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List of abbreviations

737MAX	Boeing 737 Max aircraft family
737NG	Boeing 737 Next Generation aircraft family
A320	Airbus A320 aircraft family
EASA	European Union Aviation Safety Agency
EFVS	Enhanced Flight Vision System
ELA	Error Level Analysis
FAA	Federal Aviation Administration
FTFR	Fuel Tank Flammability Reduction
HUD	Head-up display
HWD	Head-wearable display
IP	Intellectual property
S.D. Fl.	United States District Court for the Southern District of Florida
SPAC	Special Purpose Acquisition Company
STC	Supplemental Test Certificate

List of references

All citations, references, and sources are publicly available. Annual reports and other company documents were obtained through the respective issuer's website, regulatory filings, and commercial registries. Documents are cited as follows:

< company name / author > < year of publication / business year >, < document title >, < page >, < url >

All annual reports are quoted with their business year in parentheses instead of publication year as we noticed that it does limit confusion.

Some SEC filings were retrieved through direct URLs within the EDGAR system, and those filings are quoted directly.

The phrase "company data" indicates that we aggregated the specific metrics from one or several respective regulatory filings.

List of figures

If not stated otherwise, all figures are obtained through the quoted references in the footnotes and can be found in the respective source.

Further explanations

We noticed that even a focused reader could get confused by the stylized company and product name, as AerSale and AerSafe look very familiar to the naked eye while reading. So decided to write AerSale with a capitalized 'S' and Aersafe with a lowercase 's' in the report.

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Executive Summary

We are short AerSale Corporation (Nasdaq: ASLE) because, in our opinion, the company has been misleading shareholders since going public. AerSale boasted about its AerAware product and the “near-term” product launch but has failed to deliver on this promise. The stock is detached from fundamentals, hinging upon a near-term FAA approval for AerAware and a large order from a domestic airline. **Based on our research, we are confident our diligence debunks the dream of a large order.** Our analysis of government records, flight data, and social media posts indicates that **AerAware is a nonstarter.**

AerSale Corporation	
Ticker:	ASLE
Market Cap:	USD 733.1m
Share Price:	USD 14.24
Consensus:	USD 16.75

In addition, **a direct competitor is seeking an injunction and millions of dollars in damages in an undisclosed patent infringement lawsuit** regarding the company’s Aersafe product.

In our opinion,

- **AerSale is a defendant in [an undisclosed IP lawsuit](#).** The plaintiff, Jetaire Aerospace, alleges that AerSale’s Aersafe product infringes multiple of their patents. This lawsuit remains undisclosed despite AerSale accruing almost a million dollars in legal fees just year-to-date and changing its risk factors regarding IP litigation in its SEC filings.
- **Jetaire has made a strong case and is seeking an injunction.** The court-appointed leading patent expert appears to support Jetaire’s claims. While the plaintiffs sought at least \$20 million in damages in their initial complaint in 2020, **we estimate the damages will exceed \$41 million, with the potential to rise above \$100 million.**
- **Can management be trusted? The company moved the goal post on AerAware ten different times** and issued several interim press releases to pump AerSale’s stock. **But to date, AerAware has not been approved by the FAA.**
- Some investors have held through these delays in **hopes of massive orders from United, Alaska, or Southwest Airlines.** We see these hopes as misguided. **Management’s statements, flight data, and government records do not support these hopes.**
- **AerSale’s executives highlighted several disadvantages for the airlines to adopt AerAware, like equipping 50% of all aircraft with AerAware, training all pilots, revising the training manuals, changing the multi-million dollar flight simulators, and getting regulatory approval from the FAA for all of that.** In addition to buying AerAware, **airlines would have to invest millions of dollars, making any purchase of AerAware unlikely.**
- **AerAware is not superior to current technologies.** The AerAware images have been photoshopped to make AerAware’s capabilities appear better than they are, [as indicated by a forensic analysis](#).
- **AerAware is redundant because – [as noted in the FAA’s report to Congress](#) – there are several cheaper and more reliable alternatives providing the same functionality of a HUD system and EFVS, some available ex-factory.**
- **AerAware is a late contender** competing against major players like Collins Aerospace, Thales, Elbit, and Kollsman. **The recently boasted 50% visual advantage was awarded to its supplier’s product and not to AerAware.**

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- **An STC for the Airbus A320 family is unlikely.** Since 2019, AerSale has been boasting about this and the 737NG but neither has materialized.
- **AerSale will be required to apply for a separate STC for the 737Max family** because of the FAA's recertification process for the Boeing 737Max.
- **Elbit Systems is selling the technology to AerSale competitors for implementation in smaller business airplanes,** further limiting the market opportunities for AerAware.
- Products like Aersafe and AerAware are supposed to generate recurring revenue to offset lumpiness in AerSale's core business. **However, due to injunction risk for Aersafe and AerAware's tiny addressable market, the company's value should be based on its volatile core business.**

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1. Fuel Tank Fiasco: AerSale's Undisclosed Lawsuit

Unknown to investors, AerSale has been sued by Jetaire Aerospace for patent infringement since December 2020 (see Figure 1).¹ AerSale never disclosed the lawsuit to its investors.²

Instead, the company changed its risk factors regarding IP litigation and added several paragraphs after the lawsuit was filed.³ ⁴ According to SEC filings, AerSale accrued legal fees of \$1.6 million and year-to-date legal costs increased by almost one million dollars, which were paid in 3Q23.⁵ ⁶ We think all legal costs of \$1.6 million – reported as accrued or paid – are due to the IP lawsuit.

UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF FLORIDA	
Case No. _____	
JETAIRE AEROSPACE, LLC, Plaintiff,	
v.	
<u>AERSALE INC.</u> , Defendant.	

ORIGINAL COMPLAINT FOR PATENT INFRINGEMENT

Plaintiff, JETAIRE AEROSPACE, LLC (“Jetaire” or “Plaintiff”) files this Original **Complaint for Patent Infringement against Defendant AERSALE INC.** (hereinafter, “AerSale” or “Defendant”) as follows:

Figure 1 Filed complaint against AerSale on December 17, 2020, source: NINGI Research, S.D. Fl.

The legal action concerns a product called ‘Aersafe.’⁷ The plaintiff markets a competing product known as ‘Invicta’ and has been granted several patents for the innovative technology behind it.⁸ In contrast, AerSale does not own any patents for the technology used in Aersafe.⁹ **The complaint alleges that AerSale uses Jetaire-patented technology for its Aersafe product and by doing so, infringes the Jetaire patents.**¹⁰

Both parties are demanding a jury trial and **AerSale’s only defense is that the language in the patents is “indefinite”.**¹¹ However, the patents were granted to Jetaire years ahead of the lawsuit, and during the court proceedings, a patent expert suggested that most of the language is not indefinite.¹² ¹³ **In our opinion, the legal situation is leaning in favor of Jetaire.** In its initial complaint in 2020, Jetaire

¹ Jetaire Aerospace, LLC v. AerSale Inc. (2020), 1:20-cv-25144 – Document 1, p. 1, https://www.docketalarm.com/cases/Florida_Southern_District_Court/1--20-cv-25144/Jetaire_Aerospace_LLC_v._AerSale_Inc/1/

² AerSale Corporation (2022), annual report, p. 78, <https://www.sec.gov/Archives/edgar/data/1754170/000155837023003009/asle-20221231x10k.htm>

³ AerSale Corporation (2020), annual report, p. 23, https://www.sec.gov/Archives/edgar/data/1754170/000110465921037098/tm211117d1_10k.htm

⁴ AerSale Corporation (2021), annual report, p. 22, <https://www.sec.gov/Archives/edgar/data/1754170/000155837022003617/asle-20211231x10k.htm>

⁵ AerSale Corporation (2023), quarterly report, p. 12, <https://www.sec.gov/Archives/edgar/data/1754170/000155837023014056/asle-20230630x10q.htm>

⁶ AerSale Corporation (2023), quarterly report, p. 12, <https://www.sec.gov/Archives/edgar/data/1754170/000155837023018321/asle-20230930x10q.htm>

⁷ Jetaire Aerospace, LLC v. AerSale Inc. (2020), 1:20-cv-25144 – Document 1, p. 4, https://www.docketalarm.com/cases/Florida_Southern_District_Court/1--20-cv-25144/Jetaire_Aerospace_LLC_v._AerSale_Inc/1/

