

# Niche Markets and Global Growth

From the Hong Kong offices of Alton Aviation Consultancy, Adam Cowburn, one of the company's Founders and Managing Directors, talks about the global growth of the business and the markets it serves.



**Adam Cowburn leads the Alton Asia-Pacific team and brings over 17 years of aviation industry experience to his engagements with a diverse range of clients, including investors, manufacturers, operators, and aftermarket service providers. He specializes in performing the complex quantitative financial analysis that enables senior executives to design effective strategies and allocate capital to minimize stakeholder risk. His engagements typically involve strategic and business planning, new business development, mergers and acquisitions, business and asset valuations, financial modelling, and geographic expansion planning.**

Before joining Alton, Adam was a Managing Director at SH&E and ICF, where he led the global airline practice, as well as the aviation strategy practice in the Asia-Pacific region. Previously, he worked for a boutique consultancy in Washington D.C. where he advised the FAA on operational and regulatory issues.

Adam received his MBA from Wharton and his BA from Dartmouth and began his career in investment banking at Merrill Lynch.

**Q: Adam, could you start by describing for us what Alton Aviation Consultancy does?**

**AC:** Essentially, we're a strategic resource for our clients, typically called in when an aviation business is in transition, either their markets are changing or their business models are changing or their services are changing. Often one of our main roles is to provide an independent opinion and help drive consensus within the client's own management team. The aim is to help clients develop solutions to capture new opportunities or improve their current operational and financial performance.

We provide those services across various different parts of the aviation value chain. We like to position ourselves as the experts in niche areas. There are numerous very large consulting firms offering broad services to a broad range of industries. But there are far fewer firms with the deep domain expertise and experience that we offer in specific segments of the market such as aircraft leasing, MRO, and business aviation markets.





**Q: Can you talk us through some of these niche markets, starting with leasing?**

**AC:** Typically our work is for the owners of assets or those providing financing for the aircraft – lessors, hedge funds, private equity firms, lenders, and large multinational corporations who want to invest in this space. We help them to understand what they're buying, what the future cash flows are that the assets will generate, the residual values of the assets at the end of lease term, and trends in market dynamics as they relate to how the assets are likely to perform in those markets. We have some highly sophisticated financial and technical models that look over the life of the lease and assess what sort of risk exposure they have to potential events such as a lessee defaulting or unexpected maintenance issues - issues that happen in the real world that have a material impact on an investor's return.

Before they actually invest in the aircraft, we would advise them on their investments. So, for example, one lessor might sell a portfolio of aircraft to another lessor or to an investor. And we can help that investor understand what the future market prospects are for those assets. We answer the big questions such as how

many aircraft are flying today, how many operators there are, is it a large and liquid market or do we expect that it will be a narrowing market over time.

We look not just at the value of the aircraft itself but also at the value of the cash flows that the aircraft generates by virtue of its lease. Is the aircraft leased with a unstable airline in an emerging market that's about to collapse, or do they have a good lease rate with a blue chip airline that's going to perform really well, making the asset particularly valuable. And then, following investment, we can also provide asset management support for the investor in order to protect that ongoing value.

**Q: How about the MRO, the aftermarket side of your business?**

**AC:** By way of an example, we've often been called in by airlines who may have their own MRO division but are asking themselves what they should do with it. Should they just continue to run it as a cost centre, serving their own aircraft, or should they try to compete in the third party market and try to capture work from other airlines, or should they go in the opposite direction and outsource their maintenance work. Benchmarking and core competency review is a routine activity that we perform for our clients in order to determine if and where they have a competitive advantage.

So, for airlines, it's often about making a strategic decision. But there are also many independent MROs in the world who are not affiliated with airlines and we help them with their business strategies too. It's very similar in some respects. We have models that help predict what the volume of MRO demand is, so which markets are increasing, where the business opportunities are which they have a good chance of winning, where the competitive dynamics of a particular



market are working in their favour. Maybe the market has increased in size or other competitors are leaving the market or aircraft are aging meaning the MRO demand will go up over time.

Those are obviously board-level assessments but we can also get very much more granular, looking at the shop floor and helping to improve productivity, work flows and planning processes to improve operational efficiency and effectiveness.

**Q: What about business aviation?**

**AC:** Where business aviation is concerned, we work in a variety of different segments. We help the manufacturers to answer questions about what the market opportunities will be over the coming decades, where they should position their new product, how they're going to win the orders. For example, how much market share would they get if they were to come up with a jet that could fly 500 miles further or carry two more passengers or had some other unique capabilities that are not available in the market today.

