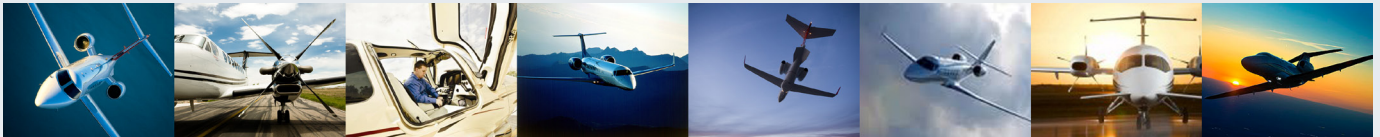


BUSINESS AVIATION

AN ENTERPRISE VALUE PERSPECTIVE



S&P SMALLCAP 600 COMPANIES FROM 2005 - 2010

SMALL AND MEDIUM ENTERPRISES

PART II
FALL 2010



NEXA ADVISORS, LLC
WWW.NEXACAPITAL.COM
+1 202 558 7417

 **NBAA**
WWW.NBAA.ORG
+1 202 783 9000

BUSINESS AVIATION

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SMALL AND MEDIUM ENTERPRISES • PART II • FALL 2010

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INTRODUCTION

“Having an aircraft allows me to do more in a day... see more customers, visit more distributors, and make more appointments. It is a way to leverage my time. I call it my time machine.”

Steven G. Whitney
President
Whitney Products

This new and comprehensive study examined whether the use of business aircraft provided benefits to small and medium businesses, measured in terms of shareholder and enterprise value. NEXA Advisors applied the same methodologies in its first volume “Business Aviation: An Enterprise Value Perspective”, published in 2009. That report concluded that for the Standard & Poor’s (S&P) 500 - the largest public companies in America:

- Those companies that used business aircraft consistently outperformed those that did not;
- Users of business aircraft outnumbered nonusers three to one - with users continually finding ways to deploy this unique asset to drive higher revenues, greater profitability, and improved efficiency;
- Business aviation provided a unique competitive benefit to America’s businesses, both nationally and internationally, expressed through greater shareholder and enterprise value; and
- Business aircraft users were overwhelmingly represented among the most innovative, most admired, best brands, and best places to work. They dominated the list of those companies strongest in corporate governance and responsibility.

In other words, the use of a business aircraft is a sign of a well-managed company.

With this study, NEXA has extended its sample size to examine small and medium enterprises (SMEs¹) that used business aviation to better compete and grow their businesses. We produced our quantitative results by examining how the S&P SmallCap 600 companies performed in key drivers of enterprise value, revenue growth, profit growth, and asset efficiency for the period 2005 through 2009, the most recent five-year-period for which complete financial data was available. We identified the operators of business aircraft within this group of companies with help from industry aviation databases. We also incorporated qualitative assessments from our interviews with SME business aviation operators from both S&P SmallCap 600 and privately owned companies.

Our analysis showed that small and medium companies in America that used business aviation consistently outperformed nonusers.

EXECUTIVE SUMMARY

The small and medium enterprises (SMEs) in this report represent a diverse group of entrepreneurs and organizations in the United States, both privately owned and publicly traded. In comparing their financial results from 2005 through 2009, we found that users of business aircraft outperformed nonusers in important shareholder measures. NEXA Advisors made three key findings from the data analysis and interviews in this study:

Superior Financial Performance: Users of business aviation outperformed nonusers in terms of the fundamental drivers of shareholder value. As a group, companies using business aircraft produced better financial results than companies that did not.

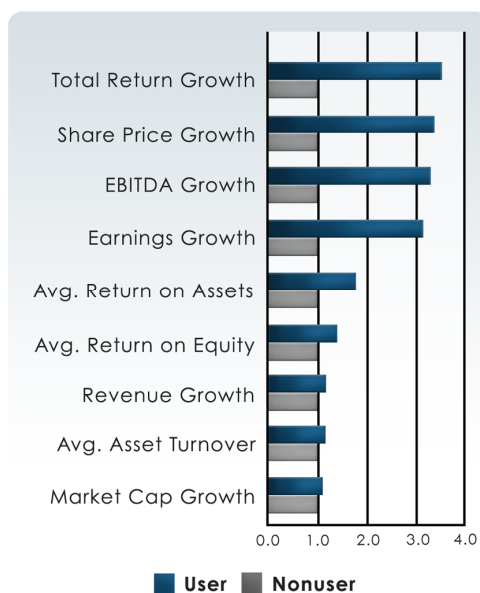
Reduced Recession Impact: In responding to the worst financial crisis in recent history, termed the “Great Recession” by the U.S. financial press, SMEs using business aircraft were less impacted than nonusers. Indeed, 69 percent of these companies posted greater top line growth² in 2008 and 2009.

Better Customer Access: Business aviation provided SME companies better with access to customers and markets not conveniently accessible by other means of transportation, improving customer retention and securing new sources of revenue.

These findings were supported through analysis of key financial performance metrics (Figure 1), which clearly show that the SME companies using business aviation outperformed nonusers.

- Business aviation users were more successful at returning value to shareholders, with Total Return (stock price appreciation + dividends that was 245 percent higher than that of nonusers).
- Operationally, users generated more income based on productivity and efficiency, outperforming in both EBITDA³ and Earnings (230 percent and 219 percent higher, respectively).
- By maximizing output from their resources, users were able to provide superior Return on Assets, Return on Equity, and Asset Turnover (70 percent, 40 percent, and 21 percent higher, respectively).
- Users were able to tap more new business opportunities, with 22 percent higher average revenue growth.
- Investors rewarded the users for their business success. Market capitalization growth for users was 11 percent higher than nonusers. In fact, two of the three companies that “graduated” directly from the S&P SmallCap 600 to the S&P 500 index used business aircraft.

Figure 1: User vs. Nonuser Performance



“2010 will be the best year in our 34-year-history. It may not be completely due to our aircraft, but it sure has helped,”

Ronald Fedric
President
Nova Group, Inc.

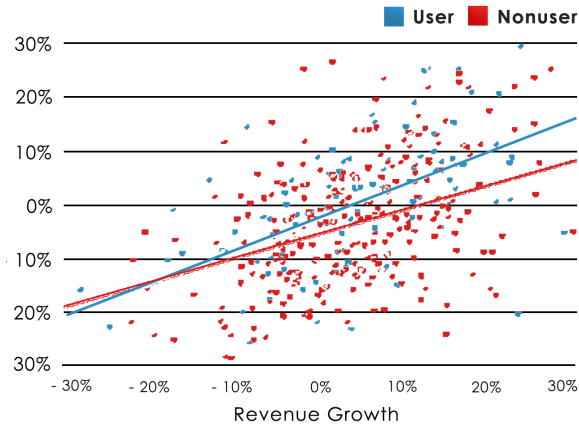


In comparing users versus nonusers of business aviation, individual performance varied (Figure 2); but when taken as a group, users achieved higher scores across the board. In fact, there was not a single measure in which the users of business aviation trailed nonusers. This was particularly significant because it validated the premise that business aviation is associated with the key drivers of enterprise value.

“We are able to immediately respond to client requests often committing to initial meetings within 2 hours of the client inquiry. This enables us to meet with clients as quickly as their schedules will allow.”

James Lara
President
Gray Stone Advisors

Figure 2
SME Users vs. Nonusers Annualized Revenue and Market Cap Growth Relationship 2005 - 2009

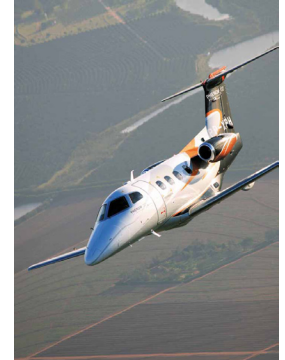


These results are remarkably consistent when comparing our SME analysis with the large companies in our previously published 2009 report. When taken together, we can conclude that for any size business, small, medium, and large: *companies using business aircraft consistently outperform companies that do not, in terms of shareholder and enterprise value created.*

These results are not intended to suggest that the use of business aircraft by any size or type of company guarantees positive financial results or that their use is appropriate in all circumstances. The question individual companies and their executives must answer is: *Under what conditions will the uses of business aircraft drive growth in enterprise value, and by extension, provide the best solution?* After all, business aviation is one of many tools companies will use to meet their business travel needs. Companies rely upon business aviation when it is the right tool for a particular mission.

STUDY METHODOLOGY AND ASSUMPTIONS

In assessing the potential benefits of operating business aircraft to SMEs, we examined peer groups of companies by their use or nonuse of business aircraft. This approach was pioneered in a study performed for NBAA and GAMA⁴ in 1993, followed by a subsequent shareholder value analysis performed by Arthur Andersen in 2001, and the NEXA 2009 study of America’s largest public companies (S&P 500).



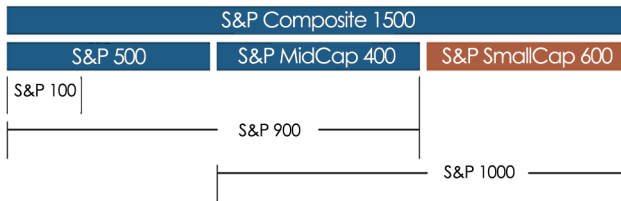
Sample Population

For this study, we defined SMEs to include “Small Cap” publicly-traded companies and small privately owned companies included in our survey. As a group, the S&P SmallCap 600 companies make up the bottom of the S&P U.S. Index series and were chosen as a good proxy for small and medium enterprises.

