

**Subject:** Market share model

**From:** Collin Heller <collinheller@cpmil.com>

**Date:** 11/09/2024, 18:44

**To:** Forrest Colliver <f.colliver@aerospaceedge.com>, Lee Carlson <l.carlson@aerospaceedge.com>

**CC:** Joanne Zhang <joannezhang@cpmil.com>, Richard Apps <richardapps@cpmil.com>

Hi Forrest and Lee,

Thank you both for the call yesterday. In bold below, I have a proposal for you all on model adjustments. If you could please get back to me as soon as you can, I can work on that next iteration for tomorrow.

I have attached the latest iteration of our market share model.

To do a little bit of scene setting: the table below provides a comparison of what our old SQL model (from the 2021 report) would have predicted in 2023 versus what our new model predicts in 2023.

<b>Model</b>	<b>2023 OE</b>	<b>2023 Aftermarket</b>	<b>2023 Total</b>
Old model (2021 report)	\$7,330m	15,608	22,938
New model (2024 report)	\$7,879	7,664	15,543

So you can first notice two things: (1) OE has not changed much, slightly up largely due to inflation; (2) Aftermarket is much lower (about halved).

In our report, we estimate the revenues of companies from Avionics sales. The total of those revenues should match the total of our SQL model (with some adjustments that I will cover in a moment). The implication is that our company estimated revenue therefore needs to change (on average lower by 33%).

This is somewhat of a challenge because we base those numbers off of the company's revenues.

Joanne and I have gone through each company and tried to see if there is a rationale for lowering its avionics estimated revenue. For most of them there is some; Collins, in particular, looks like it might have been over-estimated. Others, such as Garmin, have piston-powered aircraft in their revenue scope, which is not in our model.

The other lever that we can adjust is the amount of intertrade (Tier 2 to Tier 1 and Tier 1 to Tier 1); I have also been somewhat aggressive with the assumptions here to make sure we aren't double counting.

**The end result is that our market share model (from company revenues) is still about 7-8% higher than the SQL model suggests.** Our two models usually keep each other in balance, so when we've maxed out one, that is usually a sign that the other might be a little off. My own personal view is that I think the old model overestimated the aftermarket. I think this new model is much closer, but has slightly under-estimated the aftermarket.

**I would propose that we increase the aftermarket incidence rates by 10% across the board. This would give plenty of breathing room for the models to match. It still leaves our OE aftermarket split near 50/50. What do you all think of this? If you all are happy with this, Joanne and I will do another iteration and try to have that to show tomorrow.**

I don't expect you all to go through all the numbers in the market share model, but here is a quick explanation of what I have attached.

Column C gives the revenue estimate we had in 2019 in the last report. Column D gives the new estimate. Column E gives the % of that revenue that we think is pure Tier 1 (ie, no intertrade). Columns G and H give the OE aftermarket split. The remaining columns give a breakdown by column type.

All the best,

Collin

**Collin Heller**  
**Vice President**

Counterpoint Market Intelligence Limited

Tel: +44 1235 868051

Mobile: +44 7702 514276

Email: [collinheller@cpmil.com](mailto:collinheller@cpmil.com)

Website: [www.counterpoint.aero](http://www.counterpoint.aero)

Registered in England No. 5182481

Registered office: Suite12, The Mansion Chesterford Research Park, Little Chesterford, Saffron Walden, England, CB10 1XL, UK

VAT registration No: 160 0854 34

— Attachments: —

---

Avionics 2024 Mini Model\_v2.xlsx

28.5 KB