

FARNBOROUGH: Interview with Ontic president Peg Billson

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Peg Billson is president of Ontic, a wholly-owned subsidiary of BBA Aviation which specialises in licensing or acquiring OEMs' non-core mature product lines to provide the engineering, manufacturing, maintenance and sales of these products. Ontic operates two US facilities in Houston and Chatsworth, California and two UK locations in Slough and Cheltenham. The company expects a fifth location in Singapore to open by the end of 2012. Ontic is exhibiting at Farnborough with BBA Aviation (hall 4, stand 14).

What are the most significant changes Ontic has undergone since it last exhibited at Farnborough?

The most significant change in our business is perfectly aligned with the strategic direction we set off on two years ago, which was to expand our non-US footprint, expand our unique business proposition outside of the USA and to expand in electronics. And we have done that during the past two years - twofold. One, a specific acquisition focused on electronics in the UK, and starting up a new UK facility to complement our Chatsworth facility. During the past two years, we have grown our legacy electronics support capabilities from 3% of our revenue to 30%. And we have that capability and footprint not only in Cheltenham, England but also in Chatsworth, California, so we are able to support North American as well as UK and European legacy electronics needs.

What aspect of the Farnborough air show are you looking forward to the most?

The entire global aerospace community comes together at the Farnborough air show, so we take advantage of these venues to meet our existing partners and expand our relationships with potential new partners. We also take the opportunity to showcase Ontic to help people understand the unique value proposition we provide in the industry, and to communicate and showcase what we uniquely have to offer.

You support OEM legacy products through licensing or acquisition. How does Ontic's support of these products compare with that of the OEMs?

We are identical to the original equipment manufacturer. The way our business model works is we obtain intellectual property rights from the OEM for mature, legacy product lines that, for whatever reason, they have decided they do not want to provide ongoing support for. But there is still very much a market and customer need for that ongoing support so, under their authority, they go out of the business, and I go into the business. So whatever I need to fully support that customer base - whatever intellectual property is required to be responsible for that product line - we obtain through the licensing process. And sometimes we acquire it. It simply depends on what the customer wants, what the OEM wants.

What percentage of your business comes from US and non-US markets?



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In 2011, notionally 65% of our revenue was in the USA, 25% in the UK and 10% in Asia. My personal vision is to continue to grow the USA and to grow my UK base to rival it. Our number-one job and focus is to support the OEM, and to support the users of these mature legacy products, and we honestly do not see a reasonable limitation to the size of that opportunity.

What percentage of your business comes from each sector of the aviation industry?

A total of 50% of our business is defence, 35% is commercial air transport and 15% is business and general aviation. We serve several large product lines across all of those markets: engine components and accessories, electro-mechanical - actuators, motors, pumps and the like - a segment we call environmental control, inclusive of oxygen. We do provide environmental control units, heat exchangers, landing gear and flight control surfaces, and electronics. Electronics is currently 30% of our annual revenue.

Do you have a goal to increase electronics from 30%?

Absolutely. My strategic intent is to continue to expand our footprint outside of the USA and to grow into electronics. The reason to grow into electronics is we really see an immediate and pervasive need around what we call legacy products, or legacy electronics, that largely the OEMs - the folks that originally designed, developed and produced these products - have no choice but to continue to do so, or they do not have a lot of choices historically - other than to perhaps license repair and overhaul.

Who are some of your UK and European customers?

In the UK we are delivering to Airbus and BAE Systems, as well as the airlines - Lufthansa, Air France, British Airways. We work with the Ministry of Defence to support its BAE Systems Hawk and Eurofighter Typhoon.

Ontic recently acquired GE Aviation Systems' legacy fuel measurement business and opened a facility in Cheltenham, UK. Can you tell us more about it?

We completed the transition in June and are in the new facility producing product for our airline and government customers. It is about 60,000ft² (5,570m²) with 85 employees. It is about 40% occupied and we have all the resources of management, customer support, supply chain, assembly, MRO, quality assurance and engineering to support product lines. So as we partner to acquire new product lines, we will add to that base capability as required to bring on the additional knowledge we might need to fully support that product line.

When Ontic acquires part of an OEM's legacy support business, such as the one in Cheltenham, how does that transition work?

A: With the GE purchase, we had to carve out this fuel systems business out of GE Aviation's Cheltenham campus. So we did not buy the facility, we bought GE's intellectual property, the product rights, the inventory and the equipment. We bought a new facility nearby because we also wanted to attract talented employees who knew that product. So we bought a new building and moved the new product into that. We also bought and laid in a capability that can handle much more than just this fuel systems business. So yes, we used the fuel systems business as a launch platform for this investment, but we created the capability to support the UK and European OEMs to certainly take on more of their mature and legacy products.

What kind of opportunities has Ontic been involved with since the economic downturn in 2008?

A: What is quite interesting is the volume of opportunities we are currently experiencing is the most in quite a few years. I would say more than a decade - and I attribute that to the industry, the OEMs adjusting to all our new reality. We have now had three to four

years of this economic situation and economic reality, while understanding it will be quite a while before we return to the highs of 2007. So we are seeing that everybody has carried out their strategic work and is in the process of making decisions over what they want to support and where they want to put their resources, versus how else they might want to continue to ensure their customer base is supported.

Aircraft manufacturers are ramping up new platforms such as the Boeing 787 and Airbus A380. How does this affect Ontic?

We see it as an increased opportunity for us to partner with OEMs. Because as they are having to ramp up their production lines to support these new product opportunities, they tend to have to choose whether to create new facilities or make room in existing ones. One way they tend to make room in their existing facilities is to partner with Ontic and license with us to support their more mature legacy platforms.

Ontic's military capability is a large part of the business. How do trends in that sector compare with those in commercial aerospace?

The trend in the worldwide defence market is twofold. Naturally, as austerity programmes have come into place, older platforms have had significant life extensions. That is exactly in the market space we provide capabilities in so our product offerings and opportunities have increased extensively in the defence space as aircraft platform life has been extended. As the economic downturn has continued, governments have focused on reducing military spend. We have yet to see an impact as a result of that because there is still a need to fly support these aircraft. However, we continue to be bullish in the defence field, not naive.

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