Since this index contains only smaller firms, it represents a mere 3 percent of the value of the overall U.S. equity market. The S&P 600 Index is also market value weighted, with larger firms having a greater influence on the index’s performance than smaller firms.

Figure 3

The small cap segment of the U.S. equities market, covering approximately 3% of the U.S. equities market.



We supplemented the analysis of publicly traded S&P SmallCap 600 companies with in-depth interviews and surveys of small and medium privately held companies.

Analysis and Indexing

There are several ways to measure company growth over time. For our analysis, we used the compounded annual growth rate (CAGR) of each parametric. The formula for calculating CAGR is shown below:

CAGR is not the same as actual year-over-year growth. Rather, it represents the annualized gain earned over a given time horizon and is widely used because of its dampening effect on the volatility of periodic returns that can render an arithmetic mean irrelevant. In essence, CAGR serves as a smoothing function. The results presented here are also indexed. Indexing provided a standardized

$$CAGR = \left(\frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\left(\frac{1}{\# \text{ of years}} \right)} - 1$$

presentation format for the nominal financial results of our analysis. In this study, user results were presented as indexed relative to nonuser performance, which was always set to “1”. This simplifies and normalizes the graphical results when displayed as comparisons of user performance to nonuser performance for all metrics.

“My aircraft gives me increased geographic coverage to hospital clients that are not near commercial airports.”

Dale Terry
CEO
FS Medical Technology

Example: Revenue Growth, 2005-2009

	Users		Nonusers
	106 companies		272 companies
Performance - CAGR	4.38%		3.59%
Performance - Indexed	$\frac{4.38\%}{3.59\%} = 1.22$		$\frac{3.59\%}{3.59\%} = 1.00$

Assumptions

In keeping with the methodology established for Part I of this series, the S&P SmallCap 600 companies were classified as either “users” or “nonusers” of business aircraft. NEXA defined a “user” as any company or its officers authorizing the use of aircraft via whole aircraft ownership, fractional aircraft ownership, charter, or any other form of ownership or operation as an aid to the conduct of its business and for the benefits of the enterprise. To qualify for this study, a company must have maintained its membership in the S&P SmallCap 600 throughout the entire 2005 through 2009 period, or grown out of the S&P SmallCap 600 to the S&P MidCap 400 or S&P 500.

Our primary source for aircraft data was JETNET, LLC. The JETNET database includes owner and operator information for more than 60,000 aircraft (fixed and rotary wing) with detailed information on whole aircraft owners, fractional owners, operators, leases, and airframe specifications. NEXA further vetted the JETNET database through a review of additional industry data sources to further verify users of business aircraft. These data sources included Cessna’s internal database and NBAA’s Membership list. NEXA has made reasonable efforts to identify (1) companies with owners operating aircraft, (2) companies with traditional flight departments, (3) companies owning fractional shares as primary or supplemental lift, and (4) company officers owning aircraft or fractional shares that are operated for business purposes. It should be noted that some companies use “jet cards” or charter aircraft for transportation and are difficult to identify from any public sources. Therefore, NEXA’s estimates of SMEs using business aircraft can be considered to be conservative.

We eliminated from consideration those S&P SmallCap 600 companies for which complete period data was not available, to ensure that the comparison was consistent over time in terms of the number of firms included in each year’s metrics. As a result of these eliminations, our peer group analysis was based on a review of 385 firms from within the S&P SmallCap 600. Using this subset, we compiled financial performance and share price information for the period beginning fiscal year 2005 and ending fiscal year 2009.

Finally, we preserved and separately reviewed the performance of several firms that moved up from the S&P SmallCap 600 to either the S&P MidCap 400 or S&P 500 during the study period.

ENHANCING ENTERPRISE VALUE

One goal for this study was to identify the SME business aircraft usage strategies that produced benefits and enhanced enterprise value. The enterprise value framework (Figure 4) illustrates the hierarchy of enterprise value creation, where financial and nonfinancial “drivers” hold key insights to any company’s expected growth in value and subsequently, higher return on equity and market capitalization. As a foundation for these drivers, there are powerful value “enablers” and “levers” that most companies use daily to manage and move their businesses forward in a highly competitive environment. It was at these levels that we focused on determining how the use of business aviation was linked to value creation.

“We could not have expanded into new markets without aircraft. We would be half the company we are today.”

Owner
SME Company

Revenue or market share growth

Business aircraft usage strategies can be directly related to the benefits that increase revenues. For example, the use of business aviation provides the ability to rapidly respond to new sales leads or to enter new markets.

Figure 4

Profit growth

Profit growth such as net income and Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) are key value determinants, as are their trends. EBITDA growth is a strong reflection of company momentum. Key contributors toward EBITDA growth include a company’s ability to contain costs and enhance productivity and quality. Increased productivity was strongly correlated to profit growth according to the results of our surveys.

Asset Efficiency

A company can increase its asset efficiency in a number of ways. These include improving business processes, leveraging existing assets more effectively, and supply chain improvements. Specific strategies that would cause large increases in asset efficiency include cycle time reductions and key employee leverage.



In addition to financial enterprise value drivers, there are nonfinancial drivers of value. These metrics, while difficult to quantify, maintain equal importance to a company’s growth. Through our interviews, surveys, and analyses of higher performing SMEs, we determined that the following nonfinancial drivers contributed to greater SME enterprise value through use of business aviation.

Customer Satisfaction

The results of our survey showed that SMEs extensively used business aviation to better serve their existing customers and to attract new business. According to respondents, this nonfinancial enterprise value driver indirectly influenced revenue and profit growth through metrics such as sale referrals and improved brand value.



Improved Productivity

For SMEs, the use of business aircraft yielded higher productivity, such as facilitating meetings with multiple customers or vendors on the same day. Employee productivity also improved with workers moving to customer sites without downtime in commercial airports. The time savings helped to keep morale high and develop a culture of loyalty and high productivity. These all feed the primary engine of value creation. Smart companies used their aircraft to improve the overall work environment and quality of life, translating into higher productivity and greater enterprise value.

Innovation

Innovation is the act or process of inventing or introducing something new and valuable into the market. This may include product/process innovation or remaking an industry. Measuring innovation is difficult but possible through analyzing metrics such as return on research and development, and revenues generated from new products. While innovation is traditionally defined by new products, technology, quality, and cost control, today's innovation includes evolving concepts, such as improving organizational efficiency, optimal growth strategies, operational agility, speed to market, networking, and creative branding. The SMEs of the S&P SmallCap 600 are among the most innovative bands within the corporate spectrum.

Risk Management and Compliance

More than ever, the post-Sarbanes Oxley world requires publicly traded companies to remain compliant and vigilant on new business rules and regulations. Operational risk management rewards companies for strict compliance with Federal, SEC, and foreign regulations and safeguards against waste, fraud, and abuse. This environment has raised the bar, especially for public companies like those of the S&P SmallCap 600, and increased scrutiny across a wide spectrum of regulated business activities. Improved compliance may be achieved through increased hands-on executive oversight of widely dispersed facilities.

“We have been able to grow our portfolio of clients and have improved client satisfaction with the use of our aircraft.”

Dan Igoe

Managing Partner
PureBrand Communications

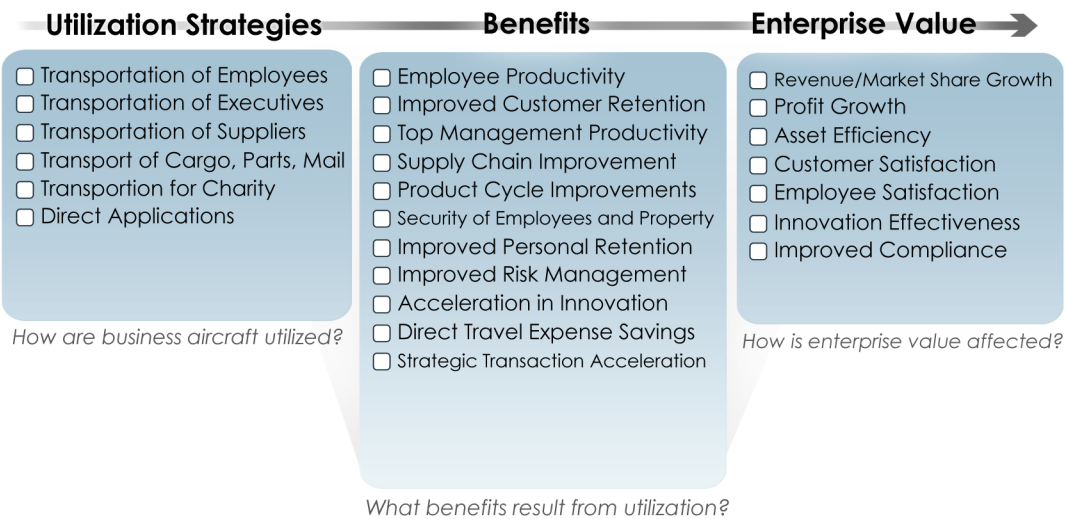
THE UBV FRAMEWORK FOR SMEs

Conventional business thinking posits that a company produces revenues and profits using its assets as the engine powering it to greater prosperity. The usual assets include the tangible items on the company’s balance sheet, such as factories or computers, and financial assets such as cash and investments. In today’s economy there are other assets to nurture so that the company’s value continues to grow. These “intangible” assets are not on the balance sheet, but nonetheless are critical to long term value creation. These assets include good credit, responsive suppliers, strong customer relationships, talented executives and motivated employees at all levels. Other important intangibles include the company’s culture of quality and service, as well as its brand value.

