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Team E | Investment Banking

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# Assignment Case Study Omega Solution

# Omega Group Overview

## Industry

Global leader in packaging machinery, focusing on delivery of integrated packaging solutions for the dairy and food industries.

## Geography

Strong presence in Europe and America (Omega's core markets), and with significant sales in AME, expanding in APAC and EE.

## Size

Production sites including 1,000 people, sales revenues 323.8 Million EUR in 2023, with one of the largest installed bases in the industry (more than 11,111 machines).

## Profitability

EBITDA 18.2M € (5.6% of sales) in 2023, reaching 33.4M€ (8% of sales) in 2026,  
EBIT 10.6 M € (3.3% of sales ) in 2023, reaching 25.6M € (6.2% of sales) in 2026

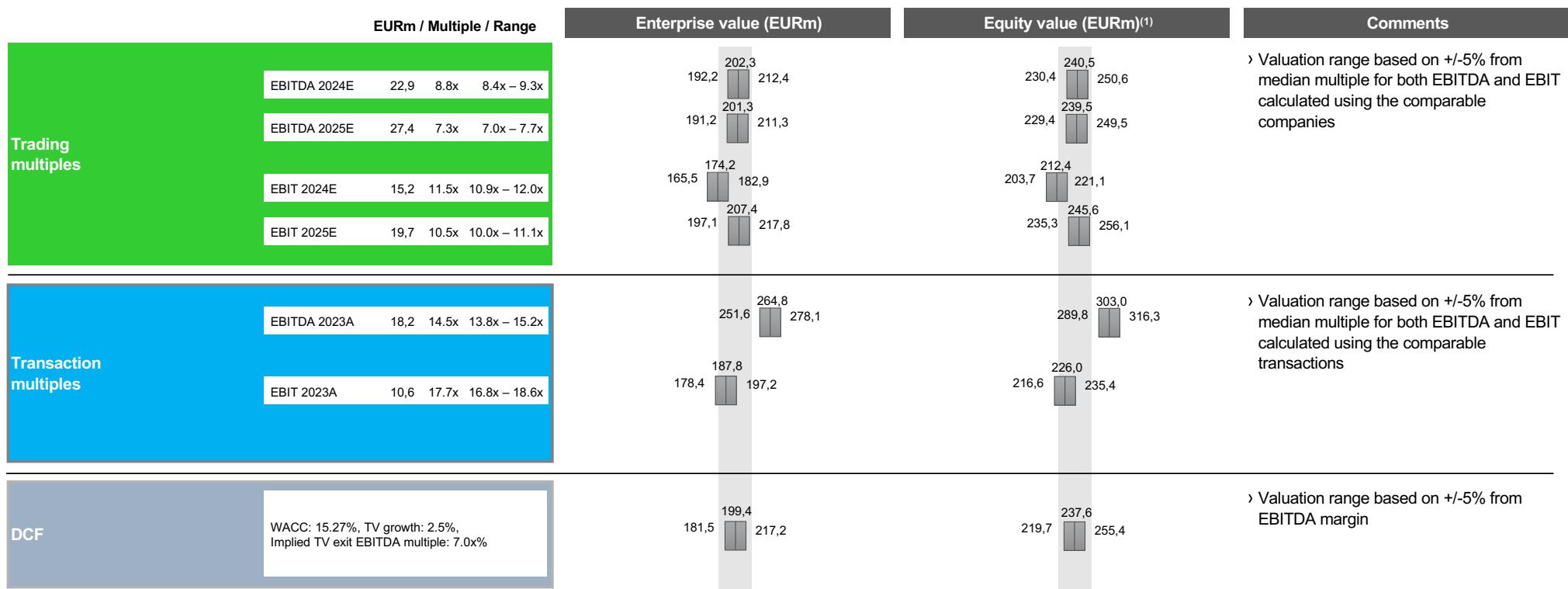
## Market Trend

Packaging machinery market 21.3b € in 2022 Growth 4.8% p.a. until 2026.  
The group addressable market with 1.9b € in 2022 Growth 5% p.a. until 2026.  
End market dairy and food market with stable growth.



