

## Oquendo in €20m Monbus mezzanine deal

**O**QUENDO CAPITAL made a €20m mezzanine commitment to Spanish bus operator Monbus in December, highlighting the rise of the alternative debt market in Spain.

The investment was made via Oquendo Mezzanine II, which held a first close on €110m in 2013 and is currently 30% invested across three companies. A final close on its €150m hard-cap is expected in June 2014. The vehicle makes private debt, mezzanine financing and minority equity investments in mid-sized Spanish companies. LPs include a range of local financial institutions and pension funds, alongside the European Investment Fund, with Acanthus acting as placement agent.

Ricardo Junco, investment director at Oquendo, says they were the bus operator's only option: "Monbus came to us looking for flexible, long-term capital to strengthen the balance sheet for further growth. They were looking for a hybrid debt-equity instrument with 5-7 year terms. And we're the only player in Spain doing this type of investment and able to match their needs."

Founded in 1972 in Lugo, Monbus is a private bus operator with services across Spain. Galicia and Cataluña are particular strongholds for the firm, but with the new capital injection Monbus intends to expand its regional reach. The firm has achieved solid EBITDA growth in the last five years, with revenues in excess of €130m in 2013. Monbus employs around 1,300 staff.

"The company offers very stable and predictable cashflow and has strong margins. In the next couple of years, there will be a lot of opportunities in the market in Spain and this company is one of the best-placed to take advantage of that because, besides its excellent track record, it isn't very leveraged – the leverage ratio is quite low for a business of this nature," says Junco.

The transaction took around three months to close and offered the firm's shareholders an attractive route to financing, according to Junco: "We were able to provide a very flexible, ad hoc financing

structure, which combined a fixed interest plus equity upside, allowing the company to secure enough resources to develop its business plan. The investment was tailored to the family shareholders' requirements. They were looking for a specific solution that enabled growth, while minimising loss of control over business operations."

It seems that most recipients of Oquendo's private debt from the latest fund will not have to consider the implications of a private equity backer; while Fund I was primarily involved in sponsored transactions, the latest fund's deal pipeline is two-thirds sponsorless.

### Mi caja, su caja

"Five years ago, Spanish banks used to lend much more than they do today," says Junco. "There used to be around 60 financial entities and now because of all the mergers and restructuring there are only about five left that are really active in the market. And with all the new regulatory requirements, they can't lend as much. Also, the Spanish savings banks – the *cajas* – used to invest in Spanish companies. So all these opportunities now fall to us, as the only active Spanish private debt player."

The strong flow of opportunities appears to be driving fundraising. With the €100m target upped to the €150m hard-cap, investor demand has been strong. "We are currently at about €120m," explains Junco. "We are seeing increasing interest from international investors in this type of product and opportunities in Spain. Before the summer it was very difficult, but now we're seeing strong interest from abroad, especially when international investors realise the strong support we have from Spanish LPs. There are clear investment opportunities here in Spain and a very attractive competitive environment for us." ■ *by Amy King*

### PEOPLE

Oquendo – Ricardo Junco

Acanthus – Armando D'Amico



Monbus is a Spanish private bus operator