

## Azzurri conquers the telecommunications sector

After successfully integrating 15 acquisitions, 3i has completed the €266m sale of Azzurri Communications, the UK's leading provider of converged voice and data communications.

### Relationship building

Azzurri Communications was founded in June 2000 by Martin St Quinton, former CEO of Danka plc's international operations. Martin set out to create the first independent national voice and data consultancy company in the UK, filling the gap between small telecoms dealers and international companies.

3i first met Martin St Quinton through its People Programmes network in late 1999. Working closely together, 3i and St Quinton decided to create a buy-and-build vehicle for the telecommunications reseller market. This strategy was formulated by St Quinton

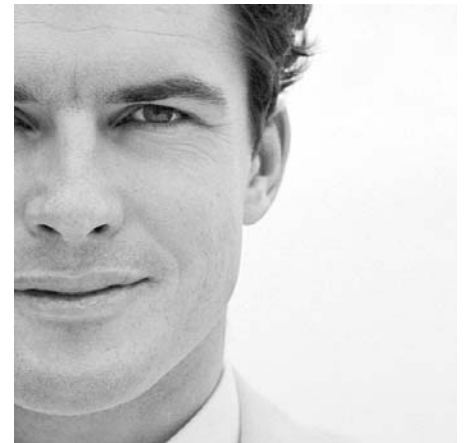
and his management team, with significant support from 3i sector specialist, Peter Gardner and 3i Buyouts partner, Julian Davison.

Davison explains: "3i Buyouts' participation began in 2000 when we worked with the management team to establish a very clear strategy. The company's successful growth through acquisition was possible thanks to the leadership team we introduced: Martin St Quinton as CEO, Steve Dalton as CFO and Alan Cornish as non-executive Chairman. We'd worked with them before and knew they had the ability to deliver a complex buy-and-build strategy."

### A buy-and-build strategy

The original rationale for the investment was to back Martin St Quinton's proven acquisition skills to build a national telecoms company focused on services to small to medium-sized businesses. During the six years that 3i was involved, a total of 15 acquisitions were made, helping to build the company into a major business that had the scale to negotiate substantial discounts from its suppliers.

3i invested €38m to support the first few acquisitions, with later purchases funded from cashflow and new debt facilities. The intention was to create a platform capable of generating strong organic growth without the need for further acquisitions.



“A single acquisition can be tough, so successfully acquiring and integrating 15 companies is an outstanding achievement. It’s a tribute to the strength of the leadership that they persuaded so many owners and managers to stay with Azzurri post-merger and continue to drive the business forward.”

Julian Davison, Partner 3i.

### Sector expertise

The appointment of Alan Cornish to the board was a key step in the process. He was a former CEO of Eurobell Telecom and former Deputy Chairman of another 3i investment success, MORI. Cornish built up a management structure that was appropriate for a rapidly –growing business, acted as a sounding board for the CEO and led the board’s thinking on strategic development. Meanwhile, 3i’s board-level input through Julian Davison played an important part in implementing the acquisition strategy, integrating the acquired businesses and driving strong organic growth.

3i was able to create further value for Azzurri by introducing the company to several of its portfolio companies, including Target Express, MORI and NCP, leading to contracts worth millions of pounds.

### Rigorous exit strategy

3i ran a highly-competitive exit process, running a proposed AIM listing alongside sale discussions with trade buyers and private equity houses. Azzurri was sold for €266m to a secondary buyout vehicle backed by Prudential Ventures (PPM). The highly attractive exit pricing reflects the competitive tension created by the process, combined with high-quality preparation and presentation of a fundamentally attractive business.

Commenting on Azzurri and 3i, Alan Cornish said: “Azzurri has been a classic private equity deal. It has a great management team, good market opportunity and a real focus on building value for shareholders.”

Martin St Quinton said: “3i has been a loyal and supportive shareholder throughout and integral to the success we have achieved so far.”

3i’s proceeds from the sale of €168m represent an IRR of 38% and a money multiple of 4.9x initial investment.

For more information about Azzurri Communications, visit: [www.azzurricommunications.com](http://www.azzurricommunications.com)