## Summary

# Valuation of Omega Group



Sources: Bridge amount (2023) applied is 38,2m

## Trading Comparables

# Analyzing Comparable Companies

### Multiples

Companies	EV / EBITDA				EV / EBIT			
	2023A	2024E	2025E	2026E	2023A	2024E	2025E	2026E
Bobst Group SA	5,80x	na	na	na	6,82x	na	na	na
CKD Corp.	5,89x	9,62x	7,35x	5,68x	7,74x	15,00x	10,53x	7,82x
Gea Group AG	11,87x	8,84x	8,49x	8,08x	13,82x	11,46x	10,93x	10,63x
Krones AG	8,44x	7,28x	6,35x	5,82x	12,39x	10,43x	8,60x	7,72x

Companies	EV / Sales				P / E			
	2023A	2024E	2025E	2026E	2023A	2024E	2025E	2026E
Bobst Group SA	0,52x	na	na	na	7,57x	na	na	na
CKD Corp.	1,03x	1,38x	1,28x	1,13x	11,70x	na	na	na
Gea Group AG	1,32x	1,30x	1,26x	1,21x	16,40x	14,64x	13,92x	12,98x
Krones AG	0,82x	0,74x	0,69x	0,66x	17,73x	14,40x	11,86x	10,67x

EV / EBITDA	2024E	2025E
Low (-5%)	8,4x	7,0x
<b>Median</b>	<b>8,8x</b>	<b>7,3x</b>
High (+5%)	9,3x	7,7x

EV / EBIT	2024E	2025E
Low (-5%)	10,9x	10,0x
<b>Median</b>	<b>11,5x</b>	<b>10,5x</b>
High (+5%)	12,0x	11,1x

### Peer selection approach:

- ★ Industry & Segment
- ★ Product Overlap
- ★ Geography
- ★ Size
- ★ Profitability Metrics
- ★ Market Trends

### Score:

★ ★ ★ ★ ★ ★	Alfa Laval AB
★ ★ ★ ★ ★ ★	Deutz AG
★ ★ ★ ★ ★ ★	DMG Mori co.
★ ★ ★ ★ ★ ★	Dürr AG
★ ★ ★ ★ ★ ★	CKD Corp.
★ ★ ★ ★ ★ ★	Gea Group AG
★ ★ ★ ★ ★ ★	Krones AG
★ ★ ★ ★ ★ ★	<b>Bobst Group SA</b>

## Transaction Comparables

# Analyzing Comparable Transactions

### Selected precedent transaction analysis

Date	Acquiror	Target	Target country	Target business description	Stake acquired	EV (100%) EURm	Enterprise value multiple (LTM)			EBITDA margin
							Sales	EBITDA	EBIT	
Jul-20	SOFIMA SpA	IMA SpA	IT	Developer and manufacturer of automatic machines for processing and packaging of pharma, cosmetics, food, tea and coffee	52%	1.557,0	2,40x	17,7x	21,2x	13,5%
Apr-22	HIG Capital LLC	SIAT SpA	IT	Market leader in the manufacturing of machines for the packaging industry	100%	119,1	1,90x	17,7x	n/a	10,5%
Apr-20	Truking Technology Ltd	Romaco Pharmatechnik GmbH	GER	Manufacturer of process and packaging systems for various industries (e.g. pharma, food, cosmetics, chemicals), as well as powders and liquids, sterile and non-sterile	75%	167,9	1,60x	n/a	44,7x	n/a
Jun-19	IMA SpA	GIMA TT SpA	IT	Developer and manufacturer of integrated packaging lines for tobacco products	40%	258,0	3,70x	9,5x	9,6x	38,7%
May 17	CVC Capital Partners	AR Packaging	SWE	Company that provides packaging solutions	100%	521,1	1,01x	11,4x	14,2x	8,9%
							Median	1,75x	14,55x	17,72x
							Average	1,85x	14,08x	22,43x
							High (+5%)	1,84x	15,28x	18,60x
							Low (+5%)	1,66x	13,82x	16,83x
										12,0%
										17,9%
										12,6%
										11,4%

### Industry

Packaging solutions for the food and dairy industries, or related (pharma, consumer goods, etc.).

### Geography

Preference for transactions in Europe, and markets that Omega Group operates.

### Size

Similar-sized companies.

