

# Real deals

What's news in business with Sion Barry



ron jones

One of the UK's biggest independent television production companies, Llanelli-based Tinopolis, is to be taken private in a £44.7m deal.

The board of Tinopolis, which listed on the London Stock Exchange in 2005 after a reverse takeover of shell company Acquisitor, is recommending a 45p-a-share cash offer from private equity consortium Vitruvian Partners, which is behind takeover vehicle Bidco.

Subject to shareholder approval the acquisition – which already has more than 50% support – should be finalised in July.

The offer represents a premium of 32.4% on Tinopolis' closing share price of 34p prior to the announcement last month.

However the share price has been higher than 45p, with the last occasion being in December 2005.

The deal is the latest twist in the Tinopolis story. The company was established in 1990 and grew on the back of programme commissioning wins with Welsh language channel S4C.

A year after its stock market listing it acquired larger and fellow listed independent television company TV Corp.

Since then Tinopolis has acquired two smaller businesses, Video Arts Group and APP Broadcast.

Tinopolis confirmed it had evaluated several "sizeable" acquisition opportunities since the TV Corp deal.

But its stock market statement added: "However, the valuation attributed to the company by the equity market has, in the Tinopolis directors' opinion, limited its ability to finance such acquisitions through issuing new equity as many assets in the UK independent television production sector have been valued at higher valuation multiples than those at which Tinopolis has traded since January 2006."

As part of the acquisition, executives in

Tinopolis, including presenter Angharad Mair, will rollover proceeds from the sale with additional finance of around £4.7m into Bidco. Bidco will be financed using a combination of equity and debt. The Vitruvian Fund will provide approximately £20.5m of equity funding and £7.4m of short-term equity funding, in addition to the financial commitment of Tinopolis' executive team.

Tinopolis director Rhys Davies said: "The acquisition by Vitruvian Partners represents an opportunity for Tinopolis shareholders to realise their entire investment in cash at a premium to the current share price, within a relatively short period of time.

"The acquisition fairly reflects the company's future growth prospects from executing its business plan as a publicly listed company."

Ron Jones, chairman of Tinopolis, said: "In Vitruvian we have found the right partner for the next stage in this company's development. There are many opportunities out there and my entire team is enthusiastic about the future and what this partnership can achieve."

Toby Wyles, managing partner of Vitruvian Partners, said: "We are delighted to be able to support Ron Jones and the management team at Tinopolis in the next stage of the development of the company.

"We have great respect for the management team at Tinopolis and the business they have built.

"We are keen to work with them and to provide financial support to help accelerate the growth of Tinopolis and to exploit new opportunities as the content and new media markets continue to evolve rapidly."

Tinopolis, which owns the Mentorn and Sunset+Vine production subsidiaries, has credits including BBC 1's Question Time and Channel 4 drama Britz.

Earlier this year the firm reported a 142% jump in full-year profits before tax for the year

ending September 30, 2007 to £2.56m.

Tinopolis chairman Ron Jones said: "There are many opportunities out there and we are enthusiastic about the future and what this partnership can achieve."

A SOUTH Wales technology venture is focusing on the US market and strategic acquisitions following a management buy-out.

The takeover should be confirmed next month.

RJD Partners (RJD), a leading UK middle market private equity firm, has led the MBO at Cwmran-based Comtec, a provider of technology solutions to the travel industry.

The company's growing client base includes many of the major players in the sector including Tui, Thomas Cook, and Travelsphere.

The deal has provided an exit for co-founder Dominic Twitchin and chairman Chris Childs. Following the deal, chief executive Simon Powell maintains around a third of the equity in the business.

Frank Bulman of RJD Partners said: "We are delighted to have the opportunity to support the managers of Comtec. They have built an excellent and innovative business, with a strong emphasis on customer service and client retention, and we look forward to working with them to realise the company's full potential."

The business was started in 1995 by Mr Powell and his co-founder Mr Twitchin, and launched with a software product focused on allowing travel agents to access tour

operator products from one source, rather than having to contact each tour operator separately.

Since 1995, Comtec has continued to develop its product and service capabilities and now has three industry leading product platforms Travelconnect (for travel agents), Travelink (for tour operators) and Travelgateway (for travel product suppliers), servicing clients in the UK, US and Europe. It has delivered very strong annual growth in recent years and now has more than 120 employees.

Mr Powell said: "We have ambitious plans for future growth, both in the UK and overseas, particularly the US, and I am confident that RJD share our vision for the company. They are the best partners to help us achieve our goals for the business."

Last year Comtec generated revenues of £11.5m and an ebitda of £3.5m. The company in its current financial year to the end of December is projecting a rise of around 15%.

Its distribution platform of Vocation.com, which represents 5,200 travel agencies in the US, will go live in the summer.

RJD has also set aside a £10m war chest for strategic acquisitions.

Mr Powell said it was too early to say at what stage RJD would seek to exit. However, one route could be a flotation on the stock market.

Andy Moore, the Clearwater Corporate Finance partner who led Comtec's advisory team, said: "We feel that RJD is the most suitable partner to support the Comtec management's business plan.

"Together we have structured a deal which will help the management achieve greater growth and underpin Comtec's future success."

The MBO has been financed through a combination of management reinvestment, funds managed by RJD and banking facilities provided by HSBC.

The MBO is the fifth investment by RJD Partners through the RJD Private Equity Fund II.

RJD Partners was advised by PwC (financial due diligence), DLA (legal), Marsh (insurance) and Highwire (management).

Comtec was advised by Clearwater Corporate Finance (led by partner Andy Moore and including Gary Hyem, Mark Day and US-based John Rovani) and M&A Solicitors (legal).



simon powell



JOHN CULLEN

Partner, Harris Lipman

## Phoenix from the flames

One of the most frequent complaints I deal with as an insolvency practitioner is the one from creditors after a corporate failure saying: "The directors have started trading again from the same premises, using the same equipment, the same phone number, the same employees but they walked away from the debt they owe us!" It doesn't seem fair but sometimes it is.

Directors should not simply be able to start again without any regard to the value of the business run by their limited liability companies, paying nothing for the assets. In addition, if directors choose to re-use the name of their old company without following the rules laid out in statute, in certain circumstances this can be deemed to be a criminal offence and if the subsequent company fails, directors can be made personally liable for all of the debts of the phoenix company. At the very least, the assets have to be paid for.

The question on all directors' lips is: "How much is it going to cost me?" The answer usually is, not as much as you thought but more than you wanted to pay. The reason is that any reputable insolvency practitioner will generally employ an independent chartered surveyor to provide a valuation of the business and assets. The surveyor will advise the practitioner of what the assets will fetch if they are sold on the open market to a third party and the value of the assets to the new company, which is usually greater.

There is no doubt in my mind that such transactions are viewed sceptically by creditors. While that is unlikely to change in the future, a well-structured, transparent deal, with a recommendation from a surveyor that it is the best deal the insolvency practitioner is going to get, can be good for the employees, customers and even creditors, who can at least attempt to recoup some of the losses they have incurred by trading with the business in the future.

HARRIS  
LIPMAN