2020 as well, with near-term average pricing forecasts ratings between "stable" and "moderate decrease" for all pre-owned jet segments.

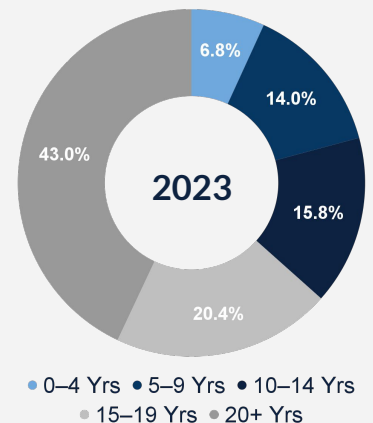
Value Changes by Market

| Segment | Market | Change YOY | Change QOQ | Change since Q4 2019 |
|--------------|-------------|--------------|--------------|----------------------|
| Light | CJ3 | -3.9% | -4.6% | 54.7% |
| Light | CJ4 | 5.0% | 5.0% | 54.5% |
| Mid | H850XP | -2.9% | 4.3% | 51.4% |
| Mid | XLS+ | -1.0% | -1.4% | 41.4% |
| Mid | H900XP | -2.9% | -9.2% | 40.1% |
| Mid | CL300 | -0.6% | -6.0% | 39.7% |
| Large | CL605 | 4.7% | -0.2% | 38.6% |
| Large | CL604 | -24.1% | -20.5% | 36.5% |
| Mid | G200 | 0.3% | -10.7% | 36.3% |
| Light | M2 | 10.4% | 1.2% | 34.2% |
| Light | Phenom 300 | -2.8% | -2.7% | 31.9% |
| Mid | Sovereign | -0.5% | -7.1% | 30.5% |
| Mid | XLS | 0.0% | -13.4% | 30.4% |
| Mid | Latitude | 4.5% | 1.9% | 25.0% |
| Light | CJ3+ | -11.1% | -12.7% | 22.6% |
| Mid | CL350 | -1.0% | -4.8% | 19.2% |
| Mid | G280 | 4.7% | -6.0% | 13.5% |
| Large | 900EX EASy | -1.3% | -6.0% | 13.1% |
| Large | 2000LX | 5.6% | -9.1% | 12.7% |
| Large | CL650 | -10.7% | -1.0% | 9.0% |
| Large | 7X | 0.4% | -0.6% | 5.3% |
| Large | G450 | -5.4% | 0.3% | 4.3% |
| Large | G550 | -1.0% | 3.0% | 4.0% |
| Large | Global 6000 | -5.1% | -5.0% | -3.5% |
| Large | Global 5000 | -8.8% | -11.8% | -8.7% |
| Large | G650/ER | -6.6% | -4.7% | -8.7% |
| Total | | -2.1% | -4.7% | 21.7% |

Transactions By Cabin Class



Retail Sales By Aircraft Age



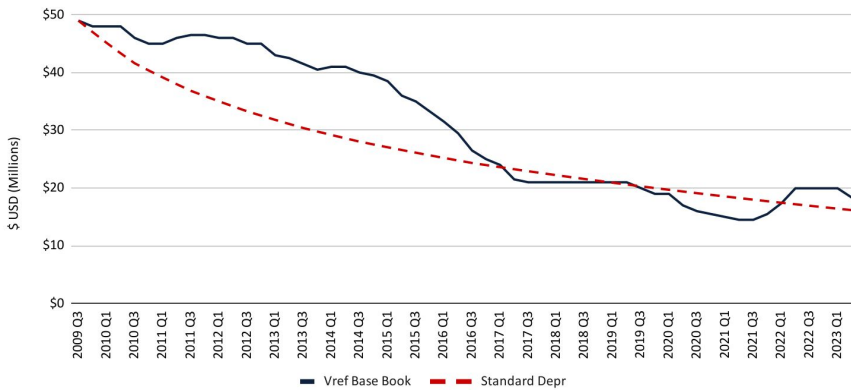
Aircraft Values Are Returning to 'Normal'

The below graph illustrates the quarter-by-quarter change in VREF book values for an average 2009 Gulfstream G550, whose current base book value in 2023 Q2 is \$16,233,978.