Business aircraft represent tools to strengthen or leverage the role of intangible assets. Fundamental to the analysis of business aviation is a value framework, which includes the range of aircraft utilization strategies, the benefits derived from these utilization strategies, and the financial and nonfinancial value that these benefits produce. In essence, Utilization strategies yield Benefits, which in turn contribute to the key drivers of enterprise Value for a company (UBV).

In the sections that follow we discuss the elements of UBV that comprise the value thesis for business aircraft with SMEs in mind.

Figure 5



Business Aircraft Utilization Strategies and Benefits

From our research, we confirmed six primary business aircraft utilization strategies that most applied to SMEs.

- Transportation of employees
- Transportation of executives
- Transportation of suppliers
- Transportation of cargo, parts, and mail
- Transportation for humanitarian and charity missions
- Direct applications, such as photography, facility inspections, etc.

These six categories were found to drive benefits to the business aviation users. We identified 11 categories of benefits that most applied to SMEs.

"In the time it takes for our employees to even get to the closest commercial airport, we can have them on-site using our own aircraft. It doesn't take a lot of brain power and spreadsheets to realize that having the aircraft is a benefit."

Zane Lambert
Flight Department
Manager

- Employee productivity
- Improved customer retention
- Management productivity
- Supply chain improvement
- Product cycle improvements
- Security of employees and property
- Improved personal retention
- Improved risk management
- Acceleration in innovation
- Direct travel expense savings
- Strategic transaction acceleration

No two companies were alike in the quantification of specific benefits driven by their aircraft utilization strategies. When these companies initially began using business aviation, the business case was based on an inherent understanding of the relationship between utilization and the company values.

Certain of the above benefits enhanced SME enterprise value in different ways and various mechanisms, through their impact on:

- Revenue/market growth
- Profit growth
- Asset efficiency
- Customer satisfaction
- Employee satisfaction
- Innovation effectiveness
- Risk management and compliance

By applying this framework to our analysis of the SMEs in this study, we developed the following relationships:

- While the UBV linkages remain common across all size companies and industries, the relative importance varied from company to company.
- There are clear correlations between and among a company's aircraft utilization strategies, the associated benefits, and the key drivers of enterprise value.
- Benefits accruing from the use of business aircraft contribute directly to value creation at multiple levels including, but not limited to:
- Executive and employee level: team thinking, resource leveraging, employee satisfaction, etc.
- Shareholder level: market share growth, profit growth, asset efficiency, etc.
- Enterprise value level: dimensions of improved quality, cost and time, customer relations, new market entry, etc.
- To achieve rapid growth, there are no ready substitutes for business aircraft without diminishing performance, competitive position, or growth opportunities.
- Within both S&P's smallest and the largest index groups, distinct business aviation "users" and "nonusers" can be identified, allowing for the isolation of the relative performance of each peer group, using information across a wide range of financial and operational metrics.

FINANCIAL RESULTS

USERS VERSUS NONUSERS

Shareholder Value

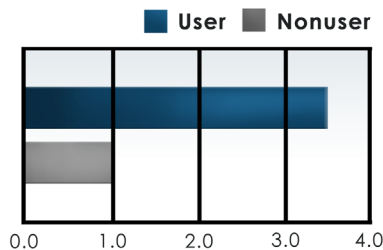
A single share of common stock represents a partial ownership stake in a company and for a public company, stock price is a good proxy for the market's opinion of the company's near-term worth. Stock price adjusts daily as investors and analysts who follow and study the company look for clues to future performance. Investors earn profits by realizing stock appreciation and earning dividends, if offered, on their shares. This total return metric - stock price plus earned dividends - encompasses the shareholder value for an owner.

In defining the impact of business aviation on shareholder value, we identified the "drivers" of shareholder value in general, and then applied the methodology to our target companies. We performed a statistical analysis that demonstrated a linkage between a company's financial performance and the value ascribed to it by investors.

Total Shareholder Return

Our analysis assumed that an investor made a hypothetical investment of \$1 in each of the 385 companies on December 31, 2005. We then determined how much that basket of \$1 investments was worth on December 31, 2009. We considered the appreciation of the stock price (on a split-adjusted basis), as well as the value of any dividends paid by the companies over that period. We assumed dividends were paid out on an annual basis, rather than retained as cash.

Figure 6
SME Business Aviation Users vs. Nonusers:
Annualized Shareholder Return 2005 - 2009



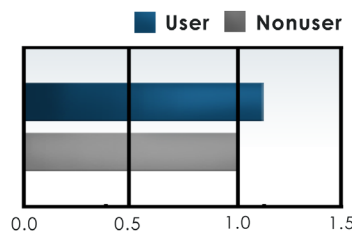
Calculation: Total \$ Shareholder Return = (\$ Share Price) + (\$ Dividends).

As shown in Figure 6, the S&P SmallCap 600 companies using business aviation provided 245 percent more total return to shareholders (3.45 to 1.00) than did nonusers. The underlying drivers of shareholder value are revenue growth, profit growth, and asset efficiency. They provide the keys to interpret these outstanding results and are analyzed further in this report.

Market Capitalization Growth

In the investment community, market capitalization ("market cap") is a common metric used to assign value to a company. In effect, the market will set the value for the company by determining an appropriate price for a single, outstanding common share. Our analysis defined any given year's market cap as the calendar year ending stock price multiplied by the calendar year ending number of common shares outstanding.

Figure 7
SME Business Aviation Users vs. Nonusers:
Annualized Market Cap Growth 2005 - 2009



Calculation: Market Cap = (\$ Share Price) x (# Common Shares Outstanding)

Market cap growth is the change in market capitalization on a year-over-year basis. As shown in Figure 7, market cap growth was 11 percent higher for users of business aviation versus nonusers. This means that investors had greater faith in the future growth prospects of the SMEs that used business aviation. While it is unlikely that investors had a clear understanding of business aviation’s direct impact on company performance, their careful analysis of the drivers of value is assumed.

As mentioned earlier, Standard & Poor’s categorizes companies on the basis of market capitalization. Our analysis of the S&P SmallCap 600 companies over the period 2005 through 2009 found that two of the three companies that “graduated” from the S&P SmallCap 600 index to the S&P 500 index operated business aircraft. We further examined companies that graduated from the S&P Smallcap 600 to the S&P MidCap 400 index and found 15 examples of business aviation users that made this impressive transition.

Return on Equity (ROE)

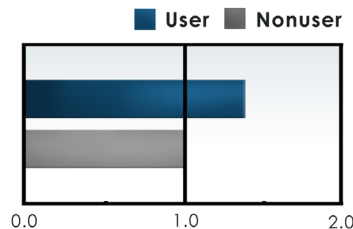
Outside investors contribute equity capital in exchange for an ownership stake in the company and provide another important resource to grow operational capacity. Companies are judged on their ability to produce returns on this investment equity and that ability is a key metric to attract new capital. Return on equity tells common shareholders how effectively their money is being deployed. Comparing ROE over time reveals trends. Further comparisons with industry composites reveal how well a company is holding its own against competitors.

Calculating return on equity is straightforward:

$$\text{Return on Equity} = \text{Net Income} / \text{Common Equity}$$

As shown in Figure 8, SMEs using business aviation collectively realized 40 percent greater return on equity than nonusers (1.4 to 1.0). Translated, this means that more net income was produced for a given unit of common equity by companies that used business aviation.

Figure 8
SME Business Aviation Users vs. Nonusers:
Annualized Avg. Return on Equity 2005 - 2009



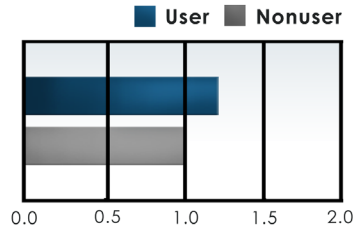
Revenue Growth

An analysis of “top line” revenue growth indicates a company’s ability to grow, and more importantly, grow faster than a competitor. Revenue growth generally comes from organic growth and from strategic acquisitions and business alliances.

The ability to get in front of new customers can mean winning market share from a competitor, while the ability to respond to customer needs can contribute to customer retention. The result is revenue growth. Revenue growth is a good measure of a company’s potential to sustain earnings, and when combined with factors such as asset efficiency, indicates a corporate philosophy of strong re-investment into the company’s core and most profitable businesses.

As shown in Figure 9, from 2005 through 2009 SME business aircraft users grew their top line 22 percent faster than nonusers (1.22 to 1.00).

Figure 9
SME Business Aviation Users vs. Nonusers:
Annualized Revenue Growth 2005 - 2009



The SMEs in our study repeatedly referenced the use of business aviation as a material advantage in capturing new business and retaining existing clients. James Lara, President of Gray Stone Advisors, a management consulting firm based in Knoxville, Tennessee, succinctly made the point that business aviation allowed his company to respond to potential leads within two hours. He credited this rapid response to potential customers as the key to his company’s revenue growth.

Other examples were plentiful. Several participants indicated that increased mobility allowed for more face-to-face business development meetings than their competitors. During our interviews, respondents indicated that they were seen as more engaged by their prospective customers.

A distinct benefit produced by business aviation was better productivity and morale. The satisfaction of closing sales opportunities efficiently through business aircraft use was a clear differentiator that continued to motivate top management well beyond closing dates.

