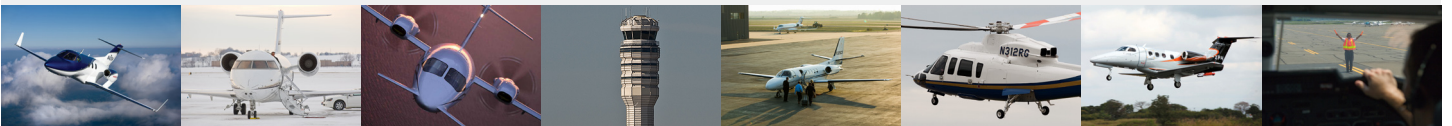


# BUSINESS AVIATION

AN ENTERPRISE VALUE PERSPECTIVE



THE S & P 500 FROM 2003 - 2009

PART I  
FALL 2009



NEXA ADVISORS, LLC  
www.nexacapital.com  
+1 (202) 558-7417

## ABOUT NEXA ADVISORS

NEXA Advisors provides highly specialized transaction-focused advisory services to companies and management teams in the aerospace and transportation sectors in the U.S. and around the world. Committed to delivering enterprise value through innovation, NEXA Advisors collaborates with our clients to help them become high-performance businesses. The integration of our advisory, consulting, technology and alliance services with our affiliates, investors and partners provides us with a fundamental advantage in delivering value. The ultimate measure of success of our value and workflow analysis initiatives is their ability to drive and deliver enterprise value.

## NEXA REPORT AUTHORS

The research team was specially selected to bring broad expertise and to challenge conclusions. Michael Dymont, Managing Director of NEXA Advisors and this study's team leader, is a former Senior Managing Director with the Aerospace Practice of PricewaterhouseCoopers and, prior to this, a Business Consulting Partner of Arthur Andersen's Aviation Industry Practice. Michael led the team that authored the previous NBAA/GAMA shareholder value studies prepared in 2001.

Tulinda Larsen, James P. Hughey, Eleanor Herman, Janice Deegan and David W. Almy contributed unique economic, financial, operational, technical and analytical expertise. Adding their professional skepticism and tireless work ethic made this report possible.

Finally, Mike Nichols of the National Business Aviation Association (NBAA) and Katie Pribyl of the General Aviation Manufacturing Association (GAMA) provided essential editorial review.

## SPONSORS

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## FURTHER INFORMATION

Copyright © 2009 NEXA Advisors, LLC. All rights reserved. The information in this white paper is correct to the best of our knowledge and belief at the time of publication. We recommend that professional advice be sought before any action is taken. For more information about business aviation in today's economy, or the enterprise value tools at our disposal, please contact:

Michael J. Dymont, CEO

NEXA Advisors, LLC, 1250 24th Street NW, Suite 3020, Washington, DC, 20037

+1 (202) 321-0389

Michael.J.Dymont@nexacapital.com

## TERMS USED THROUGHOUT

*Unweighted data* compares raw data without taking into account company size.

*Weighted data* is adjusted to recognize company size. Our specific approach utilized 2003 market capitalization as a weighting factor.

*Shareholder value (SV)* is the part of a company's capitalization that is equity as opposed to long-term debt. In the case of only one type of stock, this would roughly be the number of outstanding shares times current share price.

*Enterprise value (EV)* is an economic measure reflecting the market value of the whole business. It is a sum of claims of all the security holders: debt holders, preferred shareholders, minority shareholders, common equity holders, and others. Enterprise value is one of the fundamental metrics used in business valuation, financial modeling, accounting, and portfolio analysis.

# BUSINESS AVIATION – AN ENTERPRISE VALUE PERSPECTIVE

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In 2001, the National Business Aviation Association (NBAA) and the General Aviation Manufacturers Association (GAMA) sought to investigate whether business aircraft contribute to better operating or financial performance and, therefore, to higher shareholder value. To respond to this need, the accounting firm Arthur Andersen produced a landmark study providing evidence that business aviation contributes to corporate America’s drive for greater shareholder and enterprise value.

Today NEXA Advisors is pleased to present this report, with fresh data and insights, updating and revalidating the prior study’s conclusions. Of the Standard & Poor’s® 500 companies studied by NEXA, between 2003 and 2009 users of business aircraft outnumbered nonusers by three to one – a significant finding. Importantly, users found ways to deploy this unique asset, driving increased revenues, profitability and efficiency by a wide margin over nonusers. Most surprisingly, we found that business aircraft users had a dominant presence, on average of 92 percent, among the most innovative, most admired, best brands, and best places to work, as well as dominating the list of companies strongest in corporate governance and responsibility.

This report carries a powerful message to company boards, government policy-makers and industry leaders: business aviation is a tool that provides a unique competitive benefit to America’s businesses, manifesting in higher shareholder and enterprise value. In this unique role, business aviation is without substitute.

The failure of America’s business leaders to grasp important business aviation concepts and value drivers could lead to value destruction for our most admired, innovative and successful companies. We conclude that the challenge for any company is to identify all of the potential uses and benefits of these assets and to operate them in ways that will produce the greatest gain.

## OVERVIEW OF METHODOLOGY

How does the use of business aircraft affect the practice and outcome of business? That Utilization yields Benefits that yield enterprise Value formed an ingenious basic methodology for our analysis. This “UBV” methodology links the use of business aircraft to the fundamental drivers of a company’s long-term value creation. We built on the prior study’s analysis and examined how the S&P 500 performed in revenue growth, profit growth and asset efficiency for the period 2003 through 2007, the most recent 5-year period for which complete data was available. Analysis of 2008-2009 data shows similar trends. We tied business aircraft use to these drivers wherever links were possible. We then added the “Top Skeptic” CFO perspective through wide-ranging interviews of S&P 500 executives to confirm our findings. Lastly, we sought confirmation through an independent cross reference. Using the “Best of” lists, we observed the high degree of participation of business aircraft users among these impressive members. We can confirm that the methodology is robust. Solid conclusions are possible, and can be found herein.

# EXECUTIVE SUMMARY

## IS THE VERDICT IN?

Business aviation drives value in many ways unique to American enterprise. Over a broad range of uses, business aircraft can materially benefit shareholders. Evidence of the value provided by business aircraft use can be seen in remarkably consistent correlations in the aggregate performance of companies and industry sectors using business aircraft measured against those which do not, and among influential lists of the best performing companies.

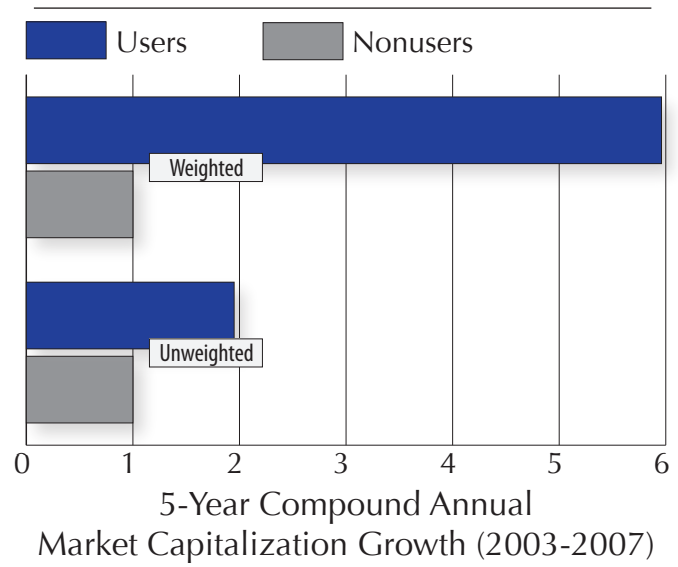
According to our study of the S&P 500, we found that business aircraft users outperformed nonusers in several important financial measures. Between 2003 and 2007:

- Average annual revenue growth on a market cap-weighted basis was 116 percent higher for users (6 percent unweighted)
- Average annual earnings growth was 434 percent higher for users (253 percent unweighted)
- Average annual EBIT growth was 81 percent higher for users (54 percent unweighted)
- Average annual EBITDA growth was 32 percent higher for users (minus 10 percent unweighted)
- Total stock and dividend growth was 252 percent higher for users (88 percent unweighted)
- Total share price growth was 156 percent higher for users (93 percent unweighted)
- Market capitalization growth as measured by market value growth was 496 percent higher for users (95 percent unweighted). The figure above demonstrates that users substantially outperformed nonusers in growing their market cap during the period analyzed.

Using nonfinancial measures, the highest performing companies appearing on several “Best of” lists reveal a remarkable correlation with business aircraft use:

- Among *Business Week’s* 2009 “50 Most Innovative Companies,” 95 percent of the S&P 500 companies on that list were users
- Among *Fortune’s* 2009 “100 Best Places To Work,” 86 percent of the S&P 500 companies on that list were users
- Among *Business Week’s* 2009 “25 Best Customer Service Companies,” 90 percent of the S&P 500 companies on that list were users
- Among *Business Week/Interbrand’s* 2008 “100 Best Brands,” 98 percent of the S&P 500 companies on that list were users
- Among *Fortune’s* 2009 “50 World’s Most Admired Companies,” 95 percent of the S&P 500 companies on that list were users
- Among *The CRO’s* 2009 “100 Best Corporate Citizens,” 90 percent of the S&P 500 companies on that list were users

These results simplify a breathtakingly complex economic environment and are not intended to suggest that the use of business aircraft guarantees positive financial results or that their use is appropriate in all circumstances. But if the goal is to maximize shareholder and enterprise value, the important question is, “Under what conditions is the use of business aircraft the best business option and under what conditions should alternatives be employed?”



## ACCESS: EXECUTIVE PRIVILEGE OR ESSENTIAL TOOL?

Top executives often recognize the strategic value of business aircraft to their bottom lines, and with the attention given business aircraft, must make a cogent business case for access. While issues like the cost of access and executive privilege can be debated, the debate would be cursory if it does not include competitive, economic, social and enterprise value considerations. In all cases, it should directly serve shareholder or enterprise interests.

Recent setbacks for business aviation are reflected in a precipitous drop in new aircraft orders, the ballooning of used aircraft inventories, and layoffs of highly skilled people. Among business aircraft operators, some publicly traded companies have reacted to the economic downturn by canceling new aircraft orders or shuttering their flight departments. Due to negative publicity, many companies which retain flight departments work to keep their existence out of the public eye.

Yet, aside from the drift in public opinion, nothing has changed the fact that business aviation is a significant economic contributor to the health and vitality of America's businesses, and an essential business tool.

## BOARDROOM RESPONSIBILITY AND BUSINESS JETS

The market rewards knowledge integration, relationships, organizational agility, information, and speed. These require mobility – of high value goods, information, and expertise – in a context of traditional best practices, such as those described by Tom Peters and Robert Waterman in their classic book, *In Search of Excellence*, including:

“Hands-on Value-Driven” – Business leaders create exciting environments through personal attention, persistence, and direct intervention.

“Productivity Through People” – People are a company's most important asset; systems, styles and values allow ordinary people to achieve extraordinary results.

“Close to the Customer” – Successful companies encourage customer “intrusion” into every facet of the business.

While some companies have developed strategies to mitigate the adverse impacts of today's commercial air transport environment, others are even more proactive in concluding that mobility is key to success.

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“Berkshire has been better off by having me in a plane available to go and do deals.”

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—Warren Buffet

What is the role of the board of directors in guiding the productive use of business aircraft? Shareholder value is the responsibility of company boards. Our findings show that wise use of business aircraft can drive shareholder value in powerful ways. The profound challenge for company boards is to serve shareholder interests by driving the effective use of this unique and complex asset.

# BACKGROUND

The market has introduced an altered playbook – with fresh rules that challenge our thinking, business practices and even values. Instant marketplaces have been created through globalization, and complex, highly efficient supply chains now compete for market recognition. These trends drive management’s need for greater mobility, organizational agility, knowledge integration and speed. Accelerated transaction value is evident when examining the business models of companies such as General Electric, Pfizer, Cisco Systems and Time Warner. Is it really a surprise that personal relationships are becoming more, not less, important conditions of business success?

We designed a comprehensive study on this matter to answer a few important questions:

*Can using business aircraft...*

- Increase revenues through closer customer relationships?
- Increase earnings growth by providing benefits greater than costs?
- Improve asset efficiency by letting companies use fixed assets to leverage intangible assets like top talent?
- Increase customer satisfaction by allowing more face-to-face contact?
- Increase employee satisfaction by improving the work environment?

The global economy rewards knowledge integration, customer relationships, organizational agility, information, and speed. To achieve these, a company needs mobility – of executives, customers, suppliers, and specialist teams. Understanding the benefits that can be derived from using business aircraft is key to grasping how the aircraft impact the performance of an organization and influence shareholder value.

*Can business aircraft be isolated from other assets in the portfolio and studied?*

Because business aircraft contribute to success in ways other assets do not, we sought to isolate and examine these contributions, with the intent of understanding whether the sizeable investment required to purchase and/or operate business aircraft would really give a company unique advantages.

*Can interdependence be found among business aircraft utilization strategies, associated benefits, and drivers of shareholder value?*

We devoted significant attention to understanding the different utilization strategies for business aircraft. We also detailed a range of financial and nonfinancial benefits that accrue to users, as well as the associated mission profiles of each. With these we developed a framework called “Utilization > Benefits > Enterprise Value,” or simply “UBV.” This framework finds strong correlations between aircraft use and drivers of enterprise value.

*What did we find?*

## THE NEED FOR BUSINESS TRAVEL

Civil aviation today touches nearly every aspect of our lives, and its success will, to a great degree, shape American society and the American economy over the next century. Business aviation is an integral part of this story. Why is this the case? This report documents the power of mobility, and the ways in which business aviation unleashes the value of mobility to the fullest extent.

Think about a company as a well-oiled machine with its assets as the engine of prosperity. These include the usual assets one can find on the balance sheet – tangible assets such as factories or computers, and financial assets such as cash and good credit. But there are other assets companies need to nurture just as well, to ensure their value won’t erode over time – intangible assets like

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“Business aviation greatly enhanced our ability to expand from a 17 to a 50 state market presence over the last 5 years.”

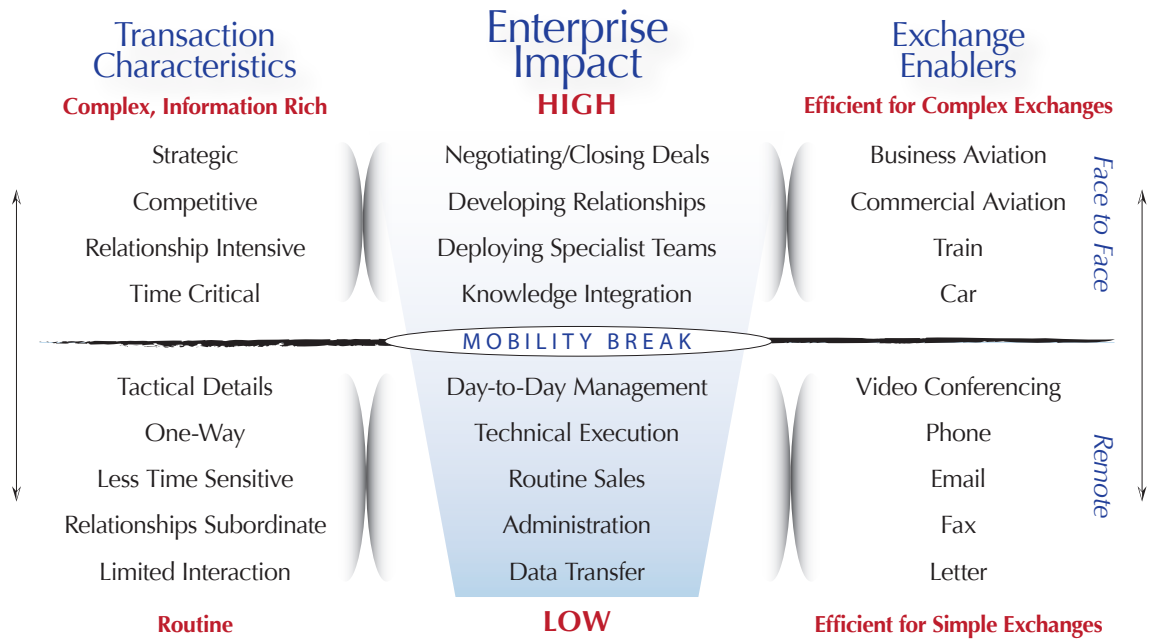
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—S&P 500 Executive

customer relationships, talented executives, employees at every level, a culture of performance, loyal suppliers, and valued long-term relationships everywhere.

