

BSIC has brought you some of the most interesting deals over the last week, we hope you'll enjoy!

Franklin Templeton acquires Legg Mason for 4.5bn

Deal Value: **\$4.5bn** | Deal Type: **Acquisition** | Date: **18-Feb-2020** | Nationality: **US** | Subsector: **Finance**

Franklin Templeton, the US global investment firm with \$740bn of AUM, is set to acquire its competitor Legg Mason for \$4.5bn in an all-cash transaction, paying a 23% premium. The acquisition of Legg Mason will establish Franklin Templeton as one of the world's largest independent global investment managers with a combined \$1.5T AUM. During the last recent years, midsize companies such as Franklin and Legg Mason have suffered investor outflows from their funds to passive funds which charge lower fees for replicating market performance. This acquisition is the latest in a series of deals between midsize companies trying to get rid of back and middle office personnel in order to reduce costs and become more competitive. According to some analysts, the deal is expected to generate \$200m in annual cost savings and more than 20% GAAP EPS accretion in Fiscal 2021, excluding one-time charges, non-recurring, and acquisition-related expenses. Furthermore, Franklin Templeton will expand its product offering and gain exposure to new asset classes such as infrastructure and real estate. PJT Partners and J.P. Morgan Securities served as financial advisors to Legg Mason. Broadhaven Capital Partners, Morgan Stanley & Co and Ardea Partners served as financial advisors to Franklin Resources.

Dell sells cybersecurity firm RSA for 2.08bn to a consortium led by STG

Deal Value: **\$2.08bn** | Deal Type: **Acquisition** | Date: **18-Feb-2020** | Nationality: **US** | Subsector: **Cybersecurity**

Dell is set to sell its RSA cybersecurity business for \$2.08bn in cash to a consortium led by private equity Symphony Technology Group (STG) and includes Ontario Teachers' Pension Plan Board, and AlpInvest Partners among others. RSA was acquired by Dell in 2015 as part of the purchase of EMC and more than 13 years later, RSA is being spun out from Dell Technologies for \$250m less than EMC initially had to pay for the business. The deal continues Dell's trend of selling off its security unit. Dell moved aggressively into the cybersecurity space in the early 2010s, but in 2016, amid disappointing results, the company changed its strategy and decided to sell its security units Quest and SonicWALL to private equity firm Francisco Partners. Last year, Dell began conducting early-stage conversations about selling off RSA, and was aiming to receive at least \$1bn, including debt, according to a Bloomberg report. The sale is expected to "simplify" Dell's business, since RSA and Dell had radically different go-to-market models, and let Dell Technologies focus on its strategy to build automated and intelligent security. Morgan Stanley acted as exclusive financial advisor to Dell Technologies. UBS Investment Bank and Jefferies LLC acted as financial advisors to STG.

Morgan Stanley acquires E-Trade for \$13bn

Deal Value: **\$13bn** | Deal Type: **Acquisition** | Date: **20-Feb-2020** | Nationality: **US** | Subsector: **Finance**

The long-rumored sale of E-Trade to a big Wall Street house has finally arrived, and it's not Goldman Sachs as it was imagined, but Morgan Stanley making the buy in what is yet another consolidation in the brokerage industry [[see our article on Schwab's acquisition of Ameritrade](#)]. This is the biggest acquisition by a major Wall Street bank since the 2008 financial crisis. The electronic trading platform will add 5 million retail customers, \$360bn in assets, and an online bank to Morgan Stanley's wealth managers. The acquisition of E-Trade by Morgan Stanley is a clear declaration of intent as CEO James Gorman said: "We'll take on Schwab. We'll take on Fidelity ... This isn't about legacy-building; it's about getting [Morgan Stanley] ready for prime time". Additionally, MS expects to realize \$400m from cost cuts and \$150m more in savings from using E-Trade's low-cost deposits to replace more expensive funding. The end might be approaching for independent discount brokerages with acquisitions likely to continue as fast-growing fintech platforms with their disruptive ideas, like the zero-commission trades, change the game and attract new money.

Victoria Secret to go private

Deal Value: **\$525m** | Deal Type: **Privatization** | Date: **20-Feb-2020** | Nationality: **US** | Subsector: **Retail**

L Brands is set to sell a 55% stake for \$525m of Victoria's Secret to Sycamore Partners, giving the famous lingerie brand a total enterprise value of \$1.1bn. L Brands and the private equity firm will split control of the brand but it will be spun-off into a fully private company. Over the past years, Victoria's Secret has failed to adapt to changing consumer preferences and marketing trends as custom-fitted bras and inclusive advertisements have gained importance. The rationale behind this operation is to "restore [Victoria's Secret] historic levels of profitability and growth" by being "able to focus on longer-term results" as Leslie Wexner, CEO and chairman, stated earlier this week. After the privatization, L Brands' primary business will be Bath & Body Works, the largest bath shop chain in the US. L Brands expects to use the proceeds to pay down debt. Indeed, Moody's Vice President Christina Boni announced in a note to investors that the spin-off will "enable L Brands to reduce debt and focus on its strong core business of Bath & Body Works, which represents over 80% of its operating income". BridgePark Advisors and PJT Partners are serving as financial advisors to L Brands.

Kronos Inc. and Ultimate Software merge to form \$22 bn workplace software co

Deal Value: **\$22bn** | Deal Type: **Merger** | Date: **20-Feb-2020** | Nationality: **US** | Subsector: **Software**

Two of the industry's biggest providers of HR software, Kronos Inc. and Ultimate Software, have decided to join forces to form one of the world's largest cloud companies in the world, valued at \$22bn. Attracted by forecasts of rapid growth, outsiders like Workday and consumer technology giants Facebook, Google, and Microsoft have started entering the sector of technology for HR, historically dominated by ADP, Oracle and SAP. Therefore, Kronos and Ultimate have felt the need to merge to consolidate market power in this increasingly crowded field. The merger was much anticipated by industry analysts as Private Equity firm Hellman & Friedman, the controlling shareholder of Kronos, acquired last year Ultimate Software for \$11bn and synergies between the two companies appeared to be evident. Hellman & Friedman will have a controlling stake in the new entity and Blackstone will have the second largest stake. The all-stock merger, which has been approved by boards of both companies, is expected to close at the end of March. Morgan Stanley was the financial advisor for Kronos and Goldman Sachs was the financial advisor for Ultimate Software.

TAGS: M&A, ECM, IPO, Corporate Finance, Asset Managers, Morgan Stanley, E-Trade, Brokerage, Kronos, Ultimate Software, Sycamore Partners, Victoria Secret, L Brands, Franklin Templeton, Legg Mason, Dell, RSA, STG, Cybersecurity