

V-Zug Spin-Off: Possible Preparation For Sale To Chinese Giants

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In March of 2020, Electrolux completed a [spin-off](#) of Electrolux Professional, its Professional Products unit.

In January of 2020, Philips [announced](#) that it plans to sell its Domestic Appliances business. More recently it was [reported](#) that Philips has reached out to a number of companies, among them Chinese [Haier Group](#) and [Midea Group](#), as well as private equity firms.

We think that recent spin-off of Swiss high-quality and premium household appliances manufacturer V-Zug Holding AG is part of the same trend and that V-Zug could be an attractive acquisition target.

V-Zug current market capitalization is CHF 479 mil, net cash is CHF 65 mil and Enterprise Value is CHF 414 mil. Company is currently valued at an EV/EBITDA valuation multiple of x7.2.

Philips division, according to reports, could fetch as much as \$4 bil or about a x1.5 Price/Sales valuation multiple. Applying similar valuation to V-Zug would value the company at CHF 137 per share. This would reflect an EV/EBITDA valuation multiple of x14 based on company's FY 2019 results.

We think that this is not unreasonable given company's resilient results during H1 of 2020 and significant growth potential in international markets.