We've also done work for the service providers as well, the owners and operators of FBOs (Fixed Based Operators). We provide transaction advice for people investing in those businesses or business plans for them. We also work with business aviation-focused MRO providers as well.

Because I've personally done quite a lot of work with regulators, we can also help in countries looking at the potential economic benefits of business aviation. Should they promote more business aviation? What kind of infrastructure would they need? And beyond that to helping investors look at what they need to run a successful airport that will attract both business and general aviation traffic. These are all the types of project we've been involved with before and I think it's very much a case of work in one area informing work in another.

**Q: You touched on manufacturers there; is that another niche market for you?**

**AC:** We've done a fair bit of work in this area, including with a lot of manufacturers seeking to broaden their geographic footprint, particularly in Asia. For example, we worked with a Japanese company that wanted to get into the aerospace market, helping them to understand what the market opportunities were, how their competitors are playing, what they should put into their market and how much, what the typical revenue and costs would be. We've also done work for a tyre manufacturer to help them understand what is happening in terms of the purchasing dynamics for aircraft tyres. In other words, we conduct market and strategic studies to understand what the future demand is for potential products or new service offerings.





**Q: Your website also mentions ‘Specialty Projects’. Can you expand on that?**

**AC:** It’s our a way of saying “bring us your unique, challenging, most esoteric project and we’ll try to take it on”! So, for example, we recently completed an engagement helping a company looking to develop an aerial fire-fighting aircraft. Leveraging our deep network of aviation specialists, we were able to develop a good solution for them. As I’ve said, work in one area informs work in another, so we’ve been able to help clients with some very tricky questions that are not easily answered by a generalist consultancy.

**Q: What else would you say sets you apart from your competitors?**

**AC:** The business is really built on three pillars: one is coverage of the entire aviation value chain which I think is very compelling for a lot of our clients. So, if we go into, let’s say, an airline, we can say we understand not just how an airline works but, because we do work on MRO, we also understand the maintenance costs of the aircraft, and because we work with OEMs, we understand it from the manufacturer’s perspective, and we understand the maintenance dynamics from the lessor’s perspective as well having done work with them.

The second aspect is our global footprint. In addition to our centres in New York, Hong Kong and Beijing, we recently opened offices in Dublin, Tokyo and Singapore. We felt it was important to have a presence in Europe and there were a number of good reasons for choosing Dublin. Dublin is recognised as a global hub for aircraft leasing and financing, which, as you know, is an important market segment for us.

Japan is one of the world’s major aerospace hubs, so the opening of the Tokyo office was an obvious decision to take. We already have a strong client base in Japan,

including aerospace manufacturers, MRO suppliers, aircraft leasing companies and aviation investors, and our new office will enable us to provide these clients with a highly responsive in-country service. The Tokyo office will also help us to take full advantage of the opportunities that exist across the spectrum of Japan’s thriving aviation sector.

Following the recent office openings, we’re now in every major aviation market and although New York is our administrative Head Office, we all think and work globally. So the whole team knows what’s happening across the world and we can bring best practices to our clients from a global perspective.

And then the third part is our independence. Independence is important, I think, because a lot of our other competitors have been taken over by bigger consulting firms and we’re the only group that can walk into the room and say we’re an independent boutique firm focused exclusively on the aviation and aerospace industries with full value chain coverage around the world, and that’s our unique selling proposition.

Being a boutique allows us to be very agile and flexible. We pride ourselves on being incredibly responsive to our clients and we often win business simply because we’re there and we’re first to respond, and we’re on site quickly solving problems and helping our clients.

We’re the only consultancy dedicated exclusively to advisory in the aviation and aerospace industry that really ticks those three boxes: full value chain coverage, global in nature, and independent.

**Q: So what is the roadmap for the company? After Dublin, do you think it’s likely that you will open up offices in other parts of the world?**

**AC:** I think it’s highly likely. In the coming three to five years, I think it’s quite possible we might establish a presence in the Middle East and possibly Latin America.

The market has responded very well to the quality and value proposition of our offerings, and we’ve been fortunate to grow the business quickly. For example, in recent months, we have appointed two new Managing Directors, both highly experienced aviation specialists.

With expectations that this will continue, we anticipate growing the Alton team further over the next 18 to 24 months. In addition to expanding the depth of expertise in our core markets, we’re looking to enhance our capability in the commercial functions of an airline by bringing on people who can help with fleet planning, airline network planning, sales and distribution strategy.

But I think our basic model will stay the same – bringing an independent, global perspective to a range of niche markets across the aviation value chain.