MAGELLAN JETS

FLYING WITH CONFIDENCE

CHOOSING A STRONG, STABLE, & RESILIENT PRIVATE AVIATION PROVIDER

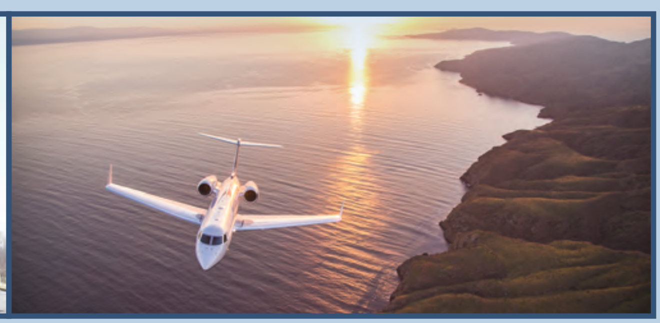
NOT ALL PRIVATE JET COMPANIES ARE CREATED EQUAL.

A great private aviation company serves as an essential partner to help you increase your productivity, your efficiency, and the success of your business—but no two providers are alike. Do they own and operate their own fleet, or act as a broker finding you the best fit for your needs? Do they take a one-size-fits-all approach with their programs, or do they offer flexible solutions to meet your varying travel requirements? How do they source the aircraft you'll be using? How do they use—and protect—your funds?

These topics all factor in the most pressing question for you and your business: Is your potential provider's model one you can trust in the face of economic uncertainty?

In the current atmosphere of volatility and with talk of recession in the market, working with a strong, stable, and financially healthy provider is a must. You'll want to be sure they can not only weather the storm of market volatility, but will also have the necessary resources and infrastructure to guarantee your aircraft and your expected level of service through economic downturns, supply chain issues, or any other unforeseen circumstances—otherwise, you could be stuck without access to a jet when you need it most.

You shouldn't have to worry about how the ups and downs of the market will affect your private flying experience. Understanding the business model of your potential partner and knowing whether their operations are built for resilience will give you the peace of mind to fly with confidence.



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1 IS YOUR PROVIDER FINANCIALLY STABLE?

You must first determine whether or not a private jet provider has the financial resources to keep itself afloat through difficult times. Private aviation is a significant investment and one that cannot be taken lightly, so it's essential to work with a provider that can demonstrate their stability. Just like commercial airlines, private jet companies have folded when the economy was unstable; due diligence and research into not only the longevity and experience of a private aviation company but also their financial situation will help you pick a provider with staying power.

When looking into providers' financial well-being, there are several questions you should ask. Are they profitable? Have they demonstrated repeated growth year over year? What is their valuation? Their debt ratio? If the next recession comes along, you want to be with a private jet company that is not overleveraged—the 2008 financial crisis and the COVID-19 pandemic spelled the end for several such companies. Consider whether or not a provider is saddled with huge overhead costs, like those related to managing their own fleet of aircraft. Look for a provider that is completely operationally solvent and able to stay fiscally secure in periods of economic stress.

2 HOW WILL YOUR PROVIDER PROTECT YOUR INVESTMENT?

In addition to knowing how a provider handles their money, you need to be confident about how they handle yours. You must be able to trust that they will be dedicated, responsible stewards of your investment—and that, should the economy head for rough waters, your funds will be safe.

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HOW WILL YOUR PROVIDER PROTECT YOUR INVESTMENT?

The best way to acquire that peace of mind is by working with a company that keeps its clients' funds separate from their operational funds. Whether you're funding a Jet Card or any other funds-on-account private aviation program, ask if your funds will be set aside until you need to draw upon them for a flight. Work with a company that segregates your money from their operational funds to ensure that your investment is only spent on your time in the air—never on maintaining aircraft, crew expenses, or any other company expenditures.

Next, look at the different programs the company offers. Do they allow you to easily scale your travel up or down if your travel plans change? Do they penalize customers for over- or under-flying? Do they offer a rate lock so you'll be protected against pricing volatility for a year or longer? You want to work with a provider that can offer a wide and flexible variety of solutions, giving you alternatives in case your business needs unexpectedly change. Look for a company that offers a full suite of programs for your entire aviation portfolio and business lifecycle—including funds-on-account, pay-as-you-go, and on-demand options.

Finally, with the large up-front cost of private aviation programs, it’s also important to ask—is my investment refundable? Some providers offer the added assurance that, should business market changes force you to reconsider your investment, you can execute some type of refund clause. Many private jet programs lock you into multi-year terms, and it can be difficult to know what the impact of making a large, long-term investment will be even months down the line. Being able to refund your investment offers additional insulation against economic uncertainty.

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3 IS YOUR PROVIDER FOCUSED ON YOU—OR ON THEIR FLEET?

Many large private aviation providers will tout the fact that they own their own fleet as a tremendous advantage. However, this business model has its downsides when it comes to both the company's financial stability and the level of service you can expect should the economy go into a slump. For these and other reasons, it's worth considering working with a non-fleet-based provider—one that can leverage strong relationships with a safe and expertly curated global network of aircraft operators and crews to focus on making sure you can fly where and when you need to.

