Winter Deal Recap

Introduction

Welcome to another deal recap! We hope you had fantastic winter and Christmas holidays and started the year well. As we are closing the winter season, there have been many newsworthy deals to reflect on in the past three months. BSIC has gathered them for you!

Healthcare & Pharma

Amgen to acquire Horizon Therapeutic

Deal Value: \$28.3bn| **Deal Type:** Acquisition| **Date:** 12-Dec-2022| **Nationality:** US, Ireland| **Premium:** 47.9%

California-based biotech Amgen has agreed to buy Horizon Therapeutic for \$116.50 per share, winning a three-way race against Johnson&Johnson and Sanofi. With a premium of almost 50% of the closing price the day before the possible offer was announced (29th of November 2022), the deal is the largest pharmaceutical transaction since AstraZeneca bought Alexion at the end of 2020 (closed for \$39bn). The acquisition implies an enterprise value of \$28.3bn, valuing Horizon's entire issued and to-be-issued ordinary capital at around \$27.8bn on a fully diluted basis. The transaction will be partly financed by cash and partly by a Bridge Credit Agreement between Amgen, Citibank N.A. and Bank of America N.A.

With this agreement, Amgen has strengthened its portfolio, securing a new pipeline of drugs for rare autoimmune and inflammatory diseases. This includes treatments for neuromyelitis optica, a disease affecting the central nervous system, and Tepezza, Horizon's best-seller to treat eye bulging and double vision from thyroid eye disease. Financially, Amgen predicts that the acquisition will generate robust cash flow to fulfil capital allocation priorities and will allow to combine resources, increasing efficiency and cutting costs by at least \$500m within three years from the completion of the deal.

The acquisition follows a sharp drop in the valuation of biotech stocks and could potentially signal a recovery in the sector's M&A activity after 2022 ended below expectations.

CVS to acquire Oak Street Health

Deal Value: \$10.6bn| **Deal Type:** Acquisition| **Date:** 8-Feb-2023| **Nationality:** US| **Premium:** 16%

CVS Health Corp has entered an agreement to buy Oak Street Health in an all-cash transaction valued at \$9.5bn. In its third largest deal of the last decade, the pharma giant will pay a 16% premium, acquiring all outstanding shares of Oak Street for \$39 per share and representing an enterprise value of \$10.6bn. The acquisition will be funded through CVS's available resources and financial capacity and, after being approved by the Board of Directors at each of the respective companies, it awaits approval by Oak Street Health's stockholders, as well as regulatory approval.

This acquisition will allow CVS to offer routine health screenings to older adults, as they are Oak Street's focus, and to reach underserved communities, since 50% of Oak Street's patients have a housing, food, or isolation risk factor. CVS will thus expand its customer base, typically composed of white, urban, Gen Xer with a college education and a salary of over $80,000. Meanwhile, Oak Street Health, which currently boasts 600 employees and operates 169 medical centres, is expected to surpass 300 by 2026. In the past few weeks, CVS has launched new services, such as its Virtual Primary Care, a 24/7 virtual care offering focused on primary care and mental health. Through the launch, CVS is also expanding its virtual mental health services.

AstraZeneca to acquire CinCor

Deal Value: $1.8bn| **Deal Type:** Acquisition| **Date:** 9-Jan-2023| **Nationality:** UK, US| **Premium:** 206%

AstraZeneca announced its acquisition of US-based CinCor Pharma, Inc, with a base offer of $26 per share all-cash for all outstanding shares for a value of $1.3bn upfront. However, the Anglo-Swedish drug maker is offering an additional non-tradable contingent value right of $10 per share upon a specified regulatory submission of a baxdrostat product, increasing the transaction value to a maximum of $1.8bn. AstraZeneca will also acquire the cash and marketable securities on CinCor's balance sheet for $522m. One aspect to note about this deal is the premium paid to acquire the clinical-stage biopharmaceutical company: upfront, the premium will be 121%, reaching 206% if the maximum potential contingent value is achieved.