Profitability

Value drivers for the “bottom line” metrics are tied to earnings and profit growth. Profitability metrics are used to measure a company’s ability to generate income based on productivity and utilization of assets. Over the past five years, SME users of business aviation earned bottom line net income at a rate of 219 percent over nonusers. In other words, a SME user of business aviation would have earned \$3.19 for every dollar earned by a nonuser.

EBITDA is another earnings measure used to understand the financial strength of a company, while *growth* of EBITDA measures its momentum. Because EBITDA does not include expenses such as interest charges and depreciation, it is often used to understand and measure a company’s core operating performance. Growth in this category also shows whether a company is able to contain costs and improve productivity. From 2005 through 2009, SME business aviation users outperformed nonusers in EBITDA *growth* 3.30 to 1.

We learned through our survey that the use of business aviation allowed companies to do more with scarce intangible assets. Participants in our survey said they would have needed more offices and additional resources to achieve the same top line growth, with less profitability, if they did not use business aviation.

How important is management productivity to profitability? Survey participants with multiple business locations said that using business aircraft leveraged management time and allowed them to achieve equivalent results through greater productivity of key managers. In other instances, we learned that the best productivity specialists could also oversee a much larger footprint.

Figure 10
SME Business Aviation Users vs. Nonusers:
Annualized Earnings Growth 2005 - 2009

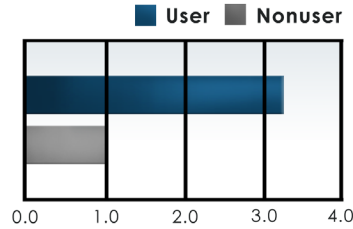
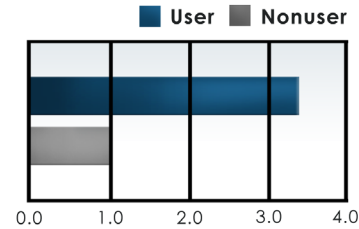


Figure 11
SME Business Aviation Users vs. Nonusers:
Annualized EBITDA Growth 2005 - 2009



Supply chain improvements were also cited by some SMEs. We found that impacts were widespread and varied, but generally improved profitability by reducing turn times and delivery costs through less breakage and keeping inventory levels down. According to survey participants, business aviation further improved new vendor selection, and rapid response meetings with existing vendors helped to quickly solve production problems. Overall, a streamlined supply chain contributed to the profitability of the companies we reviewed.

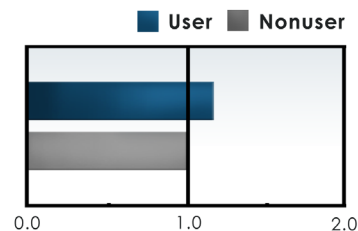
Asset Utilization and Return on Assets

The final group of financial metrics involved a company’s productive and efficient use of its balance sheet assets to increase both sales and profitability. Asset efficiency (the ratio of sales to average total assets) measures how well a company’s assets are performing. Stated another way, asset efficiency indicates how well a company uses its assets to generate a given level of revenue and profitability. Companies with low profit margins tend to have high asset turnover; that is, reinvestment in new or replacement assets to create the same income level. We analyzed improvements in the asset efficiency metric to measure how successful companies were in increasing productivity of assets. The more sales generated from a given investment in assets, the more efficient those assets became. Since the assets are likely to change over the year, our analysis used the average of assets at the beginning and end of each year.

Asset Efficiency

The sales-to-asset ratio is known as asset turnover. Asset turnover indicates how efficiently a company’s assets are utilized by measuring the revenue generated per dollar of assets. While this measure can vary by industry, as a general concept companies with high profit margins tend to have low asset turnover, i.e., create the same or higher income level without a large investment in additional assets.

Figure 12
SME Business Aviation Users vs. Nonusers:
Annualized Avg. Asset Turnover 2005 - 2009



Calculation: Asset Turnover = Revenue / Average Total Assets

As shown in Figure 12, the average asset turnover for SME business aviation users was 21 percent higher than nonusers (1.21 to 1.00).

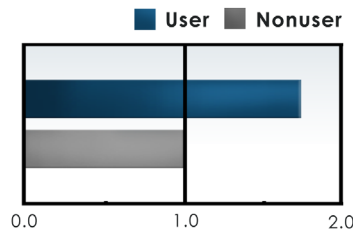
Return on Assets (ROA)

An asset base can also be measured in its ability to produce “bottom line” earnings. The financial performance of a company can be measured by the ratio of income to total assets.

Calculation: Return on Assets = Net Income / Average Total Assets

As shown in Figure 13, the return on asset for business aviation users was a remarkable 70 percent higher than nonusers (1.70 to 1.00).

Figure 13
SME Business Aviation Users vs. Nonusers:
Annualized Avg. Return on Assets 2005 - 2009



How can SME users of business aviation post such dramatic results? As mentioned earlier, certain intangible assets that can be highly leveraged through business aircraft use are not reflected on balance sheets. These include knowledge and expertise, innovative thinking, transaction acceleration, customer relationships, goodwill, and teamwork. Improved customer and employee satisfaction were also cited as intangible assets leveraged by business aviation usage.

Sensitivity Analysis: Raw vs. Weighted

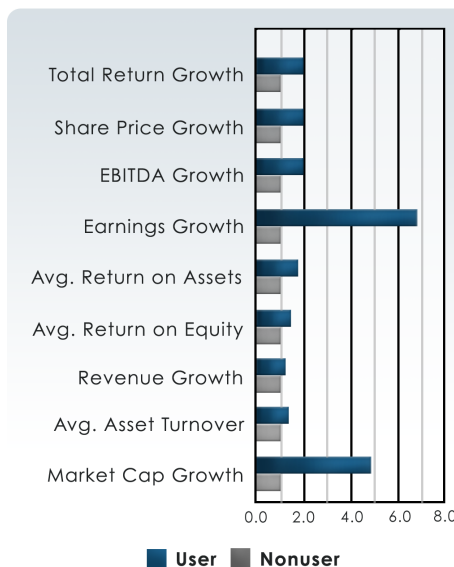
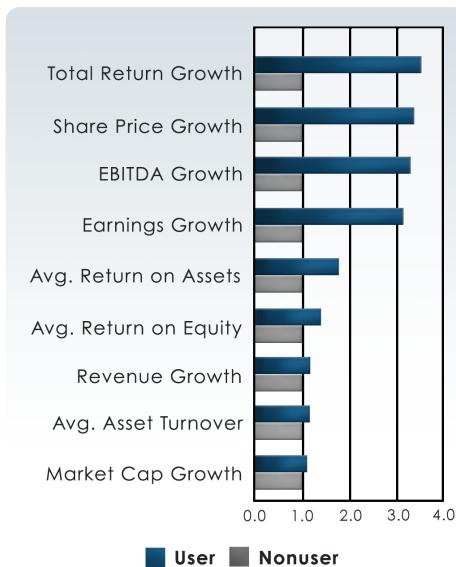
We recognize that all companies are unique and face different competitive challenges depending on factors such as sector economics, geographic location, size, or relative market position. In addition to the raw “unweighted” analysis, we wanted to understand whether company size would significantly alter the results and the conclusions that we drew for our sample. Specifically, we wanted to answer the question: “*Would the results of our analysis change materially if we weighted them according to company size?*”

To answer this question, we applied a weighting factor commonly used in market cap indexing. We used a baseline of 2005 calendar and applied end-of-year stock prices across all common shares outstanding. Since the companies in the S&P SmallCap 600 Index range from very small companies with less than \$250 million in market cap to companies with \$2.5 billion in market cap, we accounted for the effect of company size by looking at the change in performance measured over time, then calculated the average across all companies in each group.

The weighted results are presented in Figures 14 and 15. Weighting for size affected the overall results by providing a normalization effect on some (but not all) categories. More importantly, weighting did not change the overall conclusion that users outperformed nonusers across every category analyzed. This confirmed the veracity of the methodology by answering the question: “*Does size matter?*” The answer was: “*The conclusions one may draw are nominally the same.*”

Figure 14: User vs. Nonuser Performance

Figure 15: User vs. Nonuser Weighted Performance



NONFINANCIAL RESULTS

Why are nonfinancial value drivers important? A top priority for companies is long-term value creation - using every tool in the toolbox, financial and nonfinancial. The four key nonfinancial drivers (customer satisfaction, employee satisfaction, innovation, and risk management and compliance) are difficult to quantify. In lieu of a quantitative analysis of these factors, we relied on our interviews, surveys, and other sources to gauge performance.

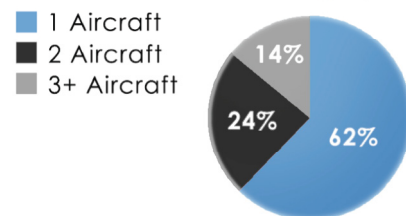
Since enterprise value is market driven and partly based on share price, the market sets the current share price on near-term future value expectations by investors, stock analysts, and other experts given the complete set of evidence, both financial and nonfinancial. Some of these perspectives are directly shaped by management statements, company plans and promotional materials, and competitor information as well.

Survey Results

For this study, we conducted surveys of SMEs at the Experimental Aircraft Association's AirVenture 2010 in Oshkosh and the NBAA Business Aviation Regional Forum in Chicago. In addition, NBAA electronically surveyed representatives with the Association's Member Companies.

