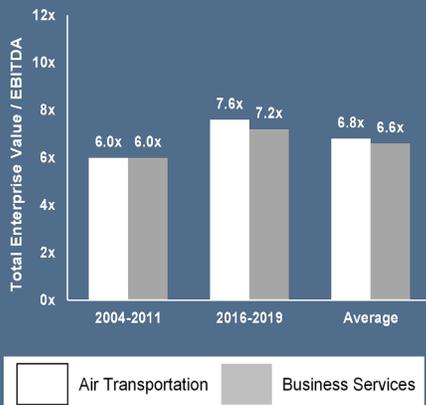




AIR TRANSPORTATION EBITDA MULTIPLES

Source – GF Data



Indicative value of a company is often measured as a multiple of EBITDA. This multiple is higher for larger companies.

Over the last four years, the multiple for Air Transportation companies increased by 1.6x. Compared to the broader Business Services market, the Air Transportation multiples are closely aligned. While the pandemic has hurt the commercial airline industry, our view is that private aviation valuations can be expected to maintain their high levels in light of a strong revenue rebound and the record acquisitions of new customers.

Private flight operators can take advantage of these favorable market conditions to sell their business. Operators acquiring other operators offers the opportunity to overcome barriers to growth, including finding qualified pilots or acquiring aircraft.

Consolidation Opportunities in Private Aviation

In the new world of social distancing, mask requirements and frequent hand sanitization, private aviation has become a popular alternative to commercial flying. Business aviation, or private aviation, is known for flexibility of booking, fewer restrictions on what can be brought on-board, time efficiency, convenience and luxury despite the higher price tag. These flights have the advantage of limiting contact with passengers by using a separate air terminal managed by a fixed base operator (FBO) rather than a crowded commercial airport. GlobeAir, an Austrian-based jet operator, identified 700 touchpoints exposing passengers to the risk of contagion on a single commercial flight compared to 20 such interactions on a private flight. In addition, private jets hold fewer passengers offering a range of jet types comfortably accommodating only 6 to 12 passengers, with some offering a maximum capacity of 19.

The onset of COVID-19 shattered the industry, halting travel for commercial and private aviation. According to business aviation research firm Argus International, U.S. flight activity saw worse traffic numbers in the months of March, April and May than the bottom of the Great Recession in February 2009. However, business aviation flight activity continues to record a substantial recovery from COVID-19. On June 20, 2020, FlightAware recorded business aviation traffic surpassed 2019 numbers for the first time since the initial decline. Compared to before the pandemic, the rebound in global private flights has outperformed commercial flights. On the highly traveled Friday of Labor Day weekend, 84,530 global private flights were logged, 36% greater than the global commercial and cargo flights totaling 62,362. Charter operators estimate that as much as 50% of sales are going to first-time flyers.

Private aviation is highly fragmented and primed for consolidation. Pre-COVID-19, 2020 started off with two substantial transactions in January: Jet Edge International acquired JetSelect Aviation to create a fleet of 85 aircraft, and Delta Private Jets merged with Wheels Up to create a fleet of nearly 200 aircraft. Shortly thereafter, Wheels Up acquired Gama Aviation Signature in March, forming the second-largest private aviation company in North America. In July, despite not having fully recovered from the pandemic, Jet Linx acquired its competitor Meridian Air Charter and its 23 managed aircraft. Meanwhile, other companies are expanding their fleets with more planes and pilots.

Both current industry participants and financial buyers face an investment opportunity in private aviation. Many opportunities exist for mergers, acquisitions and capital raises in the business aviation industry. The benefits of a “buy-and-build” strategy can lead to economies of scale, diversification and vertical or horizontal integration. According to the National Business Aviation Association, the majority (59%) of business aircraft is operated by small companies with fewer than 500 employees, and seven out of ten with less than 1,000 employees. Therefore, smaller players have potential to expand geographical offerings, grow the customer base, offer additional services and save on costs.

Companies interested in selling, buying, or partnering in the private aviation industry should consult an investment banker to evaluate potential options and develop a strategy that meets long term goals.

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H1 2020 DEAL ACTIVITY

DATE	COMPANY	BUYER
Jan 14	JetSelect Aviation	Jet Edge International
Jan 15	Chaparral Jet Center	Lubbock Aero
Jan 29	Delta Private Jets	Wheels Up
Mar 2	Gama Aviation Signature	Wheels Up
Mar 5	Sky Night	FlyExclusive
Apr 28	Superior Air Charter (dba JetSuite Air)	Chapter 11 Bankruptcy
Jun 1	Western Airways Private Aircraft Management & Charter	Wing Aviation Charter Services
Jul 8	Meridian Aircraft Management & Air Charter	Jet Linx Aviation
Sep 3	Partner Jet	Volatus Aerospace

For a deeper discussion of the issues surrounding the sale of a Business Aviation company, contact BCrankshaw@BalmoralAdvisors.com or LRoss@BalmoralAdvisors.com for details.