The main reason behind this exceptional premium is in the rationale for AstraZeneca's acquisition: the company is looking to expand its cardiorenal pipeline by adding to its portfolio CinCor's baxdrostat (CIN-107), used for blood pressure lowering in treatment-resistant hypertension. The drug is highly selective and has shown potential during the Phase II trials, with a Phase III trial planned to start in the first half of 2023. The only way for AstraZeneca to access the drug was to acquire CinCor, which holds the exclusive worldwide license to baxdrostat.

The deal was announced among several others at the JP Morgan healthcare conference in San Francisco, a few weeks after the Amgen-Horizon acquisition was announced.

BioNTech to acquire InstaDeep

Deal Value: £562m| **Deal Type:** Acquisition| **Date:** 9-Jan-2023| **Nationality:** Germany, UK| **Premium:** NA

Pharma group BioNTech will acquire artificial intelligence start-up InstaDeep, after a multiyear collaboration between the two companies. The German drugmaker will pay about £362m in cash and shares to acquire the remaining InstaDeep Shares and will add performance-based milestone payments worth up to £200m. The acquisition will help BioNTech pursue its original mission of transforming how cancer is treated, by harnessing machine learning to possibly include developing personalized treatments tailored to a patient's cancer. Artificial Intelligence is expected to improve decision-making, as well as to efficiently accelerate the costly process of research and clinical trials. This type of software can successfully identify disease patterns in large datasets and aid the composition of drugs that could best treat the different diseases.

BioNTech has also entered an agreement with the UK government to enrol up to 10,000 patients in clinical trials. The value of this partnership is not disclosed, but it builds on the UK's promise to increase research and development spending. According to Özlem Türeci, BioNTech's co-founder and chief medical officer, it was the exceptional agility of the regulator that made it the "obvious" choice for the clinical trials. Eventually, BioNTech aspires to update its treatments with algorithms that predict the best way to target a tumour.

Industrials

Emerson Electric makes hostile bid for National Instruments

Deal Value: $7.6bn| **Deal Type:** Hostile takeover| **Date:** 17-Jan-2023| **Nationality:** US| **Premium:** 32%

American manufacturing and software company Emerson Electric Co. made an all-cash hostile offer of $53 per share, upping the previous offer of $48 per share, to the shareholders of National Instruments after negotiating with management unsuccessfully since May 2022. Emerson has already bought 2.3 million NI shares and has obtained regulatory clearance to further increase its stake. The offer is not subject to any financing conditions, meaning Emerson will use the cash it built up in its coffers and the appealed to shareholders on the guaranteed and fast execution of the sale.

Emerson has been diversifying its product portfolio through a string of deals, positioning itself as a vertically integrated manufacturing solutions provider, making big strides with both equipment and tailor-made software products. National Instruments offer a similar product portfolio with a focus on the semiconductors, aerospace, and automotive industries. Emerson calculated that the joined company would have a Total Addressable Market of $35bn.

Goldman Sachs and Centerview Partners LLC are serving as financial advisers to Emerson and Davis Polk & Wardwell LLP and Sidley Austin LLP are serving as legal advisers. NI is being advised by BofA Securities and Wachtell, Lipton, Rosen & Katz.

US Government Defense Contractor L3Harris to acquire Aerojet Rocketdyne

Deal Value: $4.7bn| **Deal Type:** Acquisition| **Date:** 19-Dec-2022| **Nationality:** US| **Premium:** 4.3%

L3Harris Technologies and Aerojet Rocketdyne Holdings, Inc. announced the signing of a definitive agreement for L3Harris to acquire Aerojet Rocketdyne for $58 per share, in an all-cash transaction valued at $4.7 billion, inclusive of net debt. The cash acquisition will be funded with existing cash and the issuance of new debt. L3Harris is the 6th biggest US military contractor with an annual revenue of $17.8bn who provides products, systems and services that have defense and civil government applications, such as military communication systems, space intelligence gathering devices and on-the-ground network operation and sustainment services. L3Harris's product portfolio also includes the High Mobility Artillery Rocket System (HIMARS) which have been critical in the defence of Ukraine. Aerojacket produces key products for the US Department of Defense and NASA, such as rocket propulsion engines, missile warheads and power generators with military applications.

