

# Tech Insights #322

## A Tale of Two Acquisitions

### Overview

On the back of the recently announced \$1 sale of Torpedo7, this Tech Insights report examines two companies that The Warehouse Group acquired at a similar time and price, Torpedo7 and Noel Leeming. Torpedo7 specialises in outdoor sports gear while Noel Leeming in consumer electronics. We compare how they have performed since the acquisition by looking into their financials and key metrics to demonstrate the stark differences between the fate of the two companies.

	Revenue (\$m)	Op. margin	Business model
<b>Total</b>	<b>3,399</b>	<b>1.8%</b>	<b>Low margin at scale</b>
	1,892	3.8%	Low margin at scale
	1,061	2.6%	Low margin at scale
	249	9.3%	Good margin
	162	(13.7%)	Neither
	34	(65.4%)	New product

### What \$1 buys

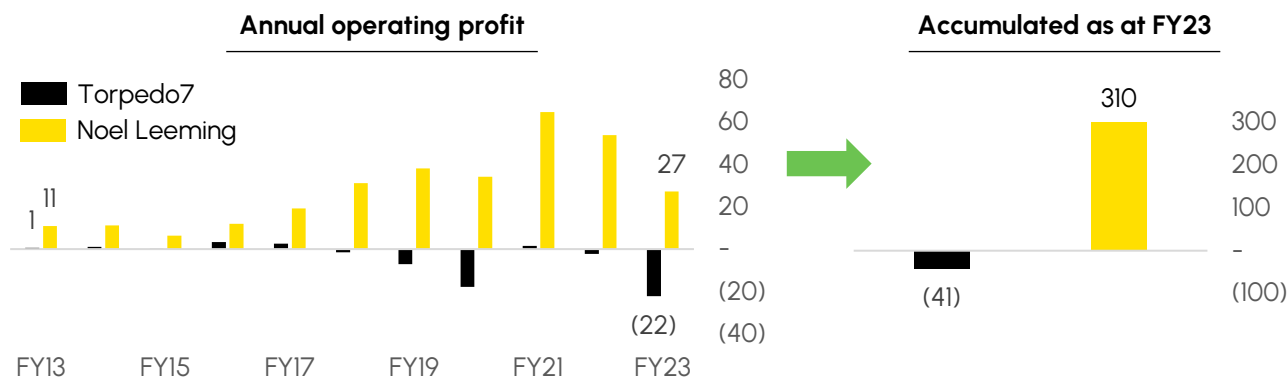
<b>Net op. assets</b> \$54m	<b>Operating profit</b> (\$22m)
<b>Store count (leased)</b> 25	<b>Estimated Salary cost</b> \$32.9m

Net operating assets is from FY22 and excludes lease assets/liabilities

### Key information for first full year

NZD \$m	Torpedo7	Noel Leeming
<b>Financial year</b>	<b>FY14</b>	<b>FY14</b>
Revenue	108	621
Operating profit	1	11
Identifiable NTA	25	33
Store count # – (leased)	10	77

### Torpedo7 vs Noel Leeming's operating profit (NZD \$m)



Note that we have used operating profit as an approximation for cash flow. The operating profit figures are all presented on a pre-IFRS 16 basis. The price of Noel Leeming includes \$8m of debt acquired.

### Returns comparison

NZD \$m	Torpedo7	Noel Leeming
<b>Acquired: 2013</b> Price: \$79m		
<b>Acquired: 2012</b> Price: \$73m		
Acquisition	(53)	(73)
Bolt-on acquisitions	(27)	-
<b>Total investment</b>	<b>(79)</b>	<b>(73)</b>
Accum. operating profit	(41)	310
Exit/implied value	-	273
<b>Total return</b>	<b>(41)</b>	<b>583</b>

Note Noel Leeming's implied value is assumed by taking the median EBIT multiple of its industry peers. Analysis excludes change in net working capital.

