Business Today

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Eir to sell two-thirds stake to French billionaire in €1bn deal

Transaction would mark seventh change in ownership in less than two decades

Niel, who has been circling Eir for months, owns Paris-listed telecoms company Iliad

JOE BRENNAN

Eir's main shareholders are set to sell a 66 per cent stake in the phone group for about €1 billion to two companies controlled by French telecoms billionaire Xavier Niel, according to sources.

The deal, expected to be announced within days, will also see Eir's chief executive of three years, Richard Moat, exiting the company with a possible multimillion-euro windfall.

The Irish Times first reported in September that Mr Niel, who founded France's first internet services provider in 1993 before selling it for the equivalent of €58 million on the eve of the bursting of the dotcom bubble in 2000, was circling Eir, using an investment vehicle called NJJ Capital.

It is understood that Mr Niel will use NJJ and Paris-listed telecoms company Iliad, in which the entrepreneur owns a 52 per cent stake, to acquire the Eir stake, subject to regulatory approvals.

The transaction would place an equity value on the group of about €1.5 billion and enterprise value, including debt, of €3.8 billion.

A spokesman for Eir declined to comment, while a spokeswoman for Iliad wasn't able to comment when contacted by *The Irish Times* yesterday.

A deal would mark the seventh change in ownership for Eir in less than two decades. The former State-owned company racked up €4.1 billion of debt through a series of changes in control before it filed for examinership in 2012, resulting in €1.8 billion of its borrowings being written off.

The debt restructuring resulted in senior lenders to the former State telecoms monopoly seizing control of the business.

Subsequent trading in the shares saw three investors accumulate more than three-quarters of Eir's stock between them. US hedge fund Anchorage owns a 42 per cent stake, while Singaporean sovereign wealth fund GIC holds 20.6 per cent, and US investment firm Davidson Kempner a further 14 per cent.

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All three will see their interests fall as a result of the deal, with one of them believed to be planning a total exit from Eir.

Flotation

It was reported earlier this month that Eir's top management team, including Mr Moat, were set to receive a windfall of up to €210 million if a "change of control" clause was triggered by the deal.

However, Eir bond documents show it may be difficult to establish if a change of control event, which would also prompt repayments on the company's €2.3 billion of borrowings, has actually occurred.

Change of control is described in Eir debt contracts as a sale of "all or substantially all" of the assets of the group, but "there is no precise definition of the phrase under applicable law", according to the company's latest annual bondholder report for the year to the end of June.

In September 2014, Eir abandoned plans to float on the stock market for a third time, as its creditors-turned-owners concluded they would make more money by holding on to their investment in a company that, at the time, was grappling with declining sales from as far back as 2008. The company has since returned to revenue growth under Mr Moat.

The French deal will put paid to Eir management's aim of reattempting a flotation as early as next year.

Mr Niel, whose net worth is estimated by Forbes to be $8.9 billion (€7.5 billion), is also co-owner of French daily newspaper *Le Monde* and has a controlling interest in Monaco Telecom.

Historic meeting Ryanair management sits down with Impact officials

Airline to meet more unions but strike threat stays

Impact gives Ryanair until noon tomorrow to conclude recognition agreement

BARRY O'HALLORAN

Ryanair plans to meet pilot trade unions in coming days and throughout January as it presses ahead with its pledge to recognise organised labour at the airline.

The airline's chief people officer, Eddie Wilson, confirmed that Ryanair would meet German pilots union VC in Dublin today and the Portuguese equivalent tomorrow. "We have meetings set up all through January," he added.

However, talks between Ryanair and the Irish pilot union Impact yesterday failed to lift the threat of strike at Cork, Dublin and Shannon airports.

Union spokesman Bernard Harbor said after a three-hour meeting in Dublin that Impact was disappointed that Ryanair had failed to provide written confirmation of its intention to recognise the union.

"I can only say that it's disappointing on our side that we have not been able to the get the thing down in writing, that the union is recognised for collective bargaining purposes," he pointed out.

Impact has given Ryanair until noon tomorrow to conclude a recognition agreement and told the company that its mandate for strike can be implemented following the required notice.

