MAINTENANCE MURDO MORRISON LONDON

# Independent Ontic eyes MRO growth

Private equity acquisition offers parts provider potential for expansion by exploiting opportunities from legacy market

Providing the parts that others do not, in order to keep older aircraft in the air, has been Ontic's core business for 45 years. Now – as a newly independent company for the first time since 2006 – its chief executive, Gareth Hall, believes there is plenty of opportunity to add to its portfolio of 7,000 products, as well as the number of types it can support.

Private equity firm CVC completed its $1.3 billion purchase of Cheltenham, UK-based Ontic from BBA Aviation on 1 November. Ontic specialises in making, distributing and repairing out-of-production components under licence from OEMs, and as well as its main factory in the west of England, has production facilities in California, North Carolina and New York state. It supports some 39,000 in-service aircraft worldwide, with three-fifths of its business coming from the military market.

Since buying Ontic for $67 million in 2006, publicly listed BBA – which used the proceeds of the Ontic sale to return around $835 million to shareholders – had grown its subsidiary's revenues fourfold, to about $250 million. That included the acquisition of US East Coast-based rival Firstmark for $97 million in September 2018. However, Hall is confident that, as a private company, Ontic can do even better – noting that CVC sees potential to "increase our growth profile by tapping into an expanding market for legacy programmes".

## SWITCHING FOCUS

BBA's rationale for divesting Ontic became doubly clear in a trading update issued two weeks after the completion of the sale to CVC. Having already said it planned to concentrate on the business aviation market, where it owns the Signature Flight Support chain of fixed-base operations (FBOs), chief executive Mark Johnstone said the group was renaming itself Signature Aviation from the end of November in recognition of its biggest, and soon to be sole, brand. With more than 200 sites on five continents, Signature is by far the largest FBO network in business aviation and its performance is outpacing that of the sector itself, its owner says.

Ontic

Firm focuses on supplying components to out-of-production types

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>
> Gareth Hall
> Chief executive, Ontic

Prior to the divestment, Signature Flight Support was responsible for around 80% of Signature Aviation's revenues, which were just under $1.53 billion in the first half of 2018. The group also last year put up for sale its other aftermarket business, Engine Repair and Overhaul, which includes brands such as Dallas Airmotive and H+S Aviation. It says that "disposal process is ongoing" and that a "further announcement will be made in due course".

Unlike other aftermarket outfits that acquire and manage inventories of parts, Ontic's philosophy is distinct in the market. It is chiefly a manufacturing business that takes on the intellectual property for parts once made in high volumes for production aircraft by the likes of Collins Aerospace, GE Aviation, Honeywell, Meggitt, Safran and Thales, continuing to offer them under an Ontic brand once the aircraft go out of production. With manufacturing facilities that replicate the previous assembly process, albeit usually in lower volumes, "we completely replace the original manufacturer in every aspect," says Hall.

On occasion, however, Ontic produces components for in-production aircraft if the original supplier decides, for whatever reason, to discontinue the line. The company's highest-volume parts – prior to the type's grounding earlier this year – were cockpit components for the Boeing 737 Max acquired in the 737NG era from GE and "grandfathered" onto the re-engined variant.

At the other end of the scale, Ontic offers components for the Boeing B-52, which first flew in the early 1950s and has not been in production for almost 60 years. However, with more than 70 examples of the Cold War bomber still in US Air Force service, providing parts is a vital activity.

## PEAKS AND TROUGHS

Supporting small fleets of long-out-of-production types such as these can be a balancing act, Hall admits. Under Ontic's model, it pays the original parts manufacturer a one-off fee for the licence to produce the parts in perpetuity and take on all responsibility for product support.

While this can sometimes begin to pay back in terms of revenue immediately, at other times Ontic can shift just a handful of a certain part number each year. Sometimes spells of near-zero demand for a part can be followed by a surge in orders, and Ontic, says Hall, has to be in a position to keep the customer satisfied.

"Understanding the market and the platforms that we operate on is crucial," says Hall, who took the reins at Ontic in 2013 having worked in various roles for BBA for 11 years before that. "We invest a lot of time on this. We have a significant investment in inventory, but we also have to be capable of increasing production very quickly." ■

Ontic

Supporting small-fleet demand can pose challenges, says Hall