

Our matrix in action

Synlab

The simultaneous acquisitions and subsequent merger of European diagnostics businesses Labco and Synlab – to form Synlab – demonstrates the effectiveness of Cinven’s collaborative structure and sector/regional expertise.

Execution of these transactions required seamless collaboration between our Healthcare, French, German, Portfolio, Capital Markets and Investor Relations teams.

Identifying the opportunity (Healthcare team)

The investment in Synlab is based on a thesis developed over many years by our Healthcare team’s understanding of reimbursement pressures across different healthcare markets, and refined through successive investments at different points in the diagnostics value chain. For example, two prior and highly successful Cinven investments, Phadia and Sebia, respectively Swedish and French in-vitro diagnostics companies, were both suppliers to Synlab and Labco. In particular, the Healthcare team developed a differentiated investment thesis predicated on realising the benefits of scale, geographic diversity and operating across a pan-European platform.

Local insight

(French and German teams)

With the help of our local teams in France and Germany, together with our expertise in healthcare and experience in diagnostics, we gained privileged access to both Labco and Synlab’s management teams and developed

relationships with each separately over many months. As a result of this proactive approach, we put ourselves in a unique position to buy Labco on a bilateral basis as an alternative to its IPO, at an attractive standalone entry valuation. We had also therefore created a highly synergistic proposition to secure Synlab, consistent with our vision of creating a pan-European champion in the industry. Cinven’s local teams, working with local advisers, provided the expertise to achieve the execution of both acquisitions in separate jurisdictions virtually simultaneously.

Financing requirements

(Capital Markets team)

The transactions occurred in 2015 during what was a tumultuous summer for the credit markets amid a Greek ‘in-out’ referendum. Despite this challenge, our Capital Markets team used its expertise, relationships and reputation to finance both acquisitions on attractive terms. For Labco, we deployed a highly innovative backstop facility, which, after signing the deal, we took out by placing bonds in the high yield market together with a revolving credit facility on borrower-friendly terms. For Synlab, we assembled a lending group of six banks to underwrite a bridge facility, which was subsequently taken out through a ‘tap’ issuance on the existing high yield bonds.

Equity requirements

(Investor Relations team)

The sizeable equity underwrite required to acquire these businesses (more than €1 billion) necessitated a co-investment partner who could move quickly. Our Investor Relations team worked to ensure that an existing Cinven LP, Ontario Teachers’ Pension Plan, was able to gain sufficient comfort in our strategy in order to take a minority co-investment interest in the combined Group.

Integration

(Portfolio team)

Combining two culturally diverse businesses can be incredibly challenging. Before closing, our Portfolio team provided assurances and clear guidance that such a merger was achievable based on a detailed assessment of the two companies’ operations and teams and deep experience of similar merger processes. Immediately after signing, the team worked with management to implement a project structure based on proven models of previous integrations. This helped to remove uncertainty and reduce integration risk, as well as ensure that the Group could achieve significant synergies from the outset, over and above the original business plan.

Result

Through collaborating internally, and creating the connection between Labco and Synlab, we successfully executed two highly complex, simultaneous cross-border transactions, amounting to the largest single investment in Cinven’s history.

The combination of Labco and Synlab will provide clear benefits for patients and payors across Europe and, under our ownership, we believe that the combined business, Synlab, is well placed to cement its position as the European champion in the diagnostics industry.

Cinven teams collaborate to execute Synlab/Labco acquisitions and merger