Businesses can also be thought of as a series of transactions. In today’s global, highly competitive economy, one can see growing transaction complexity, and a strong uptick in transaction acceleration. Customers now are rarely located down the street and so we must disperse our talent more rapidly or suffer a steep increase in lost opportunities. In this “next economy,” mobility will be important for our very survival.

For example, let’s examine transaction complexity as shown in Figure 1. The larger, more time sensitive, competitive and people-intensive a transaction becomes, the more advantage can be gained through human mobility.



**FIGURE 1: THE NEED FOR MOBILITY IS DETERMINED BY THE QUANTITY, QUALITY, TYPE AND DURATION OF INFORMATION EXCHANGE REQUIRED TO MANAGE EFFECTIVELY**

Key enablers in the complexity battle (by no means an exhaustive list here) are highly mobile people, often the most skilled and capable a company has to offer, showing up in large and experienced teams. As noted by one executive, “We carry a wide variety of mid-level managers, sales teams and professional people to and from plants all over the country. It’s all about operating more productively and bringing more dollars to the bottom line for our shareholders.”

A return to business fundamentals in a challenging economy means that enterprises have a responsibility to use every tool at their disposal. At the top of the mobility food chain is business aviation. Notwithstanding today’s economic picture, competitive conditions stress knowledge integration, customer relationships, organizational agility, information and speed. These favor mobility – of employees, customers, suppliers, and specialist teams – required to accelerate transaction value.

## SOME SOBERING FACTS ABOUT AIR TRAVEL

Because businesses increasingly rely on intangible assets, and because the forces of complexity and transaction acceleration are real, the needs of the business traveler have changed dramatically. The business environment is not standing still. Commercial airlines can only do so much, and are challenged more than ever these days because their routes are not always optimized for business travelers.

Here are today's sobering facts:

- Business aviation serves ten times the number of communities served by the commercial airlines.
- A typical frequent business traveler flying from one of the 25 busiest U.S. airports can expect to lose one or more hours of productive work or personal time on the average trip. Airports and airline schedules are designed to route travelers in a way that minimizes airline costs and not in a way that optimizes traveler productivity.<sup>1</sup>
- The need for air travel continues to grow, from 465 million annual domestic passengers in the U.S. in 1990 to 750 million in 2008. By 2021, according to the FAA, some 1 billion passengers will fly in the U.S.<sup>2</sup> Over 40 percent will be business travelers.
- More than 26 percent of all airline flights were delayed, diverted or cancelled in 2008, according to U.S. Department of Transportation statistics.<sup>3</sup>
- Airline business class and walk-up fares have increased over the last 10 years, and are not being offset by a similar improvement in traveler productivity.

What is the likely impact of an increasingly difficult air transportation system on competition, profits and enterprise value? Travelers are focused on “door-to-door” challenges, while airlines are structured for “gate-to-gate.” Only business aviation can *uniquely* address emerging needs of certain business travelers in today's complex, war-is-business, environment.

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“You can't have a productive work day sitting in an airport and on a ramp. We typically see a time savings of 50 to 75 percent on certain trips using business aviation instead of scheduled commercial service.”

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—S&P 500 Senior Executive

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1 NEXA Analysis, 2009

2 FAA Aerospace Forecast, Fiscal Years 2009-2025

3 Bureau of Transportation Statistics, U.S. Department of Transportation



## CONTRIBUTION TO THE U.S. ECONOMY

According to data compiled by the General Aviation Manufacturers Association, business aviation:

- Directly supports more than one million jobs in the U.S. with a collective payroll in excess of \$53 billion. Direct impacts, such as the sale and operation of an aircraft, multiply as they trigger transactions and create jobs elsewhere in the economy. Service industries such as hotels and catering also benefit from business aviation.
- Strengthens the country's balance of trade. In 2008, general aviation manufacturers generated \$5.9 billion in new airplane export revenue. This was a 28 percent increase over 2007. These exports accounted for 44 percent of the total value of U.S. manufactured general aviation airplanes in 2008.
- Provides a lifeline to communities with little or no commercial airline service.
- Contributes lifesaving services to our communities through charitable and humanitarian flights.
- Helps thousands of businesses of all sizes to be more productive and efficient.

In total, these activities generate more than \$150 billion in economic output as well as substantial, additional benefits.

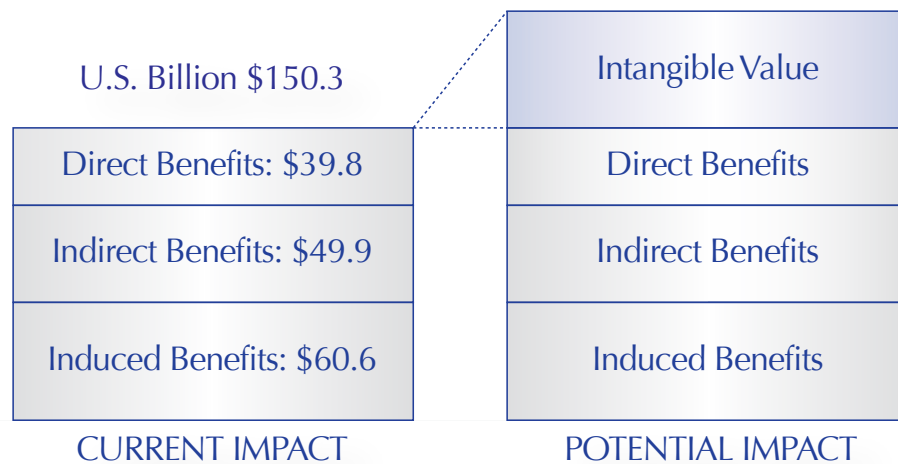


FIGURE 2: IMPACT OF GENERAL AVIATION ON THE U.S. ECONOMY<sup>4</sup>

Intangible value (shown in Figure 2) is created by business aircraft use that translates into higher enterprise value, and significantly higher shareholder value. In fact, companies that use business aviation out perform their peers in almost every financial category, including revenue growth, profit growth and asset efficiency. U.S. companies have a distinct advantage on the international competitive arena as well. The potential economic impact arising from this may be difficult to quantify, but is there nonetheless, and benefits the country and its citizens.

“Many of our plants and customers are located in regions not served by commercial aviation. Business aviation allows these companies to remain competitive, providing jobs and a tax base for their communities.”

— S&P 500 Executive

# THE “UBV” FRAMEWORK

Fundamental to the analysis of business aviation is a value framework which considers business aircraft utilization strategies, the range of financial and nonfinancial benefits that accrue to operators, as well as the value drivers those benefits influence. In short, the construct recognizes that the “uses” or more formally, “utilization strategies” yield benefits which affect an enterprise’s value drivers. Abbreviated, this reduces to “Utilization yields Benefits which yield Enterprise Value” or “UBV.”

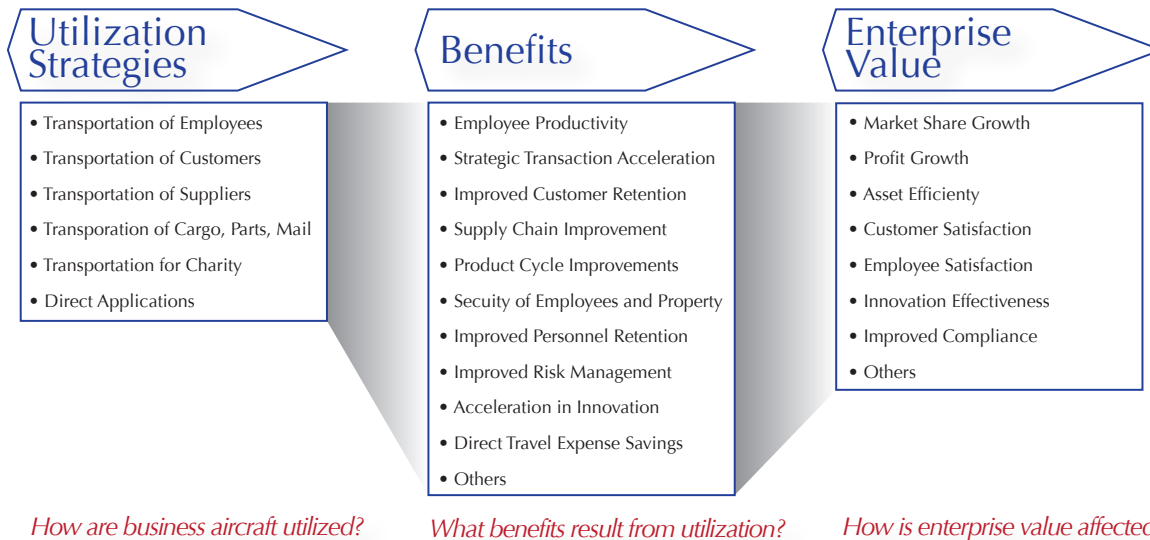


FIGURE 3: “UBV” = USE YIELDS BENEFITS WHICH YIELDS ENTERPRISE VALUE

This approach contributed markedly to the development of a series of assumptions and predicates:

- Business aircraft are assets whose contribution to the company’s financial and operational performance can be isolated from other assets in the organization’s portfolio.
- Within the S&P groups, distinct “Users” and “Nonusers” can be identified, allowing us to isolate the relative performance of each peer group, using information across a wide range of financial and operational indices.
- For companies experiencing rapid growth, there are no ready substitutes for business aircraft without diminishing performance or opportunity.
- Benefits accruing from use of business aircraft contribute directly to shareholder value creation at multiple levels:
  - Shareholder level (e.g., market share growth, profit growth, asset efficiency, etc.)
  - Enterprise level (e.g., dimensions of improved quality, cost and time, etc.)
  - Executive or employee level (e.g., team thinking, key resource leveraging, etc.)
- Interdependence (correlation) can be found among an organization’s aircraft utilization strategies, associated benefits, and key drivers of shareholder value. While companies may differ in their “core missions,” aircraft types, numbers, passenger types, etc., the UBV linkages should remain common across all industries.
- There is a visible, positive correlation between a company’s underlying drivers of shareholder value, such as revenue acceleration, and its return on equity.

## BUSINESS AIRCRAFT UTILIZATION STRATEGIES

Understanding the benefits that can be derived from using business aircraft is a key to grasping how the aircraft impact the performance of an organization and influence shareholder value. Utilization strategies supporting the core mission of companies became our starting point for this study. Six categories were defined:

- **Transportation of employees and executives** – The most common use of business aircraft is transporting the company’s own employees. Businesses can maximize the efficiency of their human resources by better allocating their knowledge assets (the collective knowledge of an organization, including its best practices, and the wisdom and experience of its employees and executives). Strategies include facilitating strategic opportunities, exploring new markets, extending management control, and improving relations with customers, investors and the public. Moving specialist management, legal or financial teams may be necessary to close transactions, or in the case of some companies, to move production, engineering and operations teams on a regular basis between company facilities.

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“We paid for our aircraft for an entire year because we were able to respond so quickly to one customer.”

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– S&P 500 CEO

- **Transportation of customers** – With increasing frequency, companies use business aircraft to transport their customers, differentiating themselves from competitors. Companies can create a sales environment en route or simply bring customers to key facilities to accelerate their comprehension, build stronger relationships, and ultimately close more sales transactions.
- **Transportation of suppliers** – Companies can accelerate or improve supply chain integration by transporting suppliers more efficiently via business aircraft. This may involve improving a supplier’s understanding of production facilities, bringing multiple suppliers to customer meetings, or simply concluding supplier negotiations.
- **Transportation of cargo, parts, and mail** – This entails moving company cargo, machine parts, and mail between internal facilities and externally between suppliers, customers, and potential customers. Depending on volume, this practice can substantially reduce alternative overnight transportation costs. The direct shipment of parts to remote locations, or the delivery of emergency components to keep production flowing, are two examples of strategies deployed.
- **Transportation for humanitarian and charity missions** – This pertains to the benevolent applications of business aircraft which can be very powerful tools to advance community service. Companies are community based and often use their assets to serve their local area. For example, many companies use their business aircraft to transport non-employee patients to distant treatment centers for emergency treatment. Humanitarian and relief efforts often focus on the delivery of trained medical personnel and supplies to disaster areas sometimes only accessible by air using business aircraft.
- **Direct applications** – This utilization strategy includes using business aircraft as an aerial platform to accomplish a given task or simply as an incremental profit center. Aerial platform applications include site mapping, aerial photography, and many other direct uses. Some companies will charter their aircraft to third parties to enhance the financial performance of their flight departments.

This categorization allowed us to link utilization strategies to the benefits that would accrue at the personal, enterprise and shareholder levels.

## BENEFITS DERIVED FROM BUSINESS AIRCRAFT USE

Understanding the net benefits (incremental benefits offset by incremental costs) of operating a business aircraft is key to isolating its asset efficiency and its contribution to shareholder value. But net benefits are only one possible justification. We also found that there are certain other benefits that are very difficult to quantify and, even with the best available data, hard to capture. The most significant net benefits are listed below:

- **Employee time savings** – An employee’s time has intrinsic value. In the past, this value was thought to increase with expertise and decision-making responsibility. Now the value of time savings can no longer be automatically associated with levels in an organizational hierarchy. It is the preservation of any scarce knowledge resource that makes the most compelling case for business aircraft operation. In the final tally of costs and benefits, it is difficult to cost-justify business aircraft operation without placing value on the time saved door-to-door. Closely linked with this, increased productivity includes being able to complete essential business tasks more quickly, thereby reducing unit costs of sales and improving time to market. Considering the value of knowledge integration and the rapid deployment of specialist teams in improving an organization’s efficiency, improved productivity emerges as a key benefit derived from operating business aircraft.
- **Improved productivity** – Traveling in a business aircraft can significantly improve productivity before, during and after the trip through travel schedules optimized for efficiency, cabin configurations conducive to individual and team work, often with access to full office facilities including communications. Optimal schedules using shorter non-stop trips which return earlier also improve day-after productivity by reducing fatigue.
- **Strategic transaction efficiencies** – Rapid deployment of transaction teams or improved responsiveness to opportunities for acquisitions or alliances are of increasing value today. On the revenue and market end of the business, being better able to respond to strategic opportunities, or being able to respond faster when a competitor courts a company’s customers, may be of considerable benefit in a highly competitive environment.
- **Protection of intellectual property** – While it is nearly impossible to quantify the impact of the loss of intellectual property to a company, businesses rate this loss as one of the costliest potential scenarios. The risks include competitor intelligence gathering in public places, lost laptops and stolen property. Conducting discussions and reviewing documents in the total privacy afforded by a business aircraft is a benefit that should be fully considered.
- **Improved customer retention or capture** – Companies can increase customer satisfaction in many ways, including responding faster to customer needs, spending more time with customers, expanding relationships with existing customers, having a more focused attention to customer needs, and demonstrating new products and services to customers. Companies can differentiate their service from their competitors’ in a safe, secure travel environment. Developing new products based on more customer input accelerates time-to-market.
- **Supply chain improvement** – Rapid deployment of supply chain transaction teams accelerates the business process. Being better able to conduct core meetings, reviews, etc., and having more frequent and targeted oversight of supplier operations, lead to better integrated supply chains.
- **Product and production cycle improvement** – By reducing cycle times, companies maximize revenue and reduce costs. Improving time-to-market entails shortening each segment in the product life cycle, including design and development, production, and after-market support. By carefully identifying components of the production cycle that could be improved by use of business aircraft (i.e., developing team efficiencies, shipment of components and products that are part of the production cycle, etc.), companies can maximize these benefits.

