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KKR Turns Private Jet 'Gas Stations' Into a $10 Billion Coveted Asset

The buyout firm morphed a decentralized network of private-jet terminals into a national infrastructure platform that more than doubled in value.

By Ryan Gould
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At Teterboro Airport, the private jets are getting bigger. The airport hasn't.

Until now.

On Atlantic Aviation's 28-acre footprint some 15 miles northwest of Manhattan in New Jersey's Bergen County, a hangar dating to the 1940s is set to be torn down and replaced with three new ones. The development is expected to increase hangar space on the site from roughly 50,000 square feet to about 90,000. That'll make room for another 20 to 30 aircraft, partly by turning land previously used as a parking lot into a space that can generate more dollars.

The new hangars are just one example of how KKR & Co. has spent the past five years leveraging limited airport space to the advantage of Atlantic.

The buyout group acquired Atlantic from Macquarie Group Ltd. for about $4.5 billion in 2021, when it had 67 locations across the US and was still largely a collection of locally managed fixed-base operators, or FBOs as they're known in the industry. Atlantic had no centralized commercial, sales or procurement functions, and fuel purchasing was still handled locally.

Now, Apollo Global Management Inc. is acquiring control of Atlantic at a nearly $10 billion valuation after KKR expanded the network to 108 locations, invested more than $2 billion in capital and turned a patchwork of local aviation businesses into a national infrastructure platform. KKR will remain a substantial, co-controlling shareholder in Atlantic.

The transformation is a sign of how private-equity firms have come to see more value in a corner of aviation once regarded as merely a service business for private jets. Atlantic sits on long-term leases at airports around the country – many a stone's throw from major centers of commerce – where land is scarce, the jets are larger and additional hangar and ramp capacity is hard to come by. Those characteristics have made FBOs increasingly attractive to infrastructure strategies that prize long-duration assets, scarce real estate and durable cash flows.

"Ten years ago, I think you would have looked at a business like this and tended to view these as gas stations for airplanes," said Jeff Foland, Atlantic's chief executive officer, in an interview. "I would tell you today it's viewed very differently."

KKR's wager on Atlantic began at an unlikely moment. The world was still emerging from the Covid pandemic, which had whipsawed business travel by grounding flights at the outset before pushing wealthier travelers toward alternatives to commercial airlines by its end. The durability of that shift was still uncertain.

Private jets at Atlantic Aviation in Teterboro, New Jersey. *Photographer: Krisanne Johnson/Bloomberg*

The Atlantic Aviation terminal at Teterboro Airport in New Jersey. *Photographer: Krisanne Johnson/Bloomberg*

For Dash Lane, a partner on KKR's infrastructure team, Atlantic was also his first transaction after moving from the firm's energy practice into infrastructure – and at that a bet with higher stakes.

"It was probably the most uncomfortable time that you could ever evaluate investing in infrastructure that was reliant on movements of passengers," Lane said. There was "clearly a lull in activity," so all else being equal, there was likely to be growth over a long period of time, he said.

The bet wasn't simply that private aviation activity would rebound. Lane said the locations were individually well-managed but lacked coordination, so KKR began building out a more robust corporate back office – adding everything from

commercial sales and procurement to pricing and revenue management. It also invested in technology designed to make individual locations talk to each other. At Teterboro, that centralization is visible in a proprietary operating system that tracks a plane by its tail number from reservation through arrival, service requests and invoicing. Ramp workers can see when an aircraft is due to depart, whether it needs fuel or other services, and update those requests plane-side.

In August 2023, KKR hired Foland to replace longtime Atlantic CEO Lou Pepper. Foland had been CEO at near-airport parking operator The Parking Spot, which would later be acquired by KKR, and had worked previously in executive positions at United Airlines Holdings Inc. and Hertz Global Holdings Inc.

"There's a reputation that investors come in and cut costs," Lane said. "We did the exact opposite. We came in and invested more in people."

While KKR acquired a series of sites during the early years of its Atlantic ownership, only four locations have been acquired in the past three years. Foland said the vast majority of the company's recent growth has been organic, seeking to wring more value from the network it already owns.

Two of KKR's early acquisitions, Lynx FBO and Ross Aviation, were later cited in a Justice Department lawsuit alleging deficiencies in the firm's pre-merger filings, including omitted and altered documents. KKR agreed last week to pay $250 million to settle the case, while disputing the government's characterization. It said it acted in good faith and was consistent with industry practice.

In private aviation, scale matters only if the locations are the right ones. Private-jet customers pay to land as close as possible to their destination, making FBOs near financial centers, wealthy enclaves and major sporting and corporate events especially valuable.

Outside of Teterboro, a gateway to Manhattan, Atlantic's network includes Las Vegas, Palm Beach, Florida and Aspen, Colorado. It also has a presence in Louisville, where Atlantic handles a rush of traffic each year tied to the Kentucky Derby, as well as Sun Valley, Idaho, which is home to Allen & Co.'s annual media shindig attended by Hollywood and Wall Street heavyweights.

Apollo's David Cohen, a partner within the firm's infrastructure group, said in an interview that Atlantic operates at roughly 15 of the 20 busiest business aviation airports across the US and in most major cities that host National Football League games – a concentration that he said stood out during the firm's underwriting.

The other standout is duration. Atlantic's original portfolio had more than 20 years remaining on its leases on a weighted-average basis when KKR acquired it. FBOs like Atlantic effectively rent land from government entities – from the Port Authority of New York and New Jersey in Teterboro's case – and individual airport arrangements can run anywhere from 20 to 40 years. Operators then invest in hangars, ramps, fuel farms and terminals in exchange for long tenures.

Dash Lane of KKR. Photographer: Krisanne Johnson/Bloomberg

Atlantic Aviation is expected to increase its hangar space at Teterboro Airport. *Photographer: Krisanne Johnson/Bloomberg*

But Atlantic isn't like a toll road or contracted utility, the types of businesses often found in infrastructure portfolios. Its revenue still rises and falls with aircraft movements – Teterboro sees up to 400 flights on a busy day – as well as the health of the consumer, exposure which Lane acknowledged is less typical of KKR's own portfolio. "Even if the aircraft aren't flying as much, they still need homes and they still need hangar space, and that's true through any cycle," Foland said.

Apollo's willingness to invest in Atlantic at an almost $10 billion price tag amounts to a fresh bet that it will keep growing.

"This isn't our first rodeo in FBOs," Cohen said. Apollo already owns another FBO, Modern Aviation, and has developed a reputation over the years for investing across the aviation sector in businesses such as Sun Country Airlines Holdings Inc., Atlas Air Inc. and, more recently, easyJet Plc. Apollo views Atlantic as a "pure-play infrastructure bet," according to Cohen, pointing to long-duration airport concessions, continued deliveries of new business jets like Bombardier Inc.'s Global 8000 and decades of growth in flight activity and fuel volumes.

Apollo says Atlantic's next phase of growth doesn't depend on another acquisition spree, even though the number of locations around the US and expansion into Europe leaves many opportunities for more deals. Think same-store growth, existing airfield development and revamped hangars as potential sources of expansion.

"We think there's plenty of room to run," Cohen said.

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