How Carlyle Creates Value

Deep industry expertise. Global scale and presence. Extensive network of Operating Executives. And a wealth of investment portfolio data; we call it The Carlyle Edge. These are the four pillars of Carlyle’s value creation model. By leveraging these core capabilities and resources—Carlyle has established a 26-year overall track record of investing in companies, working to make them better and serving our investors’ needs.

About B&B Hotels and the Transaction

Headquartered in Brest, France, B&B Hotels is a budget hotel chain with a presence in France, Germany, Italy, Spain, Poland and Czech Republic as well as Morocco through franchising.

B&B Hotels’ business model relies on a simple and efficient concept based on value: affordable and large hotel rooms with limited service but with a strong focus on the quality of the room, with offerings such as free high speed WiFi and breakfast. B&B’s success is also based on its homogeneous hotel network, which ensures a consistent customer experience across the network to foster customer loyalty and a reliable brand experience.

Carlyle acquired B&B Hotels in September 2010 through its Carlyle European Partners III and Carlyle Europe Real Estate Partners III funds and a specific real estate vehicle (Carlyle PropCo) designed to support the development of the company, particularly in Germany.

Key Achievements Under Carlyle’s Ownership

B&B Hotels exemplifies a typical Carlyle Europe investment where Carlyle supports the international expansion of a company beyond its national footprint. The implementation of Carlyle’s investment strategy was enabled further by the One Carlyle approach combining contributions from the Europe Buyout and Real Estate teams to provide the company with the necessary resources to execute on an ambitious growth plan.

AT A GLANCE

B&B Hotels

Industry: Hospitality
Region/Country: Brest, France
Funds: Carlyle Europe Partners III & Carlyle Europe Real Estate Partners III
Acquired: September 2010
Status: Exited
Key value creation initiatives included:

- Reignited the pace of hotel openings following many years of funding constraints through the creation of Propco with dedicated real estate financing
- Accelerated B&B’s expansion strategy outside of France with a strong focus on Germany where B&B has become a market leader in budget hospitality
- 110 hotel openings under Carlyle ownership (69 outside France) bringing the total network to 321 hotels on exit
  - France: 41 openings under Carlyle, +24% increase in footprint
  - Germany: 44 openings, +140% increase in footprint
  - Italy: 18 openings, +360% increase in footprint
  - Other geographies (Spain, Poland, Czech Republic): 7 openings
- Diversified third-party real estate financing sources beyond the Carlyle PropCo to establish an “industrialized” development model
  - Under Carlyle, B&B managed to secure several partnerships with third-party financing sources such as Foncière des Murs and ArtInvest for the financing of new hotel development
- Rapid deleveraging through implementation of sale & leaseback transactions with Foncière des Murs and PropCo taking advantage also of favourable market conditions to refinance B&B to improve its financial strength and flexibility
- Significant EBITDAR expansion with a 13% EBITDAR CAGR from entry to exit
  - At exit, EBITDA for international activities accounted for 58% of Group EBITDA, correlating to the original investment plan

Key Environmental and Sustainability Achievements

As a responsible automotive services provider RAC recognizes that its activities, products and services have an impact on the environment.

As such, RAC is committed to not only being compliant with all relevant environmental legislation and regulations, but also to the principles of prevention of pollution and to continuous improvement by introducing ISO14001 environmental management systems across all RAC sites and roadside operations. RAC will continue to take a lead in influencing motorist behavior, government transport strategy and motor industry practices as together we can reduce the impact on the environment from motoring.

Exit

In March 2016, Carlyle completed the sale of B&B Hotels to PAI Partners and completed partial sales of its real estate vehicles to Foncière des Murs.