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TRABAJO FIN DE GRADO EN ADMINISTRACIÓN Y DIRECCIÓN DE
EMPRESAS

SOCIEDADES DE CAPITAL RIESGO: OPERATIVA

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SANTIAGO SÁNCHEZ ALEGRÍA

Abstract

The objective of this project is to analyse the value creation in a company acquired by Private Equity funds, through the study of a specific case from an accounting and financial perspective. The analysis is carried out on a Spanish Reverse Leverage Buyout case that took place between 2005 and 2010 in the travel and tourism industry.

To this end, a deep research of the situation of the company prior to the acquisition and the conditions of the latter is accomplished. Moreover, the project also focuses on the holding period in which the new management team worked in order to increase the company's value by different ways. Finally, the sale of the company and disinvestment period, as well as the following years is subject to review.

By doing so, the profitability of the investors as a consequence of the organic and inorganic growth of the company is also subject of analysis and interpretation.

Keywords: Private Equity, Reverse Leverage Buyout, Financial Statements, accountability, profitability.

Resumen

El objetivo de este proyecto es analizar la creación de valor de una empresa adquirida por fondos de Capital Riesgo, a través del estudio de un caso concreto desde una perspectiva contable y financiera. El análisis se realiza sobre un caso español de *Reverse Leverage Buyout* que tuvo lugar entre 2005 y 2010 en el sector de viajes y turismo.

Para ello, se realiza una profunda investigación de la situación de la empresa previa a la adquisición y de las condiciones de ésta. Además, el proyecto también se centra en el periodo de tenencia en el que el nuevo equipo directivo trabajó para incrementar el valor de la empresa por diferentes vías. Por último, se examina la venta de la empresa y el periodo de desinversión, así como los años posteriores.

De este modo, la rentabilidad de los inversores como consecuencia del crecimiento orgánico e inorgánico de la empresa también es objeto de análisis e interpretación.

Palabras clave: Capital riesgo, *Reverse Leverage Buyout*, Estados Financieros, contabilidad, rentabilidad.

Index

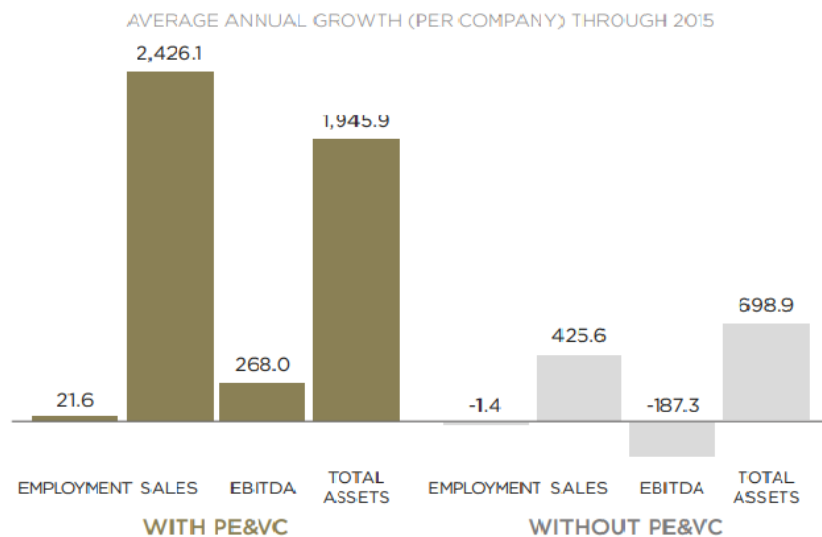
1. INTRODUCTION	4
2. PRIVATE EQUITY	7
2.1. Conceptual definition and framework	7
2.2. LBO	8
2.2.1. History of LBOs	10
2.2.2. RLBOs	12
3. THE AMADEUS CASE	14
3.1. Period before the RLBO by PE funds (2000-2005)	14
3.1.1. Amadeus, the target company	14
3.1.2. Accounting analysis	15
3.2. Holding period (2005-2010)	18
3.2.1. Amadeus' Shareholding structure before takeover bid	18
3.2.2. Takeover bid	19
3.2.3. Conditions of the takeover bid	21
3.2.4. The financing sources of the transaction	23
3.2.5. Accounting analysis	27
3.3. Period after the sale (2010-2015)	33
3.3.1. IPO and divestment of the PE Funds	33
3.3.2. Accounting analysis	35
3.4. PE Funds' profitability	38
4. CONCLUSIONS	40
5. REFERENCES	49

1. INTRODUCTION

The purpose of this final degree project is to contribute to Private Equity (hereinafter, PE) literature through the analysis of the Reverse Leverage Buyout (hereinafter, RLBO) of Amadeus in May 2005 from an accounting and financial perspective.

From an academic point of view, it is not easy to find this kind of analysis of companies that have been acquired by PE funds. However, the impact of buyouts on the target company's financial statements is significant, as illustrated in the following graph:

Figure 1: Impact of buyouts in the target company



Source: ASCRI Private Equity Impact, 2018

As can be observed, PE investment accelerates business growth, creates more jobs and improves profitability of companies. At this point, we would like to highlight the role of the accounting science as a tool for analysing and understanding the consequences of buyouts on the target company's financial statements.

We should continue by indicating the growing interest in this type of business, and especially in leveraged buyouts (hereinafter, LBOs), as illustrated in the table below:

Figure 2: N° of international PE entities operating in Spain



ASCRI Report, 2022

The chart exposes the number of international PE entities operating in the Spanish market, which has been growing steadily, from 77 entities in 2011 to 358 in 2021. Furthermore, of the total 6.097,9 M € invested in Spanish companies in 2021, 3.653 M € correspond to leveraged transactions.

Given the importance of such operations, the general objective of this project is to describe the value creation in the target company as a consequence of the PE funds' management, and more specifically in those cases in which the acquisition is financed by a significant amount of leverage.

To develop this objective, it will be necessary to undertake several previous analysis: (i) a deep research of the starting situation of the company prior to the acquisition is essential in order to understand the business branches, the main items that integrate the Balance Sheet and Income Statement as well as the economic performance of the company; (ii) a detailed analysis of the financial statements of the acquired company post acquisition in order to understand how the new management team worked for increasing the company's value by different ways: essentially, cost reduction and elimination of inefficiencies and organic and inorganic growth; and (iii) the analysis of the profit obtained by the PE funds as a consequence of the sale of the company and

divestment period of the funds. Finally, a review of the company's financial statements in the years following the sale will be carried out in order to verify the sustainability of the value creation, an issue that is sometimes controversial in the academic literature.

In order to achieve those objectives, the structure followed in this project is summarised in the following lines: The first section of this project is dedicated to the review of the main characteristics of PE investments in general, and in particular of LBOs. A more in-depth analysis will be made of RLBOs, in which investment funds sell their shares via the stock exchanges market.

The second section presents the accounting analysis of Amadeus' RLBO, which is indeed the main part of the project. It is divided into three differentiated subsections: (i) in the first one we will analyse the evolution of the financial and operational data before the entrance of the PE funds in Amadeus' Share Capital (2001-2004); (ii) in the second one we will analyse the evolution of the financial and operational data during the holding period (2004-2009); and (iii) in the third one we will analyse them after the IPO in 2010, for a period of 5 years (2009-2013).

The last point in this section is dedicated to the analysis of the above average profitability obtained by the PE funds at the sacrifice of the target company's economic profitability; concluding in the last section that PE funds paid out of pocket 525,4 M € in 2005 obtaining at the end of the divestment period a return of 3.233,7 M € thanks to the financial leverage strategy implemented and Amadeus' cash flow generation capacity, while the target's economic profitability deteriorates during that period.

To carry out this project, we will need access to reliable sources of information. In particular, we will rely mainly on the following sources: (i) takeover bid and IPO prospectus found in the CNMV¹ web page; (ii) Amadeus' Financial Statements from 2001 to 2013; (iii) Sabi web page (accounting and financial information) analysed in Excel and; (iv) independent expert Dresdner Kleinwort Wasserstein's report published on 1 April 2005 (requested by Amadeus in order to estimate their value before the takeover bid).

¹ The "Comisión Nacional del Mercado de Valores" (CNMV) is the Spanish Securities Market regulator, responsible for supervising the Spanish securities markets and the activity of all those involved in them.

2. PRIVATE EQUITY

2.1. Conceptual definition and framework

Private Equity (PE) is, in general, a financial activity between companies consisting of providing medium and long-term economic resources, but without the vocation of unlimited duration, to companies that may have difficulty in accessing other sources of financing (such as the stock market or bank credit) or are in situations where the need of capital is particularly relevant for their success.

Indeed, PE is particularly relevant at two points in a company's life cycle: (i) at the start-up stage, i.e. when the business idea is being implemented; and (ii) at the maturity stage, to restructure or expand the initial business idea. In this sense, those investments made in start-up companies are referred to as Venture Capital transactions, characterised by a special high risk investments, while if they are carried out in more mature stage, LBOs are more common, as the capacity to repay debt is bigger than in start-ups.

In fact, in the same sense but with greater accuracy and technicality, **Articles 3.1, 9 and 10 of Law 22/2014, of 12 November**, which regulates PE entities in Spain, defines their activity.

Thus, from the whole reading of these articles we can conclude that PE entities are those companies that obtain **capital** from a number of **investors** (e.g. PE funds) through a commercial activity, whose main **purpose** is to generate profits or returns for the investors, and whose main **object** is to take temporary holdings in the share capital of target companies of a non-real estate or non-financial nature which, at the time of the acquisition of those companies, they are **not listed** on any regulated stock exchanges markets in the European Union (hereinafter, EU) or in the other member countries of the Organisation for Economic Cooperation and Development (hereinafter referred to as the "OECD").

In addition, it could be relevant to note for the avoidance of doubts that **Article 9.2 paragraph b)** of the law extends the main **purpose** of PE entities to include the temporary holdings in the share capital of companies that at the time of the acquisition **are listed** on regulated stock exchanges market in the EU or in the other member

countries of the OECD, but subject to the **condition** that those referred companies are **excluded from listing** within the next 12 months after the holding in the Share capital of the latter.

2.2. LBO

One type of classification that we are going to analyse takes into account the **origin of the funds** used to finance the acquisition of the target company. In this sense, an LBO transaction refers to those **buyouts**² made through leveraged investments, as the external source of financing (e.g. bank debt) plays a significant role.

According to Harvard University, LBOs are heavily leveraged transactions, often between 50-70% debt financing (Harvard 2013, Note on LBO). The high amount of leverage used in an LBO changes significantly the capital structure of the target company once acquired, thus a deep understanding of the impact of capital structure is necessary.

Regarding the corporate structure of each PE fund, we can find two differentiated types of partners depending on their function in the investment: the **General Partners** (hereinafter, GPs) and the **Limited Partners** (hereinafter, LPs):

Firstly, the **GPs** are professionals with large experience in finance and therefore they are responsible of the management and investment decision-making of the fund (Stringham & Vogel, 2018). However, its role is not to provide capital but to manage the target company, as their ownership in the target's share capital is relatively small.

Consequently, we can conclude that their economic rights are very limited but their political rights are extensive, in order to guarantee their decision-making power.

Nevertheless, the vast majority of equity is provided by **LPs**, who do so with the objective of obtaining a high profitability, most of the times above average returns (Appelbaum & Batt, 2014). Basically, their returns depend on the proportion of ownership in the target company's share capital.

² Buyouts are usually defined as the investment by which a physical or legal person acquires a majority interest (shares) in a target company in order to gain control over it.

LPs are usually defined as passive investors as they do not take part in the decision-making of the business and therefore are out of the management team. They neither make investment decisions and they benefit from a limited liability position. Generally, LPs are pension funds, insurance companies, wealthy individuals and other large institutional investors who make such investments with the objective of obtaining a big return on their capital (Stringham & Vogel, 2018). Consequently, we can conclude that their economic rights are extensive (aiming to participate in the benefits of the funds) but their political rights are limited.

