

CinvencandoverPermira

19 August 2005

### **Permira buys stake in Gala, valuing company at £1.89bn**

Gala announces that funds advised by Permira, one of Europe's leading private equity firms, are to buy an equity stake in the bingo and casino company in a deal which values the group at £1.89 billion. Under the terms of the transaction, funds advised by Permira will invest approximately £200 million to become a joint and equal investor in Gala alongside current owners Candover and Cinven.

A refinancing of the company's debt has also been undertaken as part of the transaction and has been arranged and underwritten by Lehman Brothers, Royal Bank of Scotland, together with Intermediate Capital Group plc.

John Kelly and Neil Goulden, respectively Gala's Chairman and Chief Executive, and their senior management team will stay in their roles.

Gala Group is one of the UK's largest gaming companies operating 30 casinos and 166 bingo clubs. Since it was sold by Bass in December 1997, Gala has increased EBITDA (before exceptional items) from £36 million to £145.8 million in 2004. Over the same period, it invested £220 million in capital expenditure to enhance facilities for customers. Candover and Cinven bought Gala in February 2003 in a deal which valued the group at £1.24 billion.

**John Kelly, Chairman of Gala Group, said:**

*"The backing of Cinven, Candover and Permira - three of the biggest buy-out firms in Europe - gives us even more financial firepower and flexibility. Gala is in the very best position to grow and exploit the opportunities arising from a more deregulated gaming environment."*

**Neil Goulden, Chief Executive of Gala Group, said:**

*"Gala is again at the leading edge of providing further security for its shareholders, its customers and its employees through this innovative and exciting restructuring of its ownership."*

**In a joint statement, Marek Gumienny, Managing Director of Candover, and Peter Catterall, Partner of Cinven, said:**

*"In the two years since we acquired Gala, the company's organic growth track record, robust cashflows and further expansion into the casino market have delivered strong investment performance. This transaction, and a previous refinancing, have allowed us to return more than our initial combined investment to our investors whilst retaining a majority stake in the business."*

*"We welcome Permira as a co-investor in what continues to be an exciting opportunity. Gala's management team has a very impressive track record of creating value and together Cinven, Candover and Permira will ensure that they have continued access to the necessary financial resources to take this business forward."*

**Martin Clarke, Partner of Permira, said:**

*"We have been admirers of the Gala business for many years and approached Candover and Cinven because we have long believed that the prospects for its business are strong. Gala has proved itself time and time again, through impressive earnings growth and its ability to generate cash. We are delighted to invest in such a top quality company led by one of the best management teams in the sector. The gaming and betting industry in the UK is likely to undergo considerable change over the next few years and we look forward to working with"*

*Cinven and Candover to help Gala exploit the opportunities which will become available.”*

Gala Group was advised by Close Brothers. Cinven and Candover were advised by Merrill Lynch, Deutsche Bank and UBS. Permira was advised by Lehmans and Global Leisure Partners

**Contacts:**

**GALA GROUP**

John Kelly, Chairman  
Neil Goulden, Chief Executive  
Tel. +44 (0)20 7611 1761  
Brunswick  
Mike Smith / Jon Rhodes  
Tel. +44 (0)20 7404 5959

**PERMIRA**

Martin Clarke, Partner  
  
Tel. +44 (0)20 7632 1000  
Finsbury  
Melanie Gerlis / Edward Orlebar  
Tel. +44 (0)20 7251 3801

**CANDOVER**

Marek Gumieny, Managing Director  
  
Tel. +44 (0)20 7489 9848  
Tulchan Communications  
Julie Foster / Peter Hewer  
Tel. +44 (0)20 7353 4200

**CINVEN**

Peter Catterall, Partner  
  
Tel. +44 (0)20 7661 3333  
Financial Dynamics  
Ben Foster / Fergus Wheeler  
Tel. +44 (0)20 7831 3113

**Notes to editors:**

**Gala Group**

Gala Group, one of the UK's leading leisure operators, is headquartered in Nottingham and has over 10,000 employees. The Group's principal business is the operation of bingo clubs and casinos. Gala Bingo operates 166 UK bingo clubs with over 6 million members. Gala Casinos has 28 sites in the UK, in addition to casinos on the Isle of Man and Gibraltar.

Gala Group was formed after a management buy-in from Bass in 1997. Candover and Cinven acquired the Group in January 2003 for £1.24 billion.  
[www.galagroup.co.uk](http://www.galagroup.co.uk)

## History

**December 1997** - PPMV and Royal Bank Development Capital back management buy-in team of Gala's 130 bingo clubs from Bass.

**July 1998** - Gala acquires Ritz from Duke Street Capital for £36 million. Ritz has 17 bingo clubs.

**June 1999** - Gala acquires Jarglen Group for £21 million. Jarglen has 10 bingo clubs.

**March 2000** - CSFB Private Equity acquires Gala for £400 million. PPMV and Royal Bank Development Capital invest new money in the business.

**April 2000** - Gala acquires Riva Clubs from NatWest Equity Partners for £90 million. Riva is the third largest bingo operator with 27 clubs. Gala becomes the UK's largest bingo operator overtaking Mecca.

**December 2000** - Gala acquires Ladbrokes Casinos from Hilton Group for £235 million. Ladbrokes Casinos has 27 casinos in the UK in addition to casinos in the Isle of Man and Gibraltar.

**February 2003** – Candover and Cinven back £1.24 billion buy-out of Gala.

**January 2005** – Gala completes refinancing and returns £275m to shareholders.

## Candover

Candover is a leading provider of equity for large European buy-outs. With an investment track record stretching over 25 years, it has backed more than 120 buy-outs across Europe worth over €25 billion. Investment in deals by Candover is provided in two forms, from Candover Investments plc, a publicly quoted investment trust capitalised at around €580 million, and from funds managed by Candover Partners, a wholly owned subsidiary.

The Candover Group has three offices in London, Paris and Düsseldorf, and a local advisor in Madrid.

[www.candover.com](http://www.candover.com)

## Cinven

Cinven is one of the most prominent and successful investors in the European buy-out market. It has led transactions with a value in excess of €50 billion.

From its offices in Frankfurt, London and Paris, Cinven focuses exclusively on creating value in companies headquartered in Europe, which have a minimum enterprise value of €500 million and are market leaders or have the potential to become such.

Established in 1977, the firm has been a totally independent business since 1995. Its current fund, which closed at €4.4 billion in April 2002, is one of the largest sources of private equity dedicated solely to European buy-outs.

Cinven's previous transactions in the leisure sector include Unique Pub Company (sold in March 2004, achieving a cash return in excess of two times invested capital), Odeon (sold in March 2003, securing a multiple of almost two times

invested capital) and William Hill (floated in 2002 on the London Stock Exchange and achieving a full realisation for Cinven at a multiple in excess of three times invested capital). Cinven's most recent investment in the leisure sector is Fitness First, acquired in 2003 for €580 million. Cinven Limited is authorised and regulated by the Financial Services Authority.

[www.cinven.com](http://www.cinven.com)

### **Permira**

Permira is a leading international private equity specialist. As an independent business, Permira is owned and controlled by its partners. In October 2003, Permira announced the final closing of a third pan-European fund, Permira Europe III, which, together with commitments from Permira, totals over €5 billion. The firm's team of 90 professionals, based in Frankfurt, London, Madrid, Milan, New York and Stockholm, advises the Permira Funds with a total committed capital of €11 billion. Since 1985, the Permira Funds have completed over 270 private equity transactions. Since the beginning of 2004, the Permira Funds have committed to 9 transactions with a combined transaction value of over €13.5 billion.

[www.permira.com](http://www.permira.com)