

Private aviation: Flying high again?

FORTUNE

September 27, 2013: 10:28 AM ET

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Directional Aviation is betting on it, spending \$185 million on acquiring FlexJet from Bombardier.

By Channele Bessette



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FORTUNE--There couldn't be a surer sign of an economic recovery—at least for the jet set—than action in the private aviation market. Directional Aviation Capital, a holding company for several fractional-share air-service companies, says it's soaring. The latest evidence: Its \$185 million purchase of Flexjet, the private-jet-service operation of aircraft maker Bombardier.

Directional Aviation is an investment fund based in Cleveland that has rolled up multiple private-jet-service concerns that operate at multiple price points in several different kinds of aircraft.

Bombardier (**BDRAF**), the Canadian maker of everything from its namesake regional jets to Learjet and the new CSeries jetliner aiming to compete with Boeing and Airbus, parted with Flexjet for a good reason: Directional Aviation agreed to pay up to \$5.2 billion for as many 245 Bombardier planes, with 85 being produced now and options for an additional 160 over time. Directional paid \$185 million for the Flexjet business itself. Directional announced the sale Sept. 4 and hopes to clear regulatory hurdles by year-end.

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Kenn Ricci, principal of Directional Aviation, says that the acquisition of Flexjet was about being able to offer more products. "We have about 70% of the light jet market," said Ricci, "and Flexjet is very strong in the mid-size jet market."

Flexjet operates on the basis of fractional ownership. When one owner is not using the aircraft, it is made available to others, similar to a timeshare. However, whereas timeshares are only available to their owners during specific times, jets are available to their owners on-demand. Directional Aviation currently owns two other fractional ownership flight companies, Flight Options and Sentient Jet, which fly smaller, less expensive planes. Ricci says Flexjet gives the firm a bigger and higher-priced option for its customers.

Flexjet president Deanna White will remain at the controls of the company. In conjunction with Learjet's 50th anniversary, Flexjet and Bombardier recently released the Learjet 85, which is constructed of primarily carbon composite materials. According to White, the light-weight carbon composite material allows for higher-atmosphere flying at higher speeds. Several of these new jets will be included in Directional Aviation's order with Bombardier.

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Ray Jaworowski, a senior aerospace analyst at Forecast International, said that the 2008 financial crisis changed the history of fractional ownership. "If you go back to the '90s," said Jaworowski, "the fractional ownership market was driving growth in the jet industry." Fractional shares, he said, "opened up to a whole new category of owners." The financial crisis halted the growth, however, and Jaworski predicts that the industry is back on solid footing.

The revitalized demand for luxury goods is contributing to Flexjet's current success. Between January and June 2013, the company's sales of fractional shares and jet cards (a debit pay-as-you-go system) more than doubled, though White declined to disclose the company's revenues. She credits this increase to new offerings, including pricing and debit-card programs competitors like NetJets had pioneered, and to an increase in focus on customer service.

Currently Flexjets operates primarily in the U.S., but White says she plans to expand internationally following the acquisition by Directional Aviation. It looks like private aviation has stopped taxiing and is once again ready for takeoff.