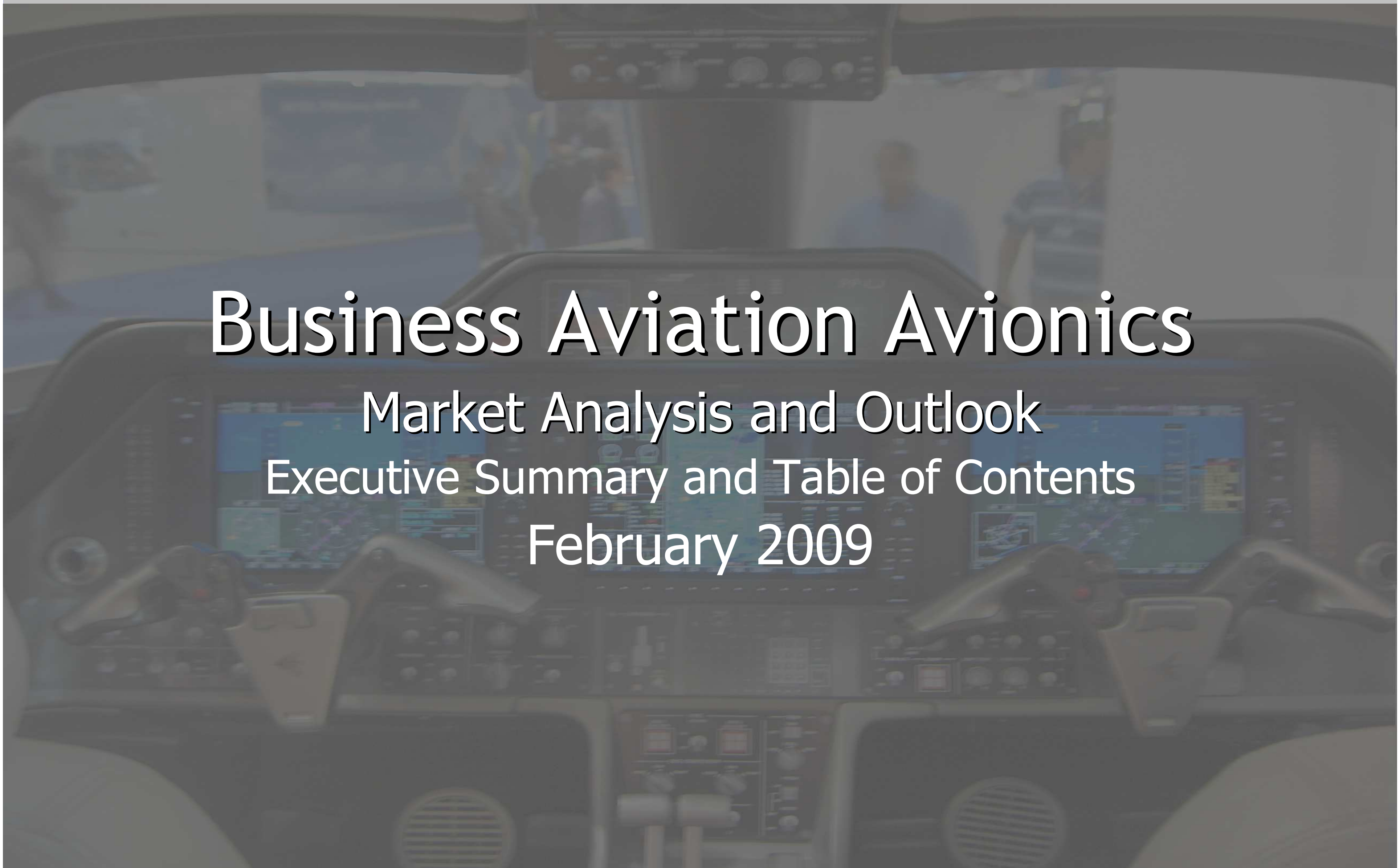

Business Aviation Avionics

Market Analysis and Outlook

Executive Summary and Table of Contents

February 2009

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Research Note AB081

Executive Briefing

Market Findings

- Business aviation avionics markets remain very dynamic. Although a significant slow down of US and European market demand will affect sales over the next three years.
- The sector remains the most innovative in terms of new technology adoption and experimentation.
- Rockwell Collins, Honeywell and Universal Avionics continue to dominate the medium to higher market segments with Garmin establishing a solid foothold at the lower end of the market segment with emerging light jet programs.
- The dominance of integrated systems will not lead to a similar dominance from one or two players alone. Aircraft OEMs are likely to mitigate risk with the transition to multiple subs working for a lead integrator on future key programs.

Key Figures

- Market will grow from $2.1 billion in 2008 to $2.5 billion in 2020
- Total Avionics CAGR for the forecast period is 1.2%
- Avionics Retrofit CAGR for the forecast period is 2.1%
- Estimates indicate that 3,500+ in or soon to be in-service business jets will receive a system upgrade/retrofit by 2020

Near Term Outlook

- Limited opportunities remain for avionics suppliers due to the very limited number of new aircraft programs.
- Retrofit market will suffer significantly from US and European recessions despite incentives
- Increased complexity of avionics systems will limit opportunities for new entrants over the forecast period.
- Migration downward will be increasingly possible for companies such as Rockwell Collins and Thales but will be a financially and technologically unlikely possibility for companies looking to migrate upward such as Garmin, Chelton or even CMC

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