Under an LBO, the acquisition process typically starts when the PE fund create a new company (called *New Co*) which share capital is integrated by the monetary contributions allocated by the investors. Then, the *New Co*, as a special purpose vehicle, borrows a large amount of debt with the purpose of buying the target company. After an LBO, the *New Co* usually has a ratio of 70% debt to 30% equity (Montgomerie, 2008). After the acquisition, both companies usually merge, and the debt assumed by the *New Co* is transferred to the target company, and therefore the debt repayments are assumed by the latter. This process can be seen in **Annex 1**.

Since LBOs take on leverage and use the target's cash flow and assets as collateral, the target needs high and stable free cash flows to handle high levels of debt (payment of the interests and amortization of the principal), which is something typical in mature firms (Stamland, 2022).

On the contrary, at the growth stage of a company's life cycle, levels of risk are also high, thus debt financing is limited and expensive. In other words, if debt was available even though the company is in this phase, this is likely not desirable since the firm has many investment opportunities and incorporating high leverage can lead to underinvestment, as the firm may experience financial distress due to the heavy burden of interest repayments.

In conclusion, the firms in mature stage are the main target companies of LBOs transactions because of their capacity to handle high leverage without incurring in financial distress.

In the following lines, we will mention some of the reasons for leveraging buyouts: Firstly, acquirers cannot finance the investments solely by equity. It is difficult to find

private investors with enough economic potential to finance the acquisition by their own resources, especially when focusing on expensive companies.

Secondly, and above all, acquirers can rely on leverage because their main objective is to obtain an above average profitability. The leverage effect of debt means that if the company generates profits, its profitability is higher than the market average. On the contrary, if the company does not generate enough profit, the losses will be even greater.

Thirdly, the cost of financing the acquisition via leverage can be smaller than financing via equity, if interest expense are lower, which goes in parallel with the financial market situation. Special mentioning regarding the fact that interest expense is deductible from a tax perspective, which resulted in a reduction in the cost of the transaction.

Finally, another more basic and emotional reason was discussed by Jensen and Meckling (1986)³, who argued that acquirers can be motivated to leverage the transaction because they only care about one thing: making money. Even if lesser debt levels would provide the same efficiency improvements as LBOs, the appetite for risk increases as the debt level rises since the investor has less to lose and more to gain if there is a substantial change in asset value. Thus, investors would entail riskier projects.

2.2.1. History of LBOs

The first wave of LBOs started in the early 1980s after Michael Milken invented high yield bonds⁴. Excess speculation and poor quality corporate agreements led to overpriced deals, crashing the high-yield bond market. Well-known LBOs of this period include the buyout of *Malone & Hyde* (which was the first LBO of a public company by

³ Jensen and Meckling discussed the incentive problem when incorporating debt and how behaviour changes.

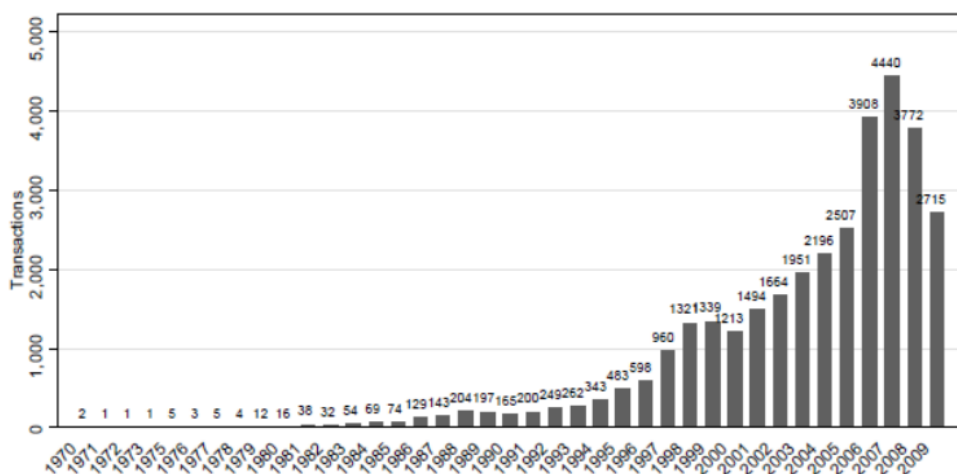
⁴ A high-yield bond is a type of debt obligation issued by companies to obtain financing. They are characterised by the high interest rate they offer to their owners because they have lower credit ratings than other types of bond. In other words, the risk of default is high so they pay a higher interest to compensate investors.

tender offer⁵) and the buyout of *Wometco Enterprises* (the first billion-dollar buyout transaction) both carried out in 1984 and whose buyer was the PE fund KKR. The period culminated in the massive LBO of RJR Nabisco by KKR in 1988, which was not very profitable for the PE fund.

During this decade, US buyout industry was made up of a relatively small number of PE entities. These groups identified transactions through personal contacts with CEOs in concrete industries. They had long time to analyse the proposed deal and structure the transaction using high degrees of leverage. Therefore, we can observe on this decade the high power of PE entities, as the competition was very limited and therefore the prices of the buyouts were small, as very few investors were capable of buying companies. This implied extraordinary benefits for the PE entities.

In the 1990s, debt levels were lower than previously because an increase in interest rates and therefore a revision of LBOs was made (Himani Singh, NYU JLB). These years were more challenging for buyouts as the industry is far larger than it was during the years when it enjoyed its greatest returns. PE funds were 36 times greater in 1998 than in 1985, and by 2006, it was more than 100 times the level in 1985 (Cao and Lerner, 2009), as we observe in the following figure:

Figure 3: N° of LBO transactions worldwide



Strömberg (2008), Tåg (2010)

⁵ A tender offer is a type of open takeover bid for shareholders to sell their shares. It is typically characterised by the announcement of the bid in a newspaper advertisement and printed and mailed to the target company's shareholders.

This implied the greater competition for the transactions, as sellers of the firms, having become aware of the numerous potential buyers, hired investment banks that conducted auctions between LBOs groups. Therefore, returns from the point of view of the PE funds deteriorated. We can see the strong negative relationship between number of funds-raising and returns for PE investors.

Another boom arrived in the 2000s but was short-lived due to the financial crisis in 2008 (Himani Singh, NYU JLB). The introduction of regulations and caution regarding leveraging after the financial crisis slowed the growth in LBOs. However, when regulations became clearer and large institutional investors were introduced, the LBO market recovered, similar to before the financial crisis of 2008 (Himani Singh, NYU JLB).

2.2.2. RLBOs

Focusing on the type of PE investment object of this project, there is a specific type of LBO in which the divestment is done in a particular way⁶. The RLBO is defined by the sale of the acquired company via an Initial Public Offering⁷ (hereinafter, IPO) after been bought out by professional later-stage PE investor (Cao and Lerner, 2009). In short, if a LBO exits via an IPO, it's the case of a RLBO, as illustrated in **Annex 2**.

The academic literature has produced recognised articles analysing this kind of transactions, some of them mentioned in the following lines. Firstly, the research article written by **Cao and Lerner** in 2009 analyses a sample of 526 RLBOs that occurred between 1981 and 2003, finding that RLBOs returns at least weakly outperform portfolios of other IPOs profitability, as these transactions leads to a greater concentration of ownership⁸, which improves the GPs' decision-making (Stamland, 2022). According to the article, RLBOs are usually backed by more reputable underwriters as the risk associated is bigger than in other type of LBOs.

However, there exists evidence of risk regarding deterioration of returns for PE funds over time. This can be explained by (i) the concentration of efforts by PE funds to

⁶ Basically, PE funds can sell their holdings to other institutional investors, to other investment funds or take the company public and sell it in a stock exchange market.

⁷ An Initial public offering (IPO) is the process by which a private company can go public by sale of its shares to general public in a stock exchange market.

⁸ This is a consequence of the change in the corporate structure of the acquired company, as the PE funds buy a majority of the shares, which place the decision-making power in the hands of the GPs.

increase the value of the target in order to sell it at a higher price and reach higher returns; (ii) the increase in the buyouts industry competition over time, and (iii) PE funds can suffer reputation losses if their RLBOs turn out to be failures, and in a more competitive industry may entail adverse consequences for them.

Moreover, evidences exist for advocating for long run returns of PE funds: buyout groups typically hold large equity stakes in target firms prior to the IPO, and then continue to retain substantial holdings subsequent to the offerings, at least for a limited time (Cao and Lerner, 2009). The benefits they can obtain by selling the shares post IPO can be bigger than the IPO itself.

On the other hand, it is interesting to analyse the role of Sarbanes Oxley Act (hereinafter, SOX), which is a US federal law adopted in 2002, that had great implications in RLBOs. As sustained by **Reddy, Le and Paul** (2021), this law increased the compliance costs associated to firms going public, so they provoked the reluctance of firms to access public stock exchanges markets and increase the frequency of going private events (M&A transactions).

Therefore, the likelihood of RLBOs after the promulgation of SOX became smaller, while increasing timing of the holding period or time to IPO as more time for PE firms is needed to fulfil compliance obligations. Nevertheless, the SOX have also benefits for investors, as it increased the quality of financial reports and improved of corporate governance for firms.

However, the mediating effect of the reputation in PE firms is remarkable, as it works to partially reduce the reluctance of firms to exit via IPOs, and reduces in general the holding period while making firms less likely to end in bankruptcy or financial restructuring.

Finally, the paper remarks some RLBOs benefits such as prior experience being public, more mature growth stage, larger size and lower information asymmetry. In addition, RLBOs are typically firms with greater assets-in-place to support high leverage.

Taking into account the above considerations, we are going to study hereafter the Amadeus RLBO and see if we reach similar conclusions.

3. THE AMADEUS CASE

3.1. Period before the RLBO by PE funds (2000-2005)

3.1.1. Amadeus, the target company

Amadeus IT Group (hereinafter, “Amadeus” or target company) is a Spanish technological company operating in the travel and tourism industry founded in July 1988 in Madrid, and headquartered in the same city.

According to their legal purpose as established in their Articles of Association⁹ (available in the Constitutive deed of the company), Amadeus’ Group provides services to the travel and tourism industry through 3 main business branches:

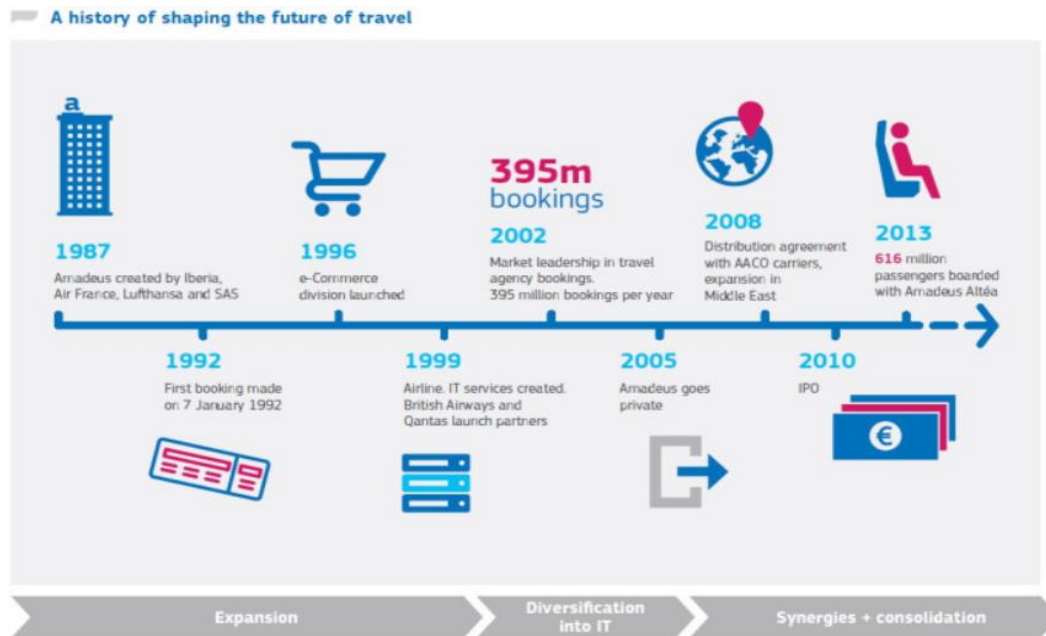
- (i) Distribution: The company operates as a distributor of travel products and services and provides access to technological platforms that connects suppliers (airlines...) with travel agencies (GDS system). In short, this system enables travel agencies to book airline tickets, and it’s the core activity of Amadeus.
- (ii) IT Solutions: Amadeus offers to travel providers (mainly airlines) a wide range of IT solutions that allow them to automatize certain processes, such as selling through their direct channels, flight departure management, e-commerce...
- (iii) Opodo: Amadeus started its presence in online travel agency business through Opodo, the second largest volume travel agency in Europe by air bookings in 2009; according to the company’s own estimations. However, they sold the company in 2011.

