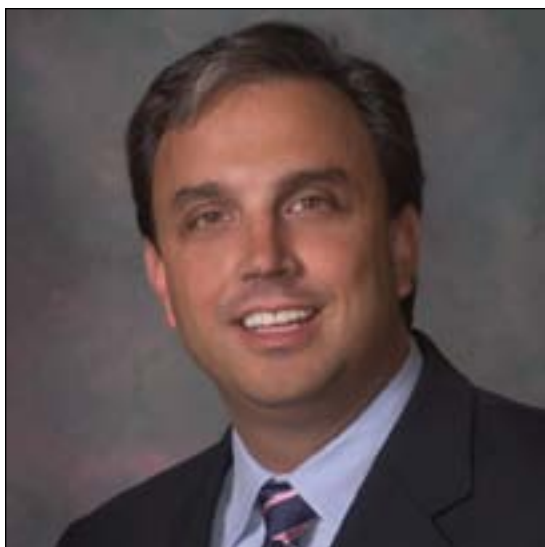


Interview

The Right Product

An Interview with Steve F. Santo,
Founder and Chief Executive Officer, Avantair



Steve F. Santo

EDITORS' NOTE Steve Santo has served as Chief Executive Officer, President, and a director of Avantair since its inception in June 2003 and Skyline Aviation Services, Inc. since June 2002. Santo practiced law as an attorney in private practice from 1995 through 2001, concluding his law practice as a name partner at the firm of Fields, Silver & Santo. From 1992 to 1995, Santo served as an Assistant District Attorney in New York working in the office's major crimes unit. He received a J.D. from St. John's School of Law and a bachelor's degree from Villanova University.

COMPANY BRIEF Headquartered in Clearwater, Florida, Avantair (www.avantair.com) is the only publicly traded stand-alone private aircraft operator and the sole North American provider of fractional shares and flight hour time cards in the Piaggio Avanti aircraft space. With over 400 employees, the company offers private travel solutions for individuals and businesses traveling within its service area, which includes the continental United States, Canada, the Caribbean, and Mexico, at a fraction of the cost of whole aircraft ownership. The company currently manages a fleet of 54 aircraft, with another 53 Piaggio Avanti aircraft on order through 2013.

Were you surprised by the severity and speed at which the economic crisis came about, and where do you see us on the path to recovery?

I was very surprised by how quickly it came about. I thought there would be some downturn, but I didn't think it would be this severe. I think we're going to have a five-year recovery. I look at that from the business that I'm in, where there is a lot of used aircraft inventory that needs to clear out before we start to see pricing returned back to former rates. However, our company provides value in a niche market during an economic downturn and, as a result, we have captured market share and had success. We offer 40 percent more fuel efficiency than our competitors, and our pricing is 30 to 40 percent less. Our team provides the high levels of service that our owners have come to expect. All of these factors have contributed to our success.

At the time you started the company, what did you see in the industry that made you feel that the timing was right and there was a need and demand for Avantair?

We were a little ahead of our time. When we entered the industry, we felt that we could find a place in between the very expensive operator and commercial travel, an untapped niche in the marketplace. Competitors in the market at that time didn't really focus on providing value. Getting customers onto a private jet was more of an ego, status-driven thing. Of course, that has changed now; Avantair provides private travel to a broader range of consumers and, as a result, Avantair has grown 80 percent year over year in terms of users. We also had a wonderful core group of owners who were using our service who turned out to be our best salespeople by sending several referrals which have grown our business. Our referrals remain a main source of our new business.

In the beginning, were you very focused on a specific aircraft type, and has that been a key differentiator?

Yes. When we entered the marketplace, the first key decision was to find the right product. We stumbled upon an airplane called the Piaggio Avanti and we entered into a deal where we got an exclusive on the product. It's not a traditional looking aircraft, and its claim to fame before we got involved was its association with the famed Ferrari Automobile. It's a racy looking airplane, and has a unique design with the forward wing, which gives it a futuristic look. But on the other side, it's very efficient in that it burns half the amount of fuel of any aircraft that we compete against. The cabin space is much larger as well. In our market, there are

several different types of aircraft: light jets, mid-size, super mid-size, and large. We fall into the light jet category from a price standpoint, and we're 40 to 60 percent less than our competitors. But we stand out in terms of cabin space and payload capability, and we also have a fully enclosed aft lavatory which is uncommon in its category. So we bring value in several different ways. The airplane is also eco-friendly because it burns half the amount of fuel, so we have a much smaller carbon footprint. We also offer an offset program. We like to think people are a lot more responsible today – more specifically the business traveler – than they were in the past, and, as a result, it has driven our brand.

When many think of private aviation, they think of it as a niche market at the top level. With your price points, is it broader, and how do you define how broad the market will be?

It's much broader, because it's not an exclusive way to travel when you look at the pricing. We do this all the time with companies: if you're moving one person, it's significantly more expensive than flying commercial. But if you're putting four or five businesspeople on the airplane and you're going from Chicago to Miami, it's going to be very close to the same price, especially when you factor in that they can do that in a day, get their business done, and return home, and they can work on the airplane as well.

As the company has grown, how do you define your role and the key areas to make sure the brand continues on its path?

At a high level, you have to keep the priorities in order and make sure you're checking the boxes. That can be tough with time constraints. The fact that the company is public occupies a lot of time, and it's difficult not to get caught up in the hype surrounding the company when it's growing like this, and focus on running the company, because the company must first perform. You can't get lost in the details. I've created the key metrics in the company to review on a daily, weekly, and monthly basis, and I focus on those. If we start to get off track in any area, then I can quickly find out reasons and our team can adjust. Our key metrics tie directly into our financials. Our team is motivated to make sure that we hit the metrics. If we do that, we know what the financials are going to look like. It has been proven and our team knows that it works. ●