

EDITOR'S CORNER

The Big Keep Getting Bigger, and So Do the Deals

BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR



As we end the weekly Mergers brief, 2015 has already set M&A records. [Seven mergers](#) worth more than \$50 billion have been announced this year, according to data compiled by Bloomberg.

You have to look back to 1998 and 1999 to find more than three \$50 billion deals in a year. Those mergers, like this year's, were driven by strategic buyers.

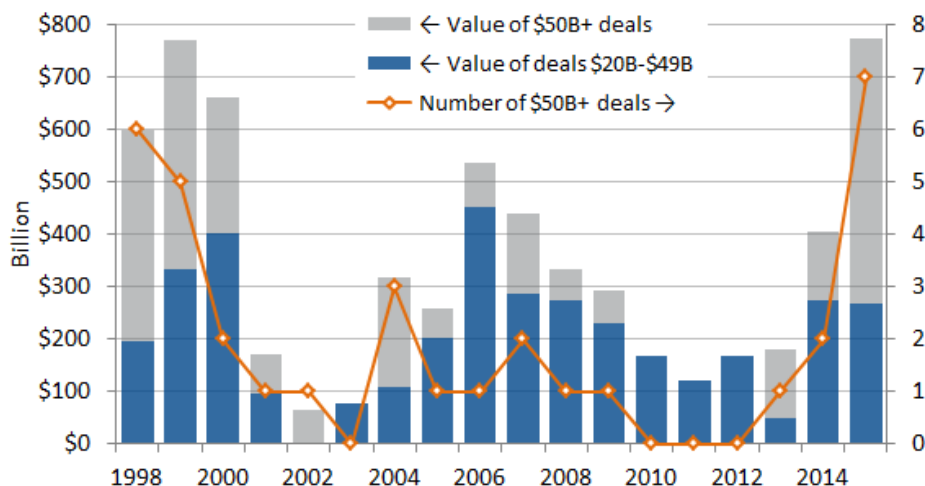
The biggest in the 2015 crop, **Anheuser-Busch InBev SA's** \$120.5 billion [deal](#) for **SAB Miller Plc**, was formally sewn up last week. That could be eclipsed if **Pfizer Inc.** pulls off a takeover of **Allergan Plc**, which would probably be valued north of \$165 billion.

When total M&A volume hit its all-time record in 2006-07, volume was driven by transactions in the \$20 billion to \$49 billion range, many of them leveraged buyouts by private equity firms. Nine of the 25 deals in that range in those two years were LBOs.

The other striking thing about this year's monster deals is how many involve companies buying direct competitors. Brewers, oil companies, insurers, big pharma, food makers, drug chains and chipmakers — the biggest deals this year also tend to be the ones with the biggest overlaps, and the most thorny antitrust issues. (See our analysis of the [overlap](#) of the Walgreens and Rite Aid drug chains.) Today's announcement that **Marriott International Inc.** is [buying](#) **Starwood Hotels & Resorts Worldwide Inc.** falls in the same category, though at \$13.5 billion, it is not on the same scale.

A good year for bankers and lawyers and investors collecting control premiums, then. Perhaps a less good year for customers and suppliers facing new goliaths.

A History of Very Large Deals



Source: Bloomberg [MA<GO>](#)

BloombergBriefs.com

CHANGE OF FORMAT

This is the last edition of the weekly Mergers brief. We will continue to publish special issues on major transactions and other merger topics. Inside is [a guide](#) to the ways readers can obtain M&A news and data on the Bloomberg terminal.

QUOTED

"A restriction on who can buy the stock really just smacks of retrenchment by the management team and the board."

— Stephen Griggs, CEO of activist fund Smoothwater Capital, discussing Concordia Healthcare's [restrictions](#) on the resale of its stock to activists



T-Mobile USA CEO **John Legere** and Republican presidential hopeful **Donald Trump** took to Twitter to trade insults after martial arts star Ronda Rousey lost to Holly Holm during an Ultimate Fight Championship in Australia Sunday and suffered a concussion from a kick to the head. Trump [tweeted](#) that she was "not a nice person;" while Legere came to her [defense](#). Surprise: It quickly [escalated](#).

WEEK IN NUMBERS

■ **646 and 577:** Number of Walgreens and Rite Aid [stores](#) in California, respectively.

IN THIS ISSUE

WEEK IN REVIEW. The [biggest deal](#) last week — **Molson Coors's** \$12 billion purchase of **SABMiller's** 58 percent stake in their joint venture **MillerCoors** — was spawned by the year's largest takeover.

M&A TRENDS. Chinese companies are making more [purchases](#) abroad, seeking to move up the value chain.

MERGER MONDAY A ROUND-UP OF TODAY'S LARGEST DEALS AND DEALMAKING NEWS

Marriott Buying Starwood in Deal Valued at \$13.5 Billion

Marriott International Inc. is buying **Starwood Hotels & Resorts Worldwide Inc.** for \$13.5 billion to create the world's largest hotel company, beating other suitors, which reportedly included Hyatt Hotels Corp.

Marriott is paying \$2 a share in cash and 0.92 of its own stock for Stamford, Connecticut-based Starwood, the companies said in a statement today. The new group will operate or franchise more than 5,500 hotels with 1.1 million rooms worldwide.

Starwood has been exploring options including a sale since the February departure of longtime head **Frits van Paasschen** amid criticism he failed to increase the number of properties carrying Starwood's brands quickly enough. Starwood hired **Lazard Ltd.** to advise it in April. At least three Chinese companies were pursuing bids for Starwood, according to a person with knowledge of the matter in October. CNBC reported on Oct. 28 that Hyatt was holding takeover talks with Starwood.

— Andrew Blackman and Hui-yong Yu, Bloomberg News

Media General Rejects Nexstar Bid, Agrees to Talks

Media General Inc.'s board unanimously rejected an offer from **Nexstar Broadcasting Inc.**, saying it undervalues the company, though will enter talks with the suitor on a takeover.

Media General agreed to acquire **Meredith Corp.** for \$2.4 billion on Sept. 8. Later in the month, Irving, Texas-based Nexstar made an unsolicited \$1.85 billion takeover bid for Media General. Media General's board continues to recommend the existing agreement to buy Meredith, the Richmond, Virginia-based company said in a statement Monday.

On Oct. 14, Media General got permission from Meredith to exchange information with Nexstar. **Starboard Value LP**, which holds 4.5 percent of the company's outstanding shares, wrote Media General last Tuesday urging it to begin negotiations with Nexstar.

— Paul Barbagallo, Bloomberg News

ChemChina Said to Approach CIC on Syngenta Bid

China National Chemical Corp. approached sovereign wealth funds including **China Investment Corp.** to help pay for a potential acquisition of **Syngenta AG**, which would be the biggest Chinese acquisition ever if it goes ahead, people with knowledge of the matter said. ChemChina, as the state-owned company is known, contacted government-run investment funds in Asia to gauge their interest in contributing money for an offer, people familiar with the matter said. The funds haven't yet agreed to participate, the people said.

ChemChina is in talks to buy the Swiss pesticide maker, people familiar with the matter said last week. The Chinese company offered 449 francs a share in cash, valuing the Swiss pesticide maker at 41.7 billion francs (\$41.4 billion), one of the people said. Syngenta said the figure was too low, but it served as a basis for discussions.

ChemChina and CIC representatives didn't immediately respond to requests for comment.

— Jonathan Browning and Dinesh Nair, Bloomberg News

Biggest Deals Since Friday

TARGET	INDUSTRY	COUNTRY	ACQUIRER	VALUE (\$M)
Starwood Hotels & Resorts Worldwide Inc	Lodging	US	Marriott International Inc/MD	13,453
Legacy Sunoco retail business	Oil & Gas	US	Sunoco LP	2,398
Ballast Point Brewing & Spirits Inc	Beverages	US	Constellation Brands Inc	1,000
Trayport Ltd	Software	GB	Intercontinental Exchange Inc	638
Kbro Co	Media	TW	Dafu Media Co	555

Source: Bloomberg [MA<GO>](#)

Real estate assets, joint ventures and stock buybacks excluded

Constellation to Acquire Craft Brewer for \$1 Billion

Constellation Brands Inc., the maker of Robert Mondavi wines and Svedka vodka, agreed to acquire **Ballast Point Brewing & Spirits** for \$1 billion to add to its beer portfolio.

Constellation, which has long focused on wine and spirits, has found success in the beer business since acquiring the rights to sell Corona and Modelo beers in the U.S. in a \$5.3 billion deal with Anheuser-Busch InBev NV in 2013.

San Diego-based Ballast Point was started in 1996. Sales are expected to double to almost 4 million cases this year, with net sales hitting \$115 million, Constellation said.

The deal is expected to be completed this year and will be financed with cash and debt, Victor, New York-based Constellation said Monday in a statement. The takeover will be neutral to Constellation's profit in its current fiscal year and add about 6 cents to per-share earnings the following year, it said.

— Jennifer Kaplan, Bloomberg News

Energy Transfer Plans \$2.2B Dropdown to Sunoco

Energy Transfer Partners LP, a unit of the pipeline group led by billionaire **Kelcy Warren**, agreed to sell wholesale fuel and retail marketing assets for about \$2.23 billion to its affiliate **Sunoco LP**.

The transaction, which completes \$5.7 billion of retail-business dropdowns from Energy Transfer to Sunoco in just over a year, will be effective Jan. 1 and is expected to close in February, the companies said Monday in a statement.

The transaction is the latest move by **Energy Transfer Equity LP** to simplify its financial structure. Energy Transfer Partners, primarily an operator of natural gas pipelines and processing units, bought Sunoco Inc. for about \$6.8 billion in 2012.

"With the completion of the dropdown program, SUN will be able to focus on a broad range of opportunities to grow via third-party acquisitions and capital projects," according to the statement.

— Jim Polson, Bloomberg News

DEAL FOCUS

Walgreens, Rite Aid Overlaps Will Be Scrutinized by Regulators

Rite Aid Corp.'s Oct. 27 agreement to be acquired by **Walgreens Boots Alliance Inc.** will create the largest U.S. drugstore chain. The rapid consolidation of health care, from drug manufacturers to managed care companies, is driving a race to achieve scale in the supply chain.

Rite Aid's footprint in the Northeast and West Coast is highly complementary to Walgreens' presence in the Midwest and South.

Walgreens agreed to divest as many as 1,000 stores if necessary to win antitrust

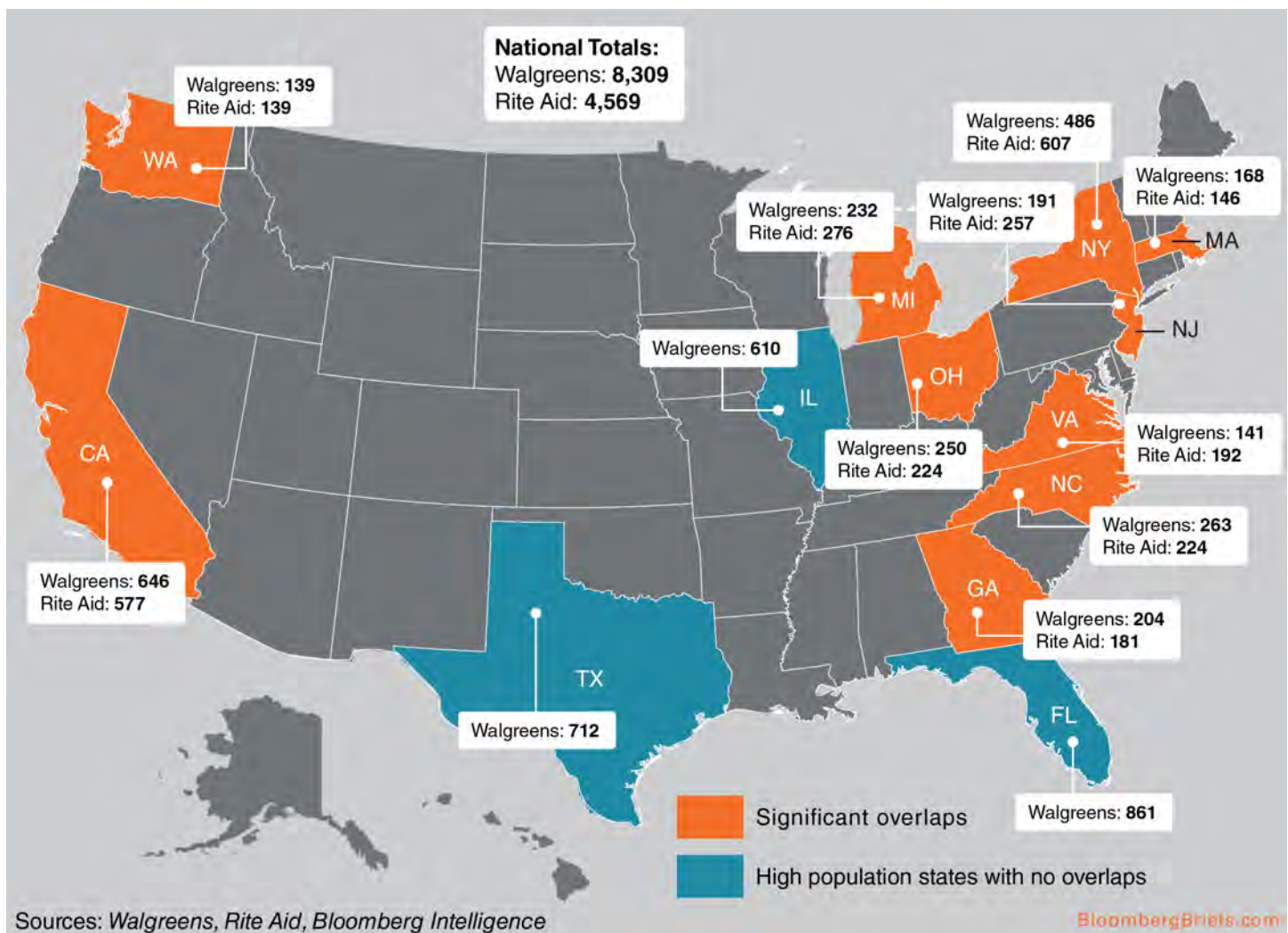
approval, though the company said it expects the figure to be less than 500. Walgreens agreed to pay Rite Aid a \$325 million termination fee if the deal isn't approved by regulators.

A state-level comparison shows significant overlap. This includes six of the 10 most populous states — California, New York, Ohio, Georgia, North Carolina and Michigan — though those may be the markets where consumers have the most options and where it is easiest to find buyers that will satisfy regulators'

demands that divestitures ensure genuine competition for the combined Walgreens-Rite Aid.

The state-wide figures do not necessarily reflect the extent of the competitive issues. In retail mergers, regulators typically examine much smaller geographic markets, such as zip codes, to see if specific stores of one merger partner compete against outlets of the other.

— Jonathan Palmer, *Bloomberg Intelligence*



Walgreens has stores in all 50 states, Puerto Rico and the U.S. Virgin Islands. Figures are not shown for states with lower store counts.

CROSS-BORDER M&A

Chinese Companies Go Shopping Abroad to Move Up the Value Chain

BY VINICY CHAN, BLOOMBERG NEWS

Chinese companies are going on their biggest global spending spree ever, with a marked change in strategy from buying resources to hunting for manufacturing expertise and financial companies as economic growth slows.

China's companies and tycoons announced \$85.3 billion of acquisitions outside China this year through Nov. 12, up 46 percent from two years ago, according to data compiled by Bloomberg. And that doesn't include a possible takeover of **Syngenta AG**. **China National Chemical Corp.** is in talks with the Swiss pesticides maker about a takeover valued at about 41.7 billion franc (\$41.6 billion), people with knowledge of the situation said last week. That would be the biggest ever acquisition by a Chinese company.

The largest companies in China are snapping up assets in Europe and the U.S. as President Xi Jinping seeks to restructure an economy that is growing at its slowest pace since 1990. Out are purchases of commodity assets as the nation's consumption of raw materials slipped, while in vogue are assets that infuse its companies with know-how and new technology.

"China is transforming into a consumer-driven economy," Stephen Gore, head of Asia Pacific mergers and acquisitions at Bank of America Merrill Lynch, said by phone. "Many Chinese companies are eager to move up the value chain and that encourages them to pursue acquisitions of companies that could enable them to access advanced technology, strong brands and industrial processes."

State-owned **Tsinghua Unisplendour Co.** in September said it would invest \$3.8 billion in **Western Digital Corp.**, China's biggest technology share purchase in the U.S., while **HNA Group Co.** in July agreed to buy airport luggage handler **Swissport International Ltd.** for 2.73 billion francs. **China Minsheng Investment Corp.** in July agreed to spend \$2.2 billion buying **Sirius International Insurance Group Ltd.**

The nation's tycoons also have been opening their wallets. **Fosun**

Overseas Purchases Have Accelerated



Source: Bloomberg MA<GO>

BloombergBriefs.com

International Ltd., which is backed by Chinese billionaire **Guo Guangchang**, in May announced a deal to buy Bermuda-based insurer **Ironshore Inc.** for \$1.84 billion, and in July made a hostile \$545.5 million offer for **BHF Kleinwort Benson Group SA**. Meanwhile, **Wang Jianlin**, the nation's wealthiest man according to the Bloomberg Billionaires Index, agreed in August to spend \$650 million to buy **World Triathlon Corp.**, adding the organizer of Iron Man triathlons to holdings including soccer team **Atletico Madrid**.

"Long-term growth potential in China makes firms attractive bidders, and they tend to have good funding support," said Spencer Lake, global head of capital financing at HSBC Holdings Plc. "Chinese firms looking abroad have also benefited from collaborative efforts between policymakers in China and Europe."

The strategy is a marked change from the last decade when Chinese companies were investing in mines and oil fields in Canada, Africa and Australia as the nation sought raw materials to fuel rising demand from its factories, steel mills and power plants. The largest purchase to date by a Chinese company outside the nation's borders was **Cnooc Ltd.**'s acquisition of Canadian energy producer **Nexen Inc.** for about \$15.1 billion in 2013.

With a housing glut, slowing car sales and concerns about rising bad loans, the pressure on Chinese companies to expand overseas has grown as profit margins shrunk. China's economy grew 6.9 percent in the third quarter, the slowest quarterly increase since the start of 2009. For the full year, growth is set to be the slowest since 1990.

Concern about a slowdown in Chinese growth erased \$9.7 trillion of equity market values worldwide in less than two months in August and September.

The flurry of deals comes a decade after one of the most ambitious acquisitions proposed by a Chinese company fell apart amid political opposition in the U.S. **Cnooc** dropped an \$18.5 billion bid for California-based **Unocal Corp.** in 2005 because of opposition from U.S. lawmakers on grounds the takeover would threaten national security.

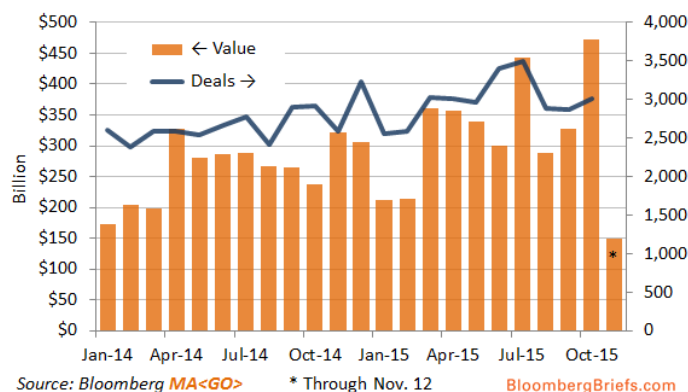
Another deal may fail this year for the same reasons: **Royal Philips NV**'s planned \$2.8 billion sale of a lighting business to Chinese-led investors has come under scrutiny by a U.S. government committee charged with vetting foreign acquisitions to protect national security, Philips said Oct. 26.

—With assistance from Aaron Kirchfeld,
Bloomberg News

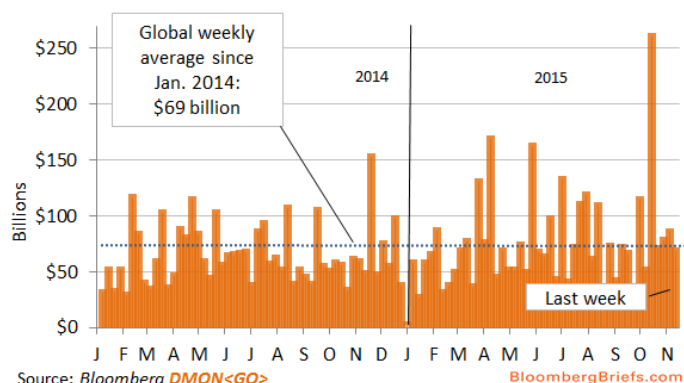
YEAR TO DATE: TOP DEALS

Merger Activity Accelerated in 2015

Monthly Deal Volume (Global)



Weekly Deal Volume



Largest Deals Announced in 2015 So Far

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
10/13	SABMiller PLC	Beverages	GB	Anheuser-Busch InBev SA/NV	BE	120,481
4/8	BG Group PLC	Oil & Gas	GB	Royal Dutch Shell PLC	NL	79,308
5/26	Time Warner Cable Inc	Media	US	Charter Communications Inc	US	79,250
10/12	EMC Corp/MA	Computers	US	Dell Inc	US	63,491
9/28	Williams Cos Inc/The	Pipelines	US	Energy Transfer Equity LP	US	58,093
3/25	Kraft Foods Group Inc	Food	US	HJ Heinz	US	55,423
7/24	Cigna Corp	Health care-Services	US	Anthem Inc	US	50,382
1/9	Hutchison Whampoa Ltd	Holding Companies-Diversified	HK	CK Hutchison Holdings Ltd	HK	41,705
7/27	Allergan generic drug business	Pharmaceuticals	US	Teva Pharmaceutical Industries Ltd	IL	40,500
8/10	Precision Castparts Corp	Metal Fabricate/Hardware	US	Berkshire Hathaway Inc	US	35,658
4/8	Perrigo Co PLC	Pharmaceuticals	IE	Mylan NV	US	34,870
5/28	Broadcom Corp	Semiconductors	US	Avago Technologies Ltd	SG	29,806
7/1	Chubb Corp/The	Insurance	US	ACE Ltd	CH	28,986
7/3	Humana Inc	Health care-Services	US	Aetna Inc	US	28,906
4/20	SK Holdings Co Ltd/Old	Oil & Gas	KR	SK Holdings Co Ltd	KR	26,731
3/4	Pharmacyclics Inc	Pharmaceuticals	US	AbbVie Inc	US	19,777
10/14	Wireless infrastructure assets	Telecommunications	CN	China Tower Corp Ltd	CN	18,326
11/2	Visa Europe Ltd	Diversified Financial Services	GB	Visa Inc	US	18,185
9/17	Cablevision Systems Corp	Media	US	Altice NV, Canada Pension Plan Investment Board, BC Partners Holdings Ltd	US	17,835
1/26	Regency Energy Partners LP	Pipelines	US	Energy Transfer Partners LP	US	17,430
2/5	Hospira Inc	Pharmaceuticals	US	Pfizer Inc	US	16,807
10/27	Rite Aid Corp	Retail	US	Walgreens Boots Alliance Inc	US	16,708
10/21	SanDisk Corp	Computers	US	Western Digital Corp	US	15,867
3/2	Freescale Semiconductor Ltd	Semiconductors	US	NXP Semiconductors NV	NL	15,769
8/26	Cameron International Corp	Oil & Gas Services	US	Schlumberger Ltd	US	15,153

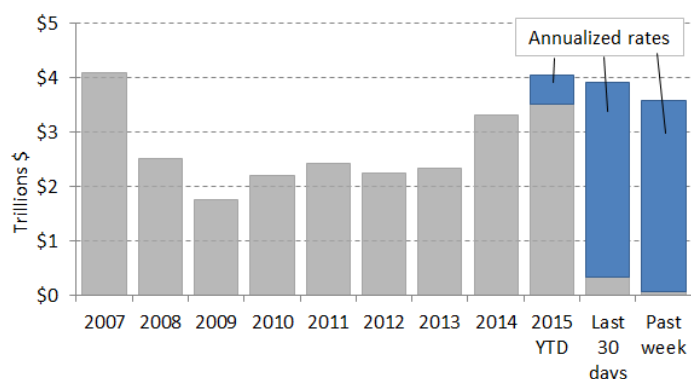
Source: Bloomberg [MA<GO>](#) Announced through Nov. 12

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.

WEEK IN REVIEW: M&A TRENDS COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Deal Flow Slows to Average While Multiples Continue to Rise

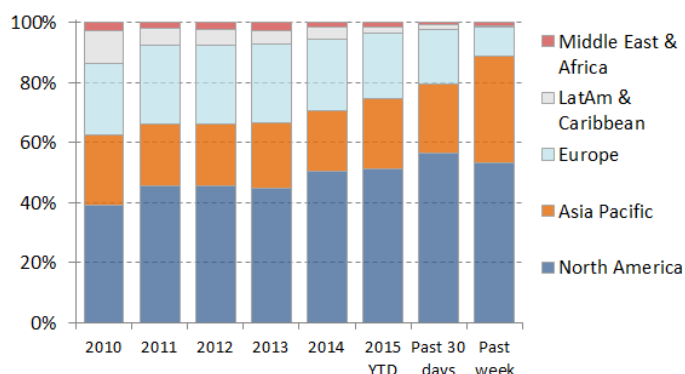
Pace of Dealmaking



Deal activity totaled \$68 billion last week, *slightly less* than the \$69 billion weekly average since January 2014, according to data compiled by Bloomberg. There were nine new deals worth \$1 billion or more announced.

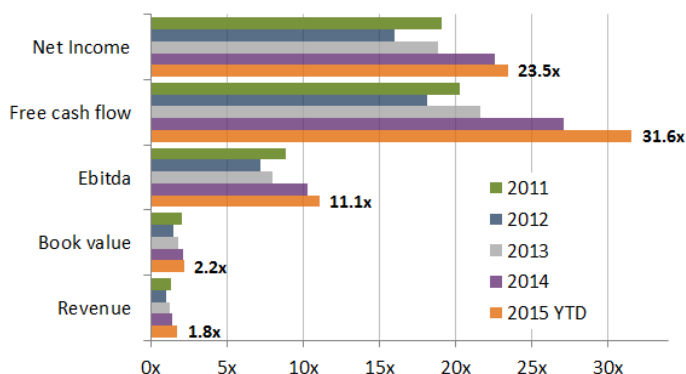
The biggest deal of the week was **Molson Coors Brewing Co.'s** \$12 billion purchase of **SABMiller Plc's** 58 percent stake in their American brewing joint venture **MillerCoors LLC**. That was a byproduct of the year's biggest deal, **Anheuser-Busch InBev NV's** takeover of **SABMiller Plc**. Giving up the JV stake will help head off antitrust objections.

Regional Breakdown



Three of the 10 largest deals this past week were in the Asia-Pacific region — one in China, one in Hong Kong and one in Australia. The region generated 35.6 percent of the week's activity by value.

Valuations



Each of the five deal multiples we regularly track is at a five-year high, and each average has risen in the past month. The sample sizes range from 859 deals in the case of free cash flow to 2,032 in the case of book value.

WEEK IN REVIEW: TOP DEALS

Largest Deals Announced Nov. 7 - Nov. 16

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$ M)
11/11	MillerCoors LLC (SABMiller's 58% stake in JV)	Beverages	US	Molson Coors Brewing Co	US	12,000
11/8	Plum Creek Timber Co Inc	REITS	US	Weyerhaeuser Co	US	11,406
11/9	Asciano Ltd	Transportation	AU	Canada Pension Plan Investment Board, Global Infrastructure Partners, Qube Holdings Ltd	CA, US, AU	9,044
11/7	Three Gorges Jinshajiang Chuanyun Hydro Development (remaining 74.7%)	Energy-Alternate Sources	CN	China Yangtze Power Co Ltd	CN	9,208
11/13	Skyway Concession Co LLC	Engineering & Construction	US	OMERS Administration Corp, Canada Pension Plan Investment Board, Ontario Teachers' Pension Plan Board	CA	2,800
11/11	ICAP Global Broking Holdings Ltd	Diversified Financial Services	GB	Tullett Prebon PLC	GB	2,126
11/12	Pioneer Time Investment Ltd	Real Estate	HK	Evergrande Real Estate Group Ltd	CN	1,613
11/9	Fidelity & Guaranty Life	Insurance	US	Anbang Insurance Group Co Ltd	CN	1,573
11/9	CGS Holding AS	Commercial Services	CZ	Trelleborg AB	SE	1,256
11/12	NCR Corp (convertible preferred equal to 17% stake)	Computers	US	Blackstone Group LP/The	US	820
11/11	Roundy's Inc	Retail	US	Kroger Co/The	US	785
11/11	Astellas Pharma dermatology business	Pharmaceuticals	JP	LEO Fondet	DK	723
11/12	Xchanging PLC	Computers	GB	Computer Sciences Corp	US	685
11/10	Starmalls Inc	Real Estate	PH	Vista Land & Lifescapes Inc	PH	655
11/9	Vector Gas Ltd	Oil & Gas Services	NZ	Colonial First State Asset Management Australia Lt	AU	623
11/12	Barrick gold mine assets in Nevada	Mining	US	Kinross Gold Corp	CA	610
11/9	RealD Inc	Computers	US	Rizvi Traverse Management LLC	US	538
11/11	Angie's List Inc	Internet	US	IAC/InterActiveCorp	US	513
11/10	Tesoro Corp pipeline assets in Los Angeles	Pipelines	US	Tesoro Logistics LP	US	500
11/10	Motor Coach Industries International Inc	Auto Manufacturers	US	New Flyer Industries Inc	CA	455
11/13	Japan Residential Investment Co Ltd	Country Funds-Closed-end	GG	Blackstone Group LP/The	US	426
11/12	Lane Industries Inc	Machinery-Diversified	US	Salini Impregilo SpA	IT	406
11/9	C1 Financial Inc	Banks	US	Bank of the Ozarks Inc	US	403
11/11	Pecten Midstream LLC	Oil & Gas	US	Shell Midstream Partners LP	US	390
11/10	Lions Gate Entertainment Corp (6.8% stake)	Entertainment	US	Discovery Communications Inc, Liberty Global PLC	US, UK	390

Source: Bloomberg [MA<GO>](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.

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ACTIVISTS

Blacklisting Ackman and Icahn: How Some Drug Companies Keep Out Activists

BY MILES WEISS, BLOOMBERG NEWS



Photo: Bloomberg/
Chris Ratcliffe
Bill Ackman

When **Concordia Healthcare Corp.** agreed to issue a 14 percent stake to a private equity firm, the Canadian drug manufacturer tucked into the deal several layers of protection from shareholder activists.

The agreement in October bars the buyout firm, **Cinven**, from transferring or reselling its Concordia shares to a list of almost 60 activist firms, including those run by **Bill Ackman**, **Carl Icahn**, and **Dan Loeb**, according to a regulatory filing. To make sure it didn't miss anyone, Concordia also blocked Cinven from transferring its shares to anyone on the SharkWatch 50, a roster of the largest activists compiled by FactSet Research Systems Inc.

Since last year, amid a torrent of drug industry mergers, at least three other pharmaceutical companies have taken similar precautions against activist firms when using their shares as currency for an acquisition. These bans have gone largely unnoticed by the activist managers, who say shareholders may be harmed when a company limits who can buy its shares.

"I've never heard of such a thing," said **Stephen Griggs**, chief executive officer of **Smoothwater Capital Corp.**, a Toronto-based activist firm which wasn't blacklisted by Concordia. "A restriction on who can buy the stock really just smacks of retrenchment by the management team and the board."

Companies have long put limits on the resale of newly issued shares, in part by requiring recipients to observe mandatory waiting periods or to refrain from sales that would help an investor attain a stake of five percent or more. What's new is the singling out of a class of investors or actually naming the people or firms that aren't allowed to buy shares, said Eric Krautheimer, an attorney at Sullivan & Cromwell LLP who helped represent **Teva Pharmaceutical Industries Ltd.** in

a deal that restricted activists.

Marija Mandic, a Concordia spokeswoman, said the ban gives the company some needed sway in future sales of its shares. It expires when Cinven's stake falls below 1 percent.

"It's standard market practice to include such a clause when you are selling a sizable stake," said Mandic. "We would want to have some control over who they would decide to sell to."

Drug companies began using this tactic after **Pershing Square Capital Management**, the activist firm run by Ackman, teamed up with **Valeant Pharmaceuticals International Inc.** last year in an unsuccessful bid to acquire **Allergan Inc.**, the maker of the Botox anti-wrinkle treatment. Pershing Square was able to amass a stake of almost 10 percent in Allergan before their takeover plans became public that April.

Six months later, **Loeb's Third Point LLC** called for the breakup of biotech giant **Amgen Inc.**, which counted the hedge fund as an investor.

With drugmakers under attack, Mylan Inc., now known as **Mylan NV**, included a no-activist clause in a July 2014 agreement to buy a generics pharmaceutical business of Abbott Laboratories for 110 million common shares.

This year Teva, an Israeli drugmaker, included a ban on resales to activists when it agreed in July to purchase Allergan's generic business for almost \$41 billion in cash and stock. So did **Endo International Plc** as part of a deal struck in May to buy Par Pharmaceutical Holdings Inc. from TPG Capital.

Spokespeople for Endo and Mylan didn't respond to requests for comment.

The restrictions on resales to activists date back to at least 2012, when **Walgreen Co.** bought a 45 percent stake in Alliance Boots GmbH from **KKR & Co.** for \$6.7 billion in cash and stock. As part of the deal, Walgreen included a provision that barred buyout firm KKR from transferring the shares it received to activists if the resale would give them a stake of 5 percent or more.

Such precautions didn't insulate Walgreen from outside pressure. **Jana**

Partners, the activist hedge fund run by **Barry Rosenstein**, won at least two board seats at the pharmacy chain in September 2014, despite holding a stake of little more than one percent. Walgreen last year bought the remaining 55 percent of Alliance Boots to form Walgreens Boots Alliance Inc.

The restriction is "a reflection of people not wanting to give activists an easy way to get a large chunk of the company," said Krautheimer of Sullivan & Cromwell. "I don't think it's anything unique to the drug industry."

Goldman Sachs Group Inc., which has defended corporations from activist shareholders, served as adviser to Walgreen on the KKR deal and four of the seven other companies that have disclosed no-activist clauses since then: **Elizabeth Arden Inc.**, **CF Industries Holdings Inc.**, **Rentrak Corp.**

Michael Duvally, a spokesman at Goldman Sachs, declined to comment.

There are no laws preventing companies from using the resale restrictions, said Marc Weingarten, co-chair of the global shareholder activism group at Schulte Roth & Zabel, a New York-based law firm.

Executives at three well-known activist firms, while declining to be identified, said they weren't aware that companies were placing restrictions on their activities.

Concordia is the only of the four firms that included its own list of activists that are off limits for purchasing their shares, according to the filings. Its governance agreement also contains a "White List" of investors, primarily public pension and sovereign wealth funds, to which Cinven is allowed to sell its Concordia shares through a block transaction. They include the Canada Pension Plan Investment Board, China Investment Corp., the Kuwait Investment Authority and the Alberta Heritage Savings Trust Fund.

Compared to the U.S., Canada makes it relatively easy to call a shareholder meeting to oust the board and to build up a stake without being detected, said Wes Hall, chief executive officer of Kingsdale Shareholder Services in Toronto.

"There is a lot of vulnerability to activists in this market," said Hall

ACTIVIST SITUATIONS

COMPILED BY MELISSA KARSH, BLOOMBERG BRIEF EDITOR

Significant Actions at Companies Targeted by Activist Investors

COMPANY	ACTIVIST	WHAT HAPPENED
Yahoo! Inc.	Starboard Value	Activist hedge fund doubled its stake in the company in the third quarter, bringing its ownership to 7.1 million, according to a Nov. 13 filing, after successfully getting the company to spin off its stake in Alibaba Group Holding Ltd.
Chemours Co.	Triun Fund Management	Activist now has a stake in the former DuPont Co. chemical-manufacturing unit spun off in July, according to a Nov. 13 filing. The filing showed that the activist hedge fund also increased its holdings in General Electric Co., Pentair Plc, Mondelez International Inc. and Dupont.
Microsoft Corp.	ValueAct Holdings LP	Activist said Nov. 12 that it sold about 25 percent, or 18.65 million shares, of its stake in the software maker following an increase in the stock that caused its portfolio to be too heavily weighted in shares of the company.
Angie's List Inc.	IAC/InterActiveCorp	Consumer-review website rose to a one-year high on Nov. 12 after activist offered to buy the company.
Advance Auto Parts Inc.	Starboard Value	Company, which has been under pressure from activist, fell the most Nov. 12 in more than three years after announcing the retirement of its CEO and weak third-quarter results.
Intertape Polymer Group Inc.	FrontFour Capital Group, Zelman Capital	Two activist hedge funds are urging the Quebec-based packaging company's board to consider ways to unlock value, including a possible sale, according to a letter sent to the company's CEO dated Nov. 10.
Rofin-Sinar Technologies Inc.	SilverArrow Capital Holding Ltd.	Shareholder activist plans to raise its stake in the maker of industrial lasers to at least 15 percent from 9.4 percent as it seeks to force the Plymouth, Michigan-based company to appoint three new independent directors, Bloomberg News reported Nov. 10, citing people familiar with the strategy.

Source: Bloomberg News, [NI SHRHOLDACT<GO>](#)

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DEAL ARBITRAGE

TARGET	ACQUIRER	DEAL SIZE (M)	EXPECTED COMPLETION DATE	OFFER PER SHARE	TARGET PRICE	PAYMENT TYPE	SPREAD	PROJECTED ANNUALIZED RETURN	1W CHANGE IN SPREAD	MAJOR MOVE
AGL Resources Inc	Southern Co/The	11,937	12/31/16	66.00	62.08	Cash	6.3%	5.6%	0.2%	
Altera Corp	Intel Corp	14,355	03/31/16	54.00	52.59	Cash	2.7%	7.0%	0.0%	
Axis Capital Holdings Ltd	Arch Capital Group Ltd	6,560	-	65.00	54.96	Cash	18.3%	-	1.3%	
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	60.88	47.66	C&S	27.7%	210.9%	4.9%	▲
Baxalta Inc	Shire PLC	29,337	-	34.58	33.79	Stk	2.3%	-	-0.5%	
BioMed Realty Trust Inc	Blackstone Group LP/The	7,693	03/31/16	23.75	23.17	Cash	2.5%	6.6%	0.5%	
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	7.21	Cash	114.8%	-	12.5%	▲
Broadcom Corp	Avago Technologies Ltd	29,806	03/31/16	52.98	51.38	C/S	3.1%	8.2%	-0.5%	
Cablevision Systems Corp	Altice NV	17,835	06/30/16	34.90	31.00	Cash	12.6%	20.0%	1.1%	
Cameron International Corp	Schlumberger Ltd	15,153	03/31/16	68.96	66.70	C&S	3.4%	8.9%	-0.3%	
Canadian Oil Sands Ltd	Suncor Energy Inc	6,557	12/04/15	9.23	9.11	Stk	1.3%	23.4%	2.1%	▲
Chubb Corp/The	ACE Ltd	28,986	03/31/16	130.25	128.49	C&S	1.4%	3.6%	0.0%	
Cigna Corp	Anthem Inc	50,382	12/31/16	171.69	131.57	C&S	30.5%	26.9%	0.4%	
EMC Corp/MA	Dell Inc	63,491	10/31/16	30.57	25.03	Cash	22.1%	22.9%	3.5%	▲
Freescale Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	33.65	33.37	C&S	0.8%	6.4%	-0.4%	
Humana Inc	Aetna Inc	28,906	12/31/16	210.60	167.36	C&S	25.8%	22.8%	3.3%	▲
KLA-Tencor Corp	Lam Research Corp	10,955	06/30/16	69.78	65.68	C&S	6.2%	9.9%	0.8%	
MarkWest Energy Partners LP	MPLX LP	12,903	12/31/15	49.01	43.45	C&S	12.8%	97.2%	-0.2%	
Micron Technology Inc	Tsinghua Holdings Co.	22,973	-	21.00	15.00	Cash	40.0%	-	10.7%	▲
Pepco Holdings Inc	Exelon Corp	12,185	03/31/16	27.25	26.44	Cash	3.1%	8.0%	0.4%	
Plum Creek Timber Co Inc	Weyerhaeuser Co	11,406	06/30/16	46.80	46.19	Stk	1.3%	2.1%	1.3%	
Precision Castparts Corp	Berkshire Hathaway Inc	35,658	03/31/16	235.00	230.02	Cash	2.2%	5.7%	0.3%	
Rite Aid Corp	Walgreens Boots Alliance Inc	16,708	06/30/16	9.00	7.60	Cash	18.4%	29.2%	3.3%	▲
SanDisk Corp	Western Digital Corp	15,867	09/30/16	86.16	73.90	C&S	16.6%	18.8%	4.3%	▲
Sigma-Aldrich Corp	Merck KGaA	16,395	11/18/15	140.00	139.87	Cash	0.1%	6.8%	-0.2%	
Targa Resources Partners LP	Targa Resources Corp	11,378	03/31/16	25.70	24.80	Stk	3.6%	9.5%	0.0%	
TECO Energy Inc	Emera Inc	10,222	06/30/16	27.55	26.44	Cash	4.2%	6.7%	2.0%	▲
Time Warner Cable Inc	Charter Communications Inc	79,250	12/31/15	200.87	185.43	C&S	8.3%	63.3%	0.3%	
Towers Watson & Co	Willis Group Holdings PLC	8,095	12/31/15	116.00	127.42	Stk	-5.1%	-39.1%	0.9%	
Williams Cos Inc/The	Energy Transfer Equity LP	58,093	06/30/16	38.82	35.10	C/S	10.6%	16.8%	3.3%	▲

MARB <GO> North American deals

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock

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PARIS ATTACKS: Latest News and Impact

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EDITOR'S CORNER

Remarrying the Ex and Other M&A Musings

BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR



It's hard to avoid marital metaphors discussing last week's deals.

■ In category 1, we have "breaking up seemed like a good idea at the time, but circumstances have changed."

That was the story behind last week's two biggest deals: the \$18 billion recombining of **Visa Inc.** and **Visa Europe Ltd.** and **Targa Resources Corp.**'s reabsorption of its pipeline operator **Targa Resources Partners LP**.

The two card processor companies, both then owned by the banks that used them, split in 2007 on the eve of the U.S. company's IPO.

Now the U.S.-based company wants to integrate the businesses and the European wing's bank owners could use the capital they'll get from a sale. So back to the alter.

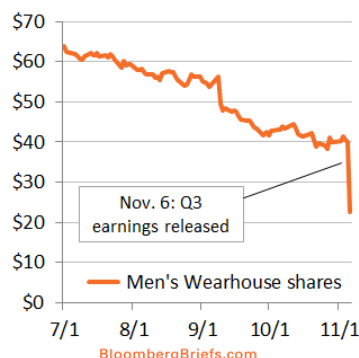
In 2008 Targa Resources Corp., like many other pipeline operators at the time, transferred assets into a master limited partnership, TRP, to take advantage of MLPs' tax advantages. Now the MLP finds itself over-leveraged. Cash flow is projected to fall short of what's needed for distributions to TRC and other unit holders next year. Recombining will address the MLP's balance sheet issues. Tax considerations now take a back seat.

■ Undoing splits in the 2000s isn't as embarrassing as unwinding a deal that's less than three years old. That's what **ConAgra** did last week. Think of it as a quickie divorce.

The food company agreed Nov. 2 to offload to **TreeHouse Foods Inc.** the private-label food operations it acquired with its acquisition of Ralcorp in January 2013. ConAgra will recoup only \$2.7 billion of the original \$6.7 billion price tag. The deal cost one CEO his job and stained earnings for two years. Time to move on.

■ Finally, we have **Men's Wearhouse Inc.**, whose takeover last year of Jos. A Bank Clothiers Inc. falls in the marriage-under-stress bucket.

Clearance Sale



The company reported Friday that same-store sales at Bank were down 15 percent in the third quarter and may fall as much as 25 percent more in the fourth quarter following the elimination of Bank's signature discount practices.

"We did not anticipate that the impact from the traffic decline would occur to this degree," Men's Wearhouse CEO **Doug Ewert** said.

Perhaps that should have been issued as an Understatement rather than a Statement.

There was more than a little irony since the merger originated with an unsolicited offer from Bank for Men's Wearhouse. Ewert responded with an unsolicited bid for Bank and prevailed after an acrimonious battle, with the [support](#) of activist investor **Eminence Capital**.

Now his company's stock chart calls to mind The New Yorker boardroom cartoon where an executive presenting a graph with a similarly plunging line cheerfully turns it counterclockwise to make things look better.

If only it were that easy.

QUOTED

"I've been involved myself in a series of situations where the activists have really misjudged the company, and once they get in, really in, realize that their premises are wrong."

— **Evercore Partners** founder and chairman **Roger Altman** in a Bloomberg TV [interview](#)



Goldman Sachs sold 1.3 million shares of **Valeant Pharmaceuticals** that it held as collateral for \$100 million in loans to Valeant CEO **Mike Pearson**, the bank said [Friday](#). The disposal came amid a rout in Valeant shares. At the close on Friday, they were down 54 percent since Oct. 16. Pearson's loans financed gifts to his alma mater Duke University, a community swimming pool, stock purchases and tax payments.

WEEK IN NUMBERS

■ **12:** New deals of \$1 billion or more announced last week

IN THIS ISSUE

ANTITRUST. **John Malone's** web of cable and media holdings may complicate regulatory [approval](#) of **Charter Communications'** merger with **Time Warner Cable**.

ACTIVISM. Activism hasn't measured up at **Men's Wearhouse**, writes Bloomberg [Gadfly columnist](#) Gillian Tan.

CHANGE OF FORMAT

Our next issue, on Nov. 16, will be the last edition of the weekly Mergers brief. We will continue to publish special issues on major transactions and other merger topics. Inside is [a guide](#) to the ways readers can obtain M&A news and data on the Bloomberg terminal.

MERGER MONDAY A ROUND-UP OF TODAY'S LARGEST DEALS AND DEALMAKING NEWS

Apache Said to Get Takeover Approach

Apache Corp. has received an unsolicited takeover approach, according to people familiar with the matter.

The Houston-based oil and gas company, which has an enterprise value of more than \$27 billion, rejected the initial offer and is working with financial adviser **Goldman Sachs Group Inc.** on a defense, said the people. The potential buyer, who couldn't immediately be identified, sent a letter to Apache in the past few weeks and it's unclear whether talks will resume, one of the people said.

A spokesman for Apache couldn't be reached for comment outside regular business hours. A representative for Goldman Sachs declined to comment.

Apache is one of the biggest leaseholders in the Permian Basin in western Texas, the largest U.S. shale play and the only one where oil output has continued to grow even as drillers slash spending and idle rigs.

— Ed Hammond, Matthew Monks and Dinesh Nair, Bloomberg News

Weyerhaeuser to Buy Plum Creek for \$11.4 Billion

Weyerhaeuser Co. agreed yesterday to buy **Plum Creek Timber Co.** in an all-stock deal valued at about \$11.4 billion including debt to create a real estate investment trust that will be the largest private owner of timberland in the U.S.

According to a company statement, Plum Creek stockholders will get 1.6 shares of Weyerhaeuser for each share they own. The deal carries a 21 percent premium to Plum Creek's closing price on Friday.

The new company will own more than 13 million acres (5.3 million hectares) of timberland across the U.S. and produce lumber and wood-fiber boards. Weyerhaeuser Chief Executive Officer **Doyle Simons** will retain the title in the combined company while Plum Creek CEO **Rick Holley** will be non-executive chairman.

Weyerhaeuser said in a separate statement that it will review alternatives for its cellulose fibers business that include holding on to it, a sale or a spinoff. The unit, which accounted for 26 percent of company revenues last year, makes raw materials used in textiles, paper and diapers.

— Simon Casey and Mark Niquette, Bloomberg News

Apollo Ends Deal to Buy Schorsch's Real Estate

Apollo Global Management and **AR Capital** terminated plans that would have seen the alternative-asset manager buy the bulk of real estate investor **Nicholas Schorsch's** holdings. Apollo and AR Capital mutually agreed to cancel the transaction, which would have invested in a new entity called AR Global Investments, the companies said in a statement Monday. AR Global Investments would have absorbed about \$19 billion now overseen by Schorsch, with Apollo holding a 60 percent stake in the new company, the New York-based firm said Aug. 6. Schorsch's holdings were thrown into disarray in October last year when one of his REITs disclosed that it had accounting errors that were intentionally concealed.

— Elizabeth Fournier and David Carey, Bloomberg News

Biggest Deals Since Friday

TARGET	COUNTRY	INDUSTRY	ACQUIRER	VALUE (\$M)
Plum Creek Timber Co Inc	US	REITS	Weyerhaeuser Co	11,406
Fidelity & Guaranty Life	US	Insurance	Anbang Insurance Group Co Ltd	1,573
CGS Holding AS	CZ	Commercial Services	Trelleborg AB	1,251
RealD Inc	US	Computers	Rizvi Traverse Management LLC	538
Kipper gas field		Oil & Gas Services	Mitsui & Co Ltd	367

Source: Bloomberg [MA<GO>](#)

Real estate assets, joint ventures and stock buybacks excluded

Anbang Agrees to Buy HRG Life Insurer for \$1.6 Billion

Anbang Insurance Group Co. agreed to buy **HRG Group Inc.'s** Fidelity & Guaranty Life for about \$1.6 billion to expand in the U.S.

The Chinese company will pay \$26.80 per share, or 29 percent more than Fidelity & Guaranty Life's closing price on April 6, the day that HRG said it would explore a sale of the life insurer, the companies said in a statement Monday.

The FG&L purchase will give Beijing-based Anbang firm a foothold in the world's largest insurance market.

FG&L has about 700,000 policyholders and offers life insurance and annuities, which provide income to retirees. The Des Moines, Iowa-based company had more than \$19 billion of investments as of June 30, according to a regulatory filing.

HRG, which was previously known as Harbinger Group Inc. and led by hedge-fund manager **Philip Falcone**, has been reshaping itself after Richard Handler's Leucadia National Corp. increased its stake and oversight of the company.

— Sonali Basak and Jodi Xu Klein, Bloomberg News

InterContinental Drops After Saying It's Not in Sale Talks

InterContinental Hotels Group Plc shares fell the most in 11 weeks after the world's largest hotel operator said it's not exploring a sale or merger.

The owner of the Crowne Plaza and Holiday Inn chains dropped as much as 4.5 percent in London trading.

They were down 3.5 percent at 2,676 pence as of 1:12 p.m.

The stock rose 6.2 percent on Friday after Bloomberg News, citing people with knowledge of the matter, reported that the company was in discussions with financial advisers on whether to sell itself or combine with a competitor.

"Following recent market speculation, the board of directors of IHG states that it is not considering a potential sale or merger of the company," the Denham, England-based company said on Friday.

— Dalia Fahmy, Bloomberg News

ANTITRUST BY TODD SHIELDS, BLOOMBERG NEWS

Cable Magnate John Malone's Multiple Stakes Scrutinized in Charter-TWC Deal



Photo: Bloomberg/
David Paul Morris
John Malone

John Malone amassed a cable fortune decades ago, sold the holdings for billions of dollars, and went on to build a media empire with reach into pay-TV, movies and satellite radio.

Now Malone's sprawling interests are being scrutinized by U.S. regulators reviewing the deal he helped broker to merge **Time Warner Cable Inc.** and **Charter Communications Inc.**, where he is a leading shareholder, to create the second-largest U.S. cable company.

"It's hard not to think about Malone when you think about Charter, about all Malone's entanglements," said Rich Greenfield, an analyst with New York-based BTIG.

The Federal Communications Commission sent queries last week asking for details about Malone's holdings in companies including **Discovery Communications Inc.** and premium-video supplier **Starz**, which supply programming to Charter rivals such as AT&T Inc.'s DirecTV and Dish Network Corp.

The FCC's letters to three corporations that list Malone as chairman — **Liberty Media Corp.**, QVC shopping site owner **Liberty Interactive Corp.** and Charter investor **Liberty Broadband Corp.** — asked for a response by Nov. 16 about his sway over Charter, Time Warner Cable, DirecTV, the Liberty entities, Discovery and Starz. The agency wants to know about plans for online delivery of shows, and whether Malone has incentives to act for and against the enlarged Charter.

"It's a pretty meaningful request," said Greenfield. "You can't have complete confidence" the deal will be approved.

Others take a more sanguine view. The FCC isn't likely to consider Malone's ownership of other entities to be a problem and the request sent to the Liberty companies is "probably not a big issue," said Craig Moffett, senior research analyst at MoffettNathanson LLC.

Comcast Corp.'s ownership of NBC and its programming didn't draw FCC attention as the top cable company pursued Time Warner Cable, and so Malone's interests in companies "one step removed" aren't going to be a hurdle, Moffett said. Comcast in April withdrew its Time Warner Cable bid after regulators expressed concern about other preserving online competition to cable. That cleared the way for Charter's bid announced May 26.

Charter, based in Stamford,

Liberty Broadband, which reported holding 26 percent of the cable provider's shares. That makes Malone Charter's biggest shareholder, after Berkshire Hathaway Inc., which holds 7.56 percent.

Malone has a 46.6 percent voting interest in Liberty Broadband, which will be entitled to vote no more than 25.01 percent of shares in the new company, Charter said in a June 25 filing.

Interests in Liberty Broadband and Liberty Interactive give Malone a 1.7 percent direct interest in the enlarged Charter, according to the filing. He'll hold a "minority interest" in Discovery and Starz, it said, adding that he won't control day-to-day business decisions.

Tamara Lipper, a Charter spokeswoman, declined to comment. Courtnee Ulrich, a spokeswoman for Liberty Interactive, didn't reply to messages left by e-mail and telephone.

Starz, where Malone is the biggest shareholder, told the FCC its rules for fair marketing of programs are sufficient to prevent abuses. Discovery in a filing said it "operates as a wholly independent programmer" regardless of common ownership, and wouldn't cut off sales to non-cable companies that make up five of its top 10 partners, including Dish Network Corp. and DirecTV.

The American Cable Association, which represents small and medium operators, remains unconvinced. It told the FCC that Malone controls about 29 percent of Discovery's aggregate voting power, and has ownership interests in Starz of 46.6 percent. Charter's deal "will raise rates for consumers served by independent cable operators that compete against the combined company unless the FCC imposes conditions," said Ted Hearn, a spokesman for the group.

FCC analysis "must include the extent to which Mr. Malone exercises excessive influence on some of the companies he invests in," the policy groups Public Knowledge, Consumers Union and Common Cause said in an Oct. 13 filing. Malone's business ties "could create incentives for a post-merger Charter to offer more favorable terms to Malone-affiliated companies."

— With assistance from Gerry Smith in New York

*Malone's web of holdings
"could create incentives for ...
Charter to offer more favorable terms to
Malone-affiliated companies."*

— PUBLIC KNOWLEDGE, CONSUMERS UNION AND COMMON CAUSE

Connecticut, in a Nov. 2 filing said it wouldn't have incentive to favor programming associated with Malone, and he wouldn't have ability to exert influence since his interest will be indirect.

Malone, 74, has built a reputation for being a shrewd negotiator over three decades of deal-making. In 1999 he sold the second-largest cable company, Tele-Communications Inc., to AT&T for \$59.4 billion. That deal left Malone in control of Liberty Media, which he turned into a giant that owns satellite radio provider Sirius XM Holdings Inc. and holds interests in **Viacom Inc.**, **Time Warner Inc.**, concert-promoter **Live Nation Entertainment Inc.**, and bookseller **Barnes & Noble Inc.**

Last year, the company sent its Charter holdings to a spinoff, the Malone-chaired

Q&A

Activist-Backed Share Buybacks Are Stifling R&D, Says Evercore's Altman

Some activists find when they win board seats that their assumptions about a company are wrong, and their pressure has led to share repurchases that have reduced R&D spending, **Roger Altman**, chairman and founder of **Evercore Partners**, said in a Nov. 5 interview on Bloomberg TV. The current high level of merger activity is likely to continue, he said. His remarks have been edited and condensed.

Q: The investing public seems to back activists no matter what these days. Why is that?

A: You have a lot of institutional shareholders, especially the long-only active managers, who are inclined to support activists.

So when an activist shows up and in various ways threatens a proxy fight, a lot of boards are concerned that if it actually went to a proxy fight, especially if the activist is asking just for a portion of the board — you know, a quarter of the seats or so — that board would lose the fight. So there are settlements left and right. Activists often show up and say, "Here's my four-part plan, my six-part plan, spin off this, return that amount of capital" and so forth, and some of the largest ones have been quite successful at achieving at least some of that agenda through settlements.

Q: Why do these companies need activists to keep them in check? When you look at the companies that the activist targets and their largest holders, you'll see BlackRock, Fidelity, Pimco, Wamco. Why aren't these large, long-term holders holding these CEOs accountable and asking the questions that Icahn is?

A: You have to differentiate between the passive investors — BlackRock, State Street, Vanguard — and the active investors, Fidelity and so forth. They have different views on activists. BlackRock is leaning against activism, saying it's gone too far. I happen to agree with that.

Why aren't the companies doing it before the activists show up? They're not always right. I've been involved myself in a series of situations where the activists

have really misjudged the company, and once they get in, really in, realize that their premises are wrong.

In my view, there are some big myths about activism. One is activists are always right. Second myth, activism is an undiluted good. No it isn't an undiluted good.

Q: What does that mean?

A: It's not a good thing across the board. For example, activism has driven enormous, unprecedented share buybacks. Are those all by themselves good on a long-term basis for the companies themselves and for the country? The answer is it's gone too far, I think. Because it's compromising investment and research and development. If you look at the charts on investment and how investment has proceeded in this recovery cycle versus past recovery cycles, it's lower than it historically would be. It's too low for the benefit of the country and for the benefit of those companies.

Of course in some situations it's worked fine for shareholders and it's fine for the company. For example, some tech companies just generate astonishing amounts of cash, have strong investment and research programs and are returning the difference to their shareholders and doing the right thing.

But if you look at the total volume of buybacks over the past year or two years or three years, and ask yourself, in the long run is this great for all the companies involved and especially for the country? I think it's questionable.

Q: One could say the same about M&A right now. M&A is on the fire across

industries. Do you see this slowing down as we head into year end?

A: No, I don't. Because the conditions that have historically made for high levels of M&A — very low interest rates, abundant credit availability, high share prices or relatively high share prices and a reasonable economic and business outlook — those conditions are in place. Until the underlying conditions change, I think M&A will continue to operate at a high level.

By the way, what's changed in the past couple of years is the size of transactions. Dollar volume of global announced M&A is up about 40 percent year over year. But the number of transactions is up 2 percent year over year. So what you're seeing is larger deals, not really more deals.

Q: David Stockman was here sitting in that chair, and I think David would say, because of monetary policy, we're superheating the M&A business. And there may well be deals done that are not good deals.

A: Well, is every deal a good deal in this cycle or the last cycle or the cycle before that? No, of course not. There are some really smart ones and some less smart ones. But there are a lot of strategic, corporate-to-corporate, transactions occurring, less sponsored, financial investor-driven transactions. Some of the excesses you saw in past cycles, huge leveraged buyouts and so forth, are not occurring here.

You can question any individual deal. Inversions are driving some of these. But fundamentally this cycle is being driven primarily by strategic transactions.

AT A GLANCE



Age: 69

Hometown: Brookline, Massachusetts

Based: New York

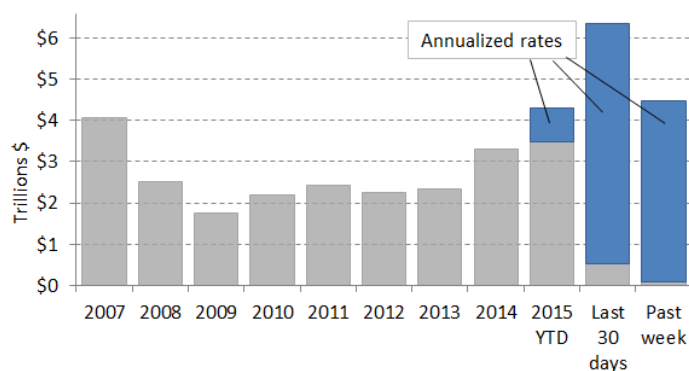
Degrees: AB, Georgetown University; MBA, University of Chicago

Career: Partner, Lehman Brothers; Vice Chairman, Blackstone Group; Assistant Secretary of U.S. Treasury (1977-80); Deputy Secretary of U.S. Treasury (1993-95); formed Evercore in 1995

WEEK IN REVIEW: M&A TRENDS COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Twelve Deals Over \$1 Billion Kept M&A on Pace for a New Record

Pace of Dealmaking

Source: Bloomberg **DMON<GO>**

BloombergBriefs.com

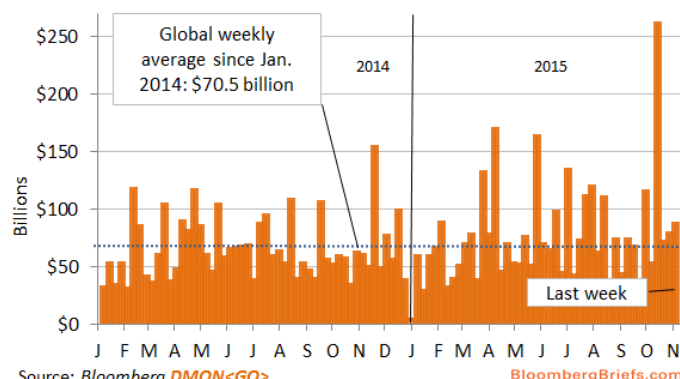
Merger activity stayed on track last week to top 2007's record by the end of this year, with \$85.7 billion worth of new deals, according to data compiled by Bloomberg. That brought the total this year to almost \$3.48 trillion.

Twelve new deals of \$1 billion or more were announced last week, including six worth more than \$3 billion.

The biggest deal was **Visa Inc.**'s agreement to acquire **Visa Europe Ltd.** for \$18.2 billion.

On Saturday, after the cutoff for the figures here, **Weyerhaeuser Co.** announced that it would buy **Plumb Creek Timber Co.** for \$11.4 billion including debt.

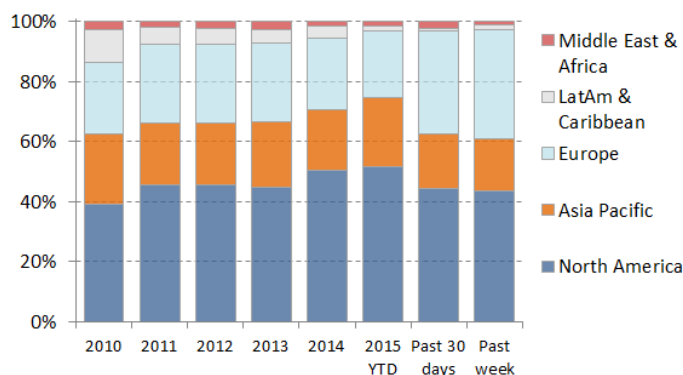
Sector Breakdown

Source: Bloomberg **DMON<GO>**

BloombergBriefs.com

For the fourth week running, deal volume exceeded the 22-month average of \$70.5 billion.

Regional Breakdown

Source: Bloomberg **DMON<GO>**

BloombergBriefs.com

The Visa-Visa Europe deal made up more than 21 percent of the week's deal volume. Together with **Activision Blizzard Inc.**'s \$4.9 billion deal for Irish video game maker **King Digital Entertainment Plc**, Europe's share of global volume rose to 36 percent.

WEEK IN REVIEW: TOP DEALS

Largest Deals Announced Oct. 31 to Nov. 6

DATE	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
11/2	Visa Europe Ltd	Diversified Financial Services	GB	Visa Inc	US	18,185
11/3	Targa Resources Partners LP	Pipelines	US	Targa Resources Corp	US	11,378
11/2	Dyax Corp	Pharmaceuticals	US	Shire PLC	IE	5,394
11/2	King Digital Entertainment Plc	Software	IE	Activision Blizzard Inc	US	4,881
11/2	Joyo Bank Ltd/The	Banks	JP	Ashikaga Holdings Co Ltd	JP	3,563
11/4	HomeAway Inc	Internet	US	Expedia Inc	US	3,014
11/2	MedAssets Inc	Software	US	Pamplona Capital Management LLP	GB	2,720
11/2	ConAgra private brands	Food	US	TreeHouse Foods Inc	US	2,700
11/2	SK Broadband Co Ltd	Internet	KR	CJ Hellovision Co Ltd	KR	2,651
11/6	ZS Pharma Inc	Pharmaceuticals	US	AstraZeneca PLC	GB	2,038
11/5	Asciano Ltd	Transportation	AU	Brookfield Infrastructure Partners LP	BM	1,200
11/6	Shanghai Jahwa United Co Ltd	Distribution/ Wholesale	CN	Ping An Insurance Group Co of China Ltd	CN	1,052
11/2	Hypermecas Personal Care & Beauty Business	Retail	BR	Coty Inc	US	985
11/2	Constant Contact Inc	Software	US	Endurance International Group Holdings Inc	US	883
11/3	Nora Oil Assets	Oil & Gas	US	EnerVest Ltd	US	876
11/2	Pharmaq AS	Pharmaceuticals	NO	Zoetis Inc	US	765
11/4	Biosensors International Group Ltd	Healthcare-Products	SG	CITIC Private Equity Funds Management Co Ltd	CN	577
11/6	Far East Horizon lease assets	Investment Companies	HK	China Merchants Securities Asset Management Co Ltd	CN	566
11/5	Mutual Fund Store LLC/The	Diversified Financial Services	US	Financial Engines Inc	US	565
11/4	Aurora Media BVI Ltd	Internet	CN	Alibaba Pictures Group Ltd	HK	520
11/5	MarketShare Partners LLC	Commercial Services	US	NeuStar Inc	US	450
11/5	JAM Distributing Co LLC, G.H. Berlin-Windward	Distributors	US	Brenntag AG	DE	440
11/2	CJ Hellovision Co Ltd	Media	KR	SK Telecom Co Ltd	KR	440
11/2	iProperty Group Ltd	Internet	MY	REA Group Ltd	AU	410
11/5	COM DEV International Ltd	Telecommunications	CA	Honeywell International Inc	US	377

Source: Bloomberg [MA<GO>](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.



SPECIAL REPORT Spotlight on the Golden State

Read it here.

Bloomberg
BRIEF

Watch Out Europe! The Activists Are Coming BY DARSHINI SHAH

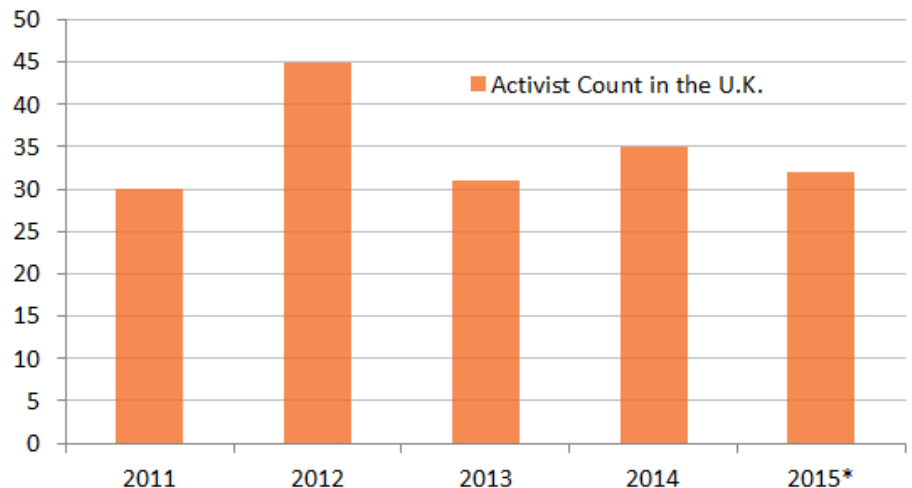
Europe is an increasing focus of activist investors, with the euro's depreciation against the dollar and a decline in share prices making companies more attractive to U.S. investors, according to Charlie Jacobs, mergers and acquisitions partner at law firm Linklaters.

"Equally, with noise of a euro crisis slowing down and M&A taking off, activists are exploiting those shareholders that are becoming less tolerant to underperformance," he said.

The U.K. saw 32 activist situations this year, attracting the most interest from investors looking at Europe, according to the study published on Nov. 4.

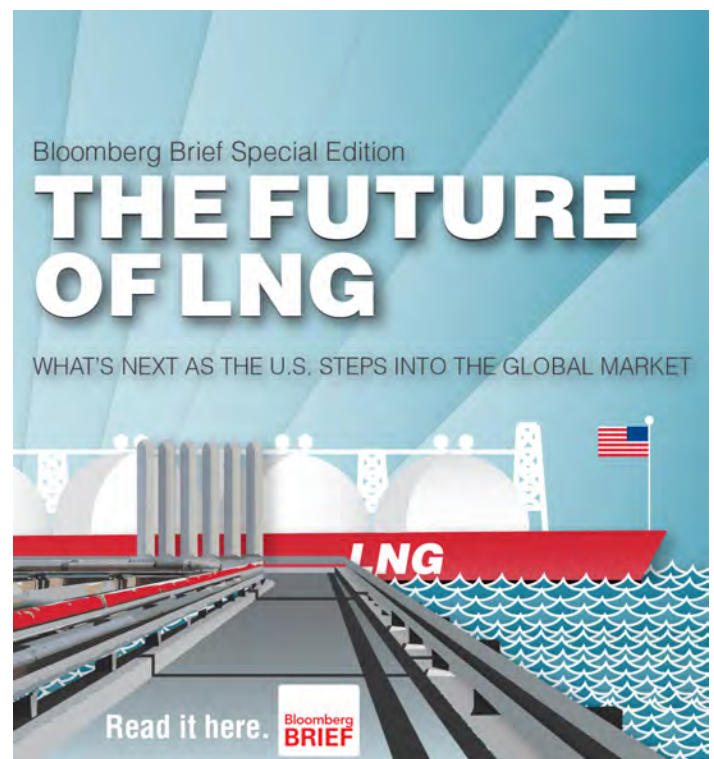
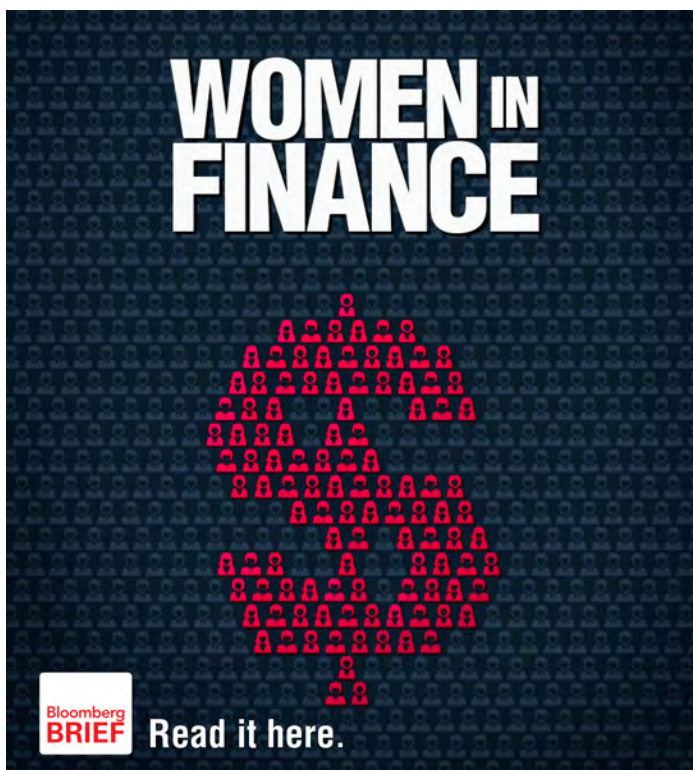
Click the chart to launch an Interactive StoryChart.