⁸ Jetaire Aerospace, LLC (2023), Invicta, <https://www.jetairegroup.com/invicta>

⁹ United States Patent and Trademark Office (2023), Search term ‘AerSale’, <https://ppubs.uspto.gov/pubwebapp/static/pages/ppubsbasic.html>

¹⁰ Jetaire Aerospace, LLC v. AerSale Inc. (2020), 1:20-cv-25144 – Document 1, p. 4, https://www.docketalarm.com/cases/Florida_Southern_District_Court/1--20-cv-25144/Jetaire_Aerospace_LLC_v._AerSale_Inc/1/

¹¹ Jetaire Aerospace, LLC v. AerSale Inc. (2020), 1:20-cv-25144 – Document 30, p. 14, https://www.docketalarm.com/cases/Florida_Southern_District_Court/1--20-cv-25144/Jetaire_Aerospace_LLC_v._AerSale_Inc/30/

¹² Jetaire Aerospace, LLC v. AerSale Inc. (2020), 1:20-cv-25144 – Document 133, p. 122,

https://www.docketalarm.com/cases/Florida_Southern_District_Court/1--20-cv-25144/Jetaire_Aerospace_LLC_v._AerSale_Inc/133/

¹³ In 16 cases, AerSale did not provide any wording, meaning the company did not propose how the language differs from the plain ordinary meaning.

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sought damages of at least \$20 million for the period from 2018 to 2020.¹⁴ We believe **damages will be at least around \$41 million with a potential to rise above \$100 million as Aersafe grows globally.** Next to the damages, **AerSale's revenue is at risk because the plaintiff is seeking an injunction.**¹⁵

1.1 The technology and history behind the products

To properly analyze the case it is important to understand the history of the patented technology. Both products, Invicta and Aersafe, mitigate fire ignition in an airplane's fuel tank.^{16 17} The products were designed to satisfy the FAA's Fuel Tank Flammability Reduction mandate (commonly known as the 'FTFR rule').¹⁸ At the time, there were various solutions to comply with the FTFR rule but all were based on installing a nitrogen inerting system – a system that is very expensive to retrofit and needs continuous maintenance.¹⁹ In contrast, Invicta and Aersafe are inexpensive to retrofit and after installation do not require any maintenance.^{20 21} Therefore, both products offer a significant benefit for aircraft lessors, operators, and airlines.

But how did two separate companies develop the same innovative technology? Jetaire alleges the company entered into a confidential relationship with AerSale to gain access to AerSale's Boeing 737 for the development of its now-patented technology in 2015.²² According to the complaint, there was no development partnership but to use AerSale's Boeing 737.²³ Allegedly, after Invicta was developed and certified, AerSale asked Jetaire to develop a marketable commercial kit based on the innovation.²⁴ Instead, Jetaire declined and started marketing its Invicta product.²⁵

The lawsuit alleges that AerSale then developed the requested kit using Jetaire's technology and intellectual property and has been selling it since.²⁶ By doing so, **AerSale allegedly infringes the respective Jetaire patents and will face consequences. AerSale denies any infringement.**²⁷

¹⁴ Jetaire Aerospace, LLC v. AerSale Inc. (2020), 1:20-cv-25144 – Document 1, p. 5, https://www.docketalarm.com/cases/Florida_Southern_District_Court/1--20-cv-25144/Jetaire_Aerospace_LLC_v._AerSale_Inc/1/

¹⁵ Jetaire Aerospace, LLC v. AerSale Inc. (2020), 1:20-cv-25144 – Document 1, p. 1, https://www.docketalarm.com/cases/Florida_Southern_District_Court/1--20-cv-25144/Jetaire_Aerospace_LLC_v._AerSale_Inc/1/

¹⁶ AerSale Corporation (2023), AerSafe, <https://www.aersale.com/products/aersafe>

¹⁷ Jetaire Aerospace, LLC (2023), Invicta, <https://www.jetairegroup.com/invicta>

¹⁸ Federal Aviation Administration (2012), Operator Information for Incorporating Fuel Tank Flammability Reduction Requirements into a Maintenance or Inspection Program, p. 1, https://www.faa.gov/documentLibrary/media/Advisory_Circular/AC%20120-98A.pdf

¹⁹ Jetaire Aerospace, LLC v. AerSale Inc. (2020), 1:20-cv-25144 – Document 1, p. 5, https://www.docketalarm.com/cases/Florida_Southern_District_Court/1--20-cv-25144/Jetaire_Aerospace_LLC_v._AerSale_Inc/1/

²⁰ Jetaire Aerospace, LLC (2023), Invicta, <https://www.jetairegroup.com/invicta>

²¹ AerSale Corporation (2023), AerSafe, <https://www.aersale.com/products/aersafe>

²² Jetaire Aerospace, LLC v. AerSale Inc. (2020), 1:20-cv-25144 – Document 1, p. 3, https://www.docketalarm.com/cases/Florida_Southern_District_Court/1--20-cv-25144/Jetaire_Aerospace_LLC_v._AerSale_Inc/1/

²³ Jetaire Aerospace, LLC v. AerSale Inc. (2020), 1:20-cv-25144 – Document 1, p. 3, https://www.docketalarm.com/cases/Florida_Southern_District_Court/1--20-cv-25144/Jetaire_Aerospace_LLC_v._AerSale_Inc/1/

²⁴ Jetaire Aerospace, LLC v. AerSale Inc. (2020), 1:20-cv-25144 – Document 1, p. 4, https://www.docketalarm.com/cases/Florida_Southern_District_Court/1--20-cv-25144/Jetaire_Aerospace_LLC_v._AerSale_Inc/1/

²⁵ Jetaire Aerospace, LLC v. AerSale Inc. (2020), 1:20-cv-25144 – Document 1, p. 4, https://www.docketalarm.com/cases/Florida_Southern_District_Court/1--20-cv-25144/Jetaire_Aerospace_LLC_v._AerSale_Inc/1/

²⁶ Jetaire Aerospace, LLC v. AerSale Inc. (2020), 1:20-cv-25144 – Document 1, p. 4, https://www.docketalarm.com/cases/Florida_Southern_District_Court/1--20-cv-25144/Jetaire_Aerospace_LLC_v._AerSale_Inc/1/

²⁷ Jetaire Aerospace, LLC v. AerSale Inc. (2021), 1:20-cv-25144 – Document 19, p. 1, https://www.docketalarm.com/cases/Florida_Southern_District_Court/1--20-cv-25144/Jetaire_Aerospace_LLC_v._AerSale_Inc/19/

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1.2 The consequences: lost revenue and significant damages

AerSale's defense evolves around that there is no valid claim of infringement, but based on the court's latest reconsideration of motions in Jetaire's favor **we think AerSale's main defense appears weak.**²⁸

²⁹ We estimate that Aersafe generated about \$21.2 million in sales since 2018, **given the sought injunction this recurring revenue will be at risk after the final decision in 2024.**^{30 31}

In addition, **Jetaire is seeking millions of dollars in damages.**³² We expect damages to be determined on past sales which will result in a substantial damages figure. Since the lawsuit was initiated, AerSale has continued to sell a significant volume of products, with each Aersafe solution priced at \$195,000.³³

AerSale reported in a press release from August 2023 that numerous operators worldwide have bought Aersafe.³⁴ The company has marketed its Aersafe product for almost the entire Boeing fleet and Airbus A320 family, meaning several thousand separate instances of infringement could be used to determine the total damages.³⁵ In our opinion, this could potentially **result in total damages exceeding \$100 million.**^{36 37}

Ultimately, we think all Aersafe sales will be gone in the future and AerSale will be slapped with a hefty bill that the company might not be able to pay because cash on hand has been declining significantly.³⁸ Furthermore, we believe **damages will negatively affect AerSale's operations** because most of the company's cash is stuck in working capital, forcing the company to free up capital in its core business to pay the bill.³⁹ In our opinion, the loss of Aersafe revenues will create further working capital problems down the road rather than offset fluctuations in AerSale's revenue as planned by the company. But it is not the only product in AerSale's 'Engineered Solutions' segment that has proven to be a failure.

Questions for AerSale and the company's management that are of interest to the investing public:

- What was the reasoning for AerSale not to disclose the patent infringement lawsuit even though the company faces injunctive relief and damages of more than \$20 million?
- How much revenue did AerSale generate with Aersafe since the product's launch?
- Do any sealed court documents include information that would require mandatory disclosure and that is material for an investor's decision-making process?
- Did AerSale's largest shareholder Leonard Green & Partners know about the pending lawsuit at de-SPAC?