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“We have the lowest turnover in the industry in our peer group, and our people are telling us that our concern for the efficient use of their time is one reason why.”

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—*Trucking Company Executive*

- **Employee safety and security** – Absolute control over aircraft, crews, passengers and maintenance can significantly reduce the risk to aircraft, those aboard it and cargo. This applies both to their physical safety and the unintended exposure to intellectual property, trade secrets, and other company information. In certain cases reduced travel visibility may be a crucial benefit in executing key transactions, such as a merger, acquisition or high-value sale.
- **Risk management** – Because risk is a characteristic of life and of business, companies that undertake a serious effort to understand potential threats or hazards can develop strategies to better manage and mitigate risks. Better oversight and control of critical processes and tasks through business aircraft use can be a key element of improved risk management.
- **Direct travel expense savings** – The direct travel expenses of what most commonly is a traveling team – such as rental cars, commercial air travel, additional hotel nights, meals, entertainment, per diems, and other costs – can often be minimized or avoided.
- **Increased personnel retention** – By using business aircraft, companies can improve their personnel retention, thereby reducing the costs of turnover and retraining. Reduced attrition results from the controlled, more effective on-the-job experience for employees with access to business aircraft, as well as shorter travel schedules and greater family time. Attracting vital new hires, who are often courted extensively, is an associated benefit.
- **Social responsibility** – Using business aircraft for humanitarian or charitable purposes produces intangible benefits; while these are “soft” benefits, they are nonetheless important to a company’s success.
- **Charter revenues** – To help spread the fixed costs of aircraft ownership, business aircraft users with low periodic or weekend aircraft-utilization can charter their aircraft to third-parties. External charters can be a way for companies to maintain highly efficient aircraft-utilization rates and offset some ownership costs in the process.

## BUSINESS AVIATION: HUMANITARIAN TOOL

Business aviation provides jobs and serves as a profitable business tool when properly used. But there is another side – often overlooked – of business aviation which saves lives in communities around the U.S. Founded in 1981, the Corporate Angel Network (CAN) matches cancer patient requests with empty seats on business aircraft flights. Some patients require dozens of treatments over a period of months or years at hospitals across the country and simply can’t afford the commercial airfares; others need to be protected from the risk of infection associated with large groups of people on commercial flights. Each cancer patient is permitted to bring one companion on board. A sick child is permitted to have both parents. Cost of the flight? Absolutely nothing.

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“The Corporate Angel Network enables you to turn an unused seat into a wonderful humanitarian gesture. I think it’s a great opportunity for any company with an aircraft and a heart.”

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—Steven Reinemund  
Former Chairman, PepsiCo

CAN’s three founders include two cancer survivors – Priscilla Blum and Jay Weinberg – and Leonard Greene, founder and president of Safe Flight Instrument Corporation, whose wife had succumbed to the disease. All three knew firsthand the expenses and difficulties of desperately ill people trying to reach appropriate cancer treatment centers. Why not fill some of the thousands of seats on business aircraft flights each day that otherwise went unused?

Working with 530 U.S. companies, including 135 out of the S&P 500, CAN provides between 200 and 500 humanitarian flights a month. Since its founding, it has provided free trips for patients and their companions aboard more than 32,000 flights. At the CAN office, located at the Westchester County Airport in White Plains, New York, 50 volunteers and 5 staff members work with patients, business aircraft flight schedulers, pilots, charter companies and fractional owners. They enter flight schedules into a database and match them with patient requests.

CAN has received several awards for its humanitarian efforts, including the Volunteer Action Award, the highest volunteer award bestowed by the President of the U.S.

CAN, which is a member of the Air Care Alliance, an umbrella group of similarly focused organizations, is an excellent example of America’s business aviation community merging business activities with social responsibility.

Further information may be found at [www.aircareall.org](http://www.aircareall.org).

## DRIVERS OF ENTERPRISE VALUE

Our final goal was to trace any relationship between benefits and enterprise value. The enterprise value framework shown in Figure 4 illustrates the hierarchy of enterprise value creation, where powerful financial and nonfinancial drivers hold the key to any company’s growth in value and subsequently, higher return on equity (ROE). Underlying the drivers are powerful value enablers and levers most companies use daily to move their businesses forward in a highly competitive environment.

We isolated three key financial drivers capable of increasing enterprise value:

- **Revenue or market share growth** – Certain utilization strategies reap benefits that can directly increase revenues (for example, additional sales facilitated due to aircraft trips or the expansion of markets available to an enterprise utilizing business aircraft).
- **Profit growth** – To calculate the increased earnings resulting from using business aircraft, a cost-benefit comparison must be undertaken to determine whether the quantifiable costs of operating the aircraft are less than the quantifiable benefits. The evaluation must take into account the financing strategy for the aircraft, the tax implications, the operating costs, and the tangible and intangible benefits derived. In general, if the quantifiable benefits are greater than the quantifiable costs, business aircraft utilization should be a “must” for the company.
- **Asset efficiency** – A company can increase its asset efficiency in a number of ways, including improving business processes and leveraging existing assets more effectively. Supply chain improvements fall into this category. Some specific strategies which would cause large increases in asset efficiency include cycle time reductions and key employee leverage.



FIGURE 4: ENTERPRISE VALUE FRAMEWORK (RIGHT)

Several nonfinancial enterprise value drivers, although as important as the financial drivers, are difficult to quantify. We have reverted to qualitative analysis through research, CFO interviews, and comparative studies of the “Best of” lists. These include:

- **Customer satisfaction** – A key differentiator in a competitive marketplace, customer satisfaction measures the degree to which a customer’s expectations have been met or exceeded. This nonfinancial driver indirectly influences revenue and profit growth through improved brand value. Many aircraft users find ways to deploy their aircraft with remarkable effect, resulting in increased customer satisfaction. Examples include bringing customers to a company’s manufacturing facility to close key contracts; using aircraft for sales and marketing campaigns; and deploying quick-response customer service teams.
- **Employee satisfaction** – One of the chief drivers of shareholder value, although also one of the hardest to measure, is employee satisfaction. Our research shows that companies

focusing on employee needs establish a culture of loyalty, higher productivity and superior morale, and this is a primary engine of value creation. Smart companies utilize their aircraft to increase employee satisfaction by improving the work environment and quality of life. This translates into higher productivity returns and thus higher value.

- **Innovation** – Innovation is the act or process of inventing or introducing something new and valuable, and may include product innovation, process innovation or the act of remaking an industry. Measurement is difficult, but possible through analyzing return on R&D, revenues from new products, market share and the like. Innovation used to be defined by new products, technology, quality and cost control. Today's innovation requires even more, often driving organizational efficiency, optimal design of growth, operational improvements, networking (e.g., between marketing & engineers) and creative branding.
- **Risk management and compliance** – The post-Sarbanes Oxley world more than ever requires companies to remain compliant and vigilant on new rules of the road. Operational risk management rewards companies for strict compliance with Federal, SEC and foreign regulations and safeguards against waste, fraud and abuse. The current environment has raised the bar for business aircraft operators as there is increased scrutiny of compliance across a wide spectrum of regulated business activities.

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“Business aviation provides our company with numerous benefits: time management of our executive base, the security, safety and privacy of conducting our business, and economic growth for our region and business.”

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—S&P 500 Executive

# STUDY METHODOLOGY

In assessing the potential financial benefits of operating business aircraft to companies and their shareholders, we examined peer groups of companies distinguished by their use or nonuse of business aircraft. Such an approach was pioneered in a study performed for NBAA and GAMA, published in 1993, followed by subsequent shareholder value analysis in 2001. The study looked at the companies comprising the S&P 500 list, which comprises relevant large-cap American companies covering about 75 percent of the American equity market by capitalization for the period 2003-2007, the most recent 5-year period for which complete data was available. Preliminary analysis of 2008-2009 data revealed similar trends.

The appeal in using the S&P 500 as a research base for our analysis is obvious – over 1,400 business aircraft are owned or operated by these companies. The S&P 500 is viewed as a barometer of the stock market itself and the overall health of the U.S. economy. Therefore, many financial and economic studies use the S&P 500 as the baseline from which to draw comparisons and conclusions. Given the frame of reference afforded by this peer group, we felt it vital to include it in our analysis.

## DEFINITIONS

For this study, NEXA has classified S&P 500 companies as “users” or “nonusers” of business aircraft. NEXA has defined a “user” as any company or its officers authorizing the use of aircraft via charter, fractional share, whole aircraft ownership, or any other form of ownership or operation as an aid to the conduct of its business and for the benefit of its shareholders and their enterprise. To qualify as a user or nonuser, a company must have maintained its membership in the S&P 500 throughout the 2003-2007 study period.

Our primary source for fleet data, AMSTAT, provided our foundation database for companies historically owning or operating aircraft. The AMSTAT database was informally vetted by NEXA through a review of several data sources, including the cross-referencing of multiple industry databases and contacts.

In this process, NEXA has made reasonable efforts to identify companies with traditional flight departments, using fractional shares as primary or supplemental lift, and company officers owning aircraft or fractional shares used for business purposes. However, as companies using aircraft via charter or “jet cards” are rarely identified publicly, NEXA’s user estimates may properly be characterized as conservative.

Based on a definition of the S&P 500 as of July 2007, we classified participating firms into 10 Global Industry Classification Standard (GICS) Sectors. We then evaluated each of the 10 industry sectors as to the number of users and nonusers.

Using this subset of companies, we compiled financial performance and share price information for the period 2003-2007, eliminating from consideration those companies for which complete period data were not available. This was done to make sure that the comparisons were consistent over time in terms of the number of firms included in each year’s metrics. As a result, our first peer group analysis is based on a review of 423 firms from within the S&P 500.

Previous studies looked at basic financial metrics such as sales, market value and profit, measures that directly relate to a company’s financial performance. Comparisons of these metrics between users and nonusers have typically revealed a wide disparity of performance that favored the users. Therefore, the studies concluded that users perform significantly “better” than nonusers.

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“Clearly, business aviation increases the value that our company can deliver to shareholders by maximizing the productivity of our CEO. When he’s more productive, he’s creating shareholder value.”

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— Energy Executive



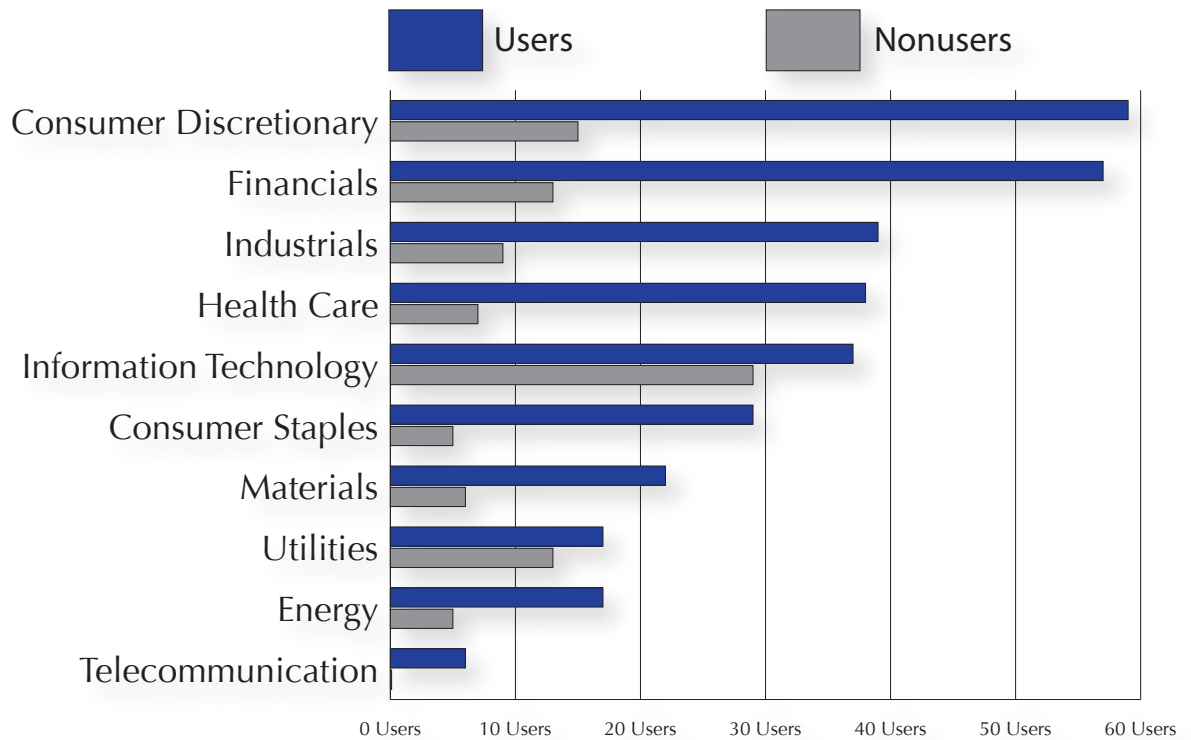


FIGURE 5: BUSINESS AVIATION USERS VS. NONUSERS BY INDUSTRY SECTOR WITHIN THE S&P 500 (2003-2007)

## RAW VS. WEIGHTED PERFORMANCE

The above conclusions tell only part of the story. Among the S&P 500, aircraft users tend to be significantly larger companies than nonusers, whether measured by market value or by sales. Our analysis differs significantly from previous studies in that it views the results both with and without the effect of firm size. To analyze the effect of company size, we looked at the change in a performance measure over time and calculated the average across all companies in each group. In other cases, such as asset efficiency (sales divided by average assets), return on assets, and return on equity, we calculated ratios that also eliminated the size effect. The resulting averages and ratios calculated across the user and nonuser groups were characterized by each company having “equal” weight.

In addition to the raw analysis, we also applied a weighting factor to recognize the challenge of sustaining rapid growth as a company scales business operations. Our approach utilized market capitalization as a weight factor, defined by 2003 calendar year end stock price across all common shares outstanding.

## ANALYZING ENTERPRISE VALUE

Previous studies used the common performance measures of sales, market value, profit, and net margin when comparing companies. We also looked at this family of performance measures, but calculated them in different ways so as to impart new insights on the comparison (see the previous discussion on averages). We considered the potential impact of the operate/nonoperate decision not just on the companies themselves but on shareholder value; that is, the financial rewards earned by shareholders in these companies. The measures we incorporated in our analysis are described on the next page.

## PROFITABILITY

Profitability metrics are used to measure the firm's operational ability to generate income based on its productivity and utilization of assets. For this study, profitability was measured using a 5-year<sup>5</sup> compound annual growth rate (CAGR) formula. CAGR represents the smoothed annualized gain earned over a given time horizon and is widely used, in part because of its dampening effect on volatility of periodic returns that can render arithmetic means irrelevant. We analyzed four common profitability metrics using a CAGR analysis:

- **Revenue Growth** – Year-over-year increase/decrease in “top-line” sales, 2003-2007
- **Earnings Growth** – Year-over-year increase/decrease in “bottom line” net income, 2003-2007
- **EBIT Growth** – Year-over-year increase/decrease in Earnings Before Interest and Taxes, 2003-2007
- **EBITDA Growth** – Year-over-year increase/decrease in Earnings Before Interest, Taxes, Depreciation, and Amortization, 2003-2007

## SHAREHOLDER VALUE

In explaining changes in shareholder value, we identified the “drivers” of that value. We performed a statistical analysis that demonstrated a linkage between a company's financial performance and the value ascribed to it by shareholders.

