

Hanza: Expanding in Germany

Redeye's first impression of Hanza's cost-efficient strategic acquisition is positive. The acquisition strengthens Hanza's German cluster, and management seems confident it can turn the business profitable shortly.

A few days ago, Hanza announced the acquisition of Helmut Beyers, a German electronics manufacturer. The modern factory is based in Mönchengladbach, only 70 kilometers from Hanza's existing facility in Remscheid. The factories complement each other and strengthen Hanza's emerging German cluster.

Beyers is expected to generate EUR 18m in sales in 2021, a 10% decline relative to 2020 due to the Corona pandemic. The business is currently running at a zero margin, which also is negatively affected by the pandemic. Hanza pays EUR 2.7m (plus an earn-out up to EUR 2.5m), equal to 0.15x sales excluding earn-out. Given that Hanza can make the facility profitable, 0.15x sales is a bargain. Considering that Hanza expects the acquisition to contribute to profits in 2022, management seems confident Beyers can soon become profitable.

Our first impression of the acquisition is positive. It will strengthen Hanza's German cluster and is likely to do so in a very cost-efficient manner. Considering management's optimistic comments about market conditions in the Q2 report combined with the statement about the acquisition becoming profitable in 2022, we believe the odds of a successful acquisition are high – especially considering the modest purchasing price.

Interestingly, the seller has bought Hanza shares for a significant share of the purchasing price, indicating a solid conviction of the company's prospect.

We will be back with revised forecasts and Base Case (our initial take suggests an increase) following Hanza's Q3 report published on 9 November.

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Analyst Fredrik Nilsson owns shares in Hanza Holding Group: NO