

TE Connectivity shows interest in takeover, indicative offer of EUR 28 per share

Yesterday, First Sensor announced that the management is in advanced negotiations with TE Connectivity Ltd. (TEL) regarding a takeover and received a legally non-binding expression of interest with an indicative offer of around EUR 28 per share. Given the well-known fact, that First Sensor shareholder DPE intends to sell its stake in the company, the news does not come as a surprise. The indicative takeover offer of EUR 28 per share implies a c.14% premium on the closing share price on Friday, and c.29% premium on the shares 3months VWAP. The offer values First Sensor at an FY 2019e EV/EBITDA of 12.5x and an EV/EBIT of 20.5x, which is 17% and 23%, respectively, higher than correspondingly peer multiples. According to First Sensor's management, it is currently not predictable, if TE will make a takeover offer at the end of the negotiations. With an unchanged TP of EUR 28.80, we stick to our Buy recommendation.

TE Connectivity spoke about rich M&A pipeline

TE Connectivity Ltd., with revenues of USD 14bn, is a global leader in connectivity and sensor solutions, according to company's latest investor presentation. TE's focus is on the sectors transportation, including automotive, industrial and communication. Over the last ten years, the company spend USD 7.6bn on several acquisitions. At an investor conference, beginning of May, TE's management spoke about a rich pipeline of opportunities for bolt-on acquisitions.

DPE considers sale of its 40.1% stake

End of October 2018, First Sensor's major shareholder Deutsche Private Equity announced it is considering selling its 40.1% stake in the company. The management of First Sensor stated to take an active role and has hired Goldman Sachs to attend this process. Since DPE is aiming to sell its stake as a whole, any interest from the potential buyer would trigger a mandatory takeover bid according to the German takeover law ("Pflichtangebot" according to WpÜG).

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