FBO MARKET ANALYSIS & TRENDS

A Global Categorization of FBO Revenue and Services

In this JETNET >>KNOW MORE analysis, Mike Chase and Marj Rose assess the Fixed Base Operator (FBO) market. How do you categorize them, based on their revenue and services?

As we continue to be optimistic about the slow but steady recovery of the business aviation industry, the Fixed Base Operators (FBOs) continue to compete for the traffic they need in order to survive. The annual NBAA Schedulers & Dispatchers conference was about to commence in Tampa, Florida as we wrote this article, and is one of the few exceptional events that showcases the FBO, world and all of the services they provide, to business and general aviation operators.

Recently, JETNET introduced an expanded service targeting the FBO networks that provide operational support at specific airports. The new JETNET Evolution Airport/FBO View allows the user to quickly view individual aircraft, owners and operators, and the activity in or around a given airport. This valuable information allows deeper understanding of the flight activity at a particular airport that might provide an opportunity for an FBO business expansion.

Thus, we’ll take a look at the current FBO market and analyze the segment.

The following is a snapshot view from JETNET Evolution showing Addison Airport in Dallas, TX. Shown in the snapshot view is a Google map of the location of the airport, and the Top 25 Origin and Destination Airports.

What is an FBO?

For a little more background on the FBO world, let’s review some basics. A Fixed Base Operator, as defined by the FAA, is a commercial business granted the right by an airport to operate at the airport and provide aeronautical services such as fueling, hangaring, tie-down and parking, aircraft rental, aircraft maintenance, flight instruction, etc. Most FBOs doing business at airports of high-to-moderate traffic volume are non-governmental organizations (i.e. either privately- or publicly-held companies).

Though the term Fixed Base Operator originated in the United States, it is becoming more common in the international aviation industry as business aviation grows. The term has not been officially defined as an international standard, but there have been recent uses of the term in International Civil Aviation Organization (ICAO) publications.

FBO Classifications

The worldwide FBO market can be summarized, as it is in Table A, by type, classified by the number of locations. The total population of FBOs worldwide is estimated to be around 6,400. Meanwhile, as Table B demonstrates, FBOs can be divided into three tiers, based on total revenue in US$.

<table>
<thead>
<tr>
<th>TABLE A: Type of FBO Classified by Number of FBO Locations</th>
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<tbody>
<tr>
<td>Chain</td>
</tr>
<tr>
<td>Large Independent</td>
</tr>
<tr>
<td>Medium Independent</td>
</tr>
<tr>
<td>Small Independent</td>
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</tbody>
</table>

Source: Chase & Associates

<table>
<thead>
<tr>
<th>TABLE B: Type of FBO Classified by Total Revenue</th>
</tr>
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<tbody>
<tr>
<td>Tier 1 More than $25m</td>
</tr>
<tr>
<td>Tier 2 $10-25m</td>
</tr>
<tr>
<td>Tier 3 Less than $10m</td>
</tr>
</tbody>
</table>

Source: Chase & Associates

The three tiers of FBOs indicates that fewer than 128 (less than 2%) of the total number of worldwide FBOs are classified as Tier 1, as represented in Table B. Meanwhile, 13% (832) are classified as Tier 2, while the vast majority, 85% (5,440), would be classified as Tier 3.

Tier 3 can be sub-divided into two additional categories:
1) $1-$10m in sales; and
2) $1m or less in sales.

More than 60% of the Tier 3 FBOs have total annual sales of less than $1m, annual retail fuel sales of less than 250,000 gallons, or provide only Avgas fuel.

IT’S TIME TO CHANGE!

Any subscribers still using the previous version of Evolution are encouraged to transition to the latest version at www.jetnetevolution.com before the older version is terminated on February 1, 2016. See our calendar [next page] for training, including features available in the new version.
FBO Services

The FBO market profile can be based upon the following tiers, listed below in Table C, along with the specific services typically associated with each.

### TABLE C: Type of FBO Classified by Services Offered

| Tier 1 | Full Line-services (fuel) |
|瞭 | Facility & Hangar |
|瞭 | Turbine Aircraft Technical Services/Maintenance & Parts |
|瞭 | Turbine Aircraft Charter & Management |
|瞭 | Fully Developed OEM Certified Aircraft Service Centers |

| Tier 2 | Full Line-services (fuel) |
|瞭 | Facility & Hangar |
|瞭 | Turbine Aircraft Maintenance & Parts |
|瞭 | Turbine Aircraft Charter & Management |
|瞭 | Specialized Missions/Geophysical/Medevac |

| Tier 3 | Full Line-services (fuel) |
|瞭 | Facility & Hangar |
|瞭 | Piston/Turboprop/Maintenance & Parts |
|瞭 | Piston/Turboprop/Aircraft Charter |
|瞭 | Flight School (aircraft rental and flight training) |

Source: Chase & Associates

### FBO Revenues

#### Tier 1
Depending upon the market served and focus of services, fuel sales generally contribute 30-50% of total sales, while technical services contribute the majority to sales (50-80% of total sales). Gross profit, as a percentage of departmental sales, is generally 35-50% of line-services sales, 30-45% of Facility/Hangar sales, and 30-55% of Maintenance & Parts sales. The resulting aggregate gross profit is approximately 47% of total sales.

