

Deal Recap 8/03/2020

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

Elliot Management builds a 4% stake in Twitter

Deal Value: **\$1bn** | Deal Type: **Shareholder Activism** | Date: **01-Mar-2020** | Nationality: **US** | Sector: **Technology**

Paul Singer has succeeded in building a stake in Twitter worth more than \$1bn, obtaining a share of about 4% in the social media company. The intention is clear: Singer wants Jack Dorsey, founder and actual CEO, out.

Dorsey has been running Twitter and Square for the past five years, causing a clear lack of focus and a consequent stagnant performance for the social media. Twitter has been clearly underperforming relative to its closest rival, Facebook.

In terms of share price, Facebook has seen its value double in the last four and a half years while Twitter has seen a modest increase of 10%. This comes due to the impressive difference in operating margins, 34% for Facebook versus 11% for Twitter, which is also the result of a lack of efficiency when turning the rising numbers of platform users into advertising revenues. For instance, Facebook has seen a growth in revenues generated from daily active users of 72% since the first quarter of 2017, three times more than Twitter.

Dorsey is also said to have spent more time at Square, a fintech startup he cofounded and in which he has a stake of 13%, far higher than Twitter.

The upcoming US presidential elections and Tokyo Olympic games would inevitably boost ad revenues, but questions remain on the operating efficiency of Twitter and corporate governance issues on which Elliot Management is investing. Singer is already expected to propose four board nominees at the annual shareholder meeting in May, with three seats being up for grab.

Thermo Fisher to acquire Qiagen

Deal Value: **\$11.5bn** | Deal Type: **Takeover** | Date: **03-Mar-2020** | Nationality: **US** | Sector: **Healthcare; Biotech**

US scientific equipment maker Thermo Fisher is acquiring diagnostics Dutch group Qiagen in a \$11.5bn deal. The acquirer is particularly focused in manufacturing diagnostic tools and the takeover of Qiagen, which specializes in testing for infectious diseases, would add significant synergies to its portfolio.

The deal is particularly significant as Qiagen is developing specific tools to efficiently detect Covid-19 infections and has already sold tools for previous viruses such as Sars and swine flu.

Thermo Fisher will pay €39 per share, valuing the group at \$11.5bn, with the inclusion of \$1.4bn of debt, representing a 23% premium on Qiagen's closing price on Monday the 2nd of March.

Qiagen's last financial year has been affected by the loss of its long-time chief executive, Peer Schatz and slowing sales revenues in China due to its Economic slowdown. This had caused significant downward pressure on its share price until November, when talks of a potential acquisition sent shares higher.

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Thermo Fisher's offer is likely to be accepted without too much back and forth negotiation and antitrust oppositions are unlikely to block the deal.

After the announcement, Qiagen saw its share price increase by 19% in Frankfurt trading. Thermo Fisher shares were up 3% on Wall Street.

Clayton, Dubilier & Rice to acquire Huntsworth

Deal Value: **\$511m** | Deal Type: **Acquisition** | Date: **03-Mar-2020** | Nationality: **US** | Sector: **Healthcare communication and marketing services**

The British provider of marketing and communications services in the healthcare industry Huntsworth will be acquired for \$511m by the US-based private equity firm Clayton, Dubilier & Rice. On the 3rd of March the acquirer said it would pay £108 in cash per share which caused a 53% surge of the share to £110, described as an "excellent price for the bidding company" compared to its target price of £120.

The offer values the UK PR group at almost 14 times its estimated earnings compared to a pre-deal share price just roughly ten times higher.

The deal is the result of high expectations of growth of the target firm. As ageing populations fuel demand for new treatments and budgets spent on marketing services increase as a consequence of higher competition among drug makers, betting on Huntsworth seems a quite profitable and safe shot. Especially if we consider the highly fragmented industry of healthcare marketing, where the potential for growth through acquisitions is enormous.

The transaction is the last of a long list of acquisitions of British companies by US private equity firms, following the recent drop of the pound which encouraged deal making after Brexit was announced.

Huntsworth's directors were advised by Rothschild & Co on the financial terms of the deal, while BofA Securities, Houlihan Lokey and RBC Capital Markets were among advisers to CD&R.

Cov a to acquire PartnerRe

Deal Value: **\$9bn** | Deal Type: **Acquisition** | Date: **03-Mar-2020** | Nationality: **France** | Sector: **Insurance; Reinsurance**

In a period of consolidation in the insurance sector, as testified by deals such as that between Axa and Xelle or Aig and Validus, Exor is selling PartnerRe for \$9bn to the French insurer Cov a. The deal will contribute to the formation of a major force in the industry.

Following the failed hostile takeover by Cov a of its local rival Scor, the all-cash deal is a way to face the fundamental transformation the insurance sector is undergoing, due to the emergence of new risks, new lifestyles and new participants entering the market.

The Agnelli's holding company had acquired PartnerRe for \$6.7bn in 2016 and it sold the firm now for \$9bn after receiving roughly \$700m in dividends during the past 4 years. This means Exor made a 30% profit on its investment.

Just regulatory approval is needed to conclude the deal, which is expected to close in the fourth quarter.

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Goldman Sachs advised Exor while Sullivan & Cromwell provided legal advice. Rothschild, Barclays and J.P. Morgan advised Covéa, with Bredin Prat and Debevoise & Plimpton acting as legal advisers.

TAGS: 2020 deals, Covéa, PartnerRe, Insurance, Huntsworth, Healthcare, consolidation, Thermo Fisher, Qiagen, Biotech, Twitter, Technology, M&A, shareholder activism.

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