L3Harris expects to be able to cut costs with the integration of software and hardware and be more innovative with regards to it ground operations.

Lockheed Martin, the world's largest defence contractor by revenue, tried to acquire Aerojet in January 2022 for $4.4bn, but abandoned the bid when the Federal Trade Commission (FTC) sued to block the deal on the grounds that it would severe the access of competitors to critical rocket parts, hurting competition. L3Harris's deal is not expected to face the same hurdle, though, because its business is distinct from Aerojet and the two companies have a minimal buyer-supplier relationship.

Barclays and Goldman Sachs are advising L3Harris, while Citi and Evercore are advising Aerojet.

Energy & Natural Resources

Newmont Corp. offers to acquire Newcrest

Deal Value: $16.9bn| **Deal Type:** Merger |**Date:** 6-Feb-2023|**Nationality:** US, Australia| **Premium:** 21%

US-listed gold mining company Newmont Corp. has launched an all-share offer for Newcrest, which was established as Newmont's Australian subsidiary in 1960 but was spun off in 1990. Newcrest shareholders are offered 0.380 Newmont shares per Newcrest share. A deal would put four of Australia's five largest gold mines under the control of one company. On February 16, Newcrest declined the offer, but is cooperating with Newmont in terms of sharing of non-public information, therefore a deal may shape in the coming year.

Published simultaneously with this article, BSIC is taking a deeper look into this deal and the mining industry, you can access it here.

Williams Companies acquiring MountainWest from Southwest Gas Holdings

Deal Value: $1.5bn| **Deal Type**: Acquisition| **Date**: 14-Feb-2023| **Nationality**: US| **Premium**: NA

On 14 February 2023, Williams Companies closed the acquisition of MountainWest, a subsidiary of the natural gas company Southwest. The transaction will be financed with $1.07bn in cash and $0.43bn of debt; J.P. Morgan and TD Securities advised Williams, while Moelis & Company and Lazard were the advisors to Southwest Gas Holdings.

Williams Companies operates in the natural gas sector, and handles gathering, processing, and transportation of approximately 30% of all the natural gas used for clean-power generation, heating, and industrial use in the US. Its portfolio includes gathering & processing plants in the north-eastern and western region. Furthermore, the company owns key pipelines in the US, among which TransCo, which alone accounts for 15% of the country's natural gas, and the Northwest Pipeline, which is a primary artery to transport gas to the Pacific Northwest and the Intermountain region.

MountainWest, on the other hand, focuses its operations on the Rocky Mountains region and owns about 2,000 miles of interstate natural gas pipelines. The acquisition would further expand Williams' network of pipelines, allowing the company to offer more transportation options to its clients and enter new key markets, among which Salt Lake City.

Lukoil agrees to sell Sicilian Refinery, after temporary nationalisation from Italian government

Deal Value: €1.5bn| **Deal Type**: Acquisition| **Date**: 9-Jan-2023| **Nationality**: RU, IT| **Premium**: NA

Lukoil, Russia's second oil producer by size, has agreed to sell its Sicilian refinery to G.O.I. Energy, a private equity fund based in Cyprus. The transaction is planned to be completed by the end of march, although it still must be seen whether the Italian government will approve the operation. Trafigura, a Geneva-based trading firm, will back the deal, providing financing and handling oil input and refined output.

The ISAB Plant refines 320k barrels per day (22% of Italian capacity) and employs 1000+ people. Ever since the collapse of the Soviet Union, Lukoil had been buying western assets, but after the invasion of Ukraine, the sanctions imposed on Russian companies are starting to make these assets problematic.

Lukoil had previously turned down an offer from another private equity firm (Crossbridge Energy Partners) for the refinery in November. However, in December, the Italian government nationalised the plant while waiting for an acquirer to be found. This was a choice of the new government aimed at ensuring that the refinery kept production running, despite the incumbent embargo on Russian oil.