²⁸ Jetaire Aerospace, LLC v. AerSale Inc. (2021), 1:20-cv-25144 – Document 19, p. 1, https://www.docketalarm.com/cases/Florida_Southern_District_Court/1--20-cv-25144/Jetaire_Aerospace_LLC_v._AerSale_Inc/19/

²⁹ Jetaire Aerospace, LLC v. AerSale Inc. (2023), 1:20-cv-25144 – Document 266, p. 1, https://www.docketalarm.com/cases/Florida_Southern_District_Court/1--20-cv-25144/Jetaire_Aerospace_LLC_v._AerSale_Inc/266/

³⁰ AerSale Corporation (2022), annual report, p. 61, <https://www.sec.gov/Archives/edgar/data/1754170/000155837023003009/asle-20221231x10k.htm>

³¹ AerSale Corporation (2021), annual report, p. 58, https://www.sec.gov/Archives/edgar/data/1754170/000110465921037098/tm211117d1_10k.htm

³² Jetaire Aerospace, LLC v. AerSale Inc. (2020), 1:20-cv-25144 – Document 1, p. 5, https://www.docketalarm.com/cases/Florida_Southern_District_Court/1--20-cv-25144/Jetaire_Aerospace_LLC_v._AerSale_Inc/1/

³³ AerSale Corporation (2017), AerSafe product brochure, https://web.archive.org/web/20231028140122/https://www.aersale.com/hubfs/AerSale-April2017/PDF/AerSafe%20737_Flyer-0217.pdf

³⁴ AerSale Corporation (2023), AerSale Provides AerSafe System: A Proven and Cost-Effective Solution to Meet FAA FQIS AD Requirements, <https://www.aersale.com/media-center/aersale-announces-new-location-0>

³⁵ AerSale Corporation (2023), AerSafe, <https://www.aersale.com/products/aersafe>

³⁶ AerSale Corporation (2023), AerSale Provides AerSafe System: A Proven and Cost-Effective Solution to Meet FAA FQIS AD Requirements, <https://www.aersale.com/media-center/aersale-announces-new-location-0>

³⁷ Total damages are defined as reasonable royalties and lost profits

³⁸ AerSale Corporation (2023), quarterly report, p. 1, <https://www.sec.gov/Archives/edgar/data/1754170/000155837023018321/asle-20230930x10q.htm>

³⁹ AerSale Corporation (2023), quarterly report, p. 1, <https://www.sec.gov/Archives/edgar/data/1754170/000155837023014056/asle-20230630x10q.htm>

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2. AerAware: All Talk, No Takeoff

There has been a buzz in the investment community around AerSale’s enhanced flight vision system (“EFVS”) AerAware since the company went public. The idea is: you are paying a fair price for the core business with huge upside potential from AerAware. The product is also there to help offset lumpiness in the core MRO business making the stock more investable.⁴⁰ Management, the sell-side, and vocal buy-side investors have made several claims to promote this story:

- AerAware will be approved by the FAA “in the near term”
- A major airline with several hundred 737s will place a large order for AerAware
- AerAware is superior to current technologies
- AerAware will be certified for other aircraft like 737Max and Airbus A320 family

In our opinion, these claims have misled the market and AerAware will disappoint.

Claim #1: AerAware will be approved by the FAA “in the near term”

Almost every quarter for the past four years, AerSale has boasted that a supplemental type certificate (“STC”) for AerAware will be issued in the near term. We counted more than ten different occasions where management guided for this event (see Figure 2). But we all know; it did not happen.

Earnings call:	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
STC approval date:	Q2 2021	Q4 2021	Q4 2021	Q1 2022	2022
Commentary by management:	[...] Our best guess is by end of May sometime in June. But before the end of the second quarter, we believe we'll have it certified [...]	[...] we're more looking at the end of the third quarter and potentially at the very beginning of the fourth quarter to receive FAA certification. [...]	[...] If all goes well, we may still commence sales of our AerAware products in Q4, but are very optimistic we will do so in the first half of 2022 at the latest. [...]	[...] software verification and validation, with expected completion before the end of February 2022. Final FAA approval should be granted shortly thereafter [...]	[...] We continue to believe FAA approval will be granted in 2022 [...]
Result:	Failed	Failed	Failed	Failed	Failed
Earnings call:	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
STC approval date:	"in the near-term"	Q1 2023	"now in the red zone"	"near-completion"	"near-term approval"
Commentary by management:	[...] As we believe final AerAware certification will be granted by the FAA in the near-term, [...]	[...] But I would expect if we do our flight testing in late November, late this month or early December, we will have the STC in January. [...]	[...] That notwithstanding we're now in the red zone with the FAA on achieving our supplemental type certificate [...]	[...] We're excited to be near-completion, considering all the positive comments from the FAA and the interest of multiple potential customers. [...]	[...] we're encouraged by the pace of our asset acquisition program, which combined with the near-term approval of AerAware [...]
Result:	Failed	Failed	Failed	Failed	Failed

Figure 2 AerAware’s STC approval was guided almost a dozen times but never happened, source: NINGI Research

In the 2Q23 earnings call, management stated that the FAA issues the STC within 30 days of the completion of the final test flights.⁴¹ After the earnings sell-off, AerSale published a press release announcing the test flight completion.⁴² Days after the 30-day period, AerSale’s management disclosed at an investment conference that the FAA is surprisingly requesting tests for the AerAware lenses.⁴³ A couple of weeks later, two additional promotional statements were released but ultimately, the FAA has not issued an STC to date.

⁴⁰ RBC Capital Markets, LLC (2022), Heightened investor (Aer)awareness of stock and new product offerings a positive, Initiating at OP, p. 1.

⁴¹ Finsight Group, Inc. (2023), AerSale (ASLE) / 8 Aug 23 / 2023 Q2 Earnings call transcript, <https://capedge.com/transcript/1754170/2023Q2/ASLE>

⁴² AerSale Corporation (2023), AerSale Successfully Completes Certification Flight Testing for the AerAware™ Enhanced Flight Vision System (EFVS), <https://www.sec.gov/Archives/edgar/data/1754170/000155837023015140/asle-20230821xex99d1.htm>

⁴³ RBC Capital Markets, LLC (2023), Highlights from the RBC Global Industrials Conference, p. 1.

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In our opinion, either **AerSale does not know the certification program plan that the FAA sets at the beginning of any new STC process or the company deliberately misled investors about the development timeline** of its AerAware product.⁴⁴

After the latest broken promise by AerSale, **management washed its hands of responsibility for the delay.**⁴⁵ In our opinion, it appears **AerSale wants to assign all guilt to the FAA**, just months after its executives boasted about another “near-term approval”.^{46 47} With this failure to take responsibility, and along with the undisclosed IP lawsuit, **we think AerSale and its management are not credible.**

Claim #2: A major airline will be placing a large order for AerAware

Since going public in 2020, AerSale’s management has touted that several airlines have signaled interest in AerAware, have taken part in test flights, and that there will be a large order by a major US airline as soon as the STC is issued.^{48 49 50 51 52}

However, not even a letter of intent has been signed to date. **Why has not a single airline or operator secured an agreement for AerAware – conditional upon FAA approval – if they are so keen?**

AerSale never disclosed any specific names but has hinted that the first customer has a fleet of more than 500 Boeing 737NG and 737 Max.⁵³ In the most recent earnings call, AerSale’s CEO stated that the alleged launch customer is nicknamed “big boy customer” because it is a big airline.⁵⁴ Based on management’s statements, many have speculated that the launch customer is a large airline like American, Southwest, or United Airlines.⁵⁵ One AerSale investor – Prescience Point Capital – issued several reports in 2021 and 2023 that said they expect that Alaska, Southwest, and United Airlines will be ordering AerAware.^{56 57 58} **However, all three airlines and any major airline can be ruled out as potential launch customers for a variety of reasons.**

Southwest and Alaska Airlines can be ruled out as potential customers just from a technical viewpoint because they are equipped with technology making AerAware redundant. A significant flaw in the bull thesis is that Alaska Airlines and Southwest Airlines have equipped their Boeing 737 fleet with HUD systems from Collins Aerospace.^{59 60 61 62} Alaska Airlines was even featured in a Boeing

