

Travelex makes the money go round

Backed by 3i, Travelex bravely invested in a foreign exchange business when most of Europe's national currencies were being scrapped and has proved the sceptics wrong.

Carrying out around 30 million transactions a year, Travelex is now the world's largest foreign exchange specialist. The business has come a long way since Lloyd Dorfman set up his first booth in 1976. The company has also been a tremendous investment success for 3i, which has made a return of ten times its investment in a €1.56bn sale to Apax Partners.

Yet the future of the business was not always so assured. Back in 1998, Travelex was facing one of the most challenging periods of its near 30-year

history. The euro was about to be introduced, wiping out a raft of national currencies and therefore a large chunk of potential business for players like Travelex. But Dorfman saw the euro as an opportunity rather than a threat – and 3i was willing to invest in his vision at a time when most investors were treating the sector with caution. The 3i deal, which helped two institutional shareholders exit, was signed on 30 December 1998 – just days from the formal introduction of the euro.

So what was the opportunity?

Traditional foreign exchange service providers, the big banks, looked likely to exit the market. Furthermore, margins were set to increase and consolidation in the market was widely anticipated. Travelex was in a perfect position to benefit from the exponential growth in the wider travel market.

“We shared Lloyd's vision that the banks were going to pull out of this market, leaving Travelex in a prime position,” says Nick Badman, Managing Director, 3i.





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Lloyd Dorfman, founder and CEO, Travelex

And Dorfman turned out to be right. Soon after 3i's investment in the business, Travelex acquired Transpay from Barclays, which was the bank's internal travel money department serving Barclays and other financial institutions. A year later, it also acquired Thomas Cook Global & Financial Services – a business three times the size of Travelex – in a deal valued at €647m. 3i played a part in assembling the team that allowed Travelex to get into the auction and eventually secure the deal. The deal was originally financed through equity capital from 3i and debt. But just seven months later, a release of working capital, a deferment of the purchase price and a securitisation of the interest on Travelex's travellers' cheque float allowed Travelex to repay the entire debt.

“These acquisitions were major steps for the business,” says Dorfman. “3i couldn't have been more attentive or supportive. It was invaluable to have people on board that look at businesses and models all day every day, going through and checking that the figures we were looking at were robust.”

At the time of 3i's investment, Travelex employed around 1,500 people, had 186 bureaux in airports in Western Europe, the US and Australia and 83 other outlets in locations such as high streets. It was also building a business that would focus on providing foreign exchange services to companies. It now employs around 6,000 people in 35 countries, has 700 outlets across the world and serves 17,000 corporate and financial institution customers in 110 countries.

“The real growth of this business was driven by diversification, providing outsourcing for the banks and foreign currency transactions for corporates,” explains Dorfman.

It's been a story of incredible growth, with Travelex drawing on 3i's financial expertise and contacts to maximise the return to all shareholders. Travelex performed strongly from the outset of the investment period, which enabled it to launch a high-yield bond in 2000, repaying the initial investment and leaving 3i with a 33% stake in the business. But 3i has remained a shareholder with a long-term

outlook and will continue to benefit from Travelex's future growth story. It has retained a 7% stake in the business following the sale to Apax Partners.

“We are very much a relationship business. There are no passengers on our ship – if you are involved with Travelex, you get involved. 3i was always there for us. Through the acquisitions it provided more than financial support, by offering invaluable advice and expertise and introducing us to the right people at the right time.” Lloyd Dorfman, founder and CEO, Travelex

**converted at a rate of £1 = €1.4693*

For more information about Travelex, visit: www.travelex.com



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