

MERGERS & ACQUISITIONS

Professional Travel races ahead

Plan is to be second- or third-largest network in \$130B industry

By **ALDO SVALDI**

Business Journal Staff Reporter

With an explosive burst of speed, Professional Travel Corp. last year moved from the back of the pack to the nation's fifth-largest travel agency.

"It has been quite a rocket. We have created a \$1.5 billion travel company," said president Ed Adams, a mild-mannered travel agent turned merger master.

Adams sold his travel agency, Denver's largest with \$200 million in 1996 revenues, to U.S. Office Products last January. His new mission is to create a national network of travel agencies in the country's 25 largest markets.

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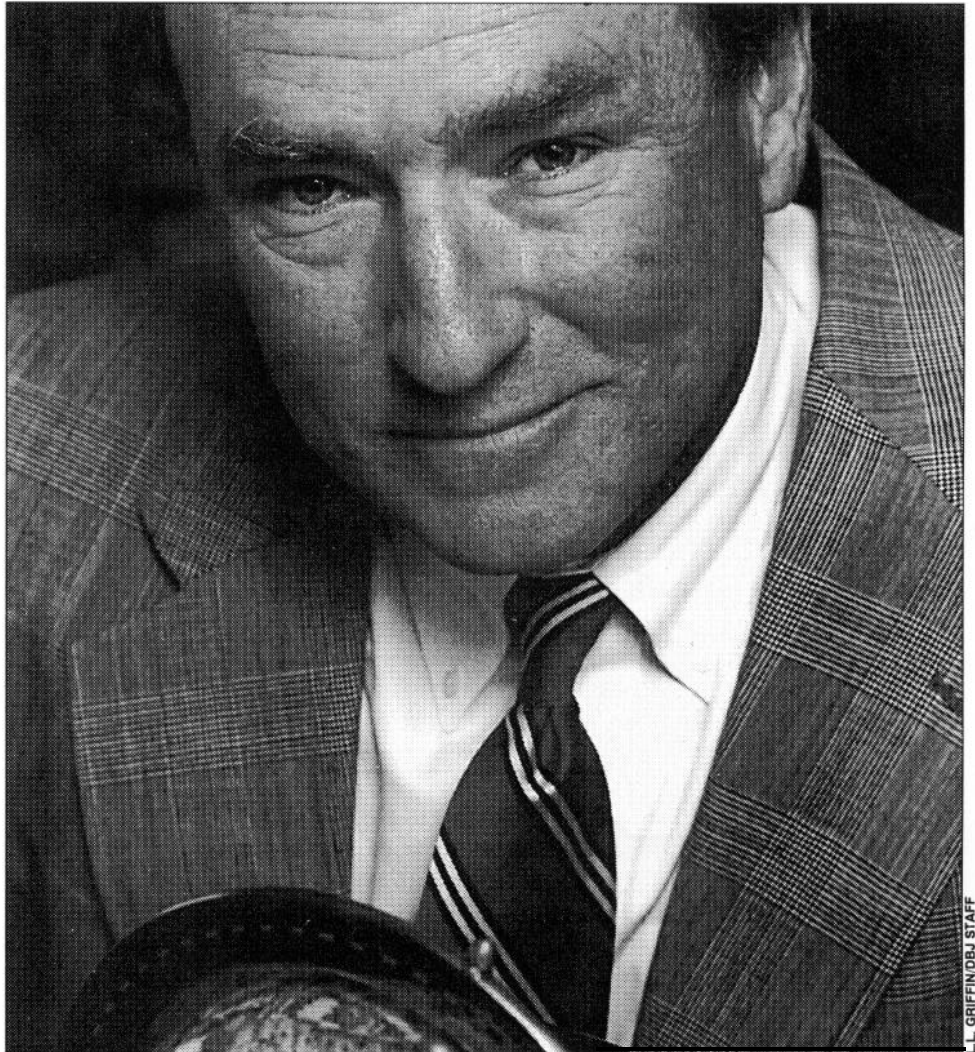
-Ed Adams
Professional Travel Corp.

Using U.S. Office stock, PTC acquired travel agencies in Seattle, Baltimore, Boston, Houston, New Orleans, Washington, D.C., Orange County, Grand Rapids, Mich., Vancouver, British Columbia and Stamford, Conn.

This April, the rapidly growing travel-management company plans to spin off from U.S. Office as an independent public company headquartered in Denver, Adams said. He plans to acquire companies worth another \$1 billion in revenues this year and grow into the second- or third-largest travel agency in the country.

Gina Keating, chief operating officer, said the agencies continue to operate under separate identities with the same management.

The plan in 1997 was to quickly put together a "critical mass" of agencies.



Ed Adams sold his travel agency last year to U.S. Office Corp. and is focusing his attention on buying travel agencies to create a national network of travel agencies.

This year PTC will centralize in areas where it makes sense, such as accounting and information systems.

Emergency travel services, for example, could be handled out of one location for all the agencies, Keating said.

The fragmented travel business has

some 34,000 players splitting \$130 billion in revenues, said Chris Privett, spokesman for the American Society of Travel Agents in Alexandria, Va. But the number of players has shrunk since 1995 when the airlines capped the maximum commission on a ticket to \$50.

That has encouraged some agencies to move increasingly to a fee-for-services system rather than commissions.

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Keating said a larger size allows the company to gain economies of scale that lower costs and in turn lower fees than an agency charges.

"Some of the bigger chains are acquiring some of the smaller chains. It is an industry-wide trend," Privett said.



Gina Keating

Such a strong justification for merging, however, didn't exist in all of the industries U.S. Office

Products has targeted, at least in Wall Street's opinion.

From its founding in October of 1994 to last July, U.S. Office acquired 175 companies offering everything from office coffee to school supplies.

In its first 20 months, U.S. Office went from zero revenues to \$3.5 billion as it tried to create a one-stop shop for businesses.

Professional Travel was in a batch of 13 acquisitions made in January. In November, the company acquired Mail Boxes Etc., the largest franchiser of independent postal centers with 3,500 locations.

Industry "roll ups" — using a rapidly appreciating stock to acquire players within a fragmented industry — have become all the rage in the 1990s.

But in a case of biting off more than

Mergers and Acquisition winner

Company: Professional Travel Corp

Principals: Ed Adams, president; Gina Keating, chief operating officer

Background: Adams sold his travel agency to U.S. Office Products in 1996. At the time, it was Denver's largest travel agency with \$200 million annual revenues. Professional Travel was one of 13 acquisitions made in January

In November the company acquired Mail Boxes Etc., the largest franchiser of independent postal enters with 3,500 locations.

Adams this year plans to acquire \$1 billion worth of companies and become the second- or third-largest travel agency in the nation.

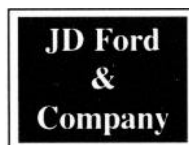
The plan is to spin off this April from U.S. Office Products into an independent public company headquartered in Denver.

you can chew, only a few problematic acquisitions can drag down the entire company and freeze growth in its tracks.

Last year's Deal Maker of the Year winner, Corporate Express, fell into reproach with Wall Street when it failed to deliver on earnings after a flurry of acquisitions in 1996. Competitor U.S. Office has seen its stock price fall from

the high \$40s to \$13. It currently trades near \$20 a share.

U.S. Office's difficulties have provided a new opportunity for PTC. Besides Professional Travel, U.S. Office will split off its education, technology and management divisions. It will also incur \$800 million in debt to complete the restructuring.



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