

Private equity firms have travel in sight

“ THIS YEAR is seeing a record year for buyout fundraising with pension funds and other institutions, such as banks and family wealth management offices, pouring money into private equity funds.

Over €40 billion will be raised in Europe and there are an estimated 110 funds in the market. Large UK buyout groups such as CVC Capital, BC Partners, Permira, Charterhouse and Bridgepoint have each raised multibillion-pound funds in recent years. Acquisition size is no longer an inhibition to the private equity investor and acquirer – any of the large European travel groups, quoted or unquoted, could be bought, if the economic fundamentals are right.

Private equity houses or general partners seek to



Private equity floods into the market says CCP's Roger Luscombe

deploy their capital in buyouts, venture and development capital transactions across all industry sectors, often as pan-European investors and seek superior financial returns. The leisure and travel sector is not immune to private equity investment because the industry is perceived as fragmented with consolidation potential. In the UK, for example, caravan parks and health and fitness clubs have seen considerable private equity investment and consolidation from the likes of Close Brothers Private Equity, Bridgepoint,

Phoenix Equity Partners and Legal & General Ventures.

Any entrepreneur selling a business or travel and leisure group, seeking to dispose of a subsidiary or indeed acquire an additional leg to their business, must consider private equity competition for such assets. Most major midmarket private equity houses have consumer, leisure and travel specialists who regularly scan the European market for acquisition opportunities. Experienced management from the travel sector act as advisers to private equity managers on due diligence

and operational issues, often joining teams to help grow the business. Frequently, a private equity house will pay more for a company than an industry buyer would.

At CCP, as corporate finance travel specialists we have seen considerable private equity investment in our advisory sale mandates. Kirker, for example, was bought by ECI Ventures in 2003 through a buy-in management buyout, while Explore Worldwide saw serious offers from two private equity houses before being bought by Holidaybreak plc.

Here are a few tips for working with a private equity house:

- Make sure you are dealing with someone very close to, or on, the investment group
- Only grant exclusivity after a clear offer is on the

table and limit that exclusivity with a short timetable to completion

- Keep control of the due diligence process
- If possible, seek access to the financial modelling to understand the anticipated returns
- Be sure all tranches of funding are in place
- If you are part of the management team, seek independent advice on incentive structures and termination arrangements (ie management need their own advisers).
- And finally, steel yourself for a possibly lengthy process.

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● Roger Luscombe is managing partner of CCP, a corporate finance travel specialist and private equity adviser