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Another South Florida startup is officially a 'unicorn,' valued at \$1.5 billion

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Celebrity-backed venture **JetSmarter** announced Monday the close of a \$105 million Series C round, making the private jet platform a “unicorn” company — valued at over \$1 billion.

The Fort Lauderdale-based company said it plans to funnel the capital to expanding growth, both within the U.S. and internationally, particularly into the Latin American and Asian markets.

The capital injection will also allow JetSmarter to gain access to more planes and carrier partners around the world, in addition to adding new “JetShuttle” routes — think UberPOOL for private jets — to key cities, the company says.

The round included both existing backers, such as rapper Jay Z and the Saudi Royal family, and “strategic investors,” including a number of Middle East-based equity funds, the Miami Herald reported.

The company was founded in 2013 by Sergey Petrossov, a longtime South Floridian born in Moscow and a 2009 University of Florida graduate. The idea for JetSmarter came to him while splitting the cost for a private jet with a group of friends. The lengthy process to charter a plane stunned him — there were forms to be printed, signed and faxed, and several phone calls in between.

“I said, ‘Hold on, you’re describing a stock transaction from the 1980s,’” he recalled while speaking at a June discussion panel at Broward College.

It made him think: There’s got to be an easier way.

After several funding rounds, JetSmarter, which operates through an app like Uber does, scored about \$50 million in capital and officially launched, offering users easier access to private air travel.

While Petrossov, 28, wouldn't disclose specifics on customer numbers in a March interview with *Business Journal*, he said the company's mobile app has been downloaded “well north” of 350,000 times. In August he said the company had about 4,000 dues-paying members.

JetSmarter has since been recognized by Gov. Rick Scott as one of four Florida aerospace and aviation companies set to bring, altogether, 1,200 jobs to the state. It’s also brought on to its management team an



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array of experienced executives, including Niche Media Holdings founder Jason Binn and former U.S. Secretary of Homeland Security Tom Ridge.

Currently, JetSmarter charges its members an annual fee of \$11,500, plus a one-time initiation fee of \$3,500, to get a certain number of seats on scheduled flights.

Its previous business model allowed users that are not members to also use the service to book on-demand private jet flights, but the service is now members-only and is more expensive than its original plan. On Dec. 1, it increased its annual membership rate for new members for the fourth time. (Existing members are “grandfathered in,” according to JetSmarter chief marketing officer Ronn Torossian.)

The rate hikes are a red flag, says Eric Schiffer, founder of Beverly Hills-based private equity and venture capital firm Patriarch Organization.

“That says it all. They’re not able to make money because the margins are so small,” said Schiffer, a frequent user of private air travel who estimates the gross margin for selling empty seats on private jets is between 10 to 20 percent. “You don’t get rich doing this. You get rich by charging for access.”

Healthy retention rates are essential for the business model to succeed, according to Matthew Winer, owner of Miami-based consultancy Jet Management Associates.

“[The business model] works if you’ve got enough members and you keep your costs fixed,” Winer said in an August interview with the *Business Journal*.

To date, JetSmarter has raised \$157.3 million, with the Series C bringing the \$1.5 billion valuation. It is a rare feat in South Florida, as many ventures struggle to lure investment and scale. But it can also be a pitfall, say many in the startup and venture capital realms.

A mega-valuation adds pressure to hit big growth milestones.

“If you’re set up too high, it can create a lot of morale issues among the team and the board and the investors,” said VC Maha Ibrahim in an interview with *Inc.* magazine for an article titled “Beware the Sky-High Valuation.”

Monthly growth figures for JetSmarter have hovered between 10 and 15 percent, Petrossov has said.

Continuing down that path is essential to its future.

“Many, many companies like JetSmarter have come and gone,” Winer said. “And that’s just the fate they have to avoid.”

The only other startup in South Florida valued over \$1 billion is Magic Leap, a virtual reality firm based in Plantation with backers including Google and Alibaba.

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