⁴⁴ Federal Aviation Administration (2023), Supplemental Type Certificate Process - Application to Issuance,

https://www.faa.gov/aircraft/air_cert/design_approvals/stc/stc_app

⁴⁵ Seeking Alpha Ltd. (2023), AerSale Corporation (ASLE) Q3 2023 Earnings Call Transcript, <https://seekingalpha.com/article/4649450-aersale-corporation-asle-q3-2023-earnings-call-transcript>

⁴⁶ Finsight Group, Inc. (2023), AerSale (ASLE) / 8 Aug 23 / 2023 Q2 Earnings call transcript, <https://capedge.com/transcript/1754170/2023Q2/ASLE>

⁴⁷ Seeking Alpha Ltd. (2023), AerSale Corporation (ASLE) Q3 2023 Earnings Call Transcript, <https://seekingalpha.com/article/4649450-aersale-corporation-asle-q3-2023-earnings-call-transcript>

⁴⁸ Finsight Group, Inc. (2022), AerSale (ASLE) / 9 Aug 22 / 2022 Q2 Earnings call transcript, <https://capedge.com/transcript/1754170/2022Q2/ASLE>

⁴⁹ Finsight Group, Inc. (2022), AerSale (ASLE) / 9 Nov 22 / 2022 Q3 Earnings call transcript, <https://capedge.com/transcript/1754170/2022Q3/ASLE>

⁵⁰ Finsight Group, Inc. (2023), AerSale (ASLE) / 6 Mar 23 / 2022 Q4 Earnings call transcript, <https://capedge.com/transcript/1754170/2022Q4/ASLE>

⁵¹ Finsight Group, Inc. (2023), AerSale (ASLE) / 9 May 23 / 2023 Q1 Earnings call transcript, <https://capedge.com/transcript/1754170/2023Q1/ASLE>

⁵² Seeking Alpha Ltd. (2023), AerSale Corporation (ASLE) Q3 2023 Earnings Call Transcript, <https://seekingalpha.com/article/4649450-aersale-corporation-asle-q3-2023-earnings-call-transcript>

⁵³ Finsight Group, Inc. (2023), AerSale (ASLE) / 6 Mar 23 / 2022 Q4 Earnings call transcript, <https://capedge.com/transcript/1754170/2022Q4/ASLE>

⁵⁴ Seeking Alpha Ltd. (2023), AerSale Corporation (ASLE) Q3 2023 Earnings Call Transcript, <https://seekingalpha.com/article/4649450-aersale-corporation-asle-q3-2023-earnings-call-transcript>

⁵⁵ Finsight Group, Inc. (2023), AerSale (ASLE) / 9 May 23 / 2023 Q1 Earnings call transcript, <https://capedge.com/transcript/1754170/2023Q1/ASLE>

⁵⁶ Prescience Point Capital Management (2021), AerSale Corp. | ASLE, p. 3, <https://www.presciencepoint.com/research/research-archives/aersale/>

⁵⁷ Prescience Point Capital Management (2023), AerSale Corp. | ASLE Update 2, p. 6, <https://www.presciencepoint.com/research/research-archives/aersale-update2/>

⁵⁸ Prescience Point Capital Management (2021), AerSale Corp. | ASLE Update, p. 3, <https://www.presciencepoint.com/research/research-archives/aersale-corp-asle-update/>

⁵⁹ GuodongLee (2017), Boeing 737-790 - Southwest Airlines, <https://www.airliners.net/photo/Southwest-Airlines/Boeing-737-790/4263033>

⁶⁰ GuodongLee (2015), Boeing 737-990/ER - Alaska Airlines <https://www.airliners.net/photo/Alaska-Airlines/Boeing-737-990-ER/2825639>

⁶¹ The Boeing Company (2003), Technology Flies High on Boeing 737,

<https://web.archive.org/web/20070101211344/http://www.boeing.com/commercial/news/feature/737tech.html>

⁶² Airliners.net (2023), Southwest Airlines Boeing flight deck photos,

<https://www.airliners.net/search?aircraftManufacturer=7&airline=52371&photoCategory=6&sortBy=datePhotographedYear&sortOrder=desc&perPage=36&display=detail>

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case study in 2003 for being the first airline to line-fit its 737NGs with HUD systems.⁶³ Southwest is retiring its 737NG fleet and replacing it with the 737Max aircraft that have a HUD system ex-factory.⁶⁴

Both airlines, Alaska and Southwest, don't need AerAware because retrofitting their fleets with AerAware implies significant unnecessary capex as the HUD systems and the flight decks have to be disassembled. The disassembly would lead to extra ground time for the fleet. In addition, a retrofit to a fully functional EFVS with an existing HUD system is estimated to cost about \$100,000.⁶⁵ In contrast, AerAware is estimated to cost almost one million dollars – ten times a partial retrofit to get a fully functional EFVS.⁶⁶ **In the 3Q23 earnings call, AerSale's CEO highlighted additional disadvantages for airlines to adopt AerAware like the revision of training manuals, changing their multi-million dollar flight simulators, and getting regulatory approval from the FAA themselves.**⁶⁷ Furthermore, the FAA requires that at least 50% of a fleet have to be equipped with any system and **all pilots of an airline have to be trained before the system can be operated, a fact acknowledged by AerSale's management.**^{68 69} That is additional capex for an airline. In our opinion, neither Alaska nor Southwest will invest in a “nice to have” but non-mandatory system.

Furthermore, we think it is possible that the “big boy customer” that has accompanied most test flights, is solely interested in Elbit's EVS-5000 imaging sensors (branded as 'Clearvision'). As said, Alaska's and Southwest's 737NGs have HUD systems on board and a retrofit with Elbit's Clearvision would lead to a fully functional enhanced flight vision system for both airlines. As discussed, it is ten times cheaper for an airline to partially retrofit an aircraft with imaging sensors rather than buying a new system like AerAware.⁷⁰ **The FAA did not award AerAware 50% operational credits but to Elbit's EVS-5000 imaging sensor retrofitted in a Boeing 737NG, as stated in the official FAA document.**⁷¹ Prior to that Elbit's EVS-5000 had not been granted any operational credits for its use in any Boeing aircraft.⁷² However, with the most recent award for 50% operational credits, the EVS-5000 is the leading imaging sensor for an EFVS.⁷³ But it is sold by Elbit, and not by AerSale.

In our opinion, **airlines like Southwest do not need AerAware** because they can retrofit Elbit's EVS-5000, connect it to the airplane's HUD system, achieve a fully functional EFVS, and get 50% operational credits for its use – all at a significantly lower price.

That leaves us with United Airlines. On social media, investors have shared conclusions that test flights from Denver Airport are demonstrations for United Airlines (see Figure 3).⁷⁴ Yet these investors have failed to consider that **the FAA's local certification office is literally next to the Denver Airport.**⁷⁵

⁶³ The Boeing Company (2003), Technology Flies High on Boeing 737,

<https://web.archive.org/web/20070101211344/http://www.boeing.com/commercial/news/feature/737tech.html>

⁶⁴ Shay, Lee Ann (2023), Southwest's 737-700 Engine Strategy As It Phases Out Fleet, <https://aviationweek.com/mro/aircraft-propulsion/southwests-737-700-engine-strategy-it-phases-out-fleet>

⁶⁵ Stifel Financial Corp. (2023), An Interesting Opportunity in the Aerospace World that Has Not Yet Taken Off,

<https://stifel2.bluematrix.com/docs/html/e23b0969-340e-4e1c-a00d-605f7183ae90.html>

⁶⁶ Stifel Financial Corp. (2023), An Interesting Opportunity in the Aerospace World that Has Not Yet Taken Off,

<https://stifel2.bluematrix.com/docs/html/e23b0969-340e-4e1c-a00d-605f7183ae90.html>

⁶⁷ Seeking Alpha Ltd. (2023), AerSale Corporation (ASLE) Q3 2023 Earnings Call Transcript, <https://seekingalpha.com/article/4649450-aersale-corporation-asle-q3-2023-earnings-call-transcript>

⁶⁸ Finsight Group, Inc. (2021), AerSale (ASLE) / 10 Nov 21 / 2021 Q3 Earnings call transcript, <https://capedge.com/transcript/1754170/2021Q3/ASLE>

⁶⁹ Federal Aviation Administration (2022), Report to Congress: Advanced Cockpit Displays, p. 21, [https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-](https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf)

[254_Sec_306_Advanced_Cockpit_Displays.pdf](https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf)

