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June 2011 The independent voice of European private equity

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Mediterranean*

Cinven

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The Private Equity Awards

The competition, as always, was extraordinarily tough at the 2011 Real Deals Private Equity Awards – firms knew they had to have a truly stellar year to be in with a chance of taking home some silverware. This special supplement examines what it takes to stand out from the crowd and celebrates the industry at its very best.



Cinven and investment partner BC moved heaven and earth to prepare Amadeus for IPO – and the hard work paid off.



Chris Mogge of BC Partners and Chris Good of Cinven take the award

DEAL OF THE YEAR – MEDITERRANEAN

Cinven, for Amadeus

IN THE SUMMER OF 2009, CINVEN AND its investment partners first mooted an IPO for their travel technology business Amadeus. It was not the most auspicious time to start thinking about coming to market – the credit crunch had sent investors running for cover.

And, recalls Cinven partner Stuart McAlpine, as the IPO on Madrid's stock exchange approached in spring 2010, the skies darkened. First, Icelandic volcano Eyjafjallajökull erupted, spewing millions of tonnes of ash into the atmosphere and grounding hundreds of flights.

Next, concerns about sovereign debt started markets worrying about a possible default. Then, in 15 market-shaking days in early 2010, ten IPOs were pulled or postponed on global stock markets. Yet on 29 April Amadeus floated successfully, raising €1.44bn at €11 a share.

COOL HEADS

Today, McAlpine acknowledges the investment team had to keep its nerve in pulling off what became the Mediterranean Deal of the Year at the 2011 *Real Deals* Private Equity Awards.

"In our timetable, we had originally slated the end of March for impact day," he recalls. "By February, when we looked at the market outlook with the pulled IPOs, we hadn't formally launched at that time so we didn't have anything to pull. But we were able to sit and watch the market on an almost daily basis to see if conditions improved. By the end of February and the beginning of March, with about six weeks to impact date, we decided that it looked as if there would be an opportunity to hit the road."

Even so, conducting a global roadshow for investors while many of Europe's airlines were grounded wasn't easy. On one occasion, Amadeus chief executive David Jones, desperate to travel from Britain to a roadshow in the US, journeyed by train and ferry to Spain, hired a private jet, refuelled at Ascension Island, and reached his meeting just in time.

"No matter what adversity was thrown

in our way, we managed to overcome and prevail," says McAlpine proudly.

And no wonder. Amadeus has proved a great investment for Cinven. The firm sold part of its stake at the IPO and two further five per cent tranches in October 2010 and April 2011. By that time, it had realised more than €1bn or around 4.9 times its original investment (taking into account a refinancing in 2007). And it still held eight per cent of the company.

For Cinven and McAlpine, it has been a nine-year journey from first contact with Amadeus to Deal of the Year. McAlpine recalls that Cinven first started stalking Amadeus, then owned by three European

Amadeus has a superb management team and even in a downturn has defensive features which sustain it – but also give it the levers to continue growing

STUART MCALPINE, CINVEN

airlines, in 2002. It was in the wake of 9/11, when the world's airline industry had suffered a major fall in bookings and revenues. "We were exploring whether the airlines might have any non-core assets they might like to monetise to relieve the financial crunch they were in," he recalls.

Even so, it wasn't until 2005 that Cinven and BC Partners jointly took a majority stake in Amadeus, with the three airlines maintaining a minority investment. It was an important strategic moment for the company. Until then, revenues had been driven largely by Amadeus's global distribution system (GDS) business, an international network for travel products and services.

The investors saw the opportunity to grow that business in new market segments and countries, and also to develop major new revenue streams from the IT solutions side of Amadeus, which traded under the Altéa brand name. Since 2005, more than €1bn of new investment has gone into Amadeus, much of it to expand Altéa.

Altéa now provides a range of technology products and services – in areas such as reservations, inventory and departure control – for the travel trade. From a negligible start, the company has grown its share of the global market to 28 per cent.

STRENGTH IN RECESSION

But why such a successful IPO in April 2010 when there were strong negatives in the world's capital markets? Without doubt, the primary reason has to be Amadeus's strong financial performance during a period of difficulty for the world economy, and the airline industry in particular. From revenues of €2bn and net income of €208m in 2004, Amadeus moved to revenues of €2.7bn and an adjusted profit of €427m in 2010. Analysts say the company has increased its market share and is poised for further growth.

It has also reduced its leverage significantly under private equity ownership – down from around 5.9x Ebitda early in the period of Cinven's investment to 2.5x in the year of the IPO. "Amadeus had a bit of a halo around it when it came to market because of its relatively low gearing," says McAlpine. "No public market investors like to think they are subsidising the excesses of the exiting shareholder."

McAlpine admits that Amadeus has faced its challenges during Cinven's period of investment, but says: "It's an extremely strong company in a great market position globally, with great products. It's well invested, has a superb management team, is cash-generative and even in a downturn has defensive features which sustain it – but also give it the levers to continue growing." ●

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