Activists Are Targeting the U.S. Most in Europe



Source: Activist Insight; Linklaters Tactical Opportunities Analysis BloombergBriefs.com

*Data to Sept. 30, 2015



ACTIVIST SITUATIONS COMPILED BY MELISSA KARSH, BLOOMBERG BRIEF EDITOR

Significant Actions at Companies Targeted by Activist Investors

COMPANY	ACTIVIST	WHAT HAPPENED
Vaalco Energy Inc.	Bradley Radoff and Group 42 Inc.	Activists, who together own 11.1 percent of the oil explorer's shares, asked other shareholders Nov. 6 for written votes to replace four of the company's seven directors with their own candidates, without waiting for Vaalco's annual meeting.
Air Methods Corp.	Voce Capital Management	Airborne medical transport services company said Nov. 5 that it's working with Goldman Sachs and Bank of America as part of an ongoing review of the company's options following pressure to sell itself from activist with 4.9 percent stake.
Autodesk Inc.	Sachem Head Capital Management	CEO criticized activist investors Nov. 5 for focusing only on short-term returns after activist disclosed its 5.7 percent stake and said in a filing that it intends to engage management on topics from financials to cost structure.
Electra Private Equity Plc	Edward Bramson	Activist investor was appointed to the board of listed U.K. investment fund as a non-executive director Nov. 5 along with Ian Brindle. Electra's chairman resigned.
American International Group Inc.	Carl Icahn	CEO of insurer, which is under pressure from activist, told staff that they can't count on lifetime employment, Bloomberg News reported Nov. 4, citing people familiar with his remarks.
Royal DSM NV	Third Point LLC	CEO vowed Nov. 3 to keep vitamin maker whole, defying calls to break up the company from activist shareholder.

Source: Bloomberg News, [NI SHRHOLDACT<GO>](#)

At Men's Wearhouse, Activism Hasn't Measured Up

BY GILLIAN TAN, BLOOMBERG GADFLY COLUMNIST

Activists aren't always right: that's the message Corporate America trumpets nearly every time they're pitted against one.

The 40-percent-plus nosedive by **Men's Wearhouse** on Friday — its biggest drop since 1992 — would seem to bolster that case.

Last year, the retailer acquired rival chain Jos. A. Bank Clothiers in a \$1.5 billion deal that hedge fund **Eminence Capital** threw its weight behind. Notably, Eminence said it didn't have the initial intention of agitating for change when it took a stake in Men's Wearhouse in the fall of 2013; it was propelled into action when Men's Wearhouse refused Jos. A. Bank's advances.

Eminence began advocating for the companies to enter talks, saying a merger would create up to \$2 billion in value, driven by some \$100 million in cost savings, \$280 million in revenue synergies and a lift in the combined company's P/E multiple when Wall Street rewarded the combination.

The **Ricky Sandler**-led fund reckoned the cost savings could come from areas including purchasing, distribution, advertising and marketing and general administrative expenses. New revenue could come from a bigger push into e-commerce and more tuxedo rentals.

Eminence believed in the deal so fiercely that to complement its almost 10 percent stake in Men's Wearhouse, it later took a nearly 5 percent stake in Jos. A. Bank and nominated directors to the latter's board.

By the fund's math, a combination would create the only publicly-traded pure-play men's apparel retailer, with a projected market value of \$4.9 billion.

That hasn't happened: Friday's plunge has left Men's Wearhouse with a market value closer to \$1 billion after it was forced to slash its earnings guidance. Jos. A. Bank's same-store sales have declined further than expected because customers just don't love the retailer's change in discounting policy (goodbye "buy-one, get-three-free" deals).

Though the change in strategy hasn't been explicitly endorsed by Eminence

(and calls to the firm weren't immediately returned), it bumped its Men's Wearhouse stake back up to 9.9 percent by buying stock as recently as last week, indicating it still believes in the story.

Eminence Capital's Men's Wearhouse ownership over time

Men's Wearhouse's CEO **Doug Ewert** says the company knows that changing brand perception and customer buying patterns will take time to bear fruit.

But until that turnaround surfaces, his company's all-cash deal for Jos. A. Bank looks like a bust. It took on \$1.7 billion in debt to finance the deal, which is weighing heavily on Men's Wearhouse's balance sheet: net debt/Ebitda has crept up past 7 times, according to data compiled by Bloomberg, a far cry from its near-zero borrowings in the four years that preceded the deal.

Even Eminence — whose Men's Wearhouse stake lost \$84 million overnight — may be wishing it could turn back the clock.

This column does not necessarily reflect the opinion of Bloomberg LP and its owners.

DEAL ARBITRAGE

TARGET	ACQUIRER	DEAL SIZE (M)	EXPECTED COMPLETION DATE	OFFER PER SHARE	TARGET PRICE	PAYMENT TYPE	SPREAD	PROJECTED ANNUALIZED RETURN	1W CHANGE IN SPREAD	MAJOR MOVE
AGL Resources Inc	Southern Co/The	11,937	12/31/16	66.00	62.21	Cash	6.1%	5.3%	0.5%	
Altera Corp	Intel Corp	14,355	03/31/16	54.00	52.57	Cash	2.7%	6.8%	0.0%	
Axis Capital Holdings Ltd	Arch Capital Group Ltd	6,560	-	65.00	55.67	Cash	16.8%	-	-2.9%	▼
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	63.07	52.08	C&S	21.1%	1.0%	3.3%	▲
Baxalta Inc	Shire PLC	29,337	-	36.06	35.11	Stk	2.7%	-	-8.0%	▼
BioMed Realty Trust Inc	Blackstone Group LP/The	7,693	03/31/16	23.75	23.28	Cash	2.0%	5.1%	0.6%	
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	8.01	Cash	93.4%	-	-8.2%	▼
Broadcom Corp	Avago Technologies Ltd	29,806	03/31/16	55.63	53.79	C/S	3.4%	8.6%	-1.8%	
Cablevision Systems Corp	Altice NV	17,835	06/30/16	34.90	31.35	Cash	11.3%	17.4%	4.1%	▲
Cameron International Corp	Schlumberger Ltd	15,153	03/31/16	71.05	68.62	C&S	3.5%	8.8%	0.1%	
Canadian Oil Sands Ltd	Suncor Energy Inc	6,557	12/04/15	9.87	9.94	Stk	-0.7%	-9.5%	0.7%	
Chubb Corp/The	ACE Ltd	28,986	03/31/16	130.96	129.25	C&S	1.3%	3.3%	-0.2%	
Cigna Corp	Anthem Inc	50,382	12/31/16	172.43	132.81	C&S	29.8%	25.9%	-1.1%	
EMC Corp/MA	Dell Inc	63,491	10/31/16	30.65	25.95	Cash	18.1%	18.4%	0.7%	
Freescale Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	34.73	34.32	C&S	1.2%	8.0%	0.2%	
Humana Inc	Aetna Inc	28,906	12/31/16	215.07	177.24	C&S	21.3%	18.5%	-2.6%	▼
KLA-Tencor Corp	Lam Research Corp	10,955	06/30/16	70.45	66.85	C&S	5.4%	8.3%	0.6%	
MarkWest Energy Partners LP	MPLX LP	20,211	12/31/15	49.42	43.77	C&S	12.9%	85.7%	9.2%	▲
Micron Technology Inc	Tsinghua Holdings Co Ltd	22,973	-	21.00	16.45	Cash	27.7%	-	0.7%	
Pepco Holdings Inc	Exelon Corp	12,185	03/31/16	27.25	26.54	Cash	2.7%	6.7%	0.3%	
Perrigo Co PLC	Mylan NV	34,870	11/13/15	178.41	162.25	C&S	10.0%	519.3%	-1.5%	
Precision Castparts Corp	Berkshire Hathaway Inc	35,658	03/31/16	235.00	230.65	Cash	1.9%	4.7%	0.1%	
Rite Aid Corp	Walgreens Boots Alliance Inc	16,708	06/30/16	9.00	7.84	Cash	14.8%	22.8%	0.5%	
SanDisk Corp	Western Digital Corp	15,867	09/30/16	86.29	77.07	C&S	12.0%	13.3%	-0.1%	
Sigma-Aldrich Corp	Merck KGaA	16,395	11/30/15	140.00	139.56	Cash	0.3%	4.8%	0.1%	
Targa Resources Partners LP	Targa Resources Corp	11,378	03/31/16	29.99	29.10	Stk	3.1%	7.6%	3.2%	▲
TECO Energy Inc	Emera Inc	10,222	06/30/16	27.55	26.96	Cash	2.2%	3.4%	0.1%	
Time Warner Cable Inc	Charter Communications Inc	79,250	12/31/15	202.91	188.09	C&S	7.9%	52.3%	0.5%	
Towers Watson & Co	Willis Group Holdings PLC	8,095	12/31/15	116.93	129.45	Stk	-5.9%	-39.2%	-5.2%	▼
Williams Cos Inc/The	Energy Transfer Equity LP	58,093	06/30/16	40.57	37.98	C/S	6.8%	10.5%	0.3%	

MARB <GO> North American deals

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock

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BRIEF <GO>

COLUMNIST'S CORNER

Gravity-Defying Chip Bids Evoke a Bubble

BY BROOKE SUTHERLAND, BLOOMBERG GADFLY COLUMNIST



Another day, another eye-popper in the 2015 M&A market.

On Friday, a bidding war between chipmakers **Skyworks Solutions** and **Microsemi** entered gravity-defying territory when they fired off a new round of competing offers in their contest over smaller rival **PMC-Sierra**. The latest — an \$11.88 a share cash-and-stock bid from Microsemi — represents an 88 percent boost from where PMC-Sierra's stock traded in the days before Bloomberg News reported it was exploring a sale.

The last time a buyer offered a premium that rich for a big semiconductor maker was in 2000, right around the time the dot.com bubble was starting to burst. Microsemi's \$2.3 billion bid for PMC-Sierra values the chipmaker at more than 30 times Ebitda — not the industry's priciest deal, but more expensive than most.

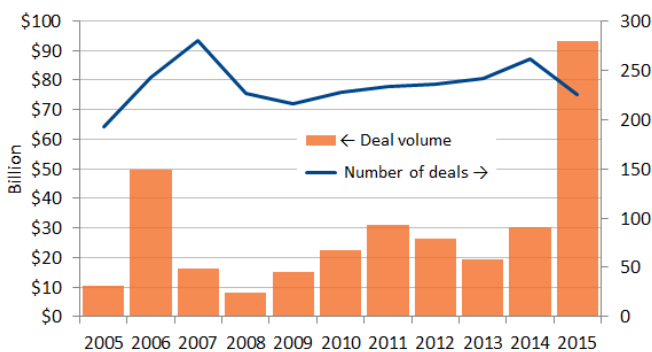
And investors are now betting the bidding war may escalate. Shares of PMC-Sierra closed at \$11.91 on Friday in New York, signaling some traders expect Skyworks to re-enter the fray with a higher offer.

That wasn't the only big news this past week. Pfizer is in talks to buy Allergan in a deal that would be the biggest — and one of the priciest — for the pharmaceutical industry. The proposed takeover is so big that UBS U.S. equity strategist Julian Emanuel called it "reminiscent" of AOL's purchase of Time Warner in 2001. That deal, another relic of the

dot.com bubble, is still the largest completed merger of all time.

Emanuel questioned whether the blockbuster Pfizer-Allergan combination was a sign of an approaching top in equities because big deals have been one of the hallmarks of a peak in the past. PMC-Sierra, for one, is being valued by its suitors at prices it hasn't seen since 2006. Back then, its revenue was growing a lot faster.

Semiconductor M&A Has Soared



Source: Bloomberg MA<GO>

BloombergBriefs.com

(Analysts are projecting sales this year will essentially be flat.) Yet, Microsemi is willing to pay more than 4 times PMC-Sierra's revenue in the last 12 months, compared with a median of 2.8 times for big chipmaker deals in the last five years.

One big appeal for PMC-Sierra's bidders is the prospect of cost cuts at a time when semiconductor companies' expenses are soaring because of the increasingly complex nature of the chips they develop. The savings projected by both Microsemi and Skyworks means that even with their increased bids, a purchase will still add to earnings for both chipmakers, data compiled by Bloomberg show.

But are those hypothetical savings worth the price, and what if they don't all come through as promised? If the M&A market isn't nearing a top, it's a little scary to think about how much further it can go.

SPECIAL ISSUE

Click [here](#) to read a special issue of Mergers exploring the tax inversion issues posed by **Pfizer's** proposed takeover of **Allergan**.

QUOTED

"So why are the pharmaceutical companies consolidating? Why are there five even bigger Wall Street banks now, instead of the 10 we used to have on Wall Street? Because when government gets big and powerful, the big feel like they need to get even bigger to deal with all that power."

— Carly Fiorina during Oct. 28 [debate](#) among Republican presidential candidates



Apollo Global Management co-founder **Joshua Harris** said he doubts an increase in tax rates on private equity fund managers' profits would make hiring more difficult. "By and large, I don't see it having a significant effect other than the obvious effect, which is people will make less money," he said on an [earnings call](#).

WEEK IN NUMBERS

■ **7.8%:** [Drop](#) in **Snyder's-Lance** shares after it announced a takeover of **Diamond Foods** last week

IN THIS ISSUE

MERGER MONDAY. Visa [agreed](#) to remerge with **Visa Europe**.

INSIGHT. The [odds](#) a buyer will see its stock rise after a deal announcement may be falling.

Q&A. USAA's vice president of equity investments **Wasif Latif** says moves by the U.S. Federal Reserve will be the main driver of [M&A activity](#) in the near term.

MERGER MONDAY A ROUND-UP OF TODAY'S LARGEST DEALS AND DEALMAKING NEWS

Visa Agrees to Buy Visa Europe for as Much as \$23.4B

Visa Inc., the world's largest payments network, agreed to acquire **Visa Europe Ltd.** in a deal valued at as much as 21.2 billion euros (\$23.4 billion) to unify the brand globally after eight years as separate companies. The transaction includes 16.5 billion euros upfront and as much as 4.7 billion euros more after the fourth anniversary of the deal's completion, the firms said Monday in a statement.

The lack of meaningful contributions to earnings from Europe has long been seen as a weakness for Foster City, California-based Visa and an advantage for smaller competitor MasterCard Inc., which owns its European business.

Visa plans to issue \$15 billion to \$16 billion in debt to help fund the deal, which is expected to be completed in the fiscal third quarter that ends June 30, according to the statement. The acquisition includes 11.5 billion euros of cash upfront and 5 billion euros of stock. The additional 4.7 billion euro payment is contingent on achieving net revenue goals in the 16 quarters following the deal's completion.

Visa Europe is owned by more than 3,000 banks.

— Elizabeth Dexheimer, Bloomberg News

Shire to Acquire Biotech Firm Dyax for at Least \$5.9B

Shire Plc agreed to buy biotechnology company **Dyax Corp.** for at least \$5.9 billion in cash to gain a promising treatment for a rare genetic disorder. The deal comes while Shire is pursuing a \$30 billion unsolicited offer to buy **Baxalta Inc.**

Shire will pay \$37.30 for each Dyax share, the companies said in a statement today, a 35 percent premium over the stock's Friday closing price. Investors in Burlington, Massachusetts-based Dyax may also get an additional \$646 million, or \$4 for each share, if a compound known as DX-2930 receives approval for treating hereditary angioedema, or HAE. The treatment will be enrolled in a late-stage clinical trial by the end of the year, and has won fast track, breakthrough therapy, and orphan drug designations by the U.S. Food and Drug Administration.

— Makiko Kitamura, Bloomberg News

Pamplona Capital to Buy MedAssets for \$2.7 Billion

MedAssets Inc., which provides hospital software, agreed to be acquired by private equity firm **Pamplona Capital Management** for \$1.88 billion in cash, or about \$2.7 billion in with debt. MedAssets shareholders will receive \$31.35 a share, the firms said in a statement today, a 32 percent premium over their closing price Friday of \$23.68.

Pamplona plans to combine MedAssets's revenue management unit with **Precyse**, a health information management company owned by Pamplona. **VHA-UHC Alliance**, the company formed this year by a merger of not-for-profit hospital network VHA Inc. and medical center group UHC, will acquire a separate unit of MedAssets that manages procurement, market analysis and consulting.

— Drew Armstrong, Bloomberg News

Biggest Deals Since Friday

TARGET	INDUSTRY	COUNTRY	ACQUIRER	VALUE (\$M)
Visa Europe Ltd	Diversified Financial Services	GB	Visa Inc	18,206
Dyax Corp	Pharmaceuticals	US	Shire PLC	5,900
Joyo Bank Ltd/The	Banks	JP	Ashikaga Holdings Co Ltd	3,569
ConAgra private brands operations	Food	US	TreeHouse Foods Inc	2,800
MedAssets Inc	Software	US	Pamplona Capital Management LLP	2,720

Source: Bloomberg [MA<GO>](#)

Real estate assets, joint ventures and stock buybacks excluded

AmSurg Raises Unsolicited Bid for TeamHealth to \$7.6B

AmSurg Corp. raised its offer for **Team Health Holdings Inc.** to \$7.6 billion, including debt, in a renewed effort to combine the contract-physician supplier with the surgery center and operations company.

The unsolicited, cash-and-stock offer values Team Health at at \$69.32 a share, and would give holders of the company 0.768 AmSurg shares and \$15.49 in cash for each Team Health share they own, AmSurg said in a statement Monday. That's an additional \$4 a share in cash, compared with AmSurg's previous offer. The new proposal, which was made on Oct. 24, will be withdrawn if TeamHealth doesn't engage in talks by 4 p.m. New York time on Tuesday, it said.

Team Health rejected a takeover offer from AmSurg on Oct. 20 of the same portion of stock and \$11.49 in cash, saying the proposal was too low.

— Chitra Somayaji, Bloomberg News

TreeHouse to Pay \$2.7B for ConAgra Private Brands for

TreeHouse Foods Inc. agreed to buy **ConAgra Foods Inc.**'s private-label unit for \$2.7 billion, creating the largest U.S. maker of store-brand groceries.

The purchase will more than double TreeHouse's annual sales to almost \$7 billion. For ConAgra, the deal rids it of a division that has weighed on earnings since it was purchased from Ralcorp for about \$6.7 billion in 2013.

— Thomas Muller, Bloomberg News

Coty to Acquire Beauty Unit in Brazil From Hypermarcas

Coty Inc. agreed to buy the personal-care and beauty division of Brazil's **Hypermarcas SA** for about \$1 billion in cash.

The move follows an agreement in July to acquire more than 40 Procter & Gamble Co. beauty brands, a \$12.5 billion deal that's poised to turn Coty into one of the world's largest cosmetics companies.

— Nick Turner, Bloomberg News

INSIGHT: MARKET REACTION

COMPILED BY MICHAEL ZLOTNICK, BLOOMBERG DATA ANALYST

Investors Aren't Giving the Benefit of the Doubt to Some Recent Deals

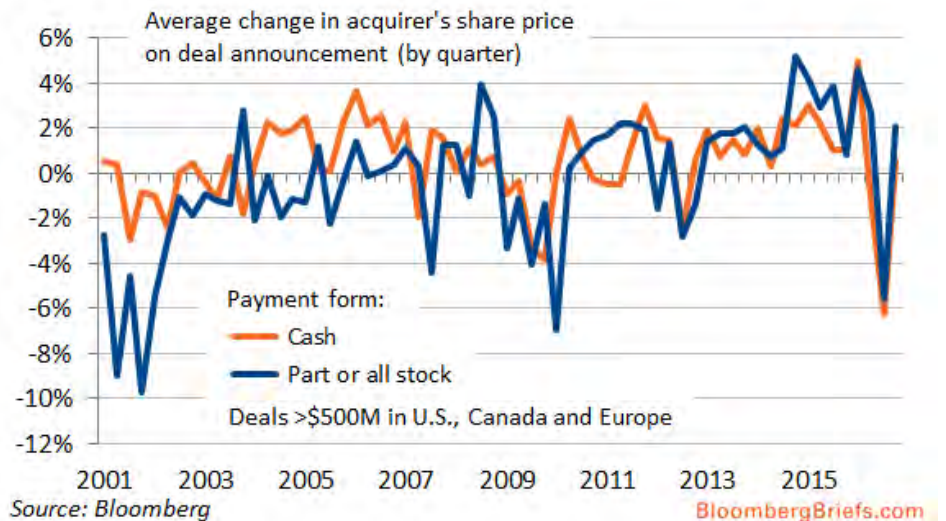
Snyder's-Lance Inc.'s shares tumbled 7.8 percent Oct. 28 after the food company announced it would pay \$1.9 billion, including debt, for **Diamond Foods Inc.** Snyder's has an enterprise value of about \$2.9 billion, so the purchase was large relative to the size of the buyer and threatened to increase its debt.

Snyder's shares regained most of the lost ground later in the week. Still, the company joins a lengthening roster of acquirers that have seen their stocks sag after disclosing deals. **Japan Tobacco Inc.**, **Deutsche Wohnen AG** and **Energy Transfer Equity LP** all suffered sharp declines in the wake of transactions.

That's a reversal from the trend in recent years, where investors have on average bid up shares of buyers when they announced acquisitions, as the chart shows.

— John E. Morris, Bloomberg Brief

Mergers Have Been Receiving Less Positive Receptions



The untold story of Steve Schwarzman and Blackstone

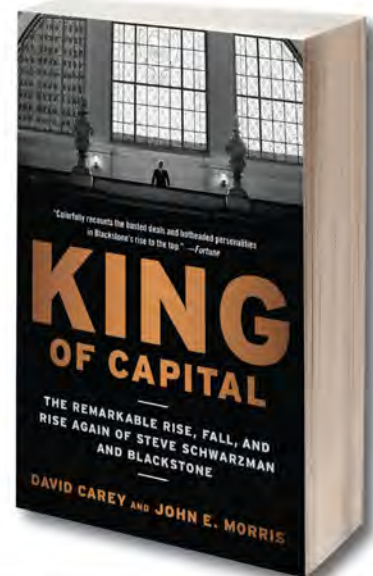
Bloomberg News reporter **DAVID CAREY** and Bloomberg Brief editor **JOHN MORRIS** tell how Blackstone came to eclipse KKR and other rivals to become the world's most diversified and powerful private equity firm.

"[T]he book colorfully recounts the busted deals and hotheaded personalities in Blackstone's rise to the top."

— *Fortune*

"The authors link Blackstone's history to the larger story of private equity and its relationship to corporate America."

— *The Economist*



Q&A

USAA's Latif: 2015 to Be 'Big Blockbuster' Year for M&A as Fed Continues to Hold

USAA's vice president of equity investments **Wasif Latif** says moves by the U.S. Federal Reserve will be the main driver of M&A activity in the near term. He spoke to Bloomberg Radio's Michael McKee and Tom Keene on Oct. 29. Comments have been edited and condensed.

Q: New York Community Bancorp is buying Astoria Financial for \$2 billion, and then there are the headlines on the Pfizer-Allergan deal. With that backdrop, what do you make of the markets these days? You've got to juggle international developments. It must be hard to try to put your finger on what is going to move.

A: Yes, there are a lot of moving parts. I think at the end of the day, when you look at the core of what is driving the market, it still is the central bank decisions and mainly the Fed nowadays. The European Central Bank and the Bank of Japan have largely gotten out of the way by announcing QEs and maintaining their stances, as is the Bank of England. So the Fed is the one to watch right now in terms of what they'll do and when they'll do it. Their actions are saying we're not going to raise any time soon, but their words are saying, yes, we will raise as the data comes in, but expect something coming soon.

So when you look at the earnings picture with that type of a backdrop, yes, earnings largely have been coming in fairly well in terms of expectations. But those expectations have been weakening over the past quarter or so. And so you are getting with a lot of the cheap financing that is still available, you're continuing to get a lot of M&A activity. We're in the record phase of a year, so this is probably a big blockbuster year in terms of M&A activity.

And that usually can be a sign of a market peaking out, investors looking for continued growth, and the corporates not finding the growth in more of the organic means to try to come through it through mergers and acquisitions.

So I think that will largely continue. But

at the end, we will need to see where the Fed policy lies in terms of what to look out for. So the market seems to be focused on that more than anything else at this point.

Q: This is an opportune environment for companies. If you have to rely on M&A to drive growth, at least you don't have to pay a lot for the money to do it.

A: Yes, absolutely. The cost of money is next to nothing depending on what your credit availability or your credit score is, if you will, as a corporation. And based on that, you're right. You've been seeing a lot of share buybacks historically. You've been seeing that pickup in M&A. And that is because they are acquiring growth through the means of acquisition as opposed to the organic side because while the economy is stable, as we all know, it's not growing like gangbusters. And therefore, the real topline growth that corporates would be looking for is not there. So they're using M&A for that growth.

Q: When the Fed met, it took a more hawkish tone. How does that affect your thinking about stocks now, about investments? Or does it?

A: When you talk about equities as head of multi-assets or in the team, our role is to look across the world and look at where you're getting a better bang for your buck, if you will, in terms of value. And when you look at valuations projecting out earnings, the U.S. market, small cap in particular, is a little bit more rich and pricey relative to what is outside the U.S., in Europe, or in EM for that matter. Now, EM obviously has a lot of headline risk at this point given that their

fortunes are right now tied to the pronouncements and the actual policy coming out of the Fed because of the impact of the strong dollar. So because of that, we're taking a slightly neutral view on EM even though it is cheap. But when you look across Europe, that area looks to us to be attractive on a relative value basis. And when you have a supportive central bank in Europe with credit creation increasing, that looks like an area that is going to do well on a relative basis.

Q: If I look at where revenue is going out 18 months, do you just assume on a portfolio basis that every industry, every subcategory, combines? That they just all merge?

A: It depends. If you're looking at the individual securities as my colleagues do on the equity side, you're modeling out every company individually and seeing where that revenue steam is coming from and how that is translating into the bottom line where the margins are.

But when you're looking at it at a portfolio level and creating a broad portfolio of asset classes, then yes, you do need to look at it on a combined basis, on an aggregate basis, and then be able to do the second step of picking the right securities in that space.

So, for example, I said earlier we have a relative underweight to U.S. equities, and an overweight to European equities, for example. But within the U.S., we still have a fairly sizable allocation. And in that space, we are focusing on higher quality, on value because parts of the market are very cheap. And as we know, value may not work in the short run, but in the long run it's probably the best predictor of performance.

AT A GLANCE



Source: USAA

Residence: San Antonio, Texas

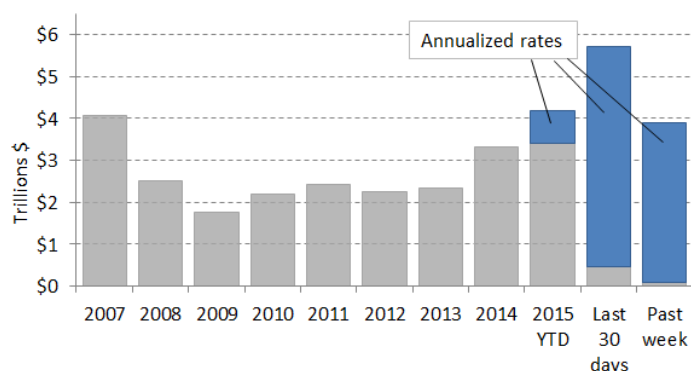
Education: Earned a master's degree in business administration from the University of Illinois at Chicago and a bachelor's degree in finance from the University of Indianapolis.

Career: Joined USAA in 2006. Prior to USAA, Latif spent eight years as a portfolio manager at Deutsche Bank Private Wealth Management

WEEK IN REVIEW: M&A TRENDS COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

U.S. Targets Accounted for More Than 70% of Last Week's Global Deal Volume

Pace of Dealmaking

Source: Bloomberg **DMON<GO>**

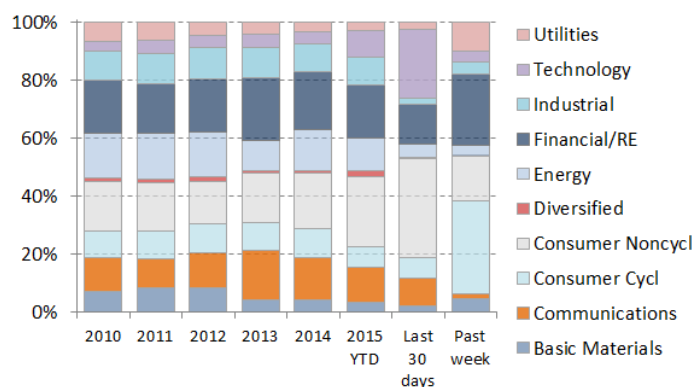
BloombergBriefs.com

At \$74.7 billion, global M&A volume last week was well ahead of the \$68.7 billion weekly average for the past 20 months. Year-to-date activity is on pace to slightly exceed the record level of 2007, according to data compiled by Bloomberg.

The totals do not include the takeover of **Allergan Plc** that **Pfizer Inc.** confirmed last week it is considering — a deal that would probably be worth more than \$150 billion with debt. (Read more about that deal in our [special edition](#).)

Eleven [new deals](#) worth \$1 billion or more were announced last week, with three worth more than \$5 billion. They were led by **Walgreens Boots Alliance Inc.**'s \$16.7 billion deal to buy rival retailer **Rite Aid Corp.**

Sector Breakdown

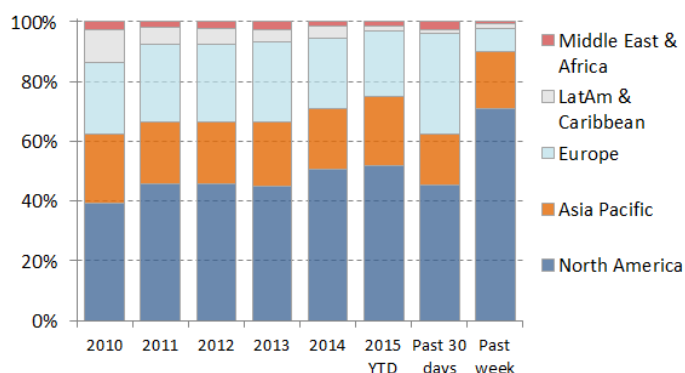
Source: Bloomberg **DMON<GO>**

BloombergBriefs.com

The Walgreens-Rite Aid deal alone accounted for 22.4 percent of the week's volume. That helped give the consumer-cyclical sector the largest share of the volume: 32.2 percent.

Two savings and loan mergers in the U.S. and **Nippon Life Insurance Co.**'s purchase of Australia's **MLC Ltd.** put financial services in second place with 24.6 percent.

Regional Breakdown

Source: Bloomberg **DMON<GO>**

BloombergBriefs.com

U.S. targets provided an outsized share of the volume: four of the biggest deals, seven of the top 10 and [13 of the top 25](#). North American targets made up 71.1 percent of the value of last week's M&A activity.

WEEK IN REVIEW: TOP DEALS

Largest Deals Announced Oct. 24 - Oct. 30

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
10/27	Rite Aid Corp	Retail	US	Walgreens Boots Alliance Inc	US	16,692
10/26	Piedmont Natural Gas Co Inc	Gas	US	Duke Energy Corp	US	6,536
10/26	Interactive Data Corp	Commercial Services	US	Intercontinental Exchange Inc	US	5,200
10/30	First Niagara Financial Group Inc	Savings & Loans	US	KeyCorp	US	4,010
10/26	Qunar Cayman Islands Ltd	Leisure Time	CN	Ctrip.com International Ltd	CN	3,149
10/30	S Chemical Co Ltd	Chemicals	KR	Lotte Chemical Corp	KR	2,045
10/29	Astoria Financial Corp	Savings & Loans	US	New York Community Bancorp Inc	US	1,918
10/28	Diamond Foods Inc	Food	US	Snyder's-Lance Inc	US	1,900
10/26	Northern Tier Energy LP	Oil & Gas	US	Western Refining Inc	US	1,815
10/28	MLC Ltd	Diversified Financial Services	AU	Nippon Life Insurance Co	JP	1,712
10/28	Vistana Signature Experiences Inc	Lodging	US	Interval Leisure Group Inc	US	1,368
10/26	Pep Boys-Manny Moe & Jack/The	Retail	US	Bridgestone Corp	JP	942
10/25	North Star BlueScope Steel LLC	Iron/Steel	US	BlueScope Steel Ltd	AU	720
10/30	Wanbishi Archives Co Ltd	Commercial Services	JP	Nippon Express Co Ltd	JP	712
10/28	Simplex Investment Advisors Inc, Simplex Real Estate Management KK, Simplex REIT Partners Inc	REITS	JP	Hulic Co Ltd	JP	705
10/26	APR Energy PLC	Electric	US	Fairfax Financial Holdings Ltd, Albright Capital Management LLC, ACON Investments LLC	Various	702
10/30	Asahi Security Co Ltd	Commercial Services	JP	Secom Co Ltd	JP	670
10/29	Services Matrec Inc	Environmental Control	CA	GFL Environmental Inc	CA	606
10/30	Powertech Technology Inc	Semiconductors	TW	Tsinghua Unigroup Ltd	CN	600
10/28	Saipem SpA	Oil & Gas Services	IT	Fondo Strategico Italiano SpA	IT	539
10/26	Petrobras Gas SA	Oil & Gas	BR	Mitsui & Co Ltd	JP	486
10/27	Lancope Inc	Software	US	Cisco Systems Inc	US	453
10/30	Samsung Fine Chemicals Co Ltd	Chemicals	KR	Lotte Chemical Corp	KR	408
10/27	Latapack-Ball Embalagens Ltda	Mining	BR	Ball Corp	US	393
10/29	Juno Lighting LLC	Building Materials	US	Acuity Brands Inc	US	385

Source: Bloomberg [MA<GO>](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.

Mergers Special Edition

TAX INVERSIONS

How Pfizer-Allergan fuels the debate over corporations moving to lower their taxes.

Read it here.

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BRIEF

DEAL ARBITRAGE

TARGET	ACQUIRER	DEAL SIZE (M)	EXPECTED COMPLETION DATE	OFFER PER SHARE	TARGET PRICE	PAYMENT TYPE	SPREAD	PROJECTED ANNUALIZED RETURN	1W CHANGE IN SPREAD	MAJOR MOVE
AGL Resources Inc	Southern Co/The	11,937	12/31/16	66.00	62.50	Cash	5.6%	4.8%	-0.8%	
Altera Corp	Intel Corp	14,355	03/31/16	54.00	52.55	Cash	2.8%	6.6%	0.0%	
Axis Capital Holdings Ltd	Arch Capital Group Ltd	6,560	-	65.00	54.00	Cash	20.4%	-	1.2%	
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	61.99	52.68	C&S	17.7%	104.0%	0.6%	
Baxalta Inc	Shire PLC	29,337	-	38.46	34.46	Stk	11.6%	-	4.4%	▲
BioMed Realty Trust Inc	Blackstone Group LP/The	7,693	03/31/16	23.75	23.41	Cash	1.5%	3.5%	-0.6%	
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	7.29	Cash	112.5%	-	0.7%	
Broadcom Corp	Avago Technologies Ltd	29,806	03/31/16	54.20	51.40	C/S	5.4%	13.0%	0.6%	
Cablevision Systems Corp	Altice NV et al	17,835	06/30/16	34.90	32.59	Cash	7.1%	10.6%	0.4%	
Cameron International Corp	Schlumberger Ltd	15,153	03/31/16	70.40	68.01	C&S	3.5%	8.4%	-0.1%	
Canadian Oil Sands Ltd	Suncor Energy Inc	6,557	12/04/15	9.73	9.87	Stk	-1.4%	-15.1%	4.1%	▲
Chubb Corp/The	ACE Ltd	28,986	03/31/16	131.27	129.35	C&S	1.5%	3.5%	0.3%	
Cigna Corp	Anthem Inc	50,382	12/31/16	175.09	134.04	C&S	30.6%	26.1%	-1.8%	
EMC Corp/MA	Dell Inc	63,491	10/31/16	30.73	26.22	Cash	17.2%	17.1%	0.4%	
Freescale Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	33.84	33.49	C&S	1.0%	6.1%	-0.1%	
Humana Inc	Aetna Inc	28,906	12/31/16	221.13	178.63	C&S	23.8%	20.3%	-1.6%	
KLA-Tencor Corp	Lam Research Corp	10,955	06/30/16	70.29	67.12	C&S	4.7%	7.1%	-1.1%	
MarkWest Energy Partners LP	MPLX LP	20,211	12/31/15	45.65	43.68	C&S	4.5%	26.6%	2.7%	▲
Micron Technology Inc	Tsinghua Holdings Co Ltd	22,973	-	21.00	16.56	Cash	26.8%	-	4.3%	▲
Pepco Holdings Inc	Exelon Corp	12,185	-	27.25	26.63	Cash	2.3%	-	-0.9%	
Perrigo Co PLC	Mylan NV	34,870	11/13/15	176.41	157.74	C&S	11.8%	308.5%	0.0%	
Piedmont Natural Gas Co Inc	Duke Energy Corp	6,536	12/31/16	60.00	57.31	Cash	4.7%	4.0%	4.9%	▲
Precision Castparts Corp	Berkshire Hathaway Inc	35,658	03/31/16	235.00	230.81	Cash	1.8%	4.3%	-0.1%	
Rite Aid Corp	Walgreens Boots Alliance Inc	16,692	06/30/16	9.00	7.88	Cash	14.2%	21.3%	16.6%	▲
SanDisk Corp	Western Digital Corp	15,867	09/30/16	86.28	77.00	C&S	12.1%	13.1%	1.8%	
Sigma-Aldrich Corp	Merck KGaA	16,395	11/30/15	140.00	139.72	Cash	0.2%	2.4%	0.0%	
TECO Energy Inc	Emera Inc	10,222	06/30/16	27.55	27.00	Cash	2.0%	3.1%	0.3%	
Time Warner Cable Inc	Charter Communications Inc	79,250	12/31/15	203.28	189.40	C&S	7.3%	43.1%	0.0%	
Towers Watson & Co	Willis Group Holdings PLC	8,095	12/31/15	118.17	123.56	Stk	-0.4%	-2.5%	0.7%	
Williams Cos Inc/The	Energy Transfer Equity LP	58,093	06/30/16	41.92	39.44	C/S	6.3%	9.4%	0.0%	

MARB <GO> North American deals

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock

ETFs

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BRIEF <GO>

ACTIVIST SITUATIONS

COMPILED BY MELISSA KARSH, BLOOMBERG BRIEF EDITOR

Significant Actions at Companies Targeted by Activist Investors

COMPANY	ACTIVIST	WHAT HAPPENED
Valeant Pharmaceuticals International Inc.	Charles Munger	Warren Buffett's longtime business partner said in an interview with Bloomberg News Nov. 1 that the drug company's practice of acquiring rights to treatments and boosting prices is legal but "deeply immoral." Activist Bill Ackman's Pershing Square Capital is a major Valeant shareholder. See below.
Seven & i Holdings Co.	Third Point LLC	Activist said in a letter to investors Oct. 30 that it acquired a stake in the Japanese grocery and retail group, and proposed a spinoff of its supermarket unit.
Valeant Pharmaceuticals International Inc.	Bill Ackman	Activist with 19.5 million shares as of June 30 said Oct. 30 that the company's shares are trading at a steep discount and will take some time to recover.
American International Group Inc.	Carl Icahn	Activist pushed for a breakup of the insurance giant in an Oct. 28 letter, citing below-target returns, discounted valuations and a "systemically important" designation by regulators that brings an "onerous regulatory burden."
UTi Worldwide Inc.	Sterling Capital Management LLC	Activist with 3.3 percent stake said in an Oct. 21 filing that DSV A/S's takeover bid for UTi undervalues the U.S. company and that shareholders should vote against the deal.
Baxter International Inc.	Third Point LLC	Medical-supplies company named a new CEO Oct. 28, following activist's call for leadership changes in August.
Cabela's Inc.	Elliott Associates	Retail chain rose the most in five years Oct. 28 after activist investor disclosed an 11 percent stake in the company and said it may push for a shake-up or leveraged buyout.

Source: Bloomberg News, [NI SHRHOLDACT<GO>](#)

Bloomberg Brief: Mergers

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MUNICIPAL MARKET

STATBOOK 3Q 2015

Municipal market closes in on record year, shrugs off headline risk.

Read it here.



EDITOR'S CORNER

Stay Tuned for Some Corporate Housekeeping

BY JOHN E. MORRIS, BLOOMBERG BRIEF



Attention last week naturally focused on the string of *hardcore tech deals* — memory chips, semiconductor-making equipment, plus network management software. Those followed **Dell Inc.**'s \$63.5 billion deal for storage company **EMC Corp.** the week before. There are so many big tech deals in the market that people are asking whether they'll *stretch the debt markets*.

But the week also brought a spate of divestiture and spinoff plans across a variety of industries that suggest companies are positioning themselves to offload another round of unwanted businesses.

■ **Dow Chemical Co.** is *weighing* the sale or spinoff of its agricultural chemicals unit, which had revenue of \$7.3 billion.

■ **CIT Group Inc.** said it plans *to sell* its aircraft leasing business, which has \$10 billion in assets.

■ **Valeant Pharmaceuticals International Inc.** said it *may sell* its neurological drugs.

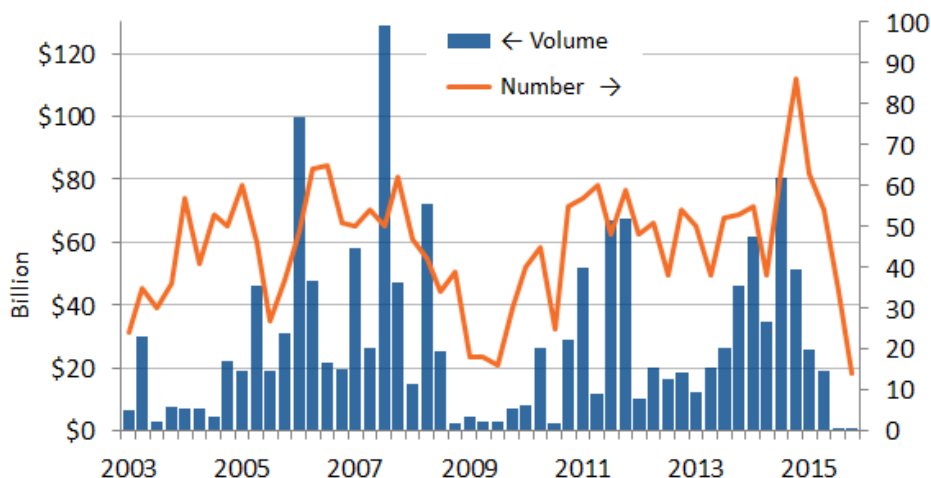
Two other significant divestitures were reported to be in the works:

■ Private equity firms are interested in buying the Big W discount chain of Australian retailer **Woolworths Ltd.**, Bloomberg *reported*, a deal that could be worth \$1.1 billion.

■ **TreeHouse Foods Inc.** is ready *to buy* underperforming breakfast cereal maker **Ralcorp Holdings Inc.** from **ConAgra Foods Inc.**'s, Reuters reported.

As many companies continue to struggle to lift their top lines, and activists nip at their heels, expect to see more assets sold or spun off.

Spinoffs to Shareholders Are Down So Far This Year



Source: Bloomberg **MA<GO>**

Does not include divestitures

BloombergBriefs.com

Spinoffs — where a company transfers ownership of a subsidiary to the parent's shareholders — are down from recent years. To date this year, there have been 165, two-thirds fewer than the full-year total for 2014. Their combined value is down more than 80 percent from last year.

— John E. Morris, Bloomberg Brief

QUOTED

"Companies around the world are viewing M&A as a much more important tool than they have in recent macroeconomic recoveries, just because of the nature of this recovery, which is some growth, particularly in the developed world, uncertainty in the developing world, and a low inflation, deflationary environment."

— **Lazard Ltd.** Chairman and CEO **Ken Jacobs** said during an *earnings call* last week



Dell Inc. founder and CEO **Michael Dell** has no regrets about taking his company private in 2013, he said in a Bloomberg TV *interview* last week. "No, no. I'm sorry, there is nothing I miss about being a public company."

WEEK IN NUMBERS

■ **5:** Number of last week's top-10 deals that were in the *tech* sector

■ **\$557 million:** Morgan Stanley advisory fee income in the *third quarter*

IN THIS ISSUE

BREAKING NEWS. **Intercontinental Exchange** agreed to *buy* **Interactive Data** from **Silver Lake** and **Warburg Pincus** for about \$5.2 billion.

INSIGHT: ACQUISITION FINANCE. Tech companies may *test* the bond and loan markets as they seek debt financing for the latest round of deals.

COMPANY FOCUS. **BHP Billiton** is taking advantage of low commodity prices to *snap up* oil and mining assets.

ACTIVIST SITUATIONS. **Carl Icahn** announced *plans* to form a \$150 million PAC to oppose corporate tax inversions.

MERGER MONDAY A ROUND-UP OF TODAY'S LARGEST DEALS AND DEALMAKING NEWS

ICE to Buy Interactive Data for \$5.2B in Cash and Stock

Intercontinental Exchange Inc., the operator of commodities and futures exchanges, agreed to buy **Interactive Data Corp.** from private equity firms **Silver Lake** and **Warburg Pincus** for about \$5.2 billion, including \$3.65 billion in cash and \$1.55 billion in ICE stock.

IDC, based in Bedford, Massachusetts, provides financial data to mutual funds, banks, asset managers and hedge fund and provides processing services. The combined company "will offer customers efficiencies in accessing data," the companies said in a statement today.

Silver Lake and Warburg Pincus paid \$3 billion for IDC in 2010.

— John E. Morris, Bloomberg Brief

Duke Energy to Buy Piedmont Natural Gas for \$6.7B

Duke Energy Inc. agreed to acquire **Piedmont Natural Gas Co.**, adding a distributor of cheap shale gas as growth in power demand slows.

The deal gives Duke a 50 percent stake in the \$5 billion Atlantic Coast Pipeline, which runs from gas fields in West Virginia to Duke's service area in North Carolina.

Piedmont shareholders will receive \$60 in cash for each share of Piedmont common stock, about a 40 percent premium to the Oct. 23, closing price, the companies said today in a statement. Duke will pay \$4.9 billion in cash and assume about \$1.8 billion in Piedmont's net debt, giving the deal a total value of about \$6.7 billion.

— Jim Efstathiou Jr., Bloomberg News

Starwood Buys Equity Residential Apartments for \$5.4B

Starwood Capital Group LLC is buying apartments from **Equity Residential** for \$5.4 billion as **Barry Sternlicht's** investment fund extends its reach in the U.S. home-rental industry.

The deal includes 23,262 homes spread across 72 communities and the price is equal to \$230,634 per unit, Equity Residential said in a statement today. Most of the proceeds will be used to pay a special dividend of \$9 to \$11 a share.

The homes sold Monday are in South Florida, Seattle, Denver, Washington D.C. and California.

Equity Residential, founded by Sam Zell, said it intends to sell another 4,728 apartments next year, including all of its assets in Connecticut.

— Ross Larsen, Bloomberg News

Biggest Deals Since Friday

TARGET	INDUSTRY	COUNTRY	ACQUIRER	VALUE (\$M)
Interactive Data Corp	Commercial Services	US	Intercontinental Exchange Inc	7,075
Piedmont Natural Gas Co Inc	Gas	US	Duke Energy Corp	6,536
72 apartment buildings	Real Estate	US	Starwood Capital Group LLC	5,365
Oi SA (minority stake)	Telecommunications	BR	LetterOne Holdings SA	4,000
Northern Tier Energy LP (remaining 62%)	Oil & Gas	US	Western Refining Inc	1,815

Source: Bloomberg [MA<GO>](#)

Real estate assets, joint ventures and stock buybacks excluded

Western Refining Offers to Buy Rest of Northern Tier

Western Refining, Inc. has offered to acquire all of Northern Tier Energy LP it doesn't already own, adding profit from a Minnesota refinery and a group of convenience stores.

Western, based in El Paso, Texas, would acquire the units for \$17.50 in cash and 0.2266 of a share of Western common stock, Northern Tier said in a statement Monday. That represents a 12 percent premium, based on Oct. 23 closing prices.

Western owns 38 percent of Northern Tier and controls it through ownership of its general partner, according to the statement.

The deal is valued at \$1.8 billion, data compiled by Bloomberg show.

"Negative on first glance," analysts for Tudor Pickering Holt & Co. wrote today in a note to clients. "We fail to see incremental synergies from this deal."

The offer is subject to negotiation and approval by the Northern Tier conflicts committee, according to the statement.

— Jim Polson, Bloomberg News

Bridgestone Will Buy Pep Boys Chain for \$835 Million

Bridgestone Corp. agreed to buy the **Pep Boys** retail chain for about \$835 million, pushing deeper into an auto-parts industry that has benefited from Americans keeping their cars on the road longer.

The takeover price amounts to \$15 a share in cash, the companies said in a statement today. That represents a 23 percent premium over Friday's closing price of \$12.15 and is 62 percent over where it traded on May 19, before speculation about a possible sale started.

The merger will create the world's largest chain of its kind, combining Pep Boys' more than 800 auto-parts and maintenance shops with 2,200 tire and automotive centers operated by Bridgestone's U.S. unit, according to the statement.

— Jamie Butters and Christie Boyden, Bloomberg News

Continued on next page...

MERGER MONDAY...

Continued from previous page...

Fridman to Invest \$4 Billion in Brazil's Oi If It Merges With Tim

Russian billionaire **Mikhail Fridman** plans to invest as much as \$4 billion in Brazil's **Oi SA**, reviving the prospects of a merger between the phone company and local rival **Tim Participacoes SA**.

The proposal, received on Friday through investment bank **BTG Pactual**, is conditioned on Oi agreeing to a combination with Tim, the carrier controlled by **Telecom Italia SpA**, according to a filing by Oi on Monday. Tim has a market value of about \$5

billion. While Oi's equity is valued at \$650 million — having slumped almost 80 percent this year — the carrier's enterprise value, with debt, exceeds \$10 billion, data compiled by Bloomberg show.

Oi hired BTG last year to explore an acquisition of Tim, while Tim at the same time was studying a takeover of Oi to increase market share and better compete with Telefonica Brasil SA and America Movil SAB's Claro.

Tim, the second-largest wireless carrier

in Brazil, and Oi, the No. 4, together would have a market share of 44 percent, according to data from Anatel in Brasilia.

A representative for Fridman's LetterOne in London didn't immediately return a phone call seeking comment.

A representative for Milan-based Telecom Italia wasn't immediately available to comment.

— *Julia Leite and Daniele Lepido, Bloomberg News*

Online Travel Sites Ctrip, Qunar Agree to Share Swap

Ctrip.com International Ltd. and **Qunar Cayman Islands Ltd.** agreed to a share swap and partnership that creates China's biggest online travel service, seeking to tap a record number of travelers heading overseas.

Baidu Inc., which controls Qunar, will own 25 percent of Ctrip, and the

companies will combine products and services, according to a statement released Monday.

Ctrip will have a 45 percent voting interest in Qunar. The exchange ratio represents a 36 percent premium to Qunar's closing price on Friday, valuing the company at \$7 billion. Ctrip and

Qunar surged in pre-market trading.

The deal comes about five months after Qunar rejected a buyout offer from Ctrip.com amid fierce competition for online bookings in China, where an expanding middle class is jetting abroad.

— *Lulu Yilun Chen and Tim Culpan, Bloomberg News*

Perrigo's Papa Said to Court Israeli Shareholders

Perrigo Co.'s top executives arrive in Israel today for meetings with investors as they seek to fend off a hostile takeover bid from **Mylan NV**, according to a person familiar with the matter.

Chief Executive Officer **Joseph Papa** and Chief Financial Officer **Judy Brown** will meet with Israel's largest institutional investors, which together hold more than 10 percent of Perrigo, the person said.

Papa will make the case that Perrigo's standalone strategy, which includes plans

to cut 800 jobs and buy back \$2 billion of shares to boost returns for investors, is better than combining operations with generic drug-maker Mylan, the person said.

A Perrigo spokesman declined to comment about the visit.

Papa has repeatedly rejected Mylan's \$27.1 billion offer to acquire Perrigo, which makes over-the-counter and generic drugs, as inadequate. Mylan took its proposal directly to shareholders on

Sept. 14, offering \$75 in cash and 2.3 Mylan shares for each Perrigo share.

In Papa's visit, Perrigo is also expected to pledge commitment to staff in Israel, where it has more than 1,000 employees, the person said.

Perrigo listed in Tel Aviv after a 2005 acquisition in Israel. To lure Israeli shareholders, Mylan is also seeking to list in Israel.

— *David Wainer, Bloomberg News*



ACQUISITION FINANCE

Tech Firms Seek to Lever Up in Debt Market That Hates Disruption

BY SRIDHAR NATARAJAN AND MICHELLE F. DAVIS, BLOOMBERG NEWS

An M&A frenzy in the tech world is creating a dilemma for investors already being asked to fund a record volume of deals elsewhere: how much to lend to an industry that's constantly changing.

Western Digital Corp. is the latest to join the fray with its plans to purchase **SanDisk Corp.** in a deal to be funded by about \$17 billion of new debt. That comes alongside **Lam Research Corp.**'s \$10.6 billion pact to acquire **KLA-Tencor Corp.** and on the heels of **Dell Inc.**'s \$67 billion bid for **EMC Corp.**, the largest technology acquisition ever.

Globally tech companies have raised more than \$356 billion through bond issues and loans this year, including \$55.8 billion identified as acquisition financing, according to data compiled by Bloomberg. And that does not include the amounts contemplated for the still-pending deals.

Given the amount of debt that will be needed to complete the recent deals — at a time when creditors are already wary about slowing global growth — investors interviewed said they're likely to demand a premium to lend in an industry prone to disruption.

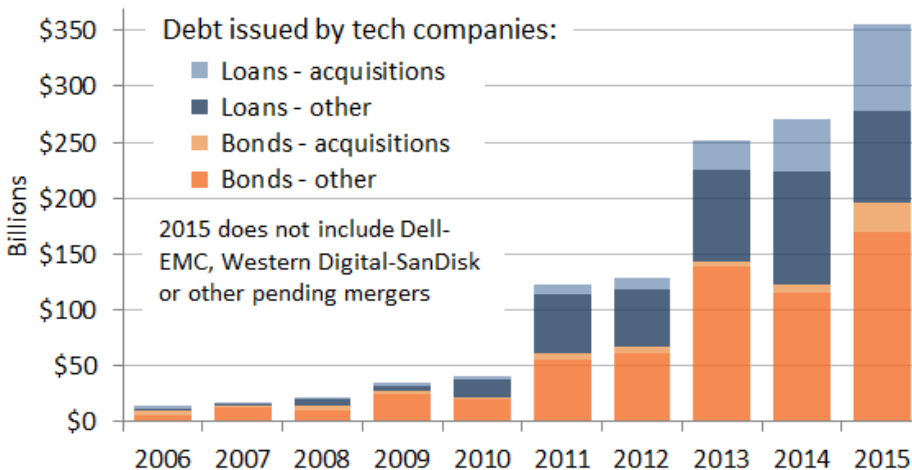
"Obviously technology can change pretty quickly," said Michael Sohr, a money manager at AllianceBernstein Holding LP in New York. "It's going to depend on how comfortable one can get with the obsolescence factor and the challenges that may surface."

The amount of supply investors are going to be asked to absorb to fund announced deals could hurt borrowers' chances of securing attractive pricing and companies that want longer-term paper may have to pay up, said Matthew Duch, a money manager at Calvert Investments.

"As a bondholder you want to get as many protections and as much compensation as you can — as well as a maturity that you're comfortable with given business projections," Duch said.

One deal some analysts are more

Testing Debt Market Capacity



Source: Bloomberg *SRCH<GO>* and *LSRC<GO>*

BloombergBriefs.com

confident about is Western Digital, which plans to raise a mix of debt including loans held by bank and institutional lenders, and secured and unsecured bonds. While the combined company is likely to be rated junk, the hard-drive maker will aim to get back its investment-grade status three to five years after closing the deal in 2016, Chief Financial Officer **Olivier Leonetti** said on a call to discuss the acquisition.

"You usually become a high-yield tech name because you are facing some sort of disruption in your industry and you need to do something to fix it," Anthony Venturino, an analyst at Federated Investors Inc. said. "This, relative to all of the other stories, is not as bad."

Semiconductor company Lam Research is aiming to finance its deal with about \$3.9 billion of debt, with plans to hold on to its investment-grade credit rating, it has said. The Fremont, California-based company is expecting to pay close to 4 percent for its debt, according to Chief Financial Officer **Douglas Bettinger**.

All of this debt would be in addition to Dell's plan to arrange almost \$50 billion in borrowings to purchase EMC. A

Dell-EMC merger may push total debt to about 5 times Ebitda, which would put it more in line with a single-B rated company, according to a Bloomberg Intelligence report. That compares with the double-B rating that Dell commands and single-A for EMC, the larger of the two.

Founder **Michael Dell** said in an interview with Bloomberg Television on Wednesday that he sees "pretty rapid" debt reduction in the next 18 to 24 months.

For credit investors, that means weighing up returns against an uncertain outlook.

"For certain sectors, it is useful to consider time in terms of dog years as opposed to the years we mark on our Gregorian calendar," said Christian Hoffmann, a Santa Fe, New Mexico-based money manager at Thornburg Investment Management Inc., which oversees about \$58 billion in assets. Some Internet and technology companies "come to mind as places where the rate of change can be rapid and longer term visibility can be low," he said.

— With assistance from Tara Lachapelle in New York

COMPANY FOCUS

BHP Seen Approaching an M&A 'Sweet Spot' With Asset Valuations Lowest in Years

BY DAVID STRINGER, BLOOMBERG NEWS



Photo: Bloomberg/
Matthew Lloyd
Jac Nasser

BHP Billiton Ltd. is snapping up oil-exploration prospects from the United States to Australia and flagged this week that it's seeking to make more similar investments. There's speculation it'll also target deals for operating wells and mines.

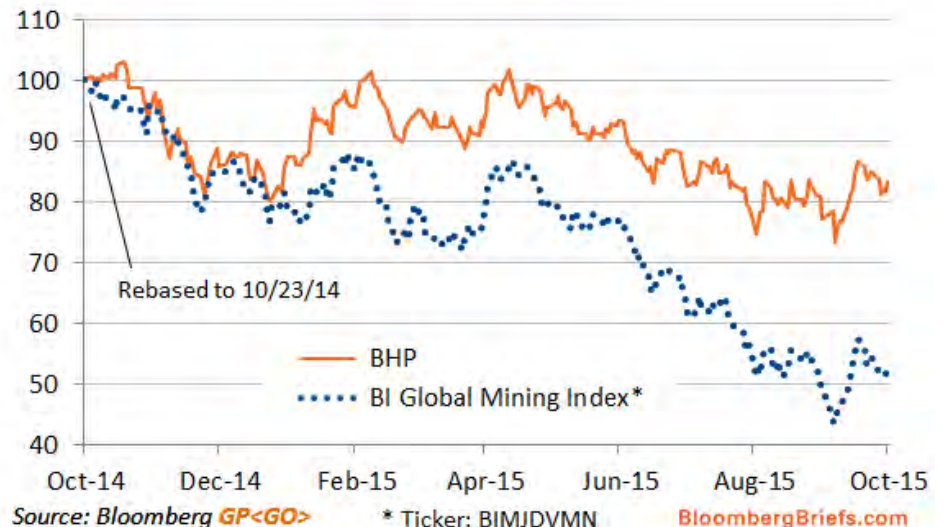
With signs the commodity rout may be bottoming, conventional petroleum and copper assets are probably of most interest to the world's biggest miner, according to Sanford C. Bernstein & Co. and Fat Prophets. BHP Chief Executive Officer **Andrew Mackenzie** said in August the company would look at the possibility of acquisitions, though wouldn't overpay and would only consider the best assets.

Mining companies with strong balance sheets, including BHP, which sold about \$6.5 billion of hybrid securities last week, should scrap their dividend policies to help seize on cheap high-quality assets, Jefferies Group LLC analysts said. The average premium on pending and completed deals worth at least \$500 million in the mining and oil and gas sectors has fallen to 30 percent this year from 47 percent in 2013, according to data compiled by Bloomberg.

"From a margin and valuation perspective, this looks like the bottom of the cycle," Bernstein analyst Paul Gait said by phone from London. "In terms of asset valuations, if you are timing it and thinking around M&A, then this sort of feels like the sweet spot."

Chairman **Jac Nasser** told shareholders in London on Thursday that BHP is ready to consider taking on debt in the short run to cover its policy of increasing dividend payouts each year but not to the extent of compromising its finances. Separately, Melbourne-based BHP spokeswoman Emily Perry declined to comment on the company's mergers and acquisitions strategy.

BHP Shares Have Outperformed Peers'



BHP confirmed Wednesday it secured about 13,000 square kilometers (5,000 square miles) for petroleum exploration off the Western Australia coast and had been awarded leases in the Gulf of Mexico. The Gulf purchase came after it made high bids worth about \$16.3 million in an August sale, according to the Bureau of Ocean Management. It signed a farm-in and operating agreement in July to take a controlling interest in an Australian exploration block with Cnooc Ltd., China's biggest offshore oil and gas explorer.

The company is pursuing high-quality oil plays in the deepwater Gulf, the Caribbean and Beagle sub-basin in Western Australia, it said in a Wednesday statement, reporting petroleum and copper output fell in the September quarter. Mackenzie flagged the two areas as the company's focus for any potential dealmaking in speech in May in Barcelona. BHP's last major acquisition was the \$15.1 billion deal to buy shale gas company Petrohawk Energy Corp. in 2011.

BHP was among companies that entered the final round of bidding to buy a stake in **Barrick Gold Corp.**'s Zaldivar copper mine in Chile, people familiar with the matter said in June. **Antofagasta Plc** in July agreed to buy a 50 percent interest

in the asset for about \$1 billion.

Mackenzie told investors on an Aug. 25 call that the company would be ready to move on a possible acquisition if it was "a steal," adding "there are ways of doing that without compromising our commitment to the dividend."

Recent mine deals show valuations of high-quality copper operations haven't dropped significantly, according to Brenton Saunders, a Sydney-based investment analyst with BT Investment Management Ltd., which manages about A\$80 billion (\$58 billion) of assets and holds BHP shares. "It's difficult to see where they are going to buy tier-one assets for bargain basement prices."

The largest commodity producers have begun looking for "good, long life tier-one assets at pretty cheap prices," Fat Prophets analyst David Lennox said by phone from Sydney.

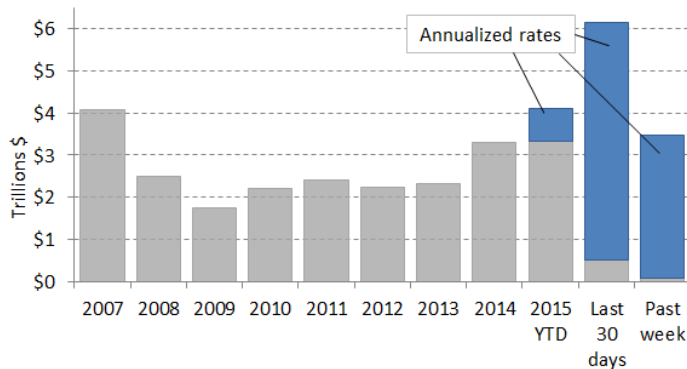
As distressed competitors are forced to sell quality assets, dealmaking may be the logical next step for BHP as it manages the commodities rout, Lennox said.

"In terms of the sequence of this low commodity price cycle, they've done all the right things," he said. "When you've got through all of that and have a balance sheet in relatively good shape, then what [is] left? Mergers and acquisitions."

WEEK IN REVIEW: M&A TRENDS COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Tech and Real Estate Dominated Last Week's Deal List

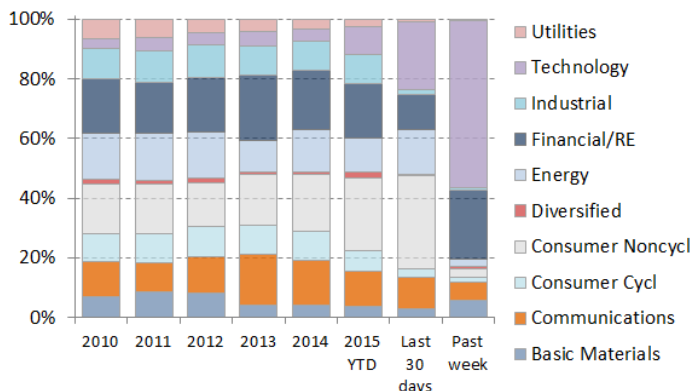
Pace of Dealmaking

Source: Bloomberg [DMON<GO>](#)[BloombergBriefs.com](#)

At \$66.4 billion, global M&A volume in the week ended Oct. 23 was below the 20-month average of \$68.7 billion, according to data compiled by Bloomberg. There were **12 new deals** worth \$1 million or more.

If the year-to-date activity level is sustained through the end of the year, total deal value for 2015 will reach \$4.1 trillion, slightly higher than the previous record in 2007.

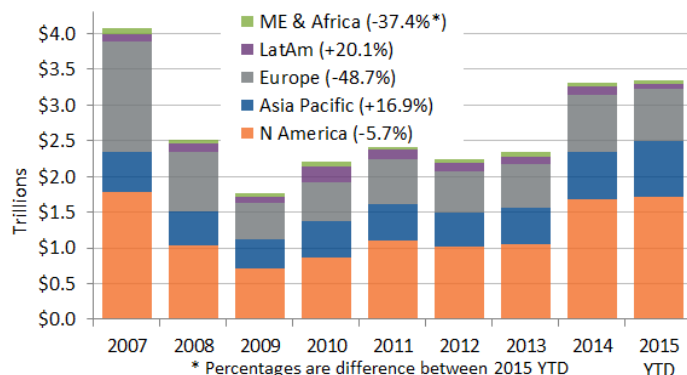
Sector Breakdown

Source: Bloomberg [DMON<GO>](#)[BloombergBriefs.com](#)

Five of last week's **top 10 deals** were in the technology sector. Those were worth a combined \$35.2 billion, and the tech industry accounted for more than 56 percent of the value of all deals in the week. The biggest deals were in memory semiconductors, software and ATMs.

Three big real estate deals, led by **Blackstone Group LP's** \$5.3 billion purchase of the Stuyvesant Town and Peter Cooper Village apartment complexes, swelled the financial/real estate share to 23.2 percent.

Shift in Regional Breakdown Since 2007

Source: Bloomberg [DMON<GO>](#)

* Percentages are difference between 2015 YTD and full year 2007

[BloombergBriefs.com](#)

As M&A nears its 2007 record, the geographic focus has changed. Asian volume so far this year already tops the 2007 level by almost 17 percent, while European year-to-date volume is down 48.7 percent from the full year figure for 2007 with only two months left in 2015 to make up the gap.

Fourteen of **the top 25 deals** announced last week and six of the top 10 involved U.S. targets. U.S. buyers were responsible for nine of the top 10.

WEEK IN REVIEW: TOP DEALS

Largest Deals Announced Oct. 17 - Oct. 23

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
10/21	SanDisk Corp	Computers	US	Western Digital Corp	US	15,867
10/21	KLA-Tencor Corp	Semiconductors	US	Lam Research Corp	US	10,955
10/20	Stuyvesant Town-Peter Cooper Village	Real Estate	US	Blackstone Group LP/The	US	5,300
10/21	SolarWinds Inc	Software	US	Silver Lake Management LLC, Thoma Bravo LLC	US	4,397
10/22	MEGlobal BV	Chemicals	NL	EQUATE Petrochemical Co KSC	KW	3,200
10/20	PMC-Sierra Inc	Semiconductors	US	Microsemi Corp	US	2,195
10/21	Viom Networks Ltd	Telecommunications	IN	American Tower Corp	US	2,086
10/17	Wincor Nixdorf AG	Computers	DE	Diebold Inc	US	1,787
10/19	Electronic Funds Source LLC	Diversified Finan Serv	US	WEX Inc	US	1,465
10/17	Campus Crest Communities Inc	REITS	US	Harrison Street Real Estate Capital LLC	US	1,400
10/22	Landmark Apartment Trust Inc	REITS	US	Starwood Capital Group LLC, Milestone Apartments Real Estate Investment Trust	US	1,326
10/23	LPSR OOO	Internet	RU	Naspers Ltd	ZA	1,200
10/19	Community & Southern Holdings Inc	Banks	US	Bank of the Ozarks Inc	US	800
10/19	Windstream's hosted solutions data center	Software	US	Cequel Data Centers LLC	US	575
10/20	Tribona AB	Real Estate	SE	Catena AB	SE	528
10/20	JK Group Spa	Holding Companies-Divers	IT	Dover Corp	US	520
10/19	Accord Sino Group Ltd	Investment Companies	HK	Evergrande Real Estate Group Ltd	CN	452
10/19	Shanghai Krupp Stainless Co Ltd	Iron/Steel	CN	Lujiazui International Trust Corp Ltd	CN	419
10/19	Vormetric Inc	Computers	US	Thales SA	FR	400
10/20	Wumart Stores Inc	Food	CN	Wumei Holdings Inc	CN	356
10/20	15 BP refined products terminals (acquired for joint venture)	Oil & Gas	US	BP PLC, Kinder Morgan Inc	UK, US	350
10/21	TippingPoint Technologies Inc	Telecommunications	US	Trend Micro Inc	JP	300
10/21	Clariant Inc	Pharmaceuticals	US	NeoGenomics Inc	US	279
10/20	Mayang Development Sdn Bhd	Real Estate	MY	IOI Properties Group Bhd	MY	277
10/19	Chengdu Qingyang District Renhe Chuntian Department Store Ltd	Retail	CN	Chengshang Group Co Ltd	CN	272

Source: Bloomberg [MA<GO>](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.



SPECIAL ISSUE: WOMEN IN FINANCE

ACTIVIST SITUATIONS COMPILED BY MELISSA KARSH, BLOOMBERG BRIEF EDITOR

Significant Actions at Companies Targeted by Activist Investors

COMPANY	ACTIVIST	WHAT HAPPENED
Platform Specialty Products Corp.	Bill Ackman	Chemical maker fell the most ever Oct. 23 after its CEO announced his intention to retire. Activist investor is company's largest shareholder.
Astoria Financial Corp.	Basswood Capital Management LLC	New York City lender, which is under pressure from activist investor to boost its share price, is exploring a sale, Bloomberg News reported Oct. 23, citing people familiar with the matter. The stock climbed after the news.
Mellanox Technologies Ltd.	Raging Capital Management	Activist hedge fund said in an Oct. 22 letter that it's nominating two dissident directors and urging shareholders to vote against company's proposed acquisition of EZchip Semiconductor Ltd. Activist owns 6.5 percent of EZchip.
Baxter International Inc.	Third Point LLC	Company on Oct. 21 appointed a new director who previously turned around one of the nation's biggest medical-device companies, a move that was encouraged by activist.
Yum! Brands Inc.	Keith Meister	Company bowed to activist-investor pressured and agreed Oct. 20 to separate its China business from its U.S. operations.
Air Methods Corp.	Voce Capital Management	Activist with a 4.9 percent stake is escalating its campaign at air medical-transport provider to hire a bank and explore a sale, according to a letter to the board dated Oct. 20.