- **Total Shareholder Return** – Our analysis assumed that an investor made a hypothetical investment of one dollar in each of the 423 companies on December 31, 2002. We then determined how much that basket of one dollar investments was worth on December 31, 2007, five years later. We considered the appreciation of the stock price (on a split-adjusted basis), as well as the value of dividends paid by the companies over that period. We assumed that dividends were reinvested into the company's stock on an annual basis, rather than retained as cash. For this purpose, the following formula is used: Total Shareholder Value = (\$ Share price) + (\$ Accrued dividends).
- **Market Value Growth** – In the financial world, market capitalization is a common metric used to assign value to a company. In effect, the market will determine a value for the company by determining an appropriate price for a finite number of outstanding common shares. Our analysis defined any given year's market capitalization as the calendar year ending stock price multiplied by the calendar year ending number of common shares outstanding. For this purpose, the following formula is used: Market Value = (\$ Share price) x (# Common shares outstanding).
- **Return on Equity (ROE)** – The first term, return on equity, can be disaggregated into the following product of financial ratios: Return on Equity = Net Income / Average Total Shareholder Equity = Net Income / Sales x Revenue / Assets x Assets / Equity. Net income / Sales = net margin is a profitability measure. The second term, known as either asset efficiency or asset turnover, measures how well a company's assets are performing their primary function – generating revenue.<sup>6</sup> An aircraft is an asset that competes for capital like any other. Therefore, it should be theoretically possible to ascertain an association between operating aircraft and greater asset efficiency vis-à-vis nonusers. Note that sales is also a driver of shareholder value, through its association with asset efficiency. The final term is known as financial leverage. It can be restated as [Debt / Equity] +1. This term captures the mix of debt and equity used to finance a company's operations. We did not examine this component of ROE.

<sup>5</sup> Five year results were used for all but a few cases in which incomplete financial information led to substitution of a four-year CAGR result.

<sup>6</sup> We recognize that users account for their aircraft “assets” in different ways, some of which have a minimal impact on their balance sheet. Similarly, some companies own their manufacturing facilities while others lease them, which also impacts the composition of the balance sheet. How a company manages its assets is a strategic decision that impacts performance; therefore, we did not attempt to control for it (assuming we could do so).

## ASSET UTILIZATION

- **Asset Efficiency** – The sales-to-asset ratio, also known as asset turnover, shows how efficiently the firm’s assets are being put to use by measuring the revenue generated per dollar of assets. The more sales generated from a given investment in assets, the more efficient those assets become. Since the assets are likely to change over the year, our analysis uses the average of the assets at the beginning and end of the year. For this purpose, the following formula is used:  $\text{Asset Turnover} = \text{Net Income} / \text{Average Total Assets}$ .
- **Return on Assets (ROA)** – Managers often measure the performance of a firm by the ratio of income to total assets. For this purpose, the following formula is used:  $\text{Return on Assets} = \text{Revenue} / \text{Average Total Assets}$ .

## CANVASSING SKEPTICS

NEXA conducted a series of interviews with senior company officials to determine the range of factors that may contribute to outstanding company performance. We also investigated what impact, if any, business aircraft may have on a company’s operating or financial performance at the shareholder value and enterprise levels.

First, we had to isolate mobility from other characteristics that make a high performance company, such as:

- Industrial sector, as some sectors have consistently outperformed others over many years (for example, technology sector versus the IT sector).
- Size and the ability to wield disproportionately greater resources to gain competitive advantage.
- Management skills, including vision, leadership, experiential depth of knowledge or superior strategy (such as a propensity to invest in technology).
- Mix of other items in its fixed asset portfolio, such as technology, systems, or even real estate, and their relative contribution to overall asset efficiency.

Because it was a key tenet of the project, we devoted significant attention to understanding the different utilization strategies for business aircraft. We also detailed a range of financial and non-financial benefits that accrue to users, as well as the associated profiles of each, resulting in the UBV framework previously discussed. We then set out to identify the correlation of linkages (strengths) between these three dimensions of business aircraft operation (UBV). This also offered a way of structuring the final analysis to prove, one way or the other, whether a “user edge” exists.

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“In analyzing the travel history of key executives, we found that due to the complexity of the multi-day trips, the commercial option often is not practical from a time saving and cost perspective.”

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—Insurance Executive

# RESULTS 2003-2009

## FINANCIAL RESULTS – 2003-2007

All results herein are reported via indexed relationship of user results over nonuser results. For example, revenue growth was measured from 2003 – 2007 and refined into a compound annual growth rate (CAGR), at which point the users' average CAGR is displayed indexed relative to non-users' average CAGR.

### REVENUE GROWTH AND PROFITABILITY

The user vs. nonuser discussion begins with a look at “top-line” revenue growth. Key drivers of revenue growth include a company’s ability to execute strategic transactions and alliances, and to out-compete others with speed to market. Visiting freshly identified clients or customers quickly can mean the difference between winning market share from a competitor and simply servicing existing business. Revenue growth is a good measure of a company’s ability to sustain earnings, and when combined with factors such as asset efficiency, point to a philosophy of strong re-investment in a company’s core and most profitable business. From 2003 to 2007 users of business aircraft grew their top line at 6 percent greater than the annualized rate of nonusers (116 percent on a weighted basis).

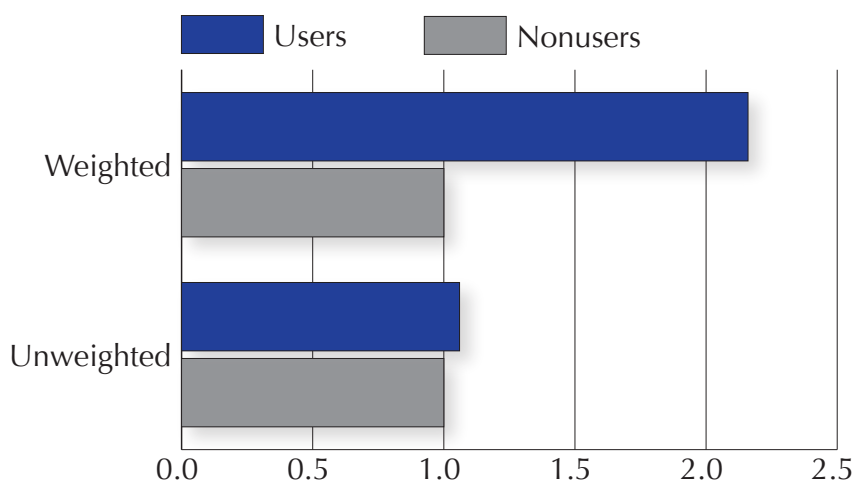


FIGURE 6: REVENUE GROWTH  
YEAR-OVER-YEAR INCREASE/DECREASE IN “TOP-LINE” SALES  
2003-2007

The next value drivers we examined were tied to earnings and profit growth. The largest disparity between users and nonusers came from this analysis. Over the course of the period 2003-2007, users could expect to earn bottom line net income at a rate 253 percent higher (434 percent weighted) than nonusers. On average, a business aviation user would have earned \$2.53 for every dollar earned by a nonuser. So one conclusion is that users are stratified in a different profitability class than nonusers.

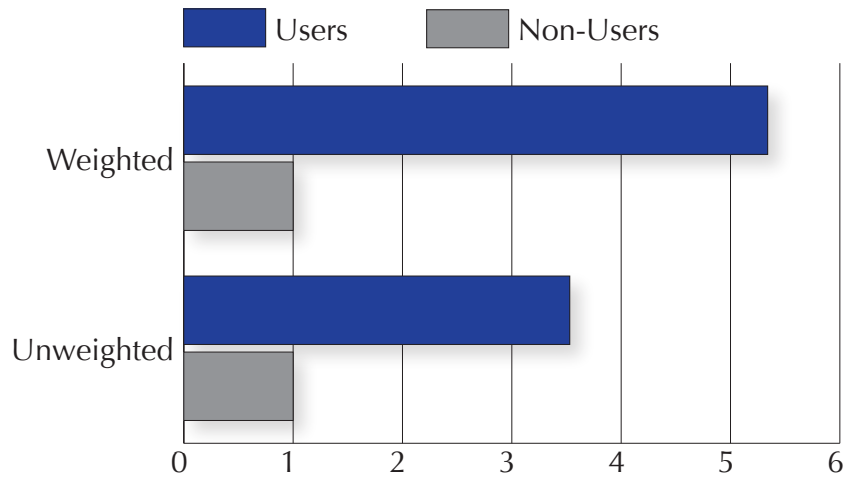


FIGURE 7: EARNINGS GROWTH  
YEAR-OVER-YEAR INCREASE/DECREASE IN "BOTTOM LINE" NET INCOME  
2003-2007

EBIT (Earnings Before Interest and Taxes) and EBITDA growth (Earnings Before Interest, Taxes, Depreciation, and Amortization) both provide a strong reflection of company momentum. Key contributors toward EBIT and EBITDA growth include a company's ability to contain costs and enhance productivity and quality. Users and nonusers share advantage when examining the EBIT and EBITDA metrics on an unweighted basis. However, once weighting the results, users hold a clear advantage.

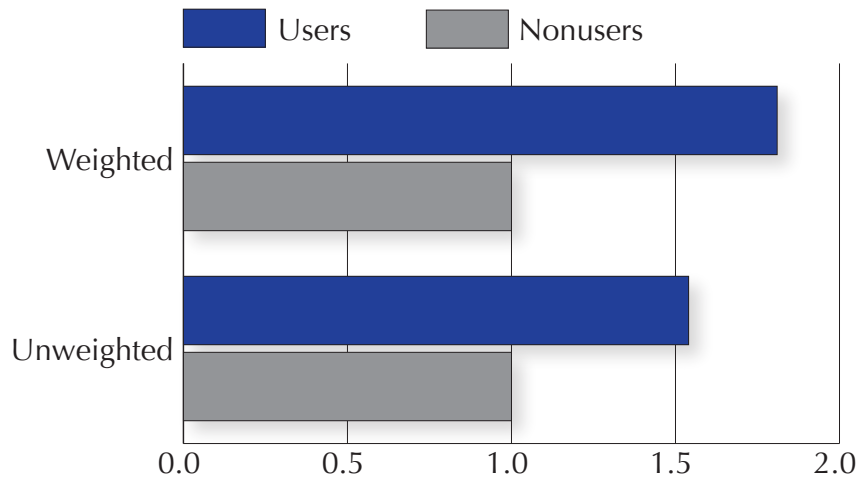
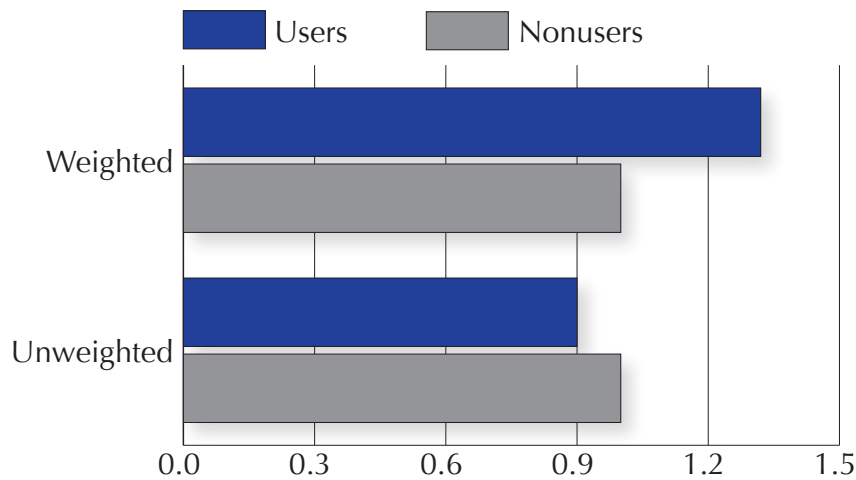


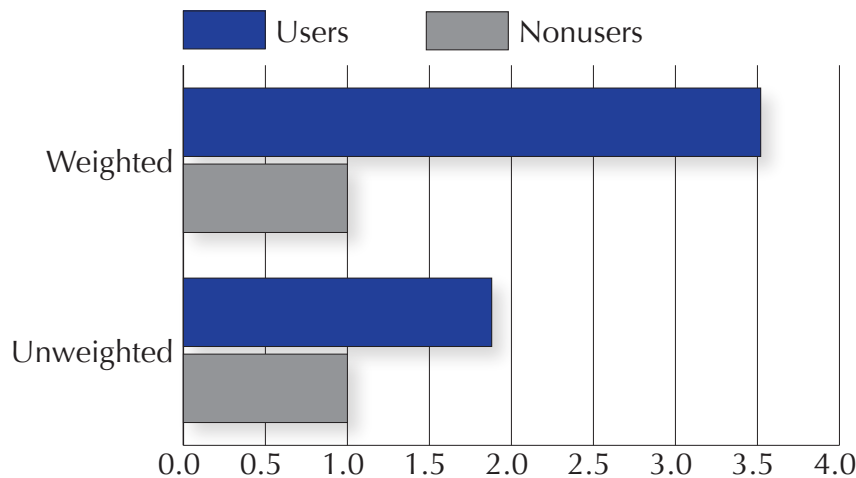
FIGURE 8: EBIT GROWTH  
YEAR-OVER-YEAR INCREASE/DECREASE IN EARNINGS  
BEFORE INTEREST AND TAXES  
2003-2007



**FIGURE 9: EBITDA GROWTH**  
**YEAR-OVER-YEAR INCREASE/DECREASE IN EARNINGS**  
**BEFORE INTEREST, TAXES, DEPRECIATION, AND AMORTIZATION**  
**2003-2007**

## SHAREHOLDER VALUE

As owning stock represents a partial ownership stake in a company, including all its equity, capitalization can be seen to represent the public opinion of a company's future worth. This public valuation adjusts every day in stock price fluctuations driven by opinions of investors and analysts who study the underlying drivers of shareholder value for clues as to future worth. Investors earn profits by realizing stock appreciation and earning dividends, if offered, on their shares. This total return metric (stock price plus dividend) encompasses the total value to shareholders. Companies utilizing business aircraft provided 88 percent (1.88 to 1) more total return to shareholders from 2003-2007 than nonusers (3.52 to 1 weighted).



**FIGURE 10: SHAREHOLDER RETURN**  
**YEAR-OVER-YEAR INCREASE/DECREASE IN STOCK PRICE AND DIVIDENDS**  
**2003-2007**

Again, it is important to clarify that our results should not be interpreted to infer that operating business aircraft will necessarily increase stock price. Whether or not to utilize aircraft as a business tool is merely one of many daily decisions made by management teams. Our analysis simply states business aviation is a common characteristic among this subset of firms.

Across the subset of our S&P analysis, on a weighted basis, users saw their market capitalization grow at almost double the rate of nonuser (1.95 to 1), and grew the advantage to almost 6 to 1 on a weighted scale (5.96 to 1).

