

Initial situation

A publicly traded financial investor had acquired shares in mid-cap companies in the German-speaking region over the last years with the intention to keep these investments in its portfolio for the long-run. As in the past, I-ADVISE was engaged to prepare a fairness opinion with respect to another contemplated acquisition.

Challenges

The fairness opinion refers to the entire transaction including envisaged contractual guarantees and the purchase price adjustment mechanism. The fairness opinion had to be prepared within a tight time schedule. New financial information made available during the process as well as changes to the draft share purchase agreement had to be considered and assessed in order to determine any impact on the opinion.

Companies belonging to the peer group of the target identified to derive risk premiums and multiples were only to a limited extent comparable to the highly specialised target operations.

Approach

We prepared a fairness opinion in compliance with the respective German professional standards outlined by the Institute of Public Auditors in Germany (IDW S 8). We assessed the appropriateness of the purchase price offer applying the discounted earnings method as well as the multiples method.

Results from the due diligence were directly used in the valuation to the extent of relevance. I-ADVISE's experienced valuation team provided the client's M&A team with comments prior to signing the share purchase agreement.

The application of a fully integrated valuation models as well as professional capital market research led to the determination of realistic enterprise values reflecting current market conditions. We also performed risk analyses on the basis of Monte Carlo simulations.

Outcome

The fairness opinion prepared by I-ADVISE served as an independent and neutral information base on which the financial investor's management board and supervisory board assessed the contemplated transaction.

The fairness opinion comprised a clearly arranged opinion letter focussing on key findings and a valuation memorandum, which further described in detail the information used, principles applied and analyses performed by I-ADVISE in a transparent and understandable manner. The draft valuation memorandum enabled the client's M&A team to further substantiate its own valuation model. The financial investor's board approved the transaction on the basis of the fairness opinion.

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