As can be seen in **Figure 4**, Amadeus was founded by a strategic alliance between the Europe’s leading airlines Air France, Lufthansa, Scandinavian Airlines System (SAS) and Iberia, in order to create an information service provider which would allow to

⁹ The Articles of Association (AoAs) are the rules that govern the internal functioning of a company, regulating aspects such as the company’s legal name and address, legal purpose, share capital, management body... in accordance with the Spanish Company Act.

connect the airlines with travel agencies and consumers in real time by means of a Global Distribution System (GDS).

Figure 4: Amadeus' history



Source: Amadeus Global Report 2013

In order to gain perspective of the global timeline, on 1999 the company becomes listed on the stock exchanges markets of Madrid, Barcelona, Paris and Frankfurt and seen by the market as the most technologically advanced competitor in the sector.

In 2005, Amadeus was excluded from trading after the RLBO by PE funds BC Partners and Cinven, vesting private ownership by the new owners. After a holding period of 5 years, the company was sold on April 2010 by means of an IPO, when it becomes listed again in the Madrid, Barcelona, Valencia and Bilbao stock exchanges markets. Since the 1st January 2011, is one of the 35 companies that compose the Spanish index IBEX-35¹⁰.

3.1.2. Accounting analysis

In this section, an analysis of the evolution of Amadeus' financial statements during the period from 2001 to 2004 is presented, in order to understand the position of the

¹⁰ IBEX-35 is the main Spanish stock market index developed by "Bolsas y Mercados Españoles" (BME). It is composed by the 35 Spanish Companies with more liquidity that are listed in "Sistema de Interconexión Bursátil Español" (SIBE) in any of the four Spanish stock exchange markets (Madrid, Barcelona, Valencia and Bilbao).

company before it was acquired by the PE funds through the takeover bid in 2005. On this basis, we are now presenting the evolution of Amadeus' key financial and operational data for the years ended December 31 2004, 2003, 2002, and 2001 in the table below.

Table 1: Main financial indicators before the RLBO

Consolidated financial and operational data (M €)					
	2004	2003	2002	2001	Variation 04-01 (%)
Revenues	2.056,7	1.987,5	1917,6	1870,6	9,9
EBITDA¹¹	549,4	540,8	492,4	425,3	29,17
Depreciation and Amortization	-174,9	-179,4	-176,4	-153,6	13,8
EBIT	376,9	361,4	316	271,7	38,7
EBITDA's Margin	26,7	27,2	25,7	22,7	-
Net Income	208	150,1	84,8	92,3	125,3
ROA	18,7	19,4	17,5	16,7	11,9
ROE	30,6	28,6	20,9	22,4	36,7
Air bookings¹²	290,9	272,3	277,2	269,4	7,98
Net financial debt¹³	117,1	214,4	359,7	419,2	-72,1
Operational Cash Flow	410	453	422	359	14,2
Net Cash Flow¹⁴	62,6	5,2	-0,4	-16	-
Equity	1.064	905	794	764	39,3%
Goodwill	478	433,1	454,9	418,2	14,3
Net financial Debt / EBITDA	0,21	0,39	0,73	0,98	-78,5
Net financial Debt / Asset (%)	5,8	11,4	19,9	24,9	-76,7

Source: own production based on Amadeus' IPO prospectus and Financial Statements

¹¹ EBITDA = EBIT (excluding interest expenses) + Depreciation + Amortization – Amortization included in capitalization

EBIT or Operating income = Gross Profit (Revenues – COGS) – Operating expenses (including wages and amortizations and depreciations). This indicator focuses only in the company's ability to generate earnings from operations, excluding factors such as tax burden and capital structure.

¹² Bookings made through travel agencies using the Amadeus GDS system.

¹³ Net Financial Debt = Financial Debt (Short and Long term) – Treasury

Please note that the financial debt mentioned refers to the company's borrowings from credit institutions, and not to commercial debt, which arises from payment deferrals granted by suppliers (payables), etc.

¹⁴ The Net Cash Flow not only takes into account the Operational Cash Flow (amount of cash generated by a company's normal business operations), but the Cash Flow applied to investing and financing activities also.

These remarks shall be taken into consideration for the same tables regarding the holding period and the period after the sale.

The accounting data before the acquisition by PE funds show a sustained growth in revenues, mainly due to (i) the stable growth in air bookings and consequently the parallel increase in GDS' revenues and; (ii) the development of the IT business for airline companies started in 2000. In the same year, Amadeus signed 10-year service provider agreements with British Airways and Qantas Airways (e.g. organic growth).

Regarding expenses, their evolution is similar to that of sales, although it can be seen that the fixed cost structure leads to a higher growth in EBITDA (or operating profit) than the growth experienced in revenues.

Although the company is trying to look for new lines of business (in 2004, Amadeus became a shareholder in Opodo, Ltd to develop the online booking business, purchasing the 55.4%¹⁵ of its shares), the strong weight of its main business branch (GDS) shows that it is a mature company, as most of its EBITDA is transformed into cash flow from operations.

In addition, it mainly uses surplus cash to amortize debt, showing very low levels of leverage at the end of the period, as net financial debt only finance 5,8% of Amadeus' activity. In fact, the change in the capital structure following the acquisition by PE funds is one of the main points in the accounting analysis, as we will analyse in the holding period. Consequently, the company adopts a conservative financial structure, with a low level of financial leverage and a financial profitability supported mainly by a strong economic profitability. However, in comparison with its main competitor, the American Sabre company, Amadeus show a much smaller level of leverage in 2004, as Sabre needs 1,4 EBITDAs to cover its financial obligations while Amadeus needs 0,21.

To conclude, in 2004 Amadeus was already connecting more than 64.000 travel agencies and booking flights belonging to more than 500 different airlines around the globe. Consequently, it was a stable and cash generative business with an expert management team, which annual revenues amounted to 2.056,7 M € in that year.

Besides, the airline booking industry was in an attractive phase of consolidation, with a high growth rate and high entry barriers (needs for developed network infrastructure), which made it difficult for external competitors to enter the industry.

¹⁵ The subscription of additional shares in successive capital increases resulted in Amadeus holding the 99.45% of Opodo's share capital at the time of the IPO in 2010.

From the investors' perspective, an excellent financial market conditions made borrowing money easier. In 2005, the debt market conditions were very favourable, with an average 12 month EURIBOR rate of 2.3% (compared to 5% in 2007-2008). As a consequence, the cost associated with debt borrowings in the form of interest payments was low, so the circumstances for leverage investments were very positive.

All in all, Amadeus' economic and financial situation as well as the industry conditions were very favourable for PE funds to perform the buyout of the company.

3.2. Holding period (2005-2010)

3.2.1. Amadeus' shareholding structure before takeover bid

As can be observed in **Annex 3**, the share capital of Amadeus before the acquisition by PE funds was represented by two types of shares: On the one hand, 590¹⁶ M privileges shares with a nominal value of 0, 01€ each (integrating the Class A); and on the other hand 171¹⁷ M ordinary shares with a nominal value of 0, 10€ each (integrating the Class B).

Both classes of shares (Class A and Class B) were admitted to trading in Stock Exchanges markets of Madrid and Barcelona, while Class A shares were also admitted to trade in the Stock Exchanges markets of Paris and Frankfurt.

However, Class B shares were not traded on any of the stock exchanges market where they were admitted to trade, as they were held by the **core Shareholders** of the company who had significant ownership in its share capital and therefore the control of Amadeus: the founding airline companies Air France, Iberia and Lufthansa; as can be seen in **Annex 3**.

In fact, we should highlight the existence of restrictions on the transferability of Class B shares by virtue of private agreements between the shareholders of Amadeus, which regulated the conditions on the transferability of those shares.

¹⁶ 590.000.000 Amadeus Class A shares

¹⁷ 171.443.700 Amadeus Class B shares

Regarding the basic rights conferred to the **Shareholders**, we should remark the following:

- (i) Regarding the political rights, each Class A share gave one vote to its owner, while each Class B share gave the right to issue 10 votes to its owner.
- (ii) Regarding the economic rights, we can state in general that each Class A share conferred to their owner higher economic rights than Class B, despite the fact that the nominal value of Class B shares was superior to Class A shares. These economic rights were comprehensive of both the right to share the company's profit (via dividends) and the right to participate in the equity in case of liquidation of the company.

3.2.2. Takeover bid

The 12 January 2005, Amadeus announced that PE Funds BC Partners and Cinven had reached an **agreement** (called Exclusivity Agreement¹⁸) with the core Shareholders of Amadeus in order to launch **jointly** a takeover bid¹⁹ addressed to acquire the target company's shares.

According to their agreement, the takeover bid was launched through the creation of a new company called **WAM Acquisition, S.A.** (hereinafter, *New Co*) used as the vehicle through which the takeover bid was going to be formulated; and the creation of **Amadelux Investments, S.A.** which was the instrument through which the PE funds allocate their investments, as can be seen in **Annex 4**. Amadelux was a Luxembourg-based company in which both PE funds had equal participation in its share capital (50% of the Shares owned by each of them).

¹⁸ By virtue of the Exclusivity Agreement, the core Shareholders of Amadeus (the airline companies) reached an agreement with PE Funds BC Partners and Cinven in order to negotiate with exclusivity the terms and conditions for the formulation of the takeover bid over the total amount of Amadeus' shares at a price of 7,35€ per share; by means of the creation of a new company (afterwards called *New Co*).

¹⁹ A takeover bid is a corporate action by virtue of which a physical or legal person offers to all the shareholders of a company the acquisition of their listed shares.

The *New Co* was a Spanish company constituted the 4 February 2005²⁰ as a vehicle for the formulation of the takeover bid. The main purpose of the company was to facilitate the acquisition of Amadeus Class A shares by Amadelux (BC Partners and Cinven) and the core shareholders of Amadeus (the airline companies) as the shareholders of the *New Co*.

On the other hand, the **Investment Agreement**²¹ regulated the entrance and participation of the PE funds and the airline companies into the share capital of the *New Co*. In particular, it established the *New Co*'s capital increase in order to finance partially the acquisition of the target company through the issuance of ordinary and privileged shares that would be **subscribed** in the amounts established in **Annex 5**²².

The issued ordinary and privileged shares would be subscribed in cash and non-cash contributions. These non-cash contributions corresponded to Class A and Class B Amadeus' shares already owned by the airline companies (as ancient shareholders of Amadeus). Specifically, the airline companies would have to contribute all Class B shares and only a part of Class A shares.

However, not only the equity contributions would be made through capital increase. As established in the Investment Agreement, the shareholders of the *New Co* would also grant **subordinated or participatory loans** to the company to finance the acquisition, as we are going to analyse later.

To conclude, as a result of the share capital increase and the shareholder's loans, the equity contributions to the *New Co* and the shareholding structure, assuming a takeover bid acceptance of 100% of the Class A free float shares, will be as indicated in **Annex 5**.

²⁰ Just to take note that the takeover bid is finally launched on May 2005, just few months after the creation of the *New Co*. This fact may be relevant to remark as it proves that the *New Co* was created exclusively for the purposes provided in the Exclusivity agreement.

²¹ By virtue of the Investment Agreement, Amadelux (BC Partners and Cinven), the core shareholders of Amadeus (the airline companies), WAM Acquisition (or *New Co*) and Amadeus (Target Company) agreed the terms and conditions that regulate the takeover bid addressed to buy Amadeus.

