



THE EARLY DAYS

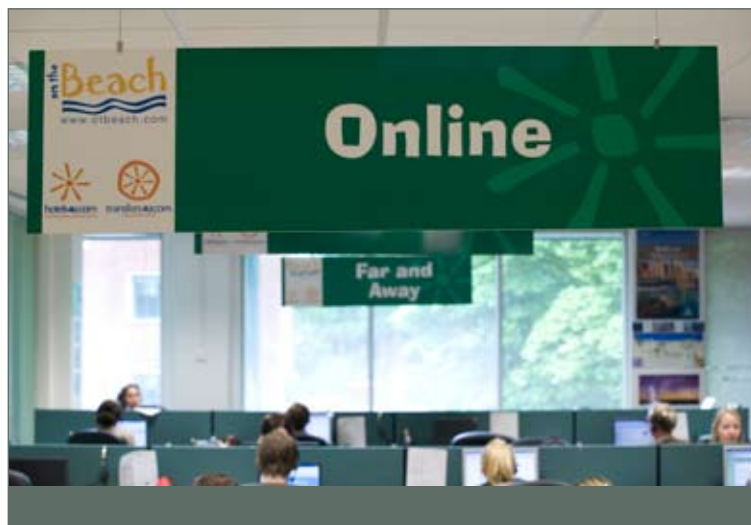
WORKING TOGETHER

REALISING VALUE

## Taking off with On the Beach - The Early Days

On the Beach, an online retailer of beach holidays, was launched in 2004 by Simon Cooper. On the Beach has grown rapidly to become a leading player in the online travel market and provides consumers with a huge selection of flights and over 30,000 hotels from which to choose and build their holiday online.

ISIS partnered with On the Beach in November 2007.



“ ISIS listened to what I had to say, they learned the best way forward for me was not necessarily the complete buyout other firms had already lined up for me. ”

Simon Cooper

### Simon Cooper

Simon launched On the Beach in May 2004 after previously building a successful niche tour operator called On the Piste that provided cheap ski and snowboard holidays to students.

### Daniel Smith

Daniel leads ISIS' activity in the leisure sector, and has previously led new investments in Traveljigsaw, an online B2C car hire broker, and Enigma, an independent ski tour operator that caters to families and adult groups through the Esprit and Total brands.

A Brief History	
2004	Simon Cooper launches On the Beach, operating out of a small terraced house in Macclesfield
2005	Order placement engine added to website
2006	Website launched. Company experiences rapid growth
2007	ISIS invests in On the Beach. Recruitment of Alistair Daly as Marketing Director, John Donaldson as Chairman, David Scowsill as Non-Executive Director and Geoff Wood as Finance Director
2008	Company moves into new, larger premises Sales exceed £117m



THE  
EARLY DAYS

WORKING  
TOGETHER

REALISING  
VALUE

## Taking off with On the Beach - The Early Days

**SC/** I founded my first company in 1995, a niche tour operator called On The Piste that provided cheap skiing holidays to groups of students. However, when I hit my thirties, I found not only that I no longer had the same connection with my customers, but I also wanted to create something different. So I formed On The Beach, which was mainstream rather than niche, summer not winter, and crucially, it was an online retail operation, instead of the traditional travel operator business I had been running.

When we set up On The Beach from a terraced house in Macclesfield, we were using Teletext and a small call centre to handle sales. We had a website, but its initial function was to help us in the call centre to direct customers to pictures and details of the hotels. We added an order placement engine to the website towards the end of 2005 and started doing Google Adwords to drive traffic. This was a huge success, and business increased rapidly during 2006. As a result, we soon found that we were constantly fire-fighting instead of planning the business growth properly: we had no real management structure, and I knew the business needed help. So I initiated conversations with corporate finance advisors in late 2006, and they put the word out. This was how ISIS heard of us.

