

THE LEADING EDGE

Joe Carfagna, President, of New Jersey based Leading Edge Aviation Solutions (LEAS), talks to Anthony Harrington

I believe your father was in the business before you, Joe, so this must really be in your blood

JC: Absolutely. My father was in the business right from the dawn of business aviation. In 1968 He was asked by Bill Lear to sell the revolutionary new Lear 24's and 25's in the New York area. Following that he was a founder of one of the first management companies, Executive Air Fleet, which grew to approximately 120 aircraft under management and ultimately became part of Jet Aviation in the mid 80's. In 1988 he formed Wings Aviation, Int'l, an aircraft brokerage firm which is a predecessor company of Leading Edge. So, you could say that I was born into business aviation and the aircraft brokerage business.

AH: When did you join him in the business?

JC: I came in shortly after completing my bachelor's degree in business administration in 1994 and began in market research and sales support--an excellent training ground for my progression to aircraft sales. We had some partnership changes in the business around 2004, and Leading Edge Aviation Solutions was the result. It has been our name and brand ever since – though, as I say, our pedigree goes back to 1988.

AH: Much has changed in the industry during those three decades. But one of the constants amid all that change will be the length of time that it takes to bring an aircraft transaction to a successful conclusion.

JC: Very true. Aircraft acquisitions and disposals tend to involve very lengthy sales cycles, due in no small part to the degree of planning and analysis that needs to be put in at the start of these deals. We follow the market and its trends constantly. We carefully assess our clients' needs and desires and perform the research necessary to confirm or address those perceived needs and accomplish their goals whether for a buyer or a seller.

We have developed a proprietary analytic tool that puts market values in perspective. The latest industry intelligence is a critical part but blending and evaluating all the information from multiple sources is the key. What this means for a buyer or seller is accurate valuation information for each aircraft being considered for purchase or for sale. This tool would point out, as a hypothetical example, the \$20M aircraft that's worth \$22M or the one for \$19M that may be worth only \$18M.



We believe a broker's #1 job is to try to prevent a client from making mistakes. Having good industry intelligence and accurate market valuations are just two of the many factors involved in keeping a client informed. An educated client will be prepared to make good decisions. In fact, we have discouraged some clients that are first time buyers from acquiring an aircraft if we saw after initial analysis it was not feasible for them to do so.

AH: How would you characterise the market for aircraft purchases today?

JC: I think there is a very strong possibility that we will look back on mid 2017 as the point in time when the market turned for the better after nine very soft years. One of the key signs of this, from my perspective, is that we transacted as many aircraft deals in the second half of 2017 as we did in the entire preceding year. During 2015 and 2016 values were plummeting, and it was tough times for both owners and brokers.

However, I think 2018 will be a strong year for transactions, and I think it will stay strong until there is a real shortage of pre-owned aircraft.

AH: I take it that you are also involved in new aircraft sales as well as pre-owned. Are you seeing new aircraft sales picking up?

JC: We certainly handle the purchase of new aircraft for our clients and always have done so. The relative proportions of new versus pre-owned transactions varies from year to year. Of course, for the last five or so years, the softness in the pre-owned market has created so many great bargains that clients have been more interested in pre-owned rather than new aircraft.

AH: Where do you see the greatest demand right now?

JC: Demand is strongest for late model, large cabin aircraft with very little air time. However, these aircraft are in very short supply. It will be interesting to compare the price of pre-owned aircraft in this category coming to market two months from now as against today's prices. I think the next sixty days could be critical in showing us where the market is going.

AH: Let's talk a bit about the services that LEAS offers.

JC: We have a very deep suite of services that we provide

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to clients which we brand as THE EDGE. This includes the planning and consultancy services, technical services, aircraft acquisition and brokerage.

We are about providing 100 per cent satisfaction for the client with a very high level of communication and customer service, and this means ensuring that all the options are explored and analysed before the transaction begins. We want to be sure that an aircraft purchase is both feasible and right for a client. Is a purchase the right way forward, when compared to all the other options for private flight. When we perform acquisitions, I like to refer to ourselves as “The Aircraft Psychologists”. Asking clients “why do you feel that way?” about their predisposed opinions before coming to us is a great way to provide a professional opinion and add real value.

I would always rather challenge a decision to buy so that we can be sure that the client is going to be happy with the deal both when it is first accomplished and in the following years.

And with regard to technical services, we have a full-time director of maintenance services on staff. We oversee pre-purchase inspections, supervise pre-owned aircraft maintenance and refurbishment, and perform on-site aircraft evaluations. In addition, to ensure the highest manufacturing quality and cabin interior completion, we can monitor an owner’s newly acquired aircraft as it transitions through the manufacturing process.

Excellent, responsive and trustworthy service builds customer satisfaction. We have a very strong network of high net worth individuals and corporate clients, particularly in the New York metropolitan area, and the endorsements that our clients provide are an extremely valuable source of new business for us.

