

## Lombard



# Crisis, what crisis?

### Jonathan Guthrie

Buccaneering buyout group Melrose is purchasing Nortek, a Nasdaq-listed heating and air conditioning group, at an enterprise value of \$2.8bn and an equity price of \$1.4bn. Shareholders are stumping up £1.6bn via a fully underwritten rights issue. The shares soared 46 per cent to an all-time high, anticipating juicy returns.

So what if sterling has dropped 12.6 per cent against the dollar since the referendum? The guys at Melrose are alumni of mini-Hanson Wassall. They wrestle alligators for breakfast and barbecue buffalo for lunch.

“Buy, improve, sell” is the chant that supplants “Ere we go, ‘ere we go, ‘ere we go” for fans of the group.

Nortek is pricey, as you’d expect when the vendors of a 69 per cent stake are tough US distressed debt funds.

Melrose is paying \$86 a share, 10 times underlying earnings and an 81.3 per cent premium to the six-month average. But the Old Wassalians expect to slash net debts of around \$1.4bn to raise earnings and to invest.

You don’t fight the Fed and you mustn’t bet against Melrose. This takeover is a testimony to the animal spirits of the management team and the ability of the City to finance in fraught times. Melrose high-ups Christopher Miller and David Roper pumped some of their bonuses into the Leave campaign. Now, like their investors, they are buying while the blood is running in the streets.