Like many business owners in this kind of situation, I was entering uncharted territory. It was a lot of fun, but a very steep learning curve for me; it took me a while to understand what was being offered, how the deals were structured and what kind of help these companies could bring me. I knew nothing about ISIS or the other private equity companies. I didn't enter the process with a pre-conceived set of criteria, or even with a specific objective in mind; as I learned, I weighed up what was important to me and made my decision that way.

I spoke both to private equity and to larger travel companies, but a few big mergers had just gone through in the industry and it seemed that the travel companies were not really looking to make acquisitions during this time. And it became clear to me that ISIS had a different approach to most other private equity companies. Many of them came to the first meeting with a clear indication of what they could offer, and even presented figures that might be crucial to a deal. However, ISIS wanted to hear my perspective before they came to any conclusions. I think one of the reasons for this was that ISIS have a number of sector specialists and by speaking to Daniel Smith, who had already worked on similar deals in the travel and leisure industry, we were

“ On the Beach grew very quickly - 50% per annum. I found that we were fire fighting instead of planning the growth properly. I knew the business needed help. ”

Simon Cooper

able to talk on a much more detailed level. This gave me confidence, not just because Daniel understood my business more fully, but because he also appreciated that a “one-size-fits-all” approach to business investment wasn't what was best for the company or for me.

At this time, I also realised that the memorandum put out by the financial advisors must have given the impression that I was looking for an exit from the business. In truth, I never expected this and, because ISIS listened to what I had to say, they learned that the best way forward was not necessarily the complete buy-out that the other firms had already lined up for me.

These initial meetings can sometimes be difficult because there is a natural divide between the two sides: the owner on one side, the prospective buyer on the other. Yet with ISIS, I always felt I had an ally across the table. The fact that Daniel was a similar age – and coincidentally went to the same university as me – helped to make me feel more comfortable, but the real rapport came from the fact that ISIS simply understood my business better and seemed more willing to listen. From a rational point of view, I felt ISIS ticked all the boxes, but from an emotional standpoint, I also felt that there was a level of trust that was missing with the other private equity companies.

## Taking off with On the Beach - The Early Days

THE  
EARLY DAYS

WORKING  
TOGETHER

REALISING  
VALUE

**DS/** We had been looking at the travel sector for quite a while, in particular the online distribution of travel, which was an area that we were very interested in investing in. We met a number of companies in the sector to build our knowledge and understanding, and formed a strong network of contacts in the industry. This work led to our first investment in the sector - a ski operator called Enigma - who we'd known for 2 years before investing in them in 2006.

We had looked at many businesses in the sector, but they were all at the wrong stage of development for us. So we were delighted to be introduced to On The Beach - it was growing fast, and was at the perfect stage for us to get involved. It was also very profitable, while many of its peers weren't. This was not a business burning its way through start-up cash - this was an independently healthy company with a leader who was focused on keeping it that way. Simon had built his website around the customer, and his focus on the customer journey through researching, comparing and booking their holiday impressed us.

Throughout the process, I had a strong feeling that this was a proper dialogue instead of a one-way presentation. Simon had never been in this situation before and our meetings were important for him to learn about how it worked. We listened to him and talked through the possible development of his role and how he could be supported, until gradually we arrived at a vision for On The Beach that worked for both parties.

Once we had agreed in principle that Simon would work on a deal with ISIS we were aware that we needed to proceed simultaneously on two fronts: not only did we need to get the deal itself together in a form that was acceptable to everyone, but we also had to start looking at the business immediately, as it was rapidly outgrowing its infrastructure. I think it was a testament to the good relations between the two parties that we began immediately to find ways to improve the running of the business before the deal was formally concluded. The flexibility and co-operation demonstrated by everyone involved throughout the process was crucial.

