

# Clere AG

Germany / Plastic Processing  
 Primary exchange: XETRA  
 Bloomberg: BAFK GR  
 ISIN: DE0005215107

Q3 15/16 results

**RATING**  
**PRICE TARGET**  
 Return Potential  
 Risk Rating

**BUY**  
**€34.00**  
 30.2%  
 Medium

## EXPECTING CLERE TO EXTEND BALDA'S STRONG PERFORMANCE RECORD

We estimate Clere's cash position following the recent sale of its operations and adjustment of the end-March balance sheet for taxes, warranties/indemnities and other costs at €203m (€3.40 per share). At €26.11 Clere is currently trading at a discount of 24.1% to this figure. In our view, the discount is attributable to uncertainty as to the outcome of the transactions which Clere will pursue to implement its new business model. However, given the 54.6% total return generated by the Clere/Balda share (a CAGR of 13.8%) since the beginning of 2013 under a management team including the current Supervisory Board Chairman and major shareholder, Thomas van Auel, we find this discount unjustified. Our price target is unchanged at €34.00 and our recommendation remains Buy.

**Sale of entire operating business effective 10 March** Clere published Q3 results for the year ending 30 June on 12 May. On 10 March Clere's predecessor company, Balda, sold its entire operating business to the Italian company, Stevanato. The result of the continuing business showed sales of €0m (Q3 14/15: €0m) and EBIT of €-2.5m (Q3 14/15: €1.3m). Other operating expenses including litigation costs in the USA and expenses in connection with the EGM on 29 January accounted for 87% of the Q3 15/16 operating loss.

**Court case with sellers of Brewer Inc. settled** In April Clere settled its US court case with the sellers of Brewer Inc., which was acquired by Balda in late 2012. The settlement entails the payment of €0.5m to the sellers. Balda had made a €0.5m provision and so this had no impact on the Q3 P&L account.

**Elector makes offer for outstanding shares after its stake reaches 30%** Elector GmbH announced on 8 April that it had acquired an additional 871,143 shares (87,114 shares following the capital reduction later the same month) in the company at €2.55 per share (€25.50 following the capital reduction), thereby raising its stake from 29.43% to 30.91%. Under German law, shareholders gaining a stake of 30% or more in a company...(p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2011	2012	2012/13	2013/14	2014/15	2015/16E
Revenue (€m)	66.35	24.71	59.91	70.52	85.44	0.00
Y-o-y growth	-0.5%	-14.5%	107.3%	17.7%	42.6%	n.a.
EBIT (€m)	-6.04	-14.70	-12.63	-4.73	-12.07	-7.00
EBIT margin	-8.5%	-46.4%	-17.8%	-5.5%	-14.1%	n.a.
Net income (€m)	-39.14	250.70	13.48	5.86	-12.74	34.00
EPS (diluted) (€)	-6.65	42.57	2.29	1.00	-2.16	5.77
DPS (€)	13.00	20.00	0.00	15.00	20.00	0.00
FCF (€m)	0.59	-6.40	168.90	5.09	0.40	110.00
Net gearing	-7.6%	-90.2%	-84.2%	-80.2%	-83.2%	-107.7%
Liquid assets (€m)	35.90	401.20	283.30	194.80	199.24	210.00

### RISKS

The main risk to our price target is the failure to effectively deploy the c. €160m remaining in Clere after the €9.00 per share payout to shareholders.

### COMPANY PROFILE

Clere AG's predecessor company, Balda AG, recently sold its entire operating business in precision plastic components for the healthcare sector and for customers in optics, electronics, automotive and other industries to the Italian company, Stevanato. Clere will use the proceeds to adopt a new business model. It is headquartered in Bad Oeynhausen near Hanover.

### MARKET DATA

As of 16 May 2016

Closing Price € 26.11  
 Shares outstanding 5.89m  
 Market Capitalisation € 153.76m  
 52-week Range € 21.91 / 35.00  
 Avg. Volume (12 Months) 12,907

Multiples	2013/14	2014/15	2015/16E
P/E	26.2	n.a.	4.5
EV/Sales	n.a.	n.a.	n.a.
EV/EBIT	n.a.	n.a.	n.a.
Div. Yield	57.4%	76.6%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 31 Mar 2016

Liquid Assets € 177.65m  
 Current Assets € 203.25m  
 Intangible Assets € 0.00m  
 Total Assets € 218.82m  
 Current Liabilities € 18.00m  
 Shareholders' Equity € 199.90m

### SHAREHOLDERS

Elector GmbH 30.9%  
 Free Float 69.1%



...must make an offer for the remaining shares. Elector's offer of €25.50 per share runs from 10 May to midnight on 7 June.