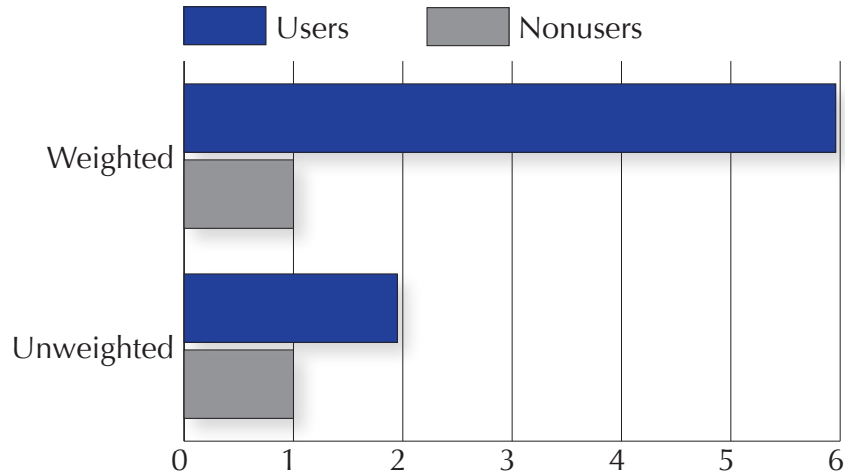


FIGURE 11: MARKET CAPITALIZATION GROWTH  
YEAR-OVER-YEAR INCREASE/DECREASE IN MARKET CAPITALIZATION  
2003-2007

Equity capital is contributed by outside investors in the form of an ownership stake in the business and provides another important tool to grow operational capability. Firms are regularly judged on their ability to produce returns on this capital, as this is a key metric to attract fresh equity as needed. Similar to return on assets, users realized 95 percent (496 percent weighted) greater return on equity over nonusers.

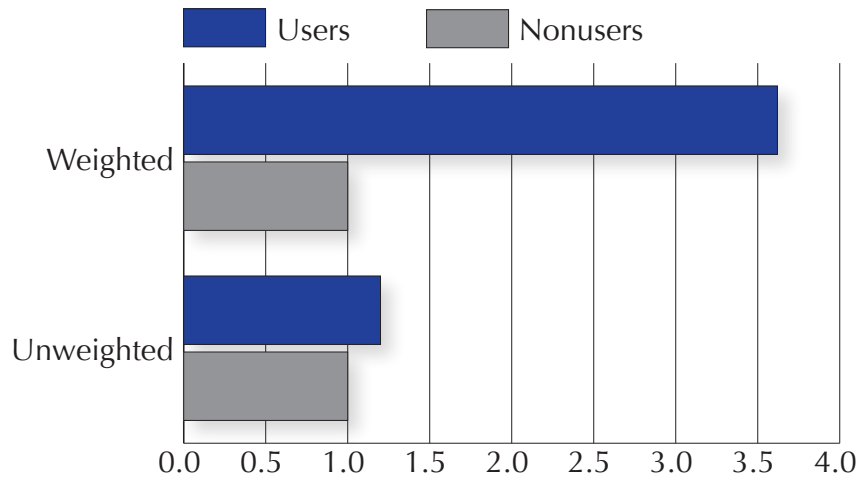


FIGURE 12: RETURN ON EQUITY  
FIVE-YEAR AVERAGE – NET INCOME TO AVERAGE STOCKHOLDER EQUITY RATIO  
2003-2007

## ASSET UTILIZATION

Finally, asset efficiency (ratio of sales to average total assets) also indicates how well a company deploys its assets to generate a given level of revenue and profitability. Companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset turnover. Our study looked at the improvement in the asset efficiency (turnover) metric to measure how successful firms were in increasing productivity of assets. Users appeared to come out ahead as well, producing the asset turnover ratios 20 percent higher than nonusers (153 percent weighted).

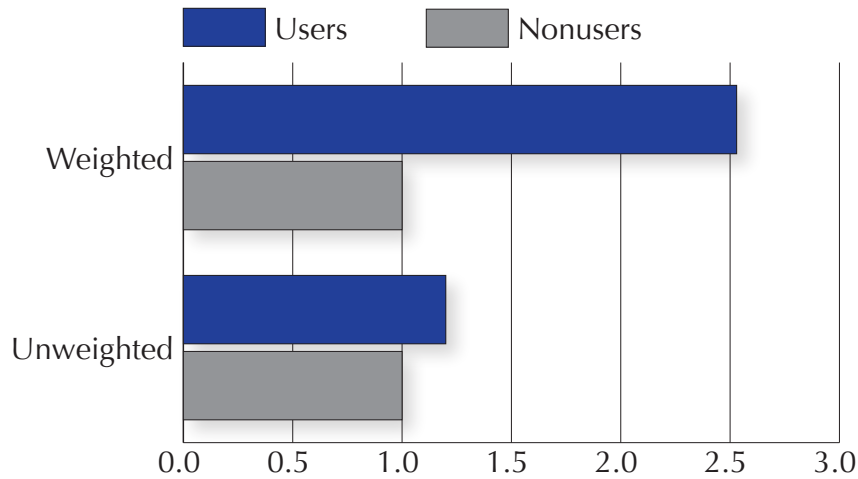


FIGURE 13: ASSET EFFICIENCY  
FIVE-YEAR AVERAGE – SALES TO AVERAGE ASSETS RATIO  
2003-2007

Revenue growth is important, but any asset base should also be measured in its ability to produce bottom line earnings. In our study, the average return on assets for users was 108 percent (318 percent: weighted) that of nonusers.

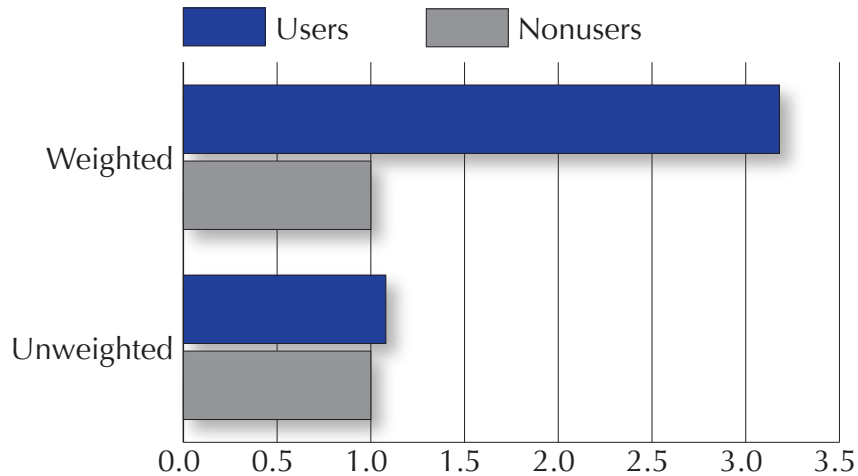


FIGURE 14: RETURN ON ASSETS  
FIVE-YEAR AVERAGE – NET INCOME TO AVERAGE ASSETS RATIO  
2003-2007



# FINANCIAL RESULTS 2008-2009

In our analysis of the S&P 500 operators and nonoperators, we wanted to isolate the effects of the recession that began in December 2007. From the initial list of 423 companies included in our investigation, 386 remained available for study during 2008, a 9 percent decrease resulting when merger, acquisition or, in several cases, bankruptcy filings rendered public financial information incomplete. Of course, complete 2009 data for every company analyzed was unavailable.

Since the end of 2007, across both users and nonusers, S&P 500 companies were faced with the painful realities of falling revenues, lower bottom lines, and substantial losses in market value and shareholder return. The entire S&P 500 Composite Index lost about 40 percent of its value during this difficult period. We extended the data analysis to the six-year period between 2003 and 2008 inclusive. Then we carefully analyzed the results to see if a recession would materially impact our conclusions in the prior section.

	Unweighted 03-07 (Users)	Weighted 03-07 (Users)	Unweighted 08 (Users)	Weighted 08 (Users)	Index (Nonusers)
Revenue Growth	1.06	2.16	1.01	1.73	1.00
Earnings Growth	3.53	5.34	0.86	5.94	1.00
EBIT Growth	1.54	1.81	0.42	1.20	1.00
EBITDA Growth	0.90	1.32	(0.52)	0.51	1.00
Total Return Growth	1.88	3.52	0.94	2.61	1.00
Market Value Growth	1.95	5.96	0.99	2.70	1.00
Average Asset Turnover	1.20	2.53	1.21	2.88	1.00
Average ROA	1.08	3.18	1.03	3.53	1.00
Average ROE	1.20	3.62	0.73	3.45	1.00

FIGURE 15: FINANCIAL RESULTS DURING 2008  
GENERALLY WERE CONSISTENT WITH THOSE OF 2003-2007

The answer was conclusive. Users continued to strongly outperform nonusers in almost every major financial category we analyzed. As shown in Figure 15, unweighted results showed that negative effects were uniform across most companies and sectors. However, on a weighted basis, larger companies were able to keep the outcomes conclusively in favor of business aircraft users.

Maintaining profits in the wake of a declining sales base is the central challenge for any company in a downturn and the 2008-2009 period was no different. Among our constituents, raw net income was off 35 percent (users) to 40 percent (nonusers). On a weighted basis, users seemed to have more success protecting their bottom line. They outgained nonusers by almost a six to one margin (5:94 to 1), as seen in Figure 16 on the next page.

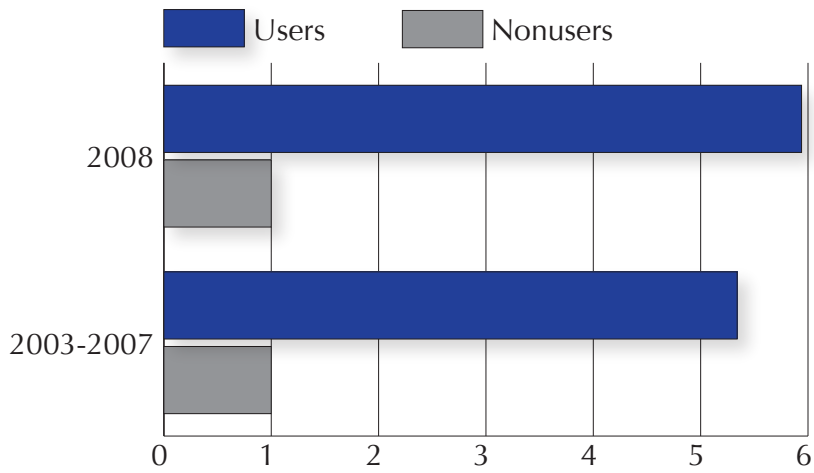


FIGURE 16: EARNINGS GROWTH, WEIGHTED

Similarly, the capability to coax the most value from existing assets is paramount. Firms are forced to rely even more heavily on their fixed and intangible assets in times of financial strain and as this strain is amplified in a turbulent economy, so too is the significance of management decision making. Correctly judging when and where to concentrate resources can help successfully navigate rough markets. A key finding in our study is that 2008 asset efficiency and return on assets (Figures 17 and 18, respectively) for users actually increased relative to nonusers when compared to the 2003-2007 period.

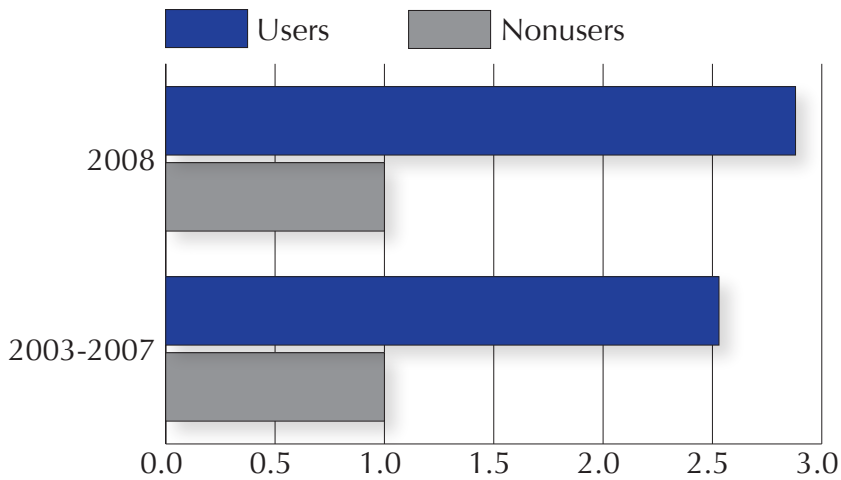


FIGURE 17: ASSET EFFICIENCY, WEIGHTED

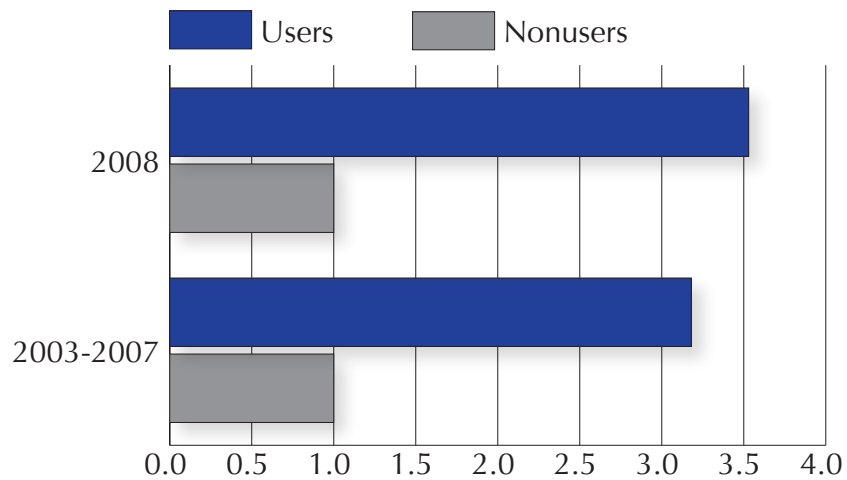


FIGURE 18: RETURN ON ASSETS, WEIGHTED

The downturn in the U.S. economy beginning in December 2007 has had a serious impact on business aircraft flight hours, according to our interviews. Companies surveyed report an across-the-board belt-tightening and a more careful scrutiny of all costs. “There is tremendous pressure on expenses, whether business aviation or the company Christmas party,” said one S&P 500 executive.

Many companies have reduced business aircraft flight hours by 20-40 percent, according to most participants in our interviews. When they do use their aircraft, they spend extra effort to ensure that the trip will be high productivity, with multiple stops, and multiple passengers. Due to across-the-board cost reductions, companies admitted canceling long-standing orders of new jets in 2009, instead keeping the old ones they had been planning to sell.

Has the negative publicity affected the use of business aviation? Not much, according to our respondents. Flight hours are down in most instances, we were told, as a result of a sluggish economy, fewer orders from customers, and company-wide belt-tightening, not as a result of fear of bad press. Our respondents emphasized that negative publicity would not result in poor financial choices. However, given the attention to company flights departments, most companies want their use of aircraft to stay out of the limelight.

Our results again point to the fact that top performing companies, even in adverse economic circumstances, are willing to do the right thing with their flight departments, rather than what is politically expedient. Corporate boards and industry leaders will better serve their shareholders, we contend, when they begin to understand that business aviation is a tool that provides a unique competitive benefit to corporate America, in tough times as well as in times of economic growth and prosperity.

