

Winter Deal Recap

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Welcome back from the winter break! We hope you had a wonderful time with your beloved ones and please, do not worry if you missed the most significant recent deals, BSIC will introduce them to you!

TMT

Microsoft's acquisition of video game maker Activision Blizzard

Deal Value: \$68.7bn | Deal Type: Acquisition | Date: 18-Jan-2022 | Nationality: US | Premium: 45%

Microsoft has agreed to buy video game maker Activision Blizzard for \$75bn in the biggest-ever deal by the tech company. The price has been set at \$95 per share, a 45 percent premium on the closing price of the previous week. The \$75bn purchase price includes \$6.37bn of net cash, leading to a valuation of \$68.7bn. Activision shares were up 37% in pre-market trading after the deal was announced.

The rationality of the deal stays behind the possibility to play a central role in the development of the metaverse. The deal is “an important step in the race to build the next version of the internet”. As Activision Blizzard’s CEO said there has never been more competition in this market as there is today and Microsoft clearly wants to be one leader in the disruptive “metaverse sector”; the video game sector has taken center stage in the latest scramble for dominance in digital entertainment. Currently, Microsoft has almost 25m subscribers for online subscription games, while Activision’s has about 400m active monthly users, divided among several online games, such as Candy Crush. The news sent shares in other leading video game publishers sharply higher, due to expectations of more deals in the sector, and opening to the possibility of a new dominant sector in the economy: the metaverse potentiality of video-makers seems to be inviting for several big-tech companies.

Take-two's purchase of gaming group Zynga

Deal Value: \$12.7bn | Deal Type: Acquisition | Date: 10-Jan-2022 | Nationality: US | Premium: 64%

Take-Two Interactive, the company behind the popular Grand Theft Auto game series, has agreed a \$12.7bn deal to buy mobile gaming Zynga, the maker of Farmville. The cash-and-shares deal values Zynga’s equity at \$9.86 per share, a premium of 64 percent to its closing price on the previous Friday. Under the terms of the transaction announced on Monday, Zynga shareholders will receive \$3.50 in cash and \$6.36 in Take-Two stock for each of their shares.

The key motivator behind this purchase was Zynga’s expertise in mobile gaming, which other major players like Activision and EA have already spent years moving in on. The acquisition of Zynga would establish Take-Two as one of the largest publishers of mobile games, the fastest-growing segment of the interactive entertainment industry.

There are a few challenges that the combined entity is going to face as for example the culture. While Zynga is more inclined to innovate, Take-two has a more wait and see approach. Only one thing is sure for now, as the evidence shows the two companies are running to get first place in the “metaverse race”.

Citrix software company buyout by Elliot and Vista

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Deal Value: **\$16.5bn** | Deal Type: **Leveraged Buyout** | Date: **31-Jan-2022** | Nationality: **US** | Premium: **NA**

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Software company Citrix has reached a \$16.5bn deal to be taken private, recording the largest leveraged buyout in months following a slump for technology stocks. Vista Equity partners and Elliott Management agreed on January 31 to pay \$104 per share of Citrix, representing a 1.5% discount from the company's January 28 closing price. Citrix shares have broadly outperformed the market since late December 2021 when rumors were indicating an imminent sale: indeed, Citrix shares added 21.5% from December 20 through January 30.

Significantly, the purchase means that Citrix will join forces with Tibco, an enterprise data management company that is currently part of the Vista portfolio. The combination will provide solutions for enterprise digital transformation and hybrid work environments, two accelerating dynamics that have driven information technology valuations upward through the COVID-19 pandemic. Combined, the two companies will serve about 400,000 customers and 100m users. As a data analytics platform that focuses on predicting business outcomes, it's possible to see how the combination of Tibco could also enable existing Citrix customers to better visualize the cost and impact of moving to cloud-based desktop virtualization. The deal is one of the biggest tech buyouts on record. While the acquisition is certainly relevant news, it is not surprising given the last few years at Citrix: the rumors circulated in fall 2021 when Bob Calderoni was named CEO of the company.

Healthcare

Stryker's acquisition of Vocera communications

Deal Value: **\$2.97bn** | Deal Type: **Acquisition** | Date: **11-Jan-2022** | Nationality: **US** | Premium: **NA**

Stryker announced a final merger agreement to acquire all the outstanding shares of Vocera Communications, Inc. for \$79.25 per share, leading to a total equity value of approximately \$2.97bn and a total EV of about \$3.09bn. The acquisition is expected to close in the first quarter of 2022 and to have a neutral impact to net earnings per diluted share in 2022.

Vocera brings a highly innovative portfolio to Stryker's Medical division, helping to satisfy the increasing need for hospitals to connect caregivers and disparate data-generating medical devices, which will help drive efficiencies and improve safety. Therefore, Vocera solutions can integrate with over 150 clinical systems, including electronic health records, nurse call systems, ventilators, physiological monitors, and more. "Vocera will help Stryker significantly speed up our digital aspirations to improve the lives of caregivers and patients," Kevin Lobo, CEO of Stryker, said in a statement announcing the final agreement. The boards of directors of both companies have unanimously approved the transaction.