First, let's consider the financial burden of a company owning aircraft and what it means for your investment. The costs of acquiring, managing, and maintaining a fleet of private jets—not to mention staffing and training crews, mechanics, and other personnel involved in their operation—can be astronomical. Aircraft are depreciating assets that require constant upkeep and high-premium insurance. Those costs are often passed on to the customer, who is essentially investing in an airline rather than simply paying for their travel.

Moreover, an asset-heavy business model is risky for the company's financial stability. If unexpected events or depressed markets cause flight volume to come to a halt (as we saw during the global coronavirus pandemic), a fleet-based provider could be left exposed; the costs of maintaining their fleet won't decrease just because their flight activity does. In an economic crunch, they may have to take actions such as mortgaging their planes, raising their rates, rolling back service guarantees, or even exiting contracts with their clients just to remain financially solvent. In some cases, companies have actually gone under—and clients have lost the entirety of their investment because their funds had been used for operational expenses.

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IS YOUR PROVIDER FOCUSED ON YOU—OR ON THEIR FLEET?

A network-based provider, meanwhile, is able to scale its use of aircraft based on customers' flight activity. A flexible, asset-light model insulates both them and you from economic volatility. Having no fleet means they're more able to invest in resources like their Safety Management System, technology, and guest services departments. You can be sure they won't be using your funds to make payments on aircraft—they'll be investing in your safety, your experience, and your guaranteed ability to fly when you need to.

When a company structures its investments around the aircraft it owns, it must focus on optimizing the use of that fleet to stay profitable. Fleet optimization often conflicts with customer service. When demand is high, the math doesn't work—thousands of customers sharing a fleet of several hundred aircraft isn't a model of stability. The company's attention will likely be focused on clients who provide the most volume for their fleet, deprioritizing customers who fly less.

Non-fleet providers have the luxury of giving equal priority to all customers, whether they fly 25 hours per year or 250. If your aircraft becomes unavailable, they can draw upon their global network to find you a recovery flight, rather than making you wait for the nearest aircraft in their limited fleet. They're able to provide more options for you because they're focused on your experience rather than making sure their fleet is being optimized.

4 HOW DID YOUR PROVIDER NAVIGATE THE PANDEMIC AND RELATED SUPPLY CHAIN ISSUES?

Of course, the simplest way to assess a company's resilience in the face of economic turmoil is by looking back at how they've handled recent rough periods. For companies that operated through the COVID-19 pandemic, or even as far back as the Great Recession in '08 and its aftermath, it's important to look into their actions during these events to get a sense of how they'll treat you in a similar situation.

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HOW DID YOUR PROVIDER NAVIGATE THE PANDEMIC AND RELATED SUPPLY CHAIN ISSUES?

When the global pandemic halted travel in 2020, did they struggle—or were they well-positioned to deal with reduced flight volume? Did their customers feel like they received the attention and service they expected? Were they able to offer their program customers a pause or term extension in light of the unprecedented shutdown? Were their customers able to fly at all when they needed to?

In the third and fourth quarters of 2021 and into 2022, the private jet industry faced an availability crunch spurred by high demand, supply chain issues, and COVID spikes. During this time, many providers cut programs, exited contracts with their customers, and stopped taking on new clients. Many customers simply weren't able to access a jet.

In these times of economic stress, some private jet companies were able to pivot and develop products or programs that specifically addressed their customers' emerging and changing needs. Meanwhile, asset-heavy providers were slow to change or could not change at all, resulting in program pauses/shutdowns and throttled access to aircraft. Some providers even capitalized on market instability by encouraging customers to put funds on account that they could not even use for up to two years.

A private jet company may say they're prepared for economic volatility, but their actions during recent private aviation market troubles will speak louder than their words. Look for a provider that was able to keep their programs open and didn't leave their customers on the tarmac.

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WHAT TO ASK WHEN LOOKING FOR STABILITY IN A PRIVATE JET PARTNER

To summarize, here are some questions you can ask your potential provider to ensure confidence and peace of mind in your investment and your flight experience:

- WHAT IS YOUR BUSINESS MODEL?
- WHAT IS YOUR COMPANY'S FINANCIAL HISTORY?
- ARE YOU PROFITABLE?
- DO YOU OWN A FLEET?
- HOW ARE THE FUNDS I PLACE ON MY ACCOUNT USED?
- ARE MY FUNDS KEPT SEPERATE FROM YOUR COMPANY'S OPERATIONAL FUNDS?
- IS MY INVESTMENT REFUNDABLE?
- DO YOUR PROGRAMS GIVE ME THE FLEXIBILITY TO SCALE MY TRAVEL UP OR DOWN IF MY NEEDS CHANGE?
- WERE YOU ABLE TO KEEP PROGRAMS OPEN AND KEEP CUSTOMERS FLYING THROUGH RECENT DIFFICULT MARKET CONDITIONS?

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