

# Stella to merge with Jetset Travelworld

A MAJOR shift in the Australian travel industry landscape has been announced today, with the proposed merger between the Jetset Travelworld Group and Stella Travel (**TD** breaking news).

The industry consolidation sees a single franchise parent for the Jetset, Travelworld, Harvey World Travel and Travelscene American Express brands as well as the Concorde Agency Network, as well as significantly increasing the potential for vertical integration within the business.

Other operations included in the combined company are a range of wholesale brands, Stella's extensive aviation representation operations within the World Aviation business which represents around 40 carriers in Australia and New Zealand, and operations in Australia, NZ, the USA and South Africa.

There's also a range of online operations including Best Flights, Best Cruises and the recently relaunched JTG ReadyRooms venture.

**Travel Daily** has been aware of speculation about the deal since before Christmas, with rumours intensifying in recent weeks.

The deal also creates a

much larger combined competitor to Flight Centre, with JTG chairman Tom Dery saying it's "a unique opportunity to integrate two complementary travel businesses, adding scale to the combined company in the highly competitive Australasian travel services market".

JTG is estimating that after the deal goes through its total market capitalisation would be about \$440 million based on the last closing price before its shares were suspended on Monday.

The proposed merger is subject to approval by regulators - presumably including the Australian Competition and Consumer Commission, while Jetset Travelworld Group shareholders will also take part in an Extraordinary General Meeting to approve the deal.

However that's a no-brainer given that JTG's 58% shareholder

Qantas has already indicated that it will support the merger deal.

The companies said that once the various approvals have been given the merger is expected to take place before the end of August this year.

Jetset shares, which have been suspended since Monday, are now trading again.

**LEFT: The always debonair Peter Collins**



**ABOVE: A smiling Peter Lacaze**

## "Good news" says Peter Lacaze

STELLA Travel chief Peter Lacaze says the announcement of the merger with Jetset Travelworld is "another positive step in the company's progress, building on the substantial improvements achieved over the past 18 months".

In a note to staff this afternoon he said he was focused on the challenge of bringing the Stella and Jetset businesses together "in the best interests of all franchisees and members, staff, key suppliers, business partners and shareholders".

Lacaze said that Stella management had been fully briefed on the transaction, and asked staff to direct any questions to their immediate supervisor within the company.

## New management

THE merger deal between Jetset Travelworld and Stella Travel will see current JTG ceo Peter Collins return to the Qantas Group after having guided the business through a major integration since it merged with Qantas Hols and Qantas Business Travel almost two years ago.

JTG chairman Tom Dery said Collins had also "done an excellent job managing the business through the global financial crisis".

As flagged in **TD** earlier today, Stella chief Peter Lacaze will head up the merged company, and along with other senior Stella staff will hold 5.2% of the firm.

"I am delighted to be rejoining Qantas Holidays and Jetset, and look forward to overseeing the business during its next phase of growth," he said.

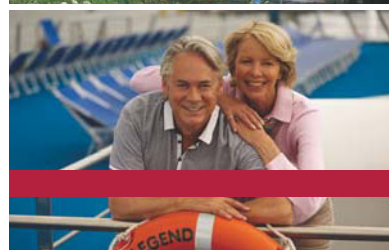
Current Stella Group chief financial officer, Elizabeth Gaines, will be appointed as cfo of the merged company.

Those are the only staff changes which had been outlined as this special issue of **TD** went to print.

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# STELLA/JTG SPECIAL EDITION

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## Collins: merger "very positive"

PETER Collins, who's the current ceo of Jetset Travelworld, told **TD** this afternoon that he's absolutely delighted at the proposed merger of JTG with the Stella Travel Group.

"I think this proposal is very positive for the business, as it will give us much greater opportunity for scale and enable us to compete much more effectively".

Collins, who will return to the Qantas group after the merger is completed, added: "It's been an absolute pleasure and honour to be ceo of Jetset Travelworld."

"This company is peopled with wonderful staff and franchisees."

MEANWHILE Stella ceo Peter Lacaze paid tribute to Collins and his senior management team.

"They have done a good job during their stewardship of Jetset and I am confident of a smooth and successful transition," he said.

Lacaze said it was important that staff stay focused on running the existing operations between now and the finalisation of the deal.

## Wholesale move

THE merged Stella/Jetset Travelworld Group will combine two of Australia's largest travel industry wholesale operations.

Once the deal goes through JTG's Qantas Holidays/Viva! Holidays and Orient Pacific brands will have the same parent company as Stella's various wholesale brands which include Travel 2, Travel Indochina, Rail Tickets, Ski Express, Newmans and talpacific Holidays as well as the in-house Harvey's Choice and Travelscene Holidays brands.

## Deal 'a merger of equals'

NO money will change hands to form the combined Jetset Travelworld and Stella, which is being billed by the companies as a "merger of equals".

The merged company will continue to be publicly listed on the Australian Stock Exchange, with JTG to issue 219,553,000 ordinary shares to the current Stella shareholders in order to implement the deal.

After the merger goes through Stella shareholders will own 50% of the expanded capital of the merged entity.

Stella's current major shareholders - funds advised by private equity firm CVC Asia Pacific and merchant bank UBS - will hold 26.9% and 17.9% of the expanded Jetset shares on issue.

The current 58% of JTG held by Qantas will be diluted to 29%, while Spiros Alysandratos will hold 12.6% of the company which will continue to be listed on the Australian Stock Exchange.

Qantas has indicated that as JTG's largest shareholder it will support the proposed merger and

vote in favour at the upcoming Extraordinary General Meeting.

JTG said that its shareholders will receive an Explanatory Memorandum for the meeting which is likely to be held in August.

Each of the company's directors intend to recommend that JTG shareholders vote in favour of the deal, subject to the findings of an Independent Expert who will advise on the deal.

Regulatory clearances will be required from the ASX, the ACCC, the Australian Securities and Investment Commission and the Foreign Investment Review Board.

## Lots of opportunity

THE merged JTG/Stella will be "well positioned to explore further growth opportunities in Australia, New Zealand and the international travel market," according to Jetset Travelworld chairman Tom Dery.

He said that the merger is expected to create significant "efficiency benefits" for the combined group.

His counterpart at Stella, Andrew Cummins, said both companies had "emerged strongly through recent years."

"This transaction creates an opportunity to build a business of genuine scale, providing long term benefits and stability for the merged entity's franchisees and members, staff, suppliers and other trading partners," he said.

Cummins also said consumers would benefit through "enhanced innovative and competitive products and services currently offered by both companies".

## BRANDS COVERED BY THE JETSET TRAVELWORLD- STELLA MERGER

### RETAIL



### AIR



### WHOLESALE



### CORPORATE



## Nine directors

THE combined Jetset Travelworld and Stella company is expected to have nine members on its board, with current JTG chairman Tom Dery continuing as the company's chairman.

A statement issued this afternoon said that the current owners of Stella would nominate three of the directors, with further details to be contained in the Explanatory Memorandum relating to the deal which will be released in the coming weeks.

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