



Private equity fund investment in the European ferry industry

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Abstract

Over recent years Private Equity Funds (PEF's) have found the European ferry market to represent an attractive investment opportunity. This paper explains the development and working of PEF's, reviewing the pros and cons for this type of investment model. Over the last decade there have been 22 separate transactions completed by PEF's involving the acquisition of 11 different ferry companies throughout Europe. Combined, this amounted to a total investment of €7.7 billion. A series of case studies undertaken by the author relating to the acquisition of individual ferry operators by PEF's offers preliminary understanding of these transactions. The case studies highlight specific characteristics of the ferry market that private equity investors find attractive. Not least among these characteristics is: barriers to entry, long established businesses, the essential infrastructure nature of ferry services, steady cash flows, and high market share. PEF's appear to regard ferry services as displaying characteristics quite similar to other essential transport infrastructure investments such as roads and railways. Based on this analysis, it seems that PEF's view the ferry market as a relatively safe and attractive investment opportunity. Sellers, and regulators of ferry markets (perhaps more especially in the case of subsidized or island 'lifeline' services), need to be conscious of the potential opportunities, as well as the possible disadvantages of PEF investment and ownership. Buyers (i.e. PEF's) also need to be aware of the risks involved (e.g. from over-paying, new regulations etc), as well as the rewards.

Keywords: Private equity fund; European ferry market; Investment.

1. Introduction

The entry of private equity funds (PEF's) into European ferry markets is a relatively recent phenomenon. Hence this issue has not yet been researched to any significant degree, until now. This paper provides an initial analysis of the activities of PEF's in acquiring ferry companies in Europe.

Firstly, an overview of private equity funds is presented followed by discussion of the pros and cons of private equity fund investment. Then the ferry operators that have been acquired by private equity funds are considered. Through brief case studies with

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