

INVICTVS

SEA AND AIR



## TRADE AND INDUSTRY

# Jetcraft and Gaspard Yachts

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Widely regarded as the most influential private aircraft broker in the business, Jahid Fazal-Karim is the co-owner of Jetcraft Corporation. At EBACE in Geneva he generously spared time for INVICTUS to discuss his views on the current state of the business aviation sector and his investment in yacht brokerage house Gaspard Yachts.

BY: CRAIG BARNETT

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**Followed by a small entourage,** Jahid Fazal-Karim strides through the array of aircraft on display on the tarmac at Geneva airport as one of the private aviation industry's busiest days of the year whirls around him like a brightly colored tornado. Regarded by many as the most successful private and business jet aircraft broker in the world, years of experience in the industry and a passion for his business are evident in the confident intensity he exudes. Taking his Aerospace Engineering degree from the French National Civil Aviation School in Toulouse and a Masters degree in Air Transport Management from Cranfield University in the UK, Jahid embarked on a career in aviation. The briefest perusal of his CV highlights the success Jahid's enjoyed. Leaving the position of VP of Business Development and Asset Management with Airbus Industries of North America he joined Bombardier Aerospace as Sr. Vice President of Business Jets worldwide sales, where he increased market share and achieved record sales. Keen to exercise his entrepreneurial instincts in a more independent position, Jahid acquired a shareholding in Jetcraft in 2008 and took up a position on the board of the Corporation. Six years later he takes



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a seat beside us in the shade of a Gulfstream, a sip of water and scans the throng as the activity of EBACE 2014 swirls around us..."

When asked if Jetcraft has any intention of moving into the arena of aircraft refit, Jahid was quick to point out their main sphere of operation. "We're really focused on aircraft sales, trading and remarketing, that's what we all wake up thinking about every day and that's what we do really well. However, we do offer a 360-degree service and take care of our clients from A to B. For example, we sold a Global Express to a client who required a complete full interior refurbishment, a job that took around a year. So we made sure we found a completion center that addressed his requirements, we introduced him to two or three consultants to assist with the process. It's not an in-house thing however, the same on the operations side, we assist, advise and facilitate, but being hands on is not part of our remit."

When asked to expand on why Jetcraft doesn't branch into such areas, or even charter sales, Jahid answers with candor. "We don't want to compete with those who bring us business, which makes us unique in a way. We'd prefer to maintain our relationships with specialists and experts in these fields. I concentrate on my business and don't interfere or intrude on their sectors, so the relationships work better and they bring me business. That's something I certainly want to stick to. We'll remain focused on sales." Naturally leading into a question regarding the current state of the market and mindset of prospective clients, we asked if people were still holding fire or are now confident enough to make acquisitions.

"On our side we do see some 'wait and see' approaches, but that depends upon the product. It's about supply and demand. The issue is,



the more choice you have the more you'll wait. For instance, if you want a Challenger 605 today, looking at the market there are probably 15 aircraft to choose from. So as a buyer you'll take your time to find the right aircraft and deal. On the other hand, if you want a G650 you don't have much choice, so you have to make a quick decision. It really depends on where the supply level is. You know when there's been a true recovery in the market when there's more of a balance between supply and demand. Or when supply gets more scarce, demand increases and prices are pushed up. I don't think we're quite there yet, but we're seeing more transactions lately, which is encouraging."

"The biggest change I've seen this year on the pre-owned side is the recovery of the US markets. This is key because there is a lot of inventory right now. There's a lot of good older airplanes, airplanes with more hours, and this is a product that though emerging markets can afford to buy, they are not mature enough to go after a 10-year old aircraft with 7,000-hours that has just come out of an inspection. There are good deals as they are still good aircraft, but you need to be an educated owner to recognize these deals. Hence a lot of our transactions are currently being done in the US. To this end our recent transactions in the US have included everything from 604s and Hawkers, through to brand new Global 65's and G650s. While waiting in recent years people accumulated a lot of cash, they're spotting the right trends and parameters now so are committing to purchases."

