

Balda

Proposed sale of all operating businesses

Balda has announced the proposed sale of its entire operating business for a net purchase price of €62.9m to Munich-based private equity company Paragon. The deal would leave Balda with a shell containing c €130m in cash. The agreement is subject to an approval by 75% majority at the AGM on 19 November, which will also decide on special dividends of €0.90 per share (independent of the sale) and €1.10 per share (dependent on the sale). Our forecasts and valuation are suspended pending the transaction.

Year end	Revenue	PBT*	EPS*	DPS	P/E	Yield
	(€m)	(€m)	(c)	(c)	(x)	(%)
06/13	57.1	(6.0)	5.4	200.0	55.2	67.1
06/14	70.9	(1.4)	(1.7)	150.0	N/A	50.3

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments and exceptional items.

The proposed sale of all of Balda's operating units, predominantly within medical plastics, represents the final step in shrinking Balda's strategic scope over the past several years. This process has entailed substantial divestments of a broad range of activities, including component manufacturing for mobile telephones, enabling the company to pay €283m in dividends since 2012.

We note the net purchase price of €62.9m compares favourably with our €29m valuation of Balda's operations, based on DCF, in our April 2015 <u>initiation report</u>. The purchase price corresponds to sales and EBITDA multiples of 0.77x and 19.7x, respectively, based on the past 12 months' (Q414-Q315) trading. Balda is due to publish its FY15 results on 28 September.

Including the €62.9m sales proceeds as well as proposed dividend of €1.10 per share irrespective of the divestment (€65m) and €0.90 per share dependent on the sale (€53m), Balda estimates it will have approximately €130m in cash. Provided the 'new Balda' establishes new profitable businesses, it should benefit from relief of its German tax liabilities. It possesses tax loss carryforwards amounting to €78m relating to German trade tax and €89m to German and foreign corporation tax.

Divestment

Healthcare equipment & services

25 September 2015

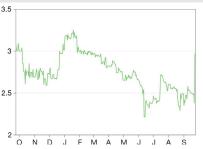
€2.98

Market cap	€176m
Net cash (€m) at end March 2015	194
Shares in issue	58.9
Free float	70%
Code	BAF
Primary exchange	Frankfurt

Share price performance

Other exchanges

Price



Business description

Balda is a supplier of high-precision and custommade plastic solutions in the healthcare, eyewear, electronics, automotive and other industrial sectors. It is based in Germany, but has also a strong US presence. It employs 769 staff globally (H115).

Analysts

Hans Bostrom +44 (0)20 3681 2522 Christian Glennie +44 (0)20 3077 5727

healthcare@edisongroup.com
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