

TE placed a take-over offer for First Sensor with an attractive premium

TE Connectivity announced the expected take-over offer ([link to our research](#)) for First Sensor. The cash offer of EUR 28.25 per share is at the already indicated level and reflects a premium of 14.6% to the closing price before TE's interest was made public, and a 31.7% premium to the VWAP. Taking into account the approval of major several shareholders (representing 67% of outstanding shares), the transaction is merely a formality. A minimum acceptance quote is not requested, which could have led to a longer take-over process, with higher risks for cancellation of the offering. We consider the offer, which is close to our TP of EUR 28.80, as attractive, and recommend the shareholders to accept the offer.

Relevant facts about the take-over offer:

- ▶ TE offers EUR 28.25 per share in cash, this implies a premium of 14.6% to the closing price on May 24, which was the last trading day before TE's interest was made public on May 26, and a premium of 31.7% to the 3-month volume weighted average share price
- ▶ The offer of EUR 28.25 per share values First Sensor at an EV of 307m, implying a FY 2019e EV/EBITDA of 12.5x and an EV/EBIT of 20.6x. The implied P/E for FY 2019e is 32.4x. Our correspondingly peer group multiples for FY 2019e are 10.8x, 16.1x and 19.5x on average.
- ▶ All major shareholders, which are holding in total 67% of all outstanding shares, have already agreed to tender their shares. Since TE is not looking for minimum acceptance quota, the commitment of the major shareholders means basically, that the take-over is successfully done.
- ▶ Legal risks should be rather manageable, and we do not expect antitrust related risks, given the relatively small size of First Sensor.
- ▶ The take-over is expected to be closed by mid-2020, at the latest.
- ▶ Bear in mind, that our TP of EUR 28.80 is based on our DCF model, which considers a FY 2018-23e revenue CAGR of 7.3%, and an EBIT CAGR of 11.3%.

Zafer Rüzgar
+49 69 58997 412, zafer.ruezgar@paretosec.com

Pareto Securities AS has been paid by the issuer to produce this research report. This material is considered by Pareto Securities to qualify as an acceptable minor non-monetary benefit according to the EU MIFID 2 directive.