**As soon as I started talking to Simon I knew that two of my industry contacts would be useful for him to meet - whether or not we actually did a deal together.**

As soon as I started talking to Simon, I knew that two of my industry contacts, John Donaldson and David Scowsill, would be useful people for Simon to meet - whether or not we actually did a deal together. John's most relevant experience was with LateRooms, a private-equity-backed operator that he had joined when they were at the same stage as On The Beach, and which had later been sold to FirstChoice. John had broader experience too as deputy chairman of Thomas Cook, and had also been involved with other online travel and leisure companies like Holiday Autos and eBookers. David, for his part, was very knowledgeable about the travel industry having been CEO of Opodo, and having held Executive positions with American Airlines and British Airways and a Non-Exec role at Venere, a private-equity-backed hotel reservation website operating across Europe.



## Taking off with On the Beach - Working Together

Before the deal was completed, ISIS introduced Simon Cooper to a Network of Executives and Non-Executives in the travel industry. Now key members of the management team at On the Beach, John Donaldson, Chairman, and David Scowsill, Non-Executive Director, provide Simon with support on key strategic decisions of the business by drawing on their vast experience of the industry. Simon, John and Adam Holloway, who sits on the board at On the Beach on behalf of ISIS, reflect on the progress of the new team.

“ One of our challenges is to ramp the growth rates: new channels, new products. We are in a recession, but now, I believe, is the time to be bold. With a strong management team in place we are well positioned to do this.

John Donaldson ”

### Simon Cooper

*Simon launched On the Beach after previously building a successful niche tour operator called On the Piste that provided cheap ski and snowboard holidays to students.*

### John Donaldson

*John's career spanned Aer Lingus, American Express and Thomas Cook where he spent 4 years as CEO and then stayed on as Deputy Chairman. Since then, he has held a variety of Non-Exec Chairman roles across the leisure sector including LateRooms, HolidayAutos, Cannons and ATP. John joined On the Beach in 2007 as Chairman.*

### Adam Holloway

*Since joining ISIS in 1999 to further develop and run the portfolio management function, Adam has handled several successful investments through to exit, including Fat Face, kidsunlimited, Refresco and Tricom. He currently sits on the boards of online businesses On the Beach, Wiggle and Travel Jigsaw.*





THE  
EARLY DAYS

WORKING  
TOGETHER

REALISING  
VALUE

## Taking off with On the Beach - Working Together

**SC/** Having spent years working on the operational side of the business, the deal gave me an opportunity to step back and look at the strategic direction of the business. However, I knew that a big personal challenge was going to be how I worked with the new members of the management team that we were inviting in.

Before I met with John Donaldson and David Scowsill, I didn't know really what role a non-exec would play. I soon understood that they could share their experience with me; they would mentor where necessary, but without getting involved in the day to day. They were available whenever I needed them – they were invaluable in helping me make the key decisions because they had both been there before with their previous roles. The fact that they had different personalities, and each had slightly different areas of expertise – for example, David had particular experience of the airline side of the industry – made them a great combination.

Before the deal there had been a lot of firefighting and I felt very unsupported but, since the arrival of John and David, I have had help in strategic issues that I couldn't have done without. The recruitment of Alistair Daly as Marketing Director has also been invaluable: before, I was so busy focusing on operational matters, such as cost-per-click advertising and CRM, that I didn't have time to investigate other areas of marketing. With Alistair on board, we are now able to do that, which helps us to ensure we are providing customers with the best possible user experience.

I've learned to trust the team around me. They keep me in touch with what is going on, but I know I can leave them to get on with it. And because I have confidence in them, I'm able to focus on what we need to do to move the business forward strategically, for example, by reducing our reliance on single suppliers, growing our brand, finding new channels to market and broadening our product range.