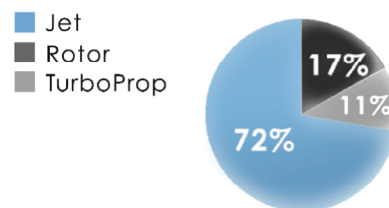
From our surveys, we learned that the SME's top executive is often the pilot and tends to make the business decisions regarding business aircraft usage. Overwhelmingly, these executives found business aviation to provide a competitive advantage in providing highly responsive service to customers. Some told us that the use of business aircraft increased the productivity of their business executives by facilitating meetings in multiple locations in the course of one business day. As Ronald Fedrick, president of Nova Group, a Department of Defense contractor put it, "2010 will be the best year in our 34-year-history. It may not be completely due to our aircraft, but it sure has helped."

Figure 16
SME Aircraft Fleet Demographic



The SMEs in our study generally operated just one or two aircraft, which correlated well with the 2009 Harris Survey⁵ conducted on behalf of NBAA and GAMA. More than half of the flights had one or two passengers, in addition to the pilot. In addition, the SMEs in our study predominately use corporate jets.

Figure 17
SME User Breakdown by Aircraft Type



Our study also found that SMEs use business aircraft to access destinations that were not conveniently served by commercial airlines. According to the FAA, general aviation represents less than four percent of total operations at the nation's top ten commercial airports. The executives and sales teams for these companies needed to get to customers and vendors in remote geographic locations that were not served by scheduled commercial airlines. As Dan Igoe, Managing Partner of the advertising firm Pure Brand Communications stated, "My aircraft provide access to clients in areas not easily served by commercial aviation or where it is not practical to use commercial air service."

Additionally, some SMEs informed us that they needed the flexibility and predictability of their travel that enabled visits with multiple customers or vendors in the same day. When travel is beyond the range of their business aircraft, we

were told that SMEs turned to the commercial scheduled airlines to meet their transportation needs.

The primary purpose for SMEs using business aircraft was to support existing customers, meet new customers, and to visit the company's branch offices or production facilities. The survey participants provided evidence that business aircraft were also ideal for visiting remote offices of the company and inspecting company facilities.



Figure 18
Airports Accessed by SME Business Aviation Users



Source: Harris, 2009

Figure 19
Trip Purpose for SME Business Aviation Users



Source: Harris, 2009

CASE STUDY: Sanderson Farms (SAFM)

Illustrative nonfinancial drivers can often be analyzed using a case study approach. Sanderson Farms is characteristic of SME business aviation users and outperformed many of its peer companies. (Figure 20)

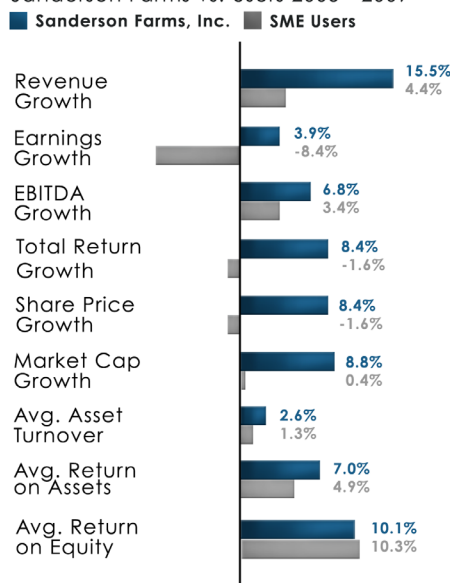
Sanderson Farms is a fully-integrated poultry processing company engaged in the production, processing, marketing and distribution of fresh and frozen chicken products. Its fleet of five aircraft are used by executives, technical and quality managers to easily access the company's facilities in Georgia, Louisiana, North Carolina, Mississippi, and Texas. According to the U.S. Department of Agriculture, routine Salmonella testing between 1998 and 2005 found that of the largest seven poultry processors in the U.S., only Sanderson Farms had passing test grades. None of the company's six broiler-producing plants failed any test during that period.

Sanderson Farms experienced dramatic average annual revenue growth of 15.5 percent and market cap increase of 8.8 percent from 2005 through 2009. (Figure 21) "Our company has grown dramatically over the last 15 years. I wouldn't attribute all of it to business aviation but the types of locations where we grew our business were in smaller communities without or with very limited airline service. The community where our home office is has no airline service at all. It would be impossible for us to do business and grow our business without our aircraft," according to Zane Lambert, Flight Department Manager, Sanderson Farms. He went further, "Sanderson Farms has always been very conservative and we have a long-term 15 to 20 year plan. The aircraft are assimilated into that plan. Just because the economy is down doesn't mean we're going to dump our aircraft. They are an indispensable part of how we do business."

Figure 20
Sanderson Farms Revenue 2005 - 2009 (\$b)



Figure 21
Sanderson Farms vs. Users 2005 - 2009



CONCLUSIONS

“We get to the airport, we’ll have the meeting right here at the airport, we’ll walk back out an hour later and hop right back on the airplane. We don’t have to stop, get a rental car, go downtown, and get a room.”

Eric Barfield
Senior Broker
Hope Aviation
Insurance

Our study of the small and medium enterprises found that business aircraft users outperformed nonusers across the board in the most important measures of shareholder value. In summary:

Superior Financial Performance

As a peer group, SME users of business aviation outperformed nonusers in terms of fundamental drivers of shareholder value growth. Not surprisingly, the companies operating business aircraft performed better financially than companies that did not. According to our interviews, SMEs using business aviation recognized its strategic value, and did not need sophisticated justification to make the business case for keeping or even expanding business aviation’s role. Many said they simply could not have grown their company without business aircraft and the access to smaller airports close to their customers.

Reduced Recession Impact

The economic recession that began in December 2007, followed by the 2008 financial system meltdown, had a significant impact on all sectors and companies. The real estate market crash and the sluggish recovery have hurt business owners and made the recession the worst in recent memory. In responding to the “Great Recession” labeled by Wall Street, SMEs using business aircraft were less impacted than nonusers. Indeed 69 percent of these companies posted greater top line growth in 2008 and 2009.

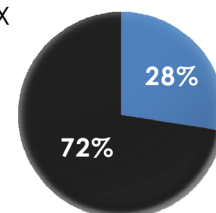
Better Customer Access

This reality was reflected in a CNN story produced at the Experimental Aircraft Association’s AirVenture 2010 in Oshkosh, in which NBAA President and CEO Ed Bolen and other general aviation leaders discussed the value of light business aircraft to companies needing “to save money and keep their schedules flexible.” Bolen said these aircraft are often used by companies “trying to visit three, four sites in the same day, and that can’t be done with other modes of transportation.” Cessna Aircraft Company CEO Jack Pelton said of today’s fuel-efficient light business aircraft: “It is an office in the sky. This is not a luxury – it’s really a business tool.”

Through our interviews we found that mobility is the lifeblood of these companies and their ability to access remotely located customers or vendors on any given day was deemed essential. Deploying quick response service teams was another way SMEs used business aviation to improve customer satisfaction. Transport on the scheduled commercial airlines clearly has a place in travel planning for the SMEs we surveyed, when the travel distances were beyond the range of the business aircraft. For day-to-day customer relations and project implementation, business aircraft were often the only option.

Using these results, it is very apparent that business aviation provides SMEs better access to customers and markets that are not conveniently accessible by other means of transportation, improving customer retention and securing new sources of revenues. Furthermore, our analysis found that 72 percent of the SME companies using business aviation were located outside the four major metropolitan areas in the United States.

Figure 20
SME Headquarters Location
■ CA/FL/NY/TX
■ Rest of U.S.



SMEs (S&P SmallCap 600) vs. Large Companies (S&P 500)

We also sought to answer the question “How do small and medium companies differ in their use of business aviation compared with large companies?”

We looked at the similarities first. The users of business aviation in both the S&P SmallCap 600 and the S&P 500 outperformed nonusers. Second, corporate headquarters for users of business aviation were predominately located outside the major metropolitan areas. Third, the top three industry sectors for business aviation usage were the same for both groups: industrial, consumer discretionary, and financial services.

However, we found several differences between the public company SME business aviation users in this study and the large company users from the 2009 NEXA Advisors study. The most notable was the ratio of users to nonusers. For the largest companies, the users of business aviation accounted for 76 percent of the companies in the study. For the SMEs, the ratio is reversed, with users representing only 31 percent of the companies analyzed. Despite the small penetration of business aviation, the SME users still outperformed the nonusers in each financial metric we analyzed. It seems clear from our interviews these users understood the business case for business aviation. Nonusers may need more careful study towards the value and the potential contribution of using business aviation. This report provides the strong fact base needed to make the case to the nonusers.

The SMEs analyzed in this study were predominantly from industrial and consumer discretionary industries (almost 50 percent). The industrial classification⁶ includes construction, transportation, machinery, etc., while the consumer discretionary classification includes automotive, retail clothing, toys, home furnishings, hotels, restaurants, etc.

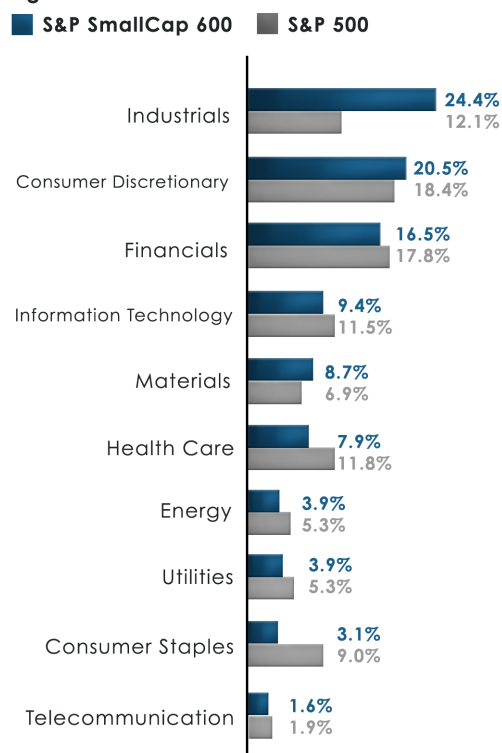
While the top three sectors remained the same for both studies, the larger companies in the 2009 study were less concentrated in the top three industries, with more representation from health care and information technologies. The larger companies were more focused on transaction-based business and use of business aviation to help execute strategic transactions.