²² Amounts calculated assuming a takeover bid acceptance of 100%.

However, we should remark that the PE funds (through Amadelux) gained control of the Target Company because of the ownership of the 52,16%²³ of Amadeus' share capital.

According to what happened after the takeover bid, the *New Co* acquired the **94.73%**²⁴ of the addressed free float shares, which, together with the Class A shares contributed by the airline companies, gave the *New Co* an initial **97.2%**²⁵ holding in the target company. According to 2006 financial statements, the *New Co* holds the 99.69% of Amadeus' shares at 31 July 2006.

The total purchase price of the acquisition of Amadeus previously developed through the takeover bid amounted to a total of 4.214,4 M €²⁶.

3.2.3. Conditions of the takeover bid

Firstly, price offered for Amadeus by the *New Co* (more specifically, the PE Funds, BC Partners and Cinven, because the airline companies contribution was non-cash) was 7.35 € per each Class A Amadeus' share addressed by the takeover bid. Given that the total amount of Class A Shares was 590.000.000, the equity value of this part of the Share Capital would have been 4.336,5 M €²⁷, while the Equity Value of Amadeus was **4.353,6**²⁸ M €.

By adding to the Equity value the net financial **debt** at the 31st December 2004 that was **156,4**²⁹ M €, Amadeus' **Enterprise Value of Amadeus** resulting from the takeover bid was **4.510 M**³⁰ €.

²³ $49.779.448 + 244.933.535 / 565.000.000 = 52,16\%$

²⁴ The Class A free float Shares were 314.500.000, of which 297.925.859 were acquired by the New Co (which represent a 94,73% of the Class A free float Shares).

²⁵ If we add to the 297.925.859 Class A addressed shares the Class A shares held by the airline companies as core Shareholders of Amadeus (137.847.654 + 107.826.173 + 29.826.173), the total number of acquired Class A shares through the takeover bid reached an amount of 573.425.850 Shares (97.2% of 590.000.000 Class A Shares).

²⁶ Amadeus' financial statements 2006.

²⁷ $4.336,5 \text{ M €} = 7.35 \text{ €} \times 590.000.000 \text{ Class A Amadeus' Shares}$. Please note that the addressed Class A Shares by the takeover bid were not 100% of them, because a fraction of this part of the Share Capital was subject to exclusion from the takeover bid.

²⁸ $4.336,5 + (0,10 \text{ € nominal value} \times 171.443.700 \text{ Class B Shares}) = 4.353,6 \text{ M €}$, Amadeus Equity Value.

²⁹ The independent expert in its report decided to adjust this debt at the time of the takeover bid (May 2005) according to IFRS 7 standards, as it reflects more adequately the present value of debt (DKW report).

³⁰ $(4.353,6 \text{ M} + 156,4 \text{ M €})$

It could be relevant to point out that Amadeus requested a valuation report to the independent expert Dresdner Kleinwort Wasserstein (DKW) before accepting the takeover bid, in order to have an objective criterion about the value of the company. This value could be relevant in order to accept the price offered by the acquirers in the takeover bid.

The mentioned report has used all the legal criteria required by law and other ones well recognised and accepted for the valuation of the Company. The following table summarises the **valuations methods** included in this report:

Table 2: DKW valuation method

Valuation method	Price per Share
Average price for the last six months prior to the announcement of the takeover bid (20/07/2004- 20/01/2005)	6,23 € ³¹
Net asset value	N.A.
Accounting theoretical value	1,60 €
Previous takeover	N.A.
Discounted cash flow method	6,34 € – 6,97 €
Multiple of public listed companies	6,33 € – 7,28 €
Multiple of comparable transactions	4,41 € – 4,78 €

Source: Takeover bid prospectus, CNMV

In that valuation report, the independent expert concluded that, in its opinion, the most appropriated evaluating method to value Amadeus was the **discounted cash flow (DCF) method**, as it was the one that most accurately reflects the Company's capacity to generate profits in the future.

³¹ Amadeus' share price has increased by 33 % since 17 August 2004, when the company announced to the market the possibility of the takeover bid. The premium paid over the listed price is explained by the control premium included in WAM's offer, which was 17.98% (1.12 €) over the average share price in the last six months prior to the announcement of the takeover (from 20 July 2004 to 20 January 2005) (Amadeus IPO' prospectus, 2010).

The DCF considered the value of a company to be represented by its ability to generate cash flows in the future, treating the company object of valuation as an investment. It was based on estimated net cash flows expected to be generated by the company from 1 January 2005 until 31 December 2014. These estimates corresponded to financial projections provided by Amadeus.

As a consequence, the independent expert considered **Amadeus' Enterprise Value** between **3.914,4 y 4.281,8 M €**, which implied a fair value of the **Class A shares in a range of 6,34 to 6,97 €** per share (DKW, April 2005)³².

In order to determine the **fair market valuation** of Amadeus, we can use the enterprise multiple, ratio resulting from the division of the Enterprise value by EBITDA.

According to Amadeus' financial statements, the company's EBITDA³³ in 2004 was 549,4 M €, but the independent expert adjusted the indicator value by adding the results of the acquired companies, and therefore the final adjusted EBITDA was **595, 7 M €** in 2004.

Consequently, the enterprise **multiple** paid by BC Partners and Cinven was $7.5^{34} \times$ adjusted EBITDA, that in comparison with $7,1 \times$ EBITDA's Sabre, Amadeus' main competitor, we can conclude that Amadeus' Enterprise multiple indicates a good performance of the Company.

3.2.4. The financing sources of the transaction

In case the *New Co* acquires through the takeover bid all the shares to which it is addressed, the *New Co* would have to pay for them a maximum amount of 4.047 M €³⁵, disaggregated hereinafter.

Initially, the Share Capital of Amadeus was divided in 590.000.000 Class A shares. However, the following Amadeus' shares have been object of **exclusion** (so the takeover bid did not address to them):

³² See **Annex 6** for the calculation process of the value of each Class A share followed by DKW.

³³ The EBITDA indicator is the short of net income (Earnings) before Interest, Taxes, Depreciation and Amortization, and it is one of the most widely used measures of a company's ability to generate cash and business performance.

EBITDA = Net Income + Taxes + Interest Expense + Depreciation & Amortization

³⁴ $(4.510 / 595, 7 = 7,5 ; 7,5 * 595,7 = 4.510)$

³⁵ $7,35 \text{ € per each Class A Amadeus' share} * 550.598.411 \text{ addressed Class A shares by the takeover bid} = 4.047 \text{ M €}$

- (i) 171.443.700 Class B shares which belonged before the takeover bid to the airline companies, and therefore they are compromised to be given by these as non-monetary contribution in exchanges for the *New Co*'s shares;
- (ii) 24.298.558 Class A shares which Air France and Iberia have undertaken to contribute in exchange for the *New Co*'s shares; and
- (iii) 15.103.031 Class A shares as Treasury Stock or Buybacks.

Therefore, the takeover bid was **addressed** to 550.598.411 Class A Amadeus' shares, which represent, according to the price agreed to be payed, the total maximum amount mentioned before.

The financing structure of the acquisition is comprehensive of (i) equity contributions as expressed in **Annex 5** and; (ii) arrangement of **bank debt** for an approximate amount of 4.300 M €, of which 3.600 M € were specifically addressed to finance the takeover bid.

Regarding the participatory loans, the *New Co*'s shareholders (Amadelux and airline companies) would obtain financing by means of subordinated loans and subordinated senior loans. In both cases, they are registered as external debt but considered as equity for corporate purpose. It is the mechanism implemented by the investors to avoid the liquidation of Amadeus due to the negative equity seen during the entire holding period, as analysed later on.

They were structured as hybrid instruments with different characteristics: subordinated loans (15 years, 13.75% annual interest) and subordinated senior loans (10.5 years, 13.5% annual interest).

Regarding the external source of financing, different groups of bank loans were obtained by the *New Co* and composed by three different types of debt sources (Amadeus takeover bid prospectus, 2005):

a) Senior loan

This was a credit of 2.700 M € divided in three segments ("A" for 800 M €, "B" and "C" for 950 M €, respectively).

These loans were granted to be used by the *New Co* to finance the takeover bid and the costs related to it.

The interest rate is linked to EURIBOR, with a spread of between 2.25 and 3.25 %, depending on the segment. The repayment period is 7 to 9 years, depending on the segment. It represents 62.79 % of the financing bank package.

b) Other senior loan³⁶

It consisted of two revolving credit lines of 150 M € and 350 M € each intended to finance the necessities of the working capital and the payment of interest expenses related to bank loans. They represented the 11.63 % of the financing bank package.

There was also a senior acquisition loan of 200 M € intended to finance some minority shareholding in the target company group of companies. It represented the 4.65% of the financing bank package.

c) Subordinated loan

This was a subordinated debt loan of 900 M €, financed initially through a bridge loan (amortization in 18 months), to be refinanced in the future by an issuance of high yield bonds. It was granted in order to contribute to finance the costs associated to the takeover bid, and represented the 20,93% of the bank financing package.

To conclude, the total sum of the financing bank package (included the three types of banking loans explained above) reached an amount of 4.300 M €. As a consequence, the high leverage of the acquisition implies a high proportion of debt in the *New Co's* Capital Structure, which allows us to classify the acquisition as a RLBO, as we can observe in the following table:

³⁶ To be noted that this debt corresponds to a credit available but not used by the company. Therefore, it did not appear on the company's balance sheet.

Table 3: Financing sources of the acquisition

Capital Structure	4.706	100%
Equity contributions New Co	989	21%
Total Debt	3.717	79%
Senior debt	2.700	
Subordinated deb	900	
31 December 2004 net financial debt	117	

Source: own production

In other words, the PE funds ultimately contributed with their own capital to the final capital structure of the *New Co* (in terms of equity and debt) with approximately a 11%³⁷ of the total financial resources allocated, after the reinvestment of the airline companies, management team and the external debt undertaken. Despite the accounting analysis performed in the next section, we can identify in **Figure 5** through Amadeus' balance sheet dated the 31 December 2004 and 31 July 2005 the leverage of the operation.

Figure 5: Amadeus' Balance Sheet 2005

PASIVO Y FONDOS PROPIOS	2005 Reexpresado	PASIVO	2004
Pasivo corriente		Fondos propios (Nota 13)	1.063.930
Acreedores comerciales, netos (Nota 5)	481.807	Capital suscrito	23.344
Deudas con partes relacionadas (Notas 5 y 16)	70.221	Prima de emisión	426.850
Dividendo a pagar	43	Otras reservas de la sociedad dominante:	
Deudas a corto plazo (Nota 12)	38.485	Reserva legal	7.468
Deudas con entidades de crédito por arrendamiento financiero a corto plazo (Nota 13)	24.196	Reserva para acciones propias	106.499
Impuesto sobre Sociedades a pagar (Nota 20)	38.752	Otras	11.585
Otros pasivos a corto plazo (Nota 6)	134.046	Resultados de ejercicios anteriores	222.301
Instrumentos financieros derivados a corto plazo (Nota 19)	1.015	Reservas en sociedades consolidadas por integración global	84.117
Total pasivos corrientes	788.565	Diferencias de conversión	(36.281)
		Beneficios atribuibles a la sociedad dominante	216.367
Pasivos no corrientes		Socios externos	10.037
Deudas a largo plazo (Nota 12)	3.372.400	Diferencia negativa de consolidación	-
Deudas a largo plazo con partes relacionadas (Nota 12)	788.560	Ingresos a distribuir en varios ejercicios	87.871
Deudas con entidades de crédito por arrendamiento financiero a largo plazo (Nota 13)	101.840	Diferencias positivas de cambio	13.700
Impuestos diferidos (Nota 20)	853.812	Otros ingresos a distribuir en varios ejercicios	73.865
Otros pasivos a largo plazo (Nota 14)	71.795	Provisiones para riesgos y gastos	9.814
Instrumentos financieros derivados a largo plazo (Nota 19)	537	Provisión para pensiones y obligaciones similares (Nota 14)	5.285
Total pasivos no corrientes	5.188.944	Otras provisiones	4.529
Fondos propios (Nota 15)		Acreeedores a largo plazo	275.714
Capital suscrito	995	Deudas con entidades de crédito (Nota 15)	137.971
Acciones propias	-	Administraciones Públicas a largo plazo (Nota 23.4)	107.609
Prima de emisión	72.494	Otras deudas (Nota 16)	30.134
Resultados acumulados y otras reservas	(106.925)	Acreeedores a corto plazo	568.796
Diferencias de conversión	(431)	Deudas con entidades de crédito (Nota 15)	21.401
Subtotal fondos propios	(33.857)	Deudas con empresas asociadas	9.290
Socios Externos	71.671	Acreeedores comerciales (Nota 17)	334.016
Total fondos propios	37.804	Otras deudas no comerciales	
Total pasivo y fondos propios	6.015.313	Administraciones Públicas (Nota 23.4)	98.421
		Otras deudas (Nota 12)	24.963
		Remuneraciones pendientes de pago	73.582
		Ajustes por periodificación	7.123
		TOTAL	2.015.862

Source: Amadeus' Financial Statements, 2005

³⁷ $525,4 / (4.706) = 11,2\%$

525,4 M € allocated by Amadelux (BC Partners and Cinven) to WAM Acquisitions, S.A. as can be seen in Annex 4.