#### Tier 2
Revenue contributions are generally diversified between fuel sales generally, which contribute 25-35% of total sales, while technical services contribute the majority to sales (45-65% of total sales), and charter (10-25% of total sales).

#### Tier 3
Sales of retail fuel are most often less than 1.0m gallons annually, the majority of which is sold to base aircraft at that location. A limited number of FBOs may service air carrier contracts on a small scale, with volumes under 2.0m gallons of jet fuel sales.

### FBO Services Retail Fuel Characteristics

#### Tier 1
Retail fuel sales are generally greater than 3.0m gallons per year, with the share of sales divided between based and transient turbine customers on a 40/60 ratio, respectively. FBOs in this market segment have also garnered a share in the air carrier business, and depending upon the contract, can experience volumes in excess of 10.0m gallons of jet fuel per year.

#### Tier 2
Retail fuel sales range from 0.5-0.99m gallons, and are generally divided between based and transient customers on a 75/25 ratio, respectively.

(All information above is from Aviation Resource Group International (ARGI) as of 31 Dec 2013 FBO Operating Survey/North America.)

### Summary

The number of top-ranked FBOs around the globe has been steadily increasing year-after-year, but the US market’s saturated growth has leveled off for the most part, and has seen trends in the consolidation of independent “Mom and Pop” FBOs by larger FBO chains and networks. The current trend is offering bundled services versus unbundled services.

Historically, the International FBO model varied dramatically from that of the Domestic (US) FBO model. Internationally, the majority of FBO revenue has been derived primarily from Handling Charges, while in the US, the majority of FBO revenue has been derived primarily from fuel revenues.

All of the FBO tiers serve an important segment in the aviation industry. As we mentioned above, the majority of FBOs around the world tend to fall into the smaller Tier 3 category, supporting the vast numbers of smaller, remote airports that serve the general aviation community.

### JETNET COMMUNITY CALENDAR

To sign up for any of the training or demonstrations below, please email training@jetnet.com and include your name and the specific training/demonstration that you are interested in attending (date/time).

**JETNET Evolution**

- Jan. 21 - Evolution 101 Training (11AM & 4PM)
- Jan. 26 - Evolution 101 Training (11AM & 4PM)
- Jan. 28 - Evolution 101 Training (11AM & 4PM)

**Marketplace Manager**

- Jan. 28 - Marketplace Manager Demonstration (11AM & 2PM)
- Feb. 11 - Marketplace Manager Demonstration (11AM & 2PM)
- Feb. 25 - Marketplace Manager Demonstration (11AM & 2PM)

**Trade Show**

- Feb. 11-15 - Yachts Miami Beach Show, Miami FL

Visit us at the Miami Beach Show to see our latest service for Luxury Yacht market insight.
EVOLUTION: NEW FEATURES

New Packaged Reports

JETNET Evolution now includes a series of pre-packaged reports, available depending on your subscription. Find packaged reports on the “Reports” tab of your Home page, with information in a convenient form that was often difficult to generate before. The new reports include:

- **New Jet Sales by Continent (Last 5 Years)** - A summary of the number of new retail jet sales for each continent over the last 5 years, based on the location of the purchaser.
- **New Helicopter Sales by Continent (Last 5 Years)** - A summary of the number of new retail helicopter sales for each continent over the last 5 years, based on the location of the purchaser.
- **New Jet Sales by Country (Last 5 Years)** - A summary of the number of new retail jet sales for each country over the last 5 years, based on the location of the purchaser.
- **Used Jet Sales by Country (Last 5 Years)** - A summary of the number of used retail jet sales for each country over the last 5 years, based on the location of the purchaser.
- **Previous Fractional Owners Now Not Owning Any Aircraft** - A list of companies which previously have fractionally owned an aircraft, but now do not have any ownership in an aircraft.

- **Previous Whole Owners Now Owning Fractional Aircraft** - A list of companies which previously owned a whole aircraft, but now only own a fractional aircraft.

New Notes Center View

Evolution subscribers using either Cloud Notes or Cloud Notes Plus now have access to a new Notes Center View. Notes Center View allows you to search through notes using a wide variety of parameters, including make, model, serial number, date range, user, and more. Account administrators can also export notes based on their selections.