⁷⁰ Federal Aviation Administration (2022), Report to Congress: Advanced Cockpit Displays, p. 21, [https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-](https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf)

[254_Sec_306_Advanced_Cockpit_Displays.pdf](https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf)

⁷¹ Federal Aviation Administration (2023), Operational Credit for Enhanced Flight Vision Systems (EFVS), p 12,

<https://drs.faa.gov/browse/excelExternalWindow/DRSDOCID194646745620231020152945.0001?modalOpened=true>

⁷² Federal Aviation Administration (2023), Operational Credit for Enhanced Flight Vision Systems (EFVS), p. 12,

<https://drs.faa.gov/browse/excelExternalWindow/DRSDOCID194646745620231020152945.0001?modalOpened=true>

⁷³ Federal Aviation Administration (2023), Operational Credit for Enhanced Flight Vision Systems (EFVS), p. 12,

<https://drs.faa.gov/browse/excelExternalWindow/DRSDOCID194646745620231020152945.0001?modalOpened=true>

⁷⁴ X Corp (2023), Prescience Point post, <https://twitter.com/PresciencePoint/status/1704849359983329419>

⁷⁵ Federal Aviation Administration (2023), Certification Branches (formerly Aircraft Certification Offices/ACOs),

https://www.faa.gov/about/office_org/field_offices/certification_branches

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Denver is closest to AerSale’s hubs in Roswell, New Mexico, and Goodyear, Arizona.⁷⁶ In our opinion, any flights happened at these airports because the FAA certification branches are based nearby (see Figure 3). In our opinion, hinting **flight data as clear evidence of customer orders from United is highly misleading.**

If investors insist on placing their faith in the flight data and consider AerSale's previous claims as trustworthy, they could **rule out United Airlines as a potential launch customer.** This is because AerSale's CEO mentioned during the 4Q22 earnings call that the launch customer should have a fleet comprising 500 737NGs and 737MAXs.⁷⁷ According to United Airlines, the company operated 430 Boeing 737s at the time.⁷⁸

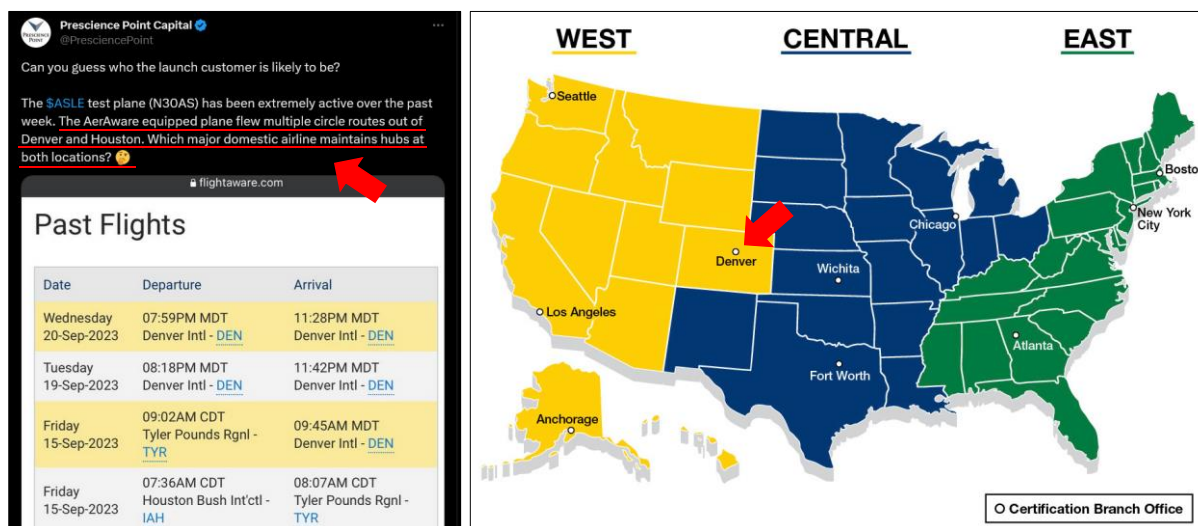


Figure 3 Social media speculation about flight data and locations of the FAA Certification branch offices, source: FAA, X.com

Taken together, it is highly speculative to conclude from these hints that the launch customer will be United Airlines – or any other major airline.

In our opinion, it is more likely that AerSale’s first order is from Houston-based Avelo Airlines, a 2021-founded ULCC, that was formerly operated by AerSale under the brand ‘Xtra Airways.’^{79 80} Avelo has a small fleet of 16 Boeing 737NG.⁸¹ In our opinion, such a deal would constitute a related-party transaction because Avelo’s CEO sits on the board of AerSale.^{82 83}

Ultimately, it is unlikely that any major airline will buy AerAware because they have to incur millions of dollars in additional costs, convert their multi-million dollar flight simulators, equip 50% of all aircraft with AerAware, train all their pilots, and then ask the FAA for separate approval. All these obstacles were highlighted by AerSale's executives.^{84 85}

⁷⁶ AerSale Corporation (2023), Facilities, <https://www.aersale.com/about/facilities>

⁷⁷ Finsight Group, Inc. (2023), AerSale (ASLE) / 6 Mar 23 / 2022 Q4 Earnings call transcript, <https://capedge.com/transcript/1754170/2022Q4/ASLE>

⁷⁸ United Airline Holdings, Inc. (2023), Investor update, p. 2, <https://ir.united.com/static-files/f7511998-2ac2-406b-8ef4-784b59c96f61>

⁷⁹ Weed, Julie (2021), Despite It All, Two New U.S. Airlines Prepare to Fly, <https://www.nytimes.com/2021/03/16/travel/airlines-breeze-avelo-usa.html>

⁸⁰ Gate A1 (2021), Avelo Airlines, the new US startup airline that is more than “a velo”, <https://gatea1.net/2021/04/20/avelo-airlines-usa/>

⁸¹ Avelo Airlines, Inc. (2023), Avelo Airlines Upgrades Pilot Compensation, <https://www.aveloair.com/company-news/avelo-airlines-upgrades-pilot-compensation>

⁸² AerSale Corporation (2022), annual report, p. 37, <https://www.sec.gov/Archives/edgar/data/1754170/000155837023003009/asle-20221231x10k.htm>

⁸³ AerSale Corporation (2023), proxy filing, p. 13, https://www.sec.gov/Archives/edgar/data/1754170/000110465923051867/tm232010-1_def14a.htm

⁸⁴ Seeking Alpha Ltd. (2023), AerSale Corporation (ASLE) Q3 2023 Earnings Call Transcript, <https://seekingalpha.com/article/4649450-aersale-corporation-asle-q3-2023-earnings-call-transcript>

⁸⁵ Finsight Group, Inc. (2021), AerSale (ASLE) / 10 Nov 21 / 2021 Q3 Earnings call transcript, <https://capedge.com/transcript/1754170/2021Q3/ASLE>

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Claim #3: AerAware is superior to current technologies

To show the claimed superiority of AerAware, **AerSale included a comparison between a natural vision and an AerAware-enhanced vision in its investor presentation.**⁸⁶ The comparison easily highlighted the benefit of AerAware. Yet unknown to most investors is that **AerSale published two different versions of the same comparison.** At the SPAC announcement, the presentation featured a comparison of natural vision to a green-colored AerAware vision.⁸⁷ In the most recent August 2023 presentation the same comparison is in a blueish-color.⁸⁸ Both comparisons are the only available images of AerAware-enhanced vision. **Shockingly, it appears that in the most recent presentation, the ‘Natural Vision’ image has been photoshopped to make it look foggier than the ‘Natural Vision’ image published in the SPAC presentation (see Figure 4).** Just by the naked eye, investors can see that the originally published comparison from September 2020 features a less foggy image (see Figure 4). In our opinion, it can be spotted by comparing the top left corner of each ‘Natural Vision’ image because there was an object in front of the camera, resulting in a black shadow in that corner. Both images should show the same color intensity in the top left corner but they do not (see Figure 4). We proceeded to upload both sets to a website specializing in the forensic analysis of images. **In the August 2023 comparison, the ELA analysis of the ‘Natural Vision’ image highlights a yellow haze that would be present in the AerAware-enhanced vision image as well if it occurred naturally.**⁸⁹

