

Moving up a gear

French transport operator Keolis faced low productivity at home and a wide range of opportunities abroad. By helping the company to streamline and prioritise, 3i stimulated a 32% increase in Keolis's profits in just three years.

A mixed outlook

In 2003, Keolis faced a mixed set of challenges and opportunities, both at home and abroad. Most of the company's revenue was earned in France, where it was principally an operator of buses for local authorities: lasting 5-7 years, the bus contracts provided a stable source of income but growth was slow and Keolis had significantly lower productivity than its rivals. At the same time, the company was expanding its presence in Europe's rapidly de-regulating bus and rail markets but needed to bring greater focus to its growth in the UK, Scandinavia and Germany.

State rail company SNCF, the owner of Keolis, identified the business as a non-core asset and decided to introduce a majority partner to help Keolis increase its efficiency and expand its international presence. In September 2004, SNCF selected 3i for the role, recognising 3i's longstanding expertise in the transport sector,

its focus on operational improvement and its network of offices and contacts across Europe. 3i acquired a majority holding in Keolis in a deal that valued the enterprise at €541m.

Introducing fresh leadership

One of 3i's first acts was to introduce Michel Bleitrach, firstly as Chairman and then as CEO. With a history of senior roles with French utilities giant, SUEZ, Michel had rich experience of building strong relationships with local authorities. Michel was at the forefront of an influx of new talent: within a year of 3i's investment, 28 new executives had been hired, transforming the company's capabilities in finance, HR, IT and business development. 3i also introduced Michel Lamboley as CFO, who's appointment was approved prior to closing by SNCF, in recognition of his tremendous talent and experience.

Streamlining and refreshing

One of the new team's top priorities was to streamline the business. As Michel Bleitrach recounts: "Keolis formed a new subsidiary for each franchise – about 205 in all – and each had its own corporate functions. By regionalising the structure and pooling internal services, we delivered major cost savings. We also created great career opportunities for the new regional managers – to help people step up to these roles, we set up a staff academy in partnership with a leading French MBA provider."



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Michel Bleitrach, CEO, Keolis

Engaging employees

In a business that employs almost 33,000 people and relies on excellent customer service, engaging the employees is a priority. 3i worked with the management team to achieve this through the reward programme. More than 400 managers were given the opportunity to participate and this has been a strong factor in Keolis’s operational improvement. During 3i’s ownership, there were no strikes and no business days were lost through industrial action. Further to financial incentives, 3i also clearly communicated a new vision plan emphasising the need for change from the top down, through road-shows, internal communications and also improved conditions of work. As a result absenteeism was reduced from 6.4% to 4.8% during this time. As 3i Partner Remi Carnimolla explains: “We worked very closely with Keolis’s top team to implement rigorous financial and operational controls. From this sprang a set of key performance indicators,

which formed the basis of a bonus system covering everyone in the company, from senior executives to bus drivers.”

Achieving expansion

The efficiency drive was accompanied by a clear focus on growth. 3i helped Keolis make four key French acquisitions, including Lyon-based transport business Planche, and achieve a step change in other European operations. More importantly, 3i recruited a full internal M&A team in order to maintain the pace of acquisitions in France and ensure a strong pipeline of deals that will maintain growth through 2007. Michel Bleitrach explains: “Bidding for transport contracts is an expensive process that needs intense local knowledge. 3i’s industry expertise and contacts helped us prioritise our plans, win major contracts in existing territories, such as Sweden and the UK, and evaluate fresh locations for growth. As a result, international growth was disciplined, quick and profitable.”

Opening the next chapter

By 2006 the changes were showing through strongly in the company’s financial performance. Annual turnover had risen to more than €2.6bn, of which international sales comprised a record 40%, while EBITDA was up 32% from 2003 levels to over €155m.

With the initial development plan complete, and a clear path set for 2007-09, SNCF and 3i agreed that it was time to review the ownership. In September 2006, 3i sold its majority stake to a consortium of buyers in a deal that valued Keolis at €1.08bn – almost twice the company’s value when 3i’s involvement began. For 3i, the deal earned an IRR of 110% on its investment and a money multiple of 4x.

For more information about Keolis, visit: www.keolis.fr



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