Deal Recap

The spiking diffusion of COVID-19 outside of China, particularly in South Korea, Italy and Iran, has negatively affected financial markets, among concerns about its impact on business activity: in the US, the Dow Jones Industrial Average, S&P 500 and Nasdaq Composite were all in correction territory this week.

Due to this climate of uncertainty, the weak worldwide deal activity, observed already at the beginning of the year, seems on track to continue. An exception to this general trend is represented by Europe, where, following 2019's steep decline in activity against a backdrop of political uncertainty and worries over economic growth, deal activity this year is up 16% to $94bn, compared with a 40% drop globally to $359bn, according to Dealogic.

Nevertheless, BSIC has brought you some of the most interesting deals over the last week.

Fintech company Intuit to acquire Credit Karma

Deal Value: **$7.1bn** | Deal Type: **Acquisition** | Date: **24-Feb-2020** | Nationality: **US** | Subsector: **FinTech**

Intuit, the owner of TurboTax and QuickBooks, agreed to buy credit report provider Credit Karma, in a move that would push the bookkeeping-software giant further into consumer finance.

Credit Karma, founded in 2007, provides a free credit score monitoring for consumers and it recommends financial products, such as credit cards and loans, based on those consumers' data. The company makes money by receiving a fee from banks when a customer takes out a product it recommends last year, it made nearly $1bn in revenue, up 20% from the previous year.

Credit Karma was expected to explore an initial public offering, but, due to the increasing scepticism that investors have been showing toward tech start-ups, it decided to sell itself to Intuit. Shareholders of the company, including private equity group Silver Lake and financial-technology venture capital firm Ribbit Capital, received cash and stock in Intuit.

The deal is aimed at creating a Silicon Valley financial technology company that can serve as an online financial assistant for people, helping them get their credit scores, file their taxes and find new loans and financial products.

This acquisition, that follows the highlights the growing appetite among financial services groups for data and its increasing value in the digital age. Credit Karma said it had more than 2,600 data points, such as Social Security numbers and outstanding loans, on each of its 100 million customers, including a third of all Americans who have a credit profile and half of all millennials. That is twice as many total customers like Intuit, which belongs to an older generation of online financial firms and has been looking for ways to appeal to younger audiences and make better use of the consumer data it controls.

Qatalyst Partners is serving as Intuit's financial advisor and Goldman Sachs & Co. LLC is serving as Credit Karma's financial advisor.

PepsiCo Inc to buy Be & Cheery

Deal Value: **$705m** | Deal Type: **Acquisition** | Date: **24-Feb-2020** | Nationality: **CHN** | Subsector: **Foods and Beverage**

PepsiCo Inc has agreed to buy Chinese snack brand Be & Cheery from local jujube maker Haoxiangni Health Food Co Ltd. The U.S. multinational food and beverage maker said this acquisition was an important step in its goal to become China's leading consumer-focused food and beverage company. Indeed, Be & Cheery sells a broad portfolio of snacks mainly on Chinese e-commerce platforms and it is one of the largest online snack companies in China, reporting revenues of about 5 billion yuan ($712m) in 2019.

Blackstone Group Inc. to buy iQ Student Accommodation

Deal Value: **£4.66bn** | Deal Type: **Acquisition** | Date: **26-Feb-2020** | Nationality: **UK** | Subsector: **Real Estate**

Goldman Sachs' merchant banking unit, which owns 72% of the operation, and medical charity Wellcome Trust have agreed to sell the British student accommodation company iQ to Blackstone for £4.66bn. The latest bet by the U.S. buyout giant on the growth of student housing in the U.K would be the largest ever private real estate deal in Britain and is subject to regulatory approvals.

IQ was founded in 2006, with Wellcome as one of the founding investors, and merged with Goldman Sachs' student housing business in 2016. It owns and manages more than 28,000 beds across in major British university cities, including London, where the portfolio is concentrated, Manchester, Leeds, Sheffield, Edinburgh and Birmingham.

Britain's education system is already among the country's most lucrative sources of revenue: according to a 2019 report from the U.K. Department for Education, U.K. revenue from international students and other education-related services totalled about £21.4bn in 2017, up 7.2% from the prior year and 34.7% from 2010. Moreover, Britain is the second-largest market for purpose-built student accommodation outside of North America and rapid growth over the last decade means that the sector is now valued at more than £50bn, according to Knight Frank.