Source: Bloomberg News, [NI SHRHOLDACT<GO>](#)

Carl Icahn to Form \$150 Million Super-PAC to Stop Inversions

BY ZACHARY R. MIDER, BLOOMBERG NEWS



Photo: Bloomberg/
Peter Foley
Carl Icahn

Carl Icahn, the activist investor known for picking fights with corporate executives, is now aiming his financial might at leaders in Congress who he says aren't doing enough to fix a broken U.S. corporate tax system.

Icahn plans to put \$150 million into a new super-PAC that would push for legislation to discourage so-called tax inversions, in which U.S. companies renounce their legal citizenship to lower their tax bills. In a letter posted on his website, Icahn said the government should lower U.S. corporations' taxes on earnings abroad, which would largely remove the incentive to invert.

"If the exodus is allowed to continue, there will be disastrous consequences for our already fragile economy," Icahn said in the letter. He said he planned to encourage others to contribute to the super-PAC.

Icahn's effort aligns with a position of Republican presidential candidate Donald Trump, whom Icahn endorsed last month. Trump, who has also called for changes that would remove the incentive for inversions, has mentioned Icahn as a potential Treasury secretary.

Icahn addressed his missive to the leadership of each Congressional chamber, as well as to members of their tax-writing committees.

"The PAC we have started will leave no stone unturned to find out who is most responsible for this ridiculous and unconscionable situation," Icahn wrote. He endorsed a tax proposal put forth by Senators Chuck Schumer and Rob Portman and called for it to be included

as part of a highway funding bill now working its way through Congress.

As Icahn points out in his letter, his tax proposal would affect not only companies considering inversions, but virtually all multinational firms incorporated here, because so many of them stockpile their foreign earnings abroad rather than return the money to the U.S. and pay as much as 35 percent tax. He said companies are currently holding \$2.2 trillion abroad that could otherwise be invested in the U.S.

Most companies with foreign earnings, Icahn says in the letter, "would be willing to pay a 5 percent to 10 percent incremental tax on this money."

Among the companies with billions in foreign earnings is Apple Inc., one of Icahn's biggest current investments. Icahn has been calling for Apple to return more earnings to shareholders, an effort that is hindered, in part, by the international tax rules. Icahn didn't mention Apple in the letter.

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BRIEF GO

DEAL ARBITRAGE

TARGET	ACQUIRER	DEAL SIZE (M)	EXPECTED COMPLETION DATE	OFFER PER SHARE	TARGET PRICE	PAYMENT TYPE	SPREAD	PROJECTED ANNUALIZED RETURN	1W CHANGE IN SPREAD	MAJOR MOVE
AGL Resources Inc	Southern Co/The	11,937	12/31/16	66.00	62.02	Cash	6.4%	5.4%	-0.2%	
Altera Corp	Intel Corp	14,355	03/31/16	54.00	52.57	Cash	2.7%	6.2%	0.3%	
Axis Capital Holdings Ltd	Arch Capital Group Ltd	6,560	-	65.00	54.63	Cash	19.0%	-	-1.0%	
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	62.92	53.93	C&S	16.7%	88.1%	2.8%	▲
Baxalta Inc	Shire PLC	29,337	-	35.96	33.41	Stk	7.6%	-	0.8%	
BioMed Realty Trust Inc	Blackstone Group LP/The	7,693	03/31/16	23.75	23.28	Cash	2.0%	4.6%	0.5%	
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	7.34	Cash	111.0%	-	-3.0%	▼
Broadcom Corp	Avago Technologies Ltd	29,806	03/31/16	55.62	53.13	C/S	4.7%	10.7%	1.0%	
Cablevision Systems Corp	Altice NV	17,835	06/30/16	34.90	32.71	Cash	6.7%	9.7%	0.9%	
Cameron International Corp	Schlumberger Ltd	15,153	03/31/16	70.54	68.10	C&S	3.6%	8.2%	0.1%	
Canadian Oil Sands Ltd	Suncor Energy Inc	6,557	12/04/15	9.38	9.91	Stk	-5.3%	-46.9%	2.0%	
Chubb Corp/The	ACE Ltd	28,986	03/31/16	132.05	130.58	C&S	1.1%	2.6%	-0.2%	
Cigna Corp	Anthem Inc	50,382	12/31/16	176.02	132.54	C&S	32.8%	27.5%	4.0%	▲
EMC Corp/MA	Dell Inc	63,491	10/31/16	30.51	26.10	Cash	16.9%	16.5%	1.6%	
Freescall Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	40.08	39.71	C&S	0.9%	5.0%	0.3%	
HCC Insurance Holdings Inc	Tokio Marine Holdings Inc	7,480	10/28/15	78.00	77.97	Cash	0.0%	2.8%	-0.4%	
Humana Inc	Aetna Inc	28,906	12/31/16	213.68	168.20	C&S	27.0%	22.7%	6.4%	▲
KLA-Tencor Corp	Lam Research Corp	10,955	06/30/16	69.28	65.35	C&S	6.0%	8.8%	6.4%	▲
MarkWest Energy Partners LP	MPLX LP	20,211	12/31/15	41.72	40.90	C&S	2.0%	10.6%	-0.6%	
Micron Technology Inc	Tsinghua Holdings Co Ltd	22,973	-	21.00	17.24	Cash	21.8%	-	7.9%	▲
Pepco Holdings Inc	Exelon Corp	12,185	-	27.25	26.39	Cash	3.3%	-	0.3%	
Perrigo Co PLC	Mylan NV	34,870	11/13/15	169.21	150.57	C&S	12.4%	215.2%	6.8%	▲
Precision Castparts Corp	Berkshire Hathaway Inc	35,658	03/31/16	235.00	230.50	Cash	2.0%	4.5%	0.4%	
SanDisk Corp	Western Digital Corp	15,867	09/30/16	86.32	78.37	C&S	10.1%	10.8%	11.3%	▲
Sigma-Aldrich Corp	Merck KGaA	16,395	11/30/15	140.00	139.75	Cash	0.2%	1.7%	-0.1%	
Team Health Holdings Inc	Amsurg Corp	6,249	-	64.39	57.97	C&S	11.1%	-	12.5%	▲
TECO Energy Inc	Emera Inc	10,222	06/30/16	27.55	27.07	Cash	1.8%	2.6%	-0.5%	
Time Warner Cable Inc	Charter Communications Inc	79,250	12/31/15	198.98	185.19	C&S	7.4%	39.4%	0.7%	
Towers Watson & Co	Willis Group Holdings PLC	8,095	12/31/15	116.48	122.67	Stk	-1.1%	-5.7%	1.6%	
Williams Cos Inc/The	Energy Transfer Equity LP	58,093	06/30/16	41.67	39.20	C/S	6.3%	9.2%	2.8%	▲

MARB <GO> North American deals

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock

COLUMNIST'S CORNER

Time for PMC-Sierra to Cash in Its Chips

BY TARA LACHAPELLE, BLOOMBERG GADFLY



If there were ever a time for a chipmaker to try to sell itself, it's now.

PMC-Sierra, a floundering chipmaker based in California, has hired a financial adviser to find a suitor, Bloomberg [reported](#) Thursday. The company is valued at \$1.4 billion.

This comes as chip, or semiconductor, mergers have surged to rarefied levels. The \$74 billion worth of transactions already trumps the amount in the past four years combined. One merger — **Avago Technologies** and **Broadcom**, worth about \$30 billion at the time of announcement — set a record for the entire technology industry.

Of course, this late in the game, the list of potential PMC acquirers is shorter than it once was. Avago has barely started to digest its big deal. **NXP Semiconductors** said in March that it is buying **Freescale** for about \$16 billion, including net debt, so cross that one off. And **Intel**, the somewhat deal-shy industry heavyweight, made a \$14 billion acquisition of **Altera** in June.

But it's not a waste of effort to have some bankers search around and see if its shareholders could get a takeover premium. It's better than watching the stock fall, as it has been. Before the Bloomberg News report, PMC had lost 26 percent this year. Revenue is projected to be down again this year, following declines in 2013 and 2012. And while the company is profitable, its margins are among the industry's smallest, according to data compiled by Bloomberg.

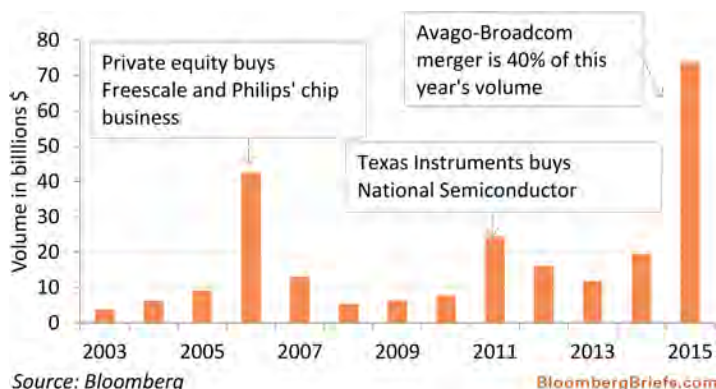
Benchmark's Gary Mobley, who covers chipmakers, says that companies looking to add chips for enterprise and data-center storage applications would take an interest in PMC.

That would include the likes of Avago. While it's probably a bit too soon for Avago to do another deal, the company did say on the day of the Broadcom deal that it has capacity for more.

Marvell Technology probably would have been the most likely suitor, but now it's not in a position to bid. The \$4.6 billion company is grappling with an internal investigation of its accounting, and its stock has tanked.

Other big players are **Western Digital** and **Seagate Technology**, and both had a fair amount of cash as of July. Cash and near-cash items totaled about \$5 billion for Western Digital and about \$2.5 billion for Seagate. Western also just got a big investment from China's Tsinghua University, funds that could be used for acquisitions. (Some analysts

Chip Buying Spree



QUOTED

"We hit a record breaking number in the cross border M&A activities of Japanese companies. Last year, demand was almost \$70 billion, evidence that Japanese managers have become more global and outward looking. And the government of Japan will continue to boost those Japanese companies aspiring to work in the global arena."

— Japanese Prime Minister **Shinzo Abe** in an address at Bloomberg headquarters on Sept. 29.

Read the full transcript on your terminal [here](#).



A [painting](#) by Alibaba founder **Jack Ma** and Chinese artist Zeng Fanzhi fetched HK\$42.2 million (\$5.4 million) at a Sotheby's auction in Hong Kong Sunday, 17 times the high estimate. The money will go to an environmental charity.

WHAT TO READ

Skadden partners Brian Christiansen, David Ingles, Sven Mickisch and William Sweet predicted two years ago that shareholder activism would begin to rear its head in the banking sector. The law firm takes a look at how these predictions have panned out in a [Q&A](#).

IN THIS ISSUE

RANKINGS. Who are the [top](#) financial and legal advisers in global M&A?

Q&A. More [midstream](#) opportunities may become available in Canadian energy as oil prices stay in the doldrums.

UTILITIES. Waiting for a U.S. [utility](#) takeover to close? Get comfortable.

WEEK IN REVIEW. Dealmaking came back to life last week as more than \$120 billion worth of deals were [announced](#).

MERGER MONDAY A ROUND-UP OF TODAY'S LARGEST DEALS AND DEALMAKING NEWS

Suncor Makes Unsolicited Bid for Canadian Oil

BY JAMES HERRON AND SCOTT DEVEAU, BLOOMBERG NEWS

Suncor Energy Inc., Canada's biggest energy company, made an unsolicited offer to buy **Canadian Oil Sands Ltd.**, taking advantage of plunging crude prices to add production in Alberta.

Suncor is offering a 43 percent premium to Friday's closing share price and promised higher dividends to Canadian Oil Sands shareholders if the proposal is accepted, Calgary-based Suncor said in a statement Monday. Bloomberg [data](#) valued the deal at C\$6.6 billion (\$5.0 billion.)

"This is a financially compelling opportunity for COS shareholders," **Steve Williams**, Suncor's president and chief executive officer, said in the statement. "We're offering a significant premium to COS' current market price and also providing exposure to a meaningful dividend increase."

Suncor is looking to add capacity as the drop in crude and stock prices creates opportunities. Last month Suncor agreed to pay **Total SA** C\$310 million for an additional 10 percent stake in the Fort Hills oil sands project.

This would be the second-largest deal for Suncor, after its purchase of **Petro-Canada**.

Nordex Buys Acciona Unit to Expand Abroad

Germany's biggest wind-turbine maker agreed to purchase its counterpart in Spain in a transaction that will create the fifth-largest manufacturer of the technology worldwide amid a shift toward renewable energy.

Nordex SE will pay cash and stock for the wind assets of **Acciona SA**, which in turn will become the largest shareholder of the German company. The deal is expected to be completed in early 2016, subject to approvals, and will create an operation with minimal overlap in its product offering and regional focus, Nordex' Chief Executive Officer **Lars Bondo Krogsgaard** said.

Bloomberg [data](#) valued the deal at about \$857 million.

The move combines businesses of wind-power plants that rank ninth and 15th worldwide, according to data from Navigant Consulting Inc., a market research firm. It would solidify Nordex's position against more diversified manufacturers such as **Vestas Wind Systems A/S** of Denmark and **General Electric Co.** of the U.S. It would spread its sales footprint of Nordex, which has focused in onshore wind farms in Europe.

"We see this as a logical transaction, which makes sense given the footprints of Nordex and Acciona Windpower," **Jason Channell** and **Alexander O'Donoghue**, analysts at **Citigroup Inc.**, wrote in a note Monday.

— *Brian Parkin and Lydia Mulvany, Bloomberg News*

Biggest Deals Since Friday

TARGET	INDUSTRY	COUNTRY	ACQUIRER	VALUE (\$M)
Canadian Oil Sands Ltd	Energy	CA	Suncor Energy Inc	5,012
Acciona Windpower SA	Industrial	ES	Nordex SE	857
Xchanging PLC	Technology	UK	Apollo Global Management LLC	685
Xchanging PLC	Technology	UK	Capita PLC	647
SwiftQueue Ltd	Technology	IE	Kernel Management Partners Ltd, Enterprise Ireland	618
Elmer's Products Inc	Consumer, Non-cyclical	US	Newell Rubbermaid Inc	600
RCS Libri SpA	Communications	IT	Arnoldo Mondadori Editore SpA	143
Alleasing Pty Ltd	Financial	AU	Monash Private Capital Pty Ltd	134

Source: Bloomberg [MA<GO>](#)

Real estate assets, joint ventures and stock buybacks excluded. Pending or completed.

GE to Sell Corporate-Aircraft Finance Business

General Electric Co. agreed to sell its corporate aircraft financing portfolio to **Global Jet Capital** as Chief Executive Officer **Jeffrey Immelt** works to shrink the company's lending arm.

The transaction has a value of \$2.5 billion in ending net investment, a balance-sheet gauge that excludes non-interest-bearing liabilities and cash, GE said Monday. With that deal, GE's announced divestitures by that measure have reached \$97 billion this year.

— *Molly Schuetz, Bloomberg News*

Saudi Aramco Said to Hire Deutsche for Deal Talks

Saudi Aramco, the world's largest oil exporter, hired **Deutsche Bank AG** to advise on the potential acquisition of some marketing, retail and refining assets from **China National Petroleum Corp.**, according to four people with knowledge of the matter.

A deal could be worth several billion dollars, though talks are at an early stage and an agreement may not be reached, the people said.

— *Dinesh Nair, Matthew Martin and Stefania Bianchi, Bloomberg News*

K+S Plunges After Potash Walks Away From Proposal

K+S AG investors dumped shares, wiping as much as 1.5 billion euros (\$1.7 billion) from its market capitalization, after **Potash Corp. of Saskatchewan Inc.** withdrew a 7.85 billion-euro proposal to acquire the German fertilizer company.

K+S shares were down 24 percent at 23.44 euros as of 2:08 p.m. in Frankfurt, the biggest drop in more than two years and below the level before the takeover offer became public on June 25. In a statement yesterday, Potash Corp. cited significant declines in commodity and equity markets as well as a lack of engagement by K+S management as reasons for its withdrawal.

— *Sheenagh Matthews, Bloomberg News*

UTILITIES

Waiting for a Utility Deal to Get Done? Check Back in 316 Days

BY JIM POLSON, BLOOMBERG NEWS

Waiting for a utility takeover to be completed in the U.S.? Get comfortable. If history is a guide, it's going to be a while.

In the past 10 years, the average deal valued at more than \$3 billion has taken 316 days to finish, almost double the typical closing time for U.S. mergers and acquisitions, data compiled by Bloomberg show.

Buyers have experienced a recent rash of initial rejections as states seek more benefits from takeovers. **Exelon Corp.** and **NextEra Energy Inc.** saw regulators balk at their acquisition terms. The delays are increasing costs and weighing on the shares of utility giants seeking to combine assets in the face of tepid power sales and mounting environmental rules.

"State regulators take just about six to nine months to do anything," said **Kit Konolige**, senior utilities analyst for Bloomberg Intelligence. That's how long it typically takes for them to decide on electricity rate increases, "and for many states, a merger proposal tends to look a lot like a rate case," he said.

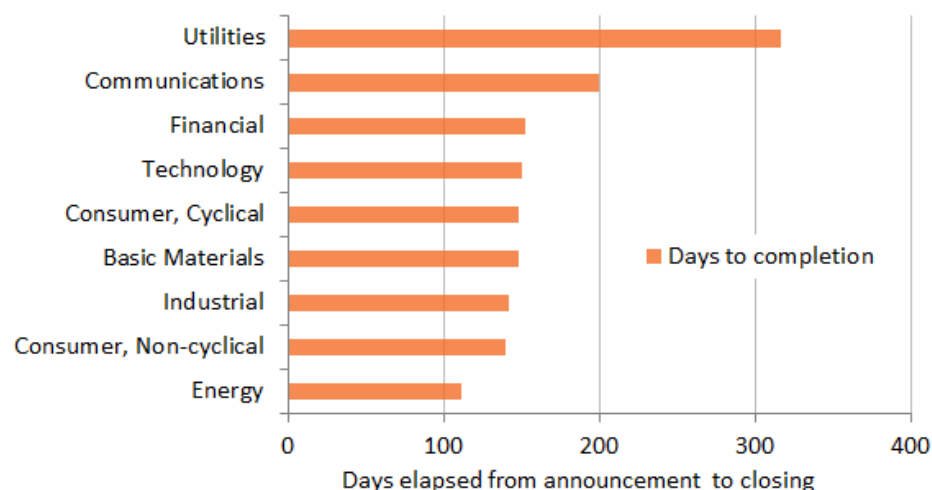
Last Monday Exelon made a second attempt in Washington to take over **Pepco Holdings Inc.** Ten days earlier, Spain's **Iberdrola SA** sweetened its \$3 billion proposed deal to buy Connecticut-based **UIL Holdings Corp.** with customer credits and rate freezes to overcome regulatory opposition. They're not the first would-be utility buyers to face headwinds.

Consumer groups and watchdogs see utility deals "as their one chance to get something back" from a monopoly that charges them for power every second of the day, said **Andy Smith**, a St. Louis-based utilities analyst for **Edward Jones & Co.**

Seven takeovers worth \$3 billion or more are now pending before regulators. Less than 20 utility deals have been completed in the U.S. over the previous decade, the least of any sector.

The largest of the pending utility takeovers, Exelon's \$6.8 billion offer for Washington-based Pepco Holdings, has taken 523 days so far. It was rejected in August by the District of Columbia's Public Service Commission, which said

Utility M&A Takes Almost Twice as Long as Average

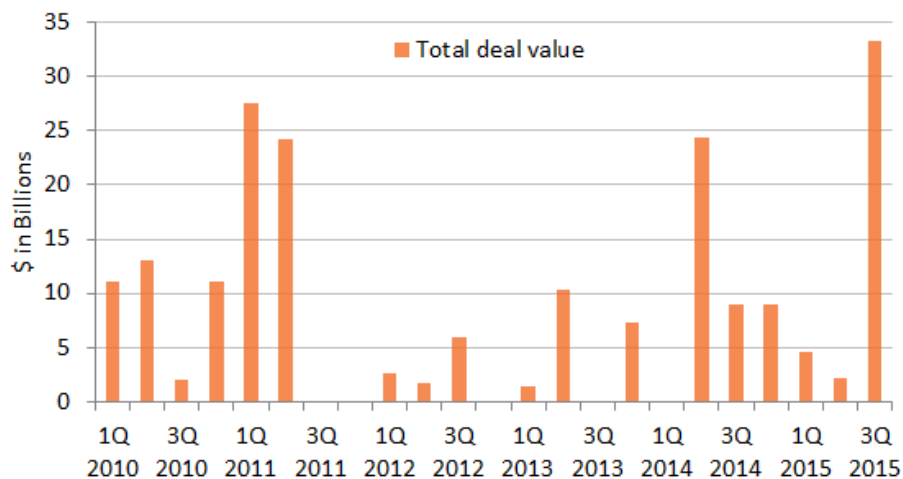


Source: M&A data compiled by Bloomberg

BloombergBriefs.com

Note: Includes corporate deals worth \$3 billion or more that were completed in the 10 years ended Sept. 8, 2015.

Value of 3Q Utility Deals Outpace Previous Quarters



Source: M&A data compiled by Bloomberg

BloombergBriefs.com

Note: Includes deals worth \$1 billion or more.

the proposal wouldn't benefit customers. On Friday, Bloomberg [reported](#) a tentative deal between the Washington mayor's office and Exelon.

In June, Iberdrola failed in its first bid to buy UIL, the owner of utilities in Connecticut. If Iberdrola closes the purchase by the end of the year, as it

forecasts, it will have taken 309 days.

By comparison, the average takeover in the financial sector, which includes banks and real estate, takes 132 days. Even deals in communications, which regulators scrutinize for potential market power concerns, average over six months.

Q&A: CANADA ENERGY

Midstream Oil, Renewables Offer Buying Opportunities in Canadian Energy

What's the outlook for the energy and power sectors in Canada, particularly as oil prices remain in the doldrums? That's the question posed to **Theresa Jang**, senior vice president for finance and chief financial officer at Calgary-based energy infrastructure company **Veresen Inc.**, and **Bryan DeNeve**, senior vice president and chief financial officer at Edmonton-based **Capital Power Corp.**, at Bloomberg LIVE's Canadian fixed income conference in New York on Sept. 30. They spoke to Bloomberg News reporter Rebecca Penty on a panel about Canadian energy markets. Comments have been edited and condensed.

Q: We had a pretty big deal in the U.S. this past week with Energy Transfer buying Williams, and we're hearing about more producers that want to sell midstream assets. Do you see more deals coming on the midstream side?

Jang: I think that's right. The longer this environment persists and the more pressure it puts on producers, the more willing they become to even having a conversation about releasing ownership of their assets. Understandably, the ability for producers to access their processing facilities when they want and how they want is pretty critical to their business.

To demonstrate, the way we've worked with Encana and CRP is a business model that allows for a win-win, allows us to take ownership and operatorship of those assets but gives them great flexibility as if they still own the asset. That's really the piece of Veresen's business model that separates us. We have found in the last number of months a number of producers who are willing to discuss potentially entering into transactions like this, and it provides us a great opportunity to grow.

Q: Speaking about deals, we've had a few deals recently with Canadians invading the U.S. in the power sector. A lot of the narrative around that is there just isn't the growth in the Canadian power market. A lot of the assets are held by big, private utilities. What is your impression of the opportunities available in the U.S. and on the flipside, the opportunities available in Canada?

DeNeve: For the U.S. for Capital Power, we're focused mainly on the development and construction of new generation facilities.

Along the lines of that strategy, we acquired a large number of wind sites in the Midwest of the U.S. that have one of the best wind regimes we see in North America. Certainly, as you look forward in the growth in renewables, we look first to

fundamental resources and wind regimes that regardless of policy, at the end of the day we believe will get built. For example, our Bloom project located in Kansas has a wind regime with a producing capacity factor of 54 percent so certainly that's an area of growth we see.

Looking in the Canadian side, I would agree with you certainly we're seeing things slow down, less opportunities. Ontario completed an RFP recently for some wind but fairly small in the grand scheme of things. We're seeing in B.C. the government there made a decision to move ahead with [hydroelectric dam] Site C, so that takes away some prospects there. When we do look at Alberta, we are starting to enter a period of transition from coal-fired facilities to replacing those with natural gas and renewables so we see that as an opportunity for Capital Power.

AT A GLANCE



Source: Bloomberg/
Jamie Watts

Career: Prior to taking on current role in May 2005, served as Senior Vice President, Corporate Development & Commercial Services, and before that, Vice President, Business Development. From 2002 to 2005, DeNeve was Vice President, Regulatory Affairs for EPCOR. Previously worked at the Alberta Department of Energy.

Education: Holds an MBA from the University of Alberta, where he also received his undergraduate degree. Graduate of Harvard Business School's Advanced Management Program.



Source: Bloomberg/
Jamie Watts

Career: Previously held the positions of Vice President, Finance & Risk Management and Vice President, Controller for Veresen. Prior to joining Veresen in 2006, Jang worked with TransCanada Corp. for 16 years.

Education: Holds a Bachelor of Commerce degree from the University of Calgary and a Chartered Accountant designation.

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PRIVATE EQUITY

BY ALEX SHERMAN AND KIEL PORTER, BLOOMBERG NEWS

U.S. Buyout Mega Deals Signal More on the Way Before Reset

A near-record third quarter for U.S. private-equity deals may have set the scene for a bumper end to 2015. Don't be surprised if the grand finale is also on its way.

Seven deals of more than \$3 billion involving a U.S.-based private-equity acquirer were announced in the third quarter, according to data compiled by Bloomberg, including two large technology deals — **Carlyle Group's** \$8 billion acquisition of **Symantec Corp.'s Veritas**, and **Vista Equity Partners's** \$5.2 billion takeover of **Solera Holdings Inc.** That's the most in any quarter since 2007.

Overall, U.S. buyout firms snapped up \$97.3 billion of assets during the quarter, a 56 percent jump compared with the same period last year. Technology deals led the way, accounting for more than a fifth of the funds spent.

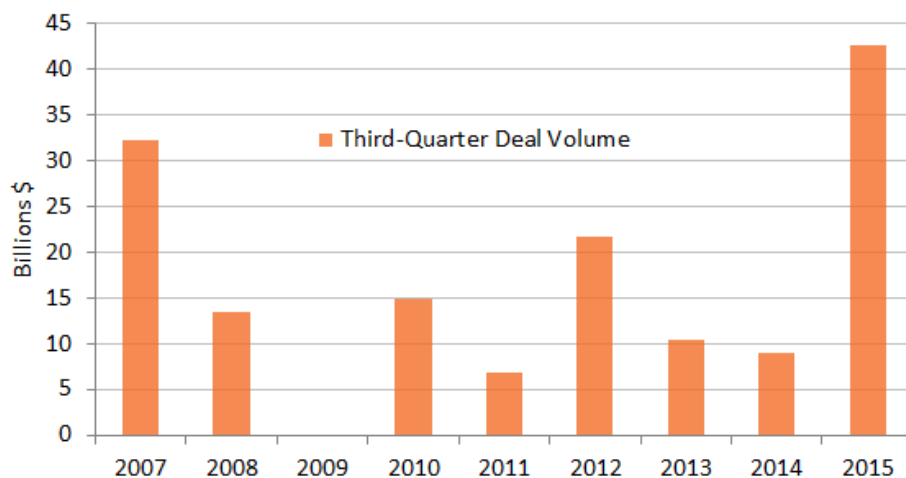
Large amounts of capital available for deals, appealing valuations, low interest rates and activists pushing for carve-outs and takeovers are driving activity, **Bill Sanders**, managing director and head of financial sponsors at **Morgan Stanley**, said in a phone interview. Recent stock market volatility may actually increase deal volumes, as companies seeking a buyer turn to private-equity funds that may be willing to pay higher multiples than listed strategics, he said.

"There is as much capital available as there was pre-2007, and you have volatility in the equity market," Sanders said. "If this market trades off a little more, and I'm not predicting that it necessarily will, one could argue that the public-to-private market should actually pick up pace, not decelerate."

U.S. buyout firms spent more than \$500 billion on acquisitions in both 2006 and 2007, according to data compiled by Bloomberg, before the global financial crisis stymied activity. Volumes haven't gotten close to that level in the past eight years, but are on track to pass \$300 billion in 2015 for the first time since the downturn.

Continued activist pressure on large companies will add to the number of big deals still to come, said **Karen Simon**, head of North America financial sponsor

U.S. Private Equity Acquirers Have Had a Busy Quarter



Source: Bloomberg

BloombergBriefs.com

coverage at **JPMorgan Chase & Co.** Symantec hired JPMorgan to defend against activists, before deciding to break its company into two and eventually sell Veritas. **Informatica Corp.**, the software company that sold itself to private-equity firm **Permira Advisers** and **Canada Pension Plan Investment Board** in April for \$5.3 billion, was pushed toward a sale by **Paul Singer's** activist hedge fund, **Elliott Management Corp.**

Elliott is again agitating for asset sales at **Citrix Systems Inc.**, which has hired **Goldman Sachs & Co.** to seek divestitures of divisions including **GoToMeeting** and **NetScaler** to private-equity firms, people familiar with the matter have said.

Others see more ominous signs as private-equity deals increase in size. The attraction of larger deals could signal an impending slowdown in activity, to be followed by a reset in valuations, said **Roger Hoit**, managing director at **Moelis & Co.**

"I think we're fairly late in the economic cycle — maybe the seventh-inning stretch," Hoit said. "At this point in the cycle, large-cap buy-side attention tends to focus more on companies' growth and consistent cash flow, rather than companies that are more cyclical in nature."

Public market valuations are "pretty full by historical standards," according to **Chris Sullivan**, **Barclays Plc's** head of financial sponsors for the Americas. That's pushing private-equity firms to look for larger, more mature companies that have consistent and predictable revenue streams, such as software, he said.

"If you're going to pay pretty full multiples on a historical basis, you want to do it in sectors that have attractive growth and robust free cash flow," Sullivan said.

Buyout firms are "very aggressively" looking for companies in which to invest, with a lot of money already having been raised, said Hoit. That's driven managers to take the initiative and reach out to public companies across sectors, he said.

They've got plenty of money to spend. **Blackstone Group LP** and **Hellman & Friedman** have raised an aggregate \$28 billion for their latest respective buyout pools in the past 12 months, while **Advent International** and **BC Partners** are among the groups in the process of coming to market.

"There are some names and industries which will come into focus which were previously considered out of reach," said JPMorgan's Simon. "Put that together in the cauldron and we would not be surprised to see more larger deals going forward."

M&A ADVISORY RANKINGS BLOOMBERG DATA

Goldman, Morgan Stanley Lead in Dealmaking; Skadden, Cravath Top Legal Advisers

Who were the top financial and legal advisers in global M&A through the third quarter? Bloomberg data ranked companies' roles in M&A, divestitures, spin-offs, debt-for-equity-swaps, JVs, private placements and convertible securities, as well as the cash injection component of recapitalization, and found out who came out on top. Below are the global results. View the full lists online [here](#).

Financial Rankings (Global Announced Deals)

01/01/2015 - 09/30/2015 FIRM	2015				2014		MKT SHR CHANGE
	RANK	MKT SHR (%)	VOLUME USD (Mln)	DEAL COUNT	RANK	MKT SHR (%)	
Goldman Sachs & Co	1	27.5	807,431	275	1	29.1	▲ -1.6
Morgan Stanley	2	26.1	767,054	270	2	19.8	▲ 6.3
JPMorgan Chase & Co	3	25.0	734,515	221	6	15.5	▲ 9.3
Bank of America Merrill Lynch	4	20.7	606,347	183	3	19.2	▲ 1.4
Credit Suisse Group AG	5	18.7	547,578	152	9	10.8	▲ 7.8
Citigroup Inc.	6	18.1	532,078	201	4	18.6	▲ -0.4
Lazard Ltd	7	12.3	359,631	164	5	17.6	▼ -5.3
Barclays PLC	8	11.4	334,421	139	7	13.7	▼ -2.3
Deutsche Bank AG	9	10.7	315,101	126	8	12.9	▼ -2.1
Centerview Partners LLC	10	9.3	271,862	33	11	6.1	▲ 3.1
UBS AG	11	8.5	250,610	94	12	6.1	▲ 2.4
Guggenheim Capital LLC	12	5.4	159,223	16	40	0.8	▲ 4.6
HSBC Bank PLC	13	5.2	153,454	52	18	3.0	▲ 2.2
Rothschild Ltd	14	5.1	150,190	190	10	6.4	▼ -1.3
RBC Capital Markets	15	4.2	123,386	90	17	3.1	▲ 1.1
Evercore Partners Inc	16	3.6	104,695	91	20	2.5	▲ 1.1
LionTree Advisors LLC	17	3.3	96,062	6	132	0.1	▲ 3.2
Allen & Co Inc	18	3.2	94,877	13	43	0.8	▲ 2.5
Greenhill & Co Inc	19	2.9	83,711	28	21	2.2	▲ 0.1
Robey Warshaw LLP	20	2.7	79,851	2	52	0.5	▲ 2.2
TOTAL			2,934,042	27,740			2,483,154

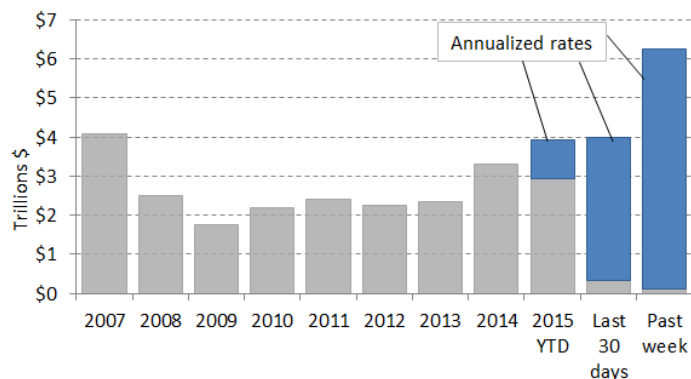
Legal Rankings (Global Announced Deals)

01/01/2015 - 09/30/2015 FIRM	2015				2014		MKT SHR CHANGE
	RANK	MKT SHR (%)	VOLUME USD (Mln)	DEAL COUNT	RANK	MKT SHR (%)	
Skadden Arps Slate Meagher & Flom LLP	1	19.7	576,475	231	2	13.1	▲ 6.6
Cravath Swaine & Moore LLP	2	17.2	503,085	66	19	5.8	▲ 11.4
Davis Polk & Wardwell LLP	3	16.6	486,133	147	10	9.0	▲ 7.6
Sullivan & Cromwell LLP	4	16.1	472,440	115	3	13.0	▲ 3.1
Latham & Watkins LLP	5	14.0	411,022	214	9	9.2	▲ 4.8
Wachtell Lipton Rosen & Katz	6	13.2	386,194	89	7	10.2	▲ 3.0
White & Case LLP	7	12.7	373,201	186	11	8.3	▲ 4.4
Freshfields Bruckhaus Deringer LLP	8	11.0	321,220	137	6	10.8	▲ 0.1
Gibson Dunn & Crutcher LLP	9	10.5	306,626	95	32	2.9	▲ 7.6
Kirkland & Ellis LLP	10	9.7	283,200	280	14	7.4	▲ 2.3
Simpson Thacher & Bartlett LLP	11	9.0	264,497	107	5	11.6	▼ -2.6
Paul Weiss Rifkind Wharton & Garrison LLP	12	8.5	249,313	109	25	3.7	▲ -4.8
Fried Frank Harris Shriver & Jacobson LLP	13	8.2	240,173	59	26	3.1	▲ 5.1
Weil Gotshal & Manges LLP	14	7.8	228,675	157	4	12.3	▼ -4.6
Shearman & Sterling LLP	15	6.5	191,611	88	12	8.2	▼ -1.7
King & Wood Mallesons	16	6.3	185,097	95	42	2.0	▲ 4.3
Allens	17	6.2	182,133	56	45	1.9	▲ 4.3
Stikeman Elliott LLP	18	5.4	158,401	137	16	6.2	▼ -0.8
Jones Day	19	5.3	155,314	349	8	9.8	▼ -4.5
Cleary Gottlieb Steen & Hamilton LLP	20	5.0	147,311	55	1	13.7	▼ -8.6
TOTAL			2,934,042	27,740			2,483,154

WEEK IN REVIEW: M&A TRENDS COMPILED BY ANNE RILEY, BLOOMBERG BRIEF EDITOR

M&A Activity Comes Back to Life Due to Massive Energy Transfer Deal

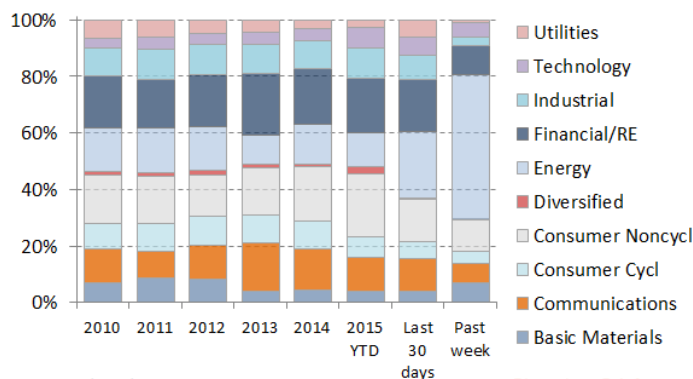
Pace of Dealmaking

Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

Dealmaking came back to life in the week ended Oct. 2 following one of the slowest weeks of the year as more than \$120 billion worth of new deals were announced. The largest deal of the week was **Energy Transfer Equity LP's** acquisition of **Williams Cos.** in a deal valued at more than \$58 billion. That deal, which will create the largest transporter of natural gas in the U.S., was one of 14 mergers or acquisitions valued at more than \$1 billion in the past week.

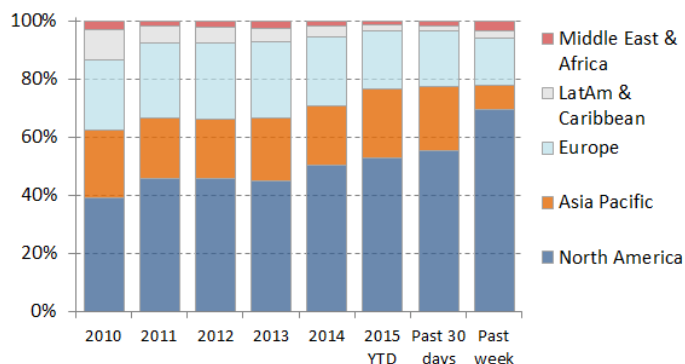
Sector Breakdown

Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

The outsized Energy Transfer deal accounted for nearly half of the week's global deal activity. Outside of the energy space, the consumer non-cyclical sector saw the second most deal activity, driven by **Japan Tobacco Inc.'s** \$5 billion deal to buy the international rights to **Reynolds American Inc.'s** Natural American Spirit division.

Regional Breakdown

Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

Five of the largest 10 [deals](#) last week were for targets based in North America. Europe was the second busiest region for dealmaking, led by **Wandle Holdings Ltd.'s** acquisition of the remaining shares of Russian gold miner **Polyus Gold International Ltd.** for \$5.8 billion.

WEEK IN REVIEW: TOP DEALS

Largest Deals Announced Sept. 26 - Oct. 2

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
9/28	Williams Cos Inc/The	Energy	US	Energy Transfer Equity LP	US	58,093
9/30	Polyus Gold International Ltd	Basic Materials	RU	Wandle Holdings Ltd	RU	5,760
9/29	Natural American Spirit business	Consumer, Non-cyclical	US	Japan Tobacco Inc	JP	5,013
9/28	Media General Inc	Communications	US	Nexstar Broadcasting Group Inc	US	4,244
9/30	Western Digital Corp	Technology	US	Tsinghua Unisplendour Co Ltd	CN	3,775
10/2	Iceland Foods Ltd	Consumer, Non-cyclical	UK	Brait SE	ZA	2,329
10/1	Representaciones E Investigaciones Medicas SA, et al.	Consumer, Non-cyclical	MX	Teva Pharmaceutical Industries Ltd	IL	2,300
9/29	Project Jewel portfolio	Financial	IE	Hammerson PLC, Allianz SE	UK, DE	2,081
9/28	M2 Group Ltd	Communications	AU	Vocus Communications Ltd	AU	1,617
9/28	USJ Co Ltd	Financial	JP	Comcast Corp	US	1,500
9/28	Arizona Chemical Ltd	Basic Materials	US	Kraton Performance Polymers Inc	US	1,370
9/30	Darty Plc	Consumer, Cyclical	UK	Groupe Fnac SA	FR	1,018
9/30	Finerge-Gestao de Projectos Energeticos SA	Utilities	ES	First State Wind Energy Investments SA	PT	1,006
9/30	Social Finance Inc	Financial	US	Wellington Management Group LLP, et al.	US, CN, JP	1,000
9/29	Rentrak Corp	Consumer, Cyclical	US	comScore Inc	US	801
9/28	Affordable Care Inc	Consumer, Non-cyclical	US	Berkshire Partners LLC	US	800
9/30	Piped Gas Business	Energy	ES	Gas Natural SDG SA, Redexis Gas SA	ES	729
10/1	New World Systems Corp	Technology	US	Tyler Technologies Inc	US	666
9/30	Genworth Life and Annuity Insurance Co	Financial	US	Dai-ichi Life Insurance Co Ltd/The	JP	661
9/30	Coal & Allied Industries Ltd Bengalla Coal Mine	Basic Materials	AU	New Hope Corp Ltd	AU	606
9/30	EZchip Semiconductor Ltd	Communications	IL	Mellanox Technologies Ltd	IL	582
10/1	AEP River Operations LLC	Industrial	US	ACL I Corp	US	550
9/30	Torrance Refinery & Related Logistics Assets	Energy	US	PBF Energy Inc	US	538
9/29	PA Consulting Group	Consumer, Non-cyclical	UK	Carlyle Group LP/The	US	510
9/26	Guangzhou Chuangsi Information Technology Co Ltd	Technology	CN	Anhui Deli Household Glass Co Ltd	CN	449
9/30	Ambatovy nickel project	Basic Materials	MG	Sumitomo Corp	JP	448
10/1	Global Rights to Kuvan & Pegvaliase	Consumer, Non-cyclical	CH	BioMarin Pharmaceutical Inc	US	380
9/28	Pipeline gathering & compression assets	Energy	US	Sanchez Production Partners LP	US	345
9/29	Business Insider Inc	Communications	US	Axel Springer SE	DE	343
9/30	China Aviation Planning and Design Institute Co Lt	Industrial	CN	AviChina Industry & Technology Co Ltd	CN	341

Source: Bloomberg [MA<GO>](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.

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BRIEF 

ACTIVIST SITUATIONS

COMPILED BY MELISSA KARSH, BLOOMBERG BRIEF EDITOR

COMPANY	ACTIVIST	WHAT HAPPENED
Viavi Solutions Inc	Sandell Asset Management Corp.	Network-testing equipment company reached a settlement Oct. 1 with activist hedge fund, agreeing to appoint two directors and hire an investment bank.
Cheniere Energy Inc	Carl Icahn	Activist shareholder boosted stake to 12.07 percent, Bloomberg reported Oct. 1 citing a Sept. 29 filing. Activist held 11.43 percent of LNG stake as of Sept. 28.
Alliance Trust PLC	Elliott Advisors	Scottish firm's CEO stepped down from board Oct. 1, bowing to pressure from activist hedge fund to restructure the company.
Baxter International Inc	Third Point	The maker of hospital supplies agreed Sept. 30 to add a representative from activist hedge fund to its board.
Virtus Investment Partners Inc	Marcato Capital Management	Activist hedge fund's founder, Mick McGuire, on Sept. 29 recommended shares of the financial firm, citing asset growth.
Media General Inc	Starboard Value	Activist fund with 4.5 percent urged firm Sept. 29 to abandon its announced takeover of Meredith Corp. to pursue a Nexstar Broadcasting offer.
Twenty-First Century Fox Inc	ValueAct Capital Management	Company nominated activist Jeffrey Ubben to join the board Sept. 29 in a standstill agreement.



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DEAL ARBITRAGE

TARGET	ACQUIRER	DEAL SIZE (\$M)	EXPECTED COMPLETION DATE	OFFER PER SHARE (\$)	TARGET PRICE (\$)	PAYMENT TYPE	SPREAD	PROJECTED ANNUALIZED RETURN	1W CHANGE IN SPREAD	MAJOR MOVE
AGL Resources Inc	Southern Co/The	11,937	12/31/16	66.00	61.32	Cash	7.6%	6.1%	-0.7%	
Altera Corp	Intel Corp	14,355	03/31/16	54.00	50.15	Cash	7.7%	15.5%	0.2%	
Axis Capital Holdings Ltd	Arch Capital Group Ltd	6,560	-	65.00	53.13	Cash	22.3%	0.0%	3.6%	▲
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	60.22	53.35	C&S	12.9%	52.2%	-1.3%	
Baxalta Inc	Shire PLC	29,337	-	34.71	32.44	Stk	7.0%	0.0%	-2.9%	▼
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	6.33	Cash	144.7%	0.0%	2.4%	▲
Broadcom Corp	Avago Technologies Ltd	29,806	12/31/16	54.25	51.20	C/S	6.0%	4.8%	0.4%	
Cablevision Systems Corp	Altice NV	17,835	06/30/16	34.90	33.01	Cash	5.7%	7.7%	0.3%	
Cameron International Corp	Schlumberger Ltd	15,153	03/31/16	64.79	62.54	C&S	3.6%	7.3%	-0.5%	
Chubb Corp/The	ACE Ltd	28,986	03/31/16	124.76	122.63	C&S	1.7%	3.5%	-0.6%	
Cigna Corp	Anthem Inc	50,382	12/31/16	176.48	138.58	C&S	27.3%	21.9%	-0.8%	
City National Corp/CA	Royal Bank of Canada	5,317	11/02/15	88.23	87.89	C&S	0.4%	4.5%	-0.3%	
Cytec Industries Inc	Solvay SA	6,091	-	75.25	73.88	Cash	1.9%	0.0%	-0.2%	
Freescale Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	36.49	36.12	C&S	1.0%	4.1%	0.1%	
HCC Insurance Holdings Inc	Tokio Marine Holdings Inc	7,480	12/31/15	78.00	77.61	Cash	0.5%	2.0%	-0.1%	
Home Properties Inc	Lone Star Global Acquisitions Ltd	6,818	10/07/15	75.23	75.20	Cash	0.0%	2.9%	-0.9%	
Humana Inc	Aetna Inc	28,906	12/31/16	219.73	183.51	C&S	19.7%	15.8%	-0.8%	
MarkWest Energy Partners LP	MPLX LP	20,211	12/31/15	45.06	44.30	C&S	1.7%	7.0%	2.6%	▲
Micron Technology Inc	Tsinghua Holdings Co Ltd	22,973	-	21.00	15.91	Cash	32.0%	0.0%	-5.9%	▼
Office Depot Inc	Staples Inc	5,854	12/31/15	9.91	6.40	C&S	54.8%	222.3%	8.7%	▲
PartnerRe Ltd	EXOR SpA	6,066	03/31/16	140.50	138.65	Cash	1.3%	2.7%	-0.6%	
Pepco Holdings Inc	Exelon Corp	12,185	-	27.25	24.79	Cash	9.9%	0.0%	-4.2%	▼
Perrigo Co PLC	Mylan NV	34,870	11/13/15	175.42	160.73	C&S	9.1%	79.4%	0.2%	
Precision Castparts Corp	Berkshire Hathaway Inc	35,658	03/31/16	235.00	230.29	Cash	2.0%	4.1%	-0.5%	
Sigma-Aldrich Corp	Merck KGaA	16,395	11/30/15	140.00	139.35	Cash	0.5%	2.9%	0.1%	
Solera Holdings Inc	Vista Equity Partners et al	5,768	03/31/16	55.85	54.15	Cash	3.1%	6.3%	2.2%	▲
TECO Energy Inc	Emera Inc	10,222	06/30/16	27.55	26.55	Cash	3.8%	5.1%	-0.2%	
Time Warner Cable Inc	Charter Communications Inc	79,250	12/31/15	199.06	185.19	C&S	7.5%	30.4%	-0.9%	
Towers Watson & Co	Willis Group Holdings PLC	8,095	12/31/15	109.91	121.89	Stk	-5.8%	-23.7%	-0.9%	
Williams Cos Inc/The	Energy Transfer Equity LP	58,093	06/30/16	43.26	41.02	C/S	5.5%	7.3%	0.8%	

MARB <GO> North American deals

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock

COLUMNIST'S CORNER

Put China Spinoff on Yum's To-Do List

BY TARA LACHAPELLE, BLOOMBERG GADFLY



After last week, it's hard to see how **Yum! Brands** can keep shrugging off calls to split apart its U.S. and China businesses.

Years ago, the American fast-food company in charge of the Kentucky Fried Chicken and Pizza Hut chains went to China bearing buckets of crispy drumsticks and pizza boxes, its managers salivating over the latent potential in the emerging market. And as sales blossomed there, investors were rewarded with gains in the stock. But now things aren't going so well and many shareholders who had been attracted by that growth story are pulling out.

On Tuesday, Yum reported quarterly sales in China that were well below analysts' projections, knocking almost \$7 billion off its market value. The stock's return this year is the worst since the U.S. recession in 2008. Yum's setbacks in China stem from both ongoing fallout from a food-safety scare and a slowdown in the local economy.

The China issues are overshadowing Yum's crown jewel, the growing U.S. Taco Bell chain. Taco Bell is succeeding in new ways to bring in customers, like serving breakfast waffle-tacos and even alcohol in some locations. KFC is also doing OK in the U.S.

This regional performance dichotomy makes Yum a perfect candidate for a breakup, something **Keith Meister**, founder of activist hedge fund **Corvex Management**, has been saying. In May, he suggested Yum spin off the China division, which he estimates would increase value by \$16 a share. That equates to about \$7 billion.

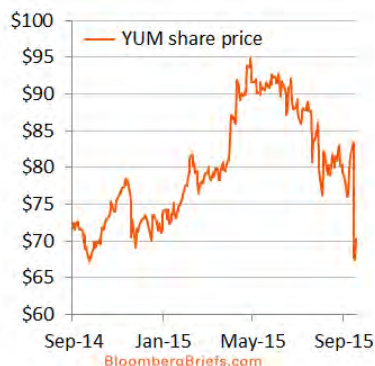
He's yet to lead a big, public campaign for this, the way activists typically do. As such, his and others' breakup proposals have been seen more as interesting ideas than demands for action. Even **Daniel Loeb**, whose **Third Point** hedge fund is another Yum

shareholder, has been fairly quiet about changes he wants made at the restaurant operator. (Of course, it's possible that these investors are putting pressure on management behind the scenes.)

Tuesday's results may have been the straw that broke the chicken's back. It gave "more ammunition" for activists to push for a breakup, says **Bruce Falbaum**, a principal at **Cohanzyck Management**, which is short Yum's bonds in anticipation of shareholder-friendly moves that will hurt debtholders. He sides with Corvex in thinking Yum China should be a separate public company.

The breakup/leverage-up combo is often criticized as financial engineering that doesn't actually improve a business. But moves like these could do a lot of good for Yum because they would

Unsavoury Performance



allow the U.S. business to focus on continuing to grow Taco Bell and KFC and revitalize Pizza Hut, while Yum China figures out how to get back on track. Management on both sides would be left with fewer distractions.

When asked on a conference call this week about potential structural changes at Yum, Chief Executive Officer **Greg Creed** still seemed reticent, saying he's primarily focused on turning around China and that anything else is speculation. But with a stock chart like this, it may be about time to consider taking the breakup idea — or other outside-the-bun strategies — from speculation into reality.

QUOTED

"Business makes strange bed fellows. ... At the end of the day practicality trumps personality."

— **Andy Mok**, the organizer of Beijing Tech Hive, a series of events linking investors and startups, on Alibaba and rival Tencent's \$15 billion deal.

Read the full story online [here](#).



In a Bloomberg TV [interview](#), **Blackstone Group** co-founder and CEO **Steve Schwarzman** said "I don't care" if the Fed raises interest rates. Asked if he would "be singing a different song" if he managed hedge funds instead of private equity funds and had to offer liquidity to investors, he said, "I'd probably be doing opera."

WEEK IN NUMBERS

■ **\$15 billion**: The estimated value of the company formed by combining Alibaba-backed Meituan with Tencent affiliate Dianping. See more numbers related to this deal in this [issue](#).

■ **9**: Number of [deals](#) valued at more than \$1 billion last week, according to Bloomberg data.

IN THIS ISSUE

MERGER MONDAY. **Dell Inc.** agreed to buy **EMC Corp.** for about \$67 billion in the largest technology [acquisition](#) ever.

INSIGHT. Chipmakers **Skyworks Solutions Inc.** and **PMC-Sierra Inc.** have an estimated 16 common customers, according to [Bloomberg data](#).

Q&A. **Blair Effron**, founder and partner at **Centerview Partners**, says we're in the latter part of the [M&A wave](#).

M&A TRENDS. [Deal volume](#) year to date passed the \$3 trillion mark last week. At an annualized rate, that put it near the record level of 2007.

MERGER MONDAY A ROUND-UP OF TODAY'S LARGEST DEALS AND DEALMAKING NEWS

Dell to Buy EMC for \$67B to Add Data-Storage Devices

Dell Inc. agreed to buy **EMC Corp.** for about \$67 billion in the largest technology acquisition ever, creating a corporate-computing giant that will use a wider product lineup to woo customers as demand slows and competition stiffens.

Dell plans to pay \$24.05 a share in cash plus tracking stock in EMC's prize holding, **VMware Inc.**, valued at about \$9 for each EMC share, the companies said in a statement Monday. The price of \$33.15 a share is 28 percent above EMC's closing level on Oct. 7, just before reports surfaced that a deal was in the works. While the agreement has a provision that lets EMC talk to other potential bidders, the company doesn't expect any, a person familiar with the matter said. EMC shares rose as much as 9.5 percent.

The combined company will be run by **Michael Dell**, the CEO of the company he founded. The deal is being funded by him, his **MSD Partners** investment vehicle, **Silver Lake** and Singapore state-owned investment company **Temasek Holdings**, as well as debt financing, the VMware tracking stock and cash on hand.

The deal would combine EMC's dominance in devices that store data with Dell's No. 2 position in servers. Dell, which was taken private for about \$25 billion in 2013, can expand its product lineup to vie with rivals including **Hewlett-Packard** and upstarts such as **Nutanix Inc.**

— Brian Womack and Dina Bass, Bloomberg News

AB InBev Raises SABMiller Takeover Offer to \$103.6B

Anheuser-Busch InBev NV raised its proposed takeover bid for **SABMiller Plc** to about 67.4 billion pounds (\$103.6 billion), seeking to bring the London-based brewer to the negotiating table for a deal that would create the world's dominant beermaker.

Under the proposal, the majority of stockholders would be offered 43.50 pounds a share in cash, Leuven, Belgium-based AB InBev said in a statement. SABMiller's two biggest investors, **Altria Group Inc.** and **BevCo Ltd.**, the Santo Domingo family's holding company, would receive 38.88 pounds a share in cash and stock, AB InBev said.

SABMiller spurned three previous proposals, the most recent of which AB InBev made public on Oct. 7. That potential bid, of 65.2 billion pounds, "substantially undervalues" the company, SABMiller has said. The previous bid valued the majority of the shares at 42.15 pounds in cash, while the Altria and BevCo stakes were valued at 37.49 pounds.

AB InBev wants SABMiller's exposure to emerging markets in Latin America and Africa, while SABMiller is trying to maintain its independence, and sought to rally shareholders around its refusal to enter talks by doubling a target of planned cost savings. Under U.K. takeover law, AB InBev has until 5 p.m. on Oct. 14 to make a formal offer or it must walk away. If it doesn't bid it can't renew its takeover effort for six months.

SABMiller's investors around the globe are now choosing sides in the industry's biggest-ever deal. Altria — the biggest shareholder, with a 27 percent stake — supports AB InBev's current proposal. An investment banker close to Colombia's Santo Domingo family, which controls 14 percent, said SABMiller has better growth prospects than its larger suitor. On Friday, two big institutional shareholders backed SABMiller's rejection.

— Thomas Buckley, Ruth David and Dinesh Nair, Bloomberg News

Biggest Deals Since Friday

TARGET	INDUSTRY	COUNTRY	ACQUIRER	VALUE (\$M)
EMC Corp	Computers	US	Dell Inc	64,037
SRE Group Ltd	Real Estate	HK	China Minsheng Investment Corp Ltd	2,532
eTRAVELi AB	Leisure Time	SE	ProSiebenSat.1 Media SE	329
58 Daojia Inc (minority stake)	Internet	CN	Alibaba Group Holding Ltd, KKR & Co LP, Ping An Insurance Group Co of China Ltd	300
Sanad hospital	Healthcare-Services	IN	Aster DM Healthcare Pvt Ltd	247

Source: Bloomberg [MA:GO](#)

Real estate assets, joint ventures and stock buybacks excluded

Glencore Expands Asset Sales to Copper

Glencore is in talks to sell two copper mines in Australia and Chile after approaches from buyers.

The Swiss firm may offload the Cobar mine in Australia's New South Wales and the Lomas Bayas open-pit operation in Chile's Atacama desert, Glencore said Monday in a statement. Combined, the operations produce about 125,000 metric tons of copper a year, and Citi and UBS said they may fetch as much as \$1 billion.

"The assets are small in the context of Glencore's portfolio but likely to be relatively valuable to other entities," Citi analyst Heath Jansen, who has a buy rating on the stock, wrote in a report. A sale would be "a positive outcome as it would allow Glencore to focus on larger and more profitable assets while still generating the sale proceeds to de-gear the balance sheet."

"The sale process is in response to Glencore receiving a number of unsolicited expressions of interest for these mines," the company said. "This will allow potential buyers to bid to purchase either one or both of the mines and may or may not result in a sale."

Glencore has said it intends to raise at least \$2 billion from the sale of a minority stake in its agricultural assets and precious-metals streaming transactions.

— Javier Blas and Jesse Riseborough, Bloomberg News

France Said to Weigh Cutting Airports Stake

France is considering cutting its stake in **Aéroports de Paris** to below 50 percent to raise funds as it seeks to bolster troubled nuclear reactor builder **Areva**, people familiar with the plan said.

The state has overcome its long-held reluctance to relinquish its controlling stake in a company it considers strategic, one of the people said.

Cutting the state's stake in ADP below 50 percent would require the passing of a bill by both houses of parliament. If the government becomes a minority shareholder in the company, it can create a golden share so that it retains a decisive say in the company's strategy.

— Helene Fouquet, Blaise Robinson and Richard Weiss, Bloomberg News

BY THE NUMBERS

BY LULU YILUN CHEN, BLOOMBERG NEWS

China's Big Web Deal: Five Key Numbers for Meituan, Dianping

China's two biggest Internet companies, **Alibaba Group Holding Ltd.** and **Tencent Holdings Ltd.**, are merging their group-buying affiliates. Here are some key figures:



\$15 Billion

The value of the company formed by combining Alibaba-backed Meituan with Tencent affiliate Dianping, according to people familiar with the matter. That would mark the largest merger in China's Internet industry based on combined valuations. Mergers and acquisitions in China driven by Alibaba and Tencent reached \$58.4 billion this year, as more companies try to align forces to root out competitors.



7.2 Trillion Yuan

That's how big China's location-based services market is expected to be by 2017, according to Internet researcher IResearch.

That compares with a market size of about 6 trillion yuan for this year. Location-based services include restaurant bookings, food deliveries and movie-ticket purchases.



90 Million

Number of user-generated reviews on Dianping's sites, which are similar to Yelp Inc. Dianping operates in more than 2,500 cities and 200 countries, including the U.S., according to its website.



1 Trillion Yuan

The transaction volume that Meituan expects to see by 2020, founder Wang Xing said in January. Meituan had more than 20 million active daily mobile users and operated in about 1,000 cities. Wang and Dianping counterpart Zhang Tao will

run the new company as co-chairmen and co-chief executive officers.



82%

The combination would create a dominant group-buying business in China.

Meituan accounted for 52 percent of the group-buying market in the first half of this year, followed by 30 percent for Dianping and about 14 percent for Baidu Inc.'s Nuomi, according to researcher Analysys International.

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INSIGHT: CHIPMAKERS

Skyworks to Buy PMC-Sierra, Diversify Customer Base Slightly

Skyworks Solutions Inc. agreed last week to buy **PMC-Sierra Inc.** for \$2 billion in cash, marking the second multibillion-dollar chip merger announced in the past month.

Skyworks, a Woburn, Massachusetts-based maker of chips used in aircraft and security systems, joins **Dialog Semiconductor Plc.**, **Intel Corp.** and **Avago Technologies Ltd.** in buying industry colleagues. PMC, which is based in Santa Clara, California, makes chips that control drives in network equipment, data-center storage systems and mobile-phone networks.

A total of 39 deals valued at \$83.5 billion have been announced in the past year as the semiconductor business consolidates amid higher costs and stiffer competition, according to data compiled by Bloomberg.

This table shows the 10 largest semiconductor offers or deals announced in the last 12 months.

— Tim Culpan, Bloomberg News

The Largest Semiconductor Deals in the Past 12 Months

ANNOUNCE DATE	TARGET	ACQUIRER	VALUE (\$M)	TV/EBITDA	STATUS
5/28/2015	Broadcom Corp	Avago Technologies Ltd	29,806	27	Pending
3/2/2015	Freescale Semiconductor Ltd	NXP Semiconductors NV	15,769	15.82	Pending
6/1/2015	Altera Corp	Intel Corp	14,355	24.85	Pending
9/20/2015	Atmel Corp	Dialog Semiconductor PLC	4,329	34.8	Pending
10/15/2014	CSR PLC	QUALCOMM Inc	2,132	87.66	Completed
10/5/2015	PMC-Sierra Inc	Skyworks Solutions Inc	2,029	28.92	Pending
5/28/2015	RF Power business	JianGuang Asset Management Co Ltd	1,800	NA	Pending
11/6/2014	STATS ChipPAC Ltd	China Mobile Communications Corp., Semiconductor Manufacturing International Corp., et al.	1,533	4.41	Pending
8/21/2015	Siliconware Precision Industries Co Ltd	Advanced Semiconductor Engineering Inc	1,073	5.34	Completed
8/28/2015	Siliconware Precision Industries Co Ltd	Hon Hai Precision Industry Co Ltd	969	5.63	Pending

Source: MA <GO>

Looking at the Skyworks-PMC merger from a supply chain perspective, there isn't much overlap on the supplier side, according to estimates from Bloomberg's supply chain analysis team using the Bloomberg terminal function **SPLC <GO>**. The two companies only appear to have two suppliers in common, representing about 5 percent of the supplier list.

At the same time, Skyworks and PMC have an estimated 16 common customers, representing 12 percent of the new customer list, according to Bloomberg data. This table shows the 10 customers that will make up the largest share of the combined company's revenue. Although the merger will help dilute Skyworks' reliance on Hon Hai, that customer will still make up nearly 30 percent of total sales post-merger.

— John Everhart, Bloomberg Data

Who's Who Among Merged Company's Customers

CUSTOMER	COUNTRY	SKYWORKS REVENUE (%)	PMC REVENUE (%)	COMBINED COMPANY REVENUE (%)
Hon Hai Precision Industry	Taiwan	34.0	—	29.5
Samsung Electronics Co Ltd.	South Korea	10.0	Negligible	8.7
Nokia Oyj	Finland	5.0	2.4	4.7
Apple Inc.	U.S.	4.6	—	4.0
Avnet Inc.	U.S.	2.3	11.0	3.5
Hewlett-Packard Co.	U.S.	1.8	13.3	3.5
Alphabet Inc.-CLA	U.S.	3.7	—	3.2
Flextronics Intl Ltd	U.S.	3.2	—	2.8
Universal Scientific Ind.	China	3.6	—	2.5
AT&T INC	U.S.	2.8	Negligible	2.4

Source: SPLC <GO>

Note: Common customers highlighted in orange.

This story was written by a Bloomberg employee in the data department and was edited by the news department. To suggest ideas or provide feedback, contact the editor of this publication: jmorris89@bloomberg.net

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Q&A

M&A Cycle in the 'Latter Part' of the Wave, Says Centerview Partner Effron

Blair Effron, founder and partner at boutique investment banking firm **Centerview Partners**, says we're in the latter part of the M&A wave, and energy and health care are the sectors to watch. He spoke to Bloomberg's Erik Schatzker, Stephanie Ruhle and David Westin on Bloomberg TV on Oct. 6. Comments have been edited and condensed.

Q: Does SABMiller's board need to be a little bit careful because AB InBev is the only potential buyer for this business? Nobody else is going to step in with \$100 billion or more. And if you play too hard to get, they might just say, the heck with this, I'm out of here.

A: That's a good point. In the U.K., we've seen that before — AstraZeneca with Pfizer a couple years ago also put up a strong defense. Pfizer walked away. AstraZeneca actually ended up doing quite well after that, so the board made a judgment and it was okay.

They are disciplined and methodical. And so they will do what is good for shareholders, and their threat that the value isn't there for them: I think they're being true to their word.

Q: This is playing under U.K. takeover rules. Is it harder for AB InBev to go hostile if it wanted to in Britain than it is here in the U.S.?

A: In the U.K. everything is very open and transparent, and you have to declare yourself. And if you're not successful you have to declare there's a timetable. And if nothing happens you actually have to walk away for a period of time. So it's absolutely more difficult.

Q: It has been a record year for M&A thus far. At least we're on track for a record year. It feels difficult to see a future in which it isn't going to end in record territory, but what happens after that? What does 2016 look like?

A: I think most of us in M&A would tell

you we're in the latter part of the current wave.

Q: This is the eighth or ninth inning.

A: What I would say is this. You have multiples right now at 13 times Ebitda for the typical M&A. In 2012, they were at 10 times. You've had 47 deals over \$10 billion. That's a record. You'll have the overall volume this year surpass the record of \$4.5 trillion in 2007. All of these become data points in the big question of, are deals getting too frothy, and in terms of values? And generally when that happens, you certainly get a moderation.

Q: So it doesn't even matter what the answer to the question is. It's the mere fact that people are asking that question.

A: Well, yes. I'd also say that I have already seen it. I think most people in the business since the middle of the summer had an appropriate bit of caution in the emerging market generally. And I think it obviously goes hand-in-hand with what you think about the general economic environment. We've clearly had a slowdown, not just in the U.S. We're in two percent growth now, two and half to three projection early in the year. And companies are very disciplined.

Q: That's the overall business M&A. What about individual sectors? Where are the sectors that you see that there might be opportunities despite the maturity of the cycle?

A: For the first time, energy in the third

quarter actually was the second-busiest sector of anything, behind health care. There's always a period of time when a market has a big decline for things to stabilize at a new level. I think you have seen that in energy. And I imagine they will be quite busy. I also think in certain industries like technology, telecom, media there are industry trends that supersede anything in the general market.

Q: A maturing in the business that leads to consolidation.

A: Absolutely correct. There are several industries that you see that in. Like health care. Health care is an incredible cash flow generator. Everything is also about what kind of disease you're treating, so why that has been the busiest this year make sense to me. But even there it has slowed down, and the bio life science area most of the year was fairly busy, less so more recently.

Q: Are activists going to play a more active or less active role in M&A over the next 12 to 18 months?

A: First of all, activism generally comes in all shapes and sizes. There is activism that works better than others, but the fact of the matter is it is a force in the markets that's here to stay. I think they've played a big role. I think they will continue to. And my hope is that as they're doing that they become more focused on what's good for a company's long term.

Q: And you don't work with activists?

A: No, we don't, no.

AT A GLANCE



Source: Bloomberg/
Andrew Harrer

Education: Holds a BA from Princeton University and an MBA from Columbia Business School.

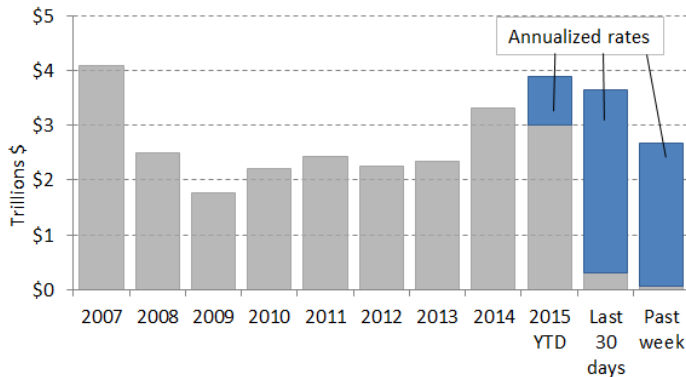
Career: Began his career at Dillon Read, where he worked for 10 years before it was merged into several successor firms, ultimately becoming UBS, where he held several senior positions. Co-founded Centerview in 2006.

Family: Lives in New York City with his wife and three children.

WEEK IN REVIEW: M&A TRENDS COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Year-to-Date Deal Volume Surpasses \$3 Trillion Threshold

Pace of Dealmaking

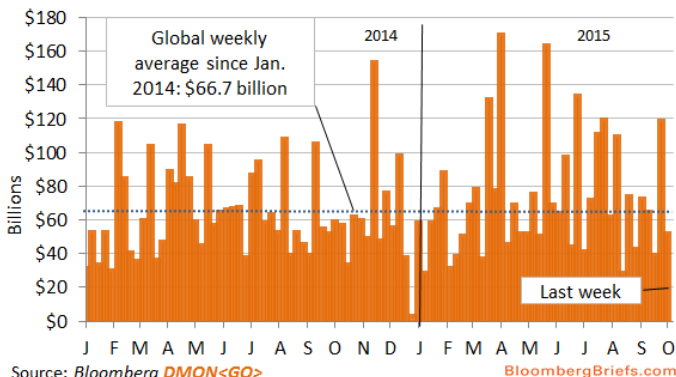
Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

Year-to-date deal volume passed the \$3 trillion mark last week, according to data compiled by Bloomberg. That equates to \$3.9 trillion at an annualized rate. Annual volume peaked at a record \$4.1 trillion in 2007.

There were nine new deals worth more than \$1 billion last week.

