

## Case study Floating data



### TelecityGroup

Online with Europe's leading independent data centre operator

Funded by



#### Background

TelecityGroup is a leading provider of premium network independent data centres in Europe, providing collocation and managed hosting solutions. It operates 23 data centres in eight major European cities, and employs 421 people.

Founded in 1998 as a spin-out from Manchester University and with a £24m investment from 3i, it was floated on the London Stock Exchange in 2001. However, like many businesses in the telecoms, media and technology (TMT) space at the time, it struggled as a listed entity.

Following several rescue rounds which saw 3i re-investing some of its initial IPO profits, the London-based private equity firm built up a 45% in the business by 2005.

3i believed that Telecity could be a consolidator for the data centre industry, but its weak stock price prevented the business from taking on this role.

In September 2005 3i reacquired the business, this time in a 50/50 partnership with US investment firm Oak Hill, and took it private in a £58m buyout.

The revitalised company was floated again in October 2007 in a £436m IPO, and 3i sold its remaining shares in two tranches in 2008 and 2010, realising total proceeds since the 2007 IPO of £153m, representing a five-fold return on the 2005 vintage investment.

#### How growth was achieved

- 3i identified an opportunity to consolidate in an oversupplied market and developed a strategy to target organic growth opportunities.
- In December 2005, in line with 3i's strategy for the business, Telecity acquired a key UK competitor, Redbus plc, and installed the Redbus management team to lead the newly enlarged group. The add-on acquisition of Globrix followed shortly thereafter.
- New focus on sales force effectiveness. The newly structured group experienced a significant growth in turnover, rapidly leading to a dramatically improved financial performance, which culminated in a highly successful £436m IPO in October 2007.
- Following the IPO, the business has achieved strong growth in both turnover and earnings. With substantial investment in capacity across its European markets Telecity's growth looks set to continue well into the future.
- New data centres have recently been opened in Paris, Stockholm and Milan and incremental capacity has been added in London, Amsterdam and Frankfurt.
- In addition, the business has implemented a range of projects to reduce its impact on the environment and enhance its energy efficiency.

Investor:	3i
Location:	London
Sector:	TMT
Exit:	2010
Company website:	<a href="http://www.telecitygroup.com">www.telecitygroup.com</a>
Investor website:	<a href="http://www.3i.com">www.3i.com</a>

“3i was a great partner as we moved to extend our market reach”

Michael Tobin, CEO, TelecityGroup