50 Most Innovative Companies  
Business Week 2009

95%

#	Enterprise
1	Apple
2	Google
3	Toyota Motor
4	Microsoft
5	Nintendo
6	IBM
7	Hewlett-Packard
8	Research In Motion
9	Nokia
10	Wal-Mart Stores
11	Amazon.com
12	Procter & Gamble
13	Tata Group
14	Sony
15	Reliance Industries
16	Samsung Electronics
17	General Electric
18	Volkswagen
19	McDonalds
20	BMW
21	Walt Disney
22	Honda Motor
23	AT&T
24	Coca-Cola
25	Vodafone
26	Infosys
27	LG Electronics
28	Telefónica
29	Daimler
30	Verizon Communications
31	Ford Motor
32	Cisco Systems
33	Intel
34	Virgin Group
35	ArcelorMittal
36	HSBC Holdings
37	ExxonMobil
38	Nestlé
39	Iberdrola
40	Facebook
41	3M
42	Banco Santander
43	Nike
44	Johnson & Johnson
45	Southwest Airlines
46	Lenovo
47	JPMorgan Chase
48	Fiat
49	Target
50	Royal Dutch Shell

100 Best Places To Work  
Fortune 2009

86%

#	Enterprise
1	NetApp
2	Edward Jones
3	Boston Consulting Group
4	Google
5	Wegmans Food Markets
6	Cisco Systems
7	Genentech
8	Methodist Hospital System
9	Goldman Sachs
10	Nugget Market
11	Adobe Systems
12	Recreational Equipment (REI)
13	Devon Energy
14	Robert W. Baird
15	W. L. Gore & Associates
16	Qualcomm
17	Principal Financial Group
18	Shared Technologies
19	OhioHealth
20	SAS
21	Arnold & Porter
22	Whole Foods Market
23	Zappos.com
24	Starbucks
25	Johnson Financial Group
26	Aflac
27	QuikTrip
28	PCL Construction Enterprises
29	Quicken Loans
30	Bingham McCutchen
31	CarMax
32	Container Store
33	JM Family Enterprises
34	Umpqua Bank
35	Kimley-Horn & Associates
36	Alston & Bird
37	TDIndustries
38	Microsoft
39	Paychex
40	EOG Resources
41	Camden Property Trust
42	Plante & Moran
43	Rackspace Hosting
44	NuStar Energy
45	King's Daughters Medical Cntr.
46	American Fidelity Assurance
47	DreamWorks Animation SKG
48	Mattel
49	Intuit
50	Burns & McDonnell
51	Ernst & Young
52	Booz Allen Hamilton
53	Stew Leonard's
54	Erickson Retirement Communities
55	Salesforce.com
56	KPMG
57	Novo Nordisk
58	PricewaterhouseCoopers
59	Scripps Health
60	Scottrade
61	Deloitte
62	Griffin Hospital
63	Mayo Clinic
64	Milliken
65	Texas Instruments
66	MITRE
67	Children's Healthcare of Atlanta
68	Southern Ohio Medical Center
69	National Instruments
70	Stanley
71	Men's Wearhouse
72	Nordstrom
73	Chesapeake Energy
74	Alcon Laboratories
75	Atlantic Health
76	Lehigh Valley H&H Network
77	Northwest Community Hospital
78	Marriott International
79	Baptist Health South Florida
80	Bright Horizons
81	S.C. Johnson & Son
82	Perkins Coie
83	eBay
84	Juniper Networks
85	Arkansas Children's Hospital
86	CH2M HILL
87	Orrick Herrington & Sutcliffe
88	Publix Super Markets
89	Herman Miller
90	FedEx
91	Gilbane
92	Four Seasons Hotels
93	Valero Energy
94	Build-A-Bear Workshop
95	Kimpton Hotels & Restaurants
96	T-Mobile
97	Accenture
98	Vanderbilt University
99	General Mills
100	SRA International

25 Best Customer Service  
Business Week 2009

90%

#	Enterprise
1	Amazon.Com
2	USAA
3	Jaguar
4	Lexus
5	The Ritz-Carlton
6	Publix Super Markets
7	Zappos.Com
8	Hewlett-Packard
9	T. Rowe Price
10	Ace Hardware
11	Keybank
12	Four Seasons Hotels & Resorts
13	Nordstrom
14	Cadillac
15	Amica
16	Enterprise Rent-A-Car
17	American Express
18	Trader Joe's
19	Jetblue Airways
20	Apple
21	Charles Schwab
22	Bmw
23	True Value
24	L.L. Bean
25	JW Marriott

100 Best Brands  
Business Week/Interbrand 2008

98%

#	Enterprise
1	Coca-Cola
2	IBM
3	Microsoft
4	GE
5	Nokia
6	Toyota
7	Intel
8	McDonalds
9	Disney
10	Google
11	Mercedes Benz
12	HP
13	BMW
14	Gillette
15	American Express
16	Louis Vitton
17	Cisco
18	Marlboro(Altria)
19	Citi
20	Honda
21	Samsung
22	H&M
23	Oracle
24	Apple
25	Sony
26	Pepsi
27	HSBC
28	Nescafe
29	Nike
30	UPS
31	SAP
32	Dell
33	Budweiser
34	Merrill Lynch
35	IKEA
36	Canon
37	JPMorgan
38	Goldman Sachs
39	Kellogg's
40	Nintendo
41	UBS
42	Morgan Stanley
43	Philips
44	Thomson Reuters
45	Gucci
46	Ebay
47	Accenture
48	Siemens
49	Ford
50	Harley Davidson
51	L'Oreal
52	MTV
53	VW
54	AIG
55	AXA
56	Heinz
57	Colgate
58	Amazon.com
59	Xerox
60	Chanel
61	Wrigley
62	ZARA
63	Nestle
64	KFC
65	Yahoo!
66	Danone
67	Audi
68	Caterpillar
69	AVON
70	Adidas
71	Rolex
72	Hyundai
73	Blackberry
74	Kleenex
75	Porsche
76	Hermes
77	GAP
78	Panasonic
79	Cartier
80	Tiffany & Co.
81	Pizza Hut
82	Allianz
83	Moet & Chandon
84	BP
85	Starbucks
86	ING
87	Motorola
88	Duracell
89	Smirnoff
90	Lexus
91	Prada
92	Johnson & Johnson
93	Ferrari
94	Giorgia Armani
95	Hennessy
96	Marriott
97	Shell
98	Nivea
99	FedEx
100	Visa

50 World's Most Admired  
Fortune 2009

95%

#	Enterprise
1	Apple
2	Berkshire Hathaway
3	Toyota Motor
4	Google
5	Johnson & Johnson
6	Procter & Gamble
7	FedEx
8	Southwest Airlines
9	General Electric
10	Microsoft
11	Wal-Mart Stores
12	Coca-Cola
13	Walt Disney
14	Wells Fargo
15	Goldman Sachs Group
16	McDonald's
17	IBM
18	3M
19	Target
20	J.P. Morgan Chase
21	PepsiCo
22	Costco Wholesale
23	Nike
24	Nordstrom
25	Exxon Mobil
26	Bank of America
27	United Parcel Service
28	BMW
29	American Express
30	Hewlett-Packard
31	Cisco Systems
32	Honda Motor
33	Singapore Airlines
34	Starbucks
35	Caterpillar
36	Intel
37	Marriott International
38	Nestlé
39	Sony
40	Boeing
41	Deere
42	Nokia
43	Northwestern Mutual
44	Best Buy
45	General Mills
46	Toyota Industries
47	Lowe's
48	AT&T
49	Accenture
50	Samsung Electronics

100 Best Corporate Citizens  
The CRO 2009

90%

#	Enterprise
1	Bristol Myers-Squibb
2	General Mills
3	IBM
4	Merck
5	HP
6	Cisco Systems
7	Mattel
8	Abbott Laboratories
9	Kimberly-Clark
10	Entergy
11	Exxon Mobil
12	Wisconsin Energy
13	Intel
14	Procter & Gamble
15	Hess
16	Xerox
17	3M
18	Avon Products
19	Baxter International
20	Monsanto
21	State Street
22	Johnson Controls Inc
23	Symantec
24	GAP
25	Duke Energy
26	Nike
27	Sonoco Products
28	PG&E
29	Chevron
30	H.J. Heinz
31	Eaton
32	Verizon Communications
33	Yum! Brands
34	Dell
35	Citigroup Inc
36	Schering-Plough
37	Weyerhaeuser
38	Sara Lee
39	Newmont Mining
40	Hormel Foods
41	Motorola
42	Kohl's
43	Oracle
44	ConocoPhillips
45	Northern Trust
46	AMD
47	Microsoft
48	EMC
49	Dow Chemical
50	Rohm & Haas
51	Whirlpool
52	General Electric
53	Pfizer
54	ITT Corporation
55	Alcoa
56	Coca-Cola
57	Genentech
58	Time Warner
59	Texas Instruments
60	Sun Microsystems
61	Black & Decker
62	Reynolds American
63	Boeing
64	Wells Fargo
65	Starbucks
66	Freeport-McMoran Copper & Gold
67	Ball
68	U.S. Bancorp
69	Applied Materials
70	Xilinx
71	Agilent Technologies
72	Xcel Energy
73	Colgate-Palmolive
74	Best Buy
75	Occidental Petroleum
76	Limited Brands
77	Apple
78	Apollo Group
79	Staples
80	Accenture Ltd.
81	CB Richard Ellis Group
82	Stericycle
83	Norfolk Southern
84	Pitney Bowes
85	Pepsico
86	Fluor
87	McDonald's
88	Allstate
89	El Paso
90	Jones Lang Lasalle
91	Smithfield Foods
92	Aflac
93	JPMorgan Chase
94	Marathon Oil
95	Genzyme
96	Synopsis
97	Becton, Dickinson
98	Ansys
99	Safeway
100	Goldman Sachs Group

# NONFINANCIAL RESULTS 2008-2009

## BUSINESS AVIATION WITHIN THE “BEST OF THE BEST”

As mentioned earlier in this report, key drivers of enterprise value include financial and nonfinancial measures. Figure 4 on page 12 illustrates the value drivers important for maximizing enterprise value. While this report uses S&P 500 data to analyze the financial drivers of revenue growth, profit growth and asset efficiency of business aircraft users, a different approach is used to correlate such companies with the nonfinancial value drivers.

Why are nonfinancial value drivers important? Companies seek long-term value creation as a priority. Success delivers higher market capitalization (EV) ensuring superior shareholder return and unfettered access to capital markets for further growth. Since enterprise value is market driven and based on share price, it cannot be directly controlled. But most EV drivers can be managed to build future value. This orientation enables top executives to seek an efficient alignment of their company’s employees, processes and systems needed to promote increased shareholder value. The market sets share price based upon future expectations. Value-based management seeks to improve a company’s operating performance and deliver the promise of that activity to the market in terms it will understand and accept.

Four key nonfinancial value drivers are customer satisfaction, employee satisfaction, innovation and risk management and compliance. It would be difficult to study the S&P 500 for these value drivers, so instead we analyzed business aircraft use within “Best of the Best” lists.

We found that in 2009:

- For the “50 Most Innovative Companies,” a compilation produced by *BusinessWeek*,<sup>1</sup> 22 S&P 500 companies made the list. Of these, 95 percent were business aircraft users.
- For the “100 Best Places to Work,” a compilation produced by *Fortune*,<sup>2</sup> 21 S&P 500 companies made the list. Of these, 86 percent were business aircraft users.
- For the “25 Best Customer Service Corporations,” a compilation produced by *BusinessWeek*,<sup>3</sup> 10 S&P 500 companies made the list. Of these, 90 percent were business aircraft users.
- For the “100 Best Brands,” a compilation produced by *BusinessWeek* and Interbrand (2008),<sup>4</sup> 45 S&P 500 companies made the list. Of these, 98 percent were business aircraft users.
- For the “50 World’s Most Admired” companies, a compilation produced by *Fortune*,<sup>5</sup> 37 S&P 500 companies made the list. Of these, 98 percent were business aircraft users.
- Finally, for the “100 Best Corporate Citizens,” a compilation produced by *The CRO*,<sup>6</sup> 90 S&P 500 companies made the list. Of these, 90 percent were business aircraft users.

A coincidence? We think not. Business aviation remains a potent business tool for U.S. companies that use aircraft and the mobility these assets provide for domestic and international competitive advantage.

In many cases, the use of business aircraft has distinguished successful companies from their peers. Evidence provided by our S&P 500 analysis and CFO surveys strongly correlate business aircraft benefits with shareholder and enterprise value creation.

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1 *BusinessWeek* magazine, April 20, 2009

2 *Fortune* magazine, February 2, 2009

3 *BusinessWeek* magazine, March 2, 2009

4 *BusinessWeek* magazine, September 29, 2008

5 *Fortune* magazine, March 16, 2009

6 *The CRO* magazine, Corporate Responsibility Officers Association, January/February, 2009

# HELICOPTERS

## HOW HELICOPTERS DRIVE VALUE

Our review of business aviation also included the utilization of helicopters for both commercial and government use. Helicopters are unique in their operational capabilities, providing:

- Close-in access to thousands of heliports and impromptu landing facilities in addition to public and private use airports
- Unique surveillance, assessment or surveying opportunities due to their ability to hover over a fixed point
- Unparalleled point-to-point flexibility

For these reasons, rotor craft are often used in congested or isolated areas where fixed-wing aircraft cannot take off or land, making them the vehicle of choice for tasks that were previously not possible with other aircraft. Today, helicopters provide a variety of uses, including transportation of people for business, law enforcement, air ambulance, electronic news gathering, construction, fire fighting, search and rescue, and military functions among others. Due to the breadth of applications, helicopters have become favored for many commercial and government applications.

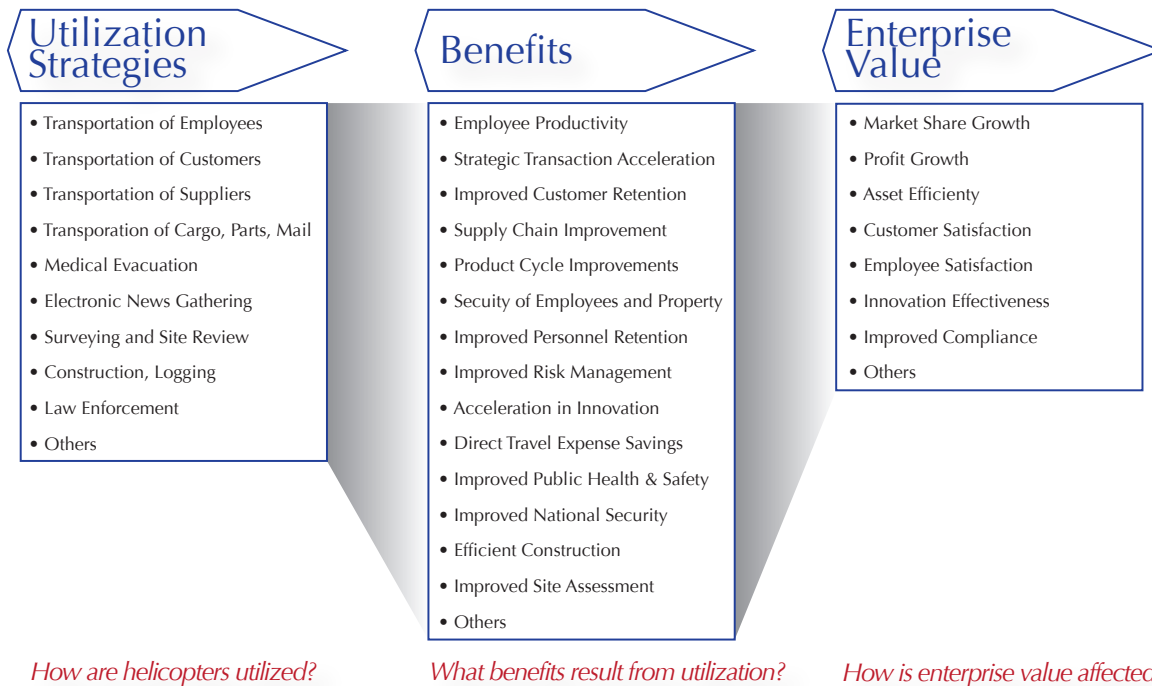


FIGURE 19: THE UBV EQUATION IS UNIQUE FOR HELICOPTERS AS THEIR CAPABILITIES AT TIMES EXCEED THAT OF FIXED-WING AIRCRAFT

**Private and Commercial Transportation** – For business users, helicopters enable firms to take advantage of key characteristics based on mobility and rapid response and deployment. Time sensitive commutes or travel over inhospitable terrain with little or no airfield service creates a vital niche for vertical takeoffs and landings. Hovering and low airspeed capabilities also create opportunities to carry out operations at low altitudes, offering an additional dimensional perspective for observation or insertion. Helicopters can provide the added synergy of addressing the inherent gap in geographic coverage of fixed-wing aircraft. This incremental benefit can provide aerial operational and transportation access to any location.