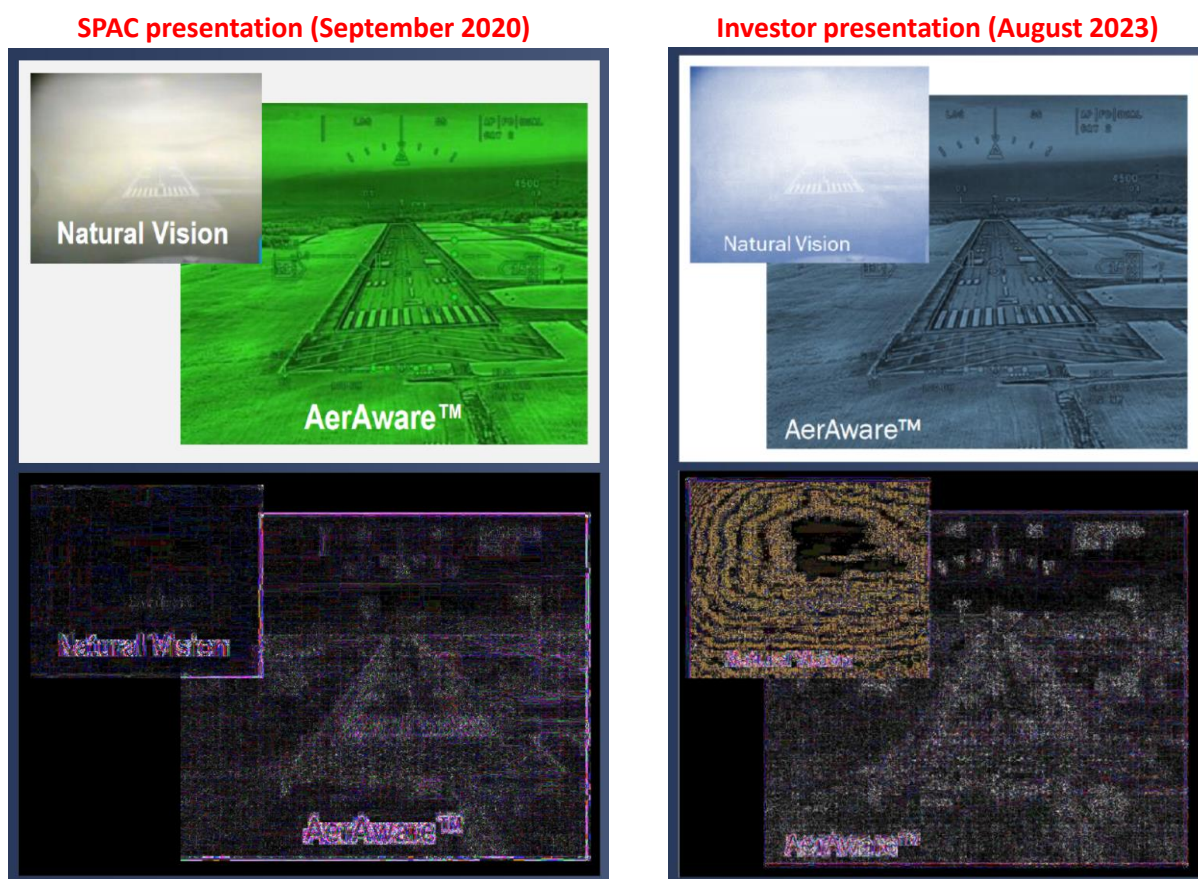


Figure 4 FotoForensics' ELA analysis (bottom) of both AerAware comparisons, source: FotoForensics.com

⁸⁶ AerSale Corporation (2023), Investor presentation, p. 8,

https://d1io3yog0oux5.cloudfront.net/_21a306b4a6f00638d8b0ee655acaa97d/aersale/db/858/7464/pdf/Investor+Deck+-+August+2023+-+For+Website.pdf

⁸⁷ AerSale Corporation (2020), Investor presentation, p. 21, <https://info.aersale.com/hubfs/Monocle%20Acquisition%20and%20AerSale%20-%20Investor%20Presentation.pdf>

⁸⁸ AerSale Corporation (2023), Investor presentation, p. 8,

https://d1io3yog0oux5.cloudfront.net/_21a306b4a6f00638d8b0ee655acaa97d/aersale/db/858/7464/pdf/Investor+Deck+-+August+2023+-+For+Website.pdf

⁸⁹ HackerFactor (2023), ELA analysis, <https://fotoforensics.com/analysis.php?id=b379971d725afded9b21f985b7838dcd98f0c5db.494468>

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Based on the ELA analyses, we believe that AerSale has photoshopped the ‘Natural Vision’ image as well as the AerAware image to make the AerAware-enhanced vision look better in comparison to the natural vision (see Figure 4). The analyses are available here: [SPAC presentation](#) and [August 2023 presentation](#).

In our opinion, the August 2023 ‘Natural Vision’ image was alternated to make it foggier, and by increasing the contrast level (as indicated by the bright artifacts) in the AerAware image, making AerAware’s capabilities appear better than they are (see Figure 4). But if AerAware is not the cutting-edge technology, is there still a market opportunity?

Ultimately, to understand the market opportunity for AerAware, investors have to understand the enhanced flight vision system. EFVS comprises two distinct components: the head-up display (“HUD”) in the aircraft's cockpit and the imaging sensors located in the airplane's nose.^{90 91} In AerAware cases, that is Elbit’s head-wearable-display ‘Skylens’ and its imaging sensors EVS-5000, also dubbed ‘Clearvision.’⁹²

So, an EFVS is a two-component system and **most major aviation companies offer both components to aircraft manufacturers as well operators as a line-fit (at the aircraft production) or retro-fit option:**

- Collins Aerospace:^{93 94} HGS-6000 (head-up display), EVS-3600 (imaging sensors), EVS-3000 (imaging sensors)
- Universal Avionics (Elbit Systems):⁹⁵ EVS-5000 (imaging sensors), EVS-4000 (imaging sensors)
- Thales:⁹⁶ HUD system (line-fit for Airbus aircraft), EFVS (imaging sensors)
- Kollsman (Elbit Systems):^{97 98} EVS-1, EVS-2, EVS-3 SP (imaging sensors)

The two leading forces in the market are Collins Aerospace and Thales. Collins which supplies Boeing, Airbus, and Bombardier.⁹⁹ Thales which supplies Airbus.^{100 101} Elbit Systems’ subsidiaries supply Gulfstream and Dassault.^{102 103} **In our opinion, the market is saturated.**

Because 27 percent of all US aircraft are equipped with a head-up display system, it is important to understand that if an aircraft has already a HUD system, the operator can choose from several suppliers for the imaging sensors to combine both into a fully functional EFVS.¹⁰⁴ In the case of the 737NG, we believe the HUD rate is even higher. Since 2017 newly ordered commercial airplanes like

⁹⁰ Federal Aviation Administration (2022), Report to Congress: Advanced Cockpit Displays, p. 19, https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf

⁹¹ Federal Aviation Administration (2022), Report to Congress: Advanced Cockpit Displays, p. 26, https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf

⁹² AerSale Corporation (2023), AerAware, <https://www.aersale.com/aeraware>

⁹³ Collins Aerospace, Inc. (2023), Head-Up Guidance System / Enhanced Vision System (HGS™/EVS), <https://www.collinsaerospace.com/what-we-do/industries/military-and-defense/displays-and-controls/airborne/head-up-guidance-system-enhanced-vision-system-hgs-evs>

⁹⁴ Collins Aerospace, Inc. (2023), Enhanced Vision System: EVS-3600, <https://www.collinsaerospace.com/landing/enhanced-vision-system-3600>

⁹⁵ Universal Avionics Systems Corporation (2023), ClearVision™ EVS-5000 | EVS-4000, <https://universalavionics.com/home/products/enhanced-vision/enhanced-vision-system>

⁹⁶ Thales (2023), Enhanced Flight Vision System – EFVS, <https://www.thalesgroup.com/en/enhanced-flight-vision-system-efvs>

⁹⁷ Elbit Systems Ltd. (2022), Kollsman, Elbit Systems Of America Subsidiary, Honored With Supplier Of The Year Award From Gulfstream, https://www.elbitamerica.com/news/kollsman_honored_with_supplier_award

⁹⁸ Kollsman sold more than 2000 EFVS to Gulfstream in the last twenty years.