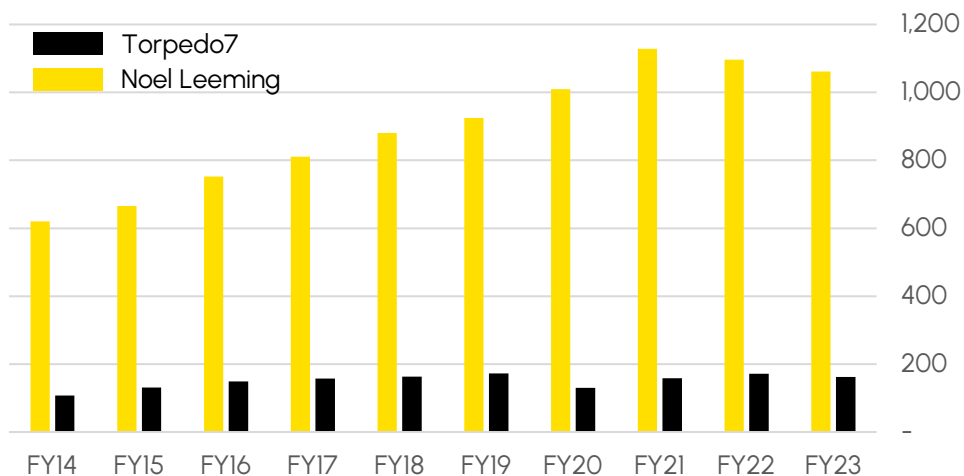
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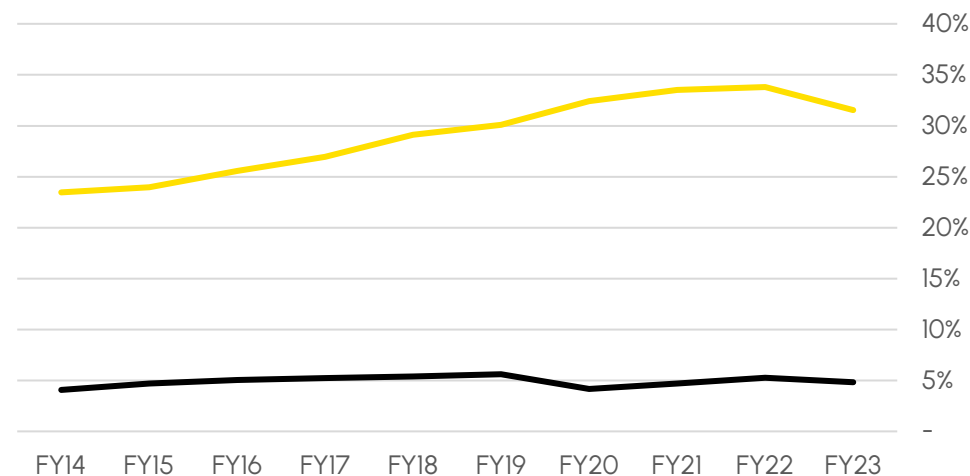
Mergers & acquisitions  
Corporate finance advisory  
Capital raising  
18 March 2024



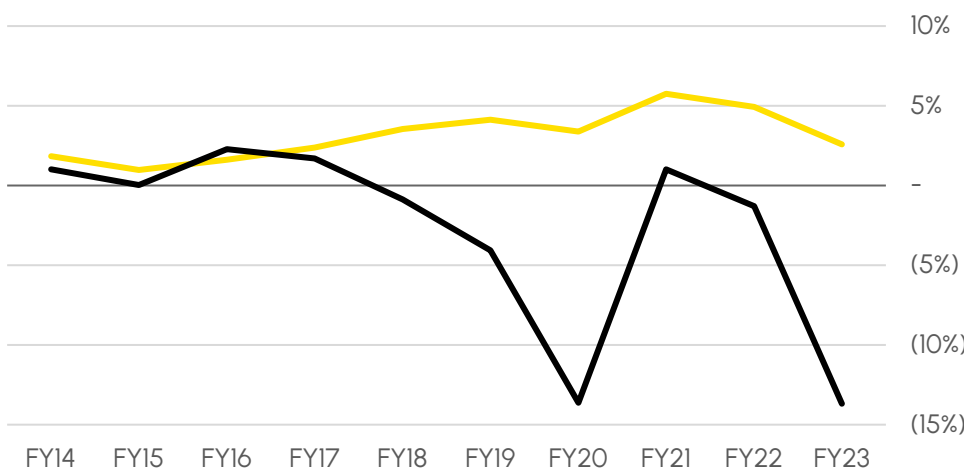
Revenue (NZD \$m)



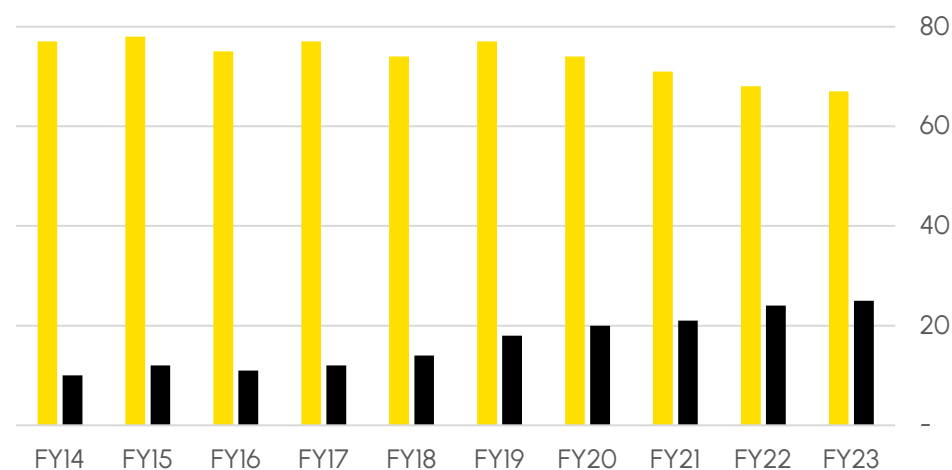
% of total retail revenue



Operating profit margin



Store count (#)



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