Permira acquires Kendrion to create leading plasma-derivatives group

Deal Value: approx. **\$2bn** | Deal Type: **Acquisition** | Date: **20-Jan-2022** | Nationality: **Italy, UK** | Premium: **NA**

Kedrion's shareholding organization, a historic Tuscan company active in pharmaceuticals and now specializing in the plasma and derivatives sector, has been acquired by private equity fund Permira, assisted by Abu Dhabi Investment Authority. The sellers were the founding Marcucci family (51%), the 'Fondo Strategico Italiano' (24.1%) and Cdp equity (25.06%).

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The purchase will then be followed by the merger between Kedrion itself and Bios Products Laboratory (Bpl), which was acquired at the same time as Kedrion. Together, Kedrion and Bpl will become the world's fifth largest plasma group, with an aggregate turnover of €1.1bn.

For Kedrion, this is an important opportunity to grow in international markets. The company currently has revenues of around €700m, with a commercial presence in over 100 countries, 80% of which are reached through direct sales.

Consumers and retail

Block completes acquisition of Afterpay

Deal Value: \$29bn | Deal Type: Acquisition | Date: 31-Jan-2022 | Nationality: US, Australia | Premium: 30%

Afterpay, an Australian buy now, pay later (BNPL) business, was acquired by Block (previously known as Square) and made available to its online merchants in Australia and the United States. The acquisition consisted of a 100% stock-swap transaction set at a fixed exchange ratio of 0.375 shares of Square Class A common stock for every share held in Afterpay. As Jack Dorsey stepped down from his role at Twitter, it seems he has very ambitious plans as the head of Block, and he made them already quite clear with this remarkable acquisition and his plans of accepting cryptocurrencies on his platform.

Both Block and Afterpay are to gain competitive benefits as a result of the agreement. Block may utilize Afterpay to raise sales volume and build merchant loyalty, whereas Afterpay is to benefit from a distribution opportunity: a broader range of merchant partners. In addition to working with well-known companies, it will now serve smaller firms. Furthermore, Afterpay is unlikely to suffer the same competitive challenges with smaller merchants as it does with major companies.

According to Business Insider's projections, the number of US BNPL users will increase by 31.4 percent year over year (YoY) in 2022. Offering BNPL to the rising number of customers who desire it is becoming more significant to retailers, partly because it reduces cart abandonment and boosts conversions rates, potentially raising drastically the revenues of Block's customers.

Société Générale to acquire LeasePlan

Deal Value: \$5.6bn | Deal Type: Acquisition | Date: 06-Jan-2022 | Nationality: France, Netherlands | Premium: NA

Société Générale's ALD auto leasing company has agreed to purchase competitor LeasePlan for roughly €4.9bn, confirming the French bank's belief that the industry would grow as more individuals and businesses choose for rentals as the transition to electric cars continues. The consideration of the transaction will be paid through a mix of cash and shares, and it will be partly paid through a €1.3bn rights issue by ALD. The agreement establishes Europe's largest auto leasing business, allowing LeasePlan's owners, a consortium led by private equity company TDR Capital, to maintain a roughly 31 percent interest.

SocGen said it planned to make auto leasing the "third pillar" of its company, alongside its more conventional retail and investment banking divisions. The deal is expected to generate cost savings for the combined entity, and it will allow SocGen to tap to a greater extent the profitability of the leasing business which is estimated to be higher than the traditional lines of banking business.

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Industrial

Aker BP to acquire petroleum activities of Lundin Energy

Deal Value: **\$14bn** | Deal Type: **Asset Purchase** | Date: **21-Dec-2021** | Nationality: **UK, Sweden**
| Premium: **NA**

Aker BP is set to takeover all the oil activities of the Swedish Lundin Energy for a total consideration of roughly USD 14bn, financed with USD 2.2bn in cash and the remaining USD 11.7bn through issuance of new shares.

Assuming the deal will be approved by the Norwegian authorities, this deal will give rise to the largest independent oil producer. With a total resource base of 2.7m barrels and an emphasis on Norway, the merged business will be indeed able to produce around 400,000 barrels of oil and gas per day.

The Swedish group's decision to sell out of its largest and most profitable businesses comes only weeks after prosecutors in Stockholm indicted the chair and former chief executive with involvement in grave war crimes in Sudan. In the midst of a race towards decarbonisation, and with ESG objectives at the core of any discussions in a boardroom, Aker BP is banking on a still extremely profitable business that generates constant free positive cash flows, and it is expected to continue to do so for the coming years

Maersk to acquire LF Logistics

Deal Value: **\$3.6bn** | Deal Type: **Asset Purchase** | Date: **22-Dec-2021** | Nationality: **Denmark, Hong Kong** | Premium: **NA**

The world's largest container shipper operator, the Danish Maersk, made a strong move towards inland logistics business with its all-cash acquisition of LF Logistics from the supply chain group, based in Hong Kong, Li & Fung.

Flush with cash, benefitting from record high freight costs reached during the post pandemic, the Danish giant further expanded in the ground transportation business, paying the equivalent of over 14 times the ebitda for LF logistics. Such a high price in order to be justified imposes on Maersk the ambitious objective of more than doubling the size of the business of LF logistics by 2026 and of delivering cost synergies when it comes to fully integrate its traditional sea operations with the growing inland ones.

Some concerns over the protection of market competition have been raised after this deal was announced pointing at a worrying pricing power of the Danish behemoth, however no official investigation was launched.

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