

Initial situation

A collection services provider intended to contribute shares in one of its subsidiaries into another subsidiary leading to the disclosure of hidden reserves. In this context, I-ADVISE was engaged to prepare an expert opinion with respect to the objective enterprise value of the subsidiary to be transferred and a valuation certificate for submission to the commercial register.

Challenges

The valuation required detailed industry expertise, a sound understanding of the business model and its value drivers. The analysis of the budget included an assessment of the appropriateness of group charges into the target company. Also, due to the existence of a profit and loss absorption agreement with a group company, business taxes had to be entirely recalculated.

Approach

The valuation was set up to determine the objective enterprise value. For that reason, the valuation principles outlined in the professional standard IDW S 1 'Standards for the valuation of companies' of the Institute of Public Auditors in Germany were considered in order to perform the valuation as neutral appraiser.

The enterprise value was determined applying the discounted earnings method. In order to further substantiate the valuation, plausibility checks were performed through market price analyses with respect to comparable listed companies.

The application of fully integrated valuation models, professional capital market research as well as the experienced I-ADVISE team working on the project allowed for an efficient project execution.

Outcome

I-ADVISE's IDW S 1 expert opinion served as basis for the accounting of the investment. The opinion as such enabled the addressee to understand the valuation principles applied to derive the enterprise value as well as the underlying assumptions, basic considerations and conclusions drawn. The auditors of the financial statements accepted the values recorded in the accounts and issued an unqualified audit opinion. The valuation certificate was submitted to the commercial register and the capital increase was entered in the register accordingly.

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