Volume Week by Week

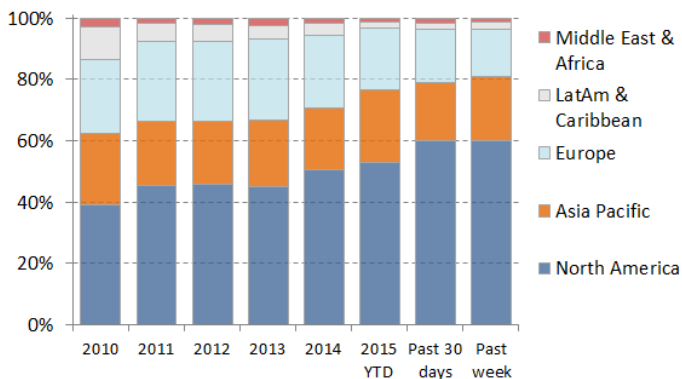
Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

Global M&A volume in the week ended Oct. 9 was \$51.1 billion, below the \$66.7 billion weekly average since January 2014.

This morning's [announcement](#) of **Dell Inc.**'s \$67 billion offer for **EMC Corp.** ensures that this coming week's total will exceed the average.

Regional Breakdown

Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

Seven of the [top 10 deals](#) last week were for American or Canadian targets, and two involved Australian targets.

WEEK IN REVIEW: TOP DEALS

Largest Deals Announced Oct. 3 to Oct. 9

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
10/8	BioMed Realty Trust Inc	REITS	US	Blackstone Group LP/The	US	7,693
10/8	ANZ Esanda dealer finance portfolio	Banks	AU	Macquarie Group Ltd	AU	5,949
10/5	Canadian Oil Sands Ltd	Oil & Gas	CA	Suncor Energy Inc	CA	5,006
10/6	PharMEDium Healthcare Holdings Inc	Pharmaceuticals	US	AmerisourceBergen Corp	US	2,575
10/8	Eurasia Drilling Co Ltd	Oil & Gas Services	CY	Unnamed Buyer, Management Group	—	2,481
10/5	PMC-Sierra Inc	Semiconductors	US	Skyworks Solutions Inc	US	2,029
10/8	EnergyAustralia Gas Storage Holdings Pty Ltd	Oil & Gas	AU	QIC Ltd	AU	1,288
10/8	Asset management business of Frank Russell Co	Diversified Financial Services	US	TA Associates Management LP	US	1,150
10/9	UTi Worldwide Inc	Transportation	US	DSV A/S	DK	1,070
10/8	Encana Denver Julesburg Basin assets	Gas	US	Canada Pension Plan Investment Board, Broe Group/The	CA, US	900
10/8	Holtwood & Lake Wallenpaupack Hydroelectric Project	Electric	US	Brookfield Renewable Energy Partners LP	CA	860
10/5	Acciona Windpower SA	Machinery-Diversified	ES	Nordex SE	DE	857
10/7	Desnoes & Geddes Ltd (57.9%), GAPL Pte Ltd (50%)	Beverages, Holding Companies-Diversified	JN, SG	Heineken NV	NL	781
10/6	Canexus Corp	Chemicals	CA	Superior Plus Corp	CA	747
10/4	Xchanging PLC	Computers	GB	Apollo Global Management LLC	US	685
10/8	Aderant Holdings Inc	Commercial Services	US	Roper Technologies Inc	US	675
10/8	Ironwood power plant	Electric	US	TransCanada Corp	CA	654
10/4	Xchanging PLC	Computers	GB	Capita PLC	GB	647
10/5	Elmer's Products Inc	Household Products/Wares	US	Newell Rubbermaid Inc	US	600
10/5	Jericho Wind Energy Center	Energy-Alternate Sources	CA	NextEra Energy Partners LP	US	504
10/8	Rhode Island State Energy Center	Electric	US	Carlyle Group LP	US	490
10/7	Ticketfly Inc	Internet	US	Pandora Media Inc	US	450
10/6	UXC Ltd	Software	AU	Computer Sciences Corp	US	316
10/8	Athena Art Finance Corp	Diversified Financial Services	US	Banque Pictet & Cie SA, Carlyle Group LP	FR, US	280
10/7	Journal Media Group Inc	Advertising	US	Gannett Co Inc	US	252

Source: Bloomberg [MA<GO>](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.



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ACTIVIST SITUATIONS COMPILED BY MELISSA KARSH, BLOOMBERG BRIEF EDITOR

Significant Actions at Companies Targeted by Activist Investors

COMPANY	ACTIVIST	WHAT HAPPENED
Ethan Allen Interiors Inc	Sandell Asset Management	Activist hedge fund said Oct. 9 that the furnishing retailer's announcement about a board members' retirement is a "self serving and transparent attempt" to address its governance concerns. Activist also raised questions about replacement directors.
Prothena Corp PLC	Woodford Investment	Activist increased its stake in biotech company to 20.1 percent, according to an Oct. 9 filing, from the 18.7 percent passive stake it held as of a Sept. 9 filing. Activist said shares of the company were undervalued and it saw an "attractive investment opportunity."
Citrix Systems Inc	Elliott Management Corp.	Cloud-services company is planning to spin off its GoToMeeting business, people with knowledge of the matter were quoted as saying in an Oct. 8 Bloomberg News story. In July, the company reached a standstill agreement with activist with a 7.5 percent stake and said its board would perform an operational review, including looking at alternatives for the GoTo family of products.
Towers Watson & Co	Driehaus Capital Management LLC	Activist shareholder with more than 1 million shares wrote a second letter Oct. 8 saying it expects a merger between the firm and Willis Group Holdings Plc to be voted down.
Polycom Inc	Elliott Management Corp.	Company rose the most in seven years on Oct. 8 after activist hedge fund said it had taken stakes of about \$100 million in it and Mitel Networks Corp., which also jumped sharply, and urged the business-communications network providers to merge.
Vivus Inc.	Carl Icahn	Billionaire's holding company said Oct. 8 it will acquire \$170.2 million of pharmaceutical company's convertible bonds.
Freeport-McMoRan Inc	Carl Icahn	Copper producer agreed with billionaire activist, adding his allies — Andrew Langham and Courtney Mather — to its board Oct. 7, a day after company said it was cutting its board to nine from 16 as it prepares to separate its oil and gas unit.
Valeant Pharmaceuticals International Inc	Bill Ackman	Activist defended the pharmaceuticals company Oct. 6, saying it helps spur innovation by buying smaller companies. He spoke at Bloomberg Markets Most Influential summit.
Yahoo! Inc	Jeff Smith	Activist, whose fund previously urged the Web portal to spin off its stake in Alibaba Group Holding Ltd., said Oct. 6 at Bloomberg Markets Most Influential summit that he sees the company's recent stock drop as a buying opportunity because the price reflects a fully taxed separation.
El du Pont de Nemours & Co	Triun Fund Management	Company's chairman and CEO abruptly resigned Oct. 5, as activist reiterated its goal to break up the global chemical and life sciences company. Edward Breen, who oversaw the dismantlement of Tyco International Plc, will take over on an interim basis.

WOMEN IN FINANCE

Bloomberg
BRIEF

Read it here.

DEAL ARBITRAGE

TARGET	ACQUIRER	DEAL SIZE (\$M)	EXPECTED COMPLETION DATE	OFFER PER SHARE (\$)	TARGET PRICE (\$)	PAYMENT TYPE	SPREAD	PROJECTED ANNUALIZED RETURN	1W CHANGE IN SPREAD	MAJOR MOVE
AGL Resources Inc	Southern Co/The	11,937	12/31/16	66.00	61.66	Cash	7.0%	5.7%	-0.5%	
Altera Corp	Intel Corp	14,355	03/31/16	54.00	52.49	Cash	2.9%	6.0%	-4.3%	▼
Axis Capital Holdings Ltd	Arch Capital Group Ltd	6,560	-	65.00	53.80	Cash	20.8%	0.0%	-1.2%	
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	63.41	56.44	C&S	12.3%	54.3%	0.2%	
Baxalta Inc	Shire PLC	29,337	-	34.17	31.03	Stk	10.1%	0.0%	2.9%	▲
BioMed Realty Trust Inc	Blackstone Group LP/The	7,693	03/31/16	23.75	23.40	Cash	1.5%	3.1%	1.5%	
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	7.41	Cash	109.0%	0.0%	-12.7%	▼
Broadcom Corp	Avago Technologies Ltd	29,806	12/31/16	52.84	50.49	C/S	4.7%	3.8%	-1.4%	
Cablevision Systems Corp	Altice NV	17,835	06/30/16	34.90	33.02	Cash	5.7%	7.8%	0.0%	
Cameron International Corp	Schlumberger Ltd	15,153	03/31/16	69.11	66.91	C&S	3.3%	6.9%	-0.1%	
Canadian Oil Sands Ltd	Suncor Energy Inc	6,557	12/04/15	9.17	9.83	Stk	-6.7%	-43.9%	-6.3%	▼
Chubb Corp/The	ACE Ltd	28,986	03/31/16	127.01	125.21	C&S	1.4%	3.0%	-0.3%	
Cigna Corp	Anthem Inc	50,382	12/31/16	175.78	136.36	C&S	28.9%	23.5%	1.1%	
Cytec Industries Inc	Solvay SA	6,091	-	75.25	74.02	Cash	1.7%	0.0%	-0.2%	
Freescall Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	37.00	36.67	C&S	0.9%	3.9%	-0.1%	
HCC Insurance Holdings Inc	Tokio Marine Holdings Inc	7,480	12/31/15	78.00	77.70	Cash	0.4%	1.7%	-0.1%	
Humana Inc	Aetna Inc	28,906	12/31/16	216.44	181.04	C&S	19.6%	15.9%	-0.5%	
MarkWest Energy Partners LP	MPLX LP	20,211	12/31/15	49.84	49.41	C&S	0.9%	3.8%	-0.7%	
Micron Technology Inc	Tsinghua Holdings Co Ltd	22,973	-	21.00	18.16	Cash	15.6%	0.0%	-11.0%	▼
Office Depot Inc	Staples Inc	5,854	12/31/15	9.96	6.68	C&S	49.1%	215.7%	-3.3%	▼
PartnerRe Ltd	EXOR SpA	6,066	03/31/16	140.50	139.00	Cash	1.1%	2.3%	-0.3%	
Pepco Holdings Inc	Exelon Corp	12,185	-	27.25	26.49	Cash	2.9%	0.0%	-6.0%	▼
Perrigo Co PLC	Mylan NV	34,870	11/13/15	172.86	160.60	C&S	7.6%	79.6%	-1.5%	
Precision Castparts Corp	Berkshire Hathaway Inc	35,658	03/31/16	235.00	230.31	Cash	2.0%	4.3%	0.0%	
Sigma-Aldrich Corp	Merck KGaA	16,395	11/30/15	140.00	139.65	Cash	0.3%	1.8%	-0.2%	
Solera Holdings Inc	Vista Equity Partners et al	5,768	03/31/16	55.85	54.44	Cash	2.6%	5.4%	-0.5%	
TECO Energy Inc	Emera Inc	10,222	06/30/16	27.55	26.41	Cash	4.3%	6.0%	0.5%	
Time Warner Cable Inc	Charter Communications Inc	79,250	12/31/15	200.95	187.38	C&S	7.2%	31.8%	-0.2%	
Towers Watson & Co	Willis Group Holdings PLC	8,095	12/31/15	111.55	121.50	Stk	-4.2%	-18.4%	1.7%	
Williams Cos Inc/The	Energy Transfer Equity LP	58,093	06/30/16	45.03	43.83	C/S	2.7%	3.8%	-2.3%	▼

MARB <GO> North American deals

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock

EDITOR'S CORNER

Defensive Deals Don't Mean the End Is Near

BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR



After years of waiting for a M&A boom, the current crop of deals has some people convinced it's too good to be true.

Much was made of the fact that last week's biggest deals were prompted by the buyers' problems. **Anheuser-Busch InBev NV's** \$120.5 billion takeover of **SAB Miller Plc** and **Dell Inc.'s** \$63.5 billion deal for **EMC Corp.** both address shrinking core markets. (The values include debt.)

It was odd that these would be read as an ominous sign. After all, the classic nearing-the-peak indicia are giddy confidence and grand vision, not defensive moves.

The truth is, at all points in the business cycle, some companies are driven to dealmaking by stress. There are lots of deals stemming from weakness early in each business cycle.

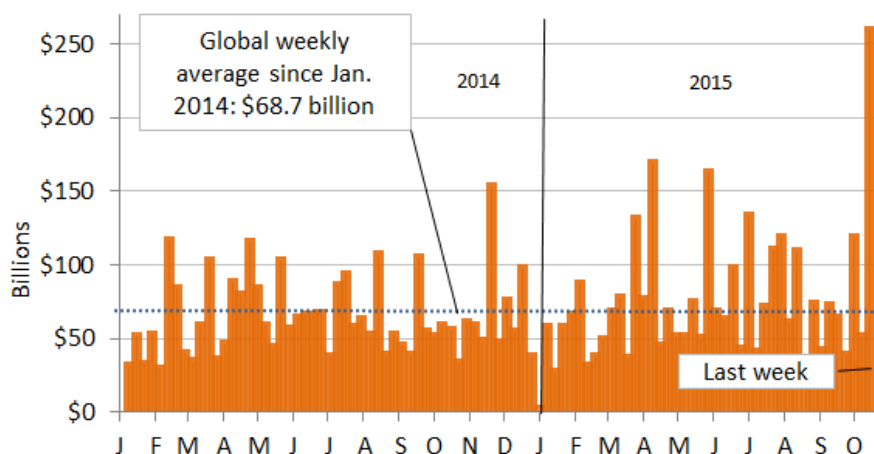
Moreover, it's hard to tell sometimes what's defensive and what's visionary. In 1999, Time Warner Inc. was terrified of being rendered obsolete by America Online and its ilk. At the same time, the companies hoped to find synergies by merging dominant old and new economy players — content and a new delivery medium. The mother of all end-of-cycle deals thus reflected both fear and vision.

This year and last, U.S. cable companies have been scrambling to create more national footprints, bulking up so they have more clout in negotiations with content producers. You can paint that as weakness or foresight.

A more worrisome sign that things are overheating is *deal multiples*. At 11 times Ebitda and 1.7 times revenue (medians), prices are, well, pricey. Those are higher than in the boom year through July 2007, when they were 10.5 times and 1.6 times, respectively.

Rio Tinto Plc and Blackstone Group LP didn't know in July 2007 that their deals for Alcan Inc. (1.7x revenue) and Hilton Worldwide Inc. (15.3x Ebitda) would be the last gasps before the boom sputtered out. That's the thing about M&A booms: They aren't over until they're over, and few foresee the end even when it is near.

Volume Last Week Spiked With Three \$10 Billion-Plus Deals



Source: Bloomberg DMON-GO

BloombergBriefs.com

QUOTED

"They're like sharks: they've got to keep swimming. They stretch for targets, and you're seeing that. But there is a place for them in America."

— Warren Buffett *discussing* shareholder activists at a conference last week



Veteran supermarket investor **Ron Burkle's** Fresh & Easy Neighborhood Market is *preparing* its second bankruptcy filing in two years, according to people familiar with the situation. That follows a Chapter 11 filing in July by A&P, another grocery chain controlled by Burkle's **Yucaipa Cos.**

WEEK IN NUMBERS

■ **\$111 billion:** *Value* of semiconductor mergers announced or pursued this year

IN THIS ISSUE

INSIGHT. *Why* there is so much M&A in the chip industry and why **Texas Instruments** may need to *do a deal*.

ANTITRUST. China's merger regulator MOFCOM is now *a crucial player* in global M&A.

INDUSTRY FOCUS. *Consolidation* in the reinsurance industry hasn't removed capacity, so policy prices are falling, says **Nick Frankland**, CEO of brokerage **Guy Carpenter's** operations in Europe and the Middle East.

VERBATIM. Goldman Sachs CFO **Harvey Schwartz** says the bank's clients are still *exploring deals* intensely.

ACTIVIST SITUATIONS. Yum! Brands agreed to *add* **Keith Meister** to its board.

MERGER MONDAY A ROUND-UP OF THE LARGEST DEALS AND DEALMAKING NEWS SINCE FRIDAY

Diebold Offers to Buy Wincor Nixdorf for \$1.8 Billion

Diebold Inc. offered 1.57 billion euros (\$1.8 billion) in cash and stock to acquire its German rival **Wincor Nixdorf AG** in a bid to create the biggest maker of cash machines and security systems with about \$6 billion in sales.

The companies reached a non-binding agreement on Sept. 24 for Diebold to hold a public tender offer for Wincor's outstanding stock at 52.50 euros each, a 35 percent premium to Friday's closing price. An offer, a combination of cash and Diebold shares, is subject to "material conditions" and depends on both sides completing due diligence, the companies said on Saturday.

A combination of the companies would create an industry market leader with a share of about 35 percent, ahead of NCR Corp. with an estimated 25 percent, according to Kepler Cheuvreux. Buying Paderborn-based Wincor would give Diebold a bigger presence in Europe, where it now generates less than 15 percent of sales. Wincor gets about 70 percent of its 2.47 billion euros in sales there.

Wincor builds hardware and software for banks and retailers, including ATMs and cash registers.

The offer values Wincor at about 10 times Ebitda. That compares to a median multiple of 13.6 times Ebitda for similar deals, according to data compiled by Bloomberg. Diebold's shares rose 2 percent on Friday in New York, giving the company an enterprise value of about \$2.4 billion.

— Stefan Nicola, Bloomberg News

Microsemi Offers to Buy PMC-Sierra for About \$2.4B

Microsemi Corp. offered to buy **PMC-Sierra Inc.** for \$2.4 billion in cash and stock, topping an offer from **Skyworks Solutions Inc.** for the maker of semiconductors that control drives in network equipment.

Microsemi will pay \$11.50 a share, about 50 percent above PMC-Sierra's price on Oct. 5, before it agreed to the offer from Skyworks, the Aliso Viejo, California-based company said in a statement. The Skyworks offer valued PMC-Sierra at \$10.50 a share in cash.

— Phil Serafino, Bloomberg News

Biggest Deals Since Friday

TARGET	INDUSTRY	COUNTRY	ACQUIRER	VALUE (\$M)
Wincor Nixdorf AG	Computers	DE	Diebold Inc	1,787
Electronic Funds Source LLC	Transaction Processing	US	WEX Inc	1,465
Campus Crest Communities Inc	REITS	US	Harrison Street Real Estate Capital LLC	1,400
Windstream's hosted Solutions data center	Data Processing	US	Cequel Data Centers LLC	575
Accord Sino Group Ltd	Investment Companies	HK	Evergrande Real Estate Group Ltd	452

Source: Bloomberg [MA<GO>](#)

Real estate assets, joint ventures and stock buybacks excluded

Wex to Buy Electronic Funds Source for \$1.47B

Wex Inc., a U.S. payment-processing company, agreed to buy **Electronic Funds Source LLC** from the private-equity firm **Warburg Pincus** for about \$1.47 billion in cash and stock.

Wex will pay \$1.1 billion in cash and 4 million shares, making Warburg Pincus Wex's largest shareholder, the South Portland, Maine-based company said in a statement Monday.

— Phil Serafino, Bloomberg News

Canadian Oil Sands Rejects Suncor's \$3.3B Hostile Bid

Canadian Oil Sands Ltd. urged shareholders to reject **Suncor Energy Inc.**'s C\$4.3 billion (\$3.3 billion) hostile takeover, accusing the larger rival of undervaluing its business and exploiting undisclosed information about a partnership in making a low-ball offer.

Suncor's bid is "wholly inadequate" and has less value than the current market price, Calgary-based Canadian Oil Sands said Monday in a statement.

"The board and management of COS will not tender to the Suncor bid," Chairman **Donald Lowry** said. "Major shareholders have stated they will not tender. We strongly recommend you join us in rejecting this undervalued, opportunistic and exploitive bid."

The price underestimates the value of the companies' combined stakes in a Syncrude Canada Ltd. partnership in Northern Alberta and doesn't reflect a premium to potentially acquire operational control of the venture through the deal, Canadian Oil Sands said.

A representative for Suncor wasn't immediately available for comment outside business hours.

— Scott Deveau and Jeremy van Loon, Bloomberg News

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INSIGHT: SEMICONDUCTORS

Chipmakers Fuel Merger Frenzy as Costs Surge, Customer Base Shrinks

BY IAN KING AND ALEX SHERMAN,
BLOOMBERG NEWS

After decades of standing by as mergers engulfed the rest of the technology industry, chipmakers are embracing dealmaking at a record pace, driven by the need to bulk up as costs surge and their customer base shrinks.

Makers of semiconductors have announced more than \$76 billion in mergers and acquisitions this year, the highest annual tally on record, and another \$35 billion are under consideration, according to data compiled by Bloomberg.

Microsemi Corp. made an unsolicited offer today for **PMC-Sierra Inc.**, topping a \$2.1 billion agreed deal with **Skyworks Solutions Inc.** two weeks ago.

With **Fairchild Semiconductor International Inc.** weighing a sale, **Analog Devices Inc.** and **Maxim Integrated Products Inc.** in talks, and **SanDisk Corp.** hiring a bank to explore a sale, that run shows no signs of stopping.

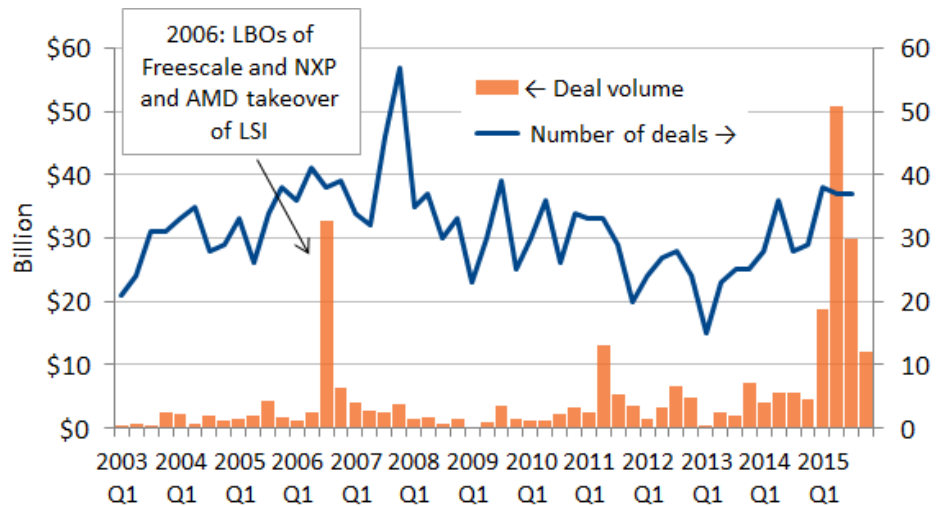
Why the urgency? As phones, cars and other electronics become more sophisticated, the costs of designing and producing the pieces that run them are skyrocketing. At the same time, the chip industry's customer base is shrinking as phone makers such as Apple Inc. and Samsung Electronics Co. increasingly build their own parts and the personal-computer market contracts.

The merger push is coming partly from China, where the government is stepping up acquisitions and other investments—often in foreign chipmakers. The aim is to find partners and technology that can feed a fledgling domestic semiconductor industry and eventually replace imports.

"Everyone's looking at the semiconductor industry and saying either we need to get out or we need to get much bigger," said Gus Richard, an analyst at Northland Capital Markets. "Wherever you look, it's becoming increasingly difficult to be a chip company."

To overcome cost and customer-base challenges, the answer for many chipmakers is to play catch-up to bigger players like **Texas Instruments Inc.** and **Intel Corp.** Fairchild, a company founded

Semiconductor Mergers Are at a Record Level



Source: Bloomberg MA<GO>

BloombergBriefs.com

in the 1950s, finished last year with about a 10th of Texas Instruments' revenue. The company has hired Goldman Sachs Group Inc. to help it find a buyer and is in discussions with potential suitors including **ON Semiconductor Corp.** and **Infineon Technologies AG**, people familiar with the matter said last week.

Analog Devices has already made one acquisition this year and the company is in talks with Maxim, people with the knowledge of the matter said. A combination with the 32-year-old Maxim would almost double Analog's sales, vaulting it to more than a third the size of Texas Instruments by revenue.

The chips that these companies make, broadly known as analog, have returned to prominence as their customers and the chip industry in general have gotten behind a new growth market, called the Internet of things. By adding connectivity and computing to everyday items, electronics makers are aiming to fire up consumers enough that they'll upgrade their fridges, air conditioners and cars.

While making a data converter or power controller isn't as complicated or expensive as building the digital chips that **Qualcomm Inc.** and Intel make, customers increasingly want combination products that require the building of systems on chips—a package of semiconductors that can perform multiple

functions—and software.

Chipmakers have seen their customer lists shorten. Sparked by Hewlett-Packard Co.'s acquisition of Compaq in 2002, the PC industry's list of providers has grown smaller. International Business Machines Corp. has exited the market, and last year 65 percent of the industry's revenue was captured by just four companies.

In phones, now a bigger market for chips, two companies are dominant: Samsung and Apple account for more than a third of the world's smartphone market by shipments. Both companies design the main chip in their phones in-house, and Samsung also supplies itself with memory and screens, leaving little room for other component makers.

Overall, with fewer companies in production and end markets less volatile, the chip industry isn't experiencing the cycles of boom and bust that it once did. That's making mergers less risky and providing the chance for companies to acquire others, cut costs, and make the combined entities more profitable, according to Sanford C. Bernstein analyst Stacy Rasgon.

"Most of the deals today are driven by search for scale and cost synergies," Rasgon said. "In previous cycles it was much more about revenue growth and buying technology."

Continued on next page...

INSIGHT: SEMICONDUCTORS ...

Continued from previous page...

How This Year's Deals Stack Up: Largest Semiconductor Deals Since 1999

ANNOUNCED	TARGET	COUNTRY	ACQUIRER	VALUE (\$M)	STATUS
May-15	Broadcom Corp	US	Avago Technologies Ltd	29,806	Pending
Jul-15	Micron Technology Inc	US	Tsinghua Holdings Co Ltd	22,973	Proposed
Sep-06	Freescale Semiconductor Inc	US	Blackstone Group LP, Carlyle Group LP, TPG Capital, Battery Ventures, Permira Holdings, Alpinvest Partners BV, AXA SA	16,222	Completed
Mar-15	Freescale Semiconductor Ltd	US	NXP Semiconductors NV	15,769	Pending
Jun-15	Altera Corp	US	Intel Corp	14,355	Pending
Oct-15	SanDisk Corp	US	Potential buyer	14,000	Proposed
Oct-15	Maxim Integrated Products Inc	US	Analog Devices Inc	10,000	Proposed
Aug-06	NXP BV (Philips Semiconductor)	NL	KKR & Co LP, Silver Lake Management, Apax Partners LLP, Bain Capital Partners LLC, AXA SA	9,473	Completed
Jun-00	Burr-Brown International Holding Corp	US	Texas Instruments Inc	6,621	Completed
Apr-11	National Semiconductor Corp	US	Texas Instruments Inc	6,407	Completed
Dec-13	LSI Corp	US	Avago Technologies Ltd	5,596	Completed
Jul-06	ATI Technologies Inc	CA	Advanced Micro Devices Inc	5,028	Completed
May-11	Varian Semiconductor Equipment Associates Inc	US	Applied Materials Inc	4,572	Completed
Jan-00	Worldwide Semiconductor Manufacturing Corp	TW	Taiwan Semiconductor Manufacturing Co Ltd	4,541	Completed
Jul-12	Elpida Memory Inc	JP	Micron Technology Inc	4,426	Completed
Sep-15	Atmel Corp	US	Dialog Semiconductor PLC	4,329	Pending
Dec-06	Agere Systems Inc	US	LSI Corp	3,778	Completed
Dec-12	Renesas Electronics Corp	JP	Innovation Network Corp of Japan	3,736	Completed
Sep-11	NetLogic I LLC	US	Broadcom Corp	3,397	Completed
Dec-11	Novellus Systems Inc	US	Lam Research Corp	2,831	Completed
Aug-05	Avago Technologies Ltd (unit of Agilent Technologies Inc.)	SG	KKR & Co LP, Silver Lake Management LLC	2,660	Completed

Source: Bloomberg [MA<GO>](#) Semiconductor targets. This year's deals highlighted.

CANADA ELECTION SPECIAL

Get the latest news and analysis as Canada heads to the polls. This special edition of Bloomberg Brief will be updated daily until the results come in.



Read it here.

INSIGHT: TEXAS INSTRUMENTS

Dear Texas Instruments: The Deal Clock Is Ticking

BY BROOKE SUTHERLAND, BLOOMBERG NEWS

Texas Instruments Inc. is smart to bide its time on making an acquisition — as long as it doesn't wait too long.

The world's biggest maker of chips that regulate electronics has been notable by its absence from this year's \$76 billion semiconductor deal rampage. Texas Instruments has been wary of large, expensive transactions after taking analyst flack about overpaying in its last big deal — the \$6.5 billion purchase of National Semiconductor in 2011.

The 75 percent premium that Texas Instruments offered for National Semiconductor still ranks as one of the richest ever in the industry. But this year's buyers are getting close to topping it.

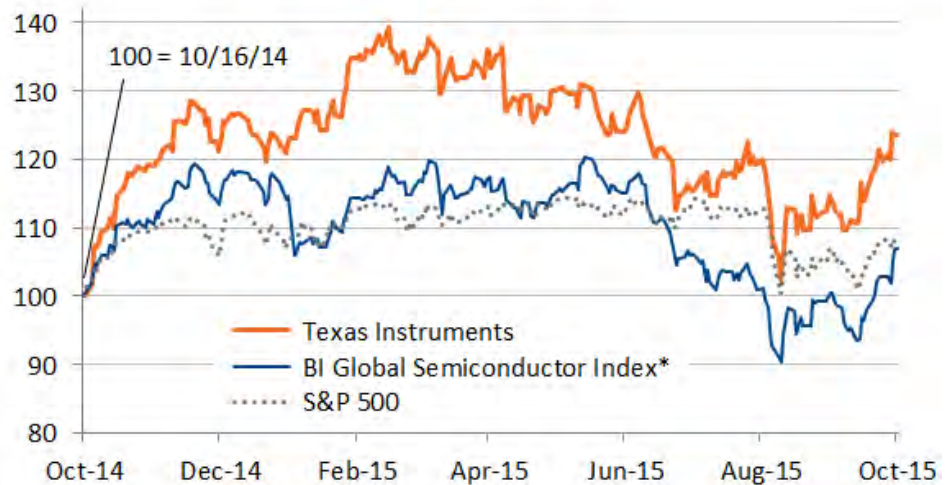
Skyworks Solutions agreed earlier this month to buy PMC-Sierra at an almost 70 percent premium to its average share price in the 20 days before Bloomberg News reported it was exploring a sale. The biggest semiconductor acquisitions of the year have commanded a median multiple of 27 times Ebitda. That's more than double the median for deals in the previous five years.

With those kinds of valuations, Texas Instruments is spending its cash on buybacks and dividends instead. The company announced in September that it was adding \$7.5 billion to its share repurchase plan and raising its quarterly payout to investors by 12 percent.

Shareholders seem to like its financial astuteness: The company's stock has climbed 24 percent in the 12 months through Thursday, outpacing the 15 percent gain for the Philadelphia Semiconductor Index.

The risk of waiting out a deal feeding

TI Shares Have Outperformed Other Chip Stocks in Past Year



Source: Bloomberg **GP<GO>**

* BISEMIGT

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frenzy, though, is becoming the odd man out with no good targets left to buy.

The semiconductor industry is driven by scale. Texas Instruments is safe to a certain extent because it's already the biggest in its field, but its rivals — including **NXP Semiconductors NV** and **Analog Devices Inc.** — are either getting bigger or at least thinking hard about it.

NXP agreed in March to buy **Freescal Semiconductor Ltd.** for about \$16.7 billion including debt. With more than \$10 billion in revenue between the two, NXP will move within striking distance of the about \$13 billion in revenue that Texas Instruments brought in last year and become a much stronger competitor in the market for analog chips.

Analog, meanwhile, looks ready to follow NXP's lead, with Bloomberg News reporting this week that the company is in

talks to combine with \$11 billion chipmaker **Maxim Integrated Products Inc.** Combined, the companies would have more than \$5 billion in revenue.

With its rivals getting bigger and stronger, Texas Instruments is going to have to respond and enter the deal fray again if it wants to remain on top.

Competing with Analog for Maxim would be expensive. At about 19.5 times Ebitda, Maxim is pricier than all but a few other semiconductor peers valued at more than \$5 billion. There are still some reasonably priced targets, though.

Linear Technology Corp. is roughly the same size as Maxim and trades at closer to 13 times Ebitda. **Fairchild Semiconductor International Inc.** — a \$1.9 billion chipmaker that's exploring a sale — has a multiple of about 13 times as well.

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ANTITRUST

Brewers' Deal Shows Chinese Merger Watchdog Can't Be Taken Lightly

BY GASPARD SEBAG, BLOOMBERG NEWS

In the world's most populous country, an office of about 30 bureaucrats is in charge of reviewing hundreds of mergers a year, including **Anheuser-Busch InBev NV's** plans for the biggest ever consumer deal.

Aside from the brewing giant's \$106 billion bid for **SABMiller**, CEOs in industries from shipping to mobile phones have also been forced to win approval from China's merger-control authority as the nation's transformation to economic and political superpower takes hold.

"Now China is on everyone's radar," said Natalie Yeung, a lawyer at Slaughter and May in Hong Kong. But given merger control has only been in place in China for seven years, she said there's still a "steep learning curve" for the country's regulator, often the slowest to review global deals and prone to industrial policy considerations.

The creation of Anheuser-Busch InBev made antitrust history in 2008. It was the first high-profile case to test new powers of China's merger watchdog in the Ministry of Commerce, or MOFCOM.

Since then, the 2009 rejection of Coca-Cola Co.'s \$2.3 billion bid for China Huiyuan Juice Group Ltd. placed MOFCOM on the map, according to Qing Ren, a lawyer at Zhong Lun Law Firm in Beijing. The regulator has gone on to become one of the three key merger jurisdictions alongside U.S. agencies and the European Commission.

The notoriously unpredictable regulator is now gearing up for a decisive role as AB InBev, the maker of Budweiser and Bud Light beer, sets out to tighten its grip on the industry.

MOFCOM officials in Beijing didn't immediately respond to faxed queries about their process.

AB InBev's proposed acquisition of SABMiller will face reviews across the globe, with particular scrutiny expected from MOFCOM possibly leading to the sale of the planet's best-selling beer — China's Snow.

In the U.S., the companies may have to sell SABMiller's 58 percent stake in the

MillerCoors joint venture to win approval from the Justice Department, lawyers have said.

Cooperation between leading agencies will play a role in designing appropriate concessions in the deal.

In an attempt to make that easier, EU Competition Commissioner **Margrethe Vestager** announced Thursday the signing of a new cooperation agreement with MOFCOM to process large international deals.

But such efforts haven't always produced uniform decision making, according to Hans Urlus, a lawyer at Greenberg Traurig LLP in Amsterdam.

"Chinese merger-control laws are still

"[I]t is difficult to be able to speed up the reviews if you have only around 30 people working in the bureau and reviewing hundreds of cases every year."

— NATALIE YEUNG, SLAUGHTER AND MAY

developing and have not yet reached a state of maturity or consistency," Urlus said. It's hard for companies to predict the outcome of a review because MOFCOM doesn't disclose its reasoning in most past cases, he said.

Another "frequent complaint" from multinationals is the length of Chinese probes, although this issue has to an extent been mitigated since the introduction of a fast-track procedure for simple cases in early 2014, Ren said. Delays occur from the get-go. When companies notify a deal the regulator

usually comes back to them with questions and requests additional documents.

"It can take months before the filing is formally accepted" and the clock starts officially ticking on a review, Slaughter and May's Yeung said.

That's not the only stalling tactic regulators have. When MOFCOM hasn't finalized its assessment in time it simply asks companies to withdraw and re-file their deal before the deadline. This sleight of hand was used during the probe of Western Digital Corp.'s proposed acquisition of Hitachi Ltd.'s storage business.

All of this means there is "no real certainty on how long reviews can last" and the situation isn't likely to improve in the short-term, Yeung said.

"From a timing perspective, MOFCOM is incredibly under-resourced," she said. "Until the government is ready to address that, it is difficult to be able to speed up the reviews if you have only around 30 people working in the bureau and reviewing hundreds of cases every year."

Beer-loving China was always going to be an antitrust hurdle for AB InBev. But competition concerns aren't always the only yardstick by which the Chinese regulator measures issues at hand.

In China, "other ministries or associations of related industries — upstream or downstream — have a voice in the procedure," Ren said, referring to the legal framework which took effect in 2008. Sometimes "there may be a feeling that not only competition issues are considered. But this kind of problem doesn't take place in the majority of cases."

— With assistance from Stephanie Bodoni in Luxembourg, Matthew Boyle and Paul Jarvis in London and Keith Zhai in Beijing

RELATED STORY: MOFCOM has given the green light to **Nokia Oyj's** \$17.6 billion takeover of wireless network rival **Alcatel-Lucent SA**, [ruling](#) that the combined company must alert local competitors if it transfers mobile-technology patents to a third party.

INDUSTRY FOCUS

Reinsurers Brace for Double-Digit Price Declines Amid M&A Frenzy

BY SARAH JONES, BLOOMBERG NEWS

The world's largest reinsurers are anticipating even bigger price declines when policies are renewed in 2016 than envisaged a month ago as a flurry of takeovers in the industry fails to absorb some of the excess capital.

Reinsurers and brokers including Guy Carpenter, owned by **Marsh & McLennan Cos.**, flew into the German town of Baden-Baden this weekend to continue negotiating terms and conditions for contracts due for renewal in January. It follows discussions that were held in Monte Carlo in September, which suggested the price slump may be slowing.

"In Monte Carlo, we were certainly suggesting that rate reductions will be in the region of between 5 to 7.5 percent to maybe 10 percent," said **Nick Frankland**, chief executive officer of Guy Carpenter's operations in Europe and the Middle East.

"They may be more than that. The market is struggling to understand how to quote in this environment."

Rates fell this year because of the record \$425 billion of surplus capital that was available to underwrite risk, coupled with one of the quietest years for

by a Japanese competitor.

Mergers and acquisitions "haven't impacted capacity," Frankland said in a telephone interview before flying to Baden-Baden. "Capacity is still abundant and that is naturally having a continued effect on the pricing environment."

Frankland expects the current wave of insurance deals to continue, driven by Chinese and Japanese companies seeking to expand outside Asia or by insurers in Europe and the U.S. markets looking to build scale or expand into new territories.

"There are a lot of companies in insurance and the reinsurance space that could easily complement each other, a long list of them," he said. "These deals have proved that any deal of any size in a market that is so awash with capital and funding is possible. You could see a bigger one yet."

Mergers "haven't impacted capacity."

— NICK FRANKLAND, GUY CARPENTER

catastrophe losses in the past decade. The pressure on pricing, combined with record-low interest rates, has spurred a string of deals in both the Lloyd's and Bermuda insurance markets, culminating in **Amlin Plc's** record \$5.3 billion takeover

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Photo: Goldman Sachs
Harvey Schwartz

During **Goldman Sachs Group Inc.**'s third quarter earnings call on Oct. 15, Chief Financial Officer **Harvey Schwartz** indicated that the bank sees no sign yet that M&A volume is cresting. His remarks below were edited and condensed. (Bloomberg terminal users can read the full transcript by clicking [here](#).)

James F. Mitchell, Buckingham Research: There's been some concern with the disruptions in the market that the M&A cycle might be peaking. It seems like the number of deals haven't really moved, international volume still remained very low.

A: The two factors that we rely on most is the backlog, and the pipeline is good — it was up at the end of the third quarter. And then the most significant information component for us is the level of dialog that boards, CEOs are having, and the dialog feels quite good.

I think it's always natural for folks to question when the market has been robust whether there's information content in the activity level [suggesting activity is] peaking. Maybe that's a factor, but when you look at past cycles, they've been more significantly driven by LBO activity, where you can get to market capacity and how much debt can be borrowed.

It's 100 percent accurate that the cost of financing is a contributor to the transactions that are happening today, but they're much more strategic and a reflection of slower global growth and how confident CEOs are at this stage. That could always get disrupted; you can have a market event. But I don't know that the aggregate activity levels to date are the best indicators that they would slow down. If anything, some of these large transactions very naturally have spinoffs and foster other activity across industries.

Mitchell: So you think the large deals are potentially a leading indicator because the number of deals have been lagging?

A: That's correct. If you get large deals in a sector, it can have a knockdown effect and you get spinoffs. That can be a leading activity for more activity. But our indicators tell us that if the current environment continues, the level of activity will be high.

M&A No Longer Moving FX: HSBC Strategy Head

Big cross-border mergers such as **Anheuser-Busch InBev NV**'s \$120.5 billion deal to acquire **SABMiller Plc** no longer affect currency rates, **David Bloom**, global head of FX strategy at **HSBC Group Plc**, said in an [interview](#) on Bloomberg TV. He spoke with Bloomberg's Anna Edwards, Tim Coulter and Jamie Murray. His remarks have been edited and condensed.

Q: This is the kind of mega-M&A deal that moves your world, isn't it?

A: We're having these big deals, but they're not having the impact on foreign exchange they used to have. We used to just sit there in some kind of equilibrium and see a big deal, look at the flow, and the market would move in that direction. But at the moment that's not really what we do. I can't remember the last time someone said, "What are the implications of this? Where is the flow going to come from?" M&A has kind of come off the radar as far as foreign exchange is concerned.

Q: That's interesting. Is that just because the central banks are just all...

A: All invasive. Those central banks just dominate everything we do.

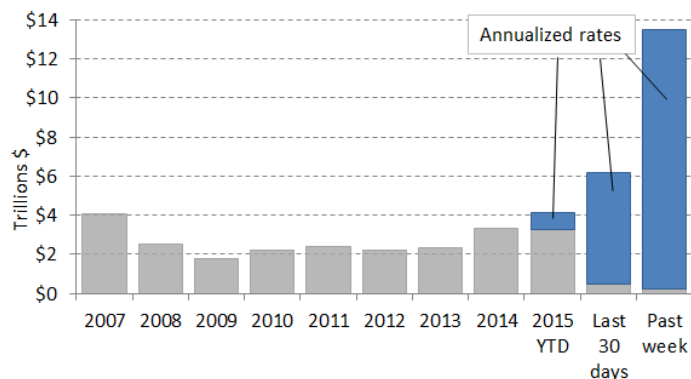
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WEEK IN REVIEW: M&A TRENDS COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Volume Soars With Brewing, Computing Deals

Pace of Dealmaking

Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

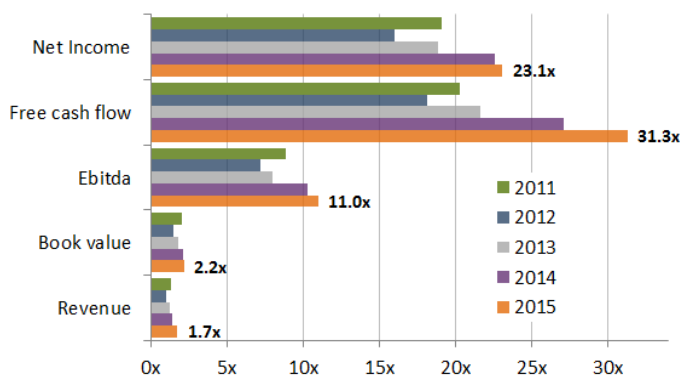
Global M&A volume surged to \$259 billion last week, largely on the back of two deals: the long-mooted \$106 billion merger of brewers **SAB Miller Plc** and **Anheuser-Busch InBev NV** and computer maker **Dell Inc.**'s \$63.5 billion takeover of storage company **EMC Corp.**

A *trio of deals* to consolidate Chinese wireless towers and other infrastructure in **China Tower Corp.** that were worth a combined \$34.2 billion also boosted the total.

There were 11 new deals worth more than \$1 billion.

If dealmaking continues at the same pace it has so far this year, it will reach \$4.13 trillion, topping the previous record of \$4.08 trillion in 2007.

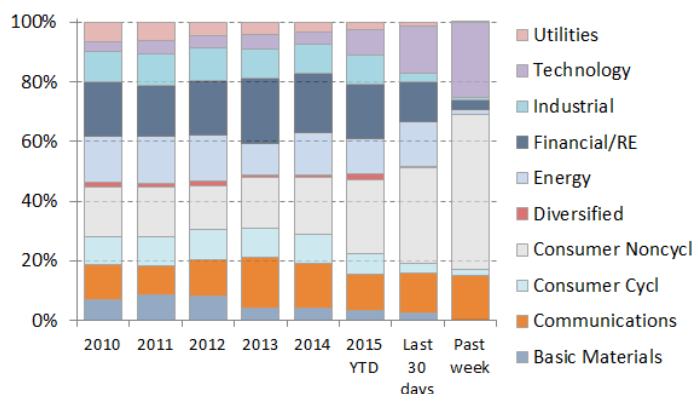
Valuations

Source: Bloomberg [MA<GO>](#)

BloombergBriefs.com

All five of the deal multiples we regularly track are at their highest levels in five years, with the median deal value running at 11 times Ebitda and 1.7 times earnings. The data sets range from 774 deals in the case of free cash flow to 1,836 in the case of the revenue multiple.

Sector Breakdown

Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

The AB InBev-SABMiller deal accounted for 47 percent of the total value of deals announced last week, swelling the consumer-non-cyclical share of the total to 52 percent. Technology sector deals accounted for 25 percent of the total, almost all of that consisting of Dell-EMC.

WEEK IN REVIEW: TOP DEALS

Largest Deals Announced Oct. 10 - Oct. 16

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
10/13	SABMiller PLC	Beverages	GB	Anheuser-Busch InBev SA/NV	BE	120,481
10/12	EMC Corp	Computers	US	Dell Inc	US	63,491
10/14	China Mobile wireless infrastructure assets	Telecommunications	CN	China Tower Corp Ltd	CN	18,326
10/14	Mediclinic International Ltd	Healthcare-Services	ZA	Al Noor Hospitals Group PLC	AE	10,162
10/14	China Unicom HK wireless infrastructure assets	Telecommunications	CN	China Tower Corp Ltd	CN	9,951
10/14	China Telecom wireless infrastructure assets	Telecommunications	CN	China Tower Corp Ltd	CN	5,902
10/16	Youku Tudou Inc	Internet	CN	Alibaba Group Holding Ltd	CN	3,325
10/12	SRE Group Ltd	Real Estate	HK	China Minsheng Investment Corp Ltd	CN	2,532
10/14	E.ON E&P Norge AS	Oil & Gas	NO	LetterOne Holdings SA	LX	1,831
10/14	Visant Holding Corp	Apparel	US	Jarden Corp	US	1,500
10/14	Taishan Gypsum Co Ltd	Building Materials	CN	Beijing New Building Materials PLC	CN	1,092
10/15	Montupet	Auto Parts & Equipment	FR	Linamar Corp	CA	954
10/15	Red Arrow Products Co LLC, Island Oasis Frozen Cocktail Co Inc, Wellmune	Beverages, Food, Pharmaceuticals	US	Kerry Group PLC	IE	735
10/13	Wausau Paper Corp	Household Products/Wares	US	Svenska Cellulosa AB SCA	SE	683
10/13	Diageo US & UK wine operations	Beverages	US, UK	Treasury Wine Estates Ltd	AU	600
10/14	HDV Holdings Inc	Diversified Financial Services	US	Blucora Inc	US	580
10/16	Verbundnetz Gas AG	Gas	DE	EnBW Energie Baden-Wuerttemberg AG	DE	528
10/13	Granite Ridge Energy Center	Energy-Alternate Sources	US	Calpine Corp	US	500
10/13	Fertitta Entertainment LLC	Lodging	US	Station Casinos LLC	US	460
10/13	NewBridge Bancorp	Banks	US	Yadkin Financial Corp	US	388
10/15	Townsend Group LLC/The	Private Equity	US	NorthStar Asset Management Group Inc	US	380
10/15	17 wind farms	Energy-Alternate Sources	FR, DE	ERG Renew SpA	IT	341
10/14	Professional Services Industries Inc	Building Materials	US	Intertek Group PLC	GB	330
10/12	58 Daojia Inc (minority stake)	Internet	CN	Alibaba Group Holding Ltd, Shenzhen Ping An Innovation Capital Investment Co, KKR & Co LP	CN, US	300
10/16	Mart Resources Inc	Oil & Gas	CA	Delta Oil Nigeria BV	NG	293

Source: Bloomberg [MA<GO>](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.

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DEAL ARBITRAGE

TARGET	ACQUIRER	DEAL SIZE (M)	EXPECTED COMPLETION DATE	OFFER PER SHARE (\$)	TARGET PRICE (\$)	PAYMENT TYPE	SPREAD	PROJECTED ANNUALIZED RETURN	1W CHANGE IN SPREAD	MAJOR MOVE
AGL Resources Inc	Southern Co/The	11,937	12/31/16	66.00	61.89	Cash	6.6%	5.5%	-0.4%	
Altera Corp	Intel Corp	14,355	03/31/16	54.00	52.73	Cash	2.4%	5.3%	-0.5%	
Axis Capital Holdings Ltd	Arch Capital Group Ltd	6,560	-	65.00	54.08	Cash	20.2%	-	-0.5%	
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	61.35	53.83	C&S	14.0%	67.1%	1.0%	
Baxalta Inc	Shire PLC	29,337	-	35.25	32.96	Stk	6.9%	-	-2.5%	▼
BioMed Realty Trust Inc	Blackstone Group LP/The	7,693	03/31/16	23.75	23.40	Cash	1.5%	3.3%	0.0%	
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	7.11	Cash	117.9%	-	4.4%	▲
Broadcom Corp	Avago Technologies Ltd	29,806	03/31/16	53.75	51.76	C/S	3.8%	8.4%	-0.7%	
Cablevision Systems Corp	Altice NV	17,835	06/30/16	34.90	33.01	Cash	5.7%	8.1%	0.0%	
Cameron International Corp	Schlumberger Ltd	15,153	03/31/16	67.79	65.41	C&S	3.6%	8.0%	0.3%	
Canadian Oil Sands Ltd	Suncor Energy Inc	6,557	12/04/15	9.22	9.94	Stk	-7.2%	-54.3%	-0.6%	
Chubb Corp/The	ACE Ltd	28,986	03/31/16	128.51	126.81	C&S	1.3%	2.9%	-0.1%	
Cigna Corp	Anthem Inc	50,382	12/31/16	179.16	140.74	C&S	27.3%	22.5%	-0.7%	
Cytec Industries Inc	Solvay SA	6,091	-	75.25	74.01	Cash	1.7%	-	0.0%	
EMC Corp/MA	Dell Inc	63,491	10/31/16	31.78	27.77	Cash	14.4%	13.8%	16.9%	▲
Freescale Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	39.07	38.82	C&S	0.6%	3.1%	-0.2%	
HCC Insurance Holdings Inc	Tokio Marine Holdings Inc	7,480	12/31/15	78.00	77.62	Cash	0.5%	2.4%	0.1%	
Humana Inc	Aetna Inc	28,906	12/31/16	219.63	184.20	C&S	19.2%	15.9%	0.0%	
MarkWest Energy Partners LP	MPLX LP	20,211	12/31/15	46.73	45.66	C&S	2.3%	11.3%	1.4%	
Micron Technology Inc	Tsinghua Holdings Co Ltd	22,973	-	21.00	18.50	Cash	13.5%	-	-1.8%	
Office Depot Inc	Staples Inc	5,854	12/31/15	10.00	7.13	C&S	40.3%	193.0%	-5.4%	▼
PartnerRe Ltd	EXOR SpA	6,066	03/31/16	140.50	138.80	Cash	1.2%	2.7%	0.1%	
Pepco Holdings Inc	Exelon Corp	12,185	-	27.25	26.48	Cash	2.9%	-	0.0%	
Perrigo Co PLC	Mylan NV	34,870	11/13/15	175.16	166.15	C&S	5.4%	70.7%	-1.9%	
Precision Castparts Corp	Berkshire Hathaway Inc	35,658	03/31/16	235.00	231.38	Cash	1.6%	3.4%	-0.5%	
Sigma-Aldrich Corp	Merck KGaA	16,395	11/30/15	140.00	139.60	Cash	0.3%	2.3%	0.0%	
TECO Energy Inc	Emera Inc	10,222	06/30/16	27.55	26.94	Cash	2.3%	3.2%	-1.9%	
Time Warner Cable Inc	Charter Communications Inc	79,250	12/31/15	201.29	188.71	C&S	6.7%	32.0%	-0.5%	
Towers Watson & Co	Willis Group Holdings PLC	8,095	12/31/15	111.71	119.86	Stk	-2.7%	-13.2%	1.5%	
Williams Cos Inc/The	Energy Transfer Equity LP	58,093	06/30/16	43.69	42.28	C/S	3.3%	4.7%	0.5%	

MARB <GO> North American deals

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock

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ACTIVIST SITUATIONS COMPILED BY MELISSA KARSH, BLOOMBERG BRIEF EDITOR

Significant Actions at Companies Targeted by Activist Investors

COMPANY	ACTIVIST	WHAT HAPPENED
Yum! Brands Inc.	Corvex Management	Fast-food company said Oct. 16 that it's adding activist's founder, who has called for company to break off its Chinese operations, to its board.
Angie's List Inc.	TCS Capital	Activist with 9.1 percent stake urged company's board Oct. 13 to start a "vigorous strategic review," saying the greatest L-T value can be achieved with a combination with another company in the industry.
Kobex Capital Corp.	Kingsway	Activist with a 14.9 percent stake said Oct. 13 that it wants company to replace incumbent directors with five independent directors and to explore strategic alternatives.

Source: Bloomberg News NI SHRHOLDACT<GO>

Activists Don't Shy From the Largest Companies

Shareholder activism continued to intensify during the spring 2015 proxy season. More companies were the targets of activist campaigns and were forced to engage with shareholders, according to a survey by Shearman & Sterling LLP.

And it's not just smaller companies that are affected: To date, eight of the 100 largest U.S. public companies in terms of revenue and market capitalization were subject to the agitations of an activist, up from six in 2014, the law firm said.

There's no question, said Shearman & Sterling mergers and acquisitions partner David Connolly: "No company is immune. No company should consider themselves off limits."

In an interview, Connolly pointed to the activists that have gone after companies like Apple Inc., General Electric Co. and DuPont Co.

Additionally, the law firm found, there has been a "dramatic increase" in the number of U.S. companies that received proxy access proposals — in which investors seek to place their board

nominees on a proxy — from 20 in 2014 to 112 in 2015. The survey found that 59 percent passed with an average vote of 54 percent. In addition, 37 companies "adopted or committed to adopt, a proxy access bylaw in 2015."

Another hallmark is the ever-increasing emphasis on compensation. Shearman partner Doreen Lilienfeld, who specializes in executive pay, said, "There's more thoughtful disclosure on a company's performance and compensation," including "the governance steps that reinforce the processes behind executive pay."

Most public companies acknowledge that activism is inevitable. As a result, Connolly said, "boards are becoming more diligent. While there's no noticeable increase in a willingness to acquiesce to activist suggestions, the themes that activists pursue — such as returning capital to shareholders and getting rid of non-core businesses — may be consistent with good governance."

— Ellen Rosen, Bloomberg News

Bloomberg Brief: Mergers

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COLUMNIST'S CORNER

Selling Ralcorp Is Only One Step Toward ConAgra Cure

BY TARA LACHAPELLE, BLOOMBERG NEWS



ConAgra Foods Inc.'s earnings report last week offered a first glimpse of the food maker's future without Ralcorp, the private-label division it bought in 2013 for \$6.7 billion. A series of writedowns on Ralcorp implies ConAgra paid at least 78 percent too much. Now ConAgra wants to let Ralcorp be someone else's problem, and plans to buy its way into the organic and natural foods categories.

Ralcorp, which makes generic food sold under supermarket brand names, is now classified as an "asset held for sale." The writedowns suggest ConAgra is unlikely to get anywhere close to what it paid, especially if the suitor is a private-equity firm, which is mostly likely

given the turnaround Ralcorp needs.

Selling Ralcorp is the right move. One less headache. But it was also easy for ConAgra to hide behind Ralcorp's troubles. Without it, the company's other business lines are more exposed. They consist of second-tier packaged-food brands, such as Bertolli frozen pasta meals and Hunt's ketchup, and products for commercial customers including McDonald's.

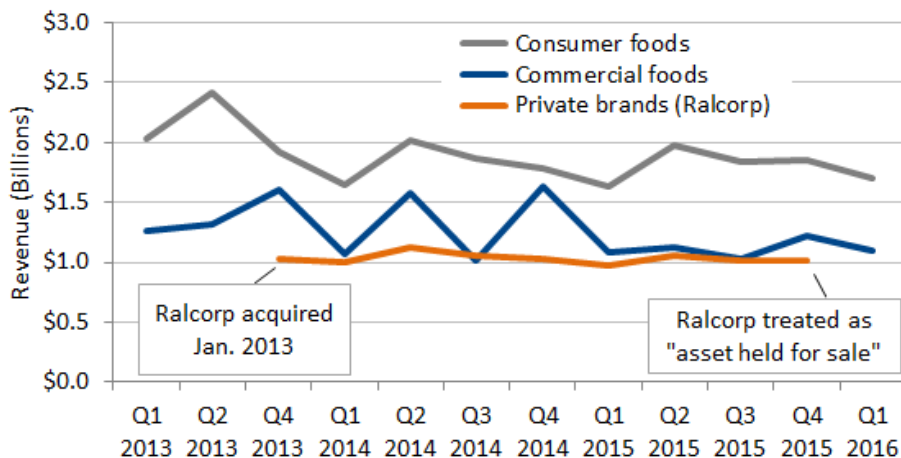
Those aren't doing so well. Sales of consumer foods and commercial foods were flat year-over-year in the quarter ended Aug. 30, and ConAgra said growth in operating profit for both units will be "modest" this fiscal year.

New chief executive **Sean Connolly**, who joined in April, says he wants to fill the hole ConAgra has in organic and natural foods, something it probably should have started doing years ago instead of buying Ralcorp. But many of the good targets are expensive now or have been scooped up.

ConAgra will also need to pay down debt, which stands at 17 times Ebitda. That puts the company at a further disadvantage against industry heavyweights in an increasingly competitive deal environment. Take General Mills, for example: It's twice as big as ConAgra, has four times as much cash, and a single-digit debt-to-Ebitda ratio.

If the two companies eye the same takeover target, guess which one will win.

ConAgra's Other Units Have Shrunk



Source: Bloomberg **FA<GO>** Fiscal years ending in May **BloombergBriefs.com**

QUOTED

"What are the road shows that are on the road right now? China's on the road. And Catholicism is on the road. Right? When they're done then we can hear from First Data because it's going to be the big deal of this quarter."

— *Reit Wallace of Triton Research commenting on the upcoming IPO of KKR portfolio company First Data Corp. in an [interview](#) on Bloomberg TV*



Chinese President **Xi Jinping** attracted an eclectic mix of corporate chieftains and dealmakers at a speech in Seattle last week, including Walt Disney CEO **Bob Iger**, Starbucks founder **Howard Schultz**, Apple CEO **Tim Cook**, Microsoft head **Satya Nadella**, Alibaba founder **Jack Ma** and Lenovo CEO **Yang Yuanqing**. Now that's a powerful crowd!

WEEK IN NUMBERS

■ **9.7x:** Average [multiple](#) of forward Ebitda that Altice has paid for its cable purchases in the U.S.

■ **22%:** [Share](#) of global M&A volume last week accounted for by the merger of German landlords **Deutsche Wohnen** and **LEG Immobilien**

IN THIS ISSUE

INSIGHT. **Cox Communications** says it's not for sale, but [the prices](#) Altice is paying might change the minds of Cox's controlling shareholders.

M&A TRENDS. [All four](#) of last week's biggest deals involved European buyers.

Q&A. Companies that are adapting cybersecurity and data-analytics tools from government applications to the commercial sector are drawing buyers, says **Cooley partner Andy Lustig**.

MERGER MONDAY A ROUND-UP OF TODAY'S LARGEST DEALS AND DEALMAKING NEWS

Vodafone Ends Asset Swap Talks With Liberty Global

Vodafone Group Plc ended talks about an exchange of assets with **John Malone's** pay-TV giant **Liberty Global Plc**, denying the wireless company a chance to revive its European business that has been threatened by price wars.

The deal stalled on differences over the value of Liberty Global's **Virgin Media** unit in the U.K. and businesses including the companies' German operations, according to a person familiar with the matter. Vodafone is also concerned about Liberty Global's growing wireless presence, the person said.

Vodafone, the world's second-largest mobile-phone company, announced the termination of the talks Monday, almost four months after disclosing the discussions and almost a year after Bloomberg reported that the companies were exploring a combination. A Liberty Global spokesman confirmed that the asset-swap talks had ended. Malone said in an interview this month that the companies weren't able to overcome a deadlock he described as a "tennis match" of ideas.

— Amy Thomson and Kristen Schweizer, Bloomberg News

Nexstar Makes Unsolicited Bid on Media General

Nexstar Broadcasting Group Inc. made an unsolicited bid to buy **Media General Inc.** for about \$1.85 billion, trying to break the broadcaster's agreement to acquire TV-stations owner and magazine publisher **Meredith Corp.**

Nexstar's proposal, currently valued at \$14.50 per Media General share, includes \$10.50 in cash and a fixed ratio of 0.0898 Nexstar shares, according to a statement Monday. The offer is 30 percent higher than Media General's closing price on Sept. 25.

In a letter to Media General, Nexstar Chief Executive Officer **Perry A. Sook** said his company has been trying to enter into "substantive" negotiations with Media General for months about a merger. Instead, Media General agreed to buy Meredith in a \$2.4 billion transaction earlier this month, adding network affiliates and magazines such as *Better Homes and Gardens* and *Shape*.

"It is illogical that Media General's Board has refused to engage with us and has instead pursued an ill-conceived and value-destructive acquisition of Meredith that would once again expose Media General shareholders to the risks of the low-margin publishing business," Sook said.

— Cecile Daurat, Bloomberg News

Alcoa to Spin Off Manufacturing Unit

Alcoa Inc., the top U.S. aluminum maker, will break itself up by separating manufacturing operations from a legacy smelting and refining business that's struggling to overcome booming production from China.

The transaction will create an as-yet-unnamed company comprising Alcoa's downstream production assets, including those that make rolled aluminum components for the auto and aerospace industries. The name Alcoa will be retained by the upstream business, which mines bauxite, refines alumina and smelts aluminum, it said Monday.

— Agnieszka de Sousa and Sonja Elmquist, Bloomberg News

Biggest Deals Since Friday

TARGET	INDUSTRY	COUNTRY	ACQUIRER	VALUE (\$M)
Williams Cos Inc	Energy	US	Energy Transfer Equity LP	58,093
Media General Inc	Communications	US	Nexstar Broadcasting Group Inc	4,244
M2 Group Ltd	Communications	AU	Vocus Communications Ltd	1,615
USJ Co Ltd	Financial	JP	Comcast Corp	1,500
Arizona Chemical Ltd	Basic Materials	US	Kraton Performance Polymers Inc	1,370

Source: Bloomberg [MA:GO](#)

Real estate assets, joint ventures and stock buybacks excluded

Energy Transfer Wins \$37.7B Williams Bid

Energy Transfer Equity LP won its bid to take over **Williams Cos.**, agreeing to pay \$37.7 billion for control of pipelines and plants that handle almost a third of rising U.S. natural gas demand.

Williams investors will get \$43.50 a share either in cash or stock of Energy Transfer Corp. LP, an affiliate of Energy Transfer Equity, according to a statement Monday. The deal ends a nine-month effort by Dallas billionaire **Kelcy Warren** that became public in June when Williams rejected Energy Transfer's first offer as too low, and then sought other suitors for an auction of the company.

— Jim Polson and Matthew Monks, Bloomberg News

Comcast to Buy Japan Park Stake to Grow Overseas

Comcast Corp. is making its biggest overseas investment, as the largest U.S. cable operator seeks international growth after being stymied in its bid to acquire **Time Warner Cable Inc.**

Comcast's NBCUniversal unit will pay \$1.5 billion for a 51 percent stake in **USJ Co.**, the operating company of the Universal Studios Japan theme park in Osaka, Comcast said in a statement. Current shareholders **Goldman Sachs Group Inc.**, **MBK Partners Ltd.** and USJ Chief Executive Officer **Glenn Gumpel** will retain minority stakes.

— Tesun Oh and Monami Yui, Bloomberg News

Telkom Said to Seek Cell C for Less Than \$1.6B Price

Telkom SA SOC Ltd. is seeking to buy mobile-phone operator **Cell C Pty Ltd.** for less than the 22 billion rand (\$1.6 billion) value placed on the South African company by its owners, according to a person familiar with the situation.

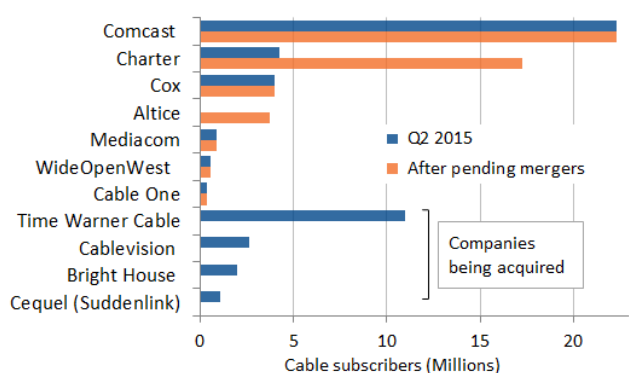
Telkom, South Africa's biggest landline company, is prepared to pay no more than 18 billion rand for the business, according to the person. Cell C's 75 percent shareholder, Dubai-based **Oger Telecom Ltd.**, put the higher price-tag on the company, according to a second person familiar with the talks.

— Chris Spillane and Manuel Baigorry, Bloomberg News

INSIGHT: U.S. CABLE BY GEETHA RANGANATHAN & PAUL SWEENEY, BLOOMBERG INTELLIGENCE ANALYSTS

With Altice on U.S. Cable M&A Spree, Will Cox Be Next?

Mergers Will Reshape Cable Landscape



Source: SNL Kagan/Bloomberg Intelligence

BloombergBriefs.com

Altice NV's purchase this month of **Cablevision Systems Corp.** and **Charter Communications Inc.**'s pending acquisitions of **Time Warner Cable Inc.** and **Bright House Networks LLC** may trigger consolidation among remaining cable operators as they seek more scale.

Altice may slow down its acquisitions in the U.S. after spending \$17.8 billion for Cablevision and \$6.6 billion for 70 percent of **Cequel Communications** (aka **Suddenlink**) earlier this year. But **Cox Communications Inc.** is the one cable operator that might tempt it back to M&A. Cablevision and Suddenlink will give Altice 3.7 million subscribers, making it the fourth-largest U.S. cable operator. Cox has 4 million subscribers, making it a distant third to Charter Communications after it completes its pending deals for Time Warner Cable and Bright House.

A spokesman for Cox did not immediately respond to an e-mail asking for comment.

Cox: Key Metrics

	NUMBERS
Homes passed	10.5 million
Video subscribers	4 million
2015 cash flow estimate	\$3.32 billion
Valuation at 9.7x average multiple Altice is paying for Cablevision and Suddenlink/Cequel	\$32 billion

Source: SNL Kagan/Bloomberg Intelligence

Cox is family-controlled and its CEO said recently that it's not for sale. But the multiples that Altice is paying for Cablevision and Suddenlink may attract mid-sized operators such as Cox that have historically been reluctant to sell.

Excluding synergies, Altice will pay an average forward Ebitda multiple of 9.7 times. In recent years, M&A multiples have hovered at 7.5 times to 8.3 times, much lower than the 9.4 times to 12 times in 2003-06, due to rising competition for cable from telecom providers, satellite and streaming services. Using the 9.64 times multiple on Cablevision, Cox could fetch as much as \$32 billion.

Cox Offers Altice Geographic Diversification

MARKET	MARKET RANK	SUBSCRIBERS*
Phoenix (Prescott), AZ	11	587,842
San Diego, CA	28	359,597
Las Vegas, NV	41	320,854
Norfolk-Portsmouth-Newport News, VA	42	283,145
Los Angeles, CA	2	202,868
Oklahoma City, OK	44	200,232
Providence, RI-New Bedford, MA	53	200,193
Omaha, NE	74	176,322
Wichita-Hutchinson, KS Plus	65	157,156
New Orleans, LA	51	156,841
Baton Rouge, LA	93	139,340
Tulsa, OK	60	138,724
Washington, DC (Hagerstown, MD)	8	123,940
Hartford & New Haven, CT	30	105,457

Source: SNL Kagan/Bloomberg Intelligence *Multichannel video subscribers

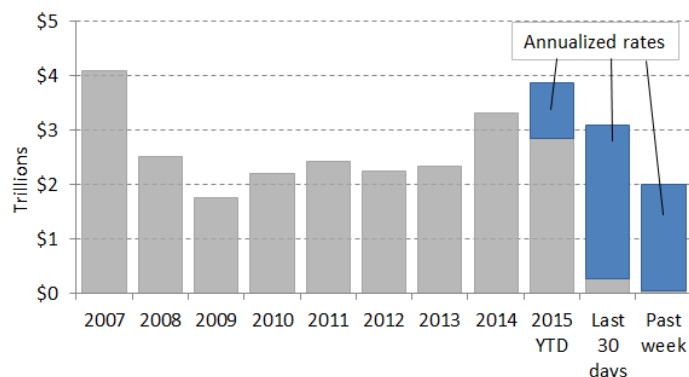
Cox has a significant West Coast presence, with 202,868 video subscribers in Los Angeles and 587,842 customers in Phoenix, where it is the largest pay-TV operator. Cox is also strong in San Diego and Las Vegas. Altice's recent acquisition of Cablevision gives it 2.5 million customers in the New York metro area, so Cox would give it increased geographic scope, allowing for mass-market ads and a stronger competitive position.

Other smaller players that could figure in future consolidation are Middletown, New York-based **Mediacom Communications Corp.**, **WideOpenWest Networks LLC** of Englewood, Colorado and Phoenix-based **Cable One Inc.** ranked eighth, ninth and 10th, with a combined 1.86 million video subscribers.

WEEK IN REVIEW: M&A TRENDS COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

European Deals Top the List During a Slow Week

Pace of Dealmaking

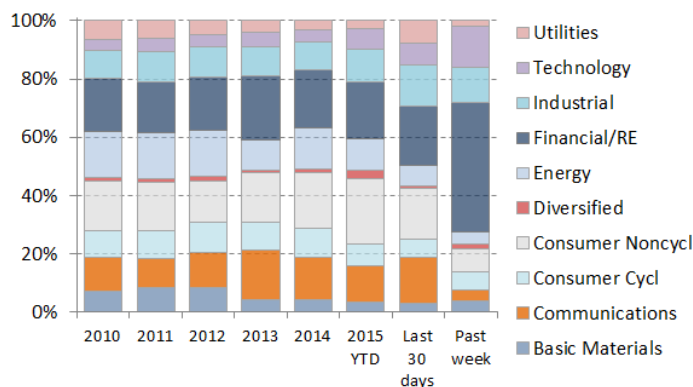
Source: Bloomberg **DMON<GO>**

BloombergBriefs.com

The week ended Sept. 25 was the sixth-slowest this year for global M&A volume, at \$38.2 billion, according to data compiled by Bloomberg. With the exception of two weeks at the end of the summer, volume hadn't been that low since March.

There are six new deals valued at *more than \$1 billion*, topped by German residential landlord **Deutsche Wohnen AG's** \$8.5 billion takeover of rival **LEG Immobilien AG**.