3.2.5. Accounting analysis

We are now presenting the evolution of Amadeus' key financial and operational data for the years ended December 31 2009, 2008, 2007 and 2004 in the table below. The data for 2004, which was the last complete financial year in which Amadeus presented audited financial results as a listed company (as it was the last financial year prior to the launch of the takeover bid and the entrance of PE funds in Amadeus' share capital) is presented in order to allow a comparison of the value added generated by Amadeus between that year and 2009 (the last complete year before the launch of the IPO in 2010).

Table 3: Main financial indicators of the holding period

Consolidated financial and operational data (M €)					
	2009	2008	2007	2004	Variation 09-04 (%)
Revenues³⁸	2.461,4	2.937,9	2.986,4	2.056,7	19,7
EBITDA	894	873,5	867,6	549,4	62,7
Depreciation and Amortization	-344,4	-316,4	400	-174,9	96,9
EBIT	549,5	557,1	467,7	376,9	45,79
EBITDA´s Margin	36,3	34,9	33,7	30,2	-
Net Income	272,1	184,1	202	208	30,8
ROA	9,8	10,1	8,5	18,7	-47,5
ROE	42,5	39,8	44,3	30,6	38,8
Air bookings	352,4	364,2	362,2	290,9	21,1
Net financial debt	3.517,6	3.918,2	4.144	117,1	2.903,9
Operational Cash Flow	836,6	785,1	890,4	410	104
Net Cash Flow	195,2	45,4	374	62,6	211,8
Equity	-277	-539	-634	1.064	-
Recalculated Equity³⁹	1840	1531	1266	1.064	72,9
Goodwill	2.238,6	2.239	2.219	478	368,2
Net financial Debt / EBITDA	3,93	4,49	4,78	0,21	1.771,4
Net financial Debt / Asset (%)	63,2	71,2	75	5,58	989,6

Source: own production based on Amadeus' IPO prospectus and Financial Statements

³⁸ Data taken from Amadeus' financial statements and not from IPO's prospectus because it applies a change in accounting policy according to 2009 financial statements. Otherwise, we cannot compare the data of this period with the data of the rest of periods.

³⁹ In order to obtain the financial profitability of Amadeus (EBT / Equity), we shall recalculate Equity as the ratio cannot be interpreted with negative sign. Despite the fact that participatory loans and class B shares are considered as liabilities according to accountability, they constituted capital contributions made by the shareholders that can be interpreted as Equity for accounting purposes from a corporate law perspective. By this way we are reflecting the real capital of the company in terms of Amadeus' own resources.

The accounting data during the holding period show a sustained business' expansion and organic growth, despite the decrease in revenues in 2008 and 2009 due to the 2008 economic recession that affected negatively the air bookings.

This organic growth is mainly due to (i) the increase in services provided by GDS system. In 2008, Amadeus signed an exclusive distribution agreement with 13 airlines members of AACO (Arab Air Carriers Organizations), which accounted 103 M air bookings in 2009 processed by Amadeus' GDS. Moreover, in 2009 Amadeus signed an agreement with Air Asia (world's best low cost airline) for the distribution of its reservations through the Amadeus system; (ii) the development of IT services for airlines companies by means of new agreements with Singapore Airlines, Qantas, Easy Jet, Spanair... and IT services for new products such as Hotel and Railway markets; and (iii) Amadeus successfully implemented an e-commerce solution for Air China in 25 international markets and US Airways.

Regarding **expenses**, we should remark the decrease in both variable and fixed costs leading to an efficient fixed cost structure due to the increase in DOL⁴⁰, as the fixed cost per unit decrease when sales increase. In fact, Amadeus' DOL in 2008 was 0,97 times and during the next year Amadeus took some measures focused on mitigating the increase on certain fixed costs resulting in a DOL of 0,98 times in 2009.

Regarding the **Net Income**, its moderate increase is explained by the heavy burden of the costs related to Amadeus' purchase, especially the interest expense associated with the high level of leverage in the Income Statement.

In relation to the purchase costs, the lack of good quality information disclosed in the 2006 financial statements is remarkable (see **Annex 7**). In note 18 (more information regarding the Income Statement), the item "other operating expenses" is increased more than proportionally and there is no disclosure of what these expenses are due to precisely in the restatement of information due to the business combination.

To such an extent these costs negatively affected the Net Income that it reached negative values at 31 July 2005 and 2006 that amounted to -101,8 M € and -125,8 M €

⁴⁰ The DOL can be defined as a multiple that measures how much the operating income of a company changes in response to a change in sales.

$$\text{DOL} = \text{Var. Operating income (Revenues} - \text{COGS} - \text{Operating costs)} / \text{Var. Sales (Revenues)}$$

respectively according to the Financial statements of those years. In fact, due to the accumulation of negative Net Incomes, this led to negative **Equity** for the first time on 31 July 2006 that amounted to -89,6 M €, mainly due to the -125,8 M € Net Income mentioned above and despite the capital increase realised in May 2006⁴¹, as can be seen in **Annex 8**.

Moreover, in subsequent years we can observe how Equity continues to show negative values, among other reasons due to the **payments made to shareholders** (mainly, PE funds) during this period:

- On September 2007, a purchase of treasury shares⁴² (buybacks) and subsequent reduction of share capital by amortization of shares without return of contributions, amounting to 866,2 M € (financed by a dividend received by Amadeus from a subsidiary company).

This supposes the acquisition of shares that were held by Amadeus' shareholders, who received cash in exchange of shares. The company recognised the Buybacks with negative sign in the Equity, and subsequent they recognised the reduction in the share capital item (reduction by the nominal value of the shares amortized) and reserves (reduction by the difference between the nominal value and the price payed).

In order to prevent the company from entering into negative Equity as a result of the capital reduction explained above, the amounts obtained from the **participatory loans** granted by the PE funds were considered as Equity for accounting purposes according to the corporate law, an amounted for a total value of 910 M €.

⁴¹ Capital increase carried out in May 2006, to give the management team (GPs) a participation of 1,28% of the Share Capital, with the objective of involving them in both risk and value as shareholders of the group.

⁴² Treasury stock or buy-backs are the number of shares repurchased by the company after being held by the shareholders of the company. They are represented in the Balance Sheet as a contra-equity account.

- The distribution of preferred dividends⁴³ to PE funds and airline companies as Shareholders of Amadeus for a total amount of 94,6 M €.
- The repayment of subordinated loans granted by the shareholders to the *New Co* in order to finance the acquisition of Amadeus, amounting to 413.4 M €.

Therefore, following the aforementioned payments reflected in the financial statements of the company, Amadeus distributed a total amount of 1.374,2 M € to their shareholders, which implied the return on investment for PE funds. These amounts shall be taken into account in the calculation of the IRR (profitability of the PE funds) at the end of this project.

As a consequence of these payments (among other factors), the Equity remained negative according to the Financial Statements of 2006, 2007, 2008 and 2009. We can conclude that the PE funds used a number of mechanisms to drain as much money as possible from Amadeus to the point of leaving its equity in negative. In addition, in order to avoid a capital reduction or dissolution of the company as a result of the negative equity, the investors grant participatory loans as a way to circumvent the Spanish Company Act and avoid a dissolution cause of the company.

On the other hand, due to the PE funds' purchase of Amadeus and the bank loans obtained to finance the takeover bid, a significant leverage is already reflected in the Amadeus' Balance Sheet⁴⁴, which capital structure is composed by a 75% of debt and 25% of Equity. We should mention a number of corporate transactions carried out by Amadeus aiming debt refinancing:

- In July 2006, a merger took place between a subsidiary company fully owned by the *New Co*⁴⁵ and Amadeus, by virtue of which the subsidiary absorbed and

⁴³ The preferred dividends are allocated to and paid on a company's preferred Shares. If a company is unable to pay all dividends (because of the lack of earnings in the year), claims to preferred dividends take precedence over claims of the rest of dividends linked to common Shares.

⁴⁴ The debt is reflected in Amadeus' Financial Statements due to the merger between *New Co* and Amadeus and the push-down of debt.

⁴⁵ In October 2005, the *New Co* transferred the Amadeus' Shares to a subsidiary company (wholly owned by the *New Co* and constituted *ad hoc* on September 2005 in order to simplify the future merge) and subsequently changed its legal name to Amadeus IT Group, S.A., which is its actual name.

succeeded Amadeus IT Group, S.A., acquiring the legal name of the absorbed company. In this moment, the Balance Sheets of both companies are combined and the goodwill arose in the Assets.

- In October 2006, through the distribution of an extraordinary dividend charged to the share premium by one of Amadeus' subsidiaries, the parent company (Amadeus) received 2,925 M €, which it used in full to repay part of the bank debt assumed for financing the takeover bid.

As a consequence of the corporate restructuring explained above, a **repayment of the debt** used for finance the takeover bid was possible. This implied a push-down of the *New Co's* enormous debt to Amadeus. In October 2006, a first refinancing of the senior debt that was used to finance the takeover bid (initially was the *New Co* debt and now push-down and therefore located in Amadeus) occurred thanks to the dividend received by Amadeus. This show how Amadeus (the target company) ends up repaying the money borrowed by the financial investor to finance its purchase, as a consequence of the merger of both companies.

Regarding Amadeus' **goodwill**, it arose mainly from its acquisition and is reflected in the financial statements at 31 July 2006 following the merger between the company and the subsidiary of the *New Co*.

As it's shown in **Annex 9**, the investor adjusts the book value of the assets to fair value, removes the pre-existing goodwill⁴⁶ and calculates its own goodwill for the acquisition of Amadeus by the difference between the acquisition price (4.214,4 M €) and the Net Book Value of the assets (7.975,7 M €), which amounted to 2.238 M €⁴⁷. The revaluation of the intangible fixed assets (Technology and patents) had the greatest impact on Amadeus' goodwill.

As a consequence, this increase in goodwill implies a significant raise in total assets, which implied a decrease in the economic profitability or Return on Assets (ROA). In other words, we can state that the entrance of PE funds in Amadeus implied a high

⁴⁶ Amadeus' intrinsic goodwill as a result of the companies it had acquired in the past, reflected in the Balance Sheet on 31 December 2004.

⁴⁷ 4.214,4 (Price paid for Amadeus) – 1.975,7 (Net Book Value of the Asstes) = 2.238,6 M €

deterioration of economic profitability of the company compensated by the increase in financial profitability (taking into account the participatory loans as Equity in order to interpret the ROE). The levels of ROA in the previous period will not be recovered until the exit of the funds from the company.

Finally, the growth in goodwill during the holding period can be a reliable indicator of Amadeus' **inorganic growth**, as the acquisition of TravelTainment Group in 2006 and Onerail Group in 2008.

At this point, it could be relevant to make a comparison between the estimated Amadeus' revenue and EBITDA according to the independent expert (DKW) report and the actual data according to the financial statements of the company, during the holding period.

