

Jetcraft buys ExecuJet's sales arm

A conversation with Jetcraft CEO Chad Anderson

In August, Jetcraft Corporation and ExecuJet Group announced that Jetcraft had acquired ExecuJet's business aircraft sales division. The rationale for the deal was simple: it would benefit both organisations' clients "by offering the largest selection of quality new and pre-owned business aircraft from around the globe". In many ways ExecuJet disposing of its sales arm simply followed the trend of large FBO/aircraft management businesses deciding to focus on their core revenue generation activities and free up senior management time from the complexities of selling into a difficult environment. We have seen this theme before with TAG Aviation and others. Unlike ExecuJet, Jetcraft specialises solely in new and pre-owned sales and the deal now makes it the largest aircraft brokerage on the planet.

Q: When did the idea for this acquisition occur to you and how long did it take you to agree the deal?

A: The idea was originally floated in a meeting between Niall Olver and my team earlier in the year. We got serious about it in May when we met in Montreal to go through some specifics about a possible deal. There was no doubt that ExecuJet was going to make a change, it was just about which road they were going to go down. We both did a lot of work to ensure that the deal would work, within reason, for both organisations. In all it took about 60 days from the time we got serious to the moment we announced the deal to the world. It is clearly more efficient for any multinational aircraft management company to leave sales to a specialist organisation. Selling is very resource intensive if you are going to do it well and it is hard to integrate into a long-term business plan if you have other strong revenue generating lines of business. There is also some perceived conflict of interest if you both manage and sell aircraft. Owners like an arms length relationship between the two activities. Taking advice on the sale from your management

company is one thing. Having them make a profit from actually doing the sale could, in the eyes of the owner, be seen as compromising the independence of the advice.

Q: You have now almost doubled your sales team, do you have much by way of an overlap in the combined presence globally?

A: We have a little bit of overlap, but in good areas, where, frankly speaking, we needed more resource anyway, such as Dubai, where the two principals out there really complement each other. There is some 'overlap' in Europe, but it's not actually an overlap when you look at it. We have offices in Zurich and Basel, but we had no presence in London and Paris, and ExecuJet gives us that, which is great. There might be a slowdown in Europe, with the flat economy, but there are a tremendous range of sellers across Europe which we can feed in to the rest of the world. So even when things are down in one region from a buying perspective, the selling side might be very strong. North America has been busy, Asia

is busy and Russia is busy, so we have plenty of demand for any supply we get from Europe.”

Q: What impact have the down years and the flat years since the recession had on the aircraft brokerage market?

A: Everyone always wants a bargain, that’s a given, and there are still plenty of deals out there that favour buyers. But the sellers are doing a very good job of ensuring competitiveness, be it from a pricing standpoint or from a flexibility over the deal gymnastics that are required to get a deal to fly. Price volatility continues to increase as you go down the scale from large jets, where prices are pretty stable, down to mid-range and lower. Part of the silver lining in this recession is that sellers, before they even contact us now, have been educated by their own due diligence efforts and their price expectations are much more realistic. Then they get the final push from our side and they can see that



we are giving them good, credible advice. Of course we want to sell as quickly as possible, but it does us no good to drive down prices.

Q: What impact does the arrival of new jets, such as the Gulfstream 280 and 650, have on the market?

A: Gulfstream really hit the sweet spot of the market in both the mid-size and the ultra-large with those two jets. Basically we love the arrival of new product. Any new aircraft such as Cessna’s Latitude and Longitude, creates a buzz in the market, and something has to happen to the aircraft that owners switch out of to buy the new product. The G280 is a successor to the G200, and a nice G200 will trade in the \$5 million to \$10 million bracket, way down from the \$25 million for a G280. So they are at a very attractive natural discount, being less than 50% of the new product. Annually the pre-owned market, in terms of the number of sales, is now about twice the new deliveries market. It was a great deal higher but inventories of pre-owned aircraft in the US have been falling over the last few years. So in today’s market we generally expect about two pre-owned sales for every new sale. ●



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