

Summer Deal Recap

Welcome back from the summer break! Despite the overall year-on-year decline in M&A activity following a record year in 2021, deal flow this year has been rather resilient in spite of the current macroeconomic conditions, including record inflation, conflict in Ukraine, supply crunches, and liquidity tightening from central banks. For more specific insight into recent deals across numerous sectors, check out BSIC's 2022 Summer Deal Recap below.

TMT

Orange Merger with Grupo MásMóvil

Deal Value: **€18.6bn** | Deal Type: **Merger** | Premium: **NA** | Date: **23-Jul-2022** | Nationality: **Spain** | Subsector: **Telecommunications**

Orange and Grupo MásMóvil signed a binding agreement to merge their operations in Spain, creating a new leader in the Spanish telecommunications market. The combined joint venture will total an enterprise value of €18.6bn (€10.9bn for MasMovil and €7.8bn for Orange Spain). This horizontal merger will be financed by a €6.6bn debt package, including a €4.2bn upstream payment to orange to account for its lower valuation. The 50-50 joint venture co-controlled by Orange and MasMovil will give both sides equal governing rights in the combined entity. Following a four-year integration period, synergies from the deal have been estimated at €450m euros according to a press release from Orange.

The combination of both firms will allow for much heavier investment into needed infrastructure such as fibre and 5g technology. The deal is set to close at the latest by the second half of 2023 and is still subject to regulatory approval, likely the biggest hurdle for the deal. In a cellular telephone market previously comprised of only four competitors, the European Commission's taste for anti-competitive market structures will be tested.

OpenText to acquire Micro Focus

Deal Value: **\$6bn** | Deal Type: **Acquisition** | Premium: **99%** | Date: **25-Aug-2022** | Nationality: **Canada & UK** | Subsector: **IT Software**

OpenText Crop, a Canadian enterprise information management (EIM) software company, has agreed to buy UK software firm Micro Focus International Plc in an all-cash deal. OpenText is offering to acquire Micro Focus for 532 pence per share, implying an enterprise value of roughly \$6bn. OpenText plans to fund this acquisition by raising \$4.6bn in new debt, pulling \$600m from an existing credit and using cash on its balance sheet.

Micro Focus sells enterprise software to thousands of organizations globally, including many of the world's largest companies, such as Airbus SE, and eBay. Its products and services provide companies with IT operations management, cybersecurity and communication technology. Upon completion of the acquisition, OpenText will become one of the world's largest cloud and software businesses, with operations on a global scale. The expected cost synergies of this deal amount to \$400m. For the last few years, Micro Focus has seen declining revenues,

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something that OpenText hopes to turn around. This acquisition is especially significant due to the size of the deal, which amounts to nearly half of OpenText's current enterprise value of over \$12bn. The acquisition is expected to be completed in Q1 of 2023 and OpenText is aiming to fully integrate Micro Focus into its operating model within 1.5 years.

Broadcom to Acquire VMware

Deal Value: **\$61bn** | Deal Type: **Acquisition** | Premium: **44%** | Date: **26-May-2022** | Nationality: **USA** | Subsector: **Semiconductor and infrastructure software**

Broadcom, an American designer and manufacturer of semiconductor and infrastructure software products, is planning to buy VMware, an American cloud computing and virtualization technology company, in a cash-and-stock transaction valued at \$61bn. Moreover, Broadcom will assume \$8bn worth of VMware's net debt. This would be one of the largest acquisitions of all time in the technology sector. Under the agreed terms VMware shareholders will be able to receive either \$142.50 in cash or 0.2520 shares of Broadcom common stock for each VMware share. Once the deal is complete, Broadcom plans to maintain its dividend policy of delivering 50% of its previous year's free cash flow to shareholders.

Broadcom plans to purchase VMware in order to diversify its business away from its core products and services. By bringing together Broadcom's software with VMware's multi-cloud platform, Broadcom aims to provide enterprise customers with an expanded technology infrastructure platform to efficiently manage large-scale applications. Broadcom has a history of growth through acquiring established companies, however, had not made a significant acquisition since 2018. The acquisition is expected to close in the fiscal year 2023 and is still subject to regulatory approval.

Investor group led by Permira and Hellman & Friedman to acquire Zendesk

Deal Value: **\$10.2 bn** | Deal Type: **Acquisition** | Premium: **34%** | Date: **24-June-2022** | Nationality: **USA** | Subsector: **Software**

American customer service software company Zendesk announced in June that it will be acquired by a consortium of private-equity firms in a cash-only transaction valued at \$10.2bn. The deal, priced at \$77.5 per share, represents a premium of around 34%. The investment firms plan to take Zendesk private once the transaction is complete, which is expected in Q4 of this year. Zendesk's board of directors unanimously accepted to take the offer after reviewing the company's performance and considering the long-term market outlook.

Zendesk has experienced a tumultuous year after previously turning down a \$17bn acquisition in February, well below its current accepted offer, believing the company was worth more. This acquisition provides value to shareholders after the company's stock price was performing poorly over Q2 of 2022. Qatalyst Partners and Goldman Sachs have been serving as advisers to Zendesk during the acquisition, with Morgan Stanley advising the private equity investor group.