The purpose of this comparison is to assess whether the purchase price paid by the PE funds through the takeover bid was justified, since the valuation of Amadeus and the price paid by the PE funds was made based on this estimations.

Table 4: Comparison estimated vs. real EBITDA and Revenues

In M €	2004	2007	2008	2009
EBITDA estimations (DKW)	-	643	648	680
Amadeus' EBITDA	549,4	867,6	873,5	894
Revenue estimations (DKW)	-	2365	2469	2666
Amadeus' Revenue	2.056,7	2.986,4	2.937,9	2461,4

Source: Amadeus' Financial Statements and DKW report.

From the analysis of this table we can observe that in relation to EBITDA, the real data of the indicator (according to the IPO prospectus) exceed the estimations made by the independent expert. Therefore, we can conclude that the PE funds did not overestimate the value of Amadeus and the price they paid was in line with expectations. The capacity of Amadeus to generate cash flows has overcome the estimations realised.

Moreover, regarding the revenues, we can reach a similar conclusion, with the exception of 2009, when the estimated revenue by DKW exceeds the real data according to the IPO prospectus. The explanation for this overestimated revenue comes mainly from decrease in Amadeus' air bookings from 2008 to 2009 and the consequent mainly because the global recession of 2008.

3.3. Period after the sale (2010-2015)

3.3.1. IPO and divestment of the PE funds

According to the IPO's prospectus published in April 2010, it differentiated two transactions: (i) the sale of a number of Amadeus' shares held by the company's main shareholders representing the 10,13% of the Class A shares⁴⁸ expressed in **Figure 6**; and (ii) the increase of Amadeus' share capital to obtain 910 M € and repay participatory loans to the shareholders. In addition, the company applied for admission to trading of its shares in Spanish stock exchanges markets, becoming public again.

⁴⁸ The 10,13% of the Class A shares at that moment before the IPO and therefore without considering the issuance of new shares ($36.957.382 / 364.485.467 = 10,3\%$).

This number of shares is a consequence of the share restructuring that Amadeus carried out in February 2010, which resulted in Amadeus' share capital being divided into 364.485.467 shares of one class.

Figure 6: Amadeus' main shareholders before the IPO

ACCIONISTA	Antes de la Oferta						
	Nº de acciones Clase A ⁽¹⁾	% s/ total acciones Clase A	Nº de acciones Clase B ⁽²⁾	% s/ total acciones Clase B	Nº de acciones total	% s/ total capital social ⁽³⁾	% s/ total derechos de voto ⁽³⁾
Amadelux Investments, S.à r.l ⁽⁴⁾	183.666.220	50,34%	135.864.826	53,10%	319.531.046	52,76%	51,48%
Société Air France	80.552.110	22,08%	59.587.554	23,29%	140.139.664	23,14%	22,58%
Iberia Líneas Aéreas de España, S.A.	40.276.060	11,04%	29.793.775	11,64%	70.069.835	11,57%	11,29%
Lufthansa Commercial Holding, GmbH	40.276.060	11,04%	29.793.777	11,64%	70.069.837	11,57%	11,29%
Subtotal accionistas significativos	344.770.450	94,50%	255.039.932	99,68%	599.810.382	99,03%	96,63%
Consejeros	2.137.020	0,59%	36.509	0,01%	2.173.529	0,09%	0,35%
Altos directivos	4.369.550	1,197%	165.022	0,064%	4.534.572	0,21%	0,73%
Otros minoritarios (<i>free float</i>) ⁽⁵⁾	12.980.400	3,557%	613.420	0,239%	13.593.820	0,65%	2,19%
Subtotal minoritarios	19.486.970	5,34%	814.951	0,31%	20.301.921	0,67%	3,27%
Acciones propias	597.250	0,16%	-	0,00%	597.250	0,02%	0,10% ⁽⁶⁾
TOTAL ⁽⁷⁾	364.854.670	100%	255.854.883	100%	620.709.553	100%	100%

Source: Amadeus IPO's prospectus, 2010

Amadeus proposed through the IPO's prospectus an initial reference price between 9,2 and 12,2 € per share. This implied a **capitalisation** for the company between 4.267 and 5.361 M € and an **enterprise value** between 7.272 and 8.366 M € (taking into account a net financial debt of 3.005,1 M €⁴⁹). Please note that these values were calculated assuming an issuance of 98.913.043 new shares necessary to reach an effective amount of 910 M €, based on an issue price of 9,2 €⁵⁰.

The 29 April 2010, Amadeus went public listed again through an IPO of 36.957.382 shares with an issue price of 11 € per share. Therefore, the IPO' total value amounted to 406,5 M €⁵¹, and the capitalisation of the company following the issue price mentioned amounted to 4.923 M €⁵². The enterprise value of Amadeus reached a value of 7.928,5 M €⁵³.

⁴⁹ According to the IPO's prospectus, this net financial debt reflects the impact of post-IPO transactions and the debt restructuring established in the prospectus.

⁵⁰ Criteria chosen by Amadeus and reflected in the IPO's prospectus.

⁵¹ 11 € per Share * 36.957.382 Amadeus' Shares offered for sale and finally sold through the IPO = 406.531.202 €

⁵² 11 € per Share * 447.581.950 Amadeus' Shares at 31 December 2010 = 4.923.401.450 €
447.581.950 = 364.485.467 + 82.727.280 (shares issued by means of the share capital increase).

⁵³ 4.923.401.450 + 3.005,1 M € net financial debt = 7.298.501.450 M €.

Amadeus' Price to Earnings Ratio (PER, defined as the number of times the share price contains earnings) amounted to 18,12 times⁵⁴, which means that the shares were trading at 18,12 times according to the earnings levels of 2009, so the issue price was not overpriced in comparison with their main competitors.

According to the IPO's prospectus, among the total shares being offered for sale in the IPO (36.957.382), 21.274.939 were Amadelux' shares (57.5 % of the shares belonged to the PE funds), which gave an **amount received by the funds of 234 M €** taking into account the issue price of 11€.

After the IPO, the PE Funds conserved 162,4 M⁵⁵ of Amadeus' shares, which were sold in packages until they finally left their condition of shareholders. In fact, between April 2010 and October 2011, the PE funds divested Amadeus through the sale of their shares in a Stock Exchange Market until they left the company completely the 11 October 2011.

Taking into account that the average price at which the shares were sold during this period was 14 €⁵⁶, the **PE funds earned from the sale of those shares 2.273,4 M €**.

It is worth mentioning that during 2010, since the IPO in April of that year, the share price increased from 11 € per share at the IPO to 15,3 € per share at 31 December 2010, which entailed a capitalisation of the company of 6.848 M €. We should remark that at that time, Amadeus had a market share of approximately 37% in all regions of the world except North America.

3.3.2. Accounting analysis

⁵⁴ 11 € (issue price) / 0,607 (Earnings per Share) = 18,12 times

EPS = 272,1 M € Net Income 31 December 2009 / 447.581.950 shares after the IPO.

⁵⁵ 183.666.220 Class A Shares owned by the PE Funds at 31 December 2009 - 21.274.939 Shares sold through the IPO = 162.391.281 Amadeus' Shares belonged to Amadelux.

⁵⁶ Average price of Amadeus' Shares after it became listed in Stock Exchanges Markets, as can be seen in **Annex 10**.

In this last section, an analysis of Amadeus' financial statements during the period 2009 - 2013 is presented, in order to assess whether the value created by the investment of the PE funds is sustained after the sale.

With this purpose, we are now presenting the evolution of Amadeus' key financial and operational data for the years ended December 31 2013, 2012, 2011, 2010, and 2009 in the table below. The data for 2009, which was the last complete year before the IPO, is presented in order to allow a comparison of the value added generated by Amadeus between that year and 2013.

Table 5: Main financial indicators after the sale

Consolidated financial and operational data (M €)						
	2013	2012	2011	2010	2009	Variation 13-09 (%)
Revenues	3.103,7	2.910,3	2.759	2.593,5	2.461,4	26,1
EBITDA	1.193,9	1.105,9	1.073,4	654	894	33,5
Depreciation and Amortization	-305,9	-273,4	-242,2	-342,2	-344	-11,1
EBIT	888	832,5	831,2	311,8	549,5	61,6
EBITDA's Margin	38,5	37,9	38,9	25,2	36,3	-
Net Income	563,1	496,1	730,2	137,5	272,1	106,9
ROA	16,3	16,1	16,4	5,8	9,8	66,3%
ROE	45,05	47,3	74,5	19,4	42,5	45,05%
Air bookings	443,4	416,5	402,4	382,4	352,4	25,8
Net financial debt	1.207,3	1.494,7	1.848,3	2.552,2	3.517,6	-65,7
Operational Cash Flow	1.023,2	991,3	980,1	700,2	836,6	22,3
Net Cash Flow	91	6,5	-157,7	-259,9	195,2	-53,4
Equity	1840	1.531	1.266	767	-277	-
Goodwill	2.068,3	2.065,4	2.070,7	2.070,7	2.238,6	-7,6
Net financial Debt / EBITDA	1,01	1,35	1,72	3,90	3,93	-74,3
Net financial Debt / Asset (%)	22,2	28,9	36,7	47,8	63,2	-64,8

Source: own production based on Amadeus' IPO prospectus and Financial Statements

The accounting data in this last period shows a sustained growth in revenues, mainly as a result of a similar percentage increase in air bookings (5-6% growth per year⁵⁷) and

⁵⁷ Assuming that the global economy recovers its average growth levels over the next five years, World Travel & Tourism Council (WTTC) estimates that this industry would grow by approximately 5-6% each year.

organic growth of the company, which implied a big recovery since the 2008 economic recession.

However, in 2010 EBITDA and Net Income were unusually low mainly due to the increase in operating costs and the extraordinary costs associated with the IPO. In particular, debt restructuring expenses amounted to 29,2 M € as a result of the purchase of Class B treasury shares (classified as debt), repayment of participatory loans and the refinancing of senior debt explained below.

In addition, extraordinary expenses related to the IPO had a negative impact on the Income Statement, amounting to a total of 246 M € for 2010.

The huge increase in 2011 Net Income is due to the sale of Opodo, recognised as profit from discontinued operations. In fact, it was reclassified as “asset held for sale” since 2010, that is the reason why goodwill decreased between that year.

Regarding liabilities, we should highlight some events occurred at the time of the IPO in 2010, which led to a decrease in debt:

Firstly, following the IPO in April 2010, Amadeus has purchased the Class B shares (treasury shares) for an amount of 255 M €, and subsequently amortised them through a capital reduction. This transaction resulted in a reduction of non-current debt, as the Class B shares were classified as liabilities in the Balance Sheet of Amadeus.

In May 2010, following the public offering of shares, the company issued 82,7 M shares at an issue price of 11 € (nominal value plus share premium) enabled it to obtain 910 M € in financing. This amount was used to repay the participatory loans granted by the PE Funds in 2007 to avoid the negative Equity. In the same date, Amadeus also repaid part of the net financial debt (more precisely, Senior debt loan) of approximately 894 M €.

This implies a large debt amortization at the time of the IPO that leads to a more conservative capital structure. Indeed, the proportion of net financial debt in 2010 is for the first time since 2004 less than half of Amadeus' capital structure.

Regarding equity, we should remark that the increase in the share capital through the IPO is the reason why Equity recovers positive values since 31 July 2006. In particular, the share premium increased from -35,9 M € the 31 December 2009 to 891,6 M € the 31 December 2010 as a result of the sale of shares and the difference between the sale price

(11€) and the nominal value (0,001€). Also, the decrease of the accumulated negative income since 2005 from -1.285 M € (31 December 2009) to -843,9 M € (31 December 2010) contributed to increase Equity. Since 2010, Equity grew progressively, among other reasons because the funds were no longer there to take money out of the company.

Regarding the economic profitability, Amadeus recovered the levels of ROA that Amadeus had in the period before the PE funds acquisition.

3.4. PE Funds' profitability

In order to calculate the profitability of the PE funds with the Amadeus' RLBOs, we have expressed in **Figure 7** the cash flows payments and receipts of the funds (major shareholders of the *New Co* through Amadelux) in order to calculate the Internal Rate of Return (IRR) of the investment made by the PE funds.

