FLEXJET SEEKS EUROPE TOEHOLD TO COMPETE WITH BUFFETT'S NETJETS

News / Business aviation



Flexjet, the biggest challenger to Warren **Buffett's NetJets** luxury aviation unit, plans to expand to Europe next year, possibly through an acquisition.

After increasing overseas flights by adding longer-range planes such as the Gulfstream G450, the Richardson, Texas-based company now seeks a European base to provide more global service, Chief Executive Officer Michael Silvestro said.

"It's a priority, so I think in 2016 you'll see us make a move," Silvestro said Thursday in a telephone interview. "We feel like we've got great opportunities in the international market."

Europe's economy is beginning to rebound after climbing out of a recession in 2012, potentially rekindling demand for private flying. Flexjet competes with NetJets, a unit of Buffett's Berkshire Hathaway Inc., in selling ownership shares in aircraft to wealthy individuals and corporate clients in

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exchange for flight time.

Portugal, Ireland and the U.K. are on Flexjet's short list for a European base, Silvestro said. The company, a former Bombardier Inc. business acquired by Directional Aviation in 2013, is studying whether to buy another provider, form a partnership or expand into Europe on its own, Silvestro said.

'Early Discussions'

"We've begun some early discussions," Silvestro said. "There are some good operators in Europe that could be partners or in a position for us to acquire."

Mid-sized and large-cabin jets are now a focus at Flexjet, because their range -- a top-of-the-line Gulfstream G650 can go nonstop from New York to Beijing -- lets the company arrange long-haul flights. Flexjet has started receiving G450s and will get its first G650 next year.

Also on order is the Legacy 450, the newest jet from Brazil's Embraer SA. While Silvestro declined to discuss the size of Flexjet's purchase, he said the deal was significant and about the same magnitude as recent ones. Flexjet ordered 50 Gulfstream planes in 2014 and 85 Bombardier jets in 2013.

"The best way to predict the future is to look at the history," Silvestro said. "You can see what we've done recently with Gulfstream and Bombardier, and so that should give you some indication what our plans are."

By the end of 2016, Flexjet's fleet will increase to about 180 planes from about 152 at the end of this year, Silvestro said. He said new planes and custom-designed interiors are helping it gain market share on NetJets.

Flexjet is still playing catch-up: NetJets says it has access to 800 jets worldwide, including 150 in Europe.

"It's a two-horse race," Silvestro said. "We feel like we've got just tremendous momentum."

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