⁹⁹ Associated Press (2020), FAA seeks \$19.7 million penalty against Boeing over sensors, <https://spectrumlocalnews.com/ap-top-news/2020/03/07/faa-seeks-197-million-penalty-against-boeing-over-sensors>

¹⁰⁰ Associated Press (2020), FAA seeks \$19.7 million penalty against Boeing over sensors, <https://spectrumlocalnews.com/ap-top-news/2020/03/07/faa-seeks-197-million-penalty-against-boeing-over-sensors>

¹⁰¹ Bellamy III, Woodrow (2021), Airbus is Developing a New Enhanced Flight Vision System Option for A320s, <https://www.aviationtoday.com/2021/09/17/airbus-is-developing-a-new-enhanced-flight-vision-system-option-for-a320s/>

¹⁰² Elbit Systems Ltd. (2022), Kollsman, Elbit Systems Of America Subsidiary, Honored With Supplier Of The Year Award From Gulfstream, https://www.elbitamerica.com/news/kollsman_honored_with_supplier_award

¹⁰³ Horne, Thomas A. (2019), FalconEye flying The Falcon 8X combines synthetic terrain and infrared imagery in its new HUD, <https://www.aopa.org/news-and-media/all-news/2019/june/pilot/falconeye-flying>

¹⁰⁴ Federal Aviation Administration (2022), Report to Congress: Advanced Cockpit Displays, p. 12, https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf

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the 737NG and 737Max have already been equipped with a HUD system.¹⁰⁵ According to the FAA, Boeing installed HUDs in 618 Boeing 737NGs and 173 Boeing 737 Max between 2017 and 2019.¹⁰⁶ After all, we think that most 737s already are equipped with 50% of the technology that is needed for an EFVS. So, an airline can choose to do a partial retrofit for \$100,000 per system to accomplish a fully functional EFVS or lash out one million dollars for AerAware to accomplish the same fully functional EFVS.^{107 108} **Most large passenger aircraft only need imaging sensors like Elbit's EVS-5000 – which was awarded 50% operational credits – to enable a fully functional EFVS, meaning AerAware is redundant.**

Unfortunately, sell-side and buy-side reports do not include such basic market research about the EFVS segment, instead, they take management's guidance blindly. **In our opinion, AerAware is not a new cutting-edge technology but a late contender in a decade-long race dominated by major players with ample experience.**

However, the competing products are not the only reason for **AerAware becoming a nonstarter. In a zero-visibility situation, any large commercial airplane can land without a system like AerAware anyway.** According to an FAA report presented to Congress, Boeing's 737NG and other large passenger aircraft feature various factory-installed technologies that ultimately result in the same outcome — a landing in low-/zero-visibility situations — just like AerAware (see Figure 5 and Figure 6).^{109 110 111} One of them is an 'Autoland system,' as the name suggests, which autonomously lands the aircraft. In its report about possible EFVS usage, the **FAA even acknowledged multiple times that there are already working alternatives for landing in a zero-visibility situation that are widely available and less expensive** than a HUD system or an EFVS (see Figure 5 and Figure 6).^{112 113 114}

indicate that equipage like Autoland, runway safety technologies, and other available display enhancements present alternatives to vision systems that can be more widely available and less expensive. These alternatives make business cases challenging for the operators and the manufacturers. Aircraft manufacturers acknowledge they continue to assess vision systems and

Figure 5 FAA highlights cheaper alternatives for EFVS in its report to Congress, source: FAA, Congress

In the case of HUD providing operational credits for landing in lower visibility, aircraft autoland systems provide the same or similar function. Thus, operators desiring operational credit have a choice between autoland and HUD. In the case of Boeing and Airbus aircraft, the autoland function is often significantly less expensive than HUD, and in some cases, has no additional cost to the operator, making the business case to equip with HUD challenging.

Figure 6 Operators and airlines can achieve the same operational credits with cheaper alternatives like Autoland, source: FAA, Congress

¹⁰⁵ Associated Press (2020), FAA seeks \$19.7 million penalty against Boeing over sensors, <https://spectrumlocalnews.com/ap-top-news/2020/03/07/faa-seeks-197-million-penalty-against-boeing-over-sensors>

¹⁰⁶ Associated Press (2020), FAA seeks \$19.7 million penalty against Boeing over sensors, <https://spectrumlocalnews.com/ap-top-news/2020/03/07/faa-seeks-197-million-penalty-against-boeing-over-sensors>

¹⁰⁷ Federal Aviation Administration (2022), Report to Congress: Advanced Cockpit Displays, p. 21, https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf

¹⁰⁸ Stifel Financial Corp. (2023), An Interesting Opportunity in the Aerospace World that Has Not Yet Taken Off, <https://stifel2.bluematrix.com/docs/html/e23b0969-340e-4e1c-a00d-605f7183ae90.html>

¹⁰⁹ Federal Aviation Administration (2022), Report to Congress: Advanced Cockpit Displays, p. 12, https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf

¹¹⁰ Federal Aviation Administration (2022), Report to Congress: Advanced Cockpit Displays, p. 14, https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf

¹¹¹ Federal Aviation Administration (2022), Report to Congress: Advanced Cockpit Displays, p. 29, https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf

¹¹² Federal Aviation Administration (2022), Report to Congress: Advanced Cockpit Displays, p. 12, https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf

¹¹³ Federal Aviation Administration (2022), Report to Congress: Advanced Cockpit Displays, p. 14, https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf

¹¹⁴ Federal Aviation Administration (2022), Report to Congress: Advanced Cockpit Displays, p. 29, https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf

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Furthermore, out of 35 million flights from 2016 to 2019, only about 95,000 cancellations were due to low visibility – that’s about 0.2%.¹¹⁵ A significant amount of these cancellations were clustered around extreme weather events like hurricanes, tornados, and blizzards.¹¹⁶ In our opinion, such weather events make any landing impossible and diverting a plane mandatory. If Autoland cannot bring you down, EFVS will not do the job either. **So why would an airline spend hundreds of millions of dollars on it in the first place?**

To date, the FAA has not even mandated a HUD system or an enhanced flight vision system and the report to Congress concluded that no HWD is in operation at any US-registered aircraft.¹¹⁷ Hence, there is no regulatory pressure from the FAA that would increase demand. **In our opinion, the existing alternatives for EFVS and the marginal benefits in bad weather will discourage any airline from retrofitting its legacy fleet with AerAware.**

To conclude, we believe AerAware is a nonstarter. The AerAware comparison appears to be photoshopped. Also, Collins Aerospace and its products have been integrated into Boeing’s aircraft ex-factory for decades, making it the preferred base for any retrofit, and resulting in AerAware’s redundancy. Furthermore, large passenger aircraft are already equipped with cheaper alternatives like Autoland that provide the same result as EFVs like AerAware. Ultimately, EFVS is not mandated by the FAA.

Claim #4: AerAware will be certified for other aircraft like 737Max and Airbus A320 family

While the STC process is done on a 737NG, AerSale reported that the STC will be applicable to Boeing’s 737Max as well.¹¹⁸ Their assumption is based on the fact that the 737Max shares its type certificate (TC) with the 737 aircraft family. However, after two crashes the TC must be recertified, and **we believe that the FAA will compel AerSale to secure a distinct STC for the 737Max.**^{119 120} Also, as the 737NG STC was promised to be approved soon, AerSale’s bulls modeled for additional certifications for the Airbus A320 aircraft family. Of course, that was taken at face value from AerSale’s management who stated in a 2019 press release that AerSale is developing an EFVS for Airbus A320 (see Figure 7).¹²¹

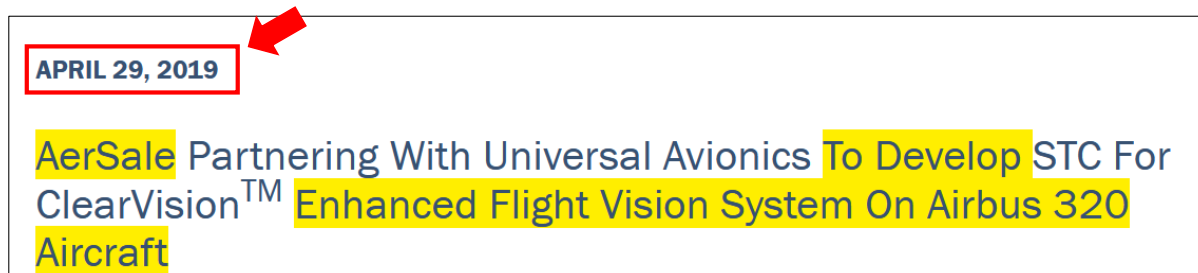


Figure 7 Press release by AerSale from April 29, 2019, announcing the development of an STC for the Airbus A320, source: NINGI Research, AerSale Corp.