Figure 7: Amadelux Cash payment and receipts from Amadeus

Transaction N°	Date	Description	Amount corresponding to New Co's Shareholders	Amadelux ownership (%) in the New Co's Share Capital or Equity	Cash receipts / payments by Amadelux
1	May 2005	New Co's Equity contribution following the takeover bid.	-988,6 M €	53,13 % ⁷¹ (Equity)	-525,4 M €
2	2006-2007	Distribution of dividends from Amadeus to the New Co.	+94,6 M €	52,16% (Share capital)	+49,3 M € (2 payments of 24,7 M €)
3	2006-2007	Repayment of subordinated loans.	+413,4 M €	54,48% (Equity)	+225,2 M € (2 payments of 112,6 M €)
4	September 2007	Purchase of treasury shares and capital reduction by Amadeus.	+866,2 M €	52,16%	+451,8 M €
5	April 2010	IPO at 11€ per share.	+406,5 ⁷² M €	57,5 ⁷³ %	+234 M €
6	Ap. 2010 – Oct. 2011 (divestment period)	Sale in Stock market of Amadeus' Shares.	+2.273,4 ⁷⁴ M €	100%	+2.273,4 M €

Source: own production

⁷¹ 525,4 / 988,6 = 53,13%

⁷² 11 € per Share * 36.957.382 Shares offered through the IPO

⁷³ 21.274.939 shares issued by Amadelux / 36.957.382 total shares issued = 57,5%

⁷⁴ 162.391.281 Amadelux shares * 14 €

Regarding the first transaction (1), it is relevant to highlight the cash contribution made by Amadelux Investments, S.A. (BC Partners and Cinven) to finance the Amadeus' acquisition through the takeover bid. As can be seen in **Annex 5**, the funds contribute 525.4 M € to the capital of *New Co* in the form of Shares' purchase and participatory loans (both considered as equity).

This is the only contribution the PE funds make out of their own pocket, as the external debt with which they finance the rest of the acquisition was repaid from Amadeus' own cash flows.

Regarding the second transaction (2), this is the first payment that the PE funds received in the form of preferred dividends distributed from Amadeus to the *New Co*, for a total amount of 94,6 M €, accrued for Class B shares.

Regarding the third transaction (3), it is the second payment received by the PE funds in the form of repayment of subordinated loans granted by the Shareholders to the *New Co* in order to finance the acquisition of Amadeus, amounting to 413.4 M €.

Regarding the fourth transaction (4), on September 2007 the third payment received by the PE Funds occurred in the form of purchase of their shares and subsequent reduction of Share Capital, amounting to 866,2 M €.

Regarding the fifth transaction (5), the 29 April 2010 Amadeus became listed and their shares offered for sale on stock exchanges markets through an IPO of 36.957.382 shares with a price of 11 € per share. Among those, Amadelux (PE funds) held the 57,5% of the shares, so after the sale to the public the funds earned 234 M €.

Regarding the last transaction (n° 6), after the sale of the shares described in (5), the PE funds gradually sold the rest of their shares in packages on the stock exchanges markets, until they left their condition of shareholders in October 2010. Given that the average price per share during this period was 14 €, the funds earned a total amount of 2.273,5 M €.

Based on the previous data, we have the necessary information to determine the profitability of the PE Funds with their investment through the **Internal Rate of Return (IRR)** of the investors.

For the purpose of calculating the IRR, we will assume that the *New Co* owns 100% of the Target Company and the full acceptance of the takeover bid.

As we can verify in **Annex 11**, we have calculated the IRR by equalling the negative and positive cash flows of the holding period by the PE Funds and the obtained result is an IRR equal to 54,85%.

We note that an IRR of almost 55% is well above the average return generally obtained by PE funds, as well as the return obtained by a strategic investor in comparable companies. On average, PE funds demand between 20 and 30 % IRR, so we can conclude that Amadeus' RLBO was a successful investment for the funds.

4. CONCLUSIONS

This research project has tried to assess (i) whether RLBOs create value in the acquired company due to the management of the PE funds once they have entered into the share capital of the company; and (i) this value, if created, is sustained over time.

In order to answer these questions, we have developed an accounting and financial analysis of the RLBO of Amadeus from which we can summarise the following conclusions:

(i) The PE funds purchased Amadeus in May 2005 paying a price of 7,35 € per share and whose enterprise value amounted to 4.510 M €⁵⁸; and sold it 5 years later (April 2010) for a price of 11 € per share and whose enterprise value has reached a total value of 7.928,5 M €⁵⁹.

(ii) In order to highlight the profitability of the investment for the PE funds, they paid out of pocket an amount of 525,4 M € for the purchase of Amadeus through the takeover bid, and during the holding period and the sale, they recovered a total amount of 3.233,7 M €, resulting in a IRR of 54,85%. The funds paid for the purchase of

⁵⁸ Amadeus' Enterprise Value at the time the takeover bid was launched (May 2005).

⁵⁹ Amadeus' Enterprise Value at the time the IPO was carried out and the company became listed (April 2010).

Amadeus almost half of the EBITDA that the company was able to generate before its sale, which amounted to 894 M €.

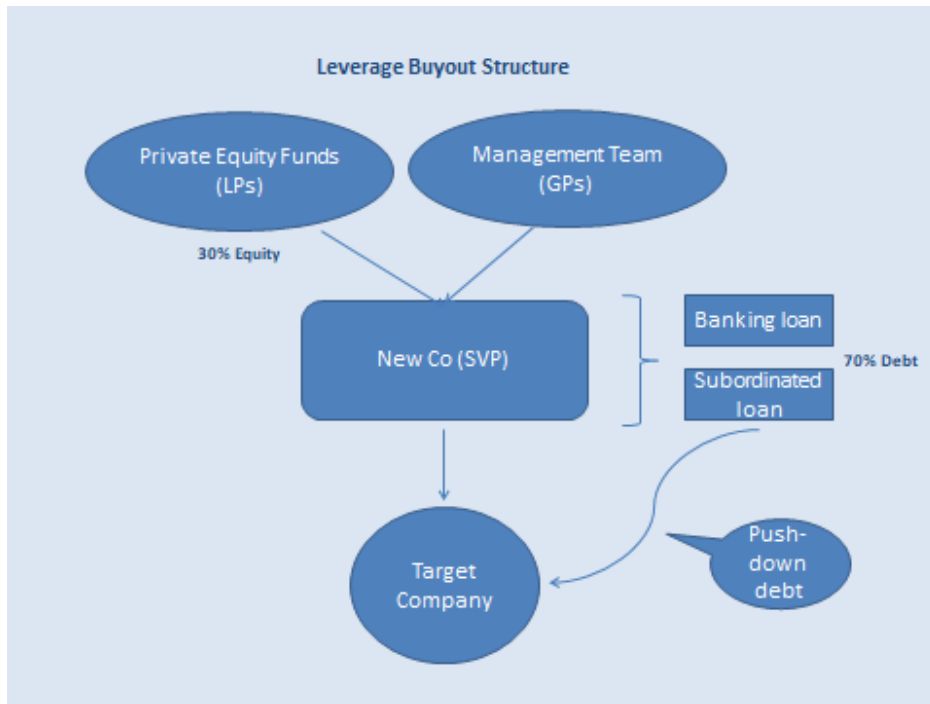
(iii) The financial strategy implemented by the PE funds in Amadeus' buyout allows them to finance the acquisition by putting little out of pocket; and secondly, leveraging the target company with the purpose of recovering its investment early. This has allowed a debt repayment by the benefits generated by Amadeus and extraordinary returns for shareholders.

(iv) This strategy would not have been possible without a gradual growth in air bookings and revenues due to organic and inorganic growth of the company and cost control during the holding period. Nevertheless, it's remarkable the decrease of Amadeus' economic profitability during the holding period, mainly because of the huge goodwill arose from its acquisition, partially compensated by the increase in the financial profitability.

(v) However, the expenses associated to the purchase were so big that Amadeus' Net Income remained negative for two years for the accumulation of losses, main reason why equity was negative during the entire holding period. In addition, far from trying to change this negative situation, the funds continue to realise cash payments to Amadeus' shareholders (via dividends, buybacks...) that drained the company's own resources.

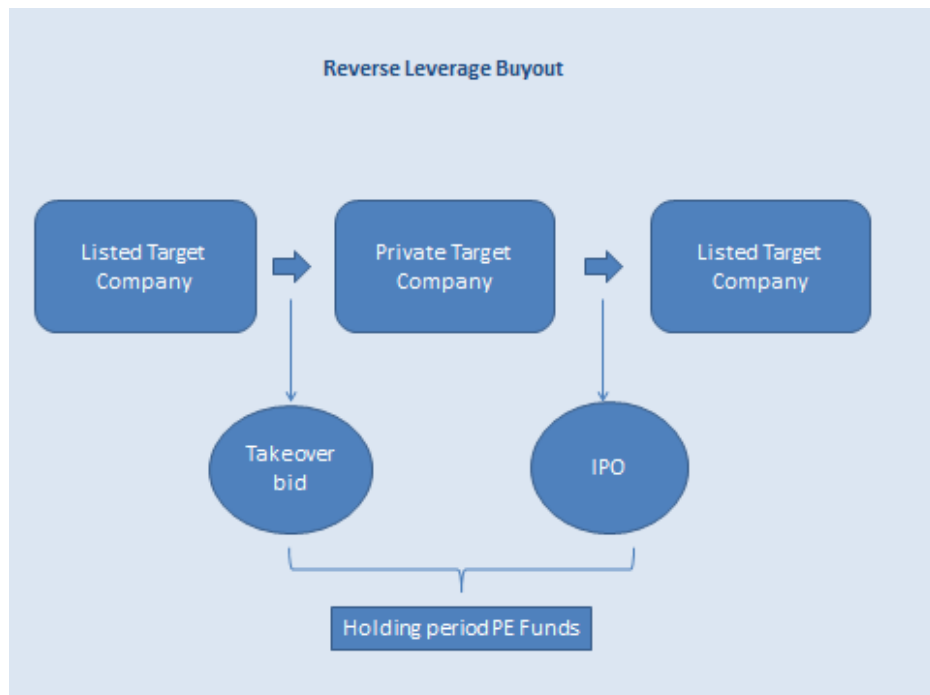
(vi) Finally, we have been able to verify how, far from deteriorating, Amadeus' economic profitability after its sale has grown. This allows us to conclude that the value created by PE funds during the holding period is sustainable over time. However, despite the exit of PE funds may have implied a loss of expert management team from investors, it certainly stopped a drain of capital from Amadeus.