Final Thoughts

As we conclude this second part of our analysis of the impact of business aviation on the creation of shareholder and enterprise value, it is clear that companies in America that used business aviation outperformed nonusers across a wide range of financial and nonfinancial metrics regardless of company size. Nonusers are encouraged to learn more about business aviation and take advantage of the resources provided by NBAA and the No-Plane No-Gain website. (<http://www.noplanenogain.org>)

We hope policymakers will continue to give careful consideration to the importance of business aviation to the overall economic engine of America. Our studies provide a critical fact-based analysis to further this understanding.

Figure 23: S&P 600 vs. S&P 500 User Breakdown



COMPANIES WITHIN THE S&P 600 SMALLCAP ANALYZED

#	SYMBOL	CATEGORY	ENTERPRISE	#	SYMBOL	CATEGORY	ENTERPRISE
1	SHLM	Materials	A Schulman Inc	100	DIOD	Health Care	Dionex Corp
2	AIR	Industrials	AAR Corp	101	DBRN	Consumer Discretionary	Dress Barn Inc
3	AAN	Consumer Discretionary	Aaron'S Inc	102	DW	Consumer Discretionary	Drew Industries Inc
4	ABM	Industrials	ABM Industries Inc	103	DRQ	Energy	Dril-Quip Inc
5	AKR	Financials	Acadia Realty Trust	104	DSPG	Information Technology	DSP Group Inc
6	ACTL	Information Technology	Actel Corp	105	EWBC	Financials	East West Bancorp Inc
7	AYI	Industrials	Acuity Brands Inc	106	EGP	Financials	EastGroup Properties Inc
8	ASF	Industrials	Administaff Inc	107	EE	Utilities	El Paso Electric Co
9	ADPT	Information Technology	ADPT Corp	108	ESIO	Information Technology	Electro Scientific Industries Inc
10	AEIS	Information Technology	Advanced Energy Industries Inc	109	EME	Industrials	Emcor Group Inc
11	AGYS	Information Technology	Agilysys Inc	110	NPO	Industrials	EnPro Industries Inc
12	AIN	Industrials	Albany International Corp	111	EPR	Financials	Entertainment Properties Trust
13	ALE	Utilities	Allete Inc	112	ENZ	Health Care	Enzo Biochem Inc
14	AOI	Consumer Staples	Alliance One International Inc	113	EPIQ	Information Technology	Epiq Systems Inc
15	CAS	Materials	AM Castle & Co.	114	ESS	Financials	Essex Property Trust Inc
16	ACO	Materials	Amcal International Corp	115	ESL	Industrials	Esterline Technologies Corp
17	AMED	Health Care	Amedisys Inc	116	ETH	Consumer Discretionary	Ethan Allen Interiors Inc
18	AMMD	Health Care	American Medical Systems Holdings Inc	117	EXAR	Information Technology	Exar Corp
19	AWR	Utilities	American States Water Co	118	FDS	Information Technology	Factset Research Systems Inc
20	AGP	Health Care	Amerigroup Corp	119	FEIC	Information Technology	FEI Co
21	AMSG	Health Care	Amsurg Corp	120	FIF	Financials	Financial Federal Corp
22	ALOG	Health Care	Analogic Corp	121	FINL	Consumer Discretionary	Finish Line Inc
23	AOS	Industrials	AO Smith Corp	122	FBP	Financials	First Bancorp/Puerto Rico
24	APOG	Industrials	Apogee Enterprises Inc	123	FMBI	Financials	First Midwest Bancorp Inc/IL
25	AIT	Industrials	Applied Industrial Technologies Inc	124	FLIR	Industrials	Fir Systems Inc
26	APSG	Industrials	Applied Signal Technology Inc	125	FLO	Consumer Staples	Flowers Foods Inc
27	ARB	Consumer Discretionary	Arbitron Inc	126	FWRD	Industrials	Forward Air Corp
28	ARJ	Materials	Arch Chemicals Inc	127	FOSL	Consumer Discretionary	Fossil Inc
29	ACAT	Consumer Discretionary	Arctic Cat Inc	128	FRED	Consumer Discretionary	Freds Inc
30	ABFS	Industrials	Arkansas Best Corp	129	GKSR	Industrials	G&K Services Inc
31	ARQL	Health Care	Arque Inc	130	GDI	Industrials	Gardner Denver Inc
32	ASTE	Industrials	Astec Industries Inc	131	GY	Industrials	GenCorp Inc
33	ATMI	Information Technology	ATMI Inc	132	GNCMA	Telecommunication	General Communication Inc
34	ATO	Utilities	Atmos Energy Corp	133	GCO	Consumer Discretionary	Genesco Inc
35	ATW	Energy	Atwood Oceanics Inc	134	GTIV	Health Care	Gentiva Health Services Inc
36	VOXX	Consumer Discretionary	Audiovox Corp	135	GRB	Information Technology	Gerber Scientific Inc
37	AVID	Information Technology	Avid Technology Inc	136	GBCI	Financials	Glacier Bancorp Inc
38	AVA	Utilities	Avista Corp	137	GAP	Consumer Staples	Great Atlantic & Pacific Tea Co
39	BEZ	Industrials	Baldor Electric Co	138	GB	Health Care	Greatbatch Inc
40	B	Industrials	Barnes Group Inc	139	GFF	Industrials	Griffon Corp
41	BELFB	Information Technology	Bel Fuse Inc	140	GPI	Consumer Discretionary	Group 1 Automotive Inc
42	BDC	Industrials	Belden Inc	141	GYMB	Consumer Discretionary	Gymboree Corp
43	BHE	Information Technology	Benchmark Electronics Inc	142	HAE	Health Care	Haemonetics Corp
44	BH	Information Technology	Black Box Corp	143	HAIN	Consumer Staples	Hain Celestial Group Inc
45	BBOX	Consumer Discretionary	Biglari Holdings Inc	144	HLIT	Information Technology	Harmonic Inc
46	BCSI	Information Technology	Blue Coat Systems Inc	145	HVT	Consumer Discretionary	Haverly Furniture Cos Inc
47	BPFH	Financials	Boston Private Financial Holdings Inc	146	FUL	Materials	HB Fuller Co
48	BNE	Industrials	Bowne & Co Inc	147	HW	Materials	Headwaters Inc
49	BRC	Industrials	Brady Corp	148	HCSG	Industrials	Healthcare Services Group Inc
50	BGG	Industrials	Briggs & Stratton Corp	149	HWAY	Health Care	Healthways Inc
51	CELL	Information Technology	Brightpoint Inc	150	HTLD	Industrials	Heartland Express Inc
52	BRS	Energy	Bristow Group Inc	151	HSII	Industrials	Heidrick & Struggles International Inc
53	BRKL	Financials	Brookline Bancorp Inc	152	HLX	Energy	Helix Energy Solutions Group Inc
54	BRKS	Information Technology	Brooks Automation Inc	153	HIBB	Consumer Discretionary	Hibbett Sports Inc
55	BWS	Consumer Discretionary	Brown Shoe Co Inc	154	HOTT	Consumer Discretionary	Hot Topic Inc
56	BW	Materials	Brush Engineered Materials Inc	155	HUBG	Industrials	Hub Group Inc
57	BKI	Materials	Buckeye Technologies Inc	156	HTCH	Information Technology	Hutchinson Technology Inc
58	COG	Information Technology	CACI International Inc	157	ICUI	Health Care	ICU Medical Inc
59	CACI	Energy	Cabot Oil & Gas Corp	158	IDXX	Health Care	IDEXX Laboratories Inc
60	CRR	Energy	Carbo Ceramics Inc	159	BLUD	Health Care	Immucor Inc
61	CASY	Consumer Staples	Caseys General Stores Inc	160	IPCC	Financials	Infinity Property & Casualty Corp
62	CSH	Financials	Cash America International Inc	161	INSP	Information Technology	Infospace Inc
63	CATO	Consumer Discretionary	Cato Corp	162	NSIT	Information Technology	Insight Enterprises Inc
64	CDI	Industrials	CDI Corp	163	INSU	Industrials	Insituform Technologies Inc
65	CEC	Consumer Discretionary	CEC Entertainment Inc	164	IART	Health Care	Integra Lifesciences Holdings Corp
66	CNC	Health Care	Centene Corp	165	IFSIA	Industrials	Interface Inc
67	CV	Utilities	Central Vermont Public Service Corp	166	IVC	Health Care	Invacare Corp
68	CENX	Materials	Century Aluminum Co	167	ITG	Financials	Investment Technology Group Inc
69	CRDN	Industrials	Ceradyne Inc	168	IO	Energy	ION Geophysical Corp
70	CHG	Utilities	CH Energy Group Inc	169	ITRI	Information Technology	Itron Inc
71	CKP	Information Technology	Checkpoint Systems Inc	170	JJSF	Consumer Staples	J&J Snack Foods Corp
72	CHE	Health Care	Chemed Corp	171	JCOM	Information Technology	J2 Global Communications Inc
73	PLCE	Consumer Discretionary	Childrens Place Retail Stores Inc/The	172	JACK	Consumer Discretionary	Jack In The Box Inc
74	CBK	Consumer Discretionary	Christopher & Banks Corp	173	JAKK	Consumer Discretionary	Jakks Pacific Inc
75	CBR	Information Technology	CIBER Inc	174	JDAS	Information Technology	JDA Software Group Inc
76	CLC	Industrials	Clarcor Inc	175	JAS	Consumer Discretionary	Jo-Ann Stores Inc
77	CNL	Utilities	Cleco Corp	176	JOSB	Consumer Discretionary	Jos A Bank Clothiers Inc
78	CGNX	Information Technology	Cognex Corp	177	KAMN	Industrials	Kaman Corp
79	COHU	Information Technology	Cohu Inc	178	KDN	Industrials	Kaydon Corp
80	CSTR	Consumer Discretionary	Coinstar Inc	179	KEI	Information Technology	Keithley Instruments Inc
81	CLP	Financials	Colonial Properties Trust	180	KNSY	Health Care	Kensley Nash Corp
82	COLB	Financials	Community Bank System Inc	181	KID	Consumer Discretionary	Kid Brands Inc
83	CMTL	Information Technology	Comtech Telecommunications Corp	182	KRC	Financials	Kilroy Realty Corp
84	CNMD	Health Care	Conmed Corp	183	KEX	Industrials	Kirby Corp
85	CGX	Industrials	Consolidated Graphics Inc	184	KNX	Industrials	Knight Transportation Inc
86	COO	Health Care	Cooper Cos Inc/The	185	KOPN	Information Technology	Kopin Corp
87	CCRN	Health Care	Cross Country Healthcare Inc	186	KSWS	Consumer Discretionary	K-Swiss Inc
88	CRY	Health Care	Cryolife Inc	187	KLIC	Information Technology	Kulicke & Soffa Industries Inc
89	CTS	Information Technology	CTS Corp	188	LG	Utilities	Laclede Group Inc
90	CUB	Industrials	Cubic Corp	189	LNCE	Consumer Staples	Lance Inc
91	CW	Industrials	Curtiss-Wright Corp	190	LNJ	Consumer Discretionary	Landry's Restaurants Inc
92	CYBX	Health Care	Cyberonics Inc	191	LSTR	Industrials	Landstar System Inc
93	CYMI	Information Technology	Cymer Inc	192	LAWS	Industrials	Lawson Products Inc/De
94	DAKT	Information Technology	Daktronics Inc	193	LZB	Consumer Discretionary	La-Z-Boy Inc
95	DFG	Financials	Delphi Financial Group Inc	194	LCAV	Health Care	LCA-Vision Inc
96	DEL	Materials	Deltic Timber Corp	195	LII	Industrials	Lennox International Inc
97	DGII	Information Technology	Digi International Inc	196	LXP	Financials	Lexington Realty Trust
98	DCOM	Financials	Dime Community Bancshares	197	LNN	Industrials	Lindsay Corp
99	DIN	Consumer Discretionary	Dineequity Inc				

