GLOBAL JET CAPITAL

In safe hands

The private jet market can seem a crowded and confusing place. Shawn Vick, chief executive of Global Jet Capital, provides some much needed clarity on business aviation.

You have a long history in business aviation, so can you tell me a little more about the market in general?
Business aviation has experienced a steady growth path going back to the original Learjet in the 1960s. Heading into the 2000s, the massive explosion of global wealth drove demand, new product development and aircraft production as new programmes like fractional ownership provided access to business jets at lower price points. These dynamics spurred a significant overproduction of aircraft that, following the great recession, resulted in a true buyers' market as residual values fell precipitously.

Today, following several years of collective growth in the developed economies around the globe, demand is again on the rise but the balance with supply is much healthier. That balance is driven by prudent decisions taken by the original equipment manufacturers (OEMs), such as Bombardier, Dassault, Embraer, Gulfstream, and Textron, to reduce their production rates in tighter alignment with demand.

Can you share a little bit about the Global Jet Capital concept; what attracted you and the investors to business jet financing?
In simple terms the quality of the clients, the quality of the assets, a recognition the space was underserved by true industry experts, and our collective passion for business aviation.

The clients and owners of these aircraft are a global collective of successful entrepreneurs and business leaders. A typical business jet will have three to five owners during its lifecycle. This means we can underwrite credit to very high-quality clients, and then when their term with that aircraft is done, as is the case with an operating lease, we take this high-quality asset, and we redeploy it into another lease or loan.

Historically, this space has been served by banks—who in many cases will finance an aircraft as part of a broader client relationship. The synergies are obvious, but these are unique assets operating in a unique market. Our clients are typically looking for more than just access to capital. They are looking for expertise that will assist them in accessing an aircraft while protecting capital, reducing residual value risk, and maintaining the flexibility to quickly and easily upgrade without having to deal with the vagaries of spot-market conditions.

Lastly, we have a rich pedigree and passion for business aviation that positions us to deliver bespoke solutions that meet our clients' unique needs.

> WE HAVE A RICH PEDIGREE AND PASSION FOR BUSINESS AVIATION THAT POSITIONS US TO DELIVER BESPOKE SOLUTIONS THAT MEET OUR CLIENTS' UNIQUE NEEDS

There are different ways to own and finance business jets, can you tell me more about the different options and associated pros and cons?
Today a wide variety of solutions for private aircraft transportation exist, but I think it's easiest to consider three categories: charter, fractional ownership, and whole ownership.

Left: Shawn Vick, chief executive of Global Jet Capital

The lowest level of commitment is a basic one trip charter, but you can also buy into block charter programmes and jet cards, which represent a larger commitment by contracting for a certain number of hours during the year. Next is fractional ownership, which involves both the acquisition of the fraction and hourly cost while onboard the airplane, as well as a monthly management cost. Finally, you have whole aircraft ownership.

With respect to financing whole aircraft ownership, while the structure of each agreement can have significant complexity and uniqueness it is fair to say clients are either using their own capital, entering into a debt or loan structure, or entering into an operating lease—which seems to be gaining in popularity.

What are some of the common misconceptions about business aviation that you help clients clarify?
One of the most common misconceptions is that the expense associated with business aviation is impractical. In fact, if you have a constrained schedule with a multi-city agenda, in a short time the economies of scale kick in and it can be a very economical solution. What could take you weeks on commercial airlines can take days on your own plane.

What are the key things for families to think about when considering financing an aircraft, what are the pitfalls?
Each one of these transactions is unique and discrete in and of itself, and clients need to know their specific needs are being understood and addressed. But against that backdrop are some basic concepts related to tying up capital in a depreciating aircraft or asset, residual value risk, and the potential complexity associated with ultimately disposing of the asset. It has been our experience that if careful consideration is given to each of these elements there is a successful outcome.

What is your most valuable advice to a family that wants to buy or finance an aircraft?
Relying on someone—colleague, friend, or family member—with a passing interest or experience with business aviation can lead to a challenging experience. Find an accredited, high-integrity, experienced adviser, and perform your due diligence. Be sure you are being heard and understood. Business aircraft are unique productivity and time-saving tools, the right guidance up front can ensure you take full advantage and enjoy a quality experience. ■

Global Jet Capital
Corporate offices:
83 Wooster Heights, Suite 503, Danbury, CT 06810 United States
2500 North Military Trail, Suite 475 Boca Raton, FL 33431 United States
+001 844 436 8200
info@globaljetcapital.com