INDUSTRIALS

Adani Group acquired Ambuja Cement and ACC

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Deal Value: **\$10.5bn** | Deal Type: **Acquisition** | Premium: **NA** | Date: **15-May-2022** | Nationality: **India** | Subsector: **Cement**

The Adani Group, an Indian conglomerate focused on industrials, announced in May that it plans to acquire Swiss building material company Holcim Ltd's full stake in two of India's largest cement companies. The deal, valued at around \$10.5bn, stands as Adani Group's largest acquisition to date, and India's largest ever M&A transaction in the infrastructure and materials sector. The deal, which was infact completed on the 16th of September, will make the Adani Group the second largest player in India's cement industry. Following the completion of the acquisition, Adani Group chairman Gautam Adani briefly became the world's second wealthiest person, surpassing Bernard Arnault and Jeff Bezos for a short period of time.

Ambuja and ACC are amongst the largest cement producers in India, with a combined 23 cement plants, 14 grinding stations, 80 concrete plants and over 50,000 partners across India. The Adani group plans to combine its new cement business with its already existing ports and logistics, energy, and real estate businesses to create a differentiated yet highly integrated business model. This will create numerous synergies for Ambuja and ACC, especially in providing raw materials, renewable power and logistics. The group expects the Indian cement industry to grow significantly in the future, as currently India's cement consumption per capita stands at half that of the global average.

Gold fields to acquire Yamana

Deal Value: **\$6.7bn** | Deal Type: **Acquisition** | Premium: **33.8%** | Date: **31-May-2022** | Nationality: **India** | Subsector: **Cement**

South African gold mining firm, Gold Fields announced plans at the end of May to acquire Canadian gold, silver and copper mining firm, Yamana Gold. The all-stock deal, valuing Yamana at \$6.7bn, would make the combined firm the world's fourth largest gold miner. Yamana's mines in Canada, Chile, Brazil, and Argentina, will expand Gold Fields current network, which includes mines in South Africa, Ghana, Australia, and Peru. Gold field shareholders are still yet to vote on the deal, with many doubting its potential. Redwheel, one of Gold Fields largest shareholders, has called for the deal to be canceled, claiming it is an expensive error. Chief executive of Gold Field explained that certain investors were worried about the 33.8% premium offered to Yamana, and the dilution of their holdings. Gold Field shares fell 25% in the first couple days after the announcement.

In August, the firm has stated that shareholders were starting to understand and support their strategy. The firm has argued that they are paying a very solid relative price for Yamana's assets compared to market prices. To further ease investors concerns, Gold Fields increased dividend payments to shareholders up to 35-45% of normalized earnings at the next two dividend stages.

Healthcare

Pfizer to acquire Global Blood Therapeutics for \$5.4bn

Deal Value: **\$5.4bn** | Deal Type: **Acquisition** | Date: **08-Aug-2022** | Nationality: **US**

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Pfizer (NYSE: PFE) has agreed to buy biopharmaceutical company Global Blood Therapeutics (NASDAQ: GBT) in a deal worth \$5.4bn, adding the company's sickle cell disease (SCD) treatment, Oxbryta, to their portfolio. Oxbryta brought in net sales of approximately \$195m and is expected to generate \$260m this year. According to the company, SCD is a lifelong, inherited blood disorder affecting millions of people worldwide, and the aim is to make the drug available to markets that are hard to access.

The agreement will see Pfizer acquire all of GBT's outstanding shares for \$68.5 per share, in an all-cash transaction, at an EV of \$5.4bn, including debt. The price per share paid by Pfizer represents a 43% premium on the previous Thursday's closing price, when the company's interest was first reported, and a 7% premium on Friday's.

This goes along with the acquisitions of Biohaven Pharmaceutical and Arena Pharmaceuticals, as part of Pfizer's plan to capitalize on almost doubled revenues in 2021 from the previous year. Pfizer forecasts that sales from GBT's drugs could go up to \$3bn in the future.

Consortium led by Remgro acquires Mediclinic International

Deal Value: **\$4.49bn** | Deal Type: **Acquisition** | Date: **04-Aug-2022** | Nationality: **South Africa**

South African investment holding company Remgro (REM.J) acquired hospital chain operator Mediclinic International (MDCM.L) in a deal worth \$4.49bn, as part of a consortium with MSC Mediterranean Shipping. Remgro, an investment company with operations in sectors such as healthcare, infrastructure, financial services and consumer products already owned 45% of Mediclinic, the third largest hospital operator in South Africa. The move comes as an attempt by the consortium to delist Mediclinic from the London Stock Exchange, Johannesburg Stock Exchange and Namibian Stock Exchange.

The deal will see Mediclinic shareholders receive 504 pence in cash for every share, a 23% premium on the previous offer made two months earlier, in June. Under the terms of the agreement, Remgro will have a 50% stake in the business, with MSC holding the other 50%.