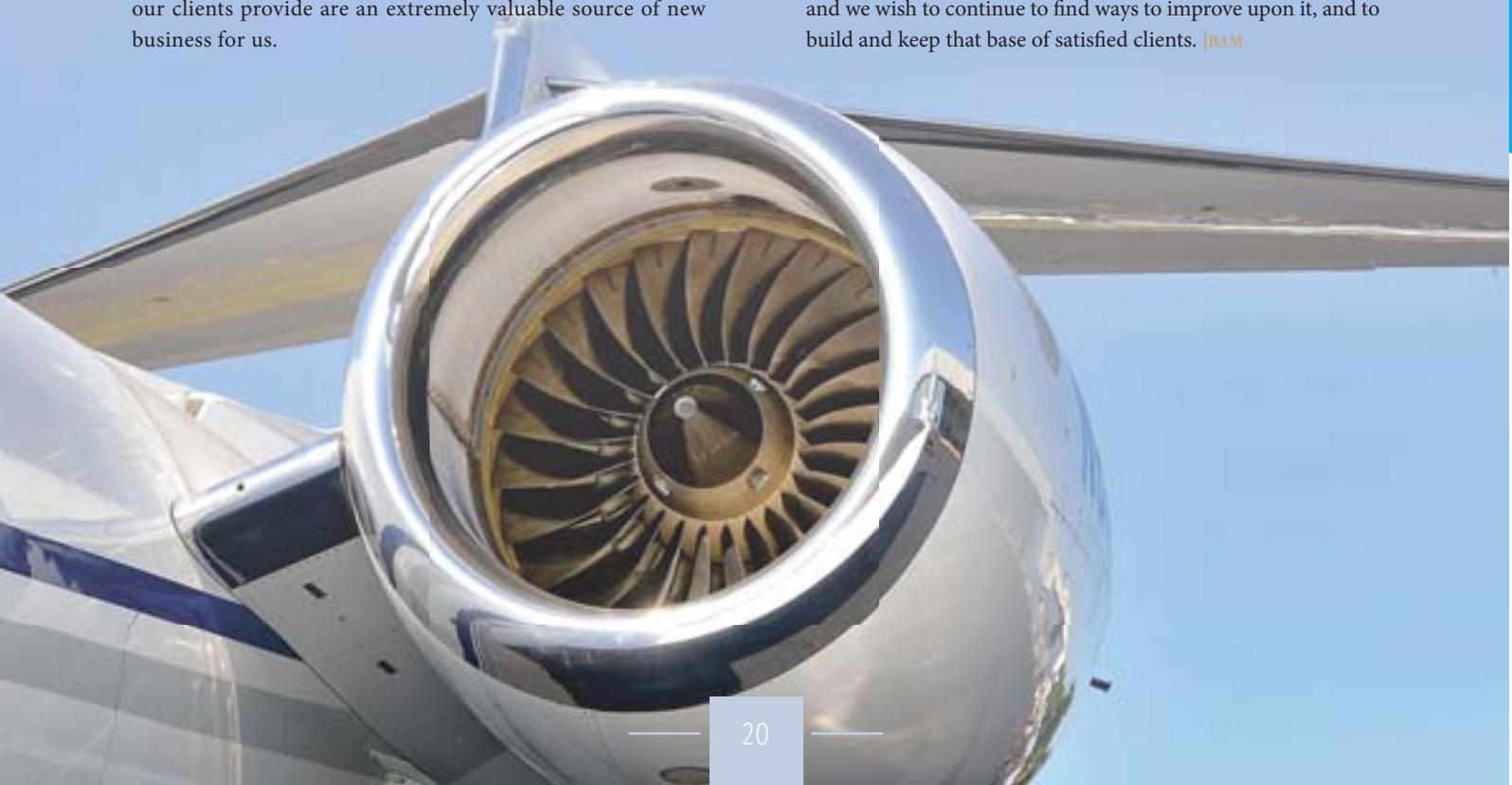
AH: How do you keep the relationship going long term, since your part of the cycle is very much at the front end, with the purchase, and then, three to five years later, with the disposal and upgrade. What keeps you in their minds during the interim?

JC: That is a great point and it is one that we are very keen to address. We have devised a new service for our clients that will provide added value for the client and will help us to stay connected with them. This is a program that offers the client cost valuations and operational analyses on their aircraft through the life of the aircraft. We will be offering this service shortly through our exclusive collaborative arrangement with ARGUS, a worldwide leader in specialized aviation services. In addition, ARGUS will offer discounts to Leading Edge clients on their audit services and certain other products. We call this program THE EDGE - Benefits Program.

Three other key industry companies are participating in THE EDGE - Benefits Program as well. Discounts for Leading Edge Aviation Solutions clients are available with FlightSafety International for their Passenger Emergency Training course and Initial Crew Emergency Training course and with MedAire for their Travel Risk Management Program and In-Flight Illness and Injury Training Program as well as medical kits. Marsh Insurance can offer Leading Edge clients an in-depth audit of their aviation policies with a full report as well as access to an insurance program that aggressively competes with large fleet plans.

AH: What are the company’s current plans for the future?

JC: To sharpen the saw every day. More can be better, but we would rather focus on the idea that being better is better. I will put our personalized service up against anyone’s in the industry, and we wish to continue to find ways to improve upon it, and to build and keep that base of satisfied clients. |BAM



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