As is evident, immediately following the international COVID lockdowns, values in G550s had begun a downward trend in Q2 2020 through Q3 2021, dropping well below the standard depreciation curve. Then the trend flipped, and, like many other modern in-production fleets, values began to increase in Q4 2021 and hadn't seen a decrease in seven quarters, surpassing the standard depreciation curve.

Buyers and sellers alike should keep in mind that the recent increase in number of price reduction events and sales price decreases that we've seen in many markets thus far this year is really a return to how the pre-owned jet markets should behave as depreciating assets.

Vref Book Value Depreciation by Quarter (2009 G550)



The Interest Rate Environment and Impacts on Aircraft Sales

One could reasonably expect, given the relative strength of the economy, increased supply of pre-owned business jets, and decreasing pricing dynamics, that retail transaction volume and overall demand on the markets would be higher. However, one of the major headwinds facing the buyers this year, compared to prior years, is a much changed lending environment.

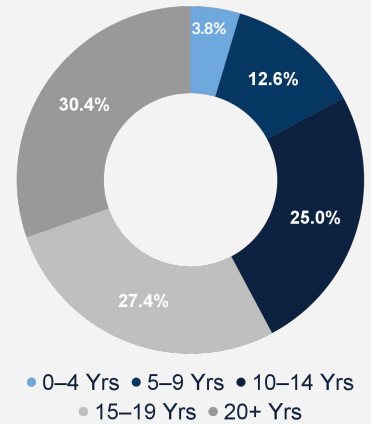
Eleven recent interest rate increases by the Fed, coupled with tightened risk tolerances by the major lenders due to the SVB/First Republic turmoil that the banking sector faced earlier this year, has instigated higher interest rates and lender-favorable terms, thus posing more difficulties for buyers needing financial assistance.

The below tables detail the count and percentage of total global pre-owned retail sales that include a lien and security agreement on the aircraft upon closing. Note the significant decrease in volume and the rate of financed deals in 2023 compared to prior years. Demand in the Light and Mid jet markets have also been hit the hardest by these changes, as buyers in those segments are more likely to use financing as part of their ownership strategy.

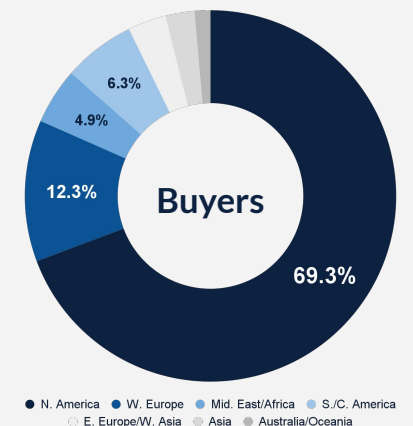
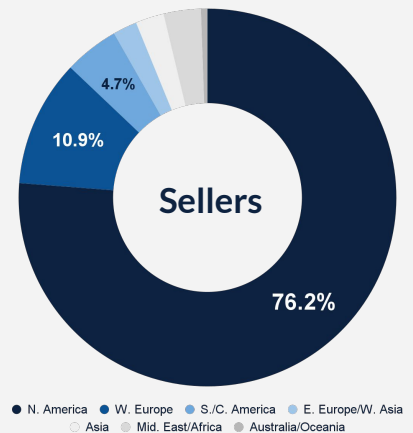
| Count of Transactions Financed (YTD) | | | |
|--------------------------------------|------------|------------|-----------|
| Segment | 2021 | 2022 | 2023 |
| Light | 70 | 79 | 39 |
| Mid | 93 | 74 | 42 |
| Large | 47 | 51 | 17 |
| Total | 210 | 204 | 98 |

| % of Sale Transactions Financed (YTD) | | | |
|---------------------------------------|------------|------------|------------|
| Segment | 2021 | 2022 | 2023 |
| Light | 26% | 36% | 20% |
| Mid | 31% | 27% | 22% |
| Large | 21% | 20% | 10% |
| Total | 27% | 27% | 18% |

Current Market By Aircraft Age



Transactions By Region (2023)





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\$900M

Total asset value for aircraft sold or purchased since 2021