Brazil Travel Group CVC Raises BRL621 Million

RIO DE JANEIRO--Brazilian travel agency CVC Brasil Operadora e Agencia de Viagens SA raised a smaller amount than expected in its initial public offering late Thursday, pricing shares below the range established when the deal was announced last month.

CVC, as Brazil's largest travel agency group by revenue is also known, raised 621 million Brazilian reais ($263 million). The company sold 38.8 million shares priced at BRL16.00 per share, down from an expected range of between BRL18.00 and BRL22.00. The company had initially expected to raise as much as BRL1 billion from the share sale.

Brazil has experienced a surge in travel in recent years as low unemployment, higher wages and greater access to consumer credit allowed Brazilians to take trips in growing numbers. But CVC's lower-than-expected IPO reflects concerns about future growth prospects in Brazil, where high inflation and recent interest-rate increases could undercut domestic consumption. Latin America's largest economy posted its worst performance since 2009 in the third quarter, when the economy shrank 0.5%.

CVC had originally filed to hold the IPO at the start of 2012, but the offer was postponed because of adverse market conditions. Prospects have improved only slightly since as expectations that the U.S. Federal Reserve could start tapering its bond-buying program has sapped momentum from emerging markets, such as Brazil.

CVC is controlled by private-equity firm Carlyle Group, which has a 63.6% stake in the company. The travel agency's founder, Guilherme Paulus, holds the remaining stake. Carlyle, via its investment vehicle called BTC Fundo de Investimentos em Participacoes, had said that it would sell at least 21.5 million shares via the IPO.

The company posted a net revenue of BRL623.4 million in 2012, compared with BRL596 million in 2011, and reported a net profit of BRL20 million last year, down from BRL110 million the year prior.

CVC will list its shares on the Novo Mercado market, which is the country's most rigorous in terms of corporate governance. To qualify, a company must sell at least 25% of its shares to the public, and all of its shares must be ordinary rather than preferred shares. The shares, listed under the ticker symbol CVCB3, will start trading Monday on the Sao Paulo Stock Exchange.

Itau BBA, Morgan Stanley, Bank of America Merrill Lynch, BTG Pactual and J.P. Morgan handled the deal.

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