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Bluebell wants partial IPO of Lufthansa's aircraft maintenance

Bluebell Partners has been engaging with German airline Lufthansa to suggest a partial initial public offering (IPO) of its aircraft repair and maintenance unit, *Activist Insight Online* understands. The unit, named Lufthansa Technik, has been posting double-digit growth rates and has had healthy Ebit margins of around 7%-8%.

Bluebell sent two letters to the board of Lufthansa, one in November and another on March 9, making the case for starting the work on a potential initial public offering for Technik, arguing its valuation on a standalone basis could easily reach 5-6 billion euros. Lufthansa's entire market capitalization is 4.2 billion euros, although the stock was hit hard by the coronavirus pandemic and the resulting decline in demand for air flights. Shares were trading down 11% midday Thursday, extending monthly losses to 40%.

According to the second letter sent on March 9, which was seen by *Activist Insight Online*, two Bluebell partners, Marco Taricco and Giuseppe Bivona, met with Chairman Carsten Spohr in December to speak about the IPO of Technik. Bluebell said the case for an IPO has only strengthened since its first letter, given that 2020 is "shaping up to be one of the most challenging years for the airline industry."

The activist indicated that now is not a good time to make the IPO because of the market volatility, but Lufthansa could already start the process as such transactions typically take six to 12 months of preparation.

Taricco confirmed the engagement with Lufthansa to *Activist Insight Online*, and said Bluebell asked the company to sell 25%-30% of Technik to the market in order to "crystalize" the value of the business. "No other airline has a business like this. It is a fantastic business," Taricco said.

Bluebell was launched a few months ago by Bivona, Taricco and former Bulgari CEO Francesco Trapani with 50 million in euros in startup capital. Although the fund's dry powder is limited, Taricco said the fund will seek to opt co-investors with deeper pockets for its activist investments. Before founding the activist fund, Bluebell advised Elliott Management in its campaign at Ansaldo STS and Jana Partners at Tiffany's & Co., among others.

Lufthansa did not immediately reply to a request for comment. Bloomberg reported in mid-January that Lufthansa was considering selling shares in the aircraft maintenance unit.