

XOJET LANDS \$143M

BY CHRISTINE IDZELIS

TPG and Lehman Brothers Global Principal Strategies have invested \$143 million of equity and debt in private aircraft operator Xojet, the target said Wednesday, Sept. 26.

San Carlos, Calif.-based Xojet provides jet transportation on demand, as well as opportunities for jet leasing and ownership.

"You can call us on demand and order a trip to anywhere from anywhere in the U.S.," said Nicholas Solinger, chief strategy officer for the company.

Among its biggest clients are private equity firms, hedge funds and real estate investment firms, he said. Indeed, that is how TPG came to know Xojet. "They've been a long-time customer of ours," Solinger said.

"Global demand for private jet travel continues to grow more than three times the rate of the broader economy," **David Bonderman**, founding partner at TPG, said in a statement.

The \$33 billion sector is expected to grow 10% to 12% through 2011, Solinger said.

"It's highly fragmented with only a couple of scale players," said **William McGlashan**, a managing director and partner at TPG.

Xojet distinguishes itself by offering both fractional ownership and charter services, a range TPG likes, McGlashan added. Fractional ownership is about a \$5 billion industry, he said, while charter is a roughly \$28 billion market.

Paul Touw, president and CEO of Xojet, said in the statement that "there has been no significant innovation in this industry since fractional ownership was introduced more than 20

years ago."

About 50% of Xojet's business is generated from contracted clients who lock in an average of 200 to 300 hours of flight time a year, Solinger said.

That's far above the 25 to 50 hours that is typically offered by the fractional ownership model, which requires customers to purchase a share of the aircraft.

"We don't require anyone to buy," said Solinger, though the company offers ownership if a customer desires.

In 2006, Xojet generated \$36 million in revenue, he said. He quickly added that annual revenue has been more than doubling since January 2005.

Earlier this month, the company said it was acquiring 30 Cessna Citation X jets and 80 Bombardier Challenger 300 jets with a combined market value of \$2.5 billion.

The orders will boost Xojet's fleet to 127 super-midsize jets by 2012.

The investment from TPG and Lehman will help finance the expansion, said Solinger.

In addition, the company obtained \$220 million in aircraft lease financing from Lehman Brothers GPS.

All told, and including the lease financing, the company has raised \$542 million.

Morgan Stanley's Andrew Woeber advised Xojet on the debt and equity raise, while Davis Polk & Wardwell's Julia Cowles served as counsel.

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