

ISSUER COMMENT

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Wendel SE

Acquisition of majority stake in IK Partners enhances business profile

On 17 October, [Wendel SE](#) (Baa2 stable) announced that it had entered into exclusive negotiations to acquire a 51% stake in IK Partners (IK), a private equity investment firm focused on European businesses, for a total of €383 million. The investment in IK and future investments into IK-managed funds, in line with Wendel's strategy of developing its third-party asset management business, will improve Wendel's asset diversification and result in recurring fund management fee income, a credit positive.

The company also announced that it intends to launch a €100 million share buyback programme, with the shares to be used for management incentive plans as well as fund potential acquisitions. We expect Wendel to fund both transactions with cash on hand. Pro forma pending transactions including the share buyback, Wendel's net market value leverage (MVL) ratio would remain at around 8%, in line with our expectations for the Baa2 rating.

The investment in IK Partners, future co-investments into IK-managed funds and expected fee income all enhance Wendel's business profile, which will benefit from improved asset diversification and an additional meaningful source of cash income. Wendel expects IK to generate around €60 million in pre-tax fee-related earnings by 2024. In addition, 20% of IK's carried interest of its future funds, from IK X onwards, will be attributable to Wendel.

The payments to acquire IK Partners will be staggered, with €255 million paid at the transaction's closing, which is expected in the first half of 2024. The second tranche of €128 million will be paid three years after closing, subject to certain conditions. Wendel would acquire the remaining 49% of IK Partners' capital in subsequent transactions between 2029 and 2032. Wendel has also committed to participating in future fundraising by IK Partners of up to a maximum of 10% of the capital raised, which would allow it to further diversify its own investments. Currently, more than half of Wendel's portfolio value consists of its investment in Bureau Veritas.

Wendel in July this year announced the sale of Constantia Flexibles for up to €1.1 billion; the transaction is expected to close in the second half of 2023. We expect Wendel to use cash, supported by the proceeds from the Constantia transaction, to fund the initial 51% stake in IK and share buyback. As of 30 June, Wendel had a Moody's-adjusted MVL ratio of 8.7%. Pro forma the acquisition of Scalian, which closed in July, the divestment of Constantia Flexibles, the acquisition of the 51% stake in IK, Wendel sponsor money to be committed to IK X and the share buyback, the MVL is around 10.0%.

Paris-based Wendel is the parent company of the Wendel group, a leading investment holding company in Europe. It reported a net asset value of around €7.2 billion as of 30 June.

Wendel is listed on the Paris Stock Exchange and had a market capitalisation of around €3.3 billion as of 17 October.

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