**Remote Airlift** – The availability of deployment options makes helicopters crucial tools for transportation to and from remote locations and rough terrain. Oil and gas companies comprise one

of the largest users of helicopter capabilities, servicing offshore oil platforms and remote pipeline construction and maintenance. Many foresee these Gulf of Mexico operations as early adopters of the satellite-based Next Generation Air Transportation System.

**Cargo / Construction** – In addition to transporting cargo and personnel to geographically-challenging construction sites, helicopters represent stellar assets during operations. Their ability to hover over a fixed point offers a unique and valuable perspective.

**Surveillance / Mapping** – Rotor-based flight yields low airspeed flight handling unmatched by other aircraft. Observation and surveillance can be focused on specific marks using stabilized hovering and obstacle avoidance, offering the potential to map or inspect surface-level targets at controlled speeds and multiple passes. Utilities and surveyors can follow preconceived grid patterns to track environmental variation over time or geography. These applications can also extend into border protection and crime prevention, as well as aerial photography.

**Public Safety** – Unmatched in speed of deployment, helicopters are natural vehicles for first responders. Medivac and air ambulance services provide minimized reaction delays and reduced time to treatment. They also grant superlative surveillance for search and rescue operations, in addition to law enforcement, border security, and drug interdiction.

**Disaster Relief** – After experiencing the historical successes of rotor aircraft in military situations, government use of helicopters has accelerated. Transportation into and out of problem areas has saved thousands of lives by delivering much needed supplies or rescuing those stranded by natural disasters, according to the U.S. Forest Service, helicopters have proven superior to fixed-wing aircraft in their ability to hover and maintain visibility around obstacles, especially in mountainous terrain.

Because of the uses noted above (and many others), helicopters continue to gain in popularity. Business users are increasingly adding helicopters to provide incremental lift to their flight departments when distance and deployment limitations create utilization gaps for fixed-wing aircraft that often can best be addressed with helicopters.

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“We responded to the negative publicity by arming our executives with information regarding operational costs vs. value and time savings so that they can talk about why business aviation is a good deal for them and for the company.”

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— *S&P 500  
Energy Executive*

# CONCLUSION

Today tens of thousands of companies fly millions of passengers annually aboard more than 26,000 U.S.-registered turbine-powered general aviation aircraft operated primarily for business purposes. Thousands of business aircraft flights occur on a typical day, a count which notably includes many flights to thousands of airports without scheduled commercial airline service. Companies “acquire lift” via traditional whole aircraft ownership, by employing management companies to help them operate whole aircraft or fractional-owned aircraft shares, or via charter or “jet cards.”

Since the 1920s, when business aviation first began to emerge as a business tool, the hundreds of millions of flight hours flown using business aircraft indicate that business aviation has made and continues to make good business sense for the hundreds of thousands of managers, executives, directors and others who have authorized the practice.

This report carries a powerful message to corporate boards, government policy makers and industry leaders: Business aviation is a tool that provides a unique competitive benefit to American companies, manifesting in higher shareholder and enterprise value. Further, in its unique role, business aviation is without substitute.

Business aircraft can make a substantial difference in how a company performs its mission, in many cases making a direct contribution to the drivers of shareholder and enterprise value. Increased mobility is at the core of these gains – satisfying management’s need for greater organizational agility, knowledge integration and transaction speed.

A key finding of our study is that a company’s culture often determines how effectively it uses and benefits from business aircraft. We explain four cultural performance orientations below:

**Strategic transaction orientation** – Being able to facilitate critical transactions is most regularly associated with direct shareholder value creation. One company was able to seize an overseas market because its fleet enabled management to be sufficiently agile and flexible. Accelerated transaction value has become a critical component to several industry sectors, especially those in consolidation.

**Customer service orientation** – Time-sensitive requirements, such as emergency customer services, support sales retention and sales growth and could be most efficiently met by some companies using business aircraft.

**Process and quality improvement orientation** – Our interviewees extensively cite the advantages of being better able to manage and execute far-flung operations. Business aircraft enable executives to visit multiple locations, sometimes more than once a year, by customizing schedules not possible on commercial airlines. Executives are able to review operations, efficiency, quality, and customer service. We observed that benefits accruing from use of business aircraft contribute directly to shareholder value creation at multiple levels, including profitability, asset efficiency, market share growth, and customer satisfaction.

**Meritocracy orientation** – When a company uses aircraft to treat employees as an important asset, they achieve uncommon results. Because the workday can be lengthened without sacrificing employee family time, shuttling employees between company facilities offers significant productivity gains. Enhanced employee safety and security, as well as the security of intellectual property, are a characteristic of this orientation.

Business aircraft are assets whose contribution to financial and operational performance can be isolated from other assets in the organization’s portfolio. Although some of our respondents monitored this contribution on a direct cost basis, their intimate knowledge of the role of these assets in mission execution uniquely qualify them to correlate their contribution to business performance.

They note that strong interdependencies are established between an organization’s aircraft utiliza-

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“Using our jets, we can accomplish in one 8-hour day what would otherwise take three 12-hour days using the airlines. Our employees are home at night. They come to work the next day rested and refreshed.”

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—Cargo Executive



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“Our executives spend extra effort to make sure that when they take the business jet the trip is high productivity, with multiple stops in one day and usually six to eight people onboard.”

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—S&P 500  
Technology Executive

tion strategies, associated benefits, and key drivers of shareholder value. We found through our management surveys that the common availability of business aircraft could influence employee and management attitudes regarding market access and business potential, workforce efficiencies and performance, employee retention, and company culture. In short, if used wisely and aggressively, business aircraft could alter a company’s business practices and performance for the better.

Our study and findings confirm that under the right conditions (mission, competitive market position, management style, cultural orientation, and other factors included) using a business aircraft can improve a company’s bottom line performance and the value delivered to its shareholders. In our CFO surveys more than 75 percent of respondents confirmed that disposing of their business aircraft could, for the same reasons, potentially harm their company’s value. For companies having certain missions, we find that there is often no ready substitute for business aircraft without diminishing company performance or losing new business opportunities.

Before deciding to embrace or disregard the benefits often derived from operating business aircraft, management should carefully consider the factors we have outlined in this study, and understand the impact of this important asset on the company’s core mission and on the drivers of shareholder and enterprise value.

Although we have identified more than 30 uses for business aircraft, more than 40 benefits that accrue from those uses and 9 value drivers those benefits affect, it is important to note that the use of business aircraft is not appropriate under all conditions. Although there is wide consensus that business aircraft can be a remarkable business tool under many circumstances, business aircraft exist as a complement to scheduled commercial service or to facilitate airline connections. In this context, there are many times where the airlines should be, and are, utilized. Criteria which should trigger heightened management consideration of scheduled commercial service include:

- Long distance single-destination trips
- Trips between origins and destinations with frequent nonstop airline service
- Trips with low load factors of low level employees
- Any use that is likely to be perceived as an abuse of the asset if publicized
- Any use that will be perceived as an undeserved personal benefit

What emerges, when wise business judgment plays a role, is that business aircraft can be the optimum tool for a given mission, but that that conclusion depends entirely upon the circumstances at hand. The tactical business decision to use one travel option over another should be a constructive, healthy one. Strategic guidance for that decision – including the quality and relevance of business aircraft use policies, business aviation’s role in support of the enterprise’s overall strategic plan, etc. – will be addressed in detail in Part II of this report.

There is a second influence at play. Despite its positive history and performance, the use of business aircraft still is not universally understood or accepted, for several reasons. The benefits of business aircraft use are complex and difficult to quantify fully and thus easily explain. Management also can rightly view business aircraft use as a proprietary business strategy to be closely held.

The true challenge for progressive companies is to determine how business aircraft can best maximize shareholder and enterprise value through support of company goals. Lack of understanding of business aviation does not make the use of business aircraft less valuable, but it does increase the need for discipline by management to use the asset dynamically and well. This requires continual planning and implementation in a fashion no different than that practiced across the business lines of the highest performing companies.

In the meantime, the use of business aircraft has proven itself as a competitive advantage that the highest performers learned to capitalize on some time ago.

# COMPANIES WITHIN THE STANDARD & POOR'S 500 ANALYZED

#	SYMBOL	CATEGORY	ENTERPRISE			
1	MMM	Industrials	3M CO	106	CAG	Consumer Staples
2	ABT	Health Care	ABBOTT LABORATORIES	107	COP	Energy
3	ACE	Financials	ACE LTD	108	ED	Utilities
4	ADCT	Information Technology	ADC TELECOMMUNICATIONS INC	109	CEG	Utilities
5	ADBE	Information Technology	ADOBE SYSTEMS INC	110	CVG	Information Technology
6	AMD	Information Technology	ADVANCED MICRO DEVICES	111	CBE	Industrials
7	AES	Utilities	AES CORP. (THE)	112	GLW	Information Technology
8	AET	Health Care	AETNA INC	113	COST	Consumer Staples
9	AFL	Financials	AFLAC INC	114	CFC	Financials
10	A	Information Technology	AGILENT TECHNOLOGIES INC	115	CSX	Industrials
11	APD	Materials	AIR PRODUCTS & CHEMICALS INC	116	CMI	Industrials
12	AA	Materials	ALCOA INC	117	CVS	Consumer Staples
13	AYE	Utilities	ALLEGHENY ENERGY INC	118	DHR	Industrials
14	ATI	Materials	ALLEGHENY TECHNOLOGIES INC	119	DRI	Consumer Discretionary
15	AGN	Health Care	ALLERGAN INC	120	DE	Industrials
16	AW	Industrials	ALLIED WASTE INDUSTRIES INC	121	DELL	Information Technology
17	ALL	Financials	ALLSTATE CORP	122	DVN	Energy
18	AT	Telecommunication	ALLTEL CORP	123	DDS	Consumer Discretionary
19	ALTR	Information Technology	ALTERA CORP	124	DIS	Consumer Discretionary
20	MO	Consumer Staples	ALTRIA GROUP INC	125	DG	Consumer Discretionary
21	ABK	Financials	AMBAC FINANCIAL GP	126	D	Utilities
22	AEE	Utilities	AMEREN CORP	127	RRD	Industrials
23	AEP	Utilities	AMERICAN ELECTRIC POWER CO	128	DOV	Industrials
24	AXP	Financials	AMERICAN EXPRESS CO	129	DOW	Materials
25	AIG	Financials	AMERICAN INTERNATIONAL GROUP	130	DJ	Consumer Discretionary
26	ABC	Health Care	AMERISOURCEBERGEN CORP	131	DTE	Utilities
27	AMGN	Health Care	AMGEN INC	132	DD	Materials
28	APC	Energy	ANADARKO PETROLEUM CORP	133	DUK	Utilities
29	ADI	Information Technology	ANALOG DEVICES	134	DYN	Utilities
30	BUD	Consumer Staples	ANHEUSER-BUSCH COS INC	135	EMN	Materials
31	AOC	Financials	AON CORP	136	EK	Consumer Discretionary
32	APA	Energy	APACHE CORP	137	ETN	Industrials
33	AIV	Financials	APARTMENT INVT & MGMT -CL A	138	EBAY	Information Technology
34	APOL	Consumer Discretionary	APOLLO GROUP INC -CL A	139	ECL	Materials
35	AAPL	Information Technology	APPLE INC	140	EIX	Utilities
36	ABI	Health Care	APPLIED BIOSYSTEMS INC	141	EP	Energy
37	AMAT	Information Technology	APPLIED MATERIALS INC	142	ERTS	Information Technology
38	ADM	Consumer Staples	ARCHER-DANIELS-MIDLAND CO	143	EDS	Information Technology
39	ASH	Materials	ASHLAND INC	144	EMC	Information Technology
40	T	Telecommunication	AT&T INC	145	EMR	Industrials
41	ADSK	Information Technology	AUTODESK INC	146	ETR	Utilities
42	ADP	Information Technology	AUTOMATIC DATA PROCESSING	147	EOG	Energy
43	AN	Consumer Discretionary	AUTONATION INC	148	EFX	Industrials
44	AZO	Consumer Discretionary	AUTOZONE INC	149	EQR	Financials
45	AV	Information Technology	AVAYA INC	150	EXC	Utilities
46	AVY	Industrials	AVERY DENNISON CORP	151	ESRX	Health Care
47	AVP	Consumer Staples	AVON PRODUCTS	152	XOM	Energy
48	BHI	Energy	BAKER HUGHES INC	153	FDO	Consumer Discretionary
49	BLL	Materials	BALL CORP	154	FNM	Financials
50	BAC	Financials	BANK OF AMERICA CORP	155	FRE	Financials
51	BK	Financials	BANK OF NEW YORK MELLON CORP	156	FII	Financials
52	BCR	Health Care	BARD (C.R.) INC	157	FDX	Industrials
53	BOL	Health Care	BAUSCH & LOMB INC	158	FITB	Financials
54	BAX	Health Care	BAXTER INTERNATIONAL INC	159	FDC	Information Technology
55	BBT	Financials	BB&T CORP	160	FHN	Financials
56	BSC.1	Financials	BEAR STEARNS COMPANIES INC	161	FE	Utilities
57	BDX	Health Care	BECTON DICKINSON & CO	162	FISV	Information Technology
58	BBBY	Consumer Discretionary	BED BATH & BEYOND INC	163	FLR	Industrials
59	BMS	Materials	BEMIS CO INC	164	F	Consumer Discretionary
60	BBY	Consumer Discretionary	BEST BUY CO INC	165	FRX	Health Care
61	BIG	Consumer Discretionary	BIG LOTS INC	166	FO	Consumer Discretionary
62	BIIB	Health Care	BIOGEN IDEC INC	167	FPL	Utilities
63	BMET	Health Care	BIOMET INC	168	BEN	Financials
64	BJS	Energy	BJ SERVICES CO	169	FCX	Materials
65	BDK	Consumer Discretionary	BLACK & DECKER CORP	170	GCI	Consumer Discretionary
66	HRB	Consumer Discretionary	BLOCK H & R INC	171	GPS	Consumer Discretionary
67	BMC	Information Technology	BMC SOFTWARE INC	172	GD	Industrials
68	BA	Industrials	BOEING CO	173	GE	Industrials
69	BSX	Health Care	BOSTON SCIENTIFIC CORP	174	GIS	Consumer Staples
70	BMJ	Health Care	BRISTOL-MYERS SQUIBB CO	175	GM	Consumer Discretionary
71	BRCM	Information Technology	BROADCOM CORP	176	GPC	Consumer Discretionary
72	BF.B	Consumer Staples	BROWN-FORMAN -CL B	177	GENZ	Health Care
73	BC	Consumer Discretionary	BRUNSWICK CORP	178	GS	Financials
74	BNI	Industrials	BURLINGTON NORTHERN SANTA FE	179	GR	Industrials
75	CA	Information Technology	CA INC	180	GT	Consumer Discretionary
76	CPB	Consumer Staples	CAMPBELL SOUP CO	181	GWV	Industrials
77	COF	Financials	CAPITAL ONE FINANCIAL CORP	182	HAL	Energy
78	CAH	Health Care	CARDINAL HEALTH INC	183	HOG	Consumer Discretionary
79	CCL	Consumer Discretionary	CARNIVAL CORP/PLC (USA)	184	0086B	Consumer Discretionary
80	CAT	Industrials	CATERPILLAR INC	185	HIG	Financials
81	CBS	Consumer Discretionary	CBS CORP	186	HAS	Consumer Discretionary
82	CNP	Utilities	CENTERPOINT ENERGY INC	187	HNZ	Consumer Staples
83	CTX	Consumer Discretionary	CENTEX CORP	188	HPC	Materials
84	CTL	Telecommunication	CENTURYTEL INC	189	HSY	Consumer Staples
85	CVX	Energy	CHEVRON CORP	190	HES	Energy
86	CB	Financials	CHUBB CORP	191	HPQ	Information Technology
87	CIEN	Information Technology	CIENA CORP	192	HLT	Consumer Discretionary
88	CI	Health Care	CIGNA CORP	193	HD	Consumer Discretionary
89	CINF	Financials	CINCINNATI FINANCIAL CORP	194	HON	Industrials
90	CTAS	Industrials	CINTAS CORP	195	HUM	Health Care
91	CC	Consumer Discretionary	CIRCUIT CITY STORES INC	196	HBAN	Financials
92	CSCO	Information Technology	CISCO SYSTEMS INC	197	ITW	Industrials
93	C	Financials	CITIGROUP INC	198	RX	Health Care
94	3CZBS	Financials	CITIZENS BANCSHARES CORP	199	IR	Industrials
95	CTXS	Information Technology	CITRIX SYSTEMS INC	200	INTC	Information Technology
96	CCU	Consumer Discretionary	CLEAR CHANNEL COMMUNICATIONS	201	IPG	Consumer Discretionary
97	CLX	Consumer Staples	CLOROX CO/DE	202	IBM	Information Technology
98	CMS	Utilities	CMS ENERGY CORP	203	IFF	Materials
99	KO	Consumer Staples	COCA-COLA CO	204	IGT	Consumer Discretionary
100	CCE	Consumer Staples	COCA-COLA ENTERPRISES INC	205	IP	Materials
101	CL	Consumer Staples	COLGATE-PALMOLIVE CO	206	INTU	Information Technology
102	CMCSA	Consumer Discretionary	COMCAST CORP	207	ITT	Industrials
103	CMA	Financials	COMERICA INC	208	JBL	Information Technology
104	CSC	Information Technology	COMPUTER SCIENCES CORP	209	JNS	Financials
105	CPWR	Information Technology	COMPUWARE CORP	210	JDSU	Information Technology
				211	JNJ	Health Care

