

Our investments continued

## Business Services

### Amadeus

[www.amadeus.com](http://www.amadeus.com)

<b>Activity</b>	Global travel transaction processor and provider of advanced technology solutions
<b>Location</b>	Spain (global operations)
<b>Acquired</b>	June 2005
<b>Transaction value</b>	€4,391 million
<b>Sales*</b>	€2,683.3 million
<b>Employees</b>	Approximately 8,500
<b>Cinven representatives</b>	Stuart McAlpine, Benoît Valentin
<b>Senior management</b>	<i>Chairman</i> José Antonio Tazón <i>CEO</i> Luis Maroto <i>CFO</i> Ana de Pro

\*to end December 2010 (audited)

### Company description

Amadeus was established by four airlines in 1987 and has become the largest global distribution system (GDS) in the travel industry, connecting travel providers (i.e. airlines and hotels) with travel agents and customers. Its Altéa unit provides IT solutions that optimise airline business processes, including a reservation and sales platform; e-commerce capabilities for airline websites; revenue management technology; and, since 2009, departure control systems that ensure efficient, safe and timely flight departures. At December 2010, it also owned Opodo, the online travel agent, for which a sale has been agreed at a price of €449 million, subject to competition clearance.

### Cinven origination

Cinven first identified Amadeus as an attractive investment opportunity in 2002 following a review of the growing airline services market by the Business Services team, which was aware that airlines may need to divest assets after the 9/11 attacks. Although the company was listed, it was controlled by three of its four original airline founders, who wished to remain involved but also wanted to realise value from their investment. Starting in 2002, Cinven developed a close relationship with the Amadeus management team and also met with the airlines to discuss the sale of their equity stakes. Cinven made an offer to the airlines that was being progressed until Air France and KLM decided to merge.

In mid-2004, the airlines conducted a limited auction; as management's preferred partner, Cinven was invited to participate. At the point of being awarded exclusivity in early 2005, Cinven teamed up with another private equity company on the transaction. Cinven's relationship with management and the founder airlines, as well as its demonstrated commitment to the business, were key factors in its selection. After the transaction, Cinven and the other private equity company together held 53% of the company's institutional equity, with the airlines (who reinvested a significant share of their proceeds from the sale) holding the balance.

## Our investments continued

## Business Services



# amadeus

Your technology partner

### Investment rationale and strategy

Amadeus was identified by Cinven not just as an opportunity to capture long-term growth in the global air travel industry but also as a beneficiary of the shift towards higher-value global bookings. Amadeus was viewed as having a competitive advantage compared to its peers, partly through its proprietary technology, but also due to its focus on faster-growing, non-US markets. Finally, there was an opportunity to further accelerate Amadeus' strong performance through the Altéa IT outsourcing business, where Cinven saw the potential to attract more airlines to this long-term source of growth.

Cinven's strategy for Amadeus involved the following:

- working with the management team to capitalise on attractive industry fundamentals;
- extending commercial relationships with the airlines to increase market share in many areas;
- investing further in the GDS product to ensure that it remained competitive in both functionality and cost;
- promoting growth in Altéa by investing in the platform and migrating more customers onto additional system modules;

- benchmarking Amadeus' cost base against those of its competitors in order to identify additional cost savings; and
- further developing Opodo in order to prepare the business for the divestment that was agreed in February 2011.

### Cinven value creation

During the period of Cinven's ownership, the focus has been on:

- growing the core GDS business, which increased its global market share from 29% to 37% between 2005 and 2010, for example, by targeting faster-growing regions outside North America and Western Europe;
- promoting rapid growth in Altéa by investing heavily in its development, with the result that Altéa achieved almost a five fold increase in the volume of airline passenger bookings from 2004 to 2010 and developed from a 'start-up' into a business generating €601 million in revenues with a market share of just over 30%;
- investing more than €1 billion in research and development, with an annual investment in product development increasing by more than 50% since 2005;

- strengthening the management team at Opodo (which was loss-making at the time of acquisition) and re-focusing on core air travel, leading to a turnaround in performance and a sale that was agreed in February 2011;
- initiating an operational cost savings programme estimated to have reduced operating expenses by more than €175 million between 2005 and 2010; and
- proactively managing Amadeus' balance sheet, working closely with the Cinven Financing team.

Amadeus generates strong cash flows and has continued to reduce its net debt ratios throughout the economic cycle.