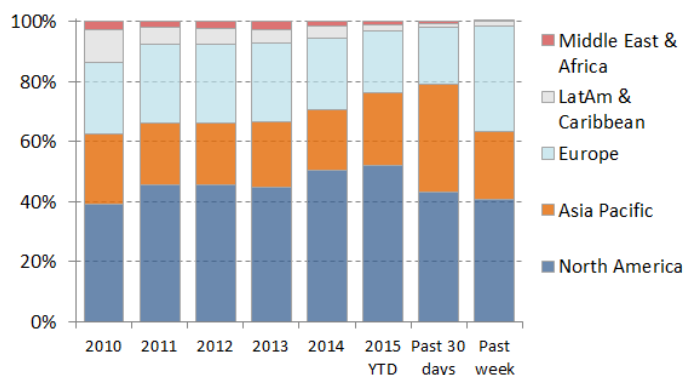
Sector Breakdown

Source: Bloomberg **DMON<GO>**

BloombergBriefs.com

The Deutsche Wohnen-LEG deal alone accounted for 22 percent of last week's deal volume. That together with the \$2.5 billion insurance merger of **Swiss Re AG** and **Guardian Holdings Europe Ltd.** lifted financial and real estate to 44.4 percent of deal activity by value.

Regional Breakdown

Source: Bloomberg **DMON<GO>**

BloombergBriefs.com

All four of the *largest deals* of the week featured European buyers. In addition to the two big intra-Europe deals above, there were two purchases of U.S. companies by European buyers: **Dialog Semiconductor Plc's** \$4.3 billion deal for chipmaker **Atmel Corp.** and **BBA Aviation Plc's** \$2.1 billion deal for aircraft maintenance and service provider **Landmark Aviation FBO Holdings LLC**.

WEEK IN REVIEW: TOP DEALS

Largest Deals Announced Sept. 19 to Sept. 25

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
9/21	LEG Immobilien AG	Real Estate	DE	Deutsche Wohnen AG	DE	8,451
9/20	Atmel Corp	Semiconductors	US	Dialog Semiconductor PLC	GB	4,329
9/23	Guardian Holdings Europe Ltd	Insurance	JE	Swiss Re AG	CH	2,453
9/23	Landmark Aviation FBO Holdings LLC	Aerospace/Defense	US	BBA Aviation PLC	GB	2,065
9/21	Colony American Homes Inc	Real Estate	US	Starwood Waypoint Residential Trust	US	1,529
9/21	Sanya Luhuitou Tourism Zone Development Co Ltd	Leisure Time	CN	Zhonghong Holding Co Ltd	CN	1,165
9/21	Priority Group Inc/The	Commercial Services	US	Advent International Corp	US	925
9/24	China Central Financial Leasing Co Ltd, Shanghai Moses Commerical Factoring Co Ltd	Diversified Financial Services	CN	Jiangsu Fasten Co Ltd	CN	776
9/24	Kumho Industrial Co Ltd	Engineering & Construction	KR	Management Group	KR	647
9/21	GWF Energy Holdings LLC	Electric	US	AltaGas Ltd	CA	642
9/23	CPT Wyndham Holding Ltd	Investment Companies	KY	Shenzhen Energy Group Co Ltd	CN	543
9/23	GE Capital Equity Holdings	Diversified Financial Services	US	Ardian	FR	500
9/24	Sabah Forest Industries Sdn Bhd	Forest Products & Paper	MY	Pandawa Sakti Sdn Bhd	MY	500
9/22	ET Medical Group	Healthcare-Products	CN	Zhongzhu Holding Co Ltd	CN	495
9/23	Corpus Christi Terminal Services Business	Oil & Gas Services	US	Valero Energy Partners LP	US	465
9/24	Hay Group Inc	HR/Recruiting	US	Korn/Ferry International	US	452
9/21	Pinova Holdings Inc	Chemicals	US	Symrise AG	DE	397
9/21	Guangdong Yihua Real Estate Development Co Ltd, Shantou Rongxin Investment Co Ltd, Meizhou Yihua Property Development Co Ltd	Real Estate	CN	Yihua Enterprise Group Co Ltd	CN	373
9/25	CLH SA	Transportation	ES	Ardian	FR	363
9/21	Sembsita Pacific Pte Ltd (remaining 40%)	Waste Management	SG	Suez Environnement Co	FR	348
9/22	EDAC composites division of EDAC	Aerospace/Defense	US	Meggitt PLC	GB	340
9/21	Dazisailekang Medical Investment Management Co Ltd, Shenzhen Bioland Medical Instruments Co Ltd	Healthcare-Products	CN	Yihua Healthcare Co Ltd	CN	302
9/22	GuaHao.com	Internet	CN	Private Investor	-	300
9/22	Polymetal International PLC	Mining	RU	Polymetal International PLC	RU	300
9/21	Argotec LLC	Miscellaneous Manufacturing	US	Schweitzer-Mauduit International Inc	US	280

Source: Bloomberg [MA<GO>](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.

Bloomberg **BRIEF**



StoryChart

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best StoryCharts of the month.

ACTIVIST SITUATIONS

COMPILED BY MELISSA KARSH, BLOOMBERG BRIEF EDITOR

Significant Actions at Companies Targeted by Activist Investors

COMPANY	ACTIVIST	WHAT HAPPENED
AMP Capital Investors Ltd	LIM Advisors	Activist hedge fund said Sept. 24 it plans to call investor meeting in October to consider a proposal to cut AMP China Fund discount.
Esprit Holdings Ltd	David Webb	Company CEO urged a probe Sept. 23 into speculation from activist that the casual-wear retailer has come under investigation by Hong Kong's Financial Reporting Council. Shares fell Sept. 21 after activist wrote about the investigation on his website.
Strad Energy Services Ltd	Total Energy Services	Activist said Sept. 23 that it won't proceed with takeover bid for company.
BioScrip Inc	Gamco Investors	Activist hedge fund reported in a Sept. 23 Form 13D that its has decreased its stake in company to 16.39 percent from 17.5 percent June 9.
LPL Financial Holdings Inc	Marcato Capital Management	Activist hedge fund reported in a Sept. 22 Form 13D that its has amassed a 6.3 percent stake, saying brokerage firm is undervalued and it may seek talks with management on strategic operational changes.



Family Office

Bloomberg BRIEF

August 27, 2015

Read it here.

Q&A

Acquirers Savor Companies Adapting Government Expertise: Cooley's Lustig

Many companies that are adapting technology developed for the U.S. government for commercial uses are potential M&A targets, says **Andrew Lustig**, a partner in the Reston, Virginia, office of the law firm **Cooley LLP**. Lustig advised Elon Musk's SpaceX on a \$1 billion investment from Google and advised cybersecurity company Blackbird Technologies on its \$420 million sale to Raytheon. He spoke with Bloomberg Brief's John E. Morris and Justin Morton. His remarks have been edited and condensed.

Q: Have potential buyers shifted their interest from government-focused companies to those targeting the private sector?

A: Where before it was the private sector fueling the creation of capabilities that were sold into the commercial and private sectors, now it's [companies] coming out of federal [work] and targeting commercial. Look at a company called Onyara that was recently acquired by Hortonworks. That is a data-analytic capability that came out of [work for the U.S. government]. That team created Onyara to develop that capability. Within 12 to 18 months they were acquired by Hortonworks. That is definitely an emerging trend.

Q: Do you have issues with technology if somebody has developed something for a federal customer base and they want to commercialize it? If so, how does that affect deals?

A: Any buyer or anybody that is doing any kind of transaction with a company that has classified information immediately has to deal with a whole slew of issues. It's very common to have to manage, through them, things like: Who are your owners as a buyer? You have to mitigate any kind of foreign ownership.

Q: Who are the buyers that are driving this demand?

A: For example, there are Fortune 500 companies that have basic supply-chain needs and have always focused on supply-chain efficiency. Now, we are seeing very efficient data-analytic platforms using remote sensor technology

that can move the bottom line numbers and do the kind of supply chain efficiency analytics that [these companies] have been dying to have for years.

The other ones are the cyber [security companies]. The financial institutions, health care, information technology and anybody else who is solving for cyber is taking a very hard look at analytics because that is what is supposed to solve problems.

Q: Are these buyers buying the products or buying the company?

A: Both. It is often one before the other. Those [companies] are getting ingested by customers.

Q: Do the buyers use the product first before they become interested in buying the company?

A: Yes. People are getting sophisticated enough to know how to use analytic platforms — both the consumers as well as other people that try to offer an analytic platform service. A security provider will secure your network by using analytics to surface all kinds of threats that have entered your network and analyze them. If they see a piece of software that makes automating their system easier, the consumer will acquire those companies instead of building the tools themselves.

Q: Are foreign investors interested in these deals in the U.S. and are there concerns about the impact on national security?

A: We are not seeing as many foreign buyers in the marketplace. The buyers we see tend to be domestic buyers. We're seeing a lot of foreign entrants into the marketplace try to take advantage of the financing or become acquired by other

bigger [cyber] solutions [companies] in the area. We see a lot from the U.K.

Foreign buyers from any of the troubled spots overseas are subjected to intense scrutiny and they tend to know it. Acquiring a cyber-solution company as a foreign entity is much harder than it may seem because there are more restrictions.

Q: Would a target accept an offer from a foreign bidder if it's the highest bid?

A: It depends a lot on the [seller's] customer base. For example, Blackbird Technologies has a deep concentration of customers in the intelligence community and Department of Defense [and is] going to be more inclined to sell to a U.S.-based buyer because they already know it will potentially be a big problem with their own customers.

Q: Do you expect more spinoffs in the future?

A: Yes, tons. We see them in services-based federal and commercial companies. There are also very interesting signs in the market that anyone who is trying to double down on their capabilities will find that it is a very target-rich environment to tuck in acquisitions.

Q: What is the demand for acquiring companies that produce drones?

A: There is huge interest. We are seeing significant interest in using aero-drones internationally for crops, oil pipeline management, and to get data to help determine if a crop needs to be watered or locate a disruption in a part of the oil pipeline. You are also seeing an entire industry waiting in anticipation of all the U.S. and domestic drone laws to become more commercial-friendly.

AT A GLANCE



Age: 42

Hometown: Northern Virginia

Career history: Locke Lord, Dallas; joined Cooley in 2001

Favorite recent movie: Anything with Will Ferrell in it

Best recent vacation: Puerto Rico

Favorite sports team: Redskins!

If you could have another career it would be: Farmer

DEAL ARBITRAGE

TARGET	ACQUIRER	DEAL SIZE (\$M)	EXPECTED COMPLETION DATE	OFFER PER SHARE (\$)	TARGET PRICE (\$)	PAYMENT TYPE	SPREAD	PROJECTED ANNUALIZED RETURN	1W CHANGE IN SPREAD	MAJOR MOVE
AGL Resources Inc	Southern Co/The	11,937	12/31/16	66.00	60.88	Cash	8.4%	6.6%	-0.5%	
Altera Corp	Intel Corp	14,355	03/31/16	54.00	50.27	Cash	7.4%	14.4%	0.1%	
Axis Capital Holdings Ltd	Arch Capital Group Ltd	6,560	-	65.00	55.00	Cash	18.2%	0.0%	-3.0%	▼
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	60.10	52.50	C&S	14.5%	54.5%	0.4%	
Baxalta Inc	Shire PLC	29,337	-	36.19	32.96	Stk	9.8%	0.0%	9.4%	▲
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	6.48	Cash	139.0%	0.0%	18.9%	▲
Broadcom Corp	Avago Technologies Ltd	29,806	03/31/16	54.99	52.13	C/S	5.5%	10.7%	0.2%	
Cablevision Systems Corp	Altice NV	17,835	06/30/16	34.90	33.10	Cash	5.4%	7.1%	0.1%	
Cameron International Corp	Schlumberger Ltd	15,153	03/31/16	66.64	64.08	C&S	4.0%	7.8%	-0.2%	
Chubb Corp/The	ACE Ltd	28,986	03/31/16	125.18	122.26	C&S	2.4%	4.6%	-0.4%	
Cigna Corp	Anthem Inc	50,382	12/31/16	176.51	137.48	C&S	28.4%	22.4%	1.2%	
Cytec Industries Inc	Solvay SA	6,091	-	75.25	73.74	Cash	2.0%	0.0%	0.6%	
Freescale Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	36.78	36.45	C&S	0.9%	3.4%	-0.3%	
HCC Insurance Holdings Inc	Tokio Marine Holdings Inc	7,480	12/31/15	78.00	77.57	Cash	0.6%	2.1%	0.1%	
Home Properties Inc	Lone Star Global Acquisitions Ltd	6,818	12/31/15	75.23	74.50	Cash	1.0%	3.7%	0.2%	
Humana Inc	Aetna Inc	28,906	12/31/16	218.82	181.15	C&S	20.8%	16.4%	1.8%	
MarkWest Energy Partners LP	MPLX LP	20,211	12/31/15	47.62	48.00	C&S	-0.8%	-3.0%	-3.0%	▼
Micron Technology Inc	Tsinghua Holdings Co Ltd	22,973	-	21.00	14.91	Cash	40.8%	0.0%	4.1%	▲
Office Depot Inc	Staples Inc	5,854	12/31/15	9.96	6.96	C&S	43.1%	162.0%	5.0%	▲
PartnerRe Ltd	EXOR SpA	6,066	12/31/15	140.50	137.82	Cash	1.9%	7.3%	0.1%	
Pepco Holdings Inc	Exelon Corp	12,185	09/30/15	27.25	23.70	Cash	15.0%	1093.5%	-1.2%	
Perrigo Co PLC	Mylan NV	34,870	11/13/15	175.30	160.90	C&S	8.9%	66.7%	2.5%	▲
Precision Castparts Corp	Berkshire Hathaway Inc	35,658	03/31/16	235.00	229.03	Cash	2.6%	5.1%	-0.1%	
Sigma-Aldrich Corp	Merck KGaA	16,395	09/30/15	140.00	139.51	Cash	0.4%	25.6%	0.0%	
Solera Holdings Inc	Vista Equity Partners et al	5,768	03/31/16	55.85	55.29	Cash	1.0%	2.0%	-2.1%	▼
TECO Energy Inc	Emera Inc	10,222	06/30/16	27.55	26.49	Cash	4.0%	5.2%	0.4%	
Time Warner Cable Inc	Charter Communications Inc	79,250	12/31/15	199.27	183.79	C&S	8.4%	31.7%	0.8%	
Towers Watson & Co	Willis Group Holdings PLC	8,095	12/31/15	109.06	119.90	Stk	-5.0%	-18.7%	-4.6%	▼
Williams Cos Inc/The	Energy Transfer Equity LP	69,732	-	43.50	41.60	Stk	4.6%	0.0%	-0.2%	
Williams Partners LP	Williams Cos Inc/The	14,129	09/30/15	46.38	35.74	Stk	29.8%	2174.1%	-5.3%	▼

MARB <GO> North American deals

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock

EDITOR'S CORNER

Grab a Beer, Turn on the TV as the Deals Keep Coming

BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR



In this year of the M&A revival, no deal is too ambitious.

Last week, **SABMiller Plc** revealed that **Anheuser-Busch InBev NV** had approached it about a deal that would combine the world's biggest brewers, eclipsing the biggest deal so far this year and sending antitrust regulators scurrying to figure out how to cope with consolidation on this scale. (Read more on that news [here](#).)

Meanwhile, French media mogul **Patrick Drahi** was busy proving he's a man of his word. He said he wanted to buy his way into the U.S. cable business and he has. His \$17.8 billion deal last week to buy **Cablevisions Systems Corp.** came on the heels of his \$6.6 billion deal for **Suddenlink** (aka **Cequel Communications LLC**) in

May, and eventually he'd like to own an American wireless carrier, [he says](#). That's ambition.

And even more megadeals are in the pipeline.

On Sept. 14, **Mylan NV** formally launched its \$35 billion hostile offer for **Perrigo Co. Plc** after five months of sparring between the drugmakers. If shareholders accept, this will rank in the year's top 10.

If it isn't bounced off the list by an energy deal, that is. **Energy Transfer Equity LP** is likely to prevail in its unsolicited bid for **Williams Cos.**, Bloomberg reported last week. That would be worth north of \$70 billion and would rank as number 3 or 4 this year as things now stand.

Meanwhile, **Charles and James Dolan**, who many believed would never give up control of Cablevision, may have [another deal or two](#) up their sleeves. Their **Madison Square Garden Inc.** is poised to split its sports teams and real estate from its cable TV networks this month. That may be a prelude to a sale of the latter, the latest step in the realignment of cable content and distribution.

I think there's a technical word for this kind of momentum: snowballing. Get ready for a wild autumn of activity, folks.

How the Year's Top 10 List Is Shaping Up

TARGET	INDUSTRY	ACQUIRER	VALUE (\$M)
SABMiller	Brewing	Anheuser-Busch InBev	104,000*
BG Group	Oil & Gas	Royal Dutch Shell	79,308
Time Warner Cable	Media	Charter Communications	79,250
Williams Cos.	Pipelines	Energy Transfer Equity	70,000*
Kraft Foods	Food	H.J. Heinz	55,423
Cigna	Health-Care Services	Anthem	50,382
Hutchison Whampoa (remaining 50%)	Holding Companies	CK Hutchison Holdings	41,705
Allergan's generic drug business	Pharmaceuticals	Teva Pharmaceutical	40,500
Precision Castparts	Metal Fabrication	Berkshire Hathaway	35,658
Perrigo Co PLC	Pharmaceuticals	Mylan	34,870
Broadcom	Semiconductors	Avago Technologies	29,806

Source: Bloomberg [MA<GO>](#) *Estimated minimum deal value **Highlighted mergers not yet agreed.**

QUOTED

"We'll see if we can buy more cable systems before we go to mobile."

— Altice head [Patrick Drahi](#) outlining his expansion targets in the U.S.



In 1998 **Susan Wojcicki** charged \$1,700 a month to rent her Menlo Park, California, garage to Stanford University grad students **Larry Page** and **Sergey Brin**, she [said](#) at a conference last week. After founding Google, they hired Wojcicki, who is now CEO of YouTube.

WEEK IN NUMBERS

- **\$6,712:** Per-subscriber [price](#) **Altice** is paying for **Cablevision**
- **\$4.3 billion:** Estimated value of **Dolan family** [fortune](#) after Cablevision sale
- **\$89 a metric ton:** Recent price of metallurgical [coal](#) — about one quarter its price four years ago

IN THIS ISSUE

INSIGHT: CABLE. Altice is [paying up](#) to bulk up with its **Cablevision** acquisition.

DEALMAKER. Altice founder **Patrick Drahi** is [using](#) the techniques he learned working for **John Malone** to compete with Malone.

SELLERS. Does the **Dolans'** decision to sell **Cablevision** [signal](#) the end of cable?

BEER & TAXES. Altria, **SABMiller's** biggest shareholder, may prefer to be paid in [stock](#) if SAB is sold to **Anheuser-Busch InBev**.

INDUSTRY FOCUS: COAL. Eighty percent of high-grade coal producers in the U.S. are [for sale](#) or in bankruptcy because of low prices, one industry executive said last week.

MERGER MONDAY A ROUND-UP OF TODAY'S LARGEST DEALS AND DEALMAKING NEWS

Deutsche Wohnen Offers to Buy Rival Landlord

Deutsche Wohnen AG, Germany's second-largest residential landlord by market value, agreed to buy competitor **LEG Immobilien AG** as it strives to keep up with market leader **Vonovia SE**.

The deal values LEG at 4.6 billion euros (\$5.2 billion) excluding debt. The transaction, which would cement Deutsche Wohnen's ranking with 250,000 rental apartments, is the latest in an intensifying battle for size in the German publicly-traded residential sector.

"It looks to me like a defensive move against potentially being taken out by Vonovia, rather than a move that makes a lot of financial sense in its own right," said Peter Papadakos, an analyst at Green Street Advisors in London. "The 13 percent premium strikes me as a rather full price."

Vonovia is in the early stages of considering a counteroffer, one person familiar with the matter said. No decision has been made, the person said.

A representative for the company declined to comment.

— Dalia Fahmy, Aaron Kirchfeld and Dinesh Nair, Bloomberg News

Starwood Waypoint, Colony American to Merge

Starwood Waypoint Residential Trust and **Colony American Homes**, two of the largest U.S. single-family home landlords, said they will merge in an all-share deal that creates a company with \$7.7 billion in assets and more than 30,000 homes.

Shareholders of Oakland, California-based Starwood will own 41 percent of the combined business and investors in Colony American will hold the rest, the companies said in a statement Monday. The deal is valued at \$1.53 billion, according to data compiled by Bloomberg. Scottsdale, Arizona-based Colony American was formed in 2012 by Colony Capital Inc., according to the deal announcement.

— Prashant Gopal and Heather Perlberg, Bloomberg News

Dialog Shares Slump After \$4.6B Deal to Acquire Atmel

Dialog Semiconductor Plc fell the most in almost seven years in Frankfurt trading today after agreeing yesterday to buy **Atmel Corp.** for about \$4.6 billion — more than its own market value — to expand into the automotive industry and everyday objects that are increasingly connected to the Internet.

The cash-and-share offer for San Jose, California-based Atmel, a maker of chips used in industrial machinery and cars, values the target at \$10.42 a share, or 43 percent more than the stock's last closing price.

Reading, England-based Dialog, which supplies chips used in Apple Inc.'s iPhone and iPad, planned to combine with Austria's AMS AG last year before that deal fell apart.

Chief Executive Officer **Jalal Bagherli** said Dialog had to compete with other bidders to win Atmel, a deal that would add complementary products for the automotive industry and so-called Internet of things to create a company with \$2.7 billion in annual revenue. It would also reduced Dialog's dependence on Apple, its largest customer.

— Amy Thomson and Stefan Nicola, Bloomberg News

Biggest Deals Since Friday

TARGET	INDUSTRY	COUNTRY	ACQUIRER	VALUE (\$M)
LEG Immobilien AG	Real Estate	DE	Deutsche Wohnen AG	8,531
Atmel Corp	Semiconductors	US	Dialog Semiconductor PLC	4,329
Colony American Homes Inc	Real Estate	US	Starwood Waypoint Residential Trust	1,529
Sanya Luhuitou Tourism Zone Development Co Ltd	Leisure Time	CN	Zhonghong Holding Co Ltd	1,165
Pinova Holdings Inc	Chemicals	US	Symrise AG	397

Source: Bloomberg [MA<GO>](#)

Real estate assets, joint ventures and stock buybacks excluded

Zurich Drops RSA Bid as Claims Hit Insurer's Profit

Zurich Insurance Group AG abandoned a 5.6 billion-pound (\$8.7 billion) offer for **RSA Insurance Group Plc** as the Swiss company grapples with a surge in claims that will lead to a quarterly loss at its biggest unit.

The dropped bid puts the focus back on the \$3 billion in excess capital Zurich had planned to use to acquire RSA. The insurer on Monday reiterated that it intends to either distribute the money to shareholders or acquire another company. Difficulties at the general insurance unit may hamper the company's efforts to meet profit targets set for the end of next year.

The general insurance unit, Zurich's largest business, will be affected by claims from a series of explosions in China last month that may come to about \$275 million. The unit will also be hit by an increase in reserves for U.S. auto liabilities and other services of around \$300 million.

— Jeffrey Vögeli, Bloomberg News

Symrise Agrees to Buy U.S. Scent Maker for \$397 Million

German fragrance and flavor maker **Symrise AG** agreed to buy **Pinova Holdings Inc.** in the U.S. for \$397 million to expand in perfume and cosmetic ingredients.

The purchase is expected to close at the beginning of next year and will lead to annual cost savings of 20 million euros (\$23 million) by 2020, the Holzminden, Germany-based company said Monday in a statement. Brunswick, Georgia-based Pinova is owned by Canadian buyout company **TorQuest Partners**.

The agreement comes a year after Symrise bought Diana Ingredients for 1.3 billion euros, which helped it close the gap on larger rivals Givaudan SA and International Flavors & Fragrances Inc. Pinova, which had sales of \$287 million last year, specializes in fragrances derived from natural and renewable raw materials including products based on wood and orange oils.

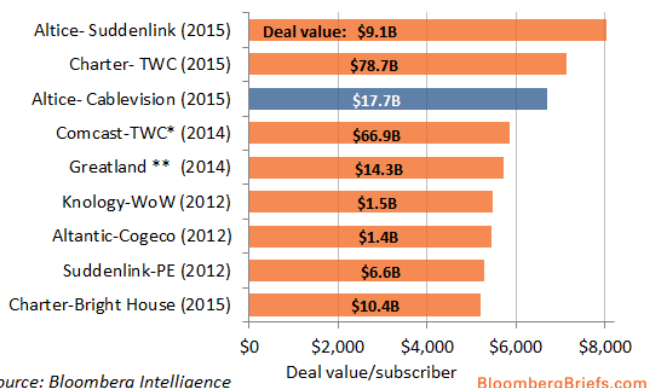
— Sheenagh Matthews, Bloomberg News

INSIGHT: CABLE

BY GEETHA RANGANATHAN & PAUL SWEENEY, BLOOMBERG INTELLIGENCE ANALYSTS

Drahi's Altice Races Malone's Charter to Gain Scale in U.S. Cable Market

Altice Is Paying Rich Per-Subscriber Price



*Terminated

**Comcast-TWC spinoff/joint venture with Charter, contingent on main deal and hence terminated

Altice NV's planned purchase of **Cablevision Systems Corp.** will add 2.64 million video subscribers to the 1.1 million **Suddenlink** subscribers that it acquired in May, giving the company a total of 3.7 million video customers (orange bars in chart).

In addition to the cable base, Altice will gain 4 million high-speed data subscribers with Cablevision, making it the sixth-largest U.S. broadband provider.

The \$17.8 billion price equates to \$6,712 per video subscriber. The multiple is a substantial premium to **Comcast Corp.**'s \$5,800 per customer average in its failed Time Warner Cable and Greatland transactions in 2014, which were terminated due to regulatory issues.

Altice is banking on an aggressive synergy target of \$900 million to support its high Cablevision price tag. In May, Altice acquired a 70 percent stake in Suddenlink, valuing it at about \$8,040 per video customer.

Cablevision's presence in the affluent area of metropolitan New York gives it higher triple-play penetration of 65 percent versus Suddenlink's 28 percent, limiting growth opportunities from multi-play sales.

Cablevision also has the highest overlap with Verizon's fiber services among large cable operators. Suddenlink faces no high-speed broadband competition in 92 percent of its network.

— With contributions from Bloomberg Intelligence analyst Erhan Gurses

REAL ESTATE

THIRD QUARTER 2015

GERMAN SPECIAL EDITION

Bloomberg
BRIEF

Read it here.

DEALMAKER

Patrick Drahi Vs. John Malone: A Student Takes On His Teacher

BY AMY THOMSON AND MARIE MAWAD,
BLOOMBERG NEWS



Photo: Bloomberg/
Ivan Guilbert
Patrick Drahi

Patrick Drahi would be the first to say that he learned a lot from John Malone: When to raise the stakes, when to fold, and how to use other people's money to build a cable empire — and a vast fortune. Now, the French billionaire is poised to become a top rival to

his erstwhile mentor.

Drahi on Thursday announced a \$17.8 billion deal to buy **Cablevision Systems Corp.**, part of an expanding U.S. cable operation that will come into direct competition with a cable provider backed by Malone. A key battleground is the lucrative New York metro area, where the two companies have huge operations.

Drahi, 52, learned the older man's knack for aggressive leveraged buyouts and quick expansion in 1999 after he sold a company to Malone's UPC unit in Switzerland. "Junior Malone," as his colleagues call him, stayed on to help run the business until he left to found investment holding group **Altice** in 2002. Altice has become one of Europe's leading providers of cable TV and telecommunications.

"John Malone is my role-model," Drahi told reporters in Paris in May. "He's an engineer who started with nothing and got to where he is today. He's not afraid to take risks."

The two have faced off before, and in one of the biggest recent tussles, Malone, 74, came out on top. In May he won **Time Warner Cable Inc.**, which when combined with **Charter Communications Inc.** — the cable provider he backs — will become a stronger No. 2 U.S. cable operator behind **Comcast Corp.** Drahi's Altice, which had also looked at Time Warner Cable, earlier this year agreed to

buy a majority of **Suddenlink Communications**, a regional cable player with strongholds in the south and west.

Drahi's playbook is similar to Malone's in that he'll often buy smaller players in a market and combine them into a formidable rival to incumbents, as he did in France with Altice. In 2004, the company won approval to buy cable systems from France Telecom SA, Canal Plus SA and Telediffusion de France. Two years later, he found himself across the table from his mentor, buying the UPC France unit from Malone's Liberty Global.

That trajectory mirrors Malone's rise to prominence in Europe, where he has spent \$50 billion in the past decade creating a global powerhouse with purchases of assets such as Britain's Virgin Media and Ziggo in the Netherlands.

Though Drahi is doing pretty much what his old teacher does, he's making more money. His net worth has soared to \$16.1 billion, up 37 percent this year, according to the Bloomberg Billionaires Index, making him the world's 50th-wealthiest person. Malone's fortune has jumped 20 percent, to \$8.6 billion, placing him at No. 137 on the Bloomberg list.



Photo: Bloomberg/
David Paul Morris
John Malone

Drahi, whose principle assets are in France — where he controls the mobile and cable business Numericable-SFR SAS — has said he wants to broaden his holdings to get half his revenue from the U.S. In the first half of 2015, Altice got more than 85

percent of its 6.8 billion euros (\$7.7 billion) in sales from Europe, with a smaller portion coming from Israel, the Dominican Republic and French territories.

After the Cablevision deal, about 30 percent of Altice's business will be in the U.S. and about half in France, the company said Thursday. To reach his target, Drahi has said he's aiming to pull together more U.S. cable, telecommunications and media companies.

"If I buy five small assets in the U.S., I become as big as Time Warner Cable, and it'll cost me less," Drahi said in May. In the U.S., "the big guys have their hands tied, and I can grow by buying smaller players."

Altice's Biggest Acquisitions

DATE	TARGET	SELLER	VALUE (\$M)	TV/EBITDA
9/17/15	Cablevision Systems		17,835	9.8x
7/27/15	NextRadioTV (remaining 62%)		438	15.6x
5/20/15	Cequel Communications (aka Suddenlink) (70%)	Canada Pension Plan Investment Board, BC Partners	6,300	7.3x
2/18/15	Numericable-SFR SAS (10%)	Vivendi SA	2,209	33.9x
12/1/14	PT Portugal SGPS	Oi SA	7,233	NA
4/7/14	Numericable-SFR SAS (34.6%)	Carlyle Group, Cinven	5,483	11.3x
3/14/14	Societe Francaise du Radiotelephone (SFR)	Vivendi SA	18,765	5.3x
11/18/13	Numericable-SFR SAS (10%)	Carlyle Group, Cinven	428	5.4x

Source: Bloomberg [MA<GO>](#)

Continued on next page...

DEALMAKER ...

Continued from previous page...

Drahi Wants More U.S. Cable Deals After Buying Cablevision

BY GERRY SMITH AND SCOTT MORITZ,
BLOOMBERG NEWS

French-Israeli billionaire **Patrick Drahi** said he isn't done buying U.S. cable providers and may eventually want to acquire a mobile-phone company.

Speaking just hours after his European telecom company, **Altice NV**, scooped up **Cablevision Systems Corp.** in a \$17.7 billion deal, Drahi said at a media conference Thursday in New York that he can "still grow the size of the business in the U.S." and that he saw "more opportunities to consolidate."

Drahi, who just months ago entered the U.S. cable market by taking a stake in smaller provider **Suddenlink Communications**, said "at some point" he would also like to own an American wireless provider, but said it would take some time.

"We are too small," he said on stage at the Goldman Sachs Communacopia conference. "We'll see if we can buy more cable systems before we go to mobile."

Asked after the conference which cable operator he'd like to buy next, Drahi answered: "All of them, basically."

The billionaire, who is known for his cost-cutting approach to management, highlighted the "many layers of people



Photo: Bloomberg/
Ivan Guilbert
Dexter Goei

who are very highly paid" at Cablevision.

"I don't like to pay salaries," he said. "I pay as little as I can."

In the wireless market, Drahi's options are limited to three smaller operators, according to Jackdaw Research LLC analyst Jan Dawson: **T-Mobile US Inc.**, partly owned

by Germany's **Deutsche Telekom AG**; **Sprint Corp.**, controlled by Japan's **Softbank Group Inc.** and

TracFone, part of **Carlos Slim's** telecom empire.

"Realistically, there are only three options in the U.S. wireless market they could go for," Dawson said, adding that Deutsche Telekom has been looking for a buyer for T-Mobile.

T-Mobile would be the most attractive because it's gaining subscribers and returned to profitability last quarter. Sprint might not be on the market now that SoftBank President **Masayoshi Son** has publicly committed to turning around the struggling carrier.

Altice could also enter the U.S. wireless

market by stitching together Wi-Fi and cellular networks, as Google Inc. has recently done with its service, Project Fi, said Kevin Roe of Roe Equity Research LLC in Dorset, Vermont.

"I don't think it is a necessity for Altice to go out and buy T-Mobile; he has many other options," Roe said.

Annie Garrigan, a spokeswoman for T-Mobile, declined to comment, so did Sprint spokesman David Tovar declined to comment. TracFone representatives didn't immediately respond to messages seeking comment.

In the Cablevision deal, Altice teamed up with **BC Partners** and **Canada Pension Plan Investment Board**, which have an option to buy as much as 30 percent of the U.S. cable company. Eventually, after it has digested the Cablevision and Suddenlink acquisitions, Altice might seek to list its American assets in the U.S., said its chief executive officer, **Dexter Goei**.

"It's not something that we like to do as we go through the integration processes, but thereafter, we'll clearly be looking at that," Goei said on a conference call with analysts earlier Thursday. "Particularly since we have two private equity partners, who at some point want some liquidity."

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SELLERS: THE DOLANS

Did the Dolans Just Call the End of Cable With Cablevision Sale?

BY ALEX SHERMAN, BLOOMBERG NEWS

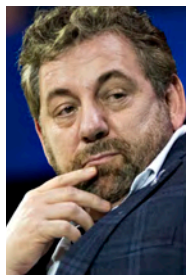


Photo: Bloomberg/
Daniel Acker
James Dolan

Charles and James

Dolan spent 37 years building **Cablevision Systems Corp.** into a telecommunications and media powerhouse. Over the last five, they have systematically dismantled it. If and when the \$17.8 billion sale to **Altice SA**, announced Thursday,

goes through, they will officially be out of the business of providing cable to customers.

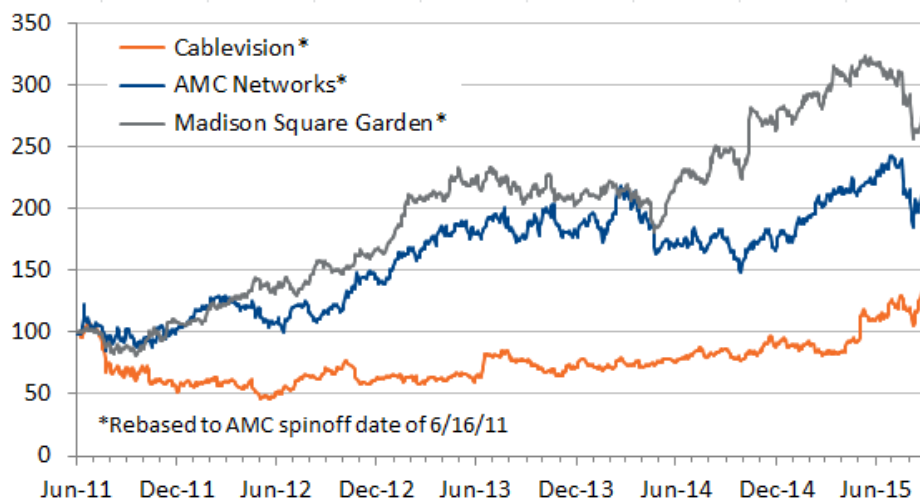
The deal will be lucrative for the Dolans, who control about 72 percent of Cablevision's votes, and for their investors, who will get \$34.90 a share, almost double the company's share price less than six months ago. It also suggests the Dolans think that the best days of cable are behind them.

The Dolans' timing has raised some eyebrows, given their extensive experience in the industry. "That the Dolan family has finally decided that now is the time to sell, after thirty years of feeling just the opposite, is perhaps a bit unsettling," Craig Moffett, of New York-based research firm MoffettNathanson LLC, wrote in a note to clients.

The pressure on cable companies has been growing. Cable providers have been losing TV subscribers en masse since 2010 as customers have cut service to watch video on cheaper alternatives such as Netflix Inc. and have switched to rival providers, including FiOS, DirecTV and Dish Network Corp. And the Obama administration has been threatening to regulate broadband, which could hurt profits if price increases are eventually capped.

Cablevision, specifically, has been facing increased competition from Verizon Communications Inc.'s FiOS service. The territory of the two providers overlaps significantly in the New York area, forcing

Cablevision Spinoffs Have Outperformed Parent



Source: Bloomberg [GP<GO>](#)

[BloombergBriefs.com](#)

Cablevision to compete on price.

Cablevision began its disintegration in 2010 with the spin-off of **Madison Square Garden Co.**, owner of the New York Knicks basketball team and the New York Rangers hockey team. Shares of MSG, which the Dolan family still controls, have since gained more than 250 percent. Another spin-off, **AMC Networks Inc.**, which began trading in June 2011, has more than doubled. The Dolan family remained in control of each, and today, their personal fortune is valued at \$4.3 billion, according to Bloomberg Billionaires.

In 2013, Cablevision sold Bresnan Broadband Holdings LLC, a collection of Northwest U.S. cable assets, to Charter Communications Inc. for \$1.6 billion, and MSG found a buyer for Fuse for \$226 million and a 15 percent equity stake a year later.

The Dolans may also be looking to sell the cable networks they still own through MSG. That company plans to split into two on Sept. 30: One entity will own the sports teams and real estate, including Madison Square Garden and Radio City Music Hall, and the other will own its regional sports networks. The split paves

the way for MSG to sell its cable networks to 21st Century Fox Inc. or Comcast Corp., Brandon Ross, an analyst for BTIG in New York, said in April.

While the Dolans unravel their cable business, others are betting that cable's best days may be still to come. Altice and Charter Communications Inc., which proposed to buy Time Warner Cable Inc. for about \$79 billion, have paid rich multiples for their recent purchases.

Both AMC Networks and Madison Square Garden have "brighter prospects today than ever before," James Dolan said Thursday in a statement. AMC is in preliminary talks to merge with Starz LLC, according to people familiar with the matter.

James Dolan is in line to receive at least \$128 million if he's dismissed as CEO after Altice acquires the company, according to company filings. If nothing else, the 60-year-old could have more time to devote to his band, JD & The Straight Shot, and to rebuilding the Knicks, who have posted a losing record 11 of the last 14 years.

— With assistance from Anders Melin in New York and Robert LaFranco in London

BEER & TAXES

When Cash Isn't King: Altria Better Off Taking AB InBev Stock in Brewers' Merger

BY JENNIFER KAPLAN, BLOOMBERG NEWS

Anheuser-Busch InBev NV's pursuit of history's biggest beer merger carries a downside for **Altria Group Inc.**, the top shareholder in would-be target **SABMiller Plc.**

The Richmond, Virginia-based tobacco company owns 27 percent of SABMiller, meaning it would get a big windfall from a takeover. But Altria also faces billions of dollars in capital-gains taxes because of how long it's held the stake and how much the shares have risen.

The situation means Altria is probably pushing for a transaction that would pay it in AB InBev shares, which wouldn't trigger a massive bill from the taxman. Other scenarios also could potentially reduce the burden for Altria, including the possibility that the tobacco company acquires an asset from the beer giants in lieu of cash.

"In an all-cash deal, they will have significant cash consequences," said Jack Russo, an analyst at Edward Jones & Co. "If this gets done, we'd probably be looking at a combination stock-cash deal. I think that would appease Altria."

SABMiller, based in London, announced last week that AB InBev was considering a takeover offer.

An offer for SABMiller would probably have to be at least a 30 percent premium to its stock price before Wednesday's run-up, or more than 39 pounds (\$60) a share, according to an analyst note from Sanford C. Bernstein. That would value SABMiller's equity at about 63 billion pounds, or \$98 billion, and would mean a

deal value, with debt of about \$104 billion, according to data compiled by Bloomberg.

Altria's 27 percent equity stake would be worth about \$26 billion. If it paid a 35 percent tax rate on the entirety, the toll would be in the ballpark of \$9 billion. That's seen as an unlikely scenario.

Altria's stake in SABMiller dates back to when Altria was known as Philip Morris and purchased Miller as part of an effort to build a beverage and food

"[Altria] will want to stay invested in AB InBev if they can."

— JACK RUSSO, EDWARD JONES

conglomerate. Stock prices were significantly lower then, which means the entire current stake could be taxed, Russo said. The size of that liability is the primary reason Altria hasn't sold its stake before, he said.

"When they did the deal, the SAB price was about four or five pounds, and now it's 38," said Ian Shackleton, a London-based analyst at Nomura International Plc. "Think about the capital gains they've got locked up. It's huge."

Even if the deal could free up cash after taxes for Altria, the tobacco company may prefer to retain an interest in the merged brewer. Its SABMiller stake earned almost

\$1 billion in equity income for Altria last year, Russo said.

"They'll want to stay invested in AB InBev if they can," Russo said. With three seats on SABMiller's board, Altria will hold sway over whatever happens. Sarah Knakmuhs, a spokeswoman for Altria, declined to comment.

AB InBev has typically paid for past acquisitions with cash or debt. The company, which owns brands such as Budweiser and Stella Artois, has used cash in 82 percent of its \$129 billion worth of deals, according to data compiled by Bloomberg Intelligence. AB InBev used cash and debt with an additional 7 percent of their acquisitions.

There also may be other ways for Altria to reduce taxes. In a deal orchestrated by billionaire Warren Buffett last year, he agreed to unload a stake in Procter & Gamble Co. in exchange for the Duracell battery business. That transaction is poised to save both sides billions in taxes and could be a model for Altria. The tobacco company could acquire a U.S. beer business as part of the AB InBev deal, possibly letting Altria sell it later in a more tax-friendly way.

In any case, Altria will have a key role in negotiating a potential transaction, Russo said.

"They've been a pretty good owner — a pretty patient, quiet owner — of SABMiller for a long time," he said. "They'll try to take their concerns into consideration."

Click [here](#) for last week's special issue of Mergers devoted to the proposed brewery merger.



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INDUSTRY FOCUS

Coal Under Siege Offers 'Red Hot' Bargains to Willing Buyers

BY MARIO PARKER AND TIM LOH,
BLOOMBERG NEWS

It's a buyer's market for anyone who dares to touch America's coal mines.

Miners producing 80 percent of the best-quality U.S. coal are either for sale or in bankruptcy, **Corsa Coal Corp.** Chief Executive Officer **George Dethlefsen** said at a coal marketing conference organized by Platts in Pittsburgh Sept. 17.

"Everything's for sale," Kurt Oehlberg, managing director at FBR Capital Markets, said at a separate industry event in Vancouver. "The problem is, how do you make transactions happen when everyone's selling, and very few people are buying?"

Coal is suffering from a global glut as the world's economy has slowed and cheap natural gas steals from its share of the power generation market. U.S. producers are also facing mounting environmental and mining regulations and a strong dollar that's marooned the fuel to the domestic market.

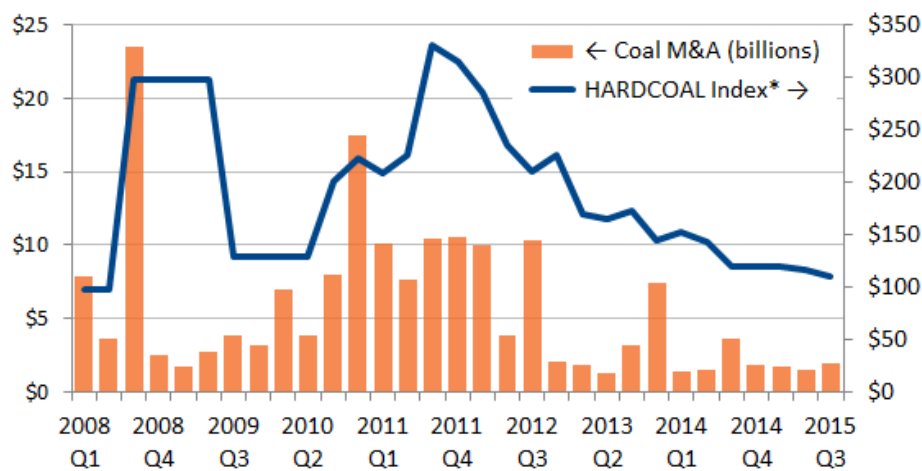
"M&A activity is red-hot," Dethlefsen said in an interview at the Platts Coal Marketing Days conference in Pittsburgh. "There's an incredible amount of assets for sale. It's great for consolidators."

Distressed miners, however, are so dependent on their best assets that they can't sell those at fire-sale prices. And the small group of potential buyers out there aren't willing to pay top dollar and aren't interested in lower-quality coal mines. Buyers will have to find assets that check most of their boxes, Oehlberg said at the Coal Association of Canada's conference in Vancouver.

"Everyone wants the gems, but more often than not, they're diamonds in the rough," he said.

Alpha Natural Resources Inc., **Walter Energy Inc.**, and **Patriot Coal Corp.** are among U.S. miners that have sought bankruptcy protection this year amid the industry slump that has sent the quarterly benchmark price for coal used in steelmaking to the lowest level in over a

Fewer Coal Assets Have Sold as Coal Prices Have Fallen



Source: Bloomberg

* End of prior quarter

BloombergBriefs.com

decade. In February, West Virginia businessman **Jim Justice** paid Russia's **OAo Mechel** \$5 million and assumed some debt to re-acquire operations that he sold to it in 2009 for \$568 million.

The global metallurgical coal benchmark for the fourth quarter settled last week at \$89 a metric ton, the lowest price since March 2005, according to Doyle Trading Consultants, a Grand Junction, Colorado-based industry analyst.

Dethlefsen, whose company is backed by **Quintana Capital Group LP**, a Houston-based private equity firm, said metallurgical coal prices will recover as consolidation picks up and larger companies exercise some discipline in their output.

That could mean an increase of as much as \$40 a ton over the current benchmark price in the next two to four years, he said.

"Domestically, it may be faster than that," Dethlefsen said. "You've got a very, very vulnerable supply chain.

Domestically, the industry is close to

being balanced" because of bankruptcies and mine closures.

Toronto-based **Corsa** is shopping for assets, he said. And it isn't alone.

Westmoreland Coal Co., based in Englewood, Colorado, is looking at "a few acquisitions in the U.S. right now," company president **John Schadan** said in an interview in Vancouver. **Royal Energy Resources Inc.** said last month it plans to pay billionaire **Chris Cline** \$20 million for two operations in West Virginia and Ohio. Meanwhile, Cline is shopping from North America to Australia.

Last December, his **Cutlass Collieries** venture bought the Donkin Project in Nova Scotia from **Glencore Plc** and **Morien Resources Corp.** Cline was attracted by its access to ports, cost structure, the quality of the local workforce and its coal reserves, which total more than 500 million tons, **Paul Vining**, chief executive officer of Cutlass Collieries, said at the Vancouver conference.

"Reserves are your core value that you start with," he said.

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CORPORATE INVERSIONS

With Big Deals Quiet, Treasury Waits on Next Anti-Inversion Rule

BY RICHARD RUBIN, BLOOMBERG NEWS

The U.S. Treasury Department last September issued a stern warning to companies examining inversion deals: Tough rules are coming.

A year later, the companies and their tax lawyers are still waiting. The government hasn't released its first detailed rules. And a potential second set targeting maneuvers that push profits out of the U.S. isn't expected any time soon.

The political heat around corporate inversions — deals where U.S. companies take foreign addresses and cut their tax rates — has faded since last year. Then, President Barack Obama questioned companies' "economic patriotism" and turned an arcane corner of the tax code into a populist cause.

Even without the rules, Treasury's crackdown has yielded some apparent success, stopping **Abbvie Inc.** from completing what would have been the largest inversion. And the inversions announced since the government's notice on Sept. 22, 2014, have been smaller than the deals involving name-brand companies that attracted attention from lawmakers and the public last year.

"Am I seeing a chilling effect? Sure," said David Shapiro, an international tax lawyer at Saul Ewing LLP in Philadelphia. "If you have any doubts about whether you're clear under the notice, you're staying far away."

That's partly because the government provided some details in its notice last year and said its rules — whenever they are released — will be retroactive to the date of the notice. That announcement outlined the potential changes, but the fine print that tax lawyers depend on hasn't been filled in.

"I think the Treasury is simply stymied," said Steve Rosenthal, a senior fellow at the Tax Policy Center in Washington. "For the government, putting guidance or action on hold is always the easiest thing. Trying to get anything out of the government is a challenge."

The lack of regulations could also be a strategic move by the government, intended to keep dealmakers on edge.

The Treasury Department said in an e-mailed statement that it is continuing to review its options. "When Congress failed

to act, Treasury used its existing authority to take targeted steps last fall to reduce the benefits of these transactions," Treasury said. "This action had an important effect, but only Congress can close this loophole entirely."

The response to Treasury Secretary Jacob J. Lew's call for Congress to act against inversions is going even more slowly. Legislation to slow inversions won't advance in the Republican-led Congress outside of a much larger tax plan. The administration and top Republicans have been discussing a broader revamp of international tax rules that would limit the advantages to companies of moving their addresses overseas.

"When Congress failed to act, Treasury used its existing authority to take targeted steps last fall to reduce the benefits of these transactions."

— TREASURY

That's moving slowly, too, and it's in danger of getting pushed to 2017 as the presidential race takes precedence over hashing out the kind of bipartisan tax deal that has eluded Congress for years.

Treasury acted in 2014 after a wave of large U.S. companies completed or attempted inversions, typically through transactions in which they acquired a smaller foreign company and then took an overseas address. By September 2014, **Burger King Worldwide Inc.**, **Medtronic Inc.** and **Mylan Inc.** were all in the process of inverting — and all eventually completed those deals. The Obama administration struggled to figure out what to do. It tried to get Congress to budge, but nothing happened. Eventually, the

government settled on a collection of rules, outlined in last September's notice.

The notice said the government would make it harder for U.S. companies to borrow against their foreign cash to finance inversions. It also tightened the calculations for when a deal triggers anti-inversion restrictions in the tax code and changed how passive assets would be counted in those tallies.

And it limited maneuvers by companies to shrink themselves by paying extraordinary dividends before a deal so they would escape the arithmetic tests in the anti-inversion law.

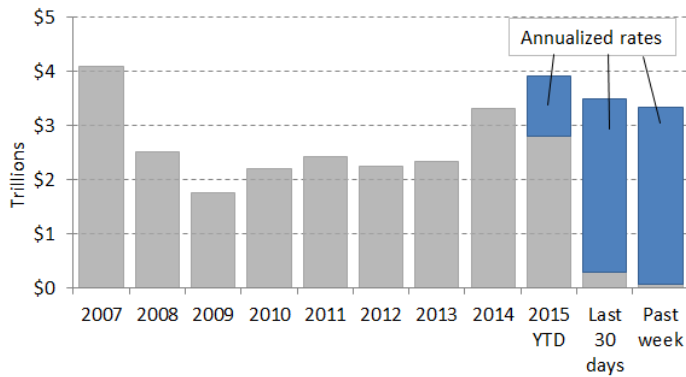
After Sept. 22, 2014, as Treasury started working on the rules, lawyers and some business groups asked for clarity. Insurers, in particular, warned that the rules on passive assets could make ordinary cross-border mergers more difficult. Some inversions have moved forward in the past year. **CF Industries Holdings Inc.** plans to get a legal address in the U.K. after a deal with **OCI NV**. **Terex Corp.** will end up with an address in Finland.

Less-publicized deals involving closely held companies have also been affected, triggering anti-inversion provisions and forcing the deals to be reworked, Shapiro said. Still, Treasury hasn't taken clear steps against the practice known as earnings stripping, in which companies load up their U.S. subsidiaries with deductions and shift income to low-tax countries. One thing lacking over the past year was a deal from a name-brand, iconic American company whose potential defection can stoke outrage from members of Congress, labor unions or the public. In 2014, well-known U.S. companies such as **Walgreen Co.** and **Pfizer Inc.** explored inversions and Burger King completed its merger with **Tim Hortons Inc.** and move to Canada. This year, **Monsanto Co.** explored an inversion and then abandoned it for reasons unrelated to taxes. Since then, what's become more attractive — and worrisome to lawmakers — are deals in which larger foreign companies buy U.S.-based companies, shrinking the U.S. tax base. A recent example is the purchase by **Altice NV**, based in the Netherlands, of **Cablevision Systems Corp.**

WEEK IN REVIEW: M&A TRENDS COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

A Super-Sized Cable Deal Skews Totals to Communications and North America

Pace of Dealmaking

Source: Bloomberg [DMON<GO>](#)

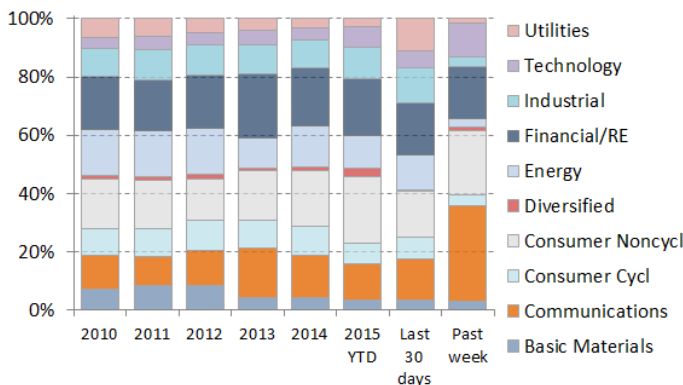
BloombergBriefs.com

At \$63.7 billion, global deal volume last week was slightly below the 20-month average of \$65.1 billion, according to data compiled by Bloomberg.

There were nine new deals worth more than \$1 billion and four worth more than \$5 billion.

The biggest deal news of the week — a possible merger of **Anheuser-Busch InBev NV** and **SABMiller Plc** that would be worth more than \$100 billion — isn't included in the total because the parties are simply talking.

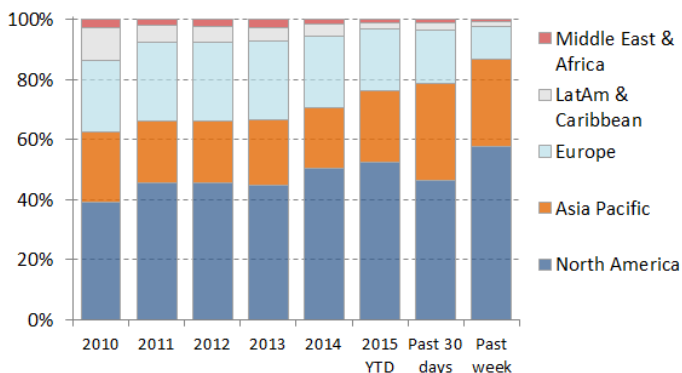
Sector Breakdown

Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

With **Altice NV's** \$17.8 billion deal for **Cablevisions Systems Corp.**, communications accounted for almost a third of all deal volume.

Regional Breakdown

Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

Four of the top 10 and eight of the top 25 deals were for U.S. targets, giving North America 57.6 percent of all volume.

Three of the top 10 were for Chinese targets, and 29.1 percent of last week's volume was in Asia Pacific.

WEEK IN REVIEW: TOP DEALS

Largest Deals Announced Sept. 12 to Sept. 18

DATE	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
9/17	Cablevision Systems Corp	Media	US	Altice NV	NL	17,835
9/17	China Merchants Property Development Co Ltd	Real Estate	CN	China Merchants Group Ltd	HK	7,050
9/13	Solera Holdings Inc	Software	US	Vista Equity Partners LLC, Koch Industries Inc, Goldman Sachs Group Inc	US	5,768
9/15	Sirona Dental Systems Inc	Healthcare-Products	US	DENTSPLY International Inc	US	5,039
9/18	Veda Group Ltd	Commercial Services	AU	Equifax Inc	US	1,759
9/15	Wison Nanjing Clean Energy Co Ltd	Chemicals	CN	Chengzhi Co Ltd	CN	1,531
9/15	Trilogy Investors LLC	Healthcare-Services	US	Griffin-American Healthcare REIT III Inc, NorthStar Healthcare Income Inc	UA	1,125
9/18	Integrated water business	Water		Antero Midstream Partners LP	US	1,050
9/17	NextEV Inc	Auto Manufacturers	CN	Tencent Holdings Ltd, Sequoia Capital Operations LLC, Hillhouse Capital Management Ltd, Yuyue Capital	CN, US	1,000
9/17	Swisse Wellness Group Pty Ltd	Healthcare-Products	AU	Biostime International Holdings Ltd	CN	991
9/17	Fina Liman Hizmetleri Lojistik Denizcilik Ticaret	Commercial Services	TR	China Merchants Holdings International Co Ltd, COSCO Pacific Ltd, China Investment Corp	CN	920
1/0	Beijing Zhongjin Cloud Network Technology Co Ltd, Beijing Wushuang Technology Co Ltd	Internet	CN	Beijing Sinnet Technology Co Ltd	CN	773
9/13	pepcom GmbH	Media	DE	Tele Columbus AG	DE	690
9/18	Tribona AB	Real Estate	SE	Corem Property Group AB	SE	593
9/17	UCAR Technology Inc (9.8%)	Transportation	CN	CAR Inc, Warburg Pincus LLC, Legend Capital Co Ltd, Haode Investment Inc	Various	550
9/14	Lubelski Wegiel Bogdanka SA	Coal	PL	Enea SA	PL	547
9/15	Yonekyu Corp	Food	JP	Itoham Foods Inc	JP	541
9/18	Medical Advisory Services For Travellers Abroad Lt, United Drug supply chain services businesses	Pharmaceuticals	US	McKesson Corp	US	465
9/15	Multi-pro Enterprise Ltd	Food	NG	Kellogg Co	US	450
9/16	TICC Capital Corp	Investment Companies	US	TPG Specialty Lending Inc	US	450
9/14	Schurz TV and radio stations	Media	US	Gray Television Inc	US	443
9/16	Business process outsourcing operations	Business Services	GB	Blackstone Group LP/The	US	387
9/14	Cardno Ltd	Engineering & Construction	AU	Crescent Capital Partners Ltd	AU	379
9/18	Former Edison Mission wind portfolio	Energy-Alternate Sources	US	NRG Yield Inc	US	355

Source: Bloomberg [MA<GO>](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.

Who's Buying You and Selling Your Peers
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ACTIVIST SITUATIONS

COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Significant Actions at Companies Targeted by Activist Investors

COMPANY	ACTIVIST	WHAT HAPPENED
JG Wentworth Co/The	Trishield Capital Management	Fund disclosed 17.4 percent stake in a Form 13D Sept. 18, saying it supports current management of company that buys structured settlement, annuity and lottery payment streams.
Petroceltic International PLC	Worldview Capital Management	In an open letter Sept. 17, fund with 29 percent stake requested oil and gas company's management to "openly reveal" nature of investigation reported in Bulgarian press.
Ethan Allen Interiors Inc	Sandell Asset Management	Activist with 5.5 percent stake said Sept. 15 that it has nominated six directors for the eight-seat board of furniture retailer.
Cheniere Energy Inc	Carl Icahn	Activist disclosed Sept. 14 that he increased stake to 9.6 percent from 8.2 percent. Five days earlier, Kynikos founder Jim Chanos said he had taken a short position in liquid natural gas processor.
Morgans Hotel Group Co	Rambleside Holdings	Investor with 4 percent stake offered Sept. 14 to buy two hotels from company for \$507 million, saying it was "outraged at the snail's pace of the strategic process over the last 18 months."

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DEAL ARBITRAGE

TARGET	ACQUIRER	DEAL SIZE (M)	EXPECTED COMPLETION DATE	OFFER PER SHARE	TARGET PRICE	PAYMENT TYPE	SPREAD	PROJECTED ANNUALIZED RETURN	1W CHANGE IN SPREAD	MAJOR MOVE
AGL Resources Inc	Southern Co/The	11,937	12/31/16	66.00	60.55	Cash	9.0%	7.0%	0.7%	
Altera Corp	Intel Corp	14,355	03/31/16	54.00	50.31	Cash	7.3%	13.7%	0.5%	
Axis Capital Holdings Ltd	Arch Capital Group Ltd	6,560	-	65.00	53.29	Cash	22.0%	-	1.8%	
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	60.87	53.47	C&S	13.8%	48.5%	-0.3%	
Baxalta Inc	Shire PLC	29,337	-	37.30	36.90	Stk	1.1%	-	-3.7%	▼
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	7.51	Cash	106.3%	-	-2.0%	
Broadcom Corp	Avago Technologies Ltd	29,806	03/31/16	55.18	52.42	C/S	5.3%	9.9%	-0.2%	
Cablevision Systems Corp	Altice NV	17,835	06/30/16	34.90	33.13	Cash	5.3%	6.8%	5.6%	▲
Cameron International Corp	Schlumberger Ltd	15,153	03/31/16	66.38	63.70	C&S	4.2%	7.9%	-0.1%	
Chubb Corp/The	ACE Ltd	28,986	03/31/16	123.07	119.64	C&S	2.9%	5.4%	0.6%	
Cigna Corp	Anthem Inc	50,382	12/31/16	179.06	141.62	C&S	26.4%	20.5%	-1.5%	
Cytec Industries Inc	Solvay SA	6,091	-	75.25	74.18	Cash	1.4%	-	0.1%	
Freescale Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	37.97	37.52	C&S	1.2%	4.2%	0.3%	
HCC Insurance Holdings Inc	Tokio Marine Holdings Inc	7,480	12/31/15	78.00	77.66	Cash	0.4%	1.5%	0.1%	
Home Properties Inc	Lone Star Global Acquisitions Ltd	6,818	12/31/15	75.23	74.66	Cash	0.8%	2.7%	0.1%	
Humana Inc	Aetna Inc	28,906	12/31/16	222.28	187.89	C&S	18.3%	14.2%	-1.1%	
MarkWest Energy Partners LP	MPLX LP	20,211	12/31/15	51.11	50.00	C&S	2.2%	7.8%	2.8%	▲
Micron Technology Inc	Tsinghua Holdings Co Ltd	22,973	-	21.00	15.50	Cash	35.5%	-	9.2%	▲
Office Depot Inc	Staples Inc	5,854	12/31/15	10.21	7.54	C&S	35.4%	124.1%	-2.1%	▼
PartnerRe Ltd	EXOR SpA	6,066	12/31/15	140.50	137.95	Cash	1.8%	6.5%	0.4%	
Pepco Holdings Inc	Exelon Corp	12,185	09/30/15	27.25	23.41	Cash	16.4%	498.9%	-1.5%	
Perrigo Co PLC	Mylan NV	34,870	11/13/15	189.03	178.57	C&S	5.9%	38.2%	1.8%	
Precision Castparts Corp	Berkshire Hathaway Inc	35,658	03/31/16	235.00	228.75	Cash	2.7%	5.1%	0.5%	
Sigma-Aldrich Corp	Merck KGaA	16,395	09/30/15	140.00	139.55	Cash	0.3%	9.8%	0.1%	
Solera Holdings Inc	Vista Equity Partners et al	5,768	03/31/16	55.85	54.10	Cash	3.2%	6.1%	-3.2%	▼
TECO Energy Inc	Emera Inc	10,222	06/30/16	27.55	26.60	Cash	3.6%	4.6%	0.4%	
Time Warner Cable Inc	Charter Communications Inc	79,250	12/31/15	203.52	189.51	C&S	7.4%	26.0%	0.9%	
Towers Watson & Co	Willis Group Holdings PLC	8,095	12/31/15	110.89	116.00	Stk	-0.2%	-0.7%	2.4%	▲
Williams Cos Inc/The	Energy Transfer Equity LP	69,732	-	48.12	46.14	Stk	4.3%	-	-6.8%	▼
Williams Partners LP	Williams Cos Inc/The	14,129	09/30/15	51.45	38.82	Stk	32.5%	989.3%	14.1%	▲

MARB <GO> North American deals

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock

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Bloomberg BRIEF

This is a special edition on the proposed AB InBev-SABMiller merger.

SABMiller-AB InBev Tie-Up: Creating the OPEC of Beer

BY PHIL SERAFINO, BLOOMBERG NEWS

Any way you slice it, a combination of **Anheuser-Busch InBev NV** and **SABMiller Plc** would mean the big get bigger.

The two companies are by far the largest players in the industry by almost every metric. Market share is the first one that jumps to mind for many merger arbitrageurs who wonder how such a deal would fare with antitrust regulators. Combined, the two companies would control almost 30 percent of the global beer market. To put that in perspective, OPEC controls about 41 percent of the world oil market.

That dominance reflects the companies' ownership of mass-market brands such as Budweiser, Stella Artois, Beck's and Leffe (AB InBev) and Miller, Grolsch, Foster's, Peroni and Castle Lager (SABMiller). The result: The two companies had combined revenue of about \$68 billion last year.

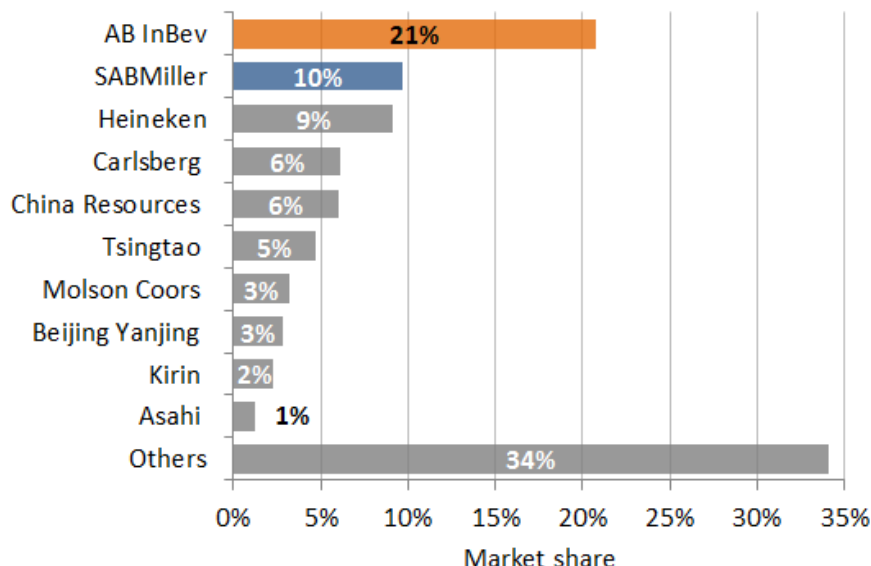
To be sure, some of those sales will evaporate if the deal goes through. Analysts say that U.S. regulators are *likely to ask* for the disposal of SABMiller's stake in MillerCoors in the U.S., while AB InBev may also have to sell SABMiller's 49 percent stake in CR Snow Zeijang in China.

In this special edition of Bloomberg Brief: Mergers, we break down AB-InBev's plans to acquire SABMiller, including a focus on what spin-offs and regulatory obstacles might be ahead. If you like what you see, subscribe to one of our regularly scheduled daily or weekly newsletters online [here](#) or on your Bloomberg terminal [here](#).

Bookmark this page and watch for an update on Thursday, Sept. 17. Better grab a cold one, folks: If this goes forward, this will be a big merger to digest.

— With assistance from Matthew Boyle in London and Anne Riley in New York

Not a Pint-Sized Deal: Inside Brewers' Global Market Shares



Source: Euromonitor International

BloombergBriefs.com

Click here for [a chart](#) of the companies' market shares by region.

INITIAL REACTIONS

"Shareholders clearly wanted AB InBev to do a big acquisition, something that could have a real impact. But I was a little bit surprised about today's news."

— Frederic Ponchon, who helps oversee about 3 billion euros at Sycomore Asset Management in Paris, including AB InBev shares

"This deal is pretty close to unthinkable."

— Allen Grunes, former Justice Department antitrust lawyer now at Konkurrenz Group

"Customers are quite set in their ways in terms of what they drink, so I doubt a change of ownership will significantly change that."

— Kate Bennett, a partner of the Colony Arms pub in a Johannesburg suburb

"As your competition gets bigger and bigger, it gets tougher and tougher to compete. Heineken and Carlsberg face an enlarged ABI-SAB, and notably a management team that have an extremely good track record."

— Andrew Holland, an analyst at Societe Generale

"I'm glad to see this after the endless speculation of megabrew."

— Ross Colbert, an analyst at Rabobank International

THE DEAL

SABMiller Said Open to Discussing Potential AB InBev Offer

BY RUTH DAVID, MATTHEW CAMPBELL
AND THOMAS BUCKLEY, BLOOMBERG
NEWS



Photo: Bloomberg/
Peter Foley
AB InBev CEO
Carlos Alves de
Brito

SABMiller Plc is open to discussing a potential offer from larger rival **Anheuser-Busch InBev NV** as its options for consolidation narrow in a stagnant brewing industry, according to people with knowledge of the discussions.

AB InBev, whose market value is more than double that of SABMiller, said Wednesday it intends to make an offer for the company, which would unite the world's two biggest beer makers with combined annual sales of about \$81 billion. SABMiller's management would consider an offer that provides good value for shareholders, the people said, asking not to be named as details aren't public.

SABMiller acknowledges the fact that AB InBev is likely the only realistic buyer, one of the people said. AB InBev Chairman **Olivier Goudet** contacted his counterpart at SABMiller, **Jan du Plessis**, this week to propose discussions on a potential deal, two of the people said.

No proposal has yet been received and there can be no certainty that an offer will be made, SABMiller said in a statement on Wednesday. SABMiller may also reject any potential bid if deemed too low, the people said.

An offer for SABMiller would probably have to be at least a 30 percent premium to its stock price before yesterday's rise, or more than 39 pounds (\$60) per share,

according to an analyst note from Sanford C. Bernstein Ltd. That would value SABMiller at about 63 billion pounds, or \$98 billion, according to data compiled by Bloomberg.

U.S. regulators are likely to ask for the disposal of SABMiller's stake in its **Miller Coors** joint venture in the U.S., while AB

"AB InBev will pay a premium for [SABMiller's emerging markets exposure] and the business will be run by an extraordinarily focused management team."

— TOM RUSSO, GARDNER RUSSO & GARDNER

AB InBev may also have to sell SABMiller's 49 percent stake in **CR Snow Zeijang** in China, the analysts said.

SABMiller shares gained as much as 24 percent on news of a possible combination, which would be the biggest in the industry's history, before closing 20 percent higher, valuing the company at about \$91 billion. AB InBev rose as much as 12 percent and closed up 6 percent at 100.50 euros.

SABMiller made Domenic De Lorenzo

chief financial officer in July, reviving takeover speculation due to his background in handling deals.

Representatives for SABMiller declined to comment. A spokesman for AB InBev didn't respond to requests for comment.

A combination would help both brewers combat a slowdown in developed markets like the U.S. and Europe, where drinkers are seeking out craft brews or wine and spirits instead of beer. AB InBev would gain access to over \$7 billion of revenue in Africa with brands including Castle lager and almost \$4 billion of sales in Asia if it bought SABMiller, reducing the beer giant's dependence on the Americas and Brazil.