If the company fails to provide this, Impact could issue a seven-day notice to Ryanair, leading to possible industrial action in the days following Christmas next week.

Concrete proposals

Impact suspended a strike scheduled for today after Ryanair pledged to recognise unions last Friday. The union has refused to take industrial action off the table until it receives what Mr Harbor called concrete proposals from the airline.

"We want them to put flesh on the bones of what they mean when they say we are going to recognise unions," he said.

However, Mr Wilson described the talks as very positive. "The union put forward a set of proposals to set up a framework for fast-tracking the negotiations," he said.

"We are going to respond to them in writing by Thursday. We are very happy that they have gone the route of having a fast track."

He also dismissed fears that pilots involved in campaigning for union recognition would be victimised in any way.

"We are now doing collective bargaining through unions and recognition and we are absolutely committed to it," he said.

Earlier, recently appointed Ryanair chief operations officer Peter Bellew said the airline was fully committed to recognising staff unions. Speaking before the meeting with Impact, he acknowledged that Ryanair was adapting to "a new reality" in dealing with its workers.

Value

He pointed out that Ryanair was sincere about embracing the collective bargaining model. "We would not be here if we were not," he said.

Ryanair's value sank by more than €2 billion between Friday and Monday following the news.

Mr Bellew estimated that the move to recognise unions, including those representing cabin crew, would cost the airline about €100 million extra a year.

That amounts to about 80 cent a ticket on the basis that Ryanair will carry close to 130 million passengers in its current financial year, which ends on March 31st.

Mr Bellew noted that the airline would not be changing its forecast that the business would make between €1.3 billion and €1.35 billion. Mr Wilson said Ryanair had already factored in the cost of giving pilots a 20 per cent pay increase, which he said those in Cork and Shannon had accepted.

■ Impact officials Ashley Connolly, Bernard Harbor and Angela Kirk arriving for the talks. Right: Ryanair executives Peter Bellew and Eddie Wilson.
PHOTOGRAPH: COLLINS PHOTO

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Room revenues rise 9.5% in Dublin for hotels group Dalata

COLIN GLEESON

Hotel group Dalata has said the Dublin market was "very strong" during the second half of 2017, with revenue per available room up 9.5 per cent for the year.

The group has also announced it has signed a deal with Northern Ireland developer McAleer & Rushe for a new 250-bed Maldron hotel in Glasgow.

The company, which is the largest operator of hotels in the State, said trading in the final four months of the year had been as expected, and earnings before interest, taxes, depreciation, and amortisation (ebitda) would be in line with market expectations.

Outside Dublin, Dalata said its regional Irish portfolio "continues to be very strong" with an increase of 8.7 per cent in revenue per available room for the 11 months to the end of November.

Growth in room revenue at Dalata's London hotels slowed in the second half, leading to lower growth in its Britain and Northern Ireland portfolio. However, the year-to-date growth in the UK at the end of November was still the strongest of its three regions at 10.4 per cent.

Delighted

Dalata deputy chief executive Dermot Crowley said 2017 had been "another very successful year" for the firm.

"We are delighted to have entered into an agreement to lease a newly constructed Maldron hotel in Glasgow. We have a very strong relationship with McAleer & Rushe, who are currently building our new hotels in Belfast, Newcastle and Charlemont, Dublin.

"Today's announcement brings the number of UK hotels in our development pipeline to five, with a total of circa 1,350 rooms. Given the pipeline of hotels due to open in the next year and the continued strength of trading, we look forward to 2018 with confidence."

There are now 19 Clayton hotels in Ireland and Britain, with more than 4,800 rooms.

The company said an additional 35 rooms, a new restaurant and refurbished meeting facilities were completed at the Clayton Dublin Airport in November. An additional 106 bedrooms are on course to open in May 2018.

A 237-room Maldron in Belfast is due to open in March.

In Dublin, construction continues at the Maldron Kevin Street, as well as the Clayton Charlemont, which are scheduled to open in June and November 2018 respectively. Work has also begun on the 164-room Maldron at South Mall in Cork during November, and is scheduled to be completed in December 2018.