Utilities

Xylem acquiring Evoqua in a $7.5bn all-stock deal

Deal Value: $7.5bn| **Deal Type**: Acquisition| **Date**: 23-Jan-2023| **Nationality**: US| **Premium**: 29%

Xylem, one of the leading water technology companies, announced on 23 January 2023, the acquisition of Evoqua, a company specializing in water treatment services. The transaction will be all-stock, and Evoqua shareholders will receive 0.48 shares of Xylem for each Evoqua share, representing a value of $52.89/share, a 29% premium. Lazard and Guggenheim Securities served as financial advisors to Xylem, while Goldman Sachs and Bank of America served as financial advisors to Evoqua.

Xylem is a water technology company present in 150 countries, which serves utilities, industrials, and residential segments with a broad range of water management solutions, spanning the whole water cycle (intake, treatment/transformation, transport, and return). They put themselves apart from competitors for using technology to constantly innovate and improve the efficiency of their products.

Evoqua, on the other hand, is a leader of water and wastewater treatment services in North America. Customers are mainly from the life sciences, microelectronics, power and food and beverages sectors. In addition to that, Evoqua is the leading company when it comes to the remediation of emerging contaminants, among which PFAS.

The deal will give Xylem the ability to generate recurring cashflow through Evoqua's water services and will support the core business, which, although profitable, comprises mostly of one-time purchases. Furthermore, it is estimated that the two companies will be able to achieve synergies of $140m within 3 years, thanks to economies of scale, network optimization and cutting corporate costs.

Financial Services

Rothschild plans to go private

Deal Value: €3.7bn| **Deal Type:** Delisting |**Date:** 6-Feb-2023|**Nationality:** UK, France| **Premium:** 19%

The Rothschild family announced that it intends to take the investment bank Rothschild & Co. private, through their holding company Concordia. The Rothschild family owned close to 55% of the bank's shares and 69% of exercisable voting rights at the end of 2022. Concordia is set to offer €48 per share for the remaining shares. The plan will go to shareholders on May 25.

As a legacy business totally controlled by one family, the public listing was already unusual, with very low trade volumes. Additionally, none of the group's three divisions — global advisory, wealth and asset management, and merchant banking — needed to access capital from the public equity markets.

TMT

Microsoft doubles down on OpenAI

Deal Value: $10bn| **Deal Type**: Multi-year investment| **Date**: 23-1-2023| **Nationality**: US| **Premium**: NA

On 23 January 2023, Microsoft announced a "multi-year, multi-billion-dollar" investment in OpenAI, extending the partnership the two companies started previously. Microsoft already invested $1bn in OpenAI in 2019, half of which were in the form of Azure credits; between 2019 and 2023, the company invested an additional $2bn. The exact transaction amount wasn't disclosed, although it is estimated to be around $10bn dollars, valuing the company at around $29bn and raising Microsoft's stake to 49%. As per the terms of the agreement, Microsoft will receive 75% of the company's profits until it recovers part of its investment. OpenAI will remain a capped-profit company: backers' returns are limited to 100 times their investment.

The inflow of funds will help the company to deploy more advanced supercomputing systems, to speed up OpenAI's research and offer new products. Microsoft's cloud computing division, Azure, will be the exclusive cloud provider for OpenAI, powering research, products, and the API, and assisting the training of the AI models. This will also allow Microsoft to threaten its rivals, AWS, and Google Cloud Platform: in the future, customers may want to transition to Azure to setup and integrate ChatGPT more easily. In addition to that, rumours say that Microsoft is about to launch a new version of Bing, its search engine, which will use ChatGPT to answer search queries. This further threatens Google's position in the search engines space.

Monetizing the products, however, is proving to be a challenging task: in 2023, OpenAI expects to make $200m in revenues, which is small when compared to the investments that have been made so far. In addition to that, the costs that the company incurs to train and run the models are worrisome.

TAGS: Deal, recap, Microsoft, Open AI, Lukoil, Rothschild, Newmont, Newcrest, gold, mining