

# FINANCIAL REVIEW

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HD **Spotless pie shout after \$1b float**  
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It's fitting that Spotless Group chief Bruce Dixon commemorated the cleaning and catering services **company**'s float on the local sharemarket by demolishing a Four'N Twenty pie at a pub in Melbourne on Friday night.

Dixon was flanked by his management team, and likely made the decision to keep the festivities simple after media outrage that he would rake in a \$20 **million** payday as the **company** floated, while punters were ripped off for pies and chips at the Melbourne Cricket Ground. That story earned Dixon the nickname "pie man" inside the Spotless camp.

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But the process to float Spotless after two years as a private **company**, has not been all beers, pies and easy goals. Those who remember the rambunctious former Spotless chairman Peter Smedley – and the nine-month battle by Pacific **Equity** Partners (PEP) to acquire the troubled **company** – knew an initial public offering would require some lateral thinking.

Investment bankers started approaching and pitching ideas to vendor PEP about a year ago, as it became clearer the local float window would be nudged ajar. Cost cuts were achieved sooner than expected, allowing for an accelerated timetable for Spotless to rejoin the local sharemarket.

PEP's Anthony Kerwick, Rob Koczkar and Geoff Hutchinson turned to boutique adviser Highbury Partnership and law **firm** Gilbert + Tobin. Highbury co-founder Matt Roberts worked under senior PEP executives at consultancy Bain & Co. It wasn't until February and March that the ball really got rolling.

There was a formal pitching process including the likes of Macquarie Capital and Goldman Sachs, and some bankers donned broom and mop cufflinks for the occasion. Spotless, originally established in 1946 as a domestic dry cleaner, was now a truly diversified facilities management and services provider.

For the IPO mandate, existing relationships and experience won out. UBS, which had helped to float Danish peer ISS, was on deck as were Citigroup and Deutsche Bank. Evans & Partners become the retail broker. Coincidentally, David Evans's father Ron Evans ran Spotless from 1992 to 2004.

Investec and Citigroup advised PEP on the protracted **acquisition** four years ago. It resulted in a \$723 **million** deal after the Spotless board was pressured to back down.

Deutsche spearheaded PEP's financing of the **acquisition** and has also subsequently aided the **company** on the debt side last year. UBS was led by Andrew Stevens and Simon Cox, while Deutsche's deal team included Justin Dwyer, co-head of industrials and financial sponsors, Hamish Whitehead, head of the **equity** capital markets syndicate, and ECM boss Michael Richardson. Over at Citigroup, investment and corporate banking chief Tony Osmond, head of ECM John McLean and director Dragi Risteovski were on hand.

From early on the joint managers anticipated some hostility locally. Some domestic fund managers, still baring scars from Spotless Mark 1, were sceptical. Comparable domestic companies were few and

far between and it became clear that offshore marketing was key. Overseas-based rivals ISS and Aramark were noted as comparable companies. And the float was dubbed "Project Halley", perhaps after the comet.

Former Qantas chair Margaret Jackson was recruited to **lead** the Spotless board and PEP's Hutchinson and Koczkar (who is leaving the buyout **firm**) will also have board seats.

Three global roadshows in April, more than usual, took on the well-travelled route – Singapore, **Hong Kong**, London and New York. After the first trip a London-based investor reportedly rang the managers asking for \$350 **million** of stock. That interest provided some encouragement, even as the Australian contingent peppered Spotless about the earnings trajectory.

PEP's contentious advisory fees, paid to itself, and linked to the IPO pricing, were also again a talking point .

As the process moved forward, the greenshoe after-market support mechanism – which is common in other markets like the US – became a real option.

A greenshoe – where book runners effectively short-sell stock in order to buy it back if it falls below the issue price – was also used when QR National floated. A good old-fashioned coin toss was used at PEP's Sydney offices to decide that UBS would manage the greenshoe. With the usual game of cat and mouse occurring among domestic fund managers, the offer was priced at the bottom of the range.

On Wednesday, PEP kicked off the IPO, raising \$994.6 **million** by selling 621.6 **million** shares at \$1.60 apiece. A consortium of PEP, the **firm**'s co-investors and management retained a 49.4 per cent **stake** in the **company**.

The allocation meeting was conducted remotely. Talk that the book was seven times over-subscribed inflated the outcome, but needless to say the offer was multiple times covered.

Close to 130 institutions picked up shares, but some investors received substantially less than 10 per cent of their preferred allocation. After a strong rally in the stock on Friday, the PEP team and some of the bankers retired for a late lunch, perhaps a pie, at the Beresford in Surry Hills.

**CO**      peptr : Pacific Equity Partners | spless : Spotless Group Ltd

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