"Some SABMiller shareholders have seen the company's exposure to emerging markets over the past few months as a drag on its share price," said Tom Russo, who oversees investments worth \$10 billion at Gardner Russo & Gardner, including SABMiller and AB InBev shares. "AB InBev will pay a premium for that same exposure and the business will be run by an extraordinarily focused management team that's been successful in cutting costs and driving value."

A deal would cement an acquisition spree by AB InBev that has seen the company involved in proposed and completed mergers worth about \$129 billion in the last two decades, according to data compiled by Bloomberg. SABMiller's deals totaled \$40 billion, including an approach to **Heineken NV** last year that was rejected by its controlling family.

— With assistance from Matthew Boyle and Aaron Kirchfeld in London and Ed Hammond in New York

Family Office

August 27, 2015 | www.bloombergbriefs.com



Read it here.

RATIONALE AND CAPACITY

BY DUNCAN FOX, BLOOMBERG INTELLIGENCE BEVERAGES ANALYST

World's Biggest Brewer Can Afford to Boost Its Share in Thirsty Emerging Markets

With a \$1 billion share buyback completed in June and sizable cash flow, **Anheuser-Busch InBev NV** has ample financial room for an acquisition. The brewer missed consensus earnings predictions for the second quarter with a 4.6 percent gain, which may spur the desire for acquisitions in high-growth markets.

The brewer has built oligopolistic market positions in the Americas through asset purchases. It holds 45 percent of the North American market and more than 80 percent of its operating income comes from northern Latin America, Mexico and the U.S. None of these markets is showing particular strength, but they generate cash flow that can be used for expansion elsewhere.

A combined AB InBev-SAB entity would derive 12 percent of

revenue and 9 percent of profit from Africa, according to analysts at Fitch, giving AB InBev a firm foothold in a region where it currently has little presence. Beer consumption is projected to grow faster in Africa than in any other region, according to data from Plato Logic.

Historically, AB InBev's biggest acquisitions have been in Mexico and the U.S., but it has also made \$11 billion of acquisitions in Asia, the Middle East and Africa, according to data compiled by Bloomberg.

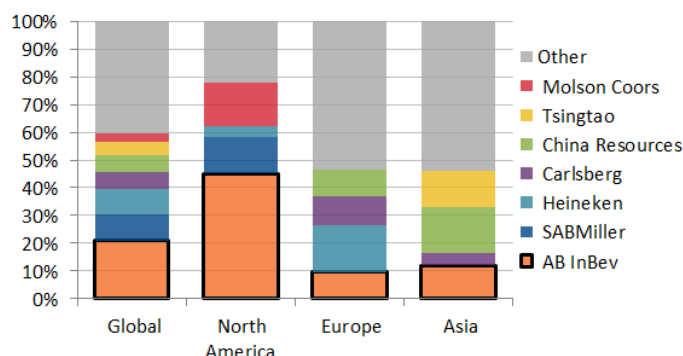
Nearly all of those were in Asia, and speculation about future acquisitions focuses on assets with exposure to Asia because of higher forecasts for population and GDP growth in that region. AB InBev raised its stake in brewer Guangzhou Zhujiang July 23. It has also raised \$565 million in a bond offering in Taipei July 9 and has only revealed how it will spend half that money.

Another possible factor in AB InBev's choice of expansion strategy may be **3G Capital**, the private equity firm founded by Brazilians **Jorge Paulo Lemann**, **Alexandre Behring** and **Carlos Da Veiga Sicupira**.

3G is now best known for partnering with Warren Buffett's Berkshire Hathaway Inc. on the \$27.4 billion purchase of H.J. Heinz & Co. in 2013 and Heinz's \$55.4 billion deal this year for Kraft Foods Group Inc. 3G's founders have a long history with AB InBev and its predecessors. They provided funding for several deals, including the takeovers of Belgium's Interbrew and Anheuser-Busch in the U.S., which created the world's largest brewer. The Brazilians control more than 40 percent of AB InBev's shares.

— With reporting by Matthew Boyle, Bloomberg News

Market Share by Region



Source: Euromonitor International/Bloomberg Intelligence

BloombergBriefs.com

AB InBev's Largest Acquisitions Since 2004

ANNOUNCED	TARGET	COUNTRY	VALUE (\$M)
6/11/08	Anheuser-Busch Cos Inc	US	60,829
6/29/12	Grupo Modelo SAB de CV (additional 64.7%)	MX	17,231
1/20/14	Oriental Brewery Co Ltd	KR	5,800
3/3/04	Braco SA	BR	4,021
9/2/04	Cia de Bebidas das Americas-Ambev	BR	2,984
1/3/05	Sun Interbrew PLC	RU	949
1/7/04	Hops Cooperatieve UA	NL	775
1/23/06	Fujian Sedrin Brewery Co Ltd	CN	730
10/31/12	Four breweries in China	CH	440
7/18/05	Tinkoff Brewery	RU	202
8/3/15	Grupo Modelo SAB de CV (remaining 0.9%)	MX	180
3/28/07	Cervejaria Cintra	BR	150

Source: Bloomberg [MA<GO>](#) Does not include SABMiller deal.

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ANTITRUST ISSUES

Regulators From Brussels to Beijing Will Scrutinize Market Shares and Distribution

BY DAVID MCLAUGHLIN, BLOOMBERG NEWS

A deal to create the world's largest beermaker would face the toughest regulatory hurdles in the U.S., where **Anheuser-Busch InBev NV** and **SABMiller Plc** already dominate the market and antitrust authorities have been skeptical of past attempts to combine big brewers.

Regulators around the world would scrutinize an AB InBev offer for SABMiller and require sales of brands to resolve concerns that the deal could raise prices for consumers, according to antitrust attorneys. Even with increased competition from smaller craft brewers, AB InBev and SABMiller had a combined North American market share in 2014 of 58 percent by volume, according to Bloomberg Intelligence.

In the U.S., the companies would have to sell SABMiller's stake in the **MillerCoors** joint venture to win approval from the Justice Department, according to Darren Tucker, an antitrust lawyer at Morgan Lewis & Bockius in Washington.

"The parties will need to make that commitment to have any prospect of passing antitrust muster in the U.S.," Tucker said. The companies "are likely to move quickly to address the Justice Department's concerns."

Analysts at Sanford C. Bernstein agree that the Justice Department will insist on the sale of the MillerCoors stake, adding that **Molson Coors Brewing Co.**, which is based in Denver and Montreal, would be a ready buyer.

AB InBev and SABMiller would be facing off against **Bill Baer**, the head of the department's antitrust division, who sued to block AB InBev's takeover of Grupo Modelo SA in 2013. The

government complained that the deal could raise prices by further concentrating an industry where AB InBev and MillerCoors controlled the majority of sales.

The companies "often find it more profitable to follow each other's prices than to compete aggressively for market share by cutting price," the Justice Department said at the time. It settled that lawsuit by requiring the sale of Modelo's brands to **Constellation Brands Inc.**

"There's nothing in this deal that could warrant its approval by federal antitrust enforcers."

— DIANA MOSS, THE PRESIDENT OF THE AMERICAN ANTITRUST INSTITUTE

The deal may not win Baer's approval even with a sale of MillerCoors, said Allen Grunes, a former Justice Department antitrust lawyer, now with Konkurrenz Group in Washington. The antitrust chief has said some deals are so problematic they should never get out of the boardroom, and "it seems this is one of those," he said.

"This deal is pretty close to unthinkable," Grunes said.

AB InBev would gain enhanced power as a gatekeeper of distribution that smaller craft brewers rely on to get their products on shelves, said Diana Moss, the president of the American Antitrust Institute in Washington.

"There's nothing in this deal that could warrant its approval by federal antitrust enforcers," Moss said.

If the deal was to be approved, it could take a year with regulators around the globe weighing in, Jennifer Rie, an antitrust analyst at Bloomberg Intelligence, said in a research note.

The companies also may face challenges in China, where the two brewers hold top positions. AB InBev may have to sell SABMiller's 49 percent stake in **CR Snow**, a joint venture with China Resources Enterprise, according to Sanford C. Bernstein analysts.

Antitrust officials at the Chinese Ministry of Commerce will give the deal close scrutiny because the two companies have significant businesses there directly and through joint ventures, said David Anderson, a lawyer at Berwin Leighton Paisner in Brussels.

"MOFCOM will be a very important player in deciding this deal's fate," Anderson said. "The path to receiving merger clearance from Beijing for a deal like this one can be a long and uncertain one."

In other countries, there's little overlap between the companies, according to analysts at Numis Securities Ltd.

SABMiller is dominant in Africa, where AB InBev has no presence. In Europe, the combined company would be a much more effective competitor to **Heineken NV** and **Carlsberg A/S**. In Latin America, AB InBev is strong in Brazil, Argentina and Mexico, while SABMiller dominates in Columbia, Peru, Ecuador and Panama, Numis said.

— With assistance from Tom Schoenberg and Andrew Harris in Washington and Gaspard Sebag in Brussels

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Special Real-Time Brief

Will they? Won't they?
Get insight on the Fed's rate decision.



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BANKERS & BREWERS

First Rule of Investment Banking: Don't Miss the ABI-SAB Deal

BY MANUEL BAIGORRI, DINESH NAIR AND MATTHEW CAMPBELL, BLOOMBERG NEWS

Investment bankers in New York and London have known for years about a deal they couldn't afford to miss: **Anheuser-Busch InBev NV's** long-rumored tie-up with **SABMiller Plc**.

So far, though, very few of them have landed roles, leading to an all-out scramble to win potentially lucrative work advising one of the two companies, or financing AB InBev's offer, in what could be the biggest deal of the year.

Belgium-based AB InBev has so far hired only **Lazard Ltd.** to advise on its approach, while SABMiller, which sells Peroni and Grolsch beers, among others, has tapped tiny London boutique **Robey Warshaw** as well as **JPMorgan Chase & Co.** and **Morgan Stanley**. For the moment, that leaves the likes of **Goldman Sachs Group Inc.**, the world's No. 1 mergers adviser this year, **Bank of America Corp.** and **Credit Suisse Group AG** looking for a way in.

"If you've been telling everybody inside your firm, 'I know these guys really well, we're really tight,' and then you're not on the deal, it doesn't look too good," said Peter Hahn, a former Citigroup Inc. banker who's now a professor of finance at Cass Business School in London.

A transaction so large would likely have a huge effect on the so-called league tables that rank banks' merger-advisory practices, meaning many firms will "be desperate to make sure they get league table credit," Hahn said. "A lot of them would almost do it for free."

Senior bankers on both sides of the Atlantic were caught off-guard on Wednesday, when SABMiller announced it was aware AB InBev intended to make an offer. London-based SABMiller has a market value of more than \$90 billion, meaning that even without a premium over the current share price an acquisition would be the largest transaction of 2015 — already a bumper year for dealmaking.

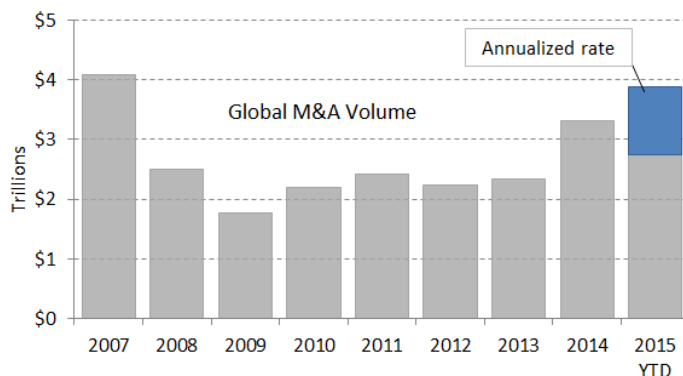
Firms with large balance sheets are rushing to pitch AB InBev on a financing package, which could be one of the biggest ever, according to people familiar with the matter. A deal may require AB InBev to raise at least \$50 billion of debt financing, two of the people said, asking not to be identified because the discussions are private. One person said his bank was willing to offer as much as \$10 billion to finance the deal, an unusually high amount for a single lender, and has been in touch with the brewer.

With the Federal Reserve keeping interest rates at record-low levels for a sixth year, banks are seeking to deploy money borrowed at near-zero cost to improve their margins, with the AB InBev-SABMiller transaction providing a unique opportunity because of its size.

A senior dealmaker reached on Wednesday, whose firm is not yet on the deal ticket, was near tears as he discussed the prospect of missing out. Another, reached on Tuesday, had strenuously downplayed rumors of an offer that had sent SABMiller shares soaring, saying he had strong assurances no discussions had taken place.

Based on a potential deal value of about \$100 billion, investment banks advising AB InBev could earn as much as

Brewers' Merger Would Top Up Deal Volume



Source: Bloomberg **DMON<GO>**

BloombergBriefs.com

Global M&A activity this year is nearing the level of 2007. The totals here do not include deals in the works but not yet announced, such as AB InBev's planned offer for SABMiller

\$115 million, while those advising SABMiller would earn as much as \$120 million, according to estimates from Freeman Consulting Services. AB InBev may also have to pay fees equivalent to 0.8 percent of the amount raised to finance the transaction, Freeman said.

It would be a bad time for bankers to lose out on such a huge merger. Firms from **Deutsche Bank AG** to **Barclays Plc** are looking at shrinking their investment banks, increasing pressure on managing directors to get roles on the biggest deals. Being left out can mean being passed over for a promotion, a smaller bonus, or worse.

"If you're an investment banker, this is the deal you don't want to miss," said Pedro Nueno, a professor at IESE Business School in Barcelona. "Those who don't get a role on it will not only lose a lot of money in fees but also reputation and an invaluable experience."

AB InBev chose to avoid expanding its circle of advisers beyond Lazard to reduce the possibility of leaks, a person familiar with the situation said. It has, however, had extensive discussions in the past about financing a deal with major banks, and will now turn to them to structure its proposal to SABMiller, the person said. As an advisory-focused firm, Lazard doesn't have a large enough balance sheet to help clients fund big acquisitions.

The borrowing package may match or even exceed the facility for Verizon Communications Inc.'s \$130 billion purchase of Vodafone Group Plc's stake in Verizon Wireless in 2013.

A mandate to advise SABMiller marks another coup for **Robey Warshaw**, an investment bank with less than 10 employees. Started last year by London bankers **Simon Robey** and **Simon Warshaw** — veterans of Morgan Stanley and UBS Group AG — they also served as an adviser to BG Group Plc on its sale to Royal Dutch Shell Plc, the biggest deal so far this year, and AstraZeneca Plc as it resisted a takeover approach from Pfizer Inc. in 2014.

TRADING THE DEAL

One Trader Just Made \$1.7 Million on Impending Offer

BY TRISTA KELLEY AND SOFIA HORTA E COSTA, BLOOMBERG NEWS

A single trade, made yesterday, wagering that shares of **Anheuser-Busch InBev NV** would surge is now paying off big time.

A block of AB InBev calls betting on an 11 percent advance in the next three months changed hands on Tuesday, sending volume of bullish options to its highest level since April 2014. The trade cost 1.09 million euros (\$1.2 million), and is now worth more than 2.63 million euros. Shares soared as much as 12 percent today after the Budweiser maker said it wants to bid for SABMiller Plc.

"That was such a clever trade," said Steve Schlemmer, who specializes in European merger arbitrage at Churchill Capital UK Ltd. in London. "Everyone was rooting for this one — it had been rumored forever, and it makes perfect sense."

A block of 6,500 calls betting that AB InBev shares will go to 105 euros by December changed hands at 3:21 p.m. London time yesterday. That pushed the number of bullish contracts to 8,441, more the four times higher than put trades.

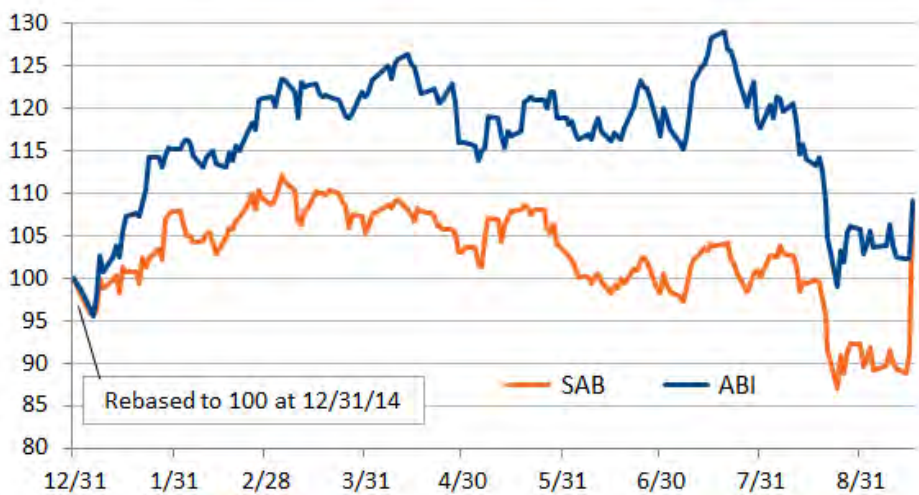
Yesterday, renewed speculation over a deal sent shares of the U.K. company up as much as 4.1 percent, while the Belgian beermaker remained little changed.

"Shareholders clearly wanted AB InBev to do a big acquisition, something that could have a real impact," said Frederic Ponchon, who helps oversee about 3 billion euros at Sycomore Asset Management in Paris, including AB InBev shares. "But I was a little bit surprised about today's news."

The announcement helped send the Stoxx Europe 600 Index up as much as 1.5 percent, after weeks of volatility and growth concerns dragged it to a seven-month low in August.

"It's also bullish for deals in general," Schlemmer said. "By choosing now, they're signaling they don't think there's going to be another leg down in the market."

AB InBev Shares Outpaced SAB's Most of This Year



Source: Bloomberg **GP<GO>**

BloombergBriefs.com

TWITTER REACTS



Guerrilla Mthimkhulu
@Mtamerri



SABMiller are willing to listen to an offer from AB InBev... Ladies & gentlemen, Alan Clark can't fend em off anymore, SAB will be sold

[Details](#)



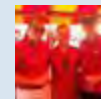
Geert Noels
@GeertNoels



Low interest rates are not fuelling investments in real economy, but massive financial investments (M&A).

[#ABInbev](#)

[Details](#)



Joey
@Can_of_Ravioli



AB InBev and SABMiller are looking at a potential merger. That just screams Anti-Trust violation.

[Details](#)



Michael Jordaan
@MichaelJordaan



Budweiser may pay \$100 billion for SABMiller. For their sake I hope deal happens given trend towards craft beer and wine.

[Details](#)



DAVID FABER
@davidfaber



Key in Bud's pursuit of SAB is what Altria and Santo Domingo's (own 41%) want. Financing, divestitures and 28 day clock all pose obstacles.

[Details](#)



The Gormogons
@Gormogons



GP "We will produce more crappy beer more quickly than ever before!"
<= poor guy or gal tasked with pitching the AB/Miller merger

[Details](#)

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Due to the Labor Day holiday, the next edition will be published on Sept. 8.

COLUMNIST'S CORNER

Big Stock Price Swings Fail to Deter the Deal-Hungry

BY BROOKE SUTHERLAND, BLOOMBERG NEWS



Not even the wildest week for stocks in four years could slow down the global merger train.

The recent plunge in equities — spurred by concerns that a slowdown in China could curtail global growth — drove indexes into corrections and sent the Chicago Board Options Exchange Volatility Index to the highest level since 2011. Undeterred, dealmakers kept chugging along, announcing almost \$82.9 billion in acquisitions since European and U.S. equity markets began their nosedive Aug. 20.

"It's going to take more than one bad week to disrupt what's been a hot M&A market," said **John Manley**, who helps oversee about \$233 billion as chief equity strategist for **Wells Fargo Funds Management**. "The movements within the market were not indicative of fundamental-driven selling."

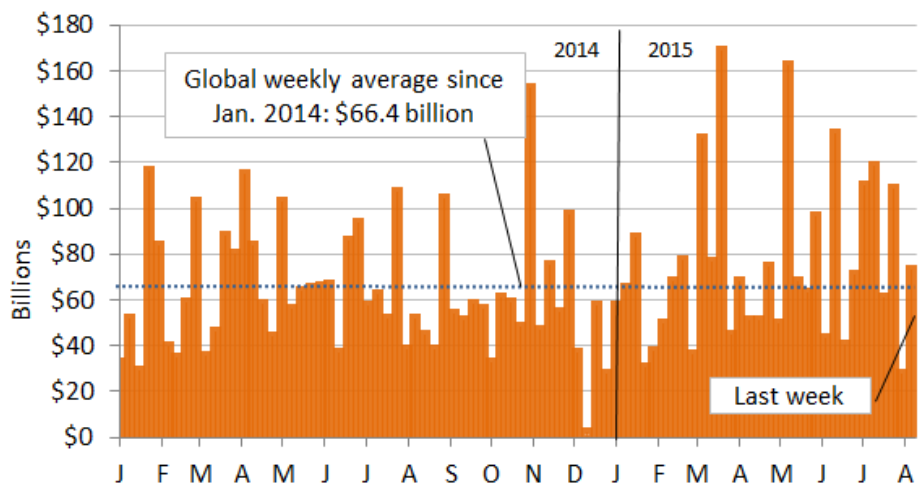
Big swings in stock prices don't detract from some of the main drivers of the surge in takeover activity this year: Companies are sitting on piles of *cash*, and many are on the hunt for takeovers to supplement anemic revenue growth.

In one of the biggest deals of the summer, **Schlumberger Ltd.** agreed to buy **Cameron International Corp.** for about \$15 billion on Aug. 26. The acquisition should help spur growth at the world's biggest oilfield services provider as the oil rout sets Schlumberger up for its first sales decline since 2009.

The other large acquisition of the week was **Southern Co.**'s \$12 billion merger with **AGL Resources Inc.** Southern is funding the purchase with cash, rather than its own stock — a move that should shelter it from any ongoing swings in the equity markets.

After a tumultuous start to the week, stocks in the U.S. rebounded on Wednesday and Thursday, and were little changed on Friday. The ups and downs of last week may continue, but for now, it looks like acquisitions are here to stay.

Dealmaking Shrugs Off Market Rout, Surpasses YTD Average



QUOTED

"You can count on one hand the number of legitimate, decent-size company targets."

— **John Groton**, director of equity research at Cameron shareholder Thrivent Financial for Lutherans, on other would-be energy-equipment targets after Schlumberger's deal for Cameron



Alibaba CEO Daniel Zhang implored his employees to shake off the Chinese stock market's plunge last week that pushed the Internet giant's shares below its IPO price for the first time. "Sometimes it is a lonely journey, sticking to your principles," he wrote in an e-mail to workers. "But we have to go through lots of ups and downs during this journey."

WEEK IN NUMBERS

■ **10:** New deals *larger than* \$1 billion announced globally last week.

IN THIS ISSUE

M&A TRENDS. North America saw the lion's share of *deal activity* in the week ended Aug. 28.

INSIGHT. *Goodwill* jumped substantially this quarter, to \$2.5 trillion for members of the Standard & Poor's 500 Index.

GAMBLING. Companies are partnering up to fund the increasing costs of remaining competitive in the \$40 billion online *gaming market*, while also coping with increases in tax and regulation.

Q&A. **Robert Profusek**, global head of M&A at Jones Day, on antitrust hurdles, big pharma, Trump and what the Cameron-Schlumberger deal says about energy dealmaking ahead.

MERGER MONDAY

Ageas Sells H.K. Life Unit to JD Capital for \$1.38 Billion

Ageas SA will sell its Hong Kong life insurance unit to China's **JD Capital** in its largest divestiture since the collapse of predecessor Fortis in 2008.

JD Capital, also known as Beijing Tongchuang Jiuding Investment Management Co., will pay HK\$10.7 billion (\$1.38 billion) for the local life insurance business, Brussels-based Ageas said in a statement Sunday. That's about 1.27 times book value and will generate a gain of about 450 million euros (\$500 million) upon closing, based on figures at the end of June, the company said.

The sale of the Hong Kong business, its only fully owned unit in Asia, will allow Ageas to expand faster-growing partnerships in the region and generates additional cash for acquisitions or increased distributions to shareholders. Ageas owns 24.9 percent of China's Taiping Life Insurance Co. and holds minority stakes in partnerships in Thailand and Malaysia. The insurer is also about to start operations in Vietnam and the Philippines through joint ventures with local banks.

Ageas first acquired a stake in the Hong Kong insurer in 2007 from Richard Li, whose Pacific Century Group agreed to pay \$2.14 billion for Amsterdam-based ING Groep's life insurance units in Hong Kong, Macau and Thailand three years ago. That transaction valued the businesses at about 1.9 times book value, ING said at the time.

— John Martens, Bloomberg News

Berkshire Reports \$4.5 Billion Stake in Phillips 66

Warren Buffett's Berkshire Hathaway Inc. disclosed a \$4.5 billion stake in Phillips 66, the Houston-based oil refiner, on Friday as the billionaire investor's company increases its bet on the energy industry.

Berkshire held almost 58 million shares after purchases last week, or more than 10 percent of the total outstanding, according to a regulatory filing issued Friday by Buffett's Omaha, Nebraska-based company. Phillips 66 closed at \$77.23 on Friday in New York.

Berkshire may have been accumulating the stake for some time, given the scale of the holding, said Cliff Gallant, an analyst at Nomura Holdings Inc. The filing discloses the prices Berkshire paid for only a fraction of its stake. Earlier this month, Berkshire didn't disclose an investment in Phillips 66 at the end of the second quarter. At the time, Buffett's firm also said it had omitted some data that was reported confidentially to regulators.

— Noah Buhayar, Bloomberg News

Top Deals Since Friday

TARGET	INDUSTRY	COUNTRY	ACQUIRER	VALUE (\$M)
Ageas Asia Holdings Ltd	Insurance	HK	Beijing Tongchuang Jiuding Investment Management Co	1,379
iKang Healthcare Group Inc	Healthcare-Services	CN	FV Investment Holdings, Private Investor	1,154
6 road and 3 Gammon power projects	Infrastructure	IN	Brookfield Asset Management Inc, Core Infrastructure India Fund Pte Ltd	1,019
Substantially all assets, Beijing Spacetalent Laser Navigation Technology Co, Beijing Aerospace Science Shidai Optoelectricity T, Aerospace Electric Technology Co Ltd	Defense/Aerospace	CN	China Aerospace Times Electronics Co Ltd	689
Huaihu Coal & Power Co Ltd, Huaihu Power Co Ltd, Huainan Mining Industry Group Power Co Ltd	Various	CN	Anhui Wanjiang Logistics Group Co Ltd	313

Source: Bloomberg [MA:GO](#)

Real estate assets, joint ventures and stock buybacks excluded

Volkswagen Ordered to Sell Stake in Suzuki Motor Corp.

Arbitrators told Volkswagen AG to sell its 19.9 percent stake in **Suzuki Motor Corp.**, ending a four-year dispute over a failed partnership.

Suzuki jumped as much as 4.6 percent to 4,340.5 yen after the announcement before closing down 0.5 percent at 4,129.5 yen.

VW will sell the holding after the arbitrators upheld Suzuki's request to end the cooperation, the companies said in separate statements on Sunday. Suzuki said VW has to sell the stake — valued at about 463 billion yen (\$3.8 billion), based on Friday's closing price — back to the Japanese carmaker or a party of its choosing, while VW said the buyer hasn't been decided. The German company said it has hired a bank for the sale and is still analyzing the ruling.

The end of the dispute provides Suzuki with the opportunity to find a new partner after the pact with VW failed to result in a single joint project. The goal of the partnership was to cooperate on small, fuel-efficient cars for emerging economies, providing Suzuki with access to technology while giving VW a wider role in the Indian market through Suzuki's business there. Relations soured in 2011 after the Japanese company agreed to buy diesel engines from Fiat. As trust broke down, the companies accused each other of breaching the accord.

Suzuki faces the prospect of having to pay damages after arbitrators ruled the Japanese company breached the agreement.

— Ma Jie, Chris Reiter and Yuki Hagiwara, Bloomberg News

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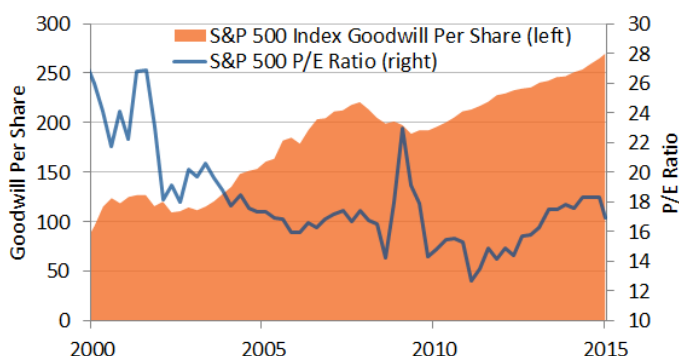
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INSIGHT: GOODWILL BY TARA LACHAPPELLE, BLOOMBERG NEWS

Merger Bubble May Burst as Record Goodwill Piles Up

The Bad Side of Goodwill



Source: Bloomberg, S&P

BloombergBriefs.com

Acquirers worldwide had spent more than \$2.2 trillion on transactions in 2015 through last week, putting the year on track for a record. The buying spree has been particularly audacious in the U.S., where acquirers are offering record prices relative to the revenue and profit they're gaining from the deals. The result: Goodwill is surging.

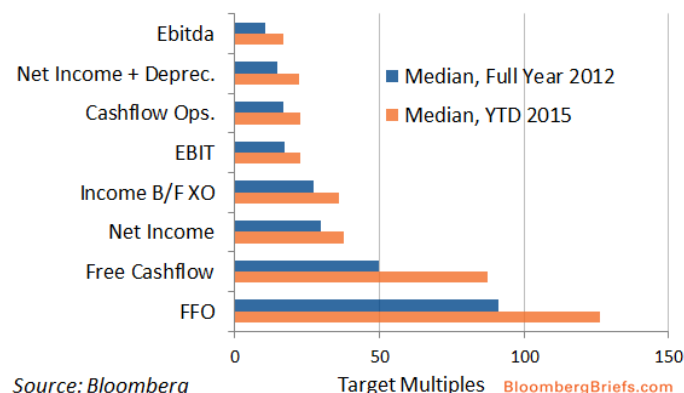
S&P 500 in Terms of Goodwill/Market Cap

NAME	GOODWILL (\$BN)	GOODWILL/MARKET CAP
Total for S&P 500	2,497.20	0.14
Tenet Healthcare	6.60	1.44
CenturyLink	20.76	1.44
Frontier Communications	7.23	1.26
L-3 Communications	7.65	0.91
Tegna	4.53	0.88
Xerox	8.81	0.85
Republic Services	11.10	0.79
HP	35.27	0.75
Viacom	11.47	0.73
NiSource	3.67	0.71

Source: Bloomberg

Goodwill jumped substantially this quarter, to \$2.5 trillion for members of the Standard & Poor's 500 Index, according to data compiled by Bloomberg. That's a sign that dealmakers are increasingly overpaying. Current goodwill levels don't even account for all of this year's dealmaking because some transactions haven't closed yet. Two-thirds of the takeovers announced so far in 2015 are still pending, many of which will extend into next year.

Valuations Continue to Swell



Source: Bloomberg

Target Multiples BloombergBriefs.com

Note: For U.S. takeovers larger than \$1B. Data as of 8/26/15.

Need more proof that dealmakers may be overpaying? American publicly traded companies are selling for 3 1/2 times their book value. In dollar terms, that's \$700 billion paid for assets that are worth only about \$200 billion on paper. Frothy valuations have helped push the median Ebitda multiple for U.S. takeovers larger than \$1 billion to almost double the level in 2012. "I'm amazed at what people are paying for companies," Mandeep Trivedi, a principal in the valuation practice at Citrin Cooperman, said in a phone interview Aug. 12. "I don't know of an industry where I'm not taken aback by what people are willing to pay."

INDUSTRY FOCUS: GAMBLING

Paddy Power Joins Betting Deal Frenzy as Costs Increase

BY PAUL JARVIS AND DONAL GRIFFIN,
BLOOMBERG NEWS

The costs of the online betting revolution and tougher tax rules are galvanizing the gambling industry into action.

Paddy Power Plc's planned merger with **Betfair Group Plc** provides the latest example of how companies are joining together to cope with a clampdown by governments, while ensuring their place at the booming table for digital gambling. They're not the first to combine, and they're unlikely to be the last.

"What's motivating a lot of this is the push to digital," said Professor Leighton Vaughan Williams, director of the betting research unit at England's Nottingham Business School. "By merging, you are increasing scale. It gives you more to invest in technology and marketing."

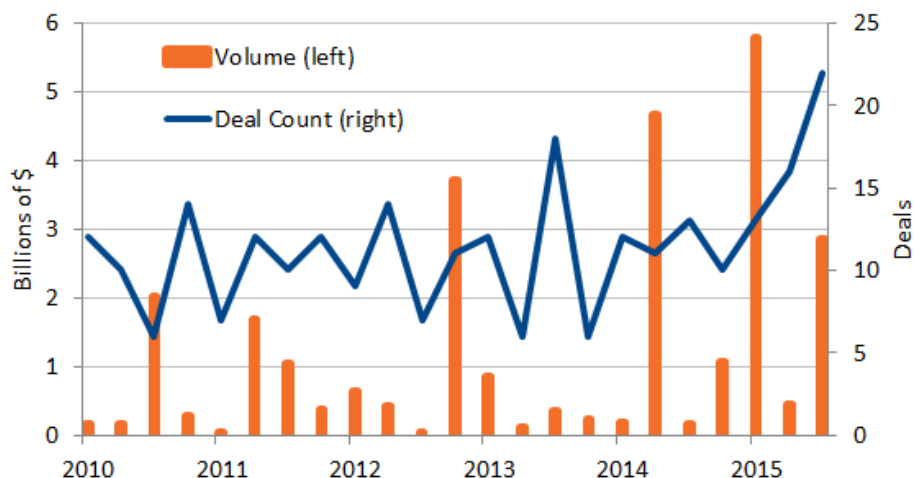
Even before Betfair and Paddy Power announced their tie-up on Wednesday, gambling companies had announced \$9.1 billion of deals this year, the most in a decade, according to data compiled by Bloomberg. Companies are partnering up to fund the increasing costs of remaining competitive in the \$40 billion online gaming market, while also coping with increases in tax and regulation.

"To maintain dividends and create scale, the market is having to consolidate," said Warwick Bartlett, chief executive officer of researcher Global Betting and Gaming Consultancy. "The market is ultra-competitive."

One possible deal still to be done could see a combination of **Unibet Group Plc** and Stockholm-based **Betsson AB**, according to Bartlett. The companies rank seventh and 10th, respectively, in his online-gaming rankings. Unibet, which has a market value of 18.6 billion kronor (\$2.2 billion), is based in Malta and its stock is listed in Stockholm. A representative for Unibet said the company never comments on speculation. Betsson, which has a 20.6-billion-kronor market value, declined to comment.

At the end of last year, the U.K. made all bets placed by bettors in the country subject to a 15 percent consumption tax,

Gambling Peers Bet on Each Other as Tie-Ups Stack Up



Source: Bloomberg MA <GO>

BloombergBriefs.com

preventing companies from escaping the duty by locating themselves offshore. Such is the intensity of competition, that companies have funded the additional burden themselves, rather than risk losing customers.

"To maintain dividends and create scale, the market is having to consolidate. The market is ultra-competitive."

— WARWICK BARTLETT, CEO OF
RESEARCHER GLOBAL BETTING AND
GAMING CONSULTANCY

"This has been very costly to the big companies," said Vaughan Williams.

The cost of maintaining a competitive online offering is another reason behind a wave of deals that has seen **Ladbrokes Plc** agree to acquire **Coral Group**, and a

bidding contest for **Bwin.party Digital Entertainment Plc**. A merger can give companies greater scope to invest in both marketing and technology, keeping them ahead of the competition, Vaughan Williams said.

"You live or die in the modern gambling world by your digital platforms," he said.

Paddy Power and Betfair shares surged Wednesday after the deal was announced as analysts predicted that the combination would create one of the industry's fastest-growing companies. The companies are still finalizing the terms of the merger, under which shareholders of Dublin-based Paddy Power would own 52 percent of the merged entity and London-based Betfair's investors would hold the rest.

The merger will create the second-largest online betting company, according to Bartlett. Together, the companies have annual net winnings of about 917 million pounds (\$1.4 billion), he estimates, compared with about 1.3 billion pounds for closely held market-leader Bet365.

"Combined, the product offering will be as good as, if not better than, all leading competitors," David Jennings, an analyst at Davy in Dublin, said in a note. "We see substantial value creation potential."

VERBATIM: CABLE

BY MARIE MAWAD AND ELCO VAN GRONINGEN, BLOOMBERG NEWS

M&A Flurry Leaves Few Cheap Targets for Cable Tycoons

Telecommunications and media assets have become too expensive and cheaper targets are harder to come by after a flurry of takeovers in Europe and the U.S., according to two of the world's most acquisitive cable companies. Executives from **Charter Communications Inc.** and **Altice NV** said Friday it may be time to focus on digesting the targets acquired so far rather than embarking on new deals. Still, potential increases in interest rates and the market turmoil caused by China may lead to company valuations dropping to more attractive levels, they said in a conference in Amsterdam.

Charter, based in Stamford, Connecticut, has agreed to buy **Time Warner Cable Inc.** for about \$55 billion. Altice has become one of Europe's most active telecommunications acquirers since its 2014 initial public offering, snapping up companies including U.S. cable provider **Suddenlink Communications** and French wireless carrier **SFR**.

Charter Chairman Eric Zinterhofer



Source: Bloomberg TV

"Asset valuations are high — we're not going to pay 9, 10 or 11 times [earnings multiples.] They'll go down eventually, the question is when, but we can't help but notice interest rates will have to rise, China's causing wobbles and commodity prices are affecting some markets."

Charter is awaiting regulatory clearance for the Time Warner Cable takeover, and is "optimistic" about gaining approval.

Altice Chief Executive Officer Dexter Goei



Source: Bloomberg / Ivan Guilbert

"There are no obvious targets for us, not KPN, not anyone else — it all depends on price. There's a scarcity of assets that are cheap, but if a stock is too expensive today, maybe we'll look again in two years when China blows up or something else happens. We're always opportunistic."

"We're not in empire building mode just for empire building, and cost of capital isn't the only factor. It's got to feel right."

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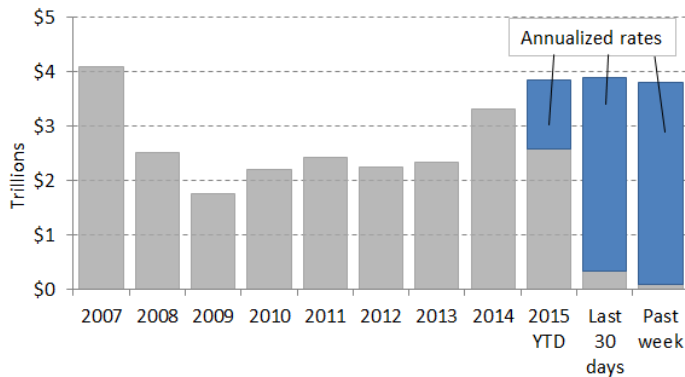
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WEEK IN REVIEW: M&A TRENDS COMPILED BY ANNE RILEY, BLOOMBERG BRIEF EDITOR

Energy, Insurance Tie-Ups Drive Dealmaking Out of a One-Week Slump

Pace of Dealmaking

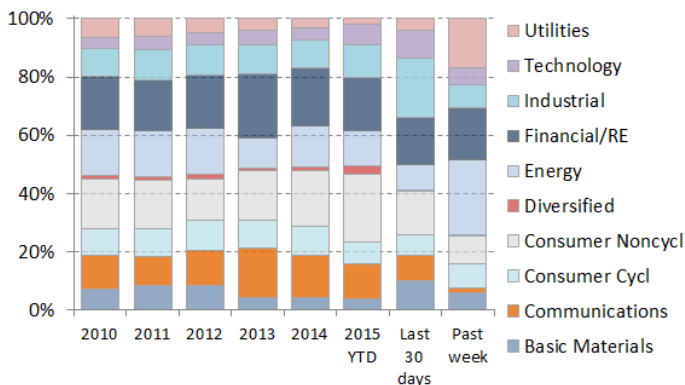
Source: Bloomberg **DMON<GO>**

BloombergBriefs.com

Global dealmaking nearly tripled last week as volume spiked to \$72.8 billion from just \$27.5 billion in the previous one-week period, according to data compiled by Bloomberg.

There were 10 new deals larger than \$1 billion last week. The largest was oilfield contractor **Schlumberger Ltd.**'s takeover of pump-and-valve maker **Cameron International Corp.** for about \$15.2 billion. The second-largest deal was also driven by energy demand: utility owner **Southern Co.**'s purchase of natural-gas distributor **AGL Resources Inc.** for nearly \$12 billion.

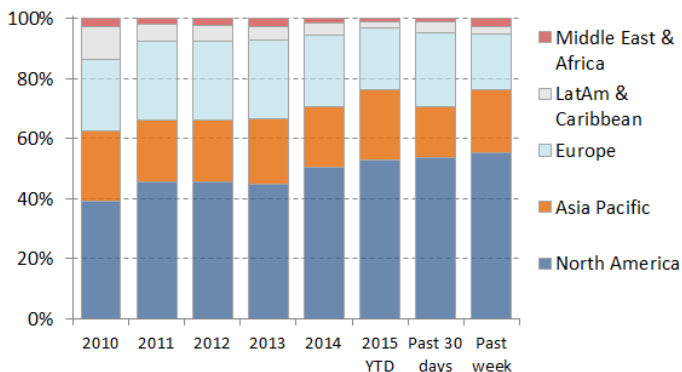
Sector Breakdown

Source: Bloomberg **DMON<GO>**

BloombergBriefs.com

Outside of the energy and utilities industries, the financial sector also had a strong week for tie-ups, largely driven by activity in the insurance industry. The third-largest deal of the week was **Zurich Insurance Group AG**'s proposed \$8.8 billion offer for **RSA Insurance Group Plc.** Two other insurance mergers — one in China and one in Taiwan — were among the week's 10 largest deals globally.

Regional Breakdown

Source: Bloomberg **DMON<GO>**

BloombergBriefs.com

North America saw the lion's share of deal activity in the week ended Aug. 28. The week's fourth largest deal, **Sycamore Partners'** acquisition of U.S. department store chain **Belk Inc.** for about \$2.7 billion in cash, helped push the region's share of dealmaking last week to 55.1 percent.

WEEK IN REVIEW: TOP DEALS

Largest Deals Announced Aug. 22 to Aug. 28

DATE	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
8/26	Cameron International Corp	Oil & Gas Services	US	Schlumberger Ltd	US	15,153
8/24	AGL Resources Inc	Gas	US	Southern Co/The	US	11,937
8/25	RSA Insurance Group PLC	Insurance	GB	Zurich Insurance Group AG	CH	8,779
8/24	Belk Inc	Retail	US	Sycamore Partners LLC	US	2,738
8/24	Jiutai Energy Inner Mongolia Co Ltd	Chemicals	CN	Weihai Huadong Automation Co Ltd	CN	1,940
8/26	Tianan Property Insurance Co Ltd	Insurance	CN	Xishui Strong Year Co Ltd Inner Mongolia	CN	1,794
8/24	Offshore oil blocks, Angola	Oil & Gas	AN	Sonangol Holding-Sociedade Nacional de Combustivei	AO	1,750
8/27	Accellent Inc	Healthcare-Products	US	Greatbatch Inc	US	1,744
8/27	CR Laurence Co Inc	Building Materials	US	CRH PLC	IE	1,300
8/28	Siliconware Precision Industries Co Ltd	Semiconductors	TW	Hon Hai Precision Industry Co Ltd	TW	969
8/28	Jiangsu Province Metallurgical Design Institute Co	Commercial Services	CN	Jincheng Paper Co Ltd	CN	961
8/27	Cobalt Int'l gas pipelines & a terminal, UK	Pipelines	GB	North Sea Midstream Partners	GB	906
8/25	Haynesville gas properties	Oil & Gas	US	Geosouthern Energy Corp, Blackstone Group LP, GeoSouthern Energy Partners LP	US	850
8/28	Tongyang Cement & Energy Corp	Building Materials	KR	Sampyo Consortium	KR	676
8/28	Innovation Group PLC	Software	GB	Carlyle Group LP/The	US	670
8/28	Olam International Ltd	Food	SG	Mitsubishi Corp	JP	650
8/27	World Endurance Holdings	Entertainment	US	Dalian Hexing Investment Co Ltd	CN	650
8/28	Ele.me	Food Service	CN	Beijing Hualian Department Store Co Ltd, CITIC Private Equity Funds Management Co Ltd, Sequoia Capital Operations LLC, Tencent Holdings Ltd, JD.com Inc, China Media Capital	Various	630
8/26	FL Mobile	Software	US	Beijing Jinxing Rongda Investment Management Co Lt	CN	624
8/25	Delclima	Building Materials	IT	Mitsubishi Electric Corp	JP	575
8/28	Olam International Ltd	Food	SG	Mitsubishi Corp	JP	437
8/24	Renal Ventures Ltd LLC	Healthcare-Services	US	DaVita HealthCare Partners Inc	US	415
8/24	Talazoparib drug rights	Pharmaceuticals	US	Medivation Inc	US	410
8/25	Twelve Inc	Healthcare-Products	US	Medtronic PLC	IE	408
8/25	Shanxi Hongsheng Resources Exploration Investment	Mining	CN	Up Energy Development Group Ltd	HK	405

Source: Bloomberg [MA<GO>](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.

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Q&A

Overconsolidation Will Correct Itself as New Entrants Compete: Jones Day's Profusek

Robert Profusek, global head of M&A at Jones Day, spoke to Bloomberg's Tom Keene and Vonnie Quinn on Aug. 27 about anti-trust hurdles, big pharma, Trump and what the Cameron-Schlumberger deal says about energy dealmaking ahead. Comments have been edited and condensed.

Q: Is there a risk of too much concentration?

A: Certainly the government has tightened things up. One of the interesting things is the Obama administration was pretty lax in the immediate aftermath of the financial crisis. It has gotten tougher to get things through down in Washington because there are so many horizontal transactions. Yes, there is a risk. And obviously from an antitrust standpoint, it means looking at whether a merger is going to be bad for consumers.

Q: If a new normal in mergers and acquisitions is a search for nominal revenues and less about financial engineering, the next normal is one big energy roll-up, isn't it?

A: Yes. The strong guys are going to combine, synergize and get stronger.

Q: In the past, mergers and acquisitions often have not been successful. Will we see a lot of great big successes going forward? Will we have a better industry out of it?

A: I think that the argument that they are unsuccessful is overdone. Sure, there are tons of them that have been unsuccessful — AOL, TimeWarner, you name it. But in general, what makes this different from prior periods is it is strategic, using your balance sheet. You are combining in a sensible way, you're doing it at the right time. It is not an animal spirits thing. It's 'how do we get better?'

One of the things that has driven the incredible level of activity is the redeployment, getting out of this and getting into that. Look at what GE has done, for example, Siemens, all these other big companies: They are reconfiguring businesses and using the

power of their balance sheet.

Q: What is the flexibility of a balance sheet right now? Do you expect in energy and frankly in other industries that we will see substantial reserve or goodwill write-downs?

A: There has to be. There are boatloads of money that was invested in fracking in the last five years, of course. They got a pass in April on their so-called reserve-based lending structures, which are kind of like working capital financings for retailers.

The Fed sent out an e-mail that said be careful in October when you redo those. Those are going to tighten; you will have to see a lot of those people get together.

Q: Oil down, down, down; ready, set, merge and acquire.

A: Absolutely. And I think I would say that in general but everybody is looking for help in Texas. There's just no question about it. But there are different components of it. The Schlumberger deal is one thing. They did not exactly acquire some weak sister. That was a sensible, strategic move.

There are going to be a lot of people who are getting together to survive. There are going to be a lot of loan-to-own deals, a lot of issues in which companies are sold through Ch. 11 and all the rest of it.

Q: What about the pharmaceutical industry?

A: Pharma is going to continue to be on fire. You might say, 'well, how can it be any hotter than it has been?' It is going to

be. It's got to be. ObamaCare is a manifestation of the need to get more efficient. It is because health care has gotten too expensive.

Q: How do you respond to the fear that we could come towards too many combinations, that we could have a time of Andrew Mellon, where there was such a merger frenzy that it became too concentrated?

A: Theoretically there is. Standard Oil, at one point before it was broken up, was 11 percent of the GDP of this entire country. That is astonishing when you think about it. But one of the things about capital and deployment in our system is that when people get too big, think about airlines and everything else, someone comes in and starts to compete. Unless you have a patent or something that keeps people out legally, if people can compete and raise prices, other people come.

Q: Do we have competition in media and cable TV?

A: Yes, but the question on that one, on technology, is 'what is it going to be in five years?' When you think about it, is cable going to be a factor? Is it all going to be wireless? There are just so many alternatives. And that is one of the fabulous things about technology is that alternatives exist.

Q: Is Mr. Trump an appropriate Republican candidate for the M&A titans of America?

A: Personally, I'm not sure what Mr. Trump is actually standing for.

AT A GLANCE



Caption: Bloomberg / Andrew Harrer

Career: Chairs Jones Day's global M&A practice, lead independent director of two NYSE-listed companies

Education: New York University (J.D. summa cum laude 1975; Order of the Coif; Note and Comment Editor, Law Review); Cornell University (B.A. magna cum laude 1972)

ACTIVIST SITUATIONS COMPILED BY MELISSA KARSH, BLOOMBERG BRIEF EDITOR

Significant Actions at Companies Targeted by Activist Investors

COMPANY	ACTIVIST	WHAT HAPPENED	STOCK LAST WEEK
Freeport-McMoRan Inc	Carl Icahn	Activist reported new 8.5% stake in international natural resources company on Aug. 27 and plans to seek talks with management and may seek board representation. Link on terminal: NSN NTRK456K50Y4<GO>	
Ethan Allen Interiors Inc	Sandell Asset Management Corp.	Activist hedge fund sent a letter Aug. 26 seeking talks with the furniture seller on its proxy context. Link: NSN NTF05U67TSEK<GO>	
Koninklijke DSM NV	Third Point LLC	Dutch maker of nutritional products said Aug. 25 it plans to cut 5% of workforce to help appease activist as it faces a demand slowdown. Link: NSN NTMS8V6K50AV<GO>	
Cheniere Energy Inc	Carl Icahn	Activist took control of two board seats Aug. 24 three weeks after it disclosed an 8.2% stake in the U.S. natural gas exporter. Link: NSN NTLCT67UJUZ<GO>	

Source: Bloomberg News, [NI SHRHOLDACT<GO>](#)

Bloomberg Brief: Mergers

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AGL Resources Inc	Southern Co/The	11,937	12/31/16	66.00	60.56	Cash	9.0%	6.7%	9.9%	▲
Altera Corp	Intel Corp	14,355	03/31/16	54.00	48.61	Cash	11.1%	18.7%	-0.9%	
Axis Capital Holdings Ltd	Arch Capital Group Ltd	6,560	-	65.00	55.21	Cash	17.7%	-	3.1%	▲
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	62.22	54.72	C&S	13.7%	40.0%	-3.4%	▼
Baxalta Inc	Shire PLC	29,337	-	39.16	35.25	Stk	11.1%	-	6.8%	▲
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	7.36	Cash	110.5%	-	-2.6%	▼
Broadcom Corp	Avago Technologies Ltd	29,806	03/31/16	55.19	51.79	C/S	6.6%	11.1%	0.3%	
Cameron International Corp	Schlumberger Ltd	15,153	03/31/16	68.90	65.00	C&S	6.0%	10.1%	6.4%	▲
Chubb Corp/The	ACE Ltd	28,986	03/31/16	124.75	120.99	C&S	3.1%	5.3%	0.2%	
Cigna Corp	Anthem Inc	50,382	12/31/16	175.82	137.87	C&S	27.5%	20.5%	1.3%	
City National Corp/CA	Royal Bank of Canada	5,317	12/31/15	89.01	87.83	C&S	1.3%	3.9%	-0.1%	
Cytec Industries Inc	Solvay SA	6,091	-	75.25	73.85	Cash	1.9%	-	-0.1%	
Freescale Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	36.80	36.38	C&S	1.2%	3.4%	0.0%	
HCC Insurance Holdings Inc	Tokio Marine Holdings Inc	7,480	12/31/15	78.00	77.23	Cash	1.0%	2.9%	0.2%	
Home Properties Inc	Lone Star Global Acquisitions Ltd	6,818	12/31/15	75.23	74.28	Cash	1.3%	3.7%	0.1%	
Hospira Inc	Pfizer Inc	16,807	09/03/15	90.00	89.93	Cash	0.1%	4.7%	-0.5%	
Humana Inc	Aetna Inc	28,906	12/31/16	222.87	184.01	C&S	21.1%	15.7%	-0.6%	
MarkWest Energy Partners LP	MPLX LP	20,211	12/31/15	57.86	56.96	C&S	1.6%	4.6%	1.7%	
Micron Technology Inc	Tsinghua Holdings Co Ltd	22,973	-	21.00	15.96	Cash	31.6%	-	-8.1%	▼
Office Depot Inc	Staples Inc	5,854	12/31/15	10.26	7.82	C&S	31.2%	91.1%	-3.2%	▼
Pall Corp	Danaher Corp	13,779	08/31/15	127.20	127.11	Cash	0.1%	8.6%	-0.4%	
PartnerRe Ltd	EXOR SpA	6,066	12/31/15	140.50	138.50	Cash	1.4%	4.2%	-0.2%	
Pepco Holdings Inc	Exelon Corp	12,185	09/30/15	27.25	23.01	Cash	18.4%	203.8%	21.2%	▲
Perrigo Co PLC	Mylan NV	34,870	-	190.74	185.42	C&S	2.9%	-	-0.7%	
Precision Castparts Corp	Berkshire Hathaway Inc	35,658	03/31/16	235.00	229.98	Cash	2.2%	3.7%	0.4%	
Sigma-Aldrich Corp	Merck KGaA	16,395	09/30/15	140.00	139.55	Cash	0.3%	3.6%	-0.2%	
Time Warner Cable Inc	Charter Communications Inc	79,250	12/31/15	198.22	187.43	C&S	5.8%	16.8%	-0.1%	
Towers Watson & Co	Willis Group Holdings PLC	8,095	12/31/15	114.89	120.22	Stk	-0.4%	-1.1%	0.6%	
Williams Cos Inc/The	Energy Transfer Equity LP	69,732	-	53.86	48.92	Stk	10.1%	-	6.8%	▲
Williams Partners LP	Williams Cos Inc/The	14,129	09/30/15	54.55	39.73	Stk	37.3%	412.5%	-6.7%	▼

MARB <GO> North American deals

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock



See what's new, what's changed and what we expect today



EDITOR'S CORNER

Will All That Cash Burn a Hole in the Corporate Wallet?

BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR



To judge by the balance sheets of American companies, cash is king. Despite years of share buybacks and a boom in acquisitions, cash keeps piling up in absolute terms, and relative to all assets, cash is at historically high levels (leaving aside the anomalous years of the financial crisis).

It's not surprising then that all-cash mergers have remained popular even after six years of rising stock prices, which should make buyers eager to buy with shares.

In 1999, less than 20 percent of mergers were paid for entirely in cash, measured by number of deals and value. In recent years, that's been north of 50 percent. Buyers have cash by the bundle and can

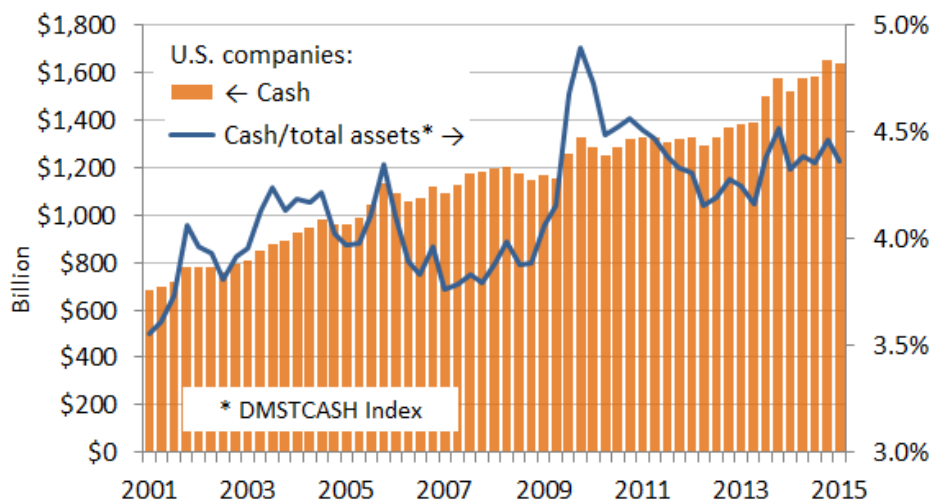
borrow more if they need it. Sellers also learned the hard way about the risks of taking stock at the crest of the market in 1999 and 2000.

Anyone who listens to earnings calls knows how much pressure there is on companies to spend down their cash hordes. "How are you going to spend it?" is a required question from analysts. Few CEOs say that they can deploy it all for organic growth. Typically, they plan some mix of buying in shares and making acquisitions.

One sign that we are nearing a peak is the fact that most of the very largest acquisitions this year and last have had a stock component (click [here](#) for related analysis and the list). In part, that's due to their sheer size. But it also reflects the characteristics of this crop of megadeals. They tend to be mergers of competitors (**Royal Dutch Shell Plc-BG Group Plc**; **Anthem Inc.-Cigna Corp.**; **ACE Ltd.-Chubb Corp.**) or closely adjacent companies (**Charter Communications Inc.-Time Warner Cable Inc.**), where the synergies are fairly self-evident and the target's shareholders can see benefits to owning stock of the combined business.

It could also be a sign the buyers are starting to see their own equity as richly valued and they'd rather spend it than cash if they can.

Balance Sheets Are Loaded With Cash



Source: Bloomberg Intelligence/Federal Reserve

BloombergBriefs.com

QUOTED

"If you're a spec pharma company between \$2 billion and \$10 billion, you're really worried."

— Greenhill & Co. managing director Ashish Contractor [discussing](#) the acquisition capacity of companies like Allergan



General Electric paid \$314,511 last year for two life insurance policies for CEO **Jeff Immelt**, compared with \$101 that **JPMorgan Chase** paid for **Jamie Dimon**, according to an [analysis](#) of proxy statements.

WEEK IN NUMBERS

■ **38%:** [Premium](#) to AGL Resources' Aug. 21 closing price that Southern Co. is paying in what will be its largest transaction on record.

■ **2.1%:** Drop in Alfa's \$1 billion of notes since July 13, marking the biggest selloff among Mexican [companies](#) rated investment grade.

IN THIS ISSUE

MERGER MONDAY. Belk Inc., the department-store chain concentrated in the southern U.S., [agreed](#) to be acquired by private-equity firm Sycamore Partners for about \$2.7 billion in cash.

M&A TRENDS. After a summer in which M&A activity most weeks exceeded the average since the beginning of 2014, things [slowed down](#) last week.

ACTIVIST SITUATIONS. Investor Yoshiaki Murakami [lost](#) his bid to get seats on Kuroda Electric's board.

Q&A. Specialty pharmaceutical companies are on a merger 'binge' to avoid being an M&A target, [says](#) Ashish Contractor, a managing director at Greenhill & Co. Inc.

MERGER MONDAY A ROUND-UP OF TODAY'S LARGEST DEALS AND DEALMAKING NEWS

Southern to Buy Gas Distributor AGL for \$8 Billion

BY JIM POLSON, BLOOMBERG NEWS

Southern Co., the third-largest U.S. utility owner, agreed to buy natural-gas distributor **AGL Resources Inc.** for \$8 billion in cash to capitalize on growing demand for the heating and power plant fuel.

Under the terms of the agreement, AGL Resources' shareholders will be entitled to \$66 for each share they own, the Atlanta-based companies said in a joint release today. That represents a 38 percent premium to the Aug. 21 closing price.

The transaction is the largest on record for Southern, owner of electric utilities in Georgia, Alabama, Florida and Mississippi with 4.5 million customers and one of the nation's largest power generators, according to data compiled by Bloomberg. AGL owns gas utilities with 4.5 million customers in seven states.

Citigroup Inc. was Southern Co.'s financial adviser. **Goldman Sachs Group Inc.** advised AGL.

Anglo American Sells Copper Unit to Audley for \$300 Million

Anglo American Plc agreed to sell its Norte copper unit to a group of investors led by hedge fund **Audley Capital Advisors LLP**.

The division comprising the Mantoverde and the Mantos Blancos mines in northern Chile will be sold for \$300 million in cash, potentially rising to \$500 million, London-based Anglo said in a statement on today. The deal should be completed this quarter.

Orion Mine Finance Group, headed by **Red Kite Group** founder **Oskar Lewnowski**, is the principal co-investor. **John Mackenzie**, Anglo's former copper chief, is now heading Audley's mining division.

Anglo is selling coal, platinum and copper assets and reducing headcount to preserve cash amid a commodities rout that's sent prices to a 16-year low. The company said it's focusing on expanding its biggest and most profitable operations, including its Collahuasi and Los Bronces mines and the Quellaveco project in Peru. The firm has previously flagged the sale of a number of assets to raise \$3 billion.

— Agnieszka de Sousa and Thomas Biesheuvel, Bloomberg News

Biggest Deals Since Friday

TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
AGL Resources Inc	Utilities	US	Southern Co/The	US	11,937
Belk Inc	Consumer, cyclical	US	Sycamore Partners	US	2,738
Offshore block	Energy	AO	Sonangol Holding-Sociedade Nacional de Combustiveis	AO	1,750
Renal Ventures Ltd LLC	Consumer, Non-cyclical	US	DaVita HealthCare Partners Inc	US	415
Talazoparib Drug Rights	Consumer, Non-cyclical	US	Medivation Inc	US	410
Anglo American Norte SA	Basic Materials	CL	Audley Capital Advisors LLP, Orion Resource Partners USA LP	UK, US	300
Cytovance Biologics Inc	Consumer, Non-cyclical	US	Shenzhen Hepalink Pharmaceutical Co Ltd	CN	206
CITIC Telecom International Holdings Ltd	Communications	CN	CITIC Group Corp	CN	201
Affinity Education Group Ltd	Consumer, Non-cyclical	AU	Anchorage Capital Partners Pty Ltd	AU	165

Source: Bloomberg [MA<GO>](#)

Real estate assets, joint ventures and stock buybacks excluded

Belk to Be Acquired by Sycamore Partners

Belk Inc., the department-store chain concentrated in the southern U.S., agreed to be acquired by private-equity firm **Sycamore Partners** for about \$2.7 billion in cash.

Belk investors will receive \$68 per share, with the deal valuing the company at about \$3 billion on an enterprise basis, the companies said in a statement on today. Under the terms of the deal, Tim Belk will stay chief executive officer of the department-store chain and it will keep its headquarters in Charlotte, North Carolina.

Sycamore, based in New York, has a strategy of investing in retail companies and trying to reinvigorate them. The firm, started in 2011 by two executives from Golden Gate Capital, purchased Hot Topic Inc. for about \$533.5 million in 2013 and was in talks to buy Billabong International Ltd. before discussions broke off. The firm, which oversees more than \$3.5 billion in capital, also purchased Talbots Inc. in 2012.

— Nick Turner, Bloomberg News

Enel Enters Exclusive Talks to Sell Slovak Power Assets

Enel SpA started exclusive talks with Prague-based **Energeticky & Prumyslovny Holding AS** to sell its majority stake in Slovak power utility **Slovenske Elektrarne AS**.

The two companies may sign a binding purchase agreement in the coming weeks, Rome-based Enel said today in a statement on its website. Daniel Castvaj, a spokesman for EPH, confirmed the talks.

Italy's largest utility, engaged in a 5 billion-euro (\$5.7 billion) asset-sale program, will probably offload its 66 percent stake in Elektrarne in two phases, Enel Chief Executive Officer **Francesco Starace** said in June. The Slovak government, which owns the rest, has insisted Enel retain an interest until it completes two new reactors at the Mochovce nuclear plant.

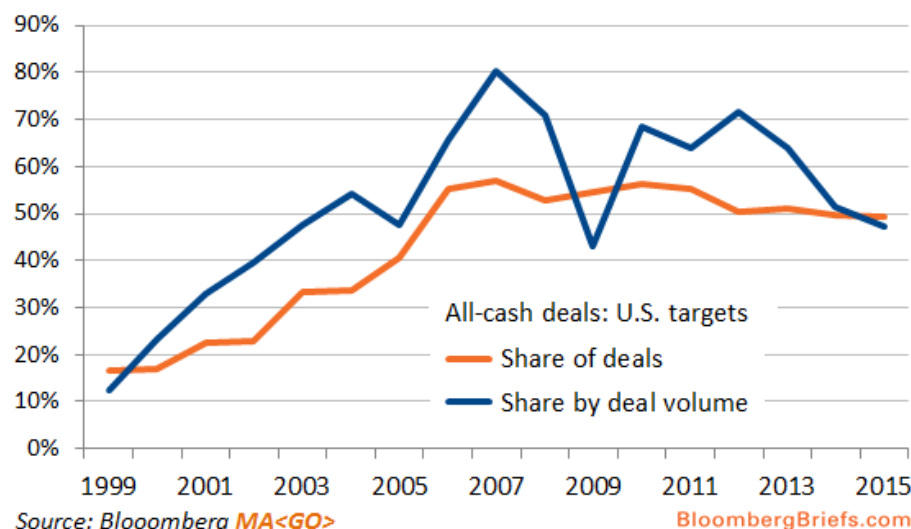
Other potential buyers include a Hungarian group comprising **Mol Nyrt.** and state-owned **MVM Zrt.**, which submitted an offer earlier this year, and **China National Nuclear Corp.**

— Ladka Bauerova, Bloomberg News

INSIGHT: CASH

Stock Has Taken a Back Seat to Cash When Companies Make Acquisitions

All-Cash Deals Are More Popular Than in Dotcom Era



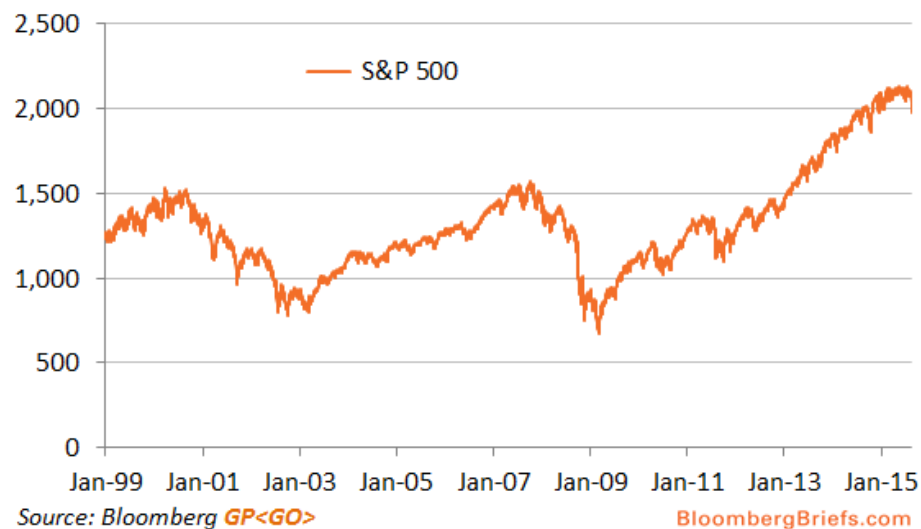
The form of payment acquirers have offered has shifted over time, away from stock consideration to cash, according to data compiled by Bloomberg. All-cash deals constituted less than 20 percent of deals in 1999, at the peak of the dotcom boom, measured by both deal count and deal value. Those figures have been more than 50 percent in recent years.

One might expect that rising stock prices would lead to fewer all-cash deals and an increasing use of stock consideration. In fact, during the stock market rises of 2003-07 and 2009-15, all-cash deal levels rose or held steady.

A footnote to the numbers: The fact that the proportion of all-cash deals by number topped out in 2006 and has not moved much since — as shown in the first chart — may reflect the fact that the form of payment is not disclosed for many smaller deals. The percentages here are calculated by taking deals that are announced to be all-cash and dividing those totals into the figures for all deals. The large number of deals with no information on the payment puts a limit on the percentage level for the all-cash deals.

— John E. Morris, Bloomberg Brief

Rise in Stock Prices Hasn't Led to More Stock Deals



Continued on next page...

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INSIGHT: CASH...

Continued from previous page...

Biggest Deals of 2015, With Payment Form

TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)	PAYMENT TYPE
BG Group PLC	Oil & Gas	GB	Royal Dutch Shell PLC	NL	79,308	Cash and Stock
Time Warner Cable Inc	Media	US	Charter Communications Inc	US	79,250	Cash and Stock
Kraft Foods Group Inc	Food	US	Kraft Heinz Foods Co	US	55,423	Cash and Stock
Cigna Corp	Healthcare-Services	US	Anthem Inc	US	50,382	Cash and Stock
Hutchison Whampoa Ltd	Holding Companies-Diversified	HK	CK Hutchison Holdings Ltd	HK	41,705	Stock
Allergan's generic drug business	Pharmaceuticals	US	Teva Pharmaceutical Industries Ltd	IL	40,500	Cash and Stock
Precision Castparts Corp	Metal Fabricate/Hardware	US	Berkshire Hathaway Inc	US	35,658	Cash
Perrigo Co PLC	Pharmaceuticals	IE	Mylan NV	US	34,870	Cash and Stock
Broadcom Corp	Semiconductors	US	Avago Technologies Ltd	SG	29,806	Cash or Stock
Chubb Corp/The	Insurance	US	ACE Ltd	CH	28,986	Cash and Stock
Humana Inc	Healthcare-Services	US	Aetna Inc	US	28,906	Cash and Stock
SK Holdings Co Ltd/Old	Oil&Gas	KR	SK Holdings Co Ltd	KR	26,731	Cash or Stock
MarkWest Energy Partners LP	Pipelines	US	MPLX LP	US	20,211	Cash and Stock
Pharmacyclics Inc	Pharmaceuticals	US	AbbVie Inc	US	19,777	Cash and Stock
Regency Energy Partners LP	Pipelines	US	Energy Transfer Partners LP	US	17,430	Stock
Hospira Inc	Pharmaceuticals	US	Pfizer Inc	US	16,807	Cash
Freescale Semiconductor Ltd	Semiconductors	US	NXP Semiconductors NV	NL	15,769	Cash and Stock
Telefonica UK Ltd	Telecommunications	GB	Hutchison Whampoa Ltd	HK	15,125	Cash
Altera Corp	Semiconductors	US	Intel Corp	US	14,355	Cash
Williams Partners LP	Pipelines	US	Williams Cos Inc/The	US	14,129	Stock
Pall Corp	Miscellaneous Manufacturing	US	Danaher Corp	US	13,779	Cash
Catamaran Corp	Pharmaceuticals	US	UnitedHealth Group Inc	US	13,227	Cash
Salix Pharmaceuticals Ltd	Pharmaceuticals	US	Valeant Pharmaceuticals International Inc	US	12,524	Cash
43 Procter & Gamble beauty business lines	Consumer Products	US	Coty Inc	US	12,500	Cash
GE Antares Capital Corp	Diversified Financial Services	US	Canada Pension Plan Investment Board	CA	12,000	Cash

Source: Bloomberg

MA<GO>

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.