Annex 1: LBO structure



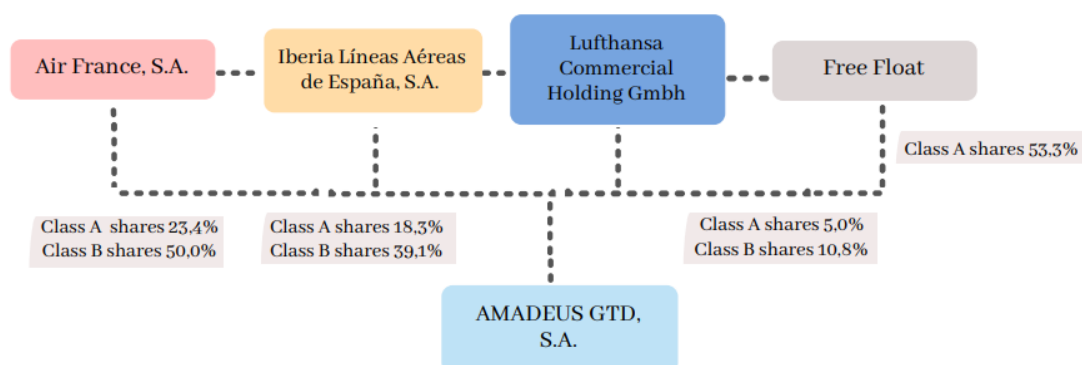
Source: own production

Annex 2: RLBO process



Source: own production

Annex 3: Amadeus' Shareholding structure before the takeover bid



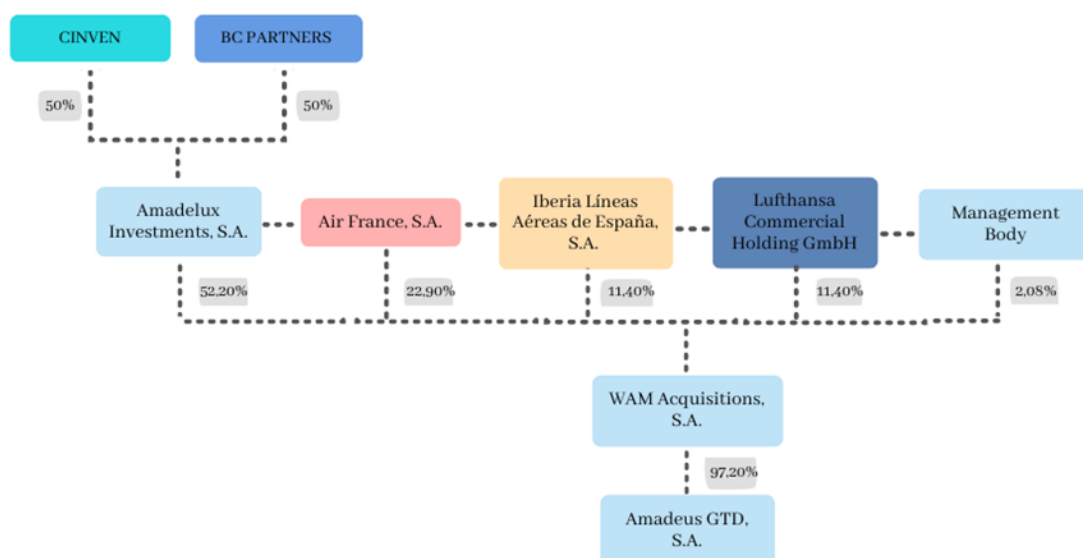
Source: own production based on takeover bid prospectus

Accionista	Número de Acciones de la Clase A y porcentaje	Número de Acciones de la Clase B y porcentaje	Valor nominal en euros (ambas clases de acciones)	Derechos de voto (derivados de ambas clases de acciones)
Air France	137.847.654 (23,36%)	85.782.614 (50,03%)	9.956.737,94	43,21%
Iberia	107.826.173 (18,28%)	67.100.243 (39,14%)	7.788.286,03	33,80%
LCH	29.826.173 (5,06%)	18.560.843 (10,83%)	2.154.346,03	9,34%
Otros ¹	314.500.000 (53,30%)	---	3.145.000,00	13,65%
Total	590.000.000 (100%)	171.443.700 (100%)	23.044.370,00	100%

¹ Capital flotante y autocartera (18.905.151 Acciones de la Clase A)

Source: takeover bid's prospectus

Annex 4: Shareholding structure WAM Acquisitions, S.A. (New Co)



Source: own production based on Takeover bid's prospectus, 2005

Annex 5: Equity contributions (Shares and shareholder loans) from the shareholders of WAM Acquisitions, S.A. (New Co)

	Acciones ordinarias (€)	Acciones privilegiadas (€)	Préstamos Subordinados (€)	Prest. Subordinados Preferentes (€)	Total (€)
Air France					
Acciones Clase A	13.253.993,82	107.422.873,68	0,00	0,00	120,676,867,50
Acciones Clase B	8.578.261,40	0,00	0,00	0,00	8.578.261,40
Metálico	0,00	0,00	74.758.557,07	26.454.415,14	101,212,972,21
Sub-Total Air France	21.832.255,22	107.422.873,68	74.758.557,07	26.454.415,14	230,468,101,11
Iberia					
Acciones Clase A	4.206.103,31	53.711.436,84	0,00	0,00	57,917,540,15
Acciones Clase B	6.710.024,30	0,00	0,00	0,00	6.710.024,30
Metálico	0,00	0,00	37,379,278,54	0,00	37,379,278,54
Sub-Total Iberia	10.916.127,61	53.711.436,84	37,379,278,54	0,00	102,006,842,98
Lufthansa					
Acciones Clase B	1.856.084,30	0,00	0,00	0,00	1.856.084,30
Metálico	9.060.043,31	53.711.436,84	37.379.278,54	13,227,207,57	113,377,966,25
Sub-Total Lufthansa	10.916.127,61	53.711.436,84	37.379.278,54	13,227,207,57	115,234,050,55
Amadelux - Metálico	49.779.448,93	244.933.535,28	170.456.040,23	60,318,377,29	525,487,401,73
Equipo Directivo¹					
Tramo ordinarias	5.495.000,00	0,00	0,00	0,00	5.495.000,00
Tramo combinado	1.061.040,63	5.220.717,36	3.633.242,00	0,00	9.915.000,00
Sub-Total Eq. Directivo	6.556.040,63	5.220.717,36	3.633.242,00	0,00	15.410.000,00
Total Inversores	100.000.000,00	465.000.000,00	323.606.396,38	100.000.000,00	988.606.396,38

¹ Conforme a lo indicado en el apartado 1.8.6 siguiente, estas aportaciones serán realizadas con posterioridad a la liquidación de la Oferta.

Source: Takeover bid's prospectus, 2005

Annex 6: Calculation by DKW of each Class A share

Calculation of the value of each Class A Share - DKW			
In million euros	Lower range of the Interval	Higher range of the Interval	
Enterprise value	3914,4	4281,8	
Debt financial debt 31 December 2004	-156,4	-156,4	
Equity	3758	4125,4	
Minority interest Opodo	-69,3	-75,8	
Other minority interest	-5,8	-5,8	
Termination costs stock option	-47	-47	
Equity Value available for Shareholders	3635,9	3996,8	
Value of Class B Shares	-17,1	-17,1	
Equity Value available for Shareholders of Class A Shares	3618,8	3979,7	
Nº of Class A Shares	590	590	
Treasury Class A Shares	-19,1	-19,1	
Nº of Class A Shares addressed by the takeover bid	570,9	570,9	
Value per each Class A Share	6,34	6,97	

Source: own production, based on the independent expert report, DKW

Annex 7: Note in 2006 Financial Statements regarding disclosure of expenses due to Amadeus' purchase

18. INFORMACIÓN ADICIONAL SOBRE LA CUENTA DE PÉRDIDAS Y GANANCIAS

a) Los gastos por naturaleza han sido como sigue:

	2006	2005
Gastos de amortización y cargos por deterioro de valor	450.737	15.909
Gastos de personal	513.280	38.306
Otros gastos operativos	1.455.019	194.115
Total gastos	2.429.036	248.330
Reexpresión debido a la contabilización final de la combinación de negocios con el Grupo Amadeus	-	19.495
Total gastos reexpresados	2.429.036	267.825

Source: Amadeus' Financial statements 2006

Annex 8: Changes in Equity before and after the takeover bid

	Capital Suscrito	Prima de emisión	Acciones propias	Resultados acumulados positivos (negativos) y otras reservas	Diferencias de conversión	Socios externos	Total
Constitución	60	-	-	-	-	-	60
Aumento de capital	935	92.093	-	-	-	-	93.028
Pasivo por impuestos diferidos	-	(19.599)	-	-	-	-	(19.599)
(Adquisición)/ disminución de acciones propias de subsidiarias, neto	-	-	-	161	-	7	168
Combinaciones de negocio	-	-	-	(291)	-	41.623	41.332
Ganancias y pérdidas reconocidas durante el ejercicio	-	-	-	(94.496)	(431)	629	(94.298)
Saldo a 31 de julio de 2005	995	72.494	-	(94.626)	(431)	42.259	20.691
Contabilidad Definitiva Combinaciones de negocio con Amadeus Group	-	-	-	(12.299)	-	29.412	17.113
Saldo reexpresado a 31 de julio de 2005	995	72.494	-	(106.925)	(431)	71.671	37.804
Aumento de capital	57	5.698	-	-	-	-	5.755
Adquisición de acciones propias	-	-	(3.824)	-	-	(12)	(3.836)
Liquidación de los planes de opciones sobre acciones con empleados	-	(24.454)	-	(19.736)	-	(426)	(44.616)
Obligación con empleados cancelable con instrumentos de patrimonio	-	4.851	-	-	-	-	4.851
Combinaciones de negocio	-	-	-	-	-	(45.627)	(45.627)
Otros	-	(5)	-	(155)	-	13	(147)
Ganancias y pérdidas reconocidas durante el ejercicio	-	-	-	(29.434)	(4.473)	(9.975)	(43.882)
Saldo a 31 de julio de 2006	1.052	58.584	(3.824)	(156.250)	(4.904)	15.644	(89.698)

Source: Amadeus' Financial Statements, 2005

Annex 9: Amadeus' Goodwill arose from their acquisition

	Importe en libros antes de la combinación de negocios	Ajustes por valor razonable	Importe en libros después de la combinación de negocios
Activo			
Activo circulante	710.612	-	710.612
Inmovilizado material	305.221	-	305.221
Inmovilizado inmaterial	859.590	1.636.396	2.495.986
Patentes, marcas y licencias	31.148	292.291	323.439
Tecnología y contenidos	272.285	1.005.128	1.277.413
Relaciones contractuales	109.179	784.375	893.554
Fondo de Comercio (pre- existente)	445.398	(445.398)	-
Otras inmovilizaciones inmateriales	1.580	-	1.580
Otros activos fijos	185.245	5.573	190.818
Pasivo			
Impuestos diferidos	76.867	747.615	824.482
Pasivo por planes de aportación definida	5.774	19.637	25.411
Otros pasivo	876.969	-	876.969
Activos netos adquiridos identificados (99.69%)	1.101.058	874.717	1.975.775
Total Precio de adquisición			4.214.435
Fondo de Comercio resultante de la operación			2.238.660

Source: Amadeus' Financial Statements, 2005

Annex 10: Amadeus' value stock on the divestment period

Fecha	Último	Apertura	Máximo	Mínimo	Vol.	% var.
01.10.2011	13,660	11,855	14,070	11,415	88,46M	+13.31%
01.09.2011	12,055	13,995	14,095	11,210	63,38M	-13.34%
01.08.2011	13,910	14,115	14,330	11,800	89,78M	-1.00%
01.07.2011	14,050	14,290	14,695	13,385	164,36M	-1.82%
01.06.2011	14,310	14,285	14,545	13,610	50,64M	+0.35%
01.05.2011	14,260	14,280	14,550	13,600	54,45M	+0.85%
01.04.2011	14,140	13,600	14,600	13,000	132,51M	+4.74%
01.03.2011	13,500	14,165	14,490	13,025	55,21M	-4.15%
01.02.2011	14,085	15,500	15,920	13,750	56,76M	-8.06%
01.01.2011	15,320	15,800	15,830	14,000	49,48M	-2.30%
01.12.2010	15,680	14,875	16,390	14,710	36,62M	+5.95%
01.11.2010	14,800	14,755	15,060	14,040	53,53M	+1.13%
01.10.2010	14,635	13,400	15,050	13,200	99,12M	+8.45%
01.09.2010	13,495	13,600	13,790	12,750	25,46M	-0.77%
01.08.2010	13,600	13,680	13,765	12,540	26,04M	+0.74%
01.07.2010	13,500	12,810	13,815	11,940	9,96M	+3.85%
Máximo: 16,390	Mínimo: 11,210	Diferencia: 5,180	Promedio: 14,063	% var.: 5,077		

Source: investing.com

Annex 11: IRR of the PE Funds investment

IRR of the PE Funds through Amadelux Investments, S.A.	2005	2006	2007	2008	2009	2010	2011	IRR
New Co's Constitution	-525,5							
Distribution of Dividends Amadeus - New Co		24,7	24,7					
Repayment subordinated loans		112,6	112,6					
Purchase of treasury shares			451,8					
IPO sale of shares						234		
Divestment and sale in stock market							2273,5	
Amadelux' Cash Flow	-525,5	137,3	589,1	0	0	234	2273,5	54,85%

Source: own production, based on the IPO

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