#	SYMBOL	CATEGORY	ENTERPRISE	#	SYMBOL	CATEGORY	ENTERPRISE
198	LFUS	Information Technology	Littelfuse Inc	297	SNH	Financials	Senior Housing Properties Trust
199	LYV	Consumer Discretionary	Live Nation Entertainment Inc	298	SFN	Industrials	SFN GROUP INC
200	LUFK	Energy	Lufkin Industries Inc	299	SHAW	Industrials	Shaw Group Inc
201	LDL	Industrials	Lydall Inc	300	SHFL	Consumer Discretionary	Shuffle Master Inc
202	MHO	Consumer Discretionary	M/I Homes Inc	301	SSD	Industrials	Simpson Manufacturing Co Inc
203	MAG	Industrials	Magnetek Inc	302	SKY	Consumer Discretionary	Skyline Corp
204	MANH	Information Technology	Manhattan Associates Inc	303	SKYW	Industrials	Skywest Inc
205	MANT	Information Technology	Mantech International Corp	304	SWKS	Information Technology	Skyworks Solutions Inc
206	MCS	Consumer Discretionary	Marcus Corp	305	SM	Energy	SM Energy Co
207	HZO	Consumer Discretionary	Marinemax Inc	306	SAH	Consumer Discretionary	Sonic Automotive Inc
208	MEE	Energy	Massey Energy Co	307	SONC	Consumer Discretionary	Sonic Corp
209	MMS	Information Technology	Maximus Inc	308	SNIC	Information Technology	Sonic Solutions Inc
210	MD	Health Care	Mednax Inc	309	TSFG	Financials	South Financial Group Inc
211	MW	Consumer Discretionary	Men's Wearhouse Inc	310	SJ	Utilities	South Jersey Industries Inc
212	MRCY	Information Technology	Mercury Computer Systems Inc	311	SUG	Energy	Southern Union Co
213	MMSI	Health Care	Merit Medical Systems Inc	312	SWX	Utilities	Southwest Gas Corp
214	MTH	Consumer Discretionary	Meritage Homes Corp	313	SSS	Financials	Sovran Self Storage Inc
215	MEI	Information Technology	Methode Electronics Inc	314	SSI	Consumer Discretionary	Stage Stores Inc
216	MCRS	Information Technology	Micros Systems Inc	315	SMSC	Information Technology	Standard Microsystems Corp
217	MSCC	Information Technology	Microsemi Corp	316	SMP	Consumer Discretionary	Standard Motor Products Inc
218	MDS	Consumer Discretionary	Midas Inc	317	SPF	Consumer Discretionary	Standard Pacific Corp
219	MINI	Industrials	Mobile Mini Inc	318	SR	Industrials	Standard Register Co
220	MOG.A	Industrials	Moog Inc	319	SXI	Industrials	Standex International Corp
221	MTSC	Information Technology	MTS Systems Corp	320	SRT	Information Technology	StarTek Inc
222	MLI	Industrials	Mueller Industries Inc	321	SMRT	Consumer Discretionary	Stein Mart Inc
223	MGAM	Consumer Discretionary	Multimedia Games Inc	322	SBIB	Financials	Sterling Bancshares Inc/TX
224	MYE	Materials	Myers Industries Inc	323	STC	Financials	Stewart Information Services Corp
225	NARA	Financials	Nara Bancorp Inc	324	SGY	Energy	Stone Energy Corp
226	NAFC	Consumer Staples	Nash Finch Co	325	RGR	Consumer Discretionary	Sturm Ruger & Co Inc
227	NPK	Consumer Discretionary	National Presto Industries Inc	326	SUP	Consumer Discretionary	Superior Industries International Inc
228	NNN	Financials	National Retail Properties Inc	327	SUPX	Information Technology	Supertex Inc
229	NLS	Consumer Discretionary	Nautilus Inc	328	SRDX	Health Care	SurModics Inc
230	NCS	Industrials	NCI Building Systems Inc	329	SUSQ	Financials	Susquehanna Bancshares Inc
231	NP	Materials	Neehan Paper Inc	330	SPY	Energy	Swift Energy Co
232	NTGR	Information Technology	Netgear Inc	331	SWS	Financials	SWS Group Inc
233	NWK	Information Technology	Network Equipment Technologies Inc	332	SYMM	Information Technology	Symmetric Inc
234	NJR	Utilities	New Jersey Resources Corp	333	SYNA	Information Technology	Synaptics Inc
235	NWN	Utilities	Northwest Natural Gas Co	334	TTWO	Information Technology	Take-Two Interactive Software Inc
236	NVTL	Information Technology	Novatel Wireless Inc	335	TNL	Information Technology	Technitrol Inc
237	OIL	Energy	Oceaneering International Inc	336	TDY	Industrials	Teledyne Technologies Inc
238	CHUX	Consumer Discretionary	O'Charleys Inc	337	TEEK	Industrials	Tetra Tech Inc
239	ODSY	Health Care	Odyssey Healthcare Inc	338	TTI	Energy	Tetra Technologies Inc
240	ODFL	Industrials	Old Dominion Freight Line Inc	339	TXI	Materials	Texas Industries Inc
241	OMG	Materials	OM Group Inc	340	THQI	Information Technology	THQ Inc
242	ASGN	Industrials	On Assignment Inc	341	TLGD	Information Technology	Tollgrade Communications Inc
243	OSTE	Health Care	Osteotech Inc	342	TTC	Industrials	Toro Co
244	OMI	Health Care	Owens & Minor Inc	343	TW	Industrials	Towers Watson & Co
245	OXM	Consumer Discretionary	Oxford Industries Inc	344	TSCO	Consumer Discretionary	Tractor Supply Co
246	PNRA	Consumer Discretionary	Panera Bread Co	345	TG	Industrials	Tredegar Corp
247	PZZA	Consumer Discretionary	Papa John's International Inc	346	THS	Consumer Staples	TreeHouse Foods Inc
248	PRXL	Health Care	Parexel International Corp	347	TRMB	Information Technology	Trimble Navigation Ltd
249	PKE	Information Technology	Park Electrochemical Corp	348	TGI	Industrials	Triumph Group Inc
250	PKY	Financials	Parkway Properties Inc/Md	349	TBI	Industrials	TrueBlue Inc
251	PCTI	Information Technology	PC-Tel Inc	350	TRST	Financials	Trustco Bank Corp NY
252	PEET	Consumer Discretionary	Peet's Coffee & Tea Inc	351	UGI	Utilities	UGI CORP
253	PENX	Materials	Penford Corp	352	UIL	Utilities	Uil Holdings Corp
254	PVA	Energy	Penn Virginia Corp	353	UTEK	Information Technology	Ultratech Inc
255	PBY	Consumer Discretionary	Pep Boys-Manny Moe & Jack	354	UMPG	Financials	Umpqua Holdings Corp
256	PSEM	Information Technology	Pericom Semiconductor Corp	355	UNS	Utilities	Unisource Energy Corp
257	PETD	Energy	Petroleum Development Corp	356	UNT	Energy	Unit Corp
258	PFCB	Consumer Discretionary	PF Chang's China Bistro Inc	357	UBSI	Financials	United Bankshares Inc
259	PTEC	Information Technology	Phoenix Technologies Ltd	358	UFCS	Financials	United Fire & Casualty Co
260	PNY	Utilities	Piedmont Natural Gas Co Inc	359	UNFI	Consumer Staples	United Natural Foods Inc
261	PNK	Consumer Discretionary	Pinnacle Entertainment Inc	360	USTR	Industrials	United Stationers Inc
262	PJC	Financials	Piper Jaffray Cos	361	UFPI	Industrials	Universal Forest Products Inc
263	PJI	Consumer Discretionary	Polaris Industries Inc	362	VMI	Industrials	Valmont Industries Inc
264	POL	Materials	PolyOne Corp	363	VSEA	Information Technology	Varian Semiconductor Equipment Associates Inc
265	POOL	Consumer Discretionary	Pool Corp	364	VECO	Information Technology	Veeco Instruments Inc
266	PRAA	Financials	Portfolio Recovery Associates Inc	365	VVI	Industrials	Viad Corp
267	PPD	Consumer Discretionary	Pre-Paid Legal Services Inc	366	VSAT	Information Technology	ViaSat Inc
268	PLFE	Financials	Presidential Life Corp	367	VICR	Industrials	Vicor Corp
269	PVTB	Financials	PrivateBancorp Inc	368	WCN	Industrials	Waste Connections Inc
270	PRA	Financials	ProAssurance Corp	369	WCO	Industrials	Watsco Inc
271	PRGS	Information Technology	Progress Software Corp	370	WTS	Industrials	Watts Water Technologies Inc
272	PRSP	Financials	Prosperity Bancshares Inc	371	WPP	Materials	Wausau Paper Corp
273	KWR	Materials	Quaker Chemical Corp	372	WDFC	Consumer Staples	WD-40 Co
274	QSII	Health Care	Quality Systems Inc	373	WBSN	Information Technology	WebSense Inc
275	ZQK	Consumer Discretionary	Quiksilver Inc	374	WEN	Consumer Discretionary	Wendy's/Arby's Group Inc
276	RADS	Information Technology	Radiant Systems Inc	375	WTNY	Financials	Whitney Holding Corp/LA
277	RSYS	Information Technology	RadiSys Corp	376	WGO	Consumer Discretionary	Winnebago Industries Inc
278	RAH	Consumer Staples	Ralcorp Holdings Inc	377	WTFC	Financials	Wintrust Financial Corp
279	RRGB	Consumer Discretionary	Red Robin Gourmet Burgers Inc	378	WMS	Consumer Discretionary	WMS Industries Inc
280	RBC	Industrials	Regal-Beloit Corp	379	WWW	Consumer Discretionary	Wolverine World Wide Inc
281	REGN	Health Care	Regeneron Pharmaceuticals Inc	380	WGOV	Industrials	Woodward Governor Co
282	RHB	Health Care	Rehabcare Group Inc	381	WRLD	Financials	World Acceptance Corp
283	DINE	Financials	Rewards Network Inc	382	INT	Energy	World Fuel Services Corp
284	RLI	Financials	RLI Corp	383	ZLC	Consumer Discretionary	Zale Corp
285	RBN	Industrials	Robbins & Myers Inc	384	ZNT	Financials	Zenith National Insurance Corp
286	RKT	Materials	Rock-Tenn Co				
287	ROG	Information Technology	Rogers Corp				
288	RTI	Materials	RTI International Metals Inc				
289	RTEC	Information Technology	Rudolph Technologies Inc				
290	SAFM	Consumer Staples	Sanderson Farms Inc				
291	SVNT	Health Care	Savient Pharmaceuticals Inc				
292	SCSC	Information Technology	ScanSource Inc				
293	SCHS	Industrials	School Specialty Inc				
294	SWM	Materials	Schweitzer-Mauduit International Inc				
295	CKH	Energy	SEACOR Holdings Inc				
296	SIGI	Financials	Selective Insurance Group Inc				