For this study, NEXA Advisors LLC compiled financial performance and share price information for the period 2003-2009, eliminating from consideration those companies for which complete period data were not available. This was done to make sure that the comparisons were consistent over time in terms of the number of firms included in each year's metrics. As a result, our analysis is based on a review of these 423 firms from within the S&P 500.

# COMPANIES WITHIN THE STANDARD & POOR'S 500 ANALYZED

212	JCI	Consumer Discretionary	JOHNSON CONTROLS INC	318	PGR	Financials	PROGRESSIVE CORP-OHIO
213	JNY	Consumer Discretionary	JONES APPAREL GROUP INC	319	PLD	Financials	PROLOGIS
214	JPM	Financials	JPMORGAN CHASE & CO	320	PRU	Financials	PRUDENTIAL FINANCIAL INC
215	KBH	Consumer Discretionary	KB HOME	321	PEG	Utilities	PUBLIC SERVICE ENTRP GRP INC
216	K	Consumer Staples	KELLOGG CO	322	PHM	Consumer Discretionary	PULTE HOMES INC
217	KEY	Financials	KEYCORP	323	QLCG	Information Technology	QUALCOMM INC
218	KSE	Utilities	KEYSPAN CORP	324	QCOM	Information Technology	QUEST DIAGNOSTICS INC
219	KMB	Consumer Staples	KIMBERLY-CLARK CORP	325	DGX	Health Care	QWEST COMMUNICATION INTL INC
220	KG	Health Care	KING PHARMACEUTICALS INC	326	Q	Telecommunication	RADIOSHACK CORP
221	KLAC	Information Technology	KLA-TENCOR CORP	327	RSH	Consumer Discretionary	RAYTHEON CO
222	KSS	Consumer Discretionary	KOHL'S CORP	328	RTN	Industrials	REGIONS FINANCIAL CORP
223	KR	Consumer Staples	KROGER CO	329	RF	Financials	REYNOLDS AMERICAN INC
224	EL	Consumer Staples	LAUDER (ESTEE) COS INC -CL A	330	RAI	Consumer Staples	ROBERT HALF INTL INC
225	LEH	Financials	LEHMAN BROTHERS HOLDINGS INC	331	RHI	Industrials	ROCKWELL AUTOMATION
226	LXK	Information Technology	LEXMARK INTL INC -CL A	332	ROK	Industrials	ROCKWELL COLLINS INC
227	LLY	Health Care	LILLY (ELI) & CO	333	COL	Industrials	ROHM AND HAAS CO
228	LTD	Consumer Discretionary	LIMITED BRANDS INC	334	ROH	Materials	ROWAN COS INC
229	LNC	Financials	LINCOLN NATIONAL CORP	335	RDC	Energy	RYDER SYSTEM INC
230	LLTC	Information Technology	LINEAR TECHNOLOGY CORP	336	R	Industrials	SAFEWAY INC
231	LIZ	Consumer Discretionary	LIZ CLAIBORNE INC	337	SAF	Financials	SAFECO CORP
232	LMT	Industrials	LOCKHEED MARTIN CORP	338	SWY	Consumer Staples	SANMINA-SCI CORP
233	L	Financials	LOEWS CORP	339	SANM	Information Technology	SARA LEE CORP
234	LOW	Consumer Discretionary	LOWE'S COMPANIES INC	340	SLE	Consumer Staples	SCHERING-PLOUGH
235	LSI	Information Technology	LSI CORP	341	SGP	Health Care	SCHLUMBERGER LTD
236	M	Consumer Discretionary	MACY'S INC	342	SLB	Energy	SCHWAB (CHARLES) CORP
237	HCR	Health Care	MANOR CARE INC	343	SCHW	Financials	SEALED AIR CORP
238	MRO	Energy	MARATHON OIL CORP	344	SEE	Materials	SEMPRA ENERGY
239	MAR	Consumer Discretionary	MARRIOTT INTL INC	345	SRE	Utilities	SHERWIN-WILLIAMS CO
240	MMC	Financials	MARSH & MCLENNAN COS	346	SHW	Consumer Discretionary	SIGMA-ALDRICH CORP
241	MI	Financials	MARSHALL & ILSLEY CORP	347	SIAL	Materials	SIMON PROPERTY GROUP INC
242	MAS	Industrials	MASCO CORP	348	SPG	Financials	SLM CORP
243	MAT	Consumer Discretionary	MATTEL INC	349	SLM	Financials	SNAP-ON INC
244	MXIM	Information Technology	MAXIM INTEGRATED PRODUCTS	350	SNA	Consumer Discretionary	SOLETRON CORP
245	MBI	Financials	MBIA INC	351	SLR	Information Technology	SOUTHERN CO
246	MKC	Consumer Staples	MCCORMICK & COMPANY INC	352	SO	Utilities	SOUTHWEST AIRLINES
247	MCD	Consumer Discretionary	MCDONALD'S CORP	353	LUV	Industrials	SPRINT NEXTEL CORP
248	MHP	Consumer Discretionary	MCGRAW-HILL COMPANIES	354	S	Telecommunication	ST JUDE MEDICAL INC
249	MCK	Health Care	MCKESSON CORP	355	STJ	Health Care	STANLEY WORKS
250	MVV	Materials	MEADWESTVACO CORP	356	SWK	Consumer Discretionary	STARBUCKS CORP
251	MHS	Health Care	MEDCO HEALTH SOLUTIONS INC	357	SPLS	Consumer Discretionary	STARWOOD HOTELS&RESORTS WRLD
252	MEDI	Health Care	MEDIMMUNE INC	358	SBUX	Consumer Discretionary	STATE STREET CORP
253	MDT	Health Care	MEDTRONIC INC	359	HOT	Consumer Discretionary	STRYKER CORP
254	MEL	Financials	MELLON FINANCIAL CORP	360	STT	Financials	SUN MICROSYSTEMS INC
255	MRK	Health Care	MERCK & CO	361	SYK	Health Care	SUNOCO INC
256	MDP	Consumer Discretionary	MEREDITH CORP	362	JAVA	Information Technology	SUNTRUST BANKS INC
257	MER	Financials	MERRILL LYNCH & CO INC	363	SUN	Energy	SUPERVALU INC
258	MET	Financials	METLIFE INC	364	STI	Financials	SYMANTEC CORP
259	MTG	Financials	MGIC INVESTMENT CORP/WI	365	SVU	Consumer Staples	SYNOVUS FINANCIAL CORP
260	MU	Information Technology	MICRON TECHNOLOGY INC	366	SYMC	Information Technology	SYSCO CORP
261	MSFT	Information Technology	MICROSOFT CORP	367	SNV	Financials	TARGET CORP
262	MIL	Health Care	MILLIPORE CORP	368	SYU	Consumer Staples	TECO ENERGY INC
263	MOLX	Information Technology	MOLEX INC	369	TGT	Consumer Discretionary	TEKTRONIX INC
264	TAP	Consumer Staples	MOLSON COORS BREWING CO	370	TE	Utilities	TELLABS INC
265	MON	Materials	MONSANTO CO	371	TEK	Information Technology	TEMPLE-INLAND INC
266	MNST	Industrials	MONSTER WORLDWIDE INC	372	TLAB	Information Technology	TENET HEALTHCARE CORP
267	MCO	Financials	MOODY'S CORP	373	TIN	Materials	TERADYNE INC
268	MS	Financials	MORGAN STANLEY	374	THC	Health Care	TEXAS INSTRUMENTS INC
269	MOT	Information Technology	MOTOROLA INC	375	TER	Information Technology	TEXTRON INC
270	NBR	Energy	NABORS INDUSTRIES LTD	376	TXN	Information Technology	THERMO FISHER SCIENTIFIC INC
271	NCC	Financials	NATIONAL CITY CORP	377	TXT	Industrials	TIFFANY & CO
272	NSM	Information Technology	NATIONAL SEMICONDUCTOR CORP	378	TMO	Health Care	TIME WARNER INC
273	NCR	Information Technology	NCR CORP	379	TIF	Consumer Discretionary	TJX COMPANIES INC
274	NTAP	Information Technology	NETAPP INC	380	TWX	Consumer Discretionary	TORCHMARK CORP
275	NYT	Consumer Discretionary	NEW YORK TIMES CO -CL A	381	TJX	Consumer Discretionary	TRANSCOCEAN INC
276	NWL	Consumer Discretionary	NEWELL RUBBERMAID INC	382	TMK	Financials	TRAVELERS COS INC
277	NEM	Materials	NEWMONT MINING CORP	383	RIG	Energy	TRIBUNE CO
278	GAS	Utilities	NICOR INC	384	TRV	Financials	TXU CORP
279	NKE	Consumer Discretionary	NIKE INC	385	TRB	Consumer Discretionary	TXU ENERGY CO LLC
280	NI	Utilities	NISOURCE INC	386	TXCO	Energy	TYCO INTERNATIONAL LTD
281	NE	Energy	NOBLE CORP	387	TXU4	Utilities	U S BANCORP
282	JWN	Consumer Discretionary	NORDSTROM INC	388	TYC	Industrials	UNION PACIFIC CORP
283	NSC	Industrials	NORFOLK SOUTHERN CORP	389	USB	Financials	UNISYS CORP
284	NTRS	Financials	NORTHERN TRUST CORP	390	UNP	Industrials	UNITED PARCEL SERVICE INC
285	NOC	Industrials	NORTHROP GRUMMAN CORP	391	UIS	Information Technology	UNITED STATES STEEL CORP
286	NOVL	Information Technology	NOVELL INC	392	UPS	Industrials	UNITED TECHNOLOGIES CORP
287	NVLS	Information Technology	NOVELLUS SYSTEMS INC	393	X	Materials	UNITEDHEALTH GROUP INC
288	NUE	Materials	NUCOR CORP	394	UTX	Industrials	UNUM GROUP
289	NVDA	Information Technology	NVIDIA CORP	395	UNH	Health Care	UST INC
290	OXY	Energy	OCCIDENTAL PETROLEUM CORP	396	UNM	Financials	VERIZON COMMUNICATIONS INC
291	ODP	Consumer Discretionary	OFFICE DEPOT INC	397	UST	Consumer Staples	VF CORP
292	OMX	Consumer Discretionary	OFFICEMAX INC	398	VZ	Telecommunication	VULCAN MATERIALS CO
293	OMC	Consumer Discretionary	OMNICOM GROUP	399	VFC	Consumer Discretionary	WACHOVIA CORP
294	ORCL	Information Technology	ORACLE CORP	400	VMC	Materials	WALGREEN CO
295	PCAR	Industrials	PACCAR INC	401	WB	Financials	WAL-MART STORES INC
296	PTV	Materials	PACTIV CORP	402	WAG	Consumer Staples	WASHINGTON MUTUAL INC
297	PLL	Industrials	PALL CORP	403	WMT	Consumer Staples	WASTE MANAGEMENT INC
298	PH	Industrials	PARKER-HANNIFIN CORP	404	WM	Financials	WATERS CORP
299	PAYX	Information Technology	PAYCHEX INC	405	WMI	Industrials	WATSON PHARMACEUTICALS INC
300	JCP	Consumer Discretionary	PENNEY (J C) CO	406	WAT	Health Care	WELLPOINT INC
301	PBG	Consumer Staples	PEPSI BOTTLING GROUP INC	407	WPI	Health Care	WELLS FARGO & CO
302	PEP	Consumer Staples	PEPSICO INC	408	WLP	Health Care	WENDY'S INTERNATIONAL INC
303	PKI	Health Care	PERKINELMER INC	409	WFC	Financials	WEYERHAEUSER CO
304	PFE	Health Care	PFIZER INC	410	WEN	Consumer Discretionary	WHIRLPOOL CORP
305	PCG	Utilities	PG&E CORP	411	WY	Materials	WILLIAMS COS INC
306	PNW	Utilities	PINNACLE WEST CAPITAL CORP	412	WHR	Consumer Discretionary	WRIGLEY (WM) JR CO
307	PBI	Industrials	PITNEY BOWES INC	413	WMB	Energy	WYETH
308	PCL	Financials	PLUM CREEK TIMBER CO INC	414	WVY	Consumer Staples	XCEL ENERGY INC
309	PMCS	Information Technology	PMC-SIERRA INC	415	WYE	Health Care	XEROX CORP
310	PNC	Financials	PNC FINANCIAL SVCS GROUP INC	416	XEL	Utilities	XILINX INC
311	PPG	Materials	PPG INDUSTRIES INC	417	XRX	Information Technology	XL CAPITAL LTD
312	PPL	Utilities	PPL CORP	418	XLNX	Information Technology	YAHOO INC
313	PX	Materials	PRAXAIR INC	419	XL	Financials	YUM BRANDS INC
314	TROW	Financials	PRICE (T. ROWE) GROUP	420	YHOO	Information Technology	ZIMMER HOLDINGS INC
315	PFG	Financials	PRINCIPAL FINANCIAL GRP INC	421	YUM	Consumer Discretionary	ZIONS BANCORPORATION
316	PG	Consumer Staples	PROCTER & GAMBLE CO	422	ZMH	Health Care	
317	PGN	Utilities	PROGRESS ENERGY INC	423	ZION	Financials	



## FURTHER INFORMATION

NEXA's vision is to be your partner for success. We help our clients and our people fulfill their enterprise value aspirations. We work with top management teams to develop innovative solutions which help dynamic people and organizations create and realize value.

For more information about business aviation in today's economy, or the enterprise value tools at our disposal, please contact Michael J. Dymant, CEO, NEXA Advisors, LLC, at +1 (202) 321-0389.



NEXA ADVISORS, LLC  
[www.nexacapital.com](http://www.nexacapital.com)  
+1 (202) 558-7417