Property firms have turned to Britain's build-to-rent sector, which meets the needs of students and young workers seeking affordable accommodation, as traditional home building and selling falters

Goldman Sachs, Morgan Stanley & Co. International and Eastdil Secured were as financial advisors to the sellers. Bank of America and Citi were financial advisors to Blackstone.

Thyssenkrupp to Sell Elevator Unit for to Advent, Cinven Consortium

Deal Value: **€17.2bn** | Deal Type: **Acquisition** | Date: **27-Feb-2020** | Nationality: **DE** | Subsector: **Industrials**

Thyssenkrupp AG said Thursday it would sell its lucrative elevators business to a consortium led by global buyout firms Advent International and Cinven Ltd. for €17.2bn ($18.91bn) in one of Europe's largest private equity deals in over a decade.

The seller company has been afflicted by shrinking profits, surging debt and internal fights over strategy while investors have been falling out of love with the conglomerate model. Thyssenkrupp would reinvest about €1.25bn in the unit which, based on the purchase price, would result in a 7.3% share and it would use the rest of the proceeds t to cut debt and lower its structural costs, especially pension liabilities. The company's debt, which now amounts to nearly €16bn (more than twice its current market value), was recently downgraded by rating agency Moody's; the group said it is aiming for an investment-grade rating following the deal, while it is currently rated junk by credit agencies.

The deal marks the largest buyout in Europe since 2007 and it values the division at roughly 18 times core earnings. Thyssenkrupp Elevator is the world's fourth-largest lift manufacturer behind United Technologies Corp's Otis, Switzerland's Schindler and Kone. It was the German conglomerate's most profitable business with a profit margin of 11.4% in 2019. As part of the deal, Thyssenkrupp Elevator will remain based in Germany and equal representation between shareholders and labour representatives will be safeguarded, while jobs and sites will be secure, according to union IG Metall.

The bidding group prevailed against a rival consortium formed by Blackstone, Carlyle and the Canada Pension Plan Investment Board in the final round of an auction process. Finnish rival lift maker Kone, this month withdrew a bid in excess of €17bn in partnership with private equity firm CVC over expected antitrust risks.

SoftBank-backed DoorDash files for IPO

Deal Value: **NA** | Deal Type: **IPO** | Date: **27-Feb-2020** | Nationality: **US** | Subsector: **Logistics**

DoorDash, the lossmaking US food delivery start-up backed by SoftBank's Vision Fund, has announced it has filed for an initial public offering, setting it up to be one of the most high-profile listings of 2020.

As of today, the number of shares to be offered and the price range for the proposed offering have not been determined and the flotation is expected to be as soon as late spring. The company was last valued at nearly $12.6bn after its most recent funding round in 2019, up from just $1.4bn in 2018. DoorDash is the market leader and competes against Uber Eats, Grubhub, Postmates and several smaller players. Its sales in January 2020 were up 89% year-on-year while the food delivery market overall grew by 26%.

The IPO will be yet another test of whether investors have any appetite for fast-growing but unprofitable consumer businesses startups, after the likes of ride-hailing companies Uber Technologies Inc and Lyft Inc struggled last year after going public.

Food delivery has gotten more challenging as competition grows and customer loyalty has dropped as rivals offer deep discounts to win business. According to many observers, the crowded US food delivery market needs to consolidate. Indeed, DoorDash recently discussed a merger with Uber Eats, also backed by SoftBank, and according to analysts, it may still pursue a merger as well as the IPO.

One of the major issues that DoorDash is facing concerns its exposure, like other companies in the so-called "gig economy", to new rules to new rules regarding employment status, such as California's Assembly Bill 5, which could force the company into giving its worker's employment benefits. Last year the company came under intense criticism over his company's policy on tipping. DoorDash had been using customer tips to make up the guaranteed minimum payment for drivers, rather than as an additional bonus on top.

TAGS: M&A, ECM, IPO, Corporate Finance, 2020 Deals, Blackstone, iQ, Student Housing, Fintech, Intuit, Credit Karma, Thyssenkrupp, Elevator, Advent International, Cinven, PepsiCo, Be & Cheery, Snacks, DoorDash, Food Delivery