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Q&A

Pharma Companies in 'Eat or Be Eaten' Mentality, Greenhill & Co.'s Contractor Says

Specialty pharmaceutical companies are on a merger 'binge' to avoid being an M&A target, **Ashish Contractor**, a managing director at **Greenhill & Co. Inc.**, tells Bloomberg News's Sonali Basak. Contractor advised Teva Pharmaceutical Industries Inc. on its recent deal for Allergan Plc's generics unit and on its unsolicited bid for Mylan NV, and advised Coventry Health Care Inc. on its sale to Aetna Inc., which closed in 2013. His remarks have been edited and condensed.

Q: Within health insurance, we've seen almost everyone paired together. What will we see next?

A: A lot of people were waiting to get clarity over what was going to happen with the Affordable Care Act, managed care. Now that there is sort of deemed finality, there has been a wave of consolidations to get more Medicaid Advantage exposure. What's difficult about the big insurance deals is it's of a state-by-state overlap [antitrust] analysis. The next two or three deals, everyone sort of knows about because the number of combinations that could occur are pretty finite — as opposed to pharma, which could be anyone buying anyone.

Q: What about hospitals?

A: A lot of those just want to get more scale. Services businesses are usually pretty nice cash flow-generating assets, so you see a lot of private equity activity in that space. Large pharma, generics, gobble up these biotech companies or spec pharma companies at \$1 billion-plus valuations. It's difficult for private equity to play in that game. They don't have the same synergies as the consolidators. A lot of these assets have patents that may eventually fade off, or they're biotech companies that are binary bets. A large pharma company can make that bet, but a private equity firm can't play around like that. Private equity firms are focusing more on facilities and services-based businesses — ambulatory, surgical centers, hospitals, things like that — which are steady-Eddie growth businesses with great cash flow generation.

Q: How does the opportunity there compare today from the past?

A: As a banker, we get to see a lot of the things happening in private. I can say from this point last year to now, there's a ton more activity happening, a lot more formal processes, auctions. It bodes well for announced deals in the third and fourth quarter or first quarter of next year. We're seeing a ramp-up of activity.

Q: How has the inversion structure impacted dealmaking?

A: If you were to talk to bankers on the Street a year ago, they would tell you that in every single meeting, the topic of inversions came up. It was the thing that was on everyone's mind. Then you saw a wave of inversions and the government cracked down. Now, it comes up sporadically, because it's a lot harder to get done. It's the eye of the needle. You have to find the right target; it gets tougher. The guys that were able to get it done now have huge advantages over everyone else.

Q: What's most different about pharma mergers today, as opposed to when Pfizer was considered the biggest dealmaker?

A: Before, if you spoke to health-care bankers, they'd give you the names of what was traditional big pharma — Pfizer, AstraZeneca, Merck, Eli Lilly. What's different now is you have a new emerging class of companies. Let's use Actavis [now renamed Allergan Plc] as an example. That company was Watson Pharmaceuticals; it went and bought an Icelandic company called Actavis [for \$5.6

billion]. We advised them when they were under \$10 billion. They bought Warner Chilcott [for \$7.8 billion] and re-domiciled. They then did a big deal, Forest Labs [\$20.8 billion]. Then they did the [\$65 billion] Allergan deal.

That company wasn't on the radar screen. Have people really heard of, in the mainstream, Endo, Mallinckrodt or Horizon? These are huge companies now, deal machines. A couple years ago these companies never existed. But because of their tax status, because of the fundamentals in the economy right now, they can absorb these spec pharma or biotech companies, get huge synergies and move on.

I'm not sure where it ends, but I definitely think you're going to see it for 12 to 18 months. These guys are able to lever up 3 to 4, 4.5 times, buy someone, pay their debt and move on.

I'll give you a great example. When the deal with Teva [for Allergan's generics business] closes, between their cash flow generation and the proceeds, [Allergan] will have zero net debt. What that means is they will have a gigantic acquisition capacity to go out and do big things. The market's guessing the deal they're going to do. They're guessing \$60, \$70, \$80 billion in size.

If you're a spec pharma company between \$2 billion and \$10 billion, you're really worried. The fear is you'll be taken out by one of the big guys. So the mentality for a lot of these guys is "eat or be eaten." Because of that, right now a lot of these guys are going on binges so they can get really big really quickly, so it will be tough to take them out.

AT A GLANCE



Source: Company

Hometown: Hillsborough, N.J. **Current Residence:** Manhattan
Education: BS from NYU Stern School of Business, MBA with honors from Harvard Business School, six years at Lehman Brothers and almost 11 at Greenhill
Favorite Movie: The Godfather
Favorite Sports Team: New England Patriots
Recent health-care deals worked on: Teva's acquisition of Allergan's generics (\$40.5 billion); Teva's unsolicited bid for Mylan (\$50 billion); Actavis' acquisition of Forest Labs (\$25.1 billion) and Warner Chilcott (\$8.5 billion); Coventry's sale to Aetna (\$7.3 billion); Roche's unsolicited bid for Illumina (\$6.8 billion)

OIL DISTRESS

Suspicious Bond Traders Fear Alfa Won't Quit Distressed Oil Bid

BY SEBASTIAN BOYD AND NACHA CATTAN, BLOOMBERG NEWS

Bond investors aren't convinced Mexico's **Alfa SAB** has completely lost interest in distressed oil producer **Pacific Rubiales Energy Corp.**

While Alfa's \$1 billion of notes rallied after the company officially abandoned its \$1.7 billion takeover bid last month, they've slumped 2.1 percent since July 13. That's the biggest selloff among Mexican companies rated investment grade.

San Pedro Garza Garcia, Mexico-based Alfa, which makes products ranging from car parts to lunch meat, hasn't said what it intends to do with its 19 percent stake in the Bogota-based junk-rated oil company. That's fueling speculation it's considering a second bid as part of its push to tap into the opening of Mexico's fields to private producers for the first time since 1938.

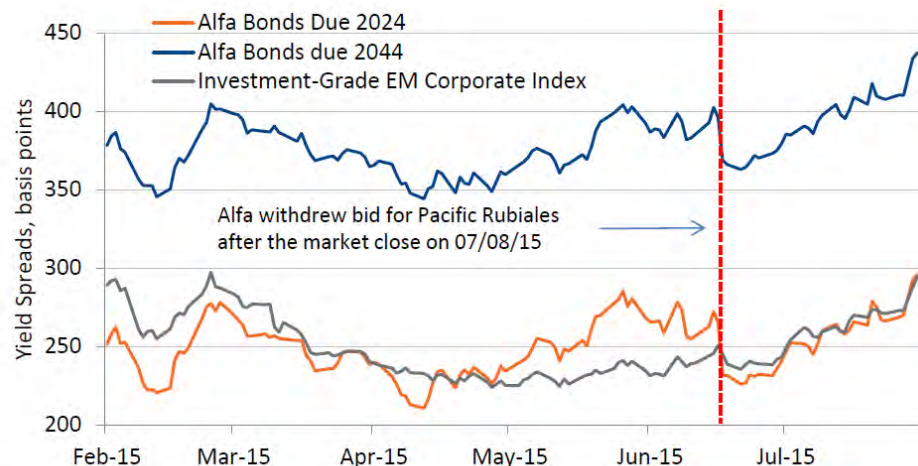
Alfa and partner **Harbour Energy Ltd.** pulled their offer for the company now known as **Pacific Exploration & Production Corp.** after the driller's largest shareholder said the bid was too low.

"They haven't said absolutely no or absolutely yes," Robert Schmieder, head of Latin American credit research at BBVA, said by phone from New York. "If Alfa were to get involved again, the question is: At what price?"

Alfa declined to comment on speculation that it might bid again, as did Pacific Exploration & Production.

Things have only gotten worse for the oil producer since Alfa and Harbour pulled their bid. Moody's Investors Service cut

Alfa's Bonds Have Widened More Than Peers'



Source: Bloomberg

BloombergBriefs.com

the company's rating to Ba3, three levels below investment grade. Crude prices have dropped 22 percent to a six-year low, part of a plunge in commodities, stocks and bonds globally.

Pacific Exploration's stock now trades at C\$3.45, down 34 percent since opposition from majority shareholder O'Hara Administration Co. prompted Alfa to ditch its offer.

"I don't think that Alfa is ready for a new bid in the context of oil prices, volatility in emerging markets and poor economic dynamics globally," Cedric Rimaud, an analyst at Gimme Credit, said in an e-mail. "This would be a bad signal to credit investors in the current context."

Alfa's debt has the lowest investment grades from Moody's and Fitch Ratings, while Standard & Poor's ranks it one level

higher. Mexico's peso declined 0.7 percent Monday to 17.0977 per dollar as of 7:37 a.m. in New York.

Alfa's benchmark bonds due in 2024 fell to 103.06 cents on the dollar on Friday, pushing yields to 4.81 percent. They now yield 2.9 percentage points more than U.S. Treasuries, up 0.71 percentage points since July 13 and 0.24 since the offer was withdrawn on July 8.

"When the Pacific Rubiales deal was canceled, bonds popped on that and they have drifted down since," Jason Trujillo, a fixed-income analyst at Invesco Advisers Inc., said by phone from Atlanta. "There is some concern they may bid for Pacific Rubiales again. If you look at Mexican corporate credits, you want to be in the one with less M&A risk."

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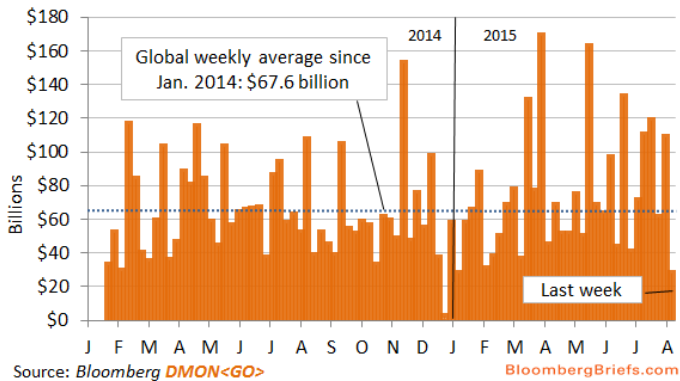
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WEEK IN REVIEW: M&A TRENDS COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Finally, a Summer Lull

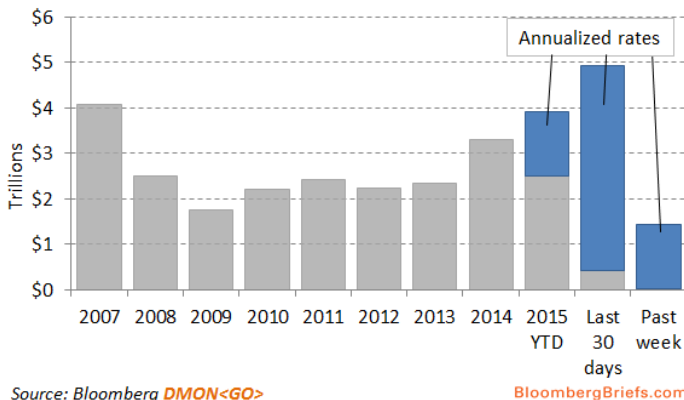
Week by Week Activity



After a summer in which M&A activity most weeks exceeded the average since the beginning of 2014, things slowed down last week. Global M&A volume was just \$27.5 billion, the slowest week since Christmas, according to data compiled by Bloomberg.

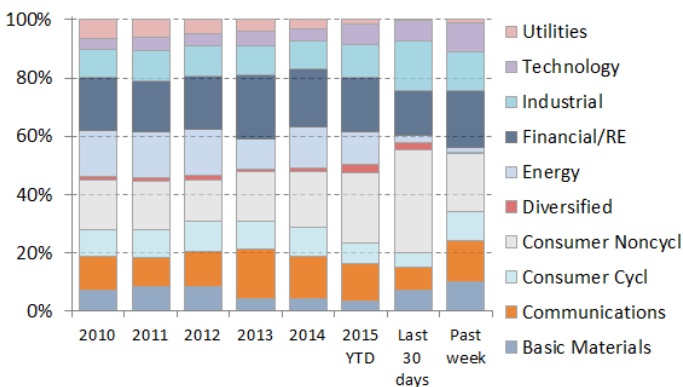
There were only *seven new deals* worth more than \$1 billion, the largest being **QVC Group's** \$2.1 billion takeover of **Zulily Inc.**

Pace of Dealmaking



M&A activity was on pace to reach \$3.92 trillion this year, annualizing the total through Friday. That would be just short of the \$4.08 trillion in 2007.

Sector Breakdown



Last week's deals were widely *diversified* by industry. The top 10 included an Internet and a bank deal, as well as takeovers in mining, food, semiconductors and cement.

WEEK IN REVIEW: TOP DEALS

Largest Deals Announced Aug. 15 to Aug. 21

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
8/17	zulily Inc	Internet	US	Liberty Interactive Corp QVC Group	US	2,067
8/17	National Penn Bancshares Inc	Banks	US	BB&T Corp	US	1,825
8/17	ERICO Global Co	Mining	US	Pentair PLC	GB	1,800
8/17	EWOS Holding AS	Food	NO	Cargill Inc	US	1,496
8/21	Siliconware Precision Industries Co Ltd	Semiconductors	TW	Advanced Semiconductor Engineering Inc	TW	1,073
8/20	Sprout Pharmaceuticals Inc	Pharmaceuticals	US	Valeant Pharmaceuticals International Inc	US	1,000
8/21	Steiner Leisure Ltd	Leisure Time	BS	Catterton Partners	US	895
8/21	VTTI BV	Transportation	NL	Vitol Group of Cos	CH	830
8/17	Jojobera & Sonadih cement business	Building Products	IN	Birla Corp Ltd	IN	764
8/17	Precision Engineered Products LLC	Metal Fabricate/Hardware	US	NN Inc	US	615
8/18	Dot Hill Systems Corp	Computers	US	Seagate Technology PLC	US	603
8/19	Myanmar Brewery Ltd	Beverages	MM	Kirin Holdings Co Ltd	JP	560
8/21	Fujian San Steel - substantially all assets	Iron/Steel	CN	Sansteel Minguang Co Ltd Fujian	CN	536
8/17	Affinia automotive filters unit	Auto Parts & Equipment	US	Mann + Hummel Holding GmbH	DE	513
8/18	Jasper Infotech Pvt Ltd (minority stake)	Advertising	IN	Hon Hai Precision Industry Co Ltd, Temasek Holdings Pte Ltd, Alibaba Group Holding Ltd, SoftBank Group Corp, BlackRock Inc	Various	500
8/18	Citigroup's alternative investor services business	Business Services	US	SS&C Technologies Holdings Inc	US	425
8/19	GrabTaxi Holdings Pte Ltd (minority stake)	Transportation	SG	China Investment Corp, Coatue Management LLC, Xiaoju Kuaizhi Inc	Various	350
8/19	United Therapeutics rare pediatric disease voucher	Pharmaceuticals	US	AbbVie Inc	US	350
8/17	MountainPeak Trading Ltd	Investment Companies	GB	ADLER Real Estate AG	DE	316
8/21	Rights in ofatumumab	Pharmaceuticals	GB	Novartis AG	CH	300
8/17	Iroquois Gas Transmission System LP	Gas	US	Dominion Midstream Partners LP	US	293
8/15	Shenzhen Xingfei Technology Co Ltd	Telecommunications	CN	Fujian Start Group Co Ltd	CN	260
8/21	Taizhou Jlnhaiyun Marine Machinery Co Ltd	Machinery-Diversified	CN	Shanghai Bestway Marine Engineering Design Co Ltd	CN	238
8/20	Dian Rong Ltd (minority stake)	Software	CN	Bohai Leasing Co Ltd, Standard Chartered Private Equity Ltd, Tiger Global Management LLC, China Fintech Investment Advisory	Various	207
8/18	BuzzFeed Inc (minority stake)	Internet	US	Comcast Corp	US	200

Source: Bloomberg [MA:GO](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.

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ACTIVIST SITUATIONS

COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

COMPANY	ACTIVIST	WHAT HAPPENED	STOCK LAST WEEK
Kuroda Electric Co Ltd	Yoshiaki Murakami	Activist lost his bid to get seats on board Aug. 21, with about 60% of shareholders voting against it.	
Sysco Corp	Trian Fund Management LP	Food distributor agreed to add Trian's Nelson Peltz and Josh Frank to its board a week after their firm disclosed a 7.1% stake.	
Pentair PLC	Trian Fund Management LP	Maker of water and other fluid control machinery agreed to pay \$1.8 billion for electrical components maker Erico Global Aug. 17, after pressure from Trian to do deals.	
Glencore PLC	Harris Associates LP	CIO of large shareholder disagreed with newspaper's characterization of it as an activist in an Aug. 17 interview and said his firm is betting on a rebound of the commodities company.	

Bloomberg Brief: Mergers

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DEAL ARBITRAGE

TARGET	ACQUIRER	DEAL SIZE (M)	EXPECTED COMPLETION DATE	OFFER PER SHARE	TARGET PRICE	PAYMENT TYPE	SPREAD	PROJECTED ANNUALIZED RETURN	1W CHANGE IN SPREAD	MAJOR MOVE
Altera Corp	Intel Corp	14,355	03/31/16	54.00	48.17	Cash	12.1%	19.8%	1.8%	
Axis Capital Holdings Ltd	Arch Capital Group Ltd	6,560	-	65.00	56.86	Cash	14.3%	-	0.7%	
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	58.97	49.52	C&S	19.1%	52.8%	1.5%	
Baxalta Inc	Shire PLC	29,337	-	38.20	36.54	Stk	4.5%	-	-0.2%	
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	7.16	Cash	116.3%	-	7.7%	▲
Broadcom Corp	Avago Technologies Ltd	29,806	03/31/16	51.67	48.43	C/S	6.7%	11.0%	-0.4%	
Chubb Corp/The	ACE Ltd	28,986	03/31/16	126.17	122.68	C&S	2.8%	4.7%	-0.1%	
Cigna Corp	Anthem Inc	50,382	12/31/16	178.94	142.71	C&S	25.4%	18.6%	0.0%	
City National Corp/CA	Royal Bank of Canada	5,317	12/31/15	88.62	87.38	C&S	1.4%	3.9%	0.2%	
Crestwood Midstream Partners LP	Crestwood Equity Partners LP	5,238	09/30/15	7.64	7.80	Stk	-2.1%	-18.1%	-5.2%	▼
Cytec Industries Inc	Solvay SA	6,091	-	75.25	73.76	Cash	2.0%	-	0.5%	
Freescale Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	34.53	34.11	C&S	1.2%	3.4%	-0.5%	
HCC Insurance Holdings Inc	Tokio Marine Holdings Inc	7,480	12/31/15	78.00	77.38	Cash	0.8%	2.2%	-0.1%	
Home Properties Inc	Lone Star Global Acquisitions Ltd	6,818	12/31/15	75.23	74.35	Cash	1.2%	3.3%	0.1%	
Hospira Inc	Pfizer Inc	16,807	12/31/15	90.00	89.52	Cash	0.5%	1.5%	0.2%	
Humana Inc	Aetna Inc	28,906	12/31/16	221.74	181.73	C&S	22.0%	16.1%	0.3%	
MarkWest Energy Partners LP	MPLX LP	20,211	12/31/15	58.73	58.76	C&S	-0.1%	-0.1%	1.5%	
Micron Technology Inc	Tsinghua Holdings Co Ltd	22,973	-	21.00	14.55	Cash	44.3%	-	19.6%	▲
Office Depot Inc	Staples Inc	5,854	12/31/15	10.27	7.57	C&S	35.7%	98.5%	1.3%	
Pall Corp	Danaher Corp	13,779	12/31/15	127.20	126.62	Cash	0.5%	1.3%	0.1%	
PartnerRe Ltd	EXOR SpA	6,066	12/31/15	140.50	138.25	Cash	1.6%	4.5%	0.1%	
Pepco Holdings Inc	Exelon Corp	12,185	09/30/15	27.25	27.03	Cash	0.8%	7.4%	0.7%	
Perrigo Co PLC	Mylan NV	34,870	-	193.45	186.89	C&S	3.5%	-	1.4%	
Precision Castparts Corp	Berkshire Hathaway Inc	35,658	03/31/16	235.00	230.80	Cash	1.8%	3.0%	-0.1%	
Receptos Inc	Celgene Corp	6,778	08/24/15	232.00	231.50	Cash	0.2%	26.3%	0.0%	
Sigma-Aldrich Corp	Merck KGaA	16,395	09/30/15	140.00	139.32	Cash	0.5%	4.5%	0.2%	
Time Warner Cable Inc	Charter Communications Inc	79,250	12/31/15	196.03	185.01	C&S	6.0%	16.5%	-0.1%	
Towers Watson & Co	Willis Group Holdings PLC	8,095	12/31/15	118.30	124.30	Stk	-0.9%	-2.5%	-2.4%	▼
Williams Cos Inc/The	Energy Transfer Equity LP	69,732	-	51.47	49.65	Stk	3.7%	-	-3.5%	▼
Williams Partners LP	Williams Cos Inc/The	14,129	09/30/15	55.36	37.67	Stk	47.0%	428.5%	-3.8%	▼

MARB <GO> North American deals

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock



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EDITOR'S CORNER

Raw Deal Volume Isn't the Only Way to Gauge M&A

BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR



Nothing seems to derail this M&A boom. Not an unexpected currency devaluation in China that could alter trade balances. Not the umpteenth showdown between Greece and other euro-zone countries that goes down to the wire. Not the prospect of the Federal Reserve raising interest rates. As pundits keep pointing out, deal-making is on pace to match or surpass 2007.

The conventional wisdom is that this boom has some ways to run. But deal pricing is rich (see [Week in Review](#)). The median trailing Ebitda multiple globally this year is 11.3, versus 10.8 in 2007. Companies are selling for 1.7 times revenue compared to a median of 1.6 in 2007, according to data compiled by Bloomberg. The

median revenue multiple was 1.2 in 2013 and 1.4 last year. Even if forward Ebitda multiples are lower because cash flow is rising, those are fairly eye-popping numbers.

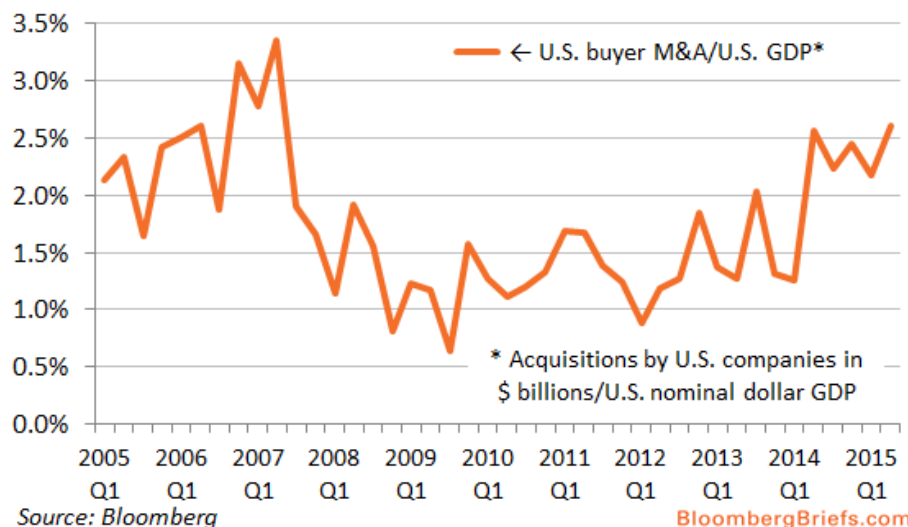
Can things really continue at this level?

There are a couple of reasons to think it can. For starters, even a value investor like **Warren Buffett** is writing [big checks](#).

Moreover, by one measure we are further from the prior peak than the headline deal volume numbers suggest. As a percentage of gross domestic product, M&A activity by U.S. companies (and it's the U.S. that's driving this boom) are still below the levels of 2006-07. The quarterly volume of deals by U.S. companies has been around 2.5 percent of annual GDP since this merger streak began last year — well below the 3 percent-plus level of late 2006 and 2007. And it hasn't broken out of that range even as the megadeals have mounted in the last year and a half.

Dividing M&A volume into nominal GDP arguably gives a truer picture of the activity level. Looked at this way, there is still some headroom before this boom tops out.

M&A as a Percentage of GDP Is Still Below 2006-07 Levels



Percentage is calculated by dividing quarterly M&A volume by trailing full-year GDP.

QUOTED

"Most companies don't know what they are supposed to do, which is good."

— **David Baran**, co-founder of Symphony Financial, on [activism in Japan](#)



News Corp. CEO **Robert Thompson** took advantage of **Google's** decision last week to create a new holding company called Alphabet to take aim at Google's business model. The new name creates "a range of delicious permutations," he said. "A is for Avarice, B is for Bowdlerize, through to K for Kleptocracy, P for Piracy and Z for Zealotry."

WEEK IN NUMBERS

- **31.6x**: Median free cash flow [multiple](#) in deals to date this year
- **4**: [Deals worth](#) at least \$8 billion announced last week
- **79%**: Share of last week's deal volume involving [U.S. targets](#)

IN THIS ISSUE

INSIGHT. **Anheuser-Busch InBev** has rebuilt its balance sheet and is positioned to start making [acquisitions](#) again.

M&A WEEK IN REVIEW. Deal multiples have [surged](#) this year. Private equity firms were on one or both sides in five of last week's [top 25](#) deals.

ACTIVISM IN JAPAN. A new wave of activists [sees a chance](#) to boost shareholder returns.

ACTIVIST SITUATIONS: **Starboard Value** bought more than 4.8 percent of **Boulder Brands**, the natural-foods maker also being [targeted](#) by **Engaged Capital**.

MERGER MONDAY

QVC to Buy Zulily for \$2 Billion

Liberty Interactive Corp. agreed to buy **Zulily Inc.** for \$2 billion, including net debt, adding an online retailer targeted at moms to its QVC home-shopping service.

The price comes to \$18.75 per Zulily share, 49 percent higher than Friday's closing price. Liberty Interactive will provide \$9.375 in cash and 0.3098 newly issued shares of QVC trading stock for each Zulily share, according to a statement.

Zulily, which operates daily flash sales of items ranging from maternity clothes to bibs and toys, is bringing a younger clientele and expertise in personalizing offers to the QVC network.

— Cécile Daurat, Bloomberg News

Brookfield Infrastructure Buys Australian Port Operator

Brookfield Infrastructure Group agreed to buy **Asciano Ltd.** in a deal that values the Australian rail and port operator at A\$12 billion (\$8.8 billion) including debt.

Brookfield will offer A\$6.94 a share in cash and 0.0387 Brookfield Infrastructure units for Asciano, the company said in a statement. The offer has an implied value of about A\$9.15 a share.

Foreign investors have been buying Australian transport assets amid a decline in the local currency and government plans for spending on infrastructure.

Asciano operates Patrick, a stevedoring business, at ports including Melbourne, Sydney and Brisbane, according to its website. It also offers freight services through its Pacific National rail business.

— Brett Foley, Bloomberg News

Cargill Buys Salmon Feed Maker for \$1.5 Billion

Cargill Inc. agreed to buy Norwegian salmon-feed supplier **EWOS AS** from **Altor Equity Partners AB** and **Bain Capital Partners LLC** for 1.35 billion euros (\$1.5 billion).

The EWOS acquisition gives Minneapolis-based Cargill an entry into the salmon market as consumption in emerging economies drives global demand higher. Cargill will now be among the three biggest aqua-feed producers and "very close" in size to No. 1 player Skretting AS, according to Gorjan Nikolic, a senior seafood industry analyst for Rabobank International.

Cargill will acquire seven feed factories in Norway, Chile, Canada, Scotland and Vietnam as part of the deal with Bergen, Norway-based EWOS.

— Angelina Rascoet and Isis Almeida, Bloomberg News

Top Deals Since Friday

TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
Asciano Ltd.	Transportation	AU	Brookfield Infrastructure Group	CA	8,800
zulily Inc	Internet	US	Liberty Interactive Corp QVC Group	US	2,000
ERICO Global Co	Mining	US	Pentair PLC	GB	1,800
EWOS Holding AS	Food	NO	Cargill Inc	US	1,495
Lafarge's Jojobera & Sonadih Indian cement business	Building Products	IN	Birla Corp Ltd	IN	767

Source: Bloomberg [MA<GO>](#)

Real estate assets, joint ventures and stock buybacks excluded.

Pentair to Buy Erico After Deal Push From Activist

Pentair Plc, urged on by an activist investor to make acquisitions, agreed to buy U.S. electrical components manufacturer **Erico Global Co.** for about \$1.8 billion including debt.

Solon, Ohio-based Erico makes engineered electrical and fastening products for electrical, mechanical and civil applications. The business will become a source of growth within Pentair's technical solutions segment, Manchester, England-based Pentair said in a statement today.

Triam Fund Management said in a June filing that Pentair "can create significant value" for shareholders by creating industry consolidation. The activist investor has a 7.2 percent stake, making it the company's second-largest shareholder, according to data compiled by Bloomberg.

— Simon Casey, Bloomberg News

JP Morgan to Advise Strategic Hotels

Strategic Hotels & Resorts Inc., the owner of luxury resorts across the U.S., said it hired **JPMorgan Chase & Co.** to review options available to the company including a possible sale.

Bloomberg reported last month that Strategic Hotels has been exploring a sale and hired a bank to help it find a buyer. **Bill Gates's Cascade Investment** said last week that it increased its stake in the Chicago-based hotel operator and indicated it may possibly be involved in a takeover.

Strategic owns high-end properties including the Ritz-Carlton Half Moon Bay in California and Manhattan's Essex House.

— Christine Maurus, Bloomberg News

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INSIGHT: AB INBEV

BY DUNCAN FOX, BLOOMBERG INTELLIGENCE BEVERAGES ANALYST

World's Biggest Brewer Is Positioned to Make More Acquisitions

With a \$1 billion share buyback completed in June and sizable cash flow, **Anheuser-Busch InBev NV** has ample financial room for more acquisitions. The brewer missed consensus earnings predictions for the second quarter with a 4.6 percent gain, which may spur the desire for acquisitions in high-growth markets.

The brewer has built oligopolistic market positions in the Americas through asset purchases. It holds 45 percent of the North American market and more than 80 percent of its operating income comes from northern Latin America, Mexico and the U.S. None of these markets is showing particular strength, but they

generate cash flow that can be used for expansion elsewhere.

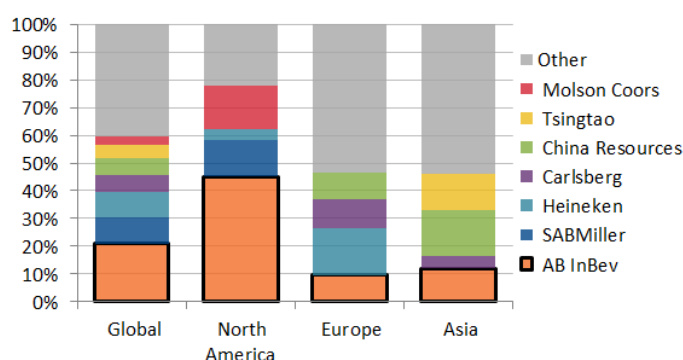
Historically, the company's biggest acquisitions have been in Mexico and the U.S., but it has also made \$11 billion of acquisitions in Asia, the Middle East and Africa, according to data compiled by Bloomberg.

Nearly all of those were in Asia, and speculation about future acquisitions focuses on assets with exposure to Asia because of higher forecasts for population and GDP growth in that region. AB InBev raised its stake in brewer Guangzhou Zhujiang July 23. It has also raised \$565 million in a bond offering in Taipei July 9 and has only revealed how it will spend half that money.

Another possible factor in AB InBev's choice of expansion strategy may be **3G Capital**, the private equity firm founded by Brazilians **Jorge Paulo Lemann**, **Alexandre Behring** and **Carlos Da Veiga Sicupira**.

3G is now best known for partnering with Warren Buffett's Berkshire Hathaway Inc. on the \$27.4 billion purchase of H.J. Heinz & Co. in 2013 and Heinz's \$55.4 billion deal this year for Kraft Foods Group Inc. 3G's founders have a long history with AB InBev and its predecessors. They provided funding for several deals, including the takeovers of Belgium's Interbrew and Anheuser-Busch in the U.S., which created the world's largest brewer. The Brazilians control more than 40 percent of AB InBev's shares.

Brewers' Market Share by Region



Source: Euromonitor International/Bloomberg Intelligence

BloombergBriefs.com

AB InBev's Largest Acquisitions Since 2004

ANNOUNCED	TARGET	COUNTRY	VALUE (\$M)
6/11/08	Anheuser-Busch Cos Inc	US	60,829
6/29/12	Grupo Modelo SAB de CV (additional 64.7%)	MX	17,231
1/20/14	Oriental Brewery Co Ltd	KR	5,800
3/3/04	Braco SA	BR	4,021
9/2/04	Cia de Bebidas das Americas-Ambev	BR	2,984
1/3/05	Sun Interbrew PLC	RU	949
1/7/04	Hops Cooperatieve UA	NL	775
1/23/06	Fujian Sedrin Brewery Co Ltd	CN	730
10/31/12	Four breweries in China	CH	440
7/18/05	Tinkoff Brewery	RU	202
8/3/15	Grupo Modelo SAB de CV (remaining 0.9%)	MX	180
3/28/07	Cervejaria Cintra	BR	150
2/1/07	Lakeport Brewing Income Fund	CA	144
9/20/04	Lion Chinese brewing unit	CH	132
5/27/05	Beck's U.K. distribution rights/UK	GB	122

Source: Bloomberg [MA<GO>](#)

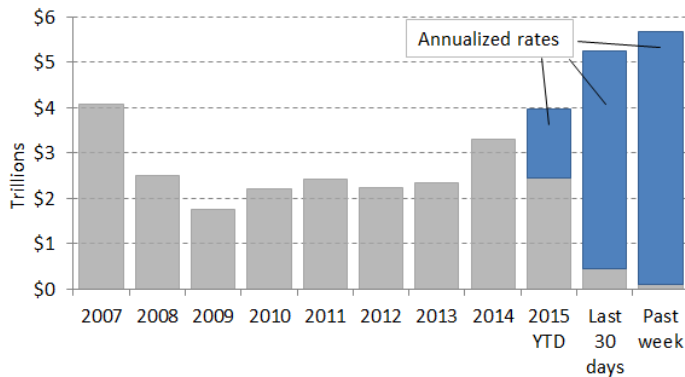
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WEEK IN REVIEW: M&A TRENDS COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Four Deals Over \$8 Billion, Including Buffett Aerospace Purchase, Pushed Up Volume

Pace of Dealmaking

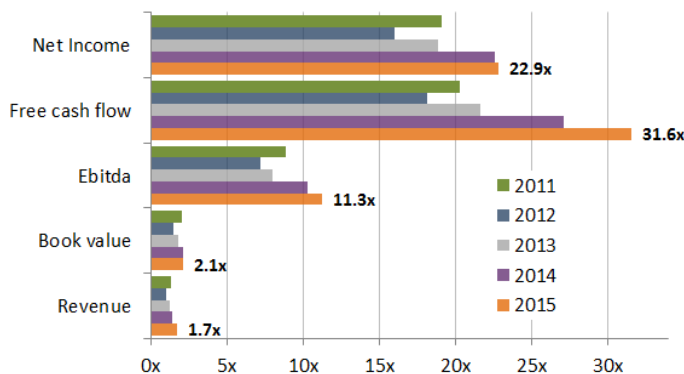
Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

Berkshire Hathaway Inc.'s \$35.7 billion deal for aerospace parts maker **Precision Castparts Corp.** — by far the biggest new deal last week — accounted for less than a third of global deal volume in the week ended Friday, according to data compiled by Bloomberg.

Three other deals worth \$8 billion or more lifted the total to \$108.8 billion.

Median Valuations

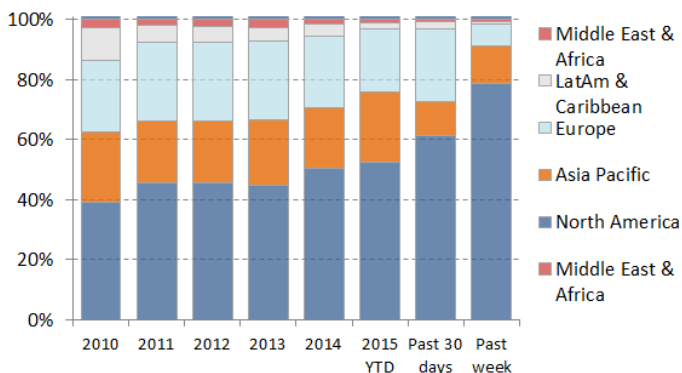
Source: Bloomberg [MA<GO>](#)

BloombergBriefs.com

All five of the valuation multiples we regularly track are running at their highest levels in five years.

The medians are based on between 614 and 1,448 transactions, depending on the measure.

Regional Breakdown

Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

Seven of the top 10 deals, and 13 of the top 25, were for North American targets. That gave North America almost 79 percent of all deal volume for the week.

WEEK IN REVIEW: TOP DEALS

Private Equity Firms Play a Role in Five of Last Week's Biggest Deals

Private equity firms were involved in five of the top 25 transactions announced last week (highlighted in orange).

■ The seven-firm private equity consortium that bought software provider **SunGard Data Systems Inc.** for \$10.6 billion in 2005 — then the second biggest leveraged buyout ever — sold it to **Fidelity National Information Services Inc.** last week.

■ **Carlyle Group LP** and Singapore sovereign wealth fund **GIC Pte Ltd.** agreed to acquire **Veritas Software Corp.** from **Symantec Corp.**

■ **TPG Capital** agreed to buy the TriGranit brand name and real

estate assets from a Hungarian property developer.

■ Publicly traded British annuity issuer **Partnership Assurance Group Plc** (majority owned by **Permira Holdings LLC**) agreed to be acquired by its publicly traded competitor **Just Retirement Group Plc** (majority controlled by **Cinven Ltd.**).

■ **Infor Enterprise Applications LP** (owned by **Golden Gate Capital** and **Summit Partners**) said it will acquire another cloud software maker, **GT Nexus Inc.** (40 percent owned by **Warburg Pincus LLC**).

— John E. Morris, Bloomberg Brief

Largest Deals Announced Aug. 8 to Aug. 14

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
8/10	Precision Castparts Corp	Metal Fabricate/Hardware	US	Berkshire Hathaway Inc	US	35,658
8/12	SunGard Data Systems Inc	Computers	US	Fidelity National Information Services Inc	US	9,100
8/11	GE Capital health-care lending business and loans	Financial Services	US	Capital One Financial Corp	US	9,000
8/11	Veritas Software Corp	Software	US	GIC Pte Ltd, Carlyle Group LP	SG, US	8,000
8/10	Suning Commerce Group Co Ltd (20% stake)	Retail	CN	Alibaba Group Holding Ltd	CN	4,564
8/11	Terex Corp	Machinery-Constr&Mining	US	Konecranes OYJ	FI	4,239
8/11	Symetra Financial Corp	Insurance	US	Sumitomo Life Insurance Co	JP	3,716
8/12	CF Industries Nitrogen LLC	Chemicals	US	CHS Inc	US	2,800
8/10	Alibaba Group Holding Ltd (1.1% stake)	Internet	CN	Suning Commerce Group Co Ltd	CN	2,255
8/10	Avolon Holdings Ltd (remaining 80%)	Diversified Financia Services	IE	Bohai Leasing Co Ltd	CN	2,072
8/13	Ta Chong Bank Ltd	Banks	TW	Yuanta Financial Holding Co Ltd	TW	1,414
8/10	Therakos Inc	Biotechnology	US	Mallinckrodt PLC	US	1,325
8/11	Partnership Assurance Group PLC	Insurance	GB	Just Retirement Group PLC	GB	983
8/10	Rentech Nitrogen Partners LP	Chemicals	US	CVR Partners LP	US	903
8/11	GT Nexus Inc	Computers	US	Infor Enterprise Applications LP	US	675
8/10	Stackpole International	Auto Parts & Equipment	CA	Johnson Electric Holdings Ltd	HK	615
8/10	NTELOS Holdings Corp	Telecommunications	US	Shenandoah Telecommunications Co	US	584
8/13	Huashi Wangju Changzhou Culture Media Co Ltd	Electronics	CN	Beijing Jetsen Technology Co Ltd	CN	578
8/10	TriGranit brand name & portfolio assets	Real Estate Development	HG	TPG Capital	US	549
8/10	True North Apartment Real Estate Investment Trust	REITS	CA	Northern Property Real Estate Investment Trust	CA	531
8/11	Paradies Shops LLC/The	Retail	US	Lagardere SCA	FR	530
8/10	Yodlee Inc	Internet	US	Envestnet Inc	US	489
8/12	Economist Group Ltd (additional 27.8%)	Media	GB	EXOR SpA	IT	449
8/12	Harbin Sanctity Pharmaceutical Co Ltd	Pharmaceuticals	CN	Tonghua Golden-Horse Pharmaceutical Industry Co Ltd	CN	402
8/14	GrabTaxi Holdings Pte Ltd (minority stake)	Transportation	SG	Private Investor, China Investment Corp	CN	400

Source: Bloomberg [MA<GO>](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.

ACTIVISM IN JAPAN

A New Wave of Activist Funds Seeks Changes in Japanese Firms

BY KATHLEEN CHU AND KOMAKI ITO,
BLOOMBERG NEWS

The ranks of Japanese hedge funds seeking to shake up the nation's insular corporate culture are growing.

Misaki Capital Inc. and **Symphony Financial Partners** join at least half-a-dozen investors trying to benefit from the government's push to make the nation's companies more attractive, including **Daniel Loeb**, private-equity firm **Permira Advisers** and Japanese activist investor **Yoshiaki Murakami**.

Misaki, which started a fund in October with 10 billion yen (\$80 million), expects to more than double its assets under management in six months and plans to work with companies to boost their profits, according to **Yasunori Nakagami**, Misaki's chief executive officer. Symphony Financial in May began a new \$225 million pool betting that more Japanese firms will increase their dividend payout ratios and buy back shares to boost shareholders' value.

"We went from being the only participant in this dialog with management to be more like a round-table," **David Baran**, co-founder of Symphony Financial, said in an interview. "It's very different when one person or one investor asks for it versus 10. This creates a different set of opportunities."

Japan is shaking off a corporate culture largely built around so-called cross-shareholdings, where business partners act as passive stock owners that support management regardless of its performance. In the past year, Prime Minister **Shinzo Abe** has introduced a stewardship code that calls on shareholders to press companies to boost returns, and a corporate governance code, which requires firms to focus on increasing value for stockholders.

Japanese companies have lower return-on-equity ratio and profitability compared with the U.S. and Europe, according to the Ministry of Economy, Trade and Industry.

"If margins don't improve, return on equity won't get better," Nakagami said. "And if ROE remains low, then shares won't perform well in the long run."

Things are looking up. Record share buybacks and an increase in dividends provided shareholders of Japanese companies with a 12.8 trillion yen return in the year ended March, a 76 percent increase from a year earlier, according to Nomura Holdings Inc.

Activist investors such as **Warren Lichtenstein's** U.S. investment fund **Steel Partners** have been thwarted in the

plastic products for electronic components, which said it will buy back as much as 13.6 percent of its outstanding shares by Sept. 30. The company has a price-earnings ratio of 8.6 times compared with an industry average of 14 times, according to data compiled by Bloomberg.

The fund also owns **Pacific Industrial Co.** The maker of tire valves and electronic control devices used in automobiles in April said it will increase its dividend to 16 yen a share from 9 yen last fiscal year to boost shareholder return.

The fund also owns **Topre Corp.**, an auto-parts maker that has gained 42 percent in 2015.

Misaki goes a step further, advising companies on ways to improve profits, Nakagami said.

The fund holds stocks for three months to as long as three-to-five years because some business strategies take longer to be implemented, he said.

Nakagami met with the new management of **Sangetsu Co.** last year and started discussions on ways to improve the business. The maker of interior products such as wall paper and curtains has since announced share-buyback plans. The shares have gained 58 percent since Misaki invested in Sangetsu when the fund started in October.

Classy Capital Management Inc., an activist fund set up in 2013 that manages 4 billion yen of assets, plans to set up a pool to meet demand from overseas investors, said Kouichi Katano, its chief investment officer. The fund advises small-to-medium size companies to sell down their holdings of securities of other companies, increase dividends and focus on their main businesses.

"We are in the second inning of the corporate governance," Symphony Financial's Baran said. "Most companies don't know what they are supposed to do, which is good. That's the opportunity."

*"We are in the second
inning of the corporate
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supposed to do, which
is good."*

— DAVID BARAN, SYMPHONY FINANCIAL

past in their attempts to get Japanese companies to boost returns. **Bull-Dog Sauce Co.**, a condiments maker, in 2007 put in anti-takeover measures to fend off Steel.

Persuading the management of corporations in Japan to make changes was inconceivable five years ago, Baran said. Today, signs of change are surfacing: among the most high-profile activists, Loeb has succeeded in convincing companies like **Fanuc Corp.** and **Sony Corp.** to buy back their shares and pay more dividends.

Among Symphony Financial's holdings is **Enplas Corp.**, a manufacturer of

ACTIVIST SITUATIONS COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Significant Actions at Companies Targeted by Activist Investors

COMPANY	ACTIVIST	WHAT HAPPENED	STOCK LAST WEEK
Boulder Brands Inc	Starboard Value	Jeff Smith's fund bought 4.8% stake in natural foods maker according to an Aug. 14 filing, joining Engaged Capital, another activist that had bought a stake and pressed for changes.	
Sysco Corp	Triun Fund Management	Nelson Peltz's fund disclosed a 7.1% stake in food distribution business Aug. 14 and said it has held talks with management about operations, capital structure and board seats.	
Windstream Holdings Inc	Sandell Asset Management Corp.	Activist disclosed 2.6% stake in rural phone company Aug. 14.	
Ball Corp	Corvex Management	Keith Meister's fund disclosed 1.8% stake in manufacturer Aug. 14. It also disclosed a new 1.1% stake in AutoNation and a 1% stake in Cheniere Energy.	
Sotheby's	Marcato Capital Management	Activist boosted its stake in auction house by almost 30%, to 9.5%, making it second biggest holder behind activist Dan Loeb's Third Point, which owns 9.6%.	
Ethan Allen Interiors Inc	Sandell Asset Management Corp.	Activist confirmed Aug. 14 that it told furniture retailer that it is prepared to propose a board slate if company does not re-engage.	
Kuroda Electric Co Ltd	Yoshiaki Murakami	Company said Aug. 13 that adding activist to its board would damage its reputation because of his conviction for insider trading.	
Bavarian Nordic A/S	Kerrisdale Advisers	Fund, which holds a short position in Danish biotech company, scheduled a conference call for Aug. 18 to outline further allegations about company.	

Source: Bloomberg News, [NI SHRHOLDACT<GO>](#)

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Puerto Rico:
Taking on Water

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DEAL ARBITRAGE

TARGET	ACQUIRER	DEAL SIZE (\$M)	EXPECTED COMPLETION DATE	OFFER PER SHARE (\$)	TARGET PRICE (\$)	PAYMENT TYPE	SPREAD	PROJECTED ANNUALIZED RETURN	1W CHANGE IN SPREAD	MAJOR MOVE
Altera Corp	Intel Corp	14,355	03/31/16	54.00	49.03	Cash	10.1%	16.1%	1.5%	
Axis Capital Holdings Ltd	Arch Capital Group Ltd	6,560	-	65.00	57.27	Cash	13.5%	-	-0.4%	
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	66.03	57.33	C&S	15.2%	39.8%	1.6%	
Baxalta Inc	Shire PLC	29,337	-	41.18	39.44	Stk	4.4%	-	-5.1%	▼
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	7.67	Cash	102.0%	-	-1.3%	
Broadcom Corp	Avago Technologies Ltd	29,806	03/31/16	53.95	50.50	C/S	6.8%	10.8%	-0.6%	
Chubb Corp/The	ACE Ltd	28,986	03/31/16	128.94	125.34	C&S	2.9%	4.6%	-0.2%	
Cigna Corp	Anthem Inc	50,382	12/31/16	180.32	144.12	C&S	25.1%	18.2%	0.0%	
City National Corp/CA	Royal Bank of Canada	5,317	12/31/15	90.71	89.68	C&S	1.1%	3.0%	-0.2%	
Cytec Industries Inc	Solvay SA	6,091	-	75.25	74.14	Cash	1.5%	-	-0.2%	
Freescale Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	38.51	37.92	C&S	1.6%	4.1%	-0.2%	
HCC Insurance Holdings Inc	Tokio Marine Holdings Inc	7,480	12/31/15	78.00	77.30	Cash	0.9%	2.4%	0.0%	
Home Properties Inc	Lone Star Global Acquisitions	6,818	12/31/15	75.23	74.40	Cash	1.1%	2.9%	0.0%	
Hospira Inc	Pfizer Inc	16,807	12/31/15	90.00	89.68	Cash	0.4%	0.9%	-0.2%	
Humana Inc	Aetna Inc	28,906	12/31/16	226.05	186.51	C&S	21.2%	15.3%	0.6%	
MarkWest Energy Partners LP	MPLX LP	20,211	12/31/15	55.42	56.34	C&S	-1.6%	-4.3%	-1.8%	
Micron Technology Inc	Tsinghua Holdings Co Ltd	22,973	-	21.00	16.93	Cash	24.0%	-	9.8%	▲
Office Depot Inc	Staples Inc	5,854	12/31/15	10.36	7.76	C&S	33.5%	88.1%	-3.2%	▼
Omnicare Inc	CVS Health Corp	11,294	08/18/15	98.00	97.92	Cash	0.1%	7.5%	-0.1%	
Pall Corp	Danaher Corp	13,779	12/31/15	127.20	126.71	Cash	0.4%	1.0%	-0.1%	
PartnerRe Ltd	EXOR SpA	6,066	12/31/15	140.50	138.39	Cash	1.5%	4.0%	-0.4%	
Pepco Holdings Inc	Exelon Corp	12,185	09/30/15	27.25	27.22	Cash	0.1%	0.9%	-1.3%	
Perrigo Co PLC	Mylan NV	34,870	-	200.03	196.00	C&S	2.1%	-	-5.0%	▼
Precision Castparts Corp	Berkshire Hathaway Inc	35,658	03/31/16	235.00	230.50	Cash	2.0%	3.1%	2.0%	
Receptos Inc	Celgene Corp	6,778	08/24/15	232.00	231.40	Cash	0.3%	9.5%	-1.2%	
Sigma-Aldrich Corp	Merck KGaA	16,395	09/30/15	140.00	139.65	Cash	0.3%	2.0%	0.0%	
Time Warner Cable Inc	Charter Communications Inc	79,250	12/31/15	197.26	186.00	C&S	6.1%	15.9%	0.4%	
Towers Watson & Co	Willis Group Holdings PLC	8,095	12/31/15	122.52	125.48	Stk	1.5%	4.0%	0.7%	
Williams Cos Inc/The	Energy Transfer Equity LP	69,732	-	55.87	52.23	Stk	7.0%	-	2.3%	▲
Williams Partners LP	Williams Cos Inc/The	14,129	09/30/15	58.24	39.06	Stk	49.1%	381.3%	15.2%	▲

MARB <GO> North American deals

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock

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EDITOR'S CORNER

P&G and Microsoft Ask for Merger Do-Overs

BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR



Can I take that back?

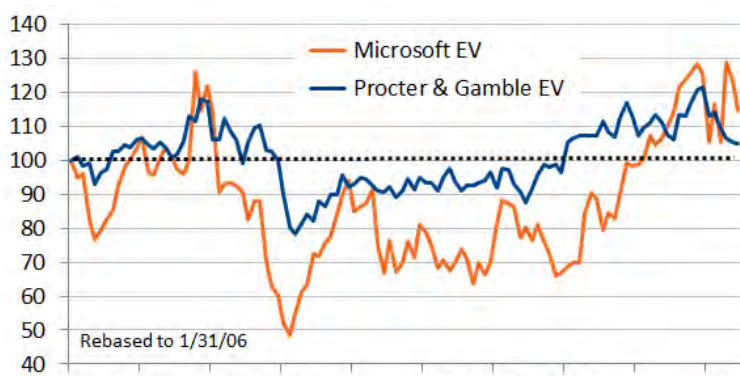
That's what **Procter & Gamble Co.** and **Microsoft Corp.** in effect said last week. At a time when shareholders and even activists are egging on companies to do deals, it was a useful reminder that M&A isn't always a path to success.

P&G's do-over involved its upmarket beauty products, which it sold to **Coty Inc.** in a \$12.5 billion reverse merger — brands it acquired over many years under CEO **A.G. Lafley**. (Irony footnote: It took P&G four and a half years to squeeze out the last hold-out shareholders of Wella, one of the brands, completing that takeover finally in 2007.)

Microsoft couldn't undo its acquisition of **Nokia Oyj's** handset unit, completed just 14 months ago. But it wrote off \$7.6 billion — essentially the entire price. Owning a hardware maker hadn't helped sales of Microsoft's mobile operating system and Nokia is lumped in "Other" in the smart phone market share figures from research firm IDC.

Microsoft CEO **Satya Nadella** could acknowledge the increasingly obvious. He became CEO after the deal was announced by his predecessor Steve Ballmer. The charge was just 2 percent of market cap, so it didn't approach Hewlett-Packard Co.'s

Microsoft, P&G EVs Have Increased Little



Source: Bloomberg

BloombergBriefs.com

The companies' market capitalizations have increased as they have accumulated cash, but their enterprise values — a measure of the value of the businesses apart from cash — have not risen significantly over the past nine and a half years.

products that seemed like sensible extensions 10 years ago were marketed with image and fashion, not based on utility. The soap maker, for all its legendary marketing savvy, was simply outside its core competence.

Hats off to Lafley, who since his return as CEO two years ago has led a global garage sale, with 16 [disposals](#) in the last 18 months. He is blunt about what went wrong.

Perhaps the 68-year-old Lafley will take up teaching when he steps down for good. He has some valuable lessons to impart.

\$20.3 billion of write-offs in 2012 on its purchases of Autonomy, Compaq and EDS, roughly three-quarters of its market cap at the time. But, like HP's writedown on Autonomy, the Nokia charge came embarrassingly soon after the purchase.

With time, P&G came to see that the upscale

QUOTED

"We start thinking we're a beauty company and we spend all our time at the Oscars or the Grammys or Fashion Week, which now runs for months, and we don't stay focused on the consumer."

— Procter & Gamble CEO A.G. Lafley last year on his company's slow-growing upscale beauty products, which it agreed to sell last week



Real estate investor, reality television star and presidential candidate **Donald Trump** offered himself as [a voice](#) for "the silent majority" at a campaign rally Saturday.

WEEK IN NUMBERS

- **25:** Pending [take-privates](#) of U.S.-listed Chinese companies
- **31%:** [Share](#) of global M&A volume last week accounted for by **Coty-Procter & Gamble**

IN THIS ISSUE

MERGER MONDAY. Jardin Corp. founder and chairman **Martin Franklin** is involved in [two deals](#) announced today.

CORPORATE STRATEGY. Procter & Gamble has been a [net seller](#) since its Gillette purchase in 2005.

GLOBAL MARKETS. The sell-off in Chinese equity markets has [cast doubt](#) on take-privates of U.S.-listed Chinese companies.

ACTIVISM. Samsung C&T retail shareholders are banding [together](#) to oppose a merger with **Cheil Industries**.

BUYERS & SELLERS. Synergy Resources's co-CEO [says](#) more oil and gas companies are recognizing reality.

MERGER MONDAY

MPLX to Buy MarkWest Energy Partners for \$15.8 Bln

MPLX LP agreed to buy **MarkWest Energy Partners LP**, the second-biggest U.S. processor of natural gas, for about \$15.8 billion in stock and cash excluding debt.

The acquisition will be a "unit-for-unit" tax-free transaction including a one-time cash payment to MarkWest unit-holders, MPLX said in a statement today.

Under the merger agreement, MarkWest common unit holders will receive 1.09 MPLX common units and a one-time cash payment of \$3.37 a MarkWest unit, or the equivalent of \$78.64 a unit, a 32 premium to the July 10 closing price. MPLX's sponsor, **Marathon Petroleum Corp.**, will contribute \$675 million to fund the cash payment.

"The combined entity would further MarkWest's leading midstream presence in the Marcellus and Utica shales by allowing it to pursue additional dynamic midstream projects," according to the statement.

— Jim Polson, Bloomberg News

Berggruen, Franklin Buy Chemicals Maker Alent

Billionaire duo **Nicolas Berggruen** and **Martin E. Franklin** agreed to buy **Alent Plc** for 1.35 billion pounds (\$2.1 billion) to expand the electronic-chemicals part of their investment firm serving makers of mobile phones and cars.

Alent investors will get 503 pence a share, either in cash or partly in shares of the billionaires' chemical investment vehicle **Platform Specialty Products Corp.**, the company said in a statement today. The offer is 49 percent higher than Alent's July 10 closing price. The takeover of Alent was a deal waiting to happen after activist shareholder **Cevian Capital** pushed for its carve-out from **Cookson Group Plc** in 2012, creating a niche business at a time of consolidation in the industry.

— Andrew Noël, Bloomberg News

Jarden Will Acquire Waddington for About \$1.35 Billion



Photo: Bloomberg / Jonathan Alcorn
Martin Franklin

Jarden Corp., the sprawling consumer-goods company whose products range from K2 skis to Yankee Candle, is buying **Waddington Group Inc.** from **Olympus Partners** for about \$1.35 billion to add disposable cups, plates and plastic utensils.

Waddington, which specializes in manufacturing high-end plastic cutlery and biodegradable plates, adds to Boca Raton, Florida-based Jarden's empire of consumer-goods brands.

Jarden's founder and chairman is Martin E. Franklin, one of the buyers in the Alent deal today

— Ed Hammond, Bloomberg News

Top Deals Since Friday

TARGET	INDUSTRY	COUNTRY	ACQUIRER	VALUE (\$M)
MarkWest Energy Partners LP	Pipelines	US	MPLX LP	20,211
Alent PLC	Chemicals	GB	Platform Specialty Products Corp	2,255
SourceGas Holdings LLC	Gas	US	Black Hills Corp	1,890
Waddington Group Inc	Housewares	US	Jarden Corp	1,350
Remy International Inc	Auto Parts & Equipment	US	BorgWarner Inc	1,196

Source: Bloomberg [MA:GO](#)

Real estate assets, joint ventures and stock buybacks excluded

BorgWarner to Buy Parts Maker Remy for \$1.2 Billion

BorgWarner Inc. is buying **Remy International Inc.** for \$29.50 a share, or a 44 percent premium from Friday's closing price, driving further consolidation of the auto-parts industry.

The price paid by the maker of turbochargers and transmission parts indicates an enterprise value of about \$1.2 billion, BorgWarner said in a statement.

Demand for fuel-saving technology and global scale is pushing auto-parts makers to consolidate. In May, **TRW Automotive Holdings Corp.** was acquired by German auto supplier **ZF Friedrichshafen AG** for \$12.4 billion.

Turbochargers, a key product for BorgWarner, compress air to maximize the power an engine produces. Automakers, forced by governments in the U.S., Europe and Asia to improve fuel efficiency and lower emissions, are turning to smaller, lighter engines. They're using turbos to give buyers the power and acceleration they still want.

Remy International, formerly known as Delco Remy, was acquired by General Motors in 1918 and spun off in 1995. The name was changed to Remy International in 2004 and the company spent less than two months in bankruptcy in 2007.

Mark Clothier

— Mark Clothier, Bloomberg News

Black Hills to Buy SourceGas for \$1.89 Billion

Black Hills Corp. agreed to buy **SourceGas Holdings LLC** in a deal that will boost the South Dakota utility's customer base by 55 percent.

Black Hills acquired the company for \$1.89 billion from investment funds managed by **General Electric Co.** and **Alinda Capital Partners LLC** and will assume \$720 million of debt when the deal closes, the Rapid City-based energy company said in a statement. The price is \$1.74 billion, taking into account about \$150 million of tax benefits.

— Sharon Cho, James Paton and Lars Paulsson, Bloomberg News

CORPORATE STRATEGY

Procter & Gamble's Biggest Divestiture Is Latest Step to Boost Growth

Procter & Gamble Co. agreed on July 9 to sell 43 beauty brands to **Coty Inc.** for about \$12.5 billion, part of a plan by P&G to reinvigorate growth by divesting slower-selling brands.

The deal will make Coty one of the world's largest cosmetics companies.

The deal adds Hugo Boss and Gucci to Coty's fragrances unit, CoverGirl and Max Factor to its cosmetics portfolio and brings it into hair color with Wella and Clairol. The combined businesses have annual sales of more than \$10 billion, compared with \$4.55 billion for Coty in its most recent fiscal year.

The transaction will be conducted as a Reverse Morris Trust, meaning P&G will spin or split off the business, which will then

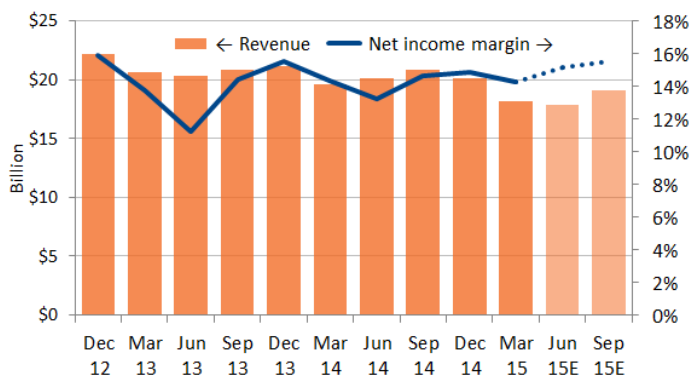
merge with a Coty subsidiary.

P&G Chief Executive Officer **A.G. Lafley** is exiting as many as 100 product lines that aren't central to the company's household and personal-care focus, which is led by Tide detergents, Pampers diapers, Crest toothpaste and Gillette razors.

Since its \$57 billion purchase of razors-to-batteries maker Gillette Co. in 2005, Procter & Gamble has made only two acquisitions material enough that it disclosed their values, according to data compiled by Bloomberg: Ambi Pur, for \$468 million in 2009, and Navigenics Inc., for \$18 million in 2010.

— Lindsey Rupp and Lauren Coleman-Lochner

Revenue Is Down, Margins Haven't Improved

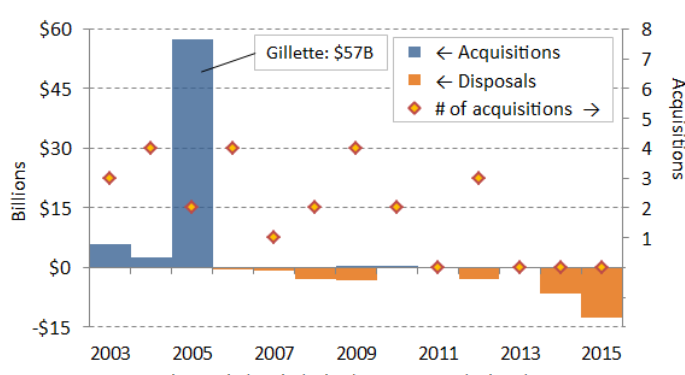


Source: Bloomberg GP<GO>

Quarter ended

BloombergBriefs.com

Disposals Have Dominated Since Gillette



Source: Bloomberg

Values include only deals where price was disclosed

BloombergBriefs.com

Divestitures Since January 2014

ANNOUNCED	BUSINESS	ACQUIRER	VALUE (\$M)
07/09/15	43 P&G beauty business lines	Coty Inc	12,500
06/30/15	ACE detergent product business	FINAF SpA, Fater SpA	—
05/21/15	Frederic Fekkai & Co LLC	Private Investor	—
04/01/15	AVA brand	Sarantis Group	4
03/31/15	Vicks VapoSteam business	Helen of Troy Ltd	—
03/19/15	Rochas brand	Interparfums SA	108
12/22/14	Camay & Zest brands	Unilever NV	—
12/04/14	Fujian Nanping Nanfu Battery Co Ltd	CDH Investments Fund Management Co	600
11/13/14	Duracell Inc	Berkshire Hathaway Inc	2,900
10/24/14	China-based battery joint venture	Unnamed Buyer	—
10/07/14	Noxzema Skin Care Brand Greece	Sarantis SA	9
09/23/14	Iams & Eukanuba brands, Europe	Spectrum Brands Holdings Inc	—
08/01/14	Part of pet food business	Mars Inc	—
07/15/14	Sulfonation production facility, Brazil	Stepan Co	—
05/02/14	MDVIP Inc	Summit Partners LP	—
04/09/14	Iams, Eukanuba, Natura brands, North America and Latin America	Mars Inc	2,900

Source: Bloomberg MA<GO>

DEAL ROSTER COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Coty, Procter & Gamble Turn to Familiar Advisers

In last week's largest deal, **Coty Inc.** agreed to buy 43 of **Procter & Gamble Co.**'s beauty brands for about \$12.5 billion in a deal that would more than double its sales and transform it into one of the world's largest cosmetics companies.

Skadden Arps Slate Meagher & Flom, which was counsel to Coty, also advised the company on its \$12.9 billion unsuccessful bid for **Avon Products Inc.** in 2012.

Likewise, P&G's counsel, **Robert A. Profusek** and **Peter E. Izanec** of **Jones**

Day, worked for their client on another major recent deal, the sale of the Duracell battery brand to **Berkshire Hathaway Inc.** last year.

Goldman Sachs Group Inc. also worked on the Duracell divestiture as well as the Coty deal.

SELLER: **Procter & Gamble Co.**

BUYER: **Coty Inc.**

INVESTMENT BANKS

Centerview Partners

Goldman Sachs Group Inc.

LAW FIRM

Jones Day

Robert A. Profusek
Peter E. Izanec

INVESTMENT BANKS

Bank of America

Barclays

JPMorgan

Morgan Stanley

LAW FIRM

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One Belt, One Road



Assessing the Economic Impact of China's New Silk Road

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GLOBAL MARKETS

The Rout in Chinese Equity Markets Spilled Over to a Corner of U.S. Market

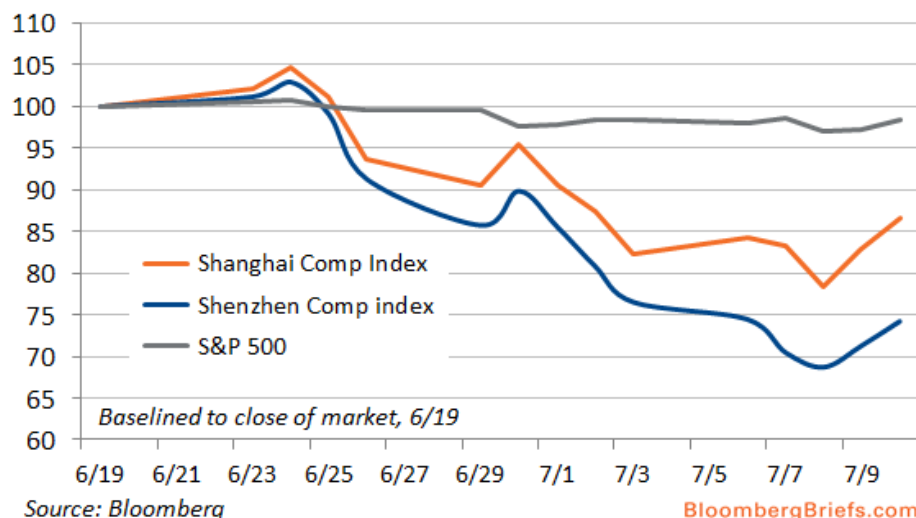
The stock-market rout in Shanghai and Shenzhen in recent weeks threatened to derail a record \$32.8 billion in pending buyouts of Chinese companies, which have planned to abandon U.S. exchanges in search of higher valuations at home.

Shares of at least 23 U.S.-listed Chinese targets, including **Qihoo 360 Technology Co.**, tumbled in the week through July 7 to the point that they were trading at an average of 22 percent below their buyout offers, indicating investors were skeptical the deals will go through.

Still, on July 9, two more U.S.-listed Chinese companies announced management-led offers to go private: **YY Inc.** and **E-Commerce China Dangdang Inc.** Those were valued at \$2.3 billion and \$143 million, respectively.

The managements took the advantage of the share slumps, seeking to scoop up the companies on the cheap. Dangdang, a Beijing-based online retailer, said on July 9 that Chairwoman **Peggy Yu Yu** and CEO **Guoqing Li** offered \$7.812 per American depositary receipt, or 18 percent below the stock's 30-day average

Chinese Markets Regained Some Lost Ground Last Week



of \$9.55.

The \$68.50 bid for YY, a Guangzhou-based social networking website, from both its chairman and CEO on July 9 was 4 percent below its average close over the previous month.

The Shanghai and Shenzhen markets rebounded on July 9-10, and the 25 companies' U.S. shares rose along with them. Follow our real-time coverage of the markets online [here](#).

— Ye Xie and Belinda Cao, Bloomberg News, and John E. Morris, Bloomberg Brief

CHINA SPECIAL: Real-Time Brief Updates

Monitor China's stock-market rout, with updates every few hours on the latest analysis and news from Bloomberg.

Read it here.



GLOBAL MARKETS

Continued from previous page...