**End March cash position of €217m** Clere's end March balance sheet showed cash and other interest bearing assets of €217m. Following the disposal of the operations there are no interest-bearing liabilities or lease liabilities on the balance sheet. However, as of end March, tax liabilities on the sale of the operations to Stevanato of €5.0m, tax liabilities in the Netherlands of €6.6m and the €0.5m liability in connection with the Brewer court case were still outstanding. Our updated sum of the parts valuation (see figure 1) also continues to incorporate indemnity against legal disputes and warranties as stipulated by the Stevanato purchase agreement. As we did in our note of 3 March, we assume that Stevanato claims against one third of the warranties and indemnities. The updated sum of the parts valuation shows a cash position of €203m (€34.40 per share). At €26.11 the Clere share is currently trading at a 24.1% discount to this number. The scheduled €53m (€9.00 per share) payout to shareholders in connection with the recent 10:1 reduction in the nominal share capital will be made during the second half of calendar 2016 and so does not affect our 2015/16E liquid assets forecast.

**Future business to be focused on European energy technology** The statement on Clere's future business strategy in the Q3 report is similar to that made in the Q2 report. The Q3 report states that "the remaining group... will seek high-return, long term investments. Environmental and energy solutions will be considered, as well as the creation of a profitable portfolio of equity interests in medium-sized companies, whose focus can also lie within the area of environmental and energy technology. This investment strategy will be supplemented by opportunistic short-term financing situations, which frequently occur when infrastructure projects are being created... Business activities will be focused on Europe."

**Figure 1: Sum of the Parts Valuation**

All amounts in €m	Old		New	
	min	max	min	max
Net cash including Stevanato offer price	214.7		217.0	
Profits of Balda Medical GmbH & Co KG	3.1		0.0	
Receivables balance current account	0.8		0.0	
Tax on purchase price	-5.0		-5.0	
Cash transferred with the operating business	0.0		0.0	
Tax liabilities in Netherlands	-6.6		-6.6	
Transaction costs	-3.0		0.0	
Payment to Paragon	0.0		0.0	
Cost of name change	-0.1		0.0	
Warranties and indemnities	-6.8	-0.8	-6.2	-0.5
of which:				
Indemnification claims for C.+ M. Brewer remuneration	-1.1	-0.8	-0.5	-0.5
Indemnity against threatening legal disputes	-2.0	0.0	-2.0	0.0
Warranties	-3.7	0.0	-3.7	0.0
<b>Total</b>	<b>197.1</b>	<b>203.1</b>	<b>199.2</b>	<b>204.9</b>
<b>Per share (€)</b>	<b>33.47</b>	<b>34.49</b>	<b>33.83</b>	<b>34.79</b>

Source: Balda; First Berlin Equity Research

**We maintain our Buy recommendation and €34.0 price target** In our view, the 24.1% discount at which Clere is trading to our estimate of its post-disposal cash position is attributable to uncertainty as to the outcome of the transactions which it will pursue in order to implement the new business model outlined above. The 2012 year-end closing price of the Balda share was €33.70 (adjusted for the recent capital reduction). Since then, Balda has paid dividends totalling €26.0 per share. The total return over the past 40 months has been 54.6%, equivalent to a CAGR of 13.8%. This performance has been generated by a management team including the current Supervisory Board Chairman and major shareholder, Thomas van Aubel. Given this record, we believe Clere's discount to its net cash position to be unwarranted. We maintain our Buy recommendation and €34.0 price target.

**FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY**

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	3 March 2006	€56.50	Buy	€92.00
2...42	↓	↓	↓	↓
43	27 November 2015	€32.20	Add	€43.00
44	20 January 2016	€22.90	Buy	€42.00
45	3 March 2016	€23.30	Buy	€34.00
46	Today	€26.11	Buy	€34.00

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**BUY:** An expected favourable price trend of more than 25% percent.

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- sensitivity of valuation parameters

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