**Having spent years working on the operational side of the business, the deal gave me the chance to step back and look at the strategic direction.**



### A Brief History

2004	Simon Cooper launches On the Beach, operating out of a small terraced house in Macclesfield
2005	Order placement engine added to website
2006	Website launched. Company experiences rapid growth
2007	ISIS invests in On the Beach. Recruitment of Alistair Daly as Marketing Director, John Donaldson as Chairman, David Scowsill as Non-Executive Director and Geoff Wood as Finance Director
2008	Company moves into new, larger premises
2009	Sales exceeded £117m

## Taking off with On the Beach - Working Together

THE  
EARLY DAYS

WORKING  
TOGETHER

REALISING  
VALUE

**JD/** I was very impressed with Simon when I first met him, because he had achieved so much in a short period. He had an amazing understanding of what his customers wanted and, when I met the other people in the company, I saw people who shared his passion and commitment to the business and who were extremely loyal to Simon.

I have worked with web entrepreneurs like Simon before and I was familiar with the problems that face fast-growing travel businesses. My role as chairman was to support Simon in building an infrastructure to help deal with this growth – in particular to strengthen the management team. To this end, I appreciated Simon's willingness to listen and his open-minded approach to managing the business. I feel we have worked well together and have built a great team that can take the business forward.

We spent a lot of time together during the early days pre-deal, getting to know each other, listening to and challenging each others ideas. Simon has a very open and receptive view on change. He can be challenging, rightly so, but is also willing to listen to advice and chat through ideas.

**Simon really understands the web and his customers, and has achieved an amazing amount with his business. He has also adapted well to a fast changing situation**

I have worked with entrepreneurs who have been resistant to change and bringing in new people but Simon has done an excellent job with the new team and has adapted well to a fast changing situation.

But the challenges have not just been internal ones. In addition to the task of improving the infrastructure, we have had a lot of external pressures on the business. The recession has bitten hard in the travel industry. We had a major supplier go bankrupt, and there has been significant regulatory pressure to cope with. But we have dealt with these issues and it has proved the effectiveness of the relationship between us, and the understanding that we share as a management team.

One of our challenges is to ramp up the growth rates: new channels, new products. We are in a recession, but now, I believe, is the time to be bold. With a strong management team in place, I feel we are well positioned to do this.





THE  
EARLY DAYS

WORKING  
TOGETHER

REALISING  
VALUE

## Taking off with On the Beach - Working Together

**AH/** The biggest challenge we faced at the start of our partnership was that the company was growing by more than 50% per annum, but really wasn't equipped to handle that kind of business volume. There was severe pressure on the founder, management team and investment in IT was urgently required. We were also in the process of moving to larger premises, and the seasonal nature of the business meant that, having formally completed the deal in November 2007, we had to try and achieve all of this prior to the start of the peak trading periods the following year. We were well used to this level of investment and change. Clearly we didn't want to make decisions without consensus, so we had to quickly establish a good, trusting working relationship between the members of the management team.

We had already begun to address the need for key personnel by bringing in John Donaldson and David Scowsill but we were still aware that the business had outgrown its structure – in fact, one of the reasons the deal took longer to complete than expected was that we did not have the financial reporting systems in place to gather the financial data we needed for verification purposes. Obviously, we got there eventually, but it was a clear indication that processes and systems had to be improved as a matter of some urgency.

We recruited Geoff Wood as Finance Director in November 2007, who immediately began to take pressure off Simon, although post deal regulatory issues preoccupied him for the first few months and it wasn't until January 2008 when he could really start to address the financial systems in place.

There was a physical premises move too. It was time to move out of the terraced house in Macclesfield, and we already had significant numbers of staff working in rented offices, so we brought them all together into a single office in early 2008. We hope that these premises will be home to the business for at least the next 3-5 years.

Given the range of investment that has gone into the business, progress has been excellent.

**Given the range of investment that has gone into the business, progress has been excellent.**



We have had some hurdles: for example, the development of the IT infrastructure took longer than expected and this area requires continuous investment and innovation, but overall targets have been met.

Looking further ahead, the recession has depressed M&A activity, but we are focused on maintaining growth rates of 20-30% pa, which will make On The Beach an attractive prospect for acquisition by either financial or trade buyers.