Safe Bag acquisitive, keen to merge with a rival

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Safe Bag [BIT:SB], an Italian vertically integrated luggage security service, will begin its acquisition campaign in earnest next year, and is receptive to approaches from industry players interested in a possible merger, CEO Alessandro Notari said.

Management — previously advised by **Mazars** — will nominate a financial advisor after the right M&A candidate has been identified, at the due diligence stage, Notari said.

In 2016, the company restructured its in-house activities to provide a more efficient service, he said, thanks to which, Safe Bag expects a return to net profitability next year, and revenue over EUR 60m with EUR 7m EBITDA by 2021. Revenues for 2016 will be stable at EUR 28m with EBITDA of around EUR 3.5m, he said.

This financial stability will allow management to look at M&A opportunities, especially overseas, he said.

Acquisition strategy

Safe Bag will look at small to medium-sized luggage tracking service providers, located in key airports, or luggage-wrapping machinery manufacturers, generating sales up to EUR 10m.

In October 2013, Safe Bag acquired 30% in Florida-based counterpart **America's Wrapping Holding** (AWH), paying via a USD 4.5m capital increase. The US still is on its expansion roadmap, Notari said. He did not specify particular states but noted that there is a lot of room for growth in this geography.

Safe Bag is also thinking about M&A in Asia, especially South-East Asia, Notari said, noting that airports in the region likely serve billions of travellers.

In Europe, Safe Bag screens targets across Eastern Europe, the UK and Germany, he said, noting that the company could consider starting by supplying machinery to other luggage-tracking service providers in major airports, and then bid to open its own service franchises later.

The company has been the sole supplier to all Portugal’s major airports since 2011, and could evaluate local acquisitions to better penetrate the region, he said. The same strategy could be applied to France, he said, adding that Safe Bag reached out to Charles De Gaulle and Orly airports in Paris in 2006, followed by Nice airport in 2008, Lyon in 2009, and then Toulouse, Bordeaux and Marseille in 2010.

In 2013 Safe Bag landed in Rome, in Switzerland’s Zurich and Geneva airports, and in the USA, at Miami airport. In 2015 it began operating on the island of Madeira, and at Montréal airport in Canada.

The potential idea to merge with a rival

In parallel to its acquisition strategy, management would be keen to merge Safe Bag with a rival, Notari said, which would allow Safe Bag to compete better globally.

In a previous interview with *Mergermarket*, Rudolph Gentile , whose family owns 70% of Safe Bag, expressed interest in selling a minority stake. He described the ideal bidder as a retail specialist which could provide specific expertise to accelerate the firm's expansion.

Notari did not name any preferred merger partners, but he noted that Safe Bag competes with Italian packaging and insurance services provider **TrueStar**, which sold a 25% stake to state-owned **Fondo Italiano di Investimento** in 2011.

He noted that should Fondo Italiano di Investimento make an exit, Safe Bag could be interested in talking to TrueStar about the feasibility of a shared business project.

Outside Italy, Safe Bag's major peers are the UK-based **Excess Baggage**, Netherlands-based **Seal & Go**, and German companies **Fraport** and **Bagport**.

Safe Bag listed on the AIM segment of the Milan Stock Exchange in May 2013 with a float of 30%, which was bought by small shareholders. In the future, management could consider switching to the STAR segment, Notari said, but this is not on the radar now.

by Micaela Osella in Milan