

LDR Holding

Price USD22.58

Acquisition by Zimmer Biomet at USD37/share (all cash offer)

Fair Value USD37 vs. USD38 (+64%)

TENDER TO THE OFFER vs. BUY

Bloomberg	LDRH US
Reuters	LDRH.OQ
12-month High / Low (USD)	45.7 / 16.8
Market Cap (USDm)	660
Ev (BG Estimates) (USDm)	543
Avg. 6m daily volume (000)	424.6
3y EPS CAGR	-37.5%

Zimmer Biomet acquires LDR for USD37 per share (64% premium on yesterday's closing price). This all cash offer values LDR at around USD1bn (5.5x 2016e sales). While the deal, approved by both board, is expected to be closed in Q3 2016, we do not rule out that this might occur earlier. LDR is in our view a strategic fit into ZBH, and we believe that recognition of cervical disc replacement should be even more important now. We move our rating from BUY to TENDER TO THE OFFER.

ANALYSIS

- Zimmer Biomet announced the acquisition of LDR Holding in an all cash offer valuing the company at USD1bn (USD37/share). Both boards agreed to the deal which is expected to close in Q3 2016, more precisely by October 2016 regarding ZBH's management comment during conference call. While this could appear fast considering the ongoing integration of Biomet we do not rule out that the deal could close earlier. Indeed, we see 1/ few overlap in between the two companies' portfolio, 2/ announced integration of LDR's top management into ZBH and 3/ ZBH's guidance raise announced alongside the acquisition as main reasons. Christophe Lavigne and Patrick Richard, respectively CEO and VP General Manager of LDR and LDR Médical should remain in key leadership positions into ZBH's. LDR's location in Austin (Texas, USA) and France should be maintained.
- LDR's is a high strategic fit into ZimmerBiomet's portfolio. While the acquirer is a leader in the a musculo-skeletal space, it only holds a 5% market share in the USD10bn spine segment. ZBH only offered fusion and few minimally invasive lumbar fusion products so far and the acquisition of LDR enables it to address the ~USD1bn cervical dis market opportunity. During the conference call, ZBH's management described as a strategic growth engine. Sales synergies have been highlighted with opportunity for Zimmer Biomet to now address in a more easy way than LDR the 50% remaining US surgeons. This could also help for the recognition of LDR's cervical disc replacement products and integration in payers list.
- Please see below our last notes on LDR:
 - 15-janv.-16 [Feedback from roadshow with CEO](#)
 - 10-févr.-16 [MOBI-C five-year cost-effectiveness data published in a journal to trigger inclusion in payers' lists](#)
 - 25-févr.-16 [Long-term vision and ambition brings confidence](#)
 - 11-mai-16 [Good sales progression in Q1 despite strong comps](#)

VALUATION

- We move our fair value from USD38 to USD37 and our Rating from BUY to TENDER TO THE OFFER.
- With both boards having agreed to the offer, we see very unlikely an increased offer from a third party.
- As a reminder, LDR's IPO in October 2013 was at USD15/share.

NEXT CATALYSTS

- Q3 2016: expected closing of the operation (Zimmer Biomet communicated on a closing towards October 2016).

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Distribution of stock ratings

BUY ratings 56,2%

NEUTRAL ratings 34%

SELL ratings 9,7%

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