¹¹⁵ Federal Aviation Administration (2022), Report to Congress: Advanced Cockpit Displays, p. 52, https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf

¹¹⁶ Federal Aviation Administration (2022), Report to Congress: Advanced Cockpit Displays, p. 52, https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf

¹¹⁷ Federal Aviation Administration (2022), Report to Congress: Advanced Cockpit Displays, p. 14, https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf

¹¹⁸ AerSale Corporation (2023), AerSale Provides Update on AerAware Certification Status, <https://ir.aersale.com/news-events/press-releases/detail/93/aersale-provides-update-on-aeraware-certification-status>

¹¹⁹ Meier, Ricardo (2023), Boeing 737 MAX 7 could achieve type certification in November – report, <https://www.airdatanews.com/boeing-737-max-7-could-achieve-type-certification-in-november-report/>

¹²⁰ Beresnevicius, Rytis (2023), Boeing says 737 MAX 7 certification is taking ‘a considerable amount of time’, <https://www.aerotime.aero/articles/boeing-says-737-max-7-certification-is-taking-a-considerable-amount-of-time>

¹²¹ AerSale Corporation (2019), AerSale Partnering with Universal Avionics to Develop STC for ClearVision Enhanced Flight Vision System on Airbus 320 Aircraft, <https://www.aersale.com/media-center/aersale-to-develop-stc-for-clearvision-enhanced-flight-vision-system-on-a320-aircraft>

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At the time, the A320 STC was expected to be issued in 2020.¹²² Furthermore, management repeated these claims in the earnings call for the third quarter of 2021.¹²³ **If true, where is the AerAware-equipped A320 plane that would be required for the certification process?** AerSale touted possible sales of AerAware for A320 in its 4Q22 earnings call.¹²⁴ To date, there have been no STCs issued by the FAA for any AerAware application or any sales generated. In our opinion, like most claims made by AerSale over the years, the A320 certification and sales are not backed with any evidence. We think **an STC for an A320 is highly questionable.**

Furthermore, **Elbit Systems, the OEM for AerAware, works with competitors for certification work and implementation of AerAware-like products on smaller airplanes.**¹²⁵ ¹²⁶ The type of smaller aircraft that benefit from a head-wearable display and EFVS because these aircraft's cockpits lack the space for a HUD system and are not equipped with systems like Autoland.¹²⁷ ¹²⁸ Contrary to the bull thesis, we think that AerSale will not be able to utilize its lessons learned from the 737NG AerAware STC process to offer its AerAware product for other aircraft models because competitors are already in the lead for certification for other aircraft.¹²⁹

In our opinion, **AerSale is developing a niche product for a single aircraft family where adoption by a major airline is highly unlikely.**

Questions for AerSale and the company's management that are of interest to the investing public:

- Why has AerSale not communicated the FAA-approved AerAware STC schedule?
- Why has the "big boy customer" not signed a letter of intent?
- Is it possible that the "big boy customer" is in fact interested in Elbit's EVS-5000 to partially retrofit its fleet with the imaging sensors instead of buying AerAware?
- Does the agreement with Elbit Systems include a non-compete clause for any retrofits on Boeing aircraft?
- Did AerSale alternate the 'Natural Vision' image in its AerAware comparison?
- Did AerSale already start the STC process for an A320 approval and at what stage is the STC process?
- Did the FAA acknowledge in writing that the 737NG STC will apply for the 737Max as well?

¹²² AerSale Corporation (2019), AerSale Partnering with Universal Avionics to Develop STC for ClearVision Enhanced Flight Vision System on Airbus 320 Aircraft, <https://www.aersale.com/media-center/aersale-to-develop-stc-for-clearvision-enhanced-flight-vision-system-on-a320-aircraft>

¹²³ Finsight Group, Inc. (2021), AerSale (ASLE) / 10 Nov 21 / 2021 Q3 Earnings call transcript, <https://capedge.com/transcript/1754170/2021Q3/ASLE>

¹²⁴ Finsight Group, Inc. (2023), AerSale (ASLE) / 6 Mar 23 / 2022 Q4 Earnings call transcript, <https://capedge.com/transcript/1754170/2022Q4/ASLE>

¹²⁵ Global Aviation Technologies LLC (2023), Wearable Heads Up Display, <https://gatict.com/special-missions/wearable-heads-up-display/>

¹²⁶ X Corp (2022), Universal Avionics post, <https://twitter.com/UnivAvionics/status/1518645629420941312>

¹²⁷ Federal Aviation Administration (2022), Report to Congress: Advanced Cockpit Displays, p. 14, https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf

¹²⁸ Federal Aviation Administration (2022), Report to Congress: Advanced Cockpit Displays, p. 28, https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf

¹²⁹ X Corp (2022), Universal Avionics post, <https://twitter.com/UnivAvionics/status/1518645629420941312>

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3. Conclusion

In our opinion, AerSale's stock is overvalued and the company is misleading investors. **The company has not disclosed the IP lawsuit to date** despite changing its risk factors regarding intellectual property litigation and accruing millions of dollars in legal fees in the past year.^{130 131} Next to the lagging P2F sales in a softening cargo market, the pending lawsuit over its Aersafe product highlights a **significant headwind with up to \$100 million in damages**. In addition, **the plaintiff is seeking injunctive relief against AerSale** and all Aersafe revenue will be gone soon.

AerAware is a nonstarter. For almost four years, AerSale has promised the STC approval. **Rumored orders from Alaska, Southwest, and United Airlines are nothing more than 'hopium'** from investors, bearing no consistent evidence. Ultimately, **cheaper and more reliable alternatives are already used in airplanes, as highlighted in the FAA report to Congress**.¹³²

In several calls, AerSale's executives highlighted several disadvantages for the airlines to adopt AerAware like equipping 50% of all aircraft with AerAware, training all pilots, revising the training manuals, changing their multi-million dollar flight simulators, and getting regulatory approval from the FAA for all of that.^{133 134} Why should an airline do that? Especially, as the AerAware comparison demonstrating the benefits appears to be photoshopped.

Whereas Elbit's imaging sensors were awarded 50% operational credits, Elbit can sell the ground-breaking technology as a partial retrofit to all airlines with existing HUD systems. **AerAware is not needed for a fully functional EFVS with 50% operational credits**. AerSale's product is obsolete. In addition, Elbit System sells its technology used for AerAware to AerSale's competitors, leaving the company without any additional market opportunities other than the redundant 737 retrofits.

AerSale lacks any moat from its claimed innovative products because **the company possesses no intellectual property rights** for any of its products. If Elbit Systems stops selling its hardware to AerSale anytime, AerSale won't be able to sell AerAware anymore. Making the company highly dependent on its suppliers.

In the end, **the company's strategy to offset its lumpy MRO business with recurring revenue from other products turns out to be a substantial liability rather than an asset**. With the past investments in the nonstarter AerAware and future damages to be paid for Aersafe, **the core business is worse off** than without these products.

AerSale is considered to be one of the "good SPACs". However, as shown herein, we think that the company has not told the truth. As it turns out, **AerSale is another SPAC misleading investors**. After all, we believe management is not credible. **So what else is the company hiding from its investors?**

For all information herein, we are short AerSale Corporation (ASLE).

¹³⁰ AerSale Corporation (2020), annual report, p. 23, https://www.sec.gov/Archives/edgar/data/1754170/000110465921037098/tm211117d1_10k.htm

¹³¹ AerSale Corporation (2021), annual report, p. 22, <https://www.sec.gov/Archives/edgar/data/1754170/000155837022003617/asle-20211231x10k.htm>

¹³² Federal Aviation Administration (2022), Report to Congress: Advanced Cockpit Displays, p. 29, https://www.faa.gov/sites/faa.gov/files/2022-04/PL_115-254_Sec_306_Advanced_Cockpit_Displays.pdf

¹³³ Seeking Alpha Ltd. (2023), AerSale Corporation (ASLE) Q3 2023 Earnings Call Transcript, <https://seekingalpha.com/article/4649450-aersale-corporation-asle-q3-2023-earnings-call-transcript>

¹³⁴ Finsight Group, Inc. (2021), AerSale (ASLE) / 10 Nov 21 / 2021 Q3 Earnings call transcript, <https://capedge.com/transcript/1754170/2021Q3/ASLE>