When asked what would be required for the market to make a significant move forward at the moment, Jahid was unequivocal with his response. "The next big thing that would really help us is access to asset-based financing. I think the structures of financing of aircraft are still quite traditional and our clients are looking for more creative solutions on financing. As an industry we need to go back to a structure of financing the planes based on their value, not just on credit. Today, traditional banks want a security on the aircraft, additional collateral, personal guarantees, etc. It frustrates people so they end up just buying cash. If the financing markets were more creative it would certainly help movement in the market, especially at the lower end. There are a few clever guys out there working on it, but we need to see more movement." On the subject of emerging markets, Jahid believes Africa to be the next big opportunity. "Obviously you can't ig-

nore China, or indeed Asia as a whole, but if I were 20-years younger I'd be considering a move to Africa. It's a huge continent, but somewhere in central Africa—like Nigeria or Angola, where all the resources are, those two countries are exploding at the moment. South America is a mature market now in my opinion—Brazil and Mexico make up about 80 percent of private aircraft deals and Brazil is the largest market for helicopters in the world—there may be some spots in Latin America with growing potential, but over all it shouldn't be considered an emerging market." A raft of new aircraft model announcements were made by major manufacturers during the EBACE event, so we asked Jahid for his thoughts on the way the offerings were developing? "I'm not surprised there's been so many announcements, from my time at Bombardier, as a manufacturer you always have to develop new products. It's a business where you have to keep offering your clients the next step. Dassault had to do something to improve the 7X, so it was inevitable that the LX would emerge. It's a logical step for Gulfstream to create some extra range for the 650, so these are things I expect to see year after year."

New aircraft models from the manufacturers are indeed welcome and inevitable, but how does Jahid feel about several of them making a determined move into the pre-owned sector? "Manufacturers have always taken trades," he agrees, "and some are tougher on the trade in than others and that's great as we're the first people they call to offload those trades. What I will say on the record however is for manufacturers to move into the pure brokerage business is a real mistake. Competing with us on taking a listing is a mistake. It dilutes their sales force and they begin actively competing with those companies that bring them business."

Jahid continued with remarkable candor: "If a manufacturer begins competing with me on a client or a listing, then guess what, that relationship is going to be a lot tougher in the future. Some manufacturers, they know who they are so I won't name them, have actively moved into the arena of trying to take business away from brokers and I don't think that is fair. Their job is to build new planes and make money on them, which is their core business. I don't see how taking listings, competing with a broker and reducing fees enhances their ability to sell new planes."

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***The synergy between the yachting and private aircraft market led Jahid to invest in Gaspard Yachts; yacht sales provides direct access to owners that aircraft sales does not.***

Our conversation next turned to Jahid's recent personal investment in Gaspard Yachts; he explains the logic behind his interest. "It's obviously a natural fit, there are synergies and the client base is the same. The sectors are different however in that although aircraft can be an emotive purchase, it is also a logical acquisition that is primarily used as a business tool... though it's also useful to get to and from your yacht faster! Taking an interest in the yachting industry is useful to our aircraft sales however, as through it we gain access to the principle which is often not the case in a jet acquisition, they'll use different channels like an operator or consultant. An aircraft, being a tool, they are not personally involved in the deal, but a yacht is an emotional purchase so they are present and want to build a relationship." Gaspard Yachts is a renowned sales, charter and management operation based in Cannes, France founded by Gaspard Milazzo, a member of the family who founded Cannes Nautic back in 1975. Sitting in on the meeting, Gaspard explained how he ventured out alone in 1999 and from sales and brokerage has steadily built the business to now also include charter, management and new build projects. "We've worked with a number of yards on new builds," Gaspard explains, "including Palmer Johnson in the USA to build two 150' (47m) yachts. We brokered the deal for the buyer for Quinta Essentia, the 180' (55m) built by Heesen in 2011, and now we manage the operation of the yacht and handle her charter as central agents. The 196' (60m) CRN 'Blue Eyes' is another yacht we charter; she'll be heading to the

Caribbean for the 2014 winter season." When asked if his new business partner was also a prospective client, Gaspard and Jahid laugh, before the latter replies; "I spend a lot of time on yachts during the summer with clients, it's probably the ultimate luxury item one can possess. Though I'd probably purchase an aircraft before a yacht, I'd still like to charter them from time to time." Knowing Jahid would have conducted his due diligence on the yachting industry before investing in it personally, we wondered what his perspective of the sector's performance compared to that of business aviation? "From my perspective I see a recovery in the yachting industry and, very much like in aviation, that recovery is focused at the high end. The lower end still has a lot of inventory and offers out there, which presents great opportunities for those interested in that end of the market. The number of transactions is improving and prices are attractive, so it's interesting." As our time drew to a close and the queue of those vying for Jahid's attention lengthened, we asked what was Jetcraft's strategy moving forward in the near future? "We've grown a lot recently through our team-and we had the acquisition by the executive trading team-so I think for the next two-years is to create a stable organization and get the whole model working effectively. We've invested a lot in our current structure so we want to see a return. The rest... anything else we would do would be to provide an enhanced our ability to provide a better standard of service to our clients; to provide solutions, trade and broker better."