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HD **PEP in a $24.6m fee bonanza if Spotless hits target**

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AUSTRALIAN private equity firmPacific Equity Partners will write itself a $24.6 million cheque in advisory fees for the float of its catering and management services firm Spotless if it secures a price valuing the business at $1.85 billion.

The float is part of a multi-million-dollar pipeline of Australian and New Zealand companies PEP plans to sell or list on the public market in the next year, as it positions itself to reap millions in fees and cash from the sale of businesses.

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Movie company Hoyts, Peters Ice Cream, food business Griffins, Link Market Services and SCA Hygiene are among those in PEP's stable expected to hit the market in the months ahead as the group — with at least $6bn in funds under management — searches for new investment opportunities.

According to the prospectus, PEP Advisory would secure the $24.6m from the Spotless proceeds, based on the assumption that the final share price was set at the midpoint of the indicative price range.

Spotless released its prospectus to the market last week for an initial public offering to raise $1bn, revealing shares would be priced between $1.60 to $1.85 each, which would take its market capitalisation to between $1.8bn and $1.9bn, making it the largest float so far this year.

PEP Advisory's fees would be paid for services provided in connection with the offer, according to the prospectus documents, and it is understood that they would be taken from the proceeds of the deal, but some of the money would be paid back to the shareholders in PEP funds and co-investors, according to one source.

The company declined to comment on the payment.

Sources said sponsors typically paid themselves a 1 per cent advisory fee, which could often subsequently be partly distributed among co-investors and other shareholders.

But other market participants described the $24.6m as a staggering amount and questioned why the private equity firm would reap such a large amount in advisory fees, given it had also appointed investment bankers.

Spotless will be another test for PEP company investors, badly burnt in the float of Collins Foods in 2011 when shares crashed on the back of a profit warning shortly after the KFC operator listed with shares priced at $2.50.

The company now trades at $1.91.

But PEP was somewhat redeemed by a subsequent listing of the $1.8bn credit checking companyVeda Group on December 5 when shares closed 40 per cent ahead of its $1.25 offer price on its debut.

The **firm** paid more than $800m with Merrill Lynch to take Veda private in 2007 and, amid pressure on private **equity** groups to keep skin in the game, PEP is holding 63.5 per cent of the **company** until full-year results are released next August.

Spotless will float on the Australian Securities Exchange on May 23, two days before the bookbuild, and while the group is understood to have strong support for international investors, local groups have described the asking price as expensive, with the **company** asking substantially more since it bought the business for $1.3bn in 2012.

Investment banks Citi, UBS and Deutsche are the joint **lead** managers for the IPO, while Highbury Partnership is exclusive finance adviser and Evans and Partners co-**lead** manager.

Meanwhile, advisers for Insentia, Macquarie Group, were meeting with fund managers today for an IPO of the **company**, expected to have a market value of up to $500m.

Intueri Education Group, one of New Zealand's largest private vocational educational companies, was expected to be dually listed in Australia and New Zealand following strong investor support locally and in **Hong Kong** on the back of its recent roadshow.

It is seeking to raise $185m, with advisers Macquarie Group and UBS. Last year, the five key players at Anchorage Capital Partners were expected to reap a Christmas bonus worth about $17m each in performance fees from the float of Dick Smith, according to estimates, in what was thought to be the most lucrative Australian private **equity** deal of the year.

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