Construction at the Maldron Sandyroad, Galway is "well under way" where Dalata is constructing an additional 64 rooms, new meeting facilities as well as refurbishing all existing bedrooms and the public areas.

The Bottom Line

Cliff Taylor

Investors wonder if O'Leary will continue to pilot Ryanair

Will Michael O'Leary be able to stick it in a unionised Ryanair? This is one of the big questions in the wake of the dramatic U-turn by the airline on union recognition and, given the chief executive's previous stance on the issue, it is a legitimate one.

Like many a chief executive before him, O'Leary can decide to adapt to changed circumstances. He previously embraced the company's 2013 strategy to be more customer-friendly, after all. But the question, for a man who said he would rather cut off his hand than deal with trade unions, is whether he will want to operate in a unionised world which is so alien to where the airline has come from.

Investors are confused, explaining the fall in the share price from more than €17.50 a month ago to €14.95 now. The move to union recognition took the market by surprise. Most appeared to think Ryanair would take on a strike rather than go down this route.

Straw in the wind

The trade unions had clearly spotted a soft spot in Ryanair's "no unions" resolve. It now appears that the rostering fiasco during September was a straw in the wind, as opposed to a one-off. Ryanair needs to hold on to its pilots and this is driving its actions.

The return in October of Peter Bellew, who was running Malaysia Airlines having previously spent eight years at Ryanair, is clearly significant. According to a recording of a recent meeting with pilots in Stansted, reported by Independent.ie, he told those attending that the airline had grown too fast and had lost the trust of its pilots, and that his biggest concern was trying to retain them.

This is a big change from the message O'Leary has been selling and raises questions about whether the top team are all on the one page about how the world of union recognition will work. Company representatives told Impact and Ialpa at a meeting yesterday evening that they would recognise them for collective bargaining purposes, but the unions expressed disappointment that the company would not state this in writing.

Investors will wonder what is going on here. Will Ryanair be able to find a way of working with trade unions and are all the company's senior executives at one on how this will happen? Will there be industrial upheaval as this all beds in?

Investors are also asking questions about the company's long-term strategy. Inviting in trade unions will not end the Ryanair "story". But investors fear it will push up costs, damage flexibility and slow the growth of earnings.

Ryanair's non-fuel costs, as Davy Stockbrokers pointed out, are 50 per cent lower per passenger than costs at EasyJet, but less than a fifth of the difference is made up of staff costs. Ryanair can still mine cost advantages to expand, but higher staff costs could eat into earnings and lower its market premium.

Ryanair's growth has been built on extraordinary flexibility and a relentless drive to keep costs down. This has delivered for investors – and for customers, too.

O'Leary is one of the very few Irish business leaders to build a world-class company from an Irish base. He upended an industry previously built on gouging the customer. Everyone loves to give out about Ryanair, but we put up with the scratch-card hassle and the trumpets for the convenience and cost.

Central to the company's extraordinary growth has been O'Leary and his persona. It was a culture built on selling a "cheap and cheerful" message to passengers. He once said that a Ryanair flight was not meant to be a calm experience: "We . . . bombard you with as many in-flight announcements and trolleys as we can. Anyone who looks like sleeping, we wake them up to sell them things."

The company relented a bit at the end of 2013, announcing a more customer-friendly approach and the end of the millimetre-level measurement of cabin baggage. Growth continued apace.

Employee relations were centred on the company's enduring drive to keep costs down and on a tough style. Even in the middle of the

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recent rostering crisis, O'Leary could not resist telling journalists at the company's annual general meeting that pilots "are very skilled professionals. But are they hard-worked? No".

Maybe some of the change now under way is the inevitable result of Ryanair's growth. O'Leary has held on to the buccaneering approach typical of a much smaller company, even as Ryanair grew to an industry giant. Perhaps you can't be the growling underdog forever.

The question now is whether O'Leary can become – or wants to become – the leader of what looks like becoming a more conventional-looking and behaving company.

Can the chief executive sign up for managing in a trade-union environment, after years of preaching the evils of this route?

A week ago, that looked about as likely as Donald Trump sitting down with Kim Jong-un. O'Leary's current five-year contract runs to September 2019, but you would have the feeling that the next few months will tell a lot.

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