### Time-Frame

< 6 Years

## Discounted Cash Flow (DCF) Valuation

# DCF Analysis

Eur (m)	2021A	2022A	2023A	2024E	2025E	2026E	2027E (NY)
Sales	294.0	297.2	323.8	384.2	397.6	415.5	423.8
% growth		1.1%	9.0%	18.7%	3.5%	4.5%	2.0%
EBITDA	2.9	15.2	18.2	22.9	27.4	33.4	29.5
% of Sales	1.0%	5.1%	5.6%	6.0%	6.9%	8.0%	7.0%
D&A	(6.3)	(6.8)	(7.6)	(7.7)	(7.7)	(7.8)	(8.0)
% of Sales	(2.1%)	(2.3%)	(2.3%)	(2.0%)	(1.9%)	(1.9%)	(1.9%)
EBIT	(3.4)	8.4	10.6	15.2	19.7	25.6	21.6
% of sales	(1.2%)	2.8%	3.3%	4.0%	5.0%	6.2%	5.1%
Taxes	(1.0)	2.5	3.2	4.6	5.9	7.7	6.5
NOPAT			7.42	10.64	13.79	17.92	15.09
D&A			7.6	7.7	7.7	7.8	8.0
Capex			(7.0)	(9.0)	(8.4)	(8.6)	(8.8)
Change in NWC			11.2	5.2	(8.8)	(0.4)	0.7
Free Cash Flow				4.1	21.9	17.5	13.6
Discounted FCF				3.81	18.59	13.71	9.81
Discounted TV							153.52

**Enterprise Value**

**~199M**

**Equity Value**

**~238M**

**Bridge**

**-38.2M**

Sensitivity analysis								
	199.44	0.50%	1.00%	1.50%	2.00%	2.50%	3.00%	3.50%
TV EBITDA / Sales	5.5%	128.8	133.8	139.4	145.9	153.5	162.4	173.2
	6.0%	143.1	149.1	155.9	163.7	172.9	183.7	196.6
	6.5%	157.4	164.3	172.3	181.5	192.2	204.9	220.1
	7.0%	171.6	179.6	188.8	199.3	211.6	226.2	243.6
	7.5%	185.9	194.9	205.2	217.1	231.0	247.4	267.0
	8.0%	200.1	210.2	221.7	234.9	250.4	268.6	290.5
	8.5%	214.4	225.5	238.1	252.7	269.8	289.9	314.0
Long term growth	199.44	10.02%	9.52%	9.02%	8.52%	8.02%	7.52%	7.02%
	0.5%	143.79	151.77	160.69	170.70	182.05	195.00	209.92
	1.0%	149.31	158.05	167.88	179.00	191.70	206.34	223.40
	1.5%	155.47	165.11	176.02	188.48	202.84	219.57	239.32
	2.0%	162.40	173.11	185.33	199.41	215.82	235.20	258.41
	2.5%	170.26	182.25	196.06	212.16	231.16	253.93	281.73
	3.0%	179.23	192.78	208.58	227.22	249.56	276.82	310.84
	3.5%	189.58	205.07	223.36	245.27	272.02	305.39	348.23

### WACC calculation

#### 1. Target financial structure

Equity / (Equity + Debt)

Region	%operations	ERP
Germany	80%	6.01%

50.0%

Debt / (Equity + Debt)

50.0%

#### 2. Cost of equity

13.3%

Risk free rate

2.5%

Market premium

6.4%

Unlevered beta

1

Re-levered beta

1.7

#### 3. Cost of debt

3.7%

Debt premium

2.8%

Tax rate

30.0%

Theoretical WACC

8.52%

Weighted Premium		6.39%

# Limitations and Conclusion

## Limitations

### Assumptions Sensitivity and Data constraints:

- Trading and transaction multiples are **significantly dependent on the selection of comparable firms** and transactions. For example, many transactions did not have the multiple values, or they were not located geographically in similar regions and hence could not be included.
- Discounted Cash Flow (DCF) analysis assumes, 2% LT growth rate, 8.52% WACC, and 7% EBITDA margin.  
**Changes in these value will significantly impact the valuation**

### Non-Financial Factors:

- Intangible factors like brand value, management expertise, and market sentiment are not fully captured by these methods

## Conclusion

### Valuation range

- While each valuation methods results in a unique value, the results are within a reasonable range (165M-278M) for Enterprise Value and ~(204-316M) for Equity Value) with DCF offering an intrinsic perspective and multiples reflecting market dynamics

### Recommendation

- As the sell-side, we should aim to:
  - Ensure that the final valuation of our company is not below the DCF intrinsic valuation
  - Be within the range of the transaction multiple valuation because that reflects recent market trends

# Thank you!