Bizav Pays Off

Business aviation users outperform rivals without aircraft, study concludes

WILLIAM GARVEY/WASHINGTON

A new study sponsored largely by business aviation interests argues that corporations using business aircraft deliver better financial performance than those eschewing that form of travel.

"Business Aviation In A Changing Economy—An Enterprise Value Perspective," was produced by NEXA Advisors, LLC, an Arlington, Va.-based corporate finance consultancy, for the National Business Aviation Assn. (NBAA), the General Aviation Manufacturers Assn. (GAMA), and others, including AVIATION WEEK.

The study, which is expected to be available this week, follows a similar review conducted for NBAA and GAMA eight years ago by Arthur Andersen, the former accounting and consulting firm. Michael Dyment, the Andersen partner who led the earlier study, heads NEXA.

The timing of the new white paper is propitious since the business aviation industry is struggling as a result of the global economic downturn, along with criticism from Washington politicos and some general media pundits about what they maintain is the corporate extravagance and mismanagement embodied by business jets. In consequence, so many corporations put their jets up for sale that the used aircraft market became flooded, severely depressing their value. Others canceled new aircraft orders, which has resulted in massive layoffs.

The NEXA study, whose preliminary results were shared with AVIATION WEEK, suggests those moves are ill-considered. NEXA's consultants reviewed the Standard & Poor's 500 between 2003-07, while also examining the turbulent 2008 period in a separate analysis. Dyment said the corporate performance during the latter interval "produced surprisingly consistent results." (Like AVIATION WEEK, Standard & Poor's is a unit of the McGraw-Hill Companies.)

The final report will also include a special section on executive helicopter use and, notably, the use of passenger-carrying business-type aircraft by Federal and state governments. This last section is expected to be released by the NBAA next month during its annual convention in Orlando, Fla., where Dyment will present the entire study in detail.

While the study was restricted to companies in the S&P 500, the actual group was smaller as a result of consolidations during the five-year period. In the end, the group totaled 423 companies. Of those, 322, or three out of four, used business aircraft.

"Users" were primarily composed of whole aircraft owners or lessees, fractional owners and those who chartered aircraft regularly. "Non-users" either used charters sparingly or avoided business aircraft altogether.

Aircraft are assets, and the report notes that the relative asset efficiency of S&P 500 companies that use them is 20% higher than their counterparts that do not.

But by almost every significant financial gauge examined by NEXA researchers—revenue, earnings, stock appreciation, market capitalization, and return on equity, among others—the study found that business aircraft users' enterprises grew more than those who shunned business aircraft (see chart).

"The point is that top-performing companies are avid users of business aviation," said Dyment. "Their market value growth is almost double that of the non-users. What that means is the stock market is rewarding them for their overall performance."

In anticipation of those whom might associate business aircraft use with irresponsible corporate behavior overall, NEXA researchers turned to other non-financial data sources—the so-called "best" lists. Specifically, they reviewed *Business Week's* compilations of 50 Most Innovative Companies, 25 Best Customer Service Companies, and 100 Best Brands; *Fortune* magazine's 100 Best Places to Work, and 50 of the World's Most Admired Companies; and, finally, the 100 Best Corporate Citizens as determined by the Corporate Responsibility Officers Assn. (*Business Week*, like AVIATION WEEK, is a unit of the McGraw-Hill Companies.)

S&P 500: Operating Performance (2003-2007)

		User 322	Non-User 101
5-year Cumulative Annual Growth*	Revenue Growth	10.4%	9.8%
5-year Cumulative Annual Growth*	NI Growth	19.4%	12.9%
5-year Cumulative Annual Growth*	EBIT Growth	15.7%	12.0%
5-year Cumulative Annual Growth*	EBITDA Growth	12.5%	14.9%
5-year Stock + Dividend Growth	Total Return Growth	3.5%	1.8%
5-year Annualized Stock Appreciation	Share Price Growth	3.1%	1.6%
5-year Market Capitalization Growth	Market Value Growth	8.4%	4.3%
5 year average: Sales / Avg Assets	Average Asset Turnover	0.92	0.77
5-year average: Net Inc. / Avg Assets	Average ROA	6.8%	6.3%
5-year average: Net Inc. / Avg Sh. Equity	Average ROE	19.5%	16.2%

*Not Weighted

Source : NEXA Advisors, LLC

Of the bizav user and non-user companies in the NEXA study, the former far outnumbered the latter on every one of the "best" lists. Consequently, the study concluded that the companies producing good financial results, while at the same time exhibiting the most concern for customers, employees, governance, transparency and the environment, among other things, often rely on business aviation to help them succeed.

"There are too many instances when the use of a business aircraft has made the difference between success and failure," Dyment says, and the NEXA report captures some of those.

According to Dyment, the data clearly suggest that business aircraft provide benefits through time-savings; quicker response to opportunities; delivery of critical equipment or personnel; better project cooperation, strategic and tactical management; and improved customer and employee retention, all of which add value and, ultimately, help raise stock value.

"Business aviation adds great value, but in complex ways," he says. "It's incumbent upon boards [of directors] to understand that these are valuable business tools, but boards have fallen down on this issue recently. To sit quietly as flight departments are reduced or eliminated is nonsensical since that destroys part of the value of the company."