GLOSSARY

Asset Utilization	Asset utilization measures a company's ability to make best use of its sales-generating resources, such as accounts receivable, inventory, and fixed assets. Efficient management and tight control of assets is essential to any successful business.
CAGR	Compounded Annual Growth Rate. $[Current Value / Base Value] ^ {1 / \# periods} - 1$.
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
Enterprise Value	An economic measure reflecting the market value of a business, calculated as market cap plus debt, minority interest and preferred shares, minus total cash and cash equivalents, and one of the fundamental metrics used in business valuation, financial modeling, accounting, and portfolio analysis. It can be thought as the takeover price for a company and is often considered more comprehensive than market cap because it includes debt in its calculation.
GICS	Global Industry Classification Standard, used by Standard & Poor's to classify industries.
Market Capitalization	Represents the public consensus on the market value of a company's outstanding equity, calculated by multiplying a company's shares outstanding by the current market price of one share. The investment community often uses this figure in assessing a company's size (as opposed to sales or total asset figures).
Net Income (NI)	The residual income of a firm after adding total revenue and gains and subtracting all expenses and losses for the reporting period.
Private Enterprise	A closely-held company that is privately owned and does not trade stock on any public exchange. Most small businesses are privately held.
Public Enterprise	A company that has held an initial public offering (IPO) and whose shares are traded on a stock exchange or in the over-the-counter market. Public companies are subject to periodic filing and other obligations under the federal securities law.
Return on Equity (ROE)	Net Income / Average Total Equity
Return on Assets (ROA)	Net Income / Average Total Equity
Small and Medium Enterprise (SME)	A broad term to describe smaller companies - both privately owned and publicly traded.
S&P 600 SmallCap	Standard & Poor's ranks companies based on market capitalization. As of June 2010, S&P SmallCap companies had market caps ranging from \$250 MM to \$1.2 B.
S&P 400 MidCap	S&P MidCap companies with market caps ranging from \$850 MM to \$3.8 B

S&P 500

The largest index, as ranked by Standard & Poor's and the subject of the 2009's Business Aviation: An Enterprise Value Perspective. Companies with \$3.5 B market cap or greater.

Stakeholders

Anyone with an interest in a company including owners, employees, customers, and vendors.

Shareholder Value (SV)

The value delivered to shareholders because of management's ability to grow earnings, dividends and share price . Making wise investments and generating a healthy return on invested capital are two main drivers of shareholder value

Footnotes

¹For the purposes of this study, NEXA has defined SMEs as the S&P SmallCap 600 companies plus the smaller privately held companies included in the survey process

²Growth is defined as annualized increase in revenues

³Earnings Before Interest Taxes Depreciation and Amortization

⁴General Aviation Manufacturers Association

⁵The Real World of Business Aviation: A Survey of Companies Using General Aviation Aircraft, Harris Interactive, Inc. October 2009

⁶Industry sector classifications, known as GICS, were developed by S&P to group companies by industry in the S&P index

ABOUT NEXA ADVISORS

NEXA Advisors provides highly specialized transaction-focused advisory services in the aerospace and transportation sectors to help companies become high-performance businesses. The integration of our advisory, consulting, technology, and alliance services - in combination with our investors and partners - gives us a unique foundation for delivering value to our clients. NEXA professionals have a deep understanding of the challenges facing the aerospace and transportation sectors from our years as top executives and consultants. As trusted advisors to senior management, we offer consulting advice that is both strategically innovative and pragmatic to execute. When required, NEXA can also provide access to institutional capital, further accelerating growth in enterprise value.

NEXA REPORT AUTHORS

The research team for this study was selected to bring broad expertise and innovative perspectives on the use of business aviation within small and medium enterprises. Tulinda Larsen, Principal, NEXA Advisors, served as this study's team leader. James P. Hughey and Joseph A. Valente provided the quantitative analysis of the financial data for the selected S&P SmallCap 600 companies and the qualitative analysis of the interviews with business aviation operators. Michael J. Dymment and Russell G. Chew, Managing Partners of NEXA, provided overall project direction and commentary. Michael previously led the teams that authored similar studies in 2001 and 2009. The aircraft analysis was conducted by Paul Cardarelli and the research team at JETNET, LLC. Cessna Aircraft Company assisted in determining operators versus non-operators. Mark Patiky and the Forbes research team provided the qualitative lists of small- and medium- companies.

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Further Information

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Study Contact Information

NEXA Advisors
1250 24th Street NW, Suite 300
Washington, D.C. 20037
Tel: +1 (202) 558-7417

Michael J. Dymment
Managing Partner
michael.j.dymment@nexacapital.com

Russell G. Chew
Managing Partner
russ.chew@nexacapital.com

Tulinda Larsen
Principal
tulinda@nexacapital.com



Further Information

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NEXA ADVISORS, LLC
WWW.NEXACAPITAL.COM
+1 202 558 7417