LUXAVIATION PUSHES GLOBAL BIZAV CONSOLIDATION

News / Business aviation

A flurry of acquisition activity over the past two years has seen Luxaviation more than triple in size to become one of the world's leading business aviation services groups. Now, the Luxembourg-based group is preparing for further expansion with two or three more acquisitions planned during 2016, and the company also has expanded its presence in the Asia Pacific region.

Luxaviation's boldest move came in May 2015 when it bought ExecuJet Aviation, a major aircraft charter and management group, with FBOs and maintenance operations spread across Europe, Asia, the Middle East, Latin America and Africa. Prior to that, it had already snapped up Abelag in Belgium, Unijet and Masterjet in France, and London Executive Aviation in the UK. The group, which also has a subsidiary in Germany, now commands a fleet of around 250 aircraft and more than 1,500 employees worldwide.

"Like many smaller European operators, we would have struggled to survive, so we had to find away to grow significantly without depending purely on organic growth," Luxaviation CEO Patrick Hansen told AIN. "The market is very fragmented and there is a serious need for consolidation."

Luxaviation's presence in the Asia Pacific region is grounded in its offices in Singapore, plus the bases that ExecuJet also has here and in Australia, New Zealand, Malaysia, Indonesia and China. “The Asia Pacific region will be a very positive market in the future,” Hansen commented. “It is very complicated and there is lots of wild activity there, but there is certainly opportunity for a big player like us. There has been some stagnation lately because Chinese [economic] growth has not happened as expected, but this will be the most dynamic market in the future.”

The group’s Chinese connections are strengthened by the fact that China Minsheng Investment is now a leading shareholder, with a 33 percent stake (supplementing the support of founding shareholder Edison Capital Partners). “China Minsheng’s investment [made in 2015] gives us access to more funding for future transactions and a big presence in Asia,” said Hansen. The Chinese financial group already owns China-based operator Minsheng Jet and a significant aircraft lease portfolio.

According to Hansen, Luxaviation’s customers are benefitting directly from its growing size through significant savings in operating costs. “There are important economies of scale for costs such as fuel and insurance,” he explained. “There is also more fleet flexibility and the ability to further improve the quality and safety of our services through common standards across the group.”

Over the next six months, the Luxaviation team is looking to make further progress in integrating its operations around the world. This is mainly focused on IT infrastructure that will allow the group’s various aircraft operators to know exactly where their collective fleet is dispersed worldwide and so improve utilization rates. There will also be a push to achieve further efficiencies through group-wide procurement.

As it absorbs its various acquisitions, Luxaviation also is considering how to market its diverse subsidiaries. “We have to look at what the brand stands for and where it is strong,” said Hansen. “For instance, ExecuJet is the only [Luxaviation] company that stands for FBOs and MROs [ground handling and maintenance for business aircraft], and since it is also strong in the Middle East, Africa, Asia and Australasia it make sense to keep using that brand name. In Europe, Luxaviation has made a strong name for itself in aircraft charter and management and so the local companies there, in countries like France, will have this brand.”

In Hansen’s view, what the business aviation sector most needs to see in 2016 is long-overdue improvements in what he views as an irrational approach to regulation and a further wave of market consolidation. He has little optimism that regulators will see reason and doesn’t want to “waste my time begging for change.”

In terms of market consolidation, he appealed to owners of smaller charter companies to take a more objective look at the viability of their businesses. “My fear is that in 2016 we will see more consolidation, but it won’t necessarily involve smaller companies that are struggling to make money,” he said. “It will more likely involve the larger companies.”

16 FEBRUARY 2016

SOURCE: AIN
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