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LunaJets sees a perfect storm for the private jet industry

The industry enters a perfect storm.

The private jet market is facing unprecedented challenges as the COVID-19 pandemic has aggravated an already fragile industry. The private jet charter market is down 33.8% in volume year-to-date and even lower in revenue, with Europe doing worse than America. All charter market segments are impacted but the most affected are the long trans-continental and corporate charter flights. The current wave of new quarantine measures and travel restrictions will have an immediate and devastating effect on the market, predicts LunaJets.

The Perfect Storm

«Market summer figures are misleading! The industry benefited from commercial airlines dislocation, with a spike of 'leisure' clients and first-time private jet flyers, but September will be a back-to-reality moment,» predicts Alain Leboursier, Managing Director at LunaJets.

«Corporate flight demand, representing 70% of our business from September to Christmas, is weak despite really low rates on same-day returns or trans-Atlantic flights,» notes Leboursier. «It's a perfect storm situation considering the uncertainty caused by quarantines, lockdowns, weak corporate demand, structural overcapacity and the financial leverage of this industry. Some jet operators or competitors seem to live in Cloud-Cuckoo-Land, publishing over-optimistic figures. Private Aviation has a long track record of frauds, failures and bankruptcies, among manufacturers, operators and charter brokers. The wake-up call will be painful, the industry is much more fragile than during the past crisis.»

Market consolidation

«The whole private jet industry never recovered from 2009. Well before the COVID-19 crisis, the collapse of JetSmarter and other disasters, proved that burning investors' money at smoking valuation is not a sustainable model,» continues Leboursier. «LunaJets' financial discipline, a debt free balance sheet, a stable management and long track record of growth and profitability makes us well positioned to take advantage of future opportunities.»

Weak demand in a volatile market

Travel restrictions and commercial airlines disruption boosted the level of new clients mainly for intra-European flights. Despite this short-term unexpected recovery, LunaJets' Private Jet division is still down 18% year-to-date in volume. The strong growth in Q1 [+30%] followed by a total collapse in Q2 [-70%] due to travel restrictions, was not compensated by current Q3 recovery and Q4 looks already bleak.

«We see two markets: small and midsize aircraft performing relatively well until now, whilst larger cabins, long haul flights and business segment remain weak. Typically, challenging times brings new trends to the market: clients take advantage of good deals and discounted rates,» notes Guillaume Launay, Head of Sales. «Today, owning a fast depreciating aircraft, or a 25-hour fixed-rate jet card makes no economic sense, while clients can take advantage of on-demand charter services at a much better cost,» he adds. «Our 'Pay-as-you-fly' offers are the most optimal way to use the right aircraft, for the right mission at the right price.»

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Rates-per-hour down

Poor demand combined with massive aircraft over-capacity also leads to drops in rates-per-hour (-20% average), as jet operators accept discounts to maintain their fleet operational. This trend affects more large than smaller cabin market. LunaJets passes the price reduction directly to its clients, a huge benefit to them. «It has never been so cheap to book trans-Atlantic or same-day return flights,» Launay noted.

«We continue to gain market share, thanks to a record growth of new clients, (+80% yoy), but overall it has not compensated the absence of our loyal clients from the Americas, Middle-East and Asia,» specifies Eymeric Segard.

Strong demand for cargo charter

LunaLogistik, the Cargo division, performed well during the sanitary crisis. By cargo plane, it shipped tons of goods to from Asia, Africa, Europe and Middle East. The company's biggest volume was focused on the Personal Protection Equipment demand from China to Europe. More than 100m masks were supplied to European clients including, French and UK government entities, luxury and retail groups, various private corporations.

«LunaLogistik's capacity to deliver tons of PPEs in record time, from the beginning of the crisis, confirmed the entrepreneurship spirit at the heart of our company values,» concludes Segard.

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<https://finance.yahoo.com/news/lunajets-sees-perfect-storm-private-080000400.html>