Amgen to buy ChemoCentryx in \$4bn deal

Deal Value: **\$4bn** | Deal Type: **Acquisition** | Date: **04-Aug-2022** | Nationality: **US**

Biotech giant Amgen announced its acquisition of biopharmaceutical company specialized in therapeutics to treat autoimmune diseases ChemoCentryx in all-cash deal worth \$4bn. ChemoCentryx's main product is Tavneos, a prescription drug used to treat antineutrophil cytoplasmic antibody (ANCA)- associated vasculitis. The drug is approved in the US, EU and Japan and it generated sales of \$5.4m in the first quarter of 2022.

The all-cash acquisition will give shareholders \$52 per share, at an EV of \$3.7bn. The transaction is expected to close in the fourth quarter of 2022.

Consumer and retail

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Mondelez International completes acquisition of Clif Bar & Co

Deal Value: **\$2.9bn** | Deal Type: **Acquisition** | Date: **01-Aug-2022** | Nationality: **US**

Mondelez International recently announced the completion of its \$2.9bn acquisition of California-based Clif Bar & Co. The acquisition of the privately held energy food and drink company comes in an attempt by Mondelez to expand its snack bar business, which generated \$300 million in sales the prior year. With the addition of Clif Bar & Co.'s flagship Clif, Clif Kid and Luna products, the company's revenues are set to exceed \$1bn.

Mondelez International is looking to expand its presence in the fast-growing protein and energy bar market, valued at \$16bn worldwide, 50% of that in the US. This positions Mondelez as one of the biggest players in the sector, having 12.5% of the overall market.

Natural resources

Rio Tinto to take over Turquoise Hill

Deal Value: **\$3.3bn** | Deal Type: **Acquisition** | Date: **01-Sep-2022** | Nationality: **UK**

Having already owned 51% of Canada's Turquoise Hill (TRQ.TO), Rio Tinto (RIO.AX), (RIO.L) announced it will buy the remaining 49% of the company in a deal worth \$3.3bn. The mining giant will add a 66% stake in the Oyu Tolgoi mine to its portfolio. Oyu Tolgoi has the largest known copper and gold deposits and is located in Ulaanbaatar, Mongolia. The deal comes at a time when demand for copper is set to surge, due to the commodity being crucial to the production of electric vehicles, charging stations and other renewable energy infrastructure.

Rio Tinto will pay a 19% premium on the previous day's closing price, at C\$43 per share, in a full-cash acquisition. A previous offer had been rejected 6 months earlier, the price of C\$34 being deemed too low, with analysts indicating that a fair value would stand somewhere between C\$42 and C\$58 per common share.

The deal will also see Rio provide secured short-term liquidity for Turquoise Hill during the transaction period of up to US\$1.1bn, as the Canadian company needs about US\$3.6bn to complete the project in Oyu Tolgoi. Following the announcement, Turquoise Hill shares rose 13%, while Rio Tinto shares fell by 3.5%.

Aramco acquires Valvoline's Global Product Business

Deal Value: **\$2.65bn** | Deal Type: **Acquisition** | Date: **01-Aug-2022** | Nationality: **Saudi Arabia**

Petroleum and natural gas giant Saudi Aramco (2222.SE) has announced the acquisition of VGP, Valvoline's (VVV.N) unit for products such as lubricants and chemicals for automotive, commercial and industrial use. The all-cash deal amounted to \$2.65bn. Both companies' shares rose by about 4% after the announcement.

From Valvoline's perspective, the sale comes as part of a plan to rid of the product unit and focus on their Retail Services business. The company is planning to use the cash to reduce debt, further invest in the business and accelerate share repurchases. Valvoline Global Products accounted for 60% of the company's revenues last year, or \$1.76bn.

State-owned Aramco will see its line of premium branded lubricants complemented by VGP's products and will also benefit from VGP's production capabilities. The strategic acquisition will also expand Aramco's network of

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Original Equipment Manufacturers (OEMs) and R&D activities. This move comes as part of a long-term bet on surging demand for petrochemicals, the Saudi Arabian company having already acquired petrochemical producer Saudi Basic Industries in 2020. Aramco announced a net income of \$39bn for the first quarter of this year.

Targa Resources completes acquisition of Lucid Energy

Deal Value: **\$3.55bn** | Deal Type: **Acquisition** | Date: **29-Jul-2022** | Nationality: **US**

Targa Resources Corp. (NYSE: TRGP), one of the largest midstream infrastructure companies in the US, announced that it will buy natural gas producer Lucid Energy Group in a deal worth \$3.55bn, further boosting its presence in the Permian Basin. Lucid Energy, previously owned by private equity firm Riverstone Holdings LLC and Goldman Sachs Asset Management, has a significant footprint in the Permian, with approximately 1.050 miles of natural gas pipelines and 1.4bn cubic feet per day of cryogenic natural gas processing capacity. Targa will look to integrate these assets quickly, in order to benefit from high commodity prices.

The deal was financed through three sources: \$1.5bn in proceeds drawn under its 3-year term loan facility, \$1.25bn from the company's recent public offering of senior notes and \$800m from its revolving credit facility. Following the announcement, Targa raised its 2022 adjusted core earnings forecast from a range of \$2.3bn to \$2.5bn, to one between \$2.7bn and \$2.8bn.

TAGS: #summer #dealrecap #m&a #deal #transaction

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