U.S.-Listed Chinese Companies With Offers or Agreements to Go Private

	ANNOUNCED	MARKET CAP (M)*	CLOSING PRICE-DEAL DAY	OFFER	DISCOUNT- DEAL DAY	LAST PRICE*	CURRENT DISCOUNT*	STOCK: JUNE 22-JULY 10
21Vianet Group Inc	6/10	\$1,592	\$ 21.85	\$ 23.00	5.0%	19.50	15.2%	
AirMedia Group Inc	6/19	\$282	\$ 5.02	\$ 6.00	16.3%	4.81	19.8%	
Bona Film Group Ltd	6/12	\$749	\$ 12.99	\$ 13.70	5.2%	11.54	15.8%	
China Information Technology Inc	6/19	\$100	\$ 3.36	\$ 6.00	44.0%	2.64	56.0%	
China Mobile Games & Entertainment Group Ltd	5/18	\$636	\$ 20.55	\$ 22.00	6.6%	20.31	7.7%	
China Nepstar Chain Drugstore Ltd	7/6	\$211	\$ 2.06	\$ 2.60	20.8%	2.16	16.9%	
E-Commerce China Dangdang Inc	7/9	\$531	\$ 6.77	\$ 7.81	13.3%	6.57	15.9%	
E-House China Holdings Ltd	6/9	\$853	\$ 7.02	\$ 7.38	4.9%	5.96	19.2%	
Homeinns Hotel Group	6/11	\$1,435	\$ 31.35	\$ 32.81	4.4%	29.85	9.0%	
iDreamsky Technology Ltd	6/15	\$478	\$ 13.13	\$ 14.00	6.2%	11.36	18.9%	
JA Solar Holdings Co Ltd	6/5	\$378	\$ 9.07	\$ 9.69	6.4%	7.50	22.6%	
Jiayuan.com International Ltd	3/3	\$220	\$ 5.19	\$ 7.20	27.9%	6.34	11.9%	
KongZhong Corp	6/29	\$313	\$ 7.39	\$ 8.56	13.7%	6.77	20.9%	
Mindray Medical International Ltd	6/4	\$3,120	\$ 30.47	\$ 30.00	-1.6%	26.11	13.0%	
Momo Inc	6/23	\$2,963	\$ 17.24	\$ 18.90	8.8%	15.28	19.2%	
Perfect World Co Ltd	1/2	\$968	\$ 19.25	\$ 20.20	4.7%	19.51	3.4%	
Qihoo 360 Technology Co Ltd	6/17	\$7,880	\$ 70.15	\$ 77.00	8.9%	62.54	18.8%	
Renren Inc	6/10	\$1,953	\$ 3.99	\$ 4.20	5.0%	3.50	16.7%	
Shanda Games Ltd	4/3	\$1,803	\$ 6.80	\$ 7.10	4.2%	6.75	4.9%	
Sungy Mobile Ltd	4/13	\$139	\$ 5.06	\$ 4.90	-3.3%	4.50	8.2%	
Taomee Holdings Ltd	6/1	\$106	\$ 3.50	\$ 3.59	2.5%	2.95	17.8%	
Vimicro International Corp	6/22	\$234	\$ 12.10	\$ 13.50	10.4%	10.04	25.6%	
WuXi PharmaTech Cayman Inc	4/30	\$2,826	\$ 43.17	\$ 46.00	6.2%	40.50	12.0%	
Xueda Education Group	4/20	\$209	\$ 3.15	\$ 3.38	6.8%	3.16	6.5%	
YY Inc	7/9	\$3,364	\$ 59.31	\$ 68.50	13.4%	59.36	13.3%	
TOTAL/AVERAGES		\$33,344			9.6%		16.4%	

Source: Bloomberg

* Values at close of the market July 10

ACTIVISM BY ROSE KIM, BLOOMBERG NEWS

Korean Ants Gather to Turn Against Samsung in Elliott Fight

It's a Friday evening in Seoul and the BBQ fried chicken joint in the Gangnam district is filled with ants angry with the **Samsung Group**.

Only these aren't insects. Ants are what individual shareholders are called in South Korea because of their diminutive influence. On this evening, about a dozen of them have gathered to discuss the prospects of ants making a difference in Samsung Group's feud with billionaire activist investor **Paul Elliott Singer**, a fight that's turning into one of the biggest proxy contests the country has ever seen.

These ants are part of a group of more than 3,000 people in an online forum where they've pledged to side with Singer and help block Samsung's proposed merger of two units.

With less than 1 percent of total votes, forum members may fall short of swaying this week's **Samsung C&T Corp.** shareholder meeting, but their emergence is a sign that activism is on the rise in the country and that companies will find it more difficult to ignore smaller investors.

"Until recently, movements by minority shareholders like what we can see with Samsung C&T's case had been very rare in South Korea," said Chae Yi Bai, an analyst at the Center for Good Corporate Governance. "More and more, people are becoming aware of shareholder rights and this has led to people considering even foreign investors as allies."

While none of the people at the chicken diner agreed to be named, several said they bought C&T stock after learning that Singer's **Elliott Associates LP** fund was challenging C&T's proposed takeover by Samsung Group's de facto holding company, **Cheil Industries Inc.**, on grounds the offer was too low. One person who'd only identify himself by the pseudonym Kim Young Woo, said a C&T official came over to his home earlier this month, brought over some pecan pie and talked about how the merger would benefit shareholders.

The online discussion site, named

Solidarity of Samsung C&T Minority Shareholders in Korean, on Naver Corp.'s website is littered with similar stories. Some members wrote that C&T employees visited their homes or offices armed with watermelons and walnut cakes.

Though it didn't go into specifics, C&T said in an e-mail that it's following legally proper procedures to encourage shareholders to delegate their votes to the company and that it's carefully taking investors' opinions into account.

Samsung has good reason to be serenading individuals. Excluding institutional investors, minority shareholders hold a combined 24 percent in C&T, according to company data.

The company issued an advertisement

"Samsung Group has lost the people's trust."

— MINORITY SHAREHOLDER LEE SANG HO, POSTING IN AN INTERNET FORUM

on the front pages of most of South Korea's newspapers and Internet search engines today, urging shareholders to delegate their votes to C&T.

Elliott said it's encouraged by the support it's gotten from individual investors.

"We have already received a very significant number of proxy votes against the proposed merger from retail shareholders, reflecting the outpouring of feeling against the proposed merger," the U.S.-based activist fund said in a statement. "We continue to urge all shareholders to vote NO."

Elliott has others on its side. Investors including **APG Groep NV**, the world's second-largest pension fund; **Canada Pension Plan Investment Board** and **Aberdeen Asset Management Plc** have

sided with the activist. Also, two of the most influential proxy advisory firms, **Institutional Shareholder Services Inc.** and **Glass Lewis & Co.**, have told investors to back Elliott.

Back at the fried chicken joint, the C&T shareholders met soon after the state-backed **National Pension Service**, the building-and-trading company's biggest shareholder, on Friday said it made a decision on its position, though it declined to say which way it will vote. Korea Economic Daily reported the fund would back Samsung, an outcome minority shareholders like **Lee Sang Ho** had foreseen.

"NPS fund managers make decisions as though they've never read a single page of an investment-theory textbook when it comes to Samsung-related issues," Lee, the minority shareholder, wrote on the Internet forum. "Samsung Group has lost the people's trust."

Getting the backing of the NPS, which holds 11 percent of C&T's voting rights, would go a long way for Samsung Group's founding family to get what it needs — a two-thirds majority of votes cast — for the deal to go through at the July 17 C&T shareholder meeting. The family, Samsung affiliates and ally **KCC Corp.** have about 20 percent of the vote, while Elliott has about 7 percent.

Organizers of the forum are encouraging members to go to the presidential Blue House website to back Lee's petition requesting for an extraordinary audit on the NPS.

In the discussion site, organizers helps members get information on how to exercise their rights, including how to delegate their voting rights to Elliott, how to vote against the merger, and how to avoid mistakes, including accidentally giving the voting rights to Samsung.

"Samsung C&T's case would have made companies in Korea realize that minority shareholders cannot be slighted anymore," Chae at CGCG said.

ACTIVIST SITUATIONS COMPILED BY MELISSA KARSH, BLOOMBERG BRIEF EDITOR

Significant Actions at Companies Targeted by Activist Investors

COMPANY	ACTIVIST	WHAT HAPPENED	STOCK LAST WEEK
ConAgra Foods Inc	Jana Partners	Company agreed to add two people to its board July 8 in a settlement with activist hedge fund with 7.2 percent stake. Link on terminal: NSN NR6V6M6KLVR4<GO>	
EMC Corp/MA	Elliott Management Corp.	Company agreed to sell control of its Syncplicity online file-sharing business July 7 following pressure from activist. Link: NSN NN4PEP6K50NX<GO>	
Samsung Electronics Co Ltd	Elliott Associates LP	South Korean court declined July 6 to enjoin a shareholder vote on takeover opposed by activist fund. Court has yet to rule on issuance of stock to management ally. Link: NSN NR3MX36J1JUR<GO>	
Weight Watchers International Inc	Unnamed hedge fund	Company rose the most in three months July 6 following a news report that an unidentified activist hedge fund is considering a takeover offer. Link: NSN NR31F86J1V1<GO>	

Source: Bloomberg News, [NI SHRHOLDACT<GO>](#)

PUERTO RICO: Special Real-Time Brief

Monitor developments in Puerto Rico, with updates every few hours on the latest analysis and news from Bloomberg.

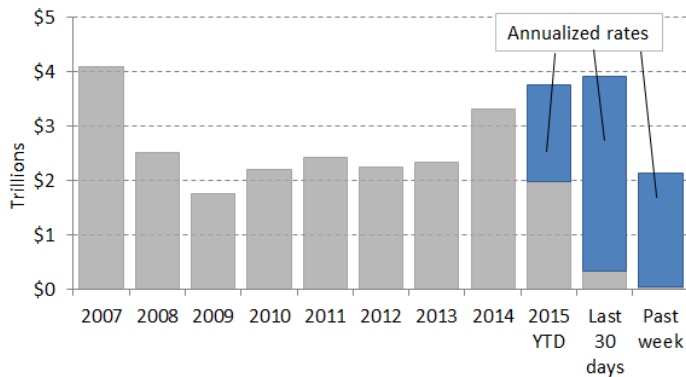
Read it here.

Bloomberg
BRIEF

WEEK IN REVIEW: M&A TRENDS COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

One Large Deal — Coty-P&G — Skewed the Breakdowns in a Slow Week

Pace of Dealmaking

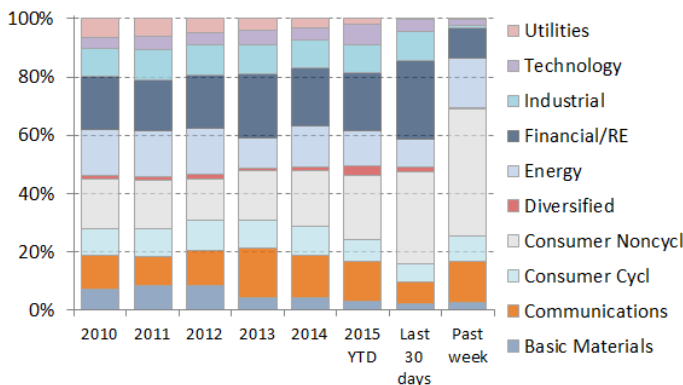
Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

Global M&A volume fell to \$40.7 billion last week, coming off the Fourth of July weekend in the U.S. It was the lowest weekly deal volume since mid-March, according to data compiled by Bloomberg.

There were six new deals worth more than \$1 billion, with five of them over \$2 billion.

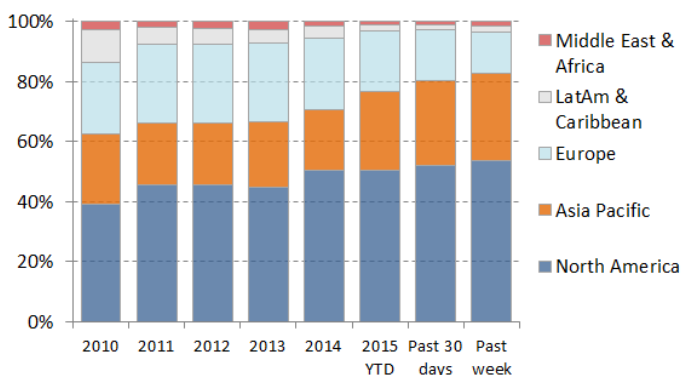
Sector Breakdown

Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

The biggest deal of last week was the \$12.5 billion reverse merger of 43 **Procter & Gamble Co.** beauty brands into **Coty Inc.** That alone accounted for almost 31 percent of global deal volume last week, which helped push consumer-non-cyclical's share of the total to 43.7 percent.

Regional Breakdown

Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

The Procter & Gamble-Coty drove pushed North America's share to 53.7 percent. The second-, third- and fourth-biggest deals all involved Asian targets, and the Asia-Pacific region claimed 29.2 percent of the total.

WEEK IN REVIEW: TOP DEALS

Largest Deals Announced July 4 - July 11

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
7/9	43 P&G beauty products brands (reverse Morris Trust merger)	Consumer Products	US	Coty Inc	US	12,500
7/8	Essar Oil Ltd	Oil & Gas	IN	Rosneft OAO	RU	3,200
7/9	YY Inc (64.3% not already owned)	Internet	CN	Management Group	CN	2,314
7/8	Xiaoju Kuaizhi Inc (venture investment)	Internet	CN	Temasek Holdings Pte Ltd, Capital International Inc, Tencent Holdings Ltd, Alibaba Group Holding Ltd, Ping An Ventures	Various	2,000
7/6	Invenergy wind power plants	Alternative Energy	US, CA	SunEdison Inc, TerraForm Power Inc	US	2,000
7/9	Bwin.Party Digital Entertainment PLC	Entertainment	GI	GVC Holdings PLC	IM	1,524
7/6	Altegra Health Inc	Healthcare-Services	US	Emdeon Inc	US	910
7/7	Esvagt A/S	Commercial Services	DK	AMP Capital Investors Ltd, 3i Infrastructure PLC	AU, GB	601
7/5	Gaelectric Holdings PLC (minority stake)	Energy-Alternate Sources	IE	Proventus AB, Norddeutsche Landesbank Girozentrale, BlueBay Asset Management LLP	Various	498
7/6	Anadarko gas properties, gathering & processing facilities	Oil & Gas	US	Legacy Reserves LP	US	440
7/6	Fission Uranium Corp	Mining	CA	Denison Mines Corp	CA	365
7/5	Nitsba Holdings 1995 Ltd	Commercial Services	IL	Airport City Ltd	IL	334
7/10	Katar Global Ltd	Investment Companies	VI	Pacific Plywood Holdings Ltd	HK	310
7/6	Howard County assets, Permian Basin	Oil & Gas	US	Unnamed Buyer	na	281
7/6	Qualspec Group	Commercial Services	US	Team Inc	US	255
7/8	Hauck & Aufhaeuser Privatbankiers KGaA	Banks	DE	Fosun International Ltd	CN	232
7/9	Global rights to Entocort excluding US	Pharmaceuticals	Various	ZERIA Pharmaceutical Co Ltd	JP	215
7/9	Celsis International Ltd	Healthcare-Products	US	Charles River Laboratories International Inc	US	212
7/7	Reunion Bank of Florida	Banks	US	National Commerce Corp	US	209
7/6	CTC Media Inc's Russian business (75%)	Media	RU	UTV Holding OOO	RU	200
7/9	Caspida Inc	Software	US	Splunk Inc	US	190
7/10	Clark Consulting	Commercial Services	US	Newport Group Inc, Stone Point Capital LLC	US	178
7/10	Zagorskaya PSPP-2 ZAO	Electric	RU	RusHydro JSC	RU	159
7/10	Home.pl SA	Internet	PL	United Internet AG	DE	150
7/8	Amistad Energy Partners Management LLC (minority stake)	Oil & Gas	US	Management Group, Anderson Capital Advisors LP	US	150

Source: Bloomberg [MA<GO>](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.



The latest news and analysis
of the crisis in Greece.

GREE GO

BUYERS AND SELLERS

WHAT COMPANIES ARE SAYING ABOUT ACQUISITIONS AND DIVESTITURES

Alcoa's Twin Deals 'a Bit Coincidental,' CEO Says; Synergy Sees More Opportunities

Alcoa Inc.



Photo: Bloomberg / Jason Alden

The two large acquisitions the aluminum company announced in the last year — a \$2.85 billion takeover of Firth Rixson Ltd. and a \$1.47 billion deal for RTI International Metals Inc. — do not signal that Alcoa is in acquisition mode, **Klaus Kleinfeld**, chairman and chief executive officer, indicated during a July 8

earnings call. His remarks and the others here have been edited and condensed.

David Lipschitz, CLSA: You've done Firth Rixson, you've done RTI. Are you looking at any more either upstream or other metal type of stuff on the specialty side? Is that something that still interests you, or you're feeling pretty good where you are right now?

Kleinfeld: What I would say, we know how to manage innovation and we know how to professionally integrate. Some people have said, "Oh, my God, they are now in acquisition mode," but it's really been a bit coincidental that both the opportunities came so close after each other. I'd be happy to indulge on that, why this happened, but you sometimes can't plan for something that you build up over a longer period of time.

The integration, by the way, is handled by different teams inside of Alcoa, so the worry that some people have raised — "Oh, my God, are they overeating? Can they handle it?" — I think is way overblown and we are very well aware of it. That's, by the way, one of the most important criteria that we use before we go after it.

Helen of Troy Ltd.

The hair products maker is open to both large acquisitions and smaller, incremental additions, Chief Executive Officer **Julien Mininberg** said on an July 9 earnings call. The company bought Procter & Gamble Co.'s Vicks VapoSteam business this year for an undisclosed price, after buying mineral and supplements maker Healthy Directions LLC from its private equity owners for \$195 million last year.

Jason Gere, KeyBanc: As you think about M&A and the use of the cash and where your leverage is right now, do you think more about additional smaller, adjacent tuck-ins like you did with the Vicks acquisition a few months ago? Or [do you] think about a bigger, global, scale as other [health and personal care] companies are now thinking?

Mininberg: We've seen acquisitions like the Armor All [by] our friends at Spectrum [Brands]. Everyone, I'm sure, saw in the newspaper the announcements with regard to Coty [and Procter & Gamble]. Those are big moves.

If you look at our own history, what you'll see is both the types of acquisitions that you're talking about, conducted within the last 12 months. Bolting on a new leg — that was vitamin and mineral supplements under Healthy Directions. That was — I don't know if [I'd call it] bold, but nonetheless moving into a new area consistent with our overall health-care business, which is now roughly a third of the company. So a big bolt-on and a big new leg.

You've also seen us go close in, adding the high-margin consumable under Vicks, the VapoSteam and the VapoPad license buyout. So we're able to do both. It's strategic for us to do both and we have done both.

In terms of our balance sheet, our debt ratio now coming down under two times, and if you project our cash flow forward, you'll see the ability to have significant balance sheet flexibility to make large acquisitions.

Synergy Resources Corp.

The oil and gas exploration company sees more acquisition opportunities now that other companies in the industry are facing the reality of sustained lower oil prices and have a clearer picture of their financing needs, Co-Chief Executive Officer **Edward Holloway** said during an July 9 earnings call. The company, which has a market value of \$1.1 billion, had \$190 million of cash and \$141 million of debt as of May 31. His comments and the others here have been edited and condensed.

Irene Haas, Wunderlich Securities: You still have plenty of cash on hand. I just wanted to check the pulse and see how the [acquisition] environment is looking for you guys?

Holloway: We're continually looking at all aspects of the acquisition arena from large, private, public, all across the board. The fields are getting set, everybody knows where they are at, what their needs are. There is a lot of dialogue going on. We're very aggressive, we're in the lot those dialogues going forward, so we're just sitting back, really, trying to play with the big pieces of the puzzle and figure out what really makes sense going forward with this environment of uncertainties. It's a lot of chatter going on and we're in the middle of it.

Q: Is this environment better now versus first quarter in your view?

A: Yes, definitely, simply because the capital markets opened up a little bit, now that creates some wiggle room. The banks all have kicked the can down the road a little bit, loosening up covenants on loans, but we cannot kick that down much further. Until you get through a couple of quarters and see how your company is reacting and how you're performing — some companies aren't seeing the realization until right now. The dialogue is picking up. We thought it [would have] happened earlier, but it's fine where it's happening now.

Source: Bloomberg Transcripts [NH BT <GO>](#)

Continued on next page...

BUYERS & SELLERS ...

Continued from previous page...

More Executives on M&A Plans Last Week

SECTOR	DATE	COMPANY	WHAT THEY SAID
CONSUMER GOODS	July 10	Performance Sports Group Ltd.	Sports equipment maker's M&A pipeline is full and appointment of president to oversee all brands will allow CEO to focus on growth, including acquisitions, CEO said on an earnings call. Link to story
MANUFACTURING	July 7	Columbus McKinnon Corp.	Maker of materials-handling equipment is looking for targets in the \$20-\$250 million range that will extend its vertical market access, geographic reach or bring intellectual property, corporate development head said at investor day. Link
TECHNOLOGY	July 7	API Technologies Corp.	Electronic components maker continues to look for "meteor-sized" acquisitions but has nothing "we're looking to do immediately," CEO said at a conference. Link
TRANSPORT	July 2	Stolt-Nielsen Ltd.	Norwegian shipping company is maintaining a strong balance sheet and expects acquisition opportunities, CEO said on an earnings call. Link

Source: Bloomberg News, Bloomberg Transcripts

FUNCTIONS FOR THE MARKET

FFM<GO>

M&A ARBITRAGE

Use MARB to display real-time merger and acquisition (M&A) arbitrage spread data. You can sort the data by columns and market measurements and display charts and transaction details. You can also display data by region from saved templates, or create, edit, and share custom templates.

1. Run {MARB<GO>}, select 'Regional Templates' and '2) North America' from the dropdown menus at the top-left of the screen.
2. Click on a target company's ticker and select '6) Deal Details' from the pop-up window.
3. Select the '27) Arb' tab at the top of the screen to see how the premium has evolved since bid.

— Luis Guilherme Almeida,
Bloomberg Application Specialist
lgralmeida@bloomberg.net

99 Edit Defaults			96 Actions		97 Output to Excel			M&A Arbitrage		
Regional Templates		North America		proposed deals flashing in blue			99 Edit Columns			
Target	Acquirer	Deal Size (M)	Announced Date	Announced Premium in %	Payment Type	Offer Per Share	Target Price	Current Premium in %	Spread	P
1) NUS CN	N/A	146.19	01/11/13	175.17	Cash	1.10	.45	144.44	.653	
2) TDC US	N/A	47.49	06/05/12	22.45	Cash	2.25	1.02	120.59	1.23	
3) BBY US	N/A	7,594.33	08/06/12	39.92	Cash	26.00	15.12	71.96	10.88	
4) AVCA US	Private	74.07	05/11/12	71.98	Cash	8.50	5.56	52.88	2.94	
5) SGTI US	N/A	68.30	04/17/12	44.04	Cash	1.65	1.18	39.83	.47	
6) MDTV US	HBND US	38.62	07/10/12	84.68	Stk	1.60	1.16	38.06	.44	
7) ART US	ADN LN	164.95	02/14/13	37.50	Cash	2.75	2.05	34.15	.70	
8) LTRE US	N/A	28.97	09/17/12	23.58	Cash	5.25	4.17	25.90	1.08	
9) CPGI US	N/A	24.96	10/15/12	58.72	Cash	1.40	1.15	21.74	.25	
10) YL CN	Private	73.59	12/28/12	10.06	Cash	.40	.34	17.65	.061	
11) MEHS US	Private	37.29	11/20/12	123.49	Cash	4.00	3.48	14.94	.52	
12) CHX CN	AVE CN	99.88	12/20/12	74.20	Stk	.42	.39	8.46	.0322	
13) WND CN	BEP-U CN	305.35	11/23/12	6.67	Cash	2.60	2.43	7.00	.1736	
14) GE CN	Multiple	32.50	12/20/12	171.19	Cash	.08	.08	6.67	.0055	
15) AM US	N/A	756.30	09/26/12	17.81	Cash	17.50	16.50	6.06	1.00	
16) WCS/A CN	Private	155.23	09/06/11	14.42	Cash	11.00	10.40	5.77	.60	
17) ECBE US	CRFN US	52.88	09/25/12	62.73	Stk	15.66	14.82	5.64	.8445	
18) WSB US	OLBK US	48.91	09/10/12	132.73	C/S	6.54	6.20	5.45	.3414	
19) JADE US	Multiple	98.01	08/13/12	23.76	Cash	2.00	1.90	5.26	.10	
20) VERT US	URST US	448.90	01/20/13	20.40	Stk	14.21	13.53	5.06	.688	

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Notes Available

User Defined Expected Completion Date In Effect

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Q&A

Health-Care, Cable and Packaging Sectors Still in Demand: Deutsche Bank's Barth

With LBO activity in short supply, corporate M&A will continue to drive high-yield issuance in 2015, says **Alexandra Barth**, managing director and co-head of high-yield capital markets for the Americas at **Deutsche Bank**. She spoke with Bloomberg Brief editor Brian Manning on July 8. Her comments have been edited and condensed.

Q: How does the second half look?

A: LBO volume is down this year in the bond market, but refinancings have increased thanks to low interest rates and strong market conditions. There's already a pretty healthy lineup for the second half. Some relatively big deals are expected to come to market, including **Charter**, **Frontier**, and **Owens-Illinois**. Opportunistic issuers that planned to go to market in May and June have been waiting to see if the macro environment settles down. We expect to see a resolution to the Greece situation in the near term, so volume should pick up or at least continue at the pace of the first half. For the year, we expect global high-yield volume will be in line with 2014.

Q: Where will issuance come from?

A: Corporate M&A will continue to be a driver. I would point to what we've seen in pharmaceuticals and the cable sector already, and we expect the broader consolidation trend to continue. One reason LBO volume has remained light is the fact that the equity markets have been so robust — valuations are at levels where the returns aren't working for private equity. The forward calendar for LBOs remains light, but the deals on average are smaller than in prior years. Unless we see a shift in the equity markets, I don't know that that's going to change in the near term. The other thing is that the second-lien market in loans has come back. Many smaller deals can be financed entirely in the loan market.

Q: How are you growing your underwriting business?

A: We're focused on adapting to the market given the rise of more complicated, global transactions. In corporate M&A, things can change mid-deal, like when **Valeant** decided to raise equity after **Endo** stepped with a bid for **Salix**, so you have to be nimble and well coordinated. We also have done many cross-border transactions, as issuers look to take advantage of low interest rates in Europe and various currency swaps.

Q: Is the market getting overheated?

A: Issuers have been pretty careful to not max out leverage on recent deals. I'm surprised that there haven't been more dividend deals from the vintage 2013 and 2014 LBOs. There have been some sponsor-to-sponsor sales and we've seen IPOs, but you're not seeing companies or private equity firms using the debt markets to return capital to shareholders.

Q: What will rising rates mean?

A: We're going to see a temporary decrease in new-issue volume in high-yield because a lot of the upcoming near-term callable bonds will have been refinanced. Volume will pick up as we get to the next wave of maturities and callability. If rates increase in a not-orderly fashion, we're going to see material outflows for some period of time.

Q: How is investor demand?

A: We're seeing demand across all rating categories. Because we've been in such a strong period of high-yield returns, some investors have been leaning more

toward double-Bs, in which case you're upping your duration a little bit. But the more defensive sectors are still in favor, such as health care, cable and packaging. There's still a flight to quality and sectors that have less volatility.

Q: What are you seeing in terms of credit quality and covenants?

A: A lot of the corporate deals have been from the higher ratings categories. The bigger, higher-quality names have accessed the market to lock in long-term rates. There has been less triple-C volume. And because the market has been stable, we've seen companies and private equity firms push the envelope on covenants. Investors have been more willing to give issuers the benefit of the doubt in some of these situations.

Q: Are investors being compensated for potential liquidity risk?

A: We've seen investors become more discriminating about deal size. We've led deals that have been under \$300 million or \$400 million, and sometimes various investors won't even look at them. When you're marketing to a smaller pool, investors have a little more leverage on pricing. So unless they have a long track record with investors, issuers of smaller deals are paying extra, especially in high-yield versus loans. I've heard universally from investors that there's less liquidity, so I understand why people want to get paid more for that, and I think that that's happened.

AT A GLANCE

**Age:** 37**From:** Fairfield, Connecticut**Currently lives:** New York City**Education:** Deerfield Academy, Dartmouth College**Favorite TV show:** True Detective, Silicon Valley, Game of Thrones**Favorite vacation spot:** Laguna Beach, California; Florence, Italy**Hobbies:** Hanging out with my eight-month-old son; art museums; thinking about the leveraged debt markets**Favorite sports team:** New England Patriots (for my husband)

DEAL ARBITRAGE

TARGET	ACQUIRER	DEAL SIZE (M)	EXPECTED COMPLETION DATE	OFFER PER SHARE	TARGET PRICE	PAYMENT TYPE	SPREAD	PROJECTED ANNUALIZED RETURN	1W CHANGE IN SPREAD	MAJOR MOVE
Altera Corp	Intel Corp	14,355	03/31/16	54.00	49.75	Cash	8.5%	11.8%	3.3%	▲
Axis Capital Holdings Ltd	Arch Capital Group Ltd	6,560	-	65.00	56.03	Cash	16.0%	-	-3.2%	▼
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	65.29	59.71	C&S	9.3%	19.6%	0.0%	
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	7.70	Cash	101.2%	-	3.5%	▲
Broadcom Corp	Avago Technologies Ltd	29,806	03/31/16	55.67	52.06	C/S	6.9%	9.6%	-2.8%	▼
Catamaran Corp	UnitedHealth Group Inc	13,227	12/31/15	61.50	61.30	Cash	0.3%	0.7%	-0.2%	
Chubb Corp/The	ACE Ltd	28,986	03/31/16	125.43	121.50	C&S	3.2%	4.5%	0.0%	
Cigna Corp	Anthem Inc	49,584	-	184.00	157.22	C/S	17.0%	-	2.7%	▲
City National Corp/CA	Royal Bank of Canada	5,317	12/31/15	92.47	90.74	C&S	1.9%	4.0%	-0.5%	
Crestwood Midstream Partners LP	Crestwood Equity Partners LP	5,238	09/30/15	11.49	11.38	Stk	1.0%	4.5%	-1.0%	
DIRECTV	AT&T Inc	66,044	-	94.51	92.50	C&S	2.2%	-	1.4%	
Family Dollar Stores Inc	Dollar Tree Inc	8,945	07/07/15	0.00	79.39	C&S	0.0%	0.0%	-0.1%	
Freescale Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	38.90	37.79	C&S	2.9%	6.2%	1.0%	
HCC Insurance Holdings Inc	Tokio Marine Holdings Inc	7,480	12/31/15	78.00	77.31	Cash	0.9%	1.9%	-0.4%	
Home Properties Inc	Private Advantage FIC FI Multimercado	6,818	12/31/15	75.23	73.03	Cash	3.0%	6.3%	0.3%	
Hospira Inc	Pfizer Inc	16,807	12/31/15	90.00	89.15	Cash	1.0%	2.0%	-0.2%	
Humana Inc	Aetna Inc	28,906	12/31/16	220.98	187.25	C&S	18.0%	12.2%	22.0%	▲
Mylan NV	Teva Pharmaceutical Industries Ltd	49,912	-	88.00	71.22	C&S	23.6%	-	7.4%	▲
Office Depot Inc	Staples Inc	5,854	12/31/15	10.62	8.79	C&S	20.8%	43.6%	0.3%	
Omnicare Inc	CVS Health Corp	11,294	12/31/15	98.00	94.75	Cash	3.4%	7.2%	-0.5%	
Pall Corp	Danaher Corp	13,779	12/31/15	127.20	125.45	Cash	1.4%	2.9%	-0.4%	
PartnerRe Ltd	EXOR SpA	5,911	12/31/15	137.50	131.75	Cash	4.4%	9.2%	-0.8%	
PartnerRe Ltd	Axis Capital Holdings Ltd	5,313	09/30/15	122.15	131.75	Stk	-7.3%	-32.5%	2.3%	▲
Pepco Holdings Inc	Exelon Corp	12,185	09/30/15	27.25	26.84	Cash	1.5%	6.8%	0.8%	
Perrigo Co PLC	Mylan NV	34,870	-	238.81	180.86	C&S	32.0%	-	3.0%	▲
Sigma-Aldrich Corp	Merck KGaA	16,395	-	140.00	139.36	Cash	0.5%	-	0.1%	
Time Warner Cable Inc	Charter Communications Inc	79,250	12/31/15	195.95	183.50	C&S	6.8%	14.2%	0.2%	
Towers Watson & Co	Willis Group Holdings PLC	8,072	12/31/15	124.48	129.73	Stk	-0.3%	-0.6%	-0.4%	
Williams Cos Inc/The	Energy Transfer Equity LP	69,732	-	61.20	57.89	Stk	5.7%	-	0.6%	
Williams Partners LP	Williams Cos Inc/The	14,129	09/30/15	64.55	47.90	Stk	34.8%	154.7%	0.5%	

MARB <GO> North American deals

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock



EDITOR'S CORNER

It's Not Just the Dollars, It's the Multiples

BY TARA LACHAPELLE, BLOOMBERG NEWS REAL M&A COLUMNIST



By now you've heard that we could be headed for a record amount of M&A this year — nearly \$1 trillion was spent in the second quarter alone. But the deal fever also has buyers paying up big time as the froth spills across multiple industries.

Acquisition prices haven't been this rich since before the financial crisis. Deals this year carry a median Ebitda multiple of close to 11, a more than 50 percent jump from 2012's valuation trough.

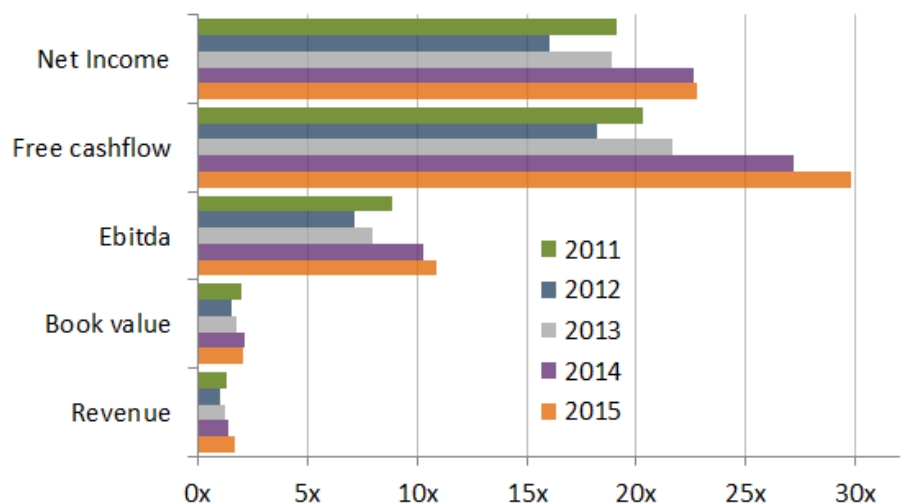
Drug giant **AbbVie** paid 156 times **Pharmacyclics Inc.**'s Ebitda, or \$19.8 billion including net debt, making it this year's most expensive mega-deal. **Avago Technologies Ltd.**'s \$37 billion merger with fellow chipmaker **Broadcom Corp.** was struck at 24 times Ebitda. The list goes on.

Some may argue that these deals are less expensive than they look at first blush because they bear tons of synergies, which weren't a big part of the justification for the price tags during the last merger boom. But a heavy reliance on cost-cutting estimates just means that today's deals are riddled with risk. There's more work for management teams during the integration process to be able to slash the billions of dollars in costs they promised shareholders would juice earnings.

Bloomberg News last week asked leading bankers what they think, and it was what you'd expect. While some mentioned the surging valuations, they also said the transactions are of sound logic and striking a good balance between strategic goals and price.

But will hindsight prove painful? This year could either be remembered as hosting the most lucrative corporate unions in history — or the year that Wall Street was beguiled by an insatiable fee-driven bubble. There probably will be at least another \$1 trillion or so of deals before we'll know.

Deal Multiples Have Risen With the Boom in Mergers



Source: Bloomberg MA<GO>

BloombergBriefs.com

QUOTED

"Nobody wants to sit there and twiddle their thumbs, and very few people say, 'Our company is in great shape, we're going to leave it like this and run it for 20 years.' They have to do stuff."

— **Oaktree Capital** Co-Chairman **Howard Marks** commenting on the [M&A boom](#) in a Bloomberg TV interview



Blackstone and **BlackRock** may not compete directly, but their founders, **Steve Schwarzman** and **Larry Fink** — one-time partners who had an ugly breakup two decades ago — compete to get their views on business heard in the public arena. Read more in a Bloomberg Business [story](#).

WEEK IN NUMBERS

■ **\$2.2 trillion:** Combined asset level at which banks will be deemed [too large](#) to merge under new Federal Reserve rule

■ **\$149 billion:** Enterprise value of **BP**, which may be a takeover [target](#) after settling U.S. environmental claims

IN THIS ISSUE

FIRST HALF WRAP. [Biggest deals](#) of the first half, plus what bankers see on the horizon in the [U.S. and Europe](#), and why they're not thrilled by this year's crop of big [Asian mergers](#).

INSURANCE. M&A in the sector is on pace to set [a record](#) this year. Plus, how the **Aetna-Humana** merger puts [pressure](#) on **Cigna** and **Anthem** to reach a deal.

ACTIVIST SITUATIONS. **Elliott Associates** lost a court ruling in the fight over the [takeover](#) of **Samsung C&T** by **Cheil Industries** but gained an ally.

MERGER MONDAY

M&A NEWS SINCE THURSDAY, JULY 2

Aetna to Buy Humana to Expand in Medicare

BY PHIL SERAFINO, ED HAMMOND AND ZACHARY TRACER, BLOOMBERG NEWS

Aetna Inc. agreed on July 3 to buy rival health insurer **Humana Inc.**, the second-largest U.S. provider of private health plans for the elderly.

The transaction, which prices Humana at \$230 a share, combines the second- and fifth-largest U.S. health insurers by market size. The deal values Louisville, Kentucky-based Humana at 23 percent more than its closing price on July 2.

Humana's 3.2 million Medicare Advantage members made it a target: it's winning new business as more Americans turn 65 and become eligible for the health program for the elderly and its private insurer-run version.

Humana shareholders will receive \$125 in cash and 0.8375 of an Aetna share for each of Humana's. The companies expect the deal to close in the second half of 2016. Aetna Chief Executive Officer **Mark Bertolini** will be chairman and CEO of the combined company, which will remain in Hartford, Connecticut. It's too early to say what roles other executives will take, Tom Noland, a Humana spokesman, said by phone.

Together, Aetna and Humana would have more than 33 million health-insurance customers and about \$115 billion in annual revenue, creating the No. 2 U.S. health insurer by sales, after **UnitedHealth Group Inc.** Aetna specializes in commercial coverage, while Humana is a leader in Medicare.

Potash Corp. Seeks K+S Face Time to Save Deal

BY DAVID STRINGER, ANDREW NOËL AND SHEENAGH MATTHEWS, BLOOMBERG NEWS

Potash Corp. of Saskatchewan Inc. said on July 3 it wants to meet with management of **K+S AG** as soon as possible to address concerns that led the German fertilizer producer to reject its 7.8 billion-euro (\$8.7 billion) takeover offer.

Potash Corp. aims to reassure K+S that it wouldn't be unraveled after the deal, saying the offer isn't predicated on closing mines, curtailing production, selling the German company's salt business or cutting jobs. It repeated the merits of its offer of 41 euros a share, after K+S CEO **Norbert Steiner** indicated in an earlier statement that a proposal of at least 50 euros a share would be more appropriate.

Potash Corp. Chief Executive Officer Jochen Tilk, born and bred in Germany, has ground to make up if Potash Corp. sticks to its intention of making this a friendly deal. Steiner said on July 2 that negotiations hadn't included detailed information on plans for the German potash supplier or job security for its employees, with the bid failing to reflect the rising value of the Legacy potash project in Canada.

Today's Top Deals

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
7/5	Gaelectric Holdings PLC	Energy-Alternate Sources	IE	Proventus AB, Norddeutsche Landesbank Girozentrale, BlueBay Asset Management LLP	SW, DE, GB	498
7/5	Nitsba Holdings 1995 Ltd	Commercial Services	IL	Airport City Ltd	IL	334
7/6	Linn Energy Howard County/Permian Basin assets	Oil & Gas	US	Unnamed Buyer	na	281
7/6	Qualspec Group	Commercial Services	US	Team Inc	US	255
7/6	Russian business of CTC Media Inc	Media	RU	UTV Holding OOO	RU	200

Source: Bloomberg [MA<GO>](#)

Real estate assets, joint ventures and stock buybacks excluded

BP Spill Deal Is Potential 'Catalyst' for Acquirers

BY RAKTEEM KATAKEY, BLOOMBERG NEWS

BP Plc's \$18.7 billion U.S. legal settlement last week is being cheered by investors and analysts as it ends five years of financial uncertainty. It also makes the British oil producer a more attractive takeover target. Potential buyers, held back by unquantifiable liabilities related to the company's 2010 Gulf of Mexico spill, may find a slimmed-down BP more appealing and digestible.

"The market is looking at that," said Ahmed Ben Salem, a Paris-based analyst with Oddo & Cie., who has a neutral recommendation on BP. "This could act as the catalyst because there's more clarity now."

The five years of battling the consequences of the worst oil spill in U.S. history has seen BP shed a third of its market value and assets, cutting production by about 1 million barrels a day.

The settlement didn't cover some businesses and residents in large swaths of Texas and Florida, who still demand billions. It also didn't include shareholders or investors blaming BP for the U.S. administration's moratorium on deep-water drilling in the Gulf after the spill. Still, BP's biggest threats are now gone.

A BP spokesman declined to comment on the company being a likely acquisition target after the U.S. legal settlement.

A slimmed down BP is also an attraction for potential buyers because it has the lowest enterprise value relative to its daily oil and gas production of any of the six largest U.S. and European energy producers.

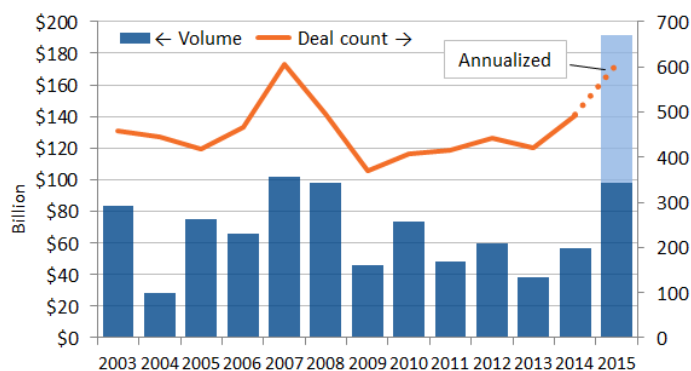
Yet, BP's \$125 billion market value and almost \$60 billion of debt is "a mighty ask," Banco Santander analyst Jason Kenney wrote in a report. Even with BP's long-term resources, a bid is "challenging."

A buyer will also have to convince the U.K. government, which told BP in the wake of Shell's acquisition of BG Group Plc that it would oppose the acquisition of the oil producer by a foreign company.

INSIGHT: INSURANCE COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

ACE, Aetna Acquisitions Send Insurance Deal Volume Soaring

Insurance M&A Activity



Source: Bloomberg [MA<GO>](#)

BloombergBriefs.com

Pending and completed deals for insurer and HMO targets

Last week brought four large deals in the insurance industry that helped send the year-to-date deal volume to \$98.1 billion, the second highest level ever, according to data compiled by Bloomberg, only slightly behind the full-year record of \$101.8 billion in 2007.

Three involved insurer targets:

- The \$29 billion merger of property and casualty insurers **ACE Ltd.** and **Chubb Corp.**
- A \$29 billion combination of health insurers **Aetna Inc.** and **Humana Inc.**
- Health insurer **Centene Corp.**'s \$3 billion acquisition of **Health Net Inc.**

In addition, insurance broker **Willis Group Holdings Plc** agreed to buy employee benefits consultant **Towers Watson & Co.** That transaction is not included in the data on this page because the target is not an insurer.

Biggest Acquisitions of Insurers This Year

ANNOUNCED	TARGET	SUBSECTOR	COUNTRY	ACQUIRER	VALUE (\$M)
7/1	Chubb Corp	Property/Casualty Ins	US	ACE	28,986
7/3	Humana Inc.	Life/Health Insurance	US	Aetna Inc.	28,906
6/10	HCC Insurance	Property/Casualty Ins	US	Tokio Marine	7,480
4/14	PartnerRe (unsolicited)	Reinsurance	BM	EXOR	5,911
1/25	PartnerRe (agreed)	Reinsurance	BM	Axis Capital	5,313
7/2	Health Net	Medical-HMO	US	Centene	3,047
5/3	Ironshore	Insurance Brokers	BM	Fosun International	2,098
3/31	Montpelier Re Holdings	Reinsurance	BM	Endurance Specialty	1,742
2/17	Brit PLC	Property/Casualty Ins	GB	Fairfax Financial	1,723
5/12	Taiwan Life Insurance	Life/Health Insurance	TW	CTBC Financial	1,113

Source: Bloomberg [MA<GO>](#)

Pending and completed acquisitions of insurers and HMOs.



The latest news and analysis
of the crisis in Greece.

GREE ^GOV

INDUSTRY FOCUS: HEALTH INSURANCE

Aetna's Humana Deal Pressures Cigna to Agree on Anthem Takeover

BY ZACHARY TRACER AND DAVID MCLAUGHLIN, BLOOMBERG NEWS

With **Aetna Inc.** and **Humana Inc.** pairing off, pressure is mounting on other major health insurers to make their own deals.

Cigna Corp.'s tie-up with **Anthem Inc.** could be the next one on deck. Cigna rebuffed a bid from Anthem last month, and both were said to have been interested in Humana. But after the acquisition was announced July 3, their options just got narrower.

"It paves the way for Cigna and Anthem," Ana Gupte, an analyst at Leerink Partners in New York, said by phone. "Cigna has fewer choices at this point."

Aetna struck a \$35 billion cash-and-stock deal for Humana, the first in an expected wave of consolidation among the largest companies in the industry. The health-plan providers are under pressure to get bigger after the 2010 U.S. reform known as Obamacare triggered a race for new customers, while reducing margins.

Cigna rejected offers from Anthem for as much as \$184 a share in cash and stock, citing concerns about governance and management. Anthem went public on June 20 with its bid, which would create the largest U.S. health insurer with about 53 million members.

Both Anthem and Cigna had held discussions to acquire Humana, people familiar with the matter said last month.

Now that Humana is no longer an option, an Anthem-Cigna transaction can probably get done at about \$190 to \$195 a share, Gupte said.

Kristin Binns, a spokeswoman at Anthem, and Matthew Asensio at Cigna declined to comment.

Cigna has climbed 57 percent this year to close at \$161.29 on July 2. Anthem is up 30 percent.

UnitedHealth Group Inc., the largest U.S. health insurer, could also enter the picture. The Minnetonka, Minnesota-based company has weighed buying Aetna or Cigna, the Wall Street Journal reported last month, citing people familiar with the matter. Tyler Mason, a UnitedHealth spokesman, declined to

comment.

By acquiring Humana, Aetna gains a large presence in Medicare Advantage, the private health program for the elderly that's expected to grow rapidly.

Anthem's deal for Cigna would give the companies more scale in commercial coverage, and Anthem has also said that Cigna's Medicare Advantage business is appealing.

The resolution of a Supreme Court case that had threatened a key piece of the Patient Protection and Affordable Care Act has also paved the way for deals. The court's 6-3 ruling on June 25 kept subsidies flowing to help more than 6 million people buy health coverage in the markets created by the health-care overhaul.

*"It paves the way for
Cigna and Anthem.
Cigna has fewer
choices at this point."*

— ANA GUPTA, LEERINK PARTNERS
ANALYST

Still, several deals occurring at the same time can make it tougher to win antitrust approval if officials become worried that too much consolidation can limit consumer choice, according to Allen Grunes, a lawyer at Konkurrenz Group in Washington.

Leslie Overton, a deputy assistant attorney general at the Justice Department's antitrust division, told a conference of health-care lawyers in Washington on June 30 that the department would give insurer mergers a "careful, appropriately thorough analysis" that would consider the evolving marketplace.

"We're looking forward and we're predicting what is going to happen," she said.

Antitrust regulators have become increasingly aggressive, said David Balto,

a former attorney at the Federal Trade Commission, which shares antitrust jurisdiction with the Justice Department.

"You need to look at how tough the agencies are getting at merger enforcement," he said. "This is like swimming with the sharks now."

Officials at the FTC and Justice Department have stepped up merger enforcement recently, successfully stopping Sysco Corp.'s takeover of US Foods Inc. and Comcast Corp.'s deal for Time Warner Cable Inc. Regulators last week sued to block Electrolux AB's planned purchase of General Electric Co.'s appliance business.

Competitive concerns are often addressed with divestitures of businesses in individual markets, as occurred when Humana acquired Medicare provider Arcadian Management Services in 2012.

Significant divestitures of Medicare Advantage businesses will likely be required for clearance of the Aetna-Humana deal, possibly in hundreds of counties, Bloomberg Intelligence analyst Jennifer Rie said. The most significant overlaps appear to be in counties in Southern and Midwestern states, including Florida, Texas, Kentucky, Ohio and Missouri, she said.

One smaller health deal is already in the works. **Centene Corp.** agreed on July 2 to buy Health Net Inc. for about \$6.3 billion, creating the biggest private administrator of Medicaid, the U.S. health program for the poor.

Aetna would have to pay Humana a \$1 billion breakup fee if the deal falls apart because of regulatory scrutiny, according to Aetna spokeswoman Cynthia Michener. Aetna Chief Financial Officer Shawn Guertin said the companies have examined how their businesses overlap and declined to comment in detail on regulatory scrutiny.

"Obviously it's something that we think is manageable," he said on Friday. "At this point, we're certainly glad that we got this done and that we're going to be the ones to go through the process first."

— With assistance from Phil Serafino in Paris and Ed Hammond and Ryan Sachetta in New York

FIRST HALF: TOP DEALS

Largest Deals Announced January 1 - June 30

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
4/8	BG Group PLC	Oil&Gas	GB	Royal Dutch Shell PLC	NL	79,308
5/26	Time Warner Cable Inc	Media	US	Charter Communications Inc	US	79,250
3/25	Kraft Foods Group Inc	Food	US	HJ Heinz Co	US	55,423
1/9	Hutchison Whampoa Ltd (remaining 50.03%)	Holding Companies-Diversified	HK	CK Hutchison Holdings Ltd	HK	41,705
4/8	Perrigo Co PLC	Pharmaceuticals	IE	Mylan NV	US	34,870
5/28	Broadcom Corp	Semiconductors	US	Avago Technologies Ltd	SG	29,806
4/20	SK Holdings Co Ltd (remaining 68.2%)	Oil & Gas	KR	SK C&C Co Ltd	KR	26,731
3/4	Pharmacyclics Inc	Pharmaceuticals	US	AbbVie Inc	US	19,777
1/26	Regency Energy Partners LP	Pipelines	US	Energy Transfer Partners LP	US	17,430
2/5	Hospira Inc	Pharmaceuticals	US	Pfizer Inc	US	16,807
3/2	Freescale Semiconductor Ltd	Semiconductors	US	NXP Semiconductors NV	NL	15,769
3/24	Telefonica UK Ltd	Telecommunications	GB	Hutchison Whampoa Ltd	HK	15,125
6/1	Altera Corp	Semiconductors	US	Intel Corp	US	14,355
5/13	Williams Partners LP	Pipelines	US	Williams Cos Inc	US	14,129
5/13	Pall Corp	Miscellaneous Manufactur	US	Danaher Corp	US	13,779
3/30	Catamaran Corp	Pharmaceuticals	US	UnitedHealth Group Inc	US	13,227
2/22	Salix Pharmaceuticals Ltd	Pharmaceuticals	US	Valeant Pharmaceuticals International Inc	US	12,524
6/9	GE Antares Capital Corp	Diversified Financial Services	US	Canada Pension Plan Investment Board	CA	12,000
4/15	Alcatel-Lucent	Telecommunications	FR	Nokia OYJ	FI	11,670
6/24	Delhaize Group	Food	BE	Koninklijke Ahold NV	NL	11,473
5/21	Omnicare Inc	Pharmaceuticals	US	CVS Health Corp	US	11,294
3/24	China Overseas Land & Investment Ltd	Real Estate	HK	China State Construction Engineering Corp Ltd	CN	11,200
5/26	Samsung C&T Corp (80% not owned by other Samsung companies or the Lee family and allies)	Distribution/Wholesale	KR	Cheil Industries Inc	KR	10,938
2/5	Verizon landline operations in California, Florida and Texas	Telecommunications	US	Frontier Communications Corp	US	10,500
3/31	Bright House Networks LLC	Media	US	Charter Communications Inc	US	10,400

Source: Bloomberg [MA<GO>](#)

Pending and completed M&A and investment transactions announced or amended in the first half. Real estate assets are excluded.

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FIRST HALF: U.S. & EUROPE

BY ED HAMMOND AND MANUEL BAIGORRI, BLOOMBERG NEWS

Deals Make Sense, Rising Rates Pose Little Risk, Bankers Say as Dealmaking Surges

Global M&A activity this year is on track to pass \$3 trillion for the first time since 2007, according to data compiled by Bloomberg. If the dash to consolidate continues — particularly among the biggest health-care, technology and communications companies — volumes may even pass levels last seen in the years leading up to the global financial crisis.

Below, investment bankers based in the U.S. and Europe share their perspectives on dealmaking so far in 2015.



Photo: Bank of America

Luigi Rizzo, head of M&A for Europe, the Middle East and Africa at Bank of America Corp.

"Dealmaking is, among other things, about sound industrial logic, investors' confidence in boards and management teams' ability to successfully execute, as well as striking a balance between each party's strategic objectives and views on relative valuation. Against that background, while current valuations are on the high side, they did not come about abruptly or with extraordinary volatility. While the rates environment is undeniably an important consideration in deciding whether to transact or not (and when), we do not see it as a main driver of M&A activity today."



Photo: Bloomberg

Gregg Lemkau, global co-head of M&A at Goldman Sachs Group Inc.

"We're on pace to approach 2007 levels. If the current environment persists, we have a good shot of exceeding it. While equity valuations have increased, the transactions we are seeing still make strong economic sense. Companies are taking advantage of low-cost debt, as well as using their own highly valued equity as acquisition currency to fund these transactions. Candidly, any interest-rate hike is likely to be gradual and well telegraphed — companies aren't necessarily acting now to front-run any expected interest-rate hike."



Photo: Moelis & Co.

Kasim Kutay, managing director and co-head of European investment banking at Moelis & Co.

"This year will likely get very close to 2007, with some chance of topping it. But there are differences. Certain sectors, such as mining, which accounted for significant M&A pre-crisis, are not seeing many deals. The slack has obviously been picked up by sectors such as health care and TMT. Stock valuations won't hinder deals. The speed of the recovery in valuations took a while to adjust to but that is now largely behind us, and where equity is being used, relative valuations matter as much if not more than absolute values."



Photo: Barclays

Larry Hamdan, head of Americas M&A at Barclays Plc

"Global M&A volumes in 2015 certainly are on track to exceed 2014 and could approach 2007's all-time record. Although year-to-date volume is trailing 2007, consolidation trends remain very strong in health-care and technology, media and telecommunications, and many companies are looking to grow earnings per share in an overall low-growth environment. Given that markets have been expecting a U.S. rate hike later this year, we don't expect Fed actions to have a material near-term impact on M&A deal volumes or the strength of the acquisition financing market."

FIRST HALF: ASIA

Record Deal Activity in Region Isn't Yielding a Bonanza of Fees

BY JONATHAN BROWNING, BLOOMBERG NEWS

Asian investment bankers are watching the region's busiest deal spree on record, with upwards of a half trillion dollars in acquisitions this year. They still aren't popping the champagne corks.

Cross-border deals accounted for 42 percent of the region's deal volume through June, the lowest proportion since 2004, according to data compiled by Bloomberg. That's a setback for the bulge-bracket banks that can generate higher fees from these transactions, where their international networks are most valuable.

Dealmaking has been dominated by group restructurings from Asia's industrial titans, as China slows overseas energy purchases to focus on increasing corporate efficiency at home. Some Wall Street banks were conflicted out of the biggest cross-border deal from Asia, and they're facing the threat of increased competition from boutique firms expanding in the region.

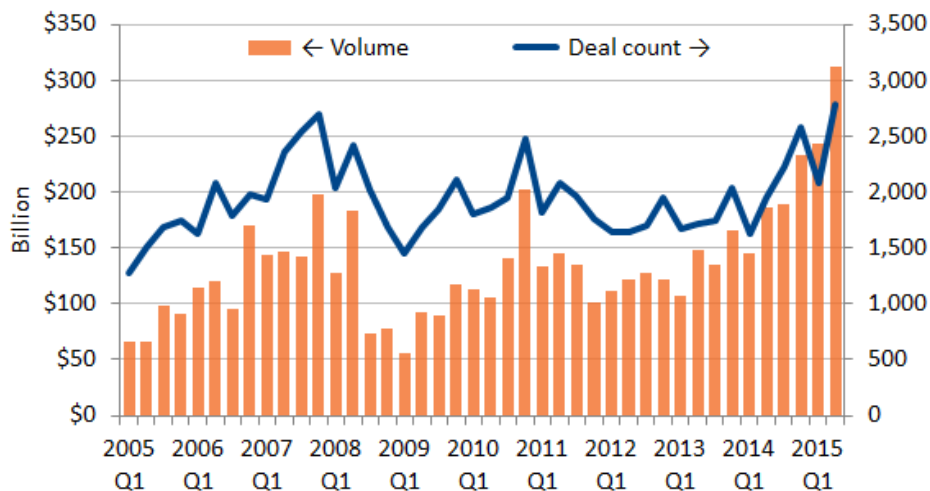
"The volumes are great, but to say 'hey, we've got a booming M&A market,' that's just not the case," said **John Kim**, **Goldman Sachs Group Inc.**'s head of mergers and acquisitions for Asia excluding Japan. "It's all moving in the right direction, but there's just not enough flow of the larger real advisory deals."

In headline terms, acquisitions involving Asia Pacific companies excluding Japan surged 61 percent to \$552 billion in the first six months. That's the fastest start to a year on record, the Bloomberg-compiled data show.

Still, the number of cross-border deals where a financial adviser was credited actually fell — a blow for banks, which can be paid as much as 20 percent more on such transactions, according to research firm Freeman & Co.

A look at the five biggest deals reveals the problem. Internal revamps at South Korean and Hong Kong conglomerates took up three slots, rounded out by a Chinese developer buying assets from its

Asian Deal Volume Surged in the First Half



Source: Bloomberg MA<GO>

BloombergBriefs.com

Pending and completed deals announced in first half involving Asian companies, ex-Japan

parent. Only one actually showed an Asian firm with the confidence to expand: **Hutchison Whampoa Ltd.**'s \$16 billion purchase of **Telefonica SA's O2** wireless brand in the U.K.

While global acquisition volumes this year were boosted by megadeals including **Royal Dutch Shell Plc's** proposed \$61 billion **BG Group Plc** purchase and **Charter Communications Inc.**'s takeover of **Time Warner Cable Inc.**, there was just one deal above \$10 billion from Asia.

"If you strip out the dissonance in the numbers, the M&A market been pretty mediocre at this point in time," said **Keith Pogson**, a Hong Kong-based senior partner for financial services at **EY**.

Boutique investment banks are finding opportunities amid the shifting landscape. **Moelis & Co.** worked with Hutchison on its U.K. foray and accounted for more than 20 percent of cross-border dealmaking in Asia, while **Lazard Ltd.** and **Rothschild** were among banks advising **China National Chemical Corp.** on its 7.4 billion-euro (\$8.2 billion) bid for Milan-based tiremaker **Pirelli & C. SpA**.

Cross-border deals are suffering as

China, last year's second-most acquisitive country after the U.S., concentrates on overhauling its bloated \$3 trillion state sector. The government combined two locomotive makers in May to form a \$70 billion company better able to compete worldwide, and is in the process of pooling 300 billion yuan (\$48 billion) of tower assets owned by the three major phone carriers.

Cofco Corp., the Beijing-based food giant with \$57 billion of assets, will consider combining units and selling peripheral businesses, people with knowledge of the matter said in May. The government is also weighing a separation of the national oil firms' pipeline assets, estimated to be worth as much as \$300 billion, people with knowledge of the matter said the same month.

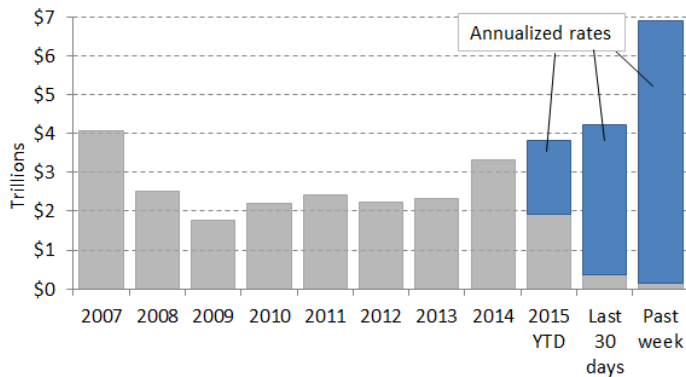
"We see the big chunky deals still coming from domestic consolidation and restructurings," said **Brian Gu**, co-head of Asia Pacific M&A at **JPMorgan Chase & Co.**, which led the financing for the **Pirelli** takeover. "They're important deals, but they may not be the biggest fee generators."

— With assistance from Joyce Koh in Singapore.

WEEK IN REVIEW: M&A TRENDS COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Insurance, Transport Deals Lift Deal Volume

Pace of Dealmaking

Source: Bloomberg **DMON<GO>**

BloombergBriefs.com

Deal activity rebounded to almost \$132.6 billion last week, notwithstanding a short week in the U.S. due to the Fourth of July weekend, according to data compiled by Bloomberg.

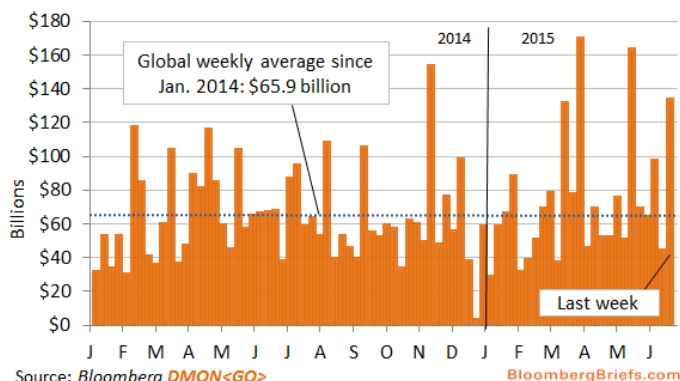
Topping the week's [deal list](#) were two \$29 billion insurance mergers: **ACE Ltd.**'s agreement to buy **Chubb Corp.** and **Aetna Inc.**'s deal to take over **Humana Inc.**

Seven of the top ten last week were in [insurance](#), leasing, finance or real estate, if the \$8 billion merger of insurance broker **Willis Group Holdings Plc** and employee benefits consultant **Towers Watson & Co.** is counted.

The third biggest deal was a \$9.5 billion offer from Canada's **Brookfield Infrastructure Partners LP** for Australian port operator and bulk hauler **Asciano Ltd.**

Two other deals over \$5 billion helped push up the total.

Week by Week Activity

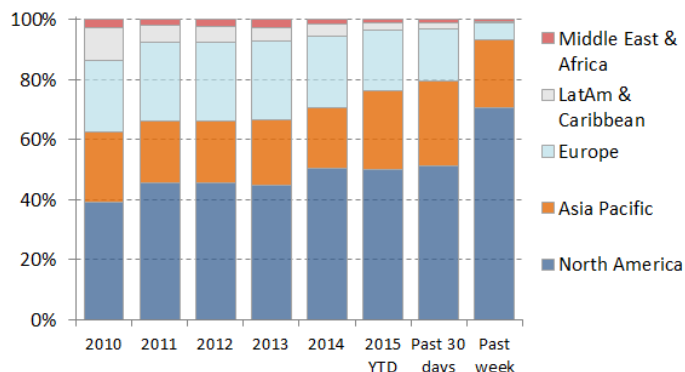
Source: Bloomberg **DMON<GO>**

BloombergBriefs.com

Last week was the third busiest this year by deal volume, according to data compiled by Bloomberg. The weekly total was slightly more than double the 18-month average weekly volume.

Fifteen [new deals](#) worth more than \$1 billion were announced in the week ended July 3, and 10 deals were over \$2 billion, according to data compiled by Bloomberg.

Regional Breakdown

Source: Bloomberg **DMON<GO>**

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With the outsized deals for Chubb and Humana, North America accounted for almost 71 percent of global deal volume last week.

WEEK IN REVIEW: TOP DEALS

Largest Deals Announced June 27 - July 3

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
7/1	Chubb Corp/The	Insurance	US	ACE Ltd	CH	28,986
7/3	Humana Inc.	Insurance	US	Aetna Inc.	US	28,906
7/1	Asciano Ltd	Transportation	AU	Brookfield Infrastructure Partners LP	BM	9,518
6/30	Towers Watson & Co	Commercial Services	US	Willis Group Holdings PLC	GB	8,072
6/29	GE American, Australian and New Zealand fleet leasing units	Leasing	US, AU, NZ	Element Financial Corp	CA	6,900
6/30	Hainan Supply & Marketing Daji Holding Co Ltd	Holding Companies-Diversified	CN	Xi'an Minsheng Group Co Ltd	CN	4,318
7/2	Health Net Inc	Healthcare-Services	US	Centene Corp	US	3,047
6/30	Heritage Royalty LP	Oil & Gas	CA	Ontario Teachers' Pension Plan Board	CA	2,643
7/1	Gramercy Property Trust Inc	REITS	US	Chambers Street Properties	US	2,296
6/30	GE European sponsor finance business	Financial Services	Various	Sumitomo Mitsui Financial Group Inc	JP	2,200
6/30	AlliedBarton Security Services LLC	Commercial Services	US	Wendel SA, Management	FR, US	1,670
7/2	Frontline 2012 Ltd	Transportation	BM	Frontline Ltd/Bermuda	BM	1,596
7/1	Cargill US pork business	Food	US	JBS SA	BR	1,450
6/29	FCI Asia Pte Ltd	Electronics	SG	Amphenol Corp	US	1,275
6/30	Petrojarl Knarr offshore production assets	Oil & Gas	-	Teekay Offshore Partners LP	BM	1,260
6/29	Juno Therapeutics Inc	Biotechnology	US	Celgene Corp	US	996
7/1	Chesapeake oil and gas assets	Oil & Gas	US	FourPoint Energy LLC	US	840
7/1	Navitaire LLC	Commercial Services	US	Amadeus IT Holding SA	ES	830
7/1	Guangzhou Guangzhu Communication Investment Manage, Guangdong Fokai Expressway Co Ltd	Infrastructure	CN	Guangdong Provincial Expressway Development Co Ltd	CN	825
7/1	Xoom Corp	Commercial Services	US	eBay Inc	US	776
7/1	Patterson Cos medical business	Healthcare Services	US	Madison Dearborn Partners LLC	US	715
6/29	CBR Systems Inc	Biotechnology	US	AMAG Pharmaceuticals Inc	US	700
7/1	GrowHow UK Ltd	Agriculture	GB	CF Industries Holdings Inc	US	648
6/30	OpenDNS Inc	Internet	US	Cisco Systems Inc	US	635
7/1	Atria Convergence Technologies Pvt Ltd	Media	IN	TA Associates Management LP, Argan Mauritius Ltd	US, MU	500

Source: Bloomberg [MA<GO>](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded. Due to the U.S. holiday on July 3, the list covers only six days.

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ACTIVISM

Chamber of Commerce Forms Coalition to Respond to Shareholder Activism

BY ALEXIS LEONDIS AND MILES WEISS,
BLOOMBERG NEWS



Photo:
Bloomberg/Simon
Dawson
Dan Loeb

Corporations are turning to the nation's biggest business lobby to help fend off activist investors such as **Dan Loeb** and **Bill Ackman**.

The U.S. Chamber of Commerce is forming a coalition to make sure "long-term value creation" drives public

companies' decisions, according to a letter it sent on July 2 to Securities and Exchange Commission Chair Mary Jo White. The group plans to weigh in on regulations that affect corporate governance, the letter said.

"Our members have experienced an exponential rise in the frequency of

special-interest activism of all types," said the letter, which was signed by trade groups including those for fuel manufacturers, insurers, real estate investment trusts and wholesaler-distributors. "These campaigns often involve idiosyncratic agendas that are wholly unrelated to increasing long-term value for shareholders."

Since the days of the corporate raiders of the 80s, activist hedge funds have evolved into a formidable force, with an estimated \$200 billion to invest. **Carl Icahn** has rebranded himself as an outspoken shareholder advocate. Latter-day activists including Loeb, Ackman and **Jeff Smith** often write poison-pen letters to seek changes to corporate strategy and criticize portfolio companies on business television.

Last week, White said the SEC plans to recommend rules that would allow

shareholders to vote for both management and dissident-supported directors in proxy fights. Current rules allow companies to exclude names of investors' director candidates from ballots cast in advance of annual meetings.

The chamber's new group will be overseen by **Tom Quaadman**, vice president of its center for capital markets competitiveness, said spokeswoman **Erica Flint**. The group has 13 members, including the American Bankers Association, the Securities Industry and Financial Markets Association and the National Association of Manufacturers.

If the chamber's coalition wants to "facilitate long-term value creation, they should support reforms that strengthen shareholder rights and oppose arrangements that insulate managements from shareholders," said Lucian Bebchuk, a professor at Harvard Law School.

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ACTIVIST SITUATIONS COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Significant Actions at Companies Targeted by Activist Investors

COMPANY	ACTIVIST	WHAT HAPPENED	STOCK LAST WEEK
Samsung C&T Corp	Elliott Associates	Court refused to block July 17 shareholder meeting. Proxy adviser Glass Lewis advised against sale to Cheil. Links on terminal: NSN NQSI2V6JUU5<GO> ; NSN NQUB4B6KLV6<GO>	
Olin Corp	Point72 Asset Management	Steven Cohen's family office disclosed a 5.2% stake in chemical and ammunition maker in a Form 13D July 2, saying it has not submitted any proposals. Link: NSN NQUUZNSK1WAG<GO>	
Bob Evans Farms Inc/DE	Sandell Asset Management	Activist increased its stake in restaurant chain and sausage maker to 9.6%, according to a July 1 filing. Link: NSN NQTSX9SYF01U<GO>	
Pentair PLC	Triun Fund Management	Nelson Peltz's fund disclosed a 7.2% stake June 30 and encouraged company to buy competitors. Link: NSN NQRY416JUUUV<GO>	
ConAgra Foods Inc	Jana Partners	After pressure from activist, packaged food maker said it will sell Ralcorp, the private-label food maker it bought for \$6.9 billion in 2013. Link: NSN NQRXMK6K50XU<GO>	
MGM Resorts International	Land & Buildings Investment Management	Activist renewed its call June 30 to spin off properties into a REIT, saying plan by Kirk Kerkorian's estate to sell its 16% stake will force action. Link: NSN NQRGOQ85972E<GO>	
Aerovironment Inc	Engaged Capital	In a June 29 letter, fund renewed its push to have company declassify its board. Link: NSN NQQ280MEQTXXG<GO>	

Source: Bloomberg News, [NI SHRHOLDACT<GO>](#)

Puerto Rico: Special Real-Time Brief

Monitor developments in Puerto Rico, with updates every few hours on the latest analysis and news from Bloomberg

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DEAL ARBITRAGE

TARGET	ACQUIRER	DEAL SIZE (M)	EXPECTED COMPLETION DATE	OFFER PER SHARE	TARGET PRICE	PAYMENT TYPE	SPREAD	PROJECTED ANNUALIZED RETURN	1W CHANGE IN SPREAD	MAJOR MOVE
Altera Corp	Intel Corp	14,355	03/31/16	54.00	51.34	Cash	5.2%	6.9%	-0.1%	
Axis Capital Holdings Ltd	Arch Capital Group Ltd	6,560	-	65.00	54.19	Cash	19.9%	-	-1.7%	
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	65.94	60.35	C&S	9.3%	18.6%	0.3%	
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	7.96	Cash	94.6%	-	8.0%	▲
Broadcom Corp	Avago Technologies Ltd	29,806	03/31/16	57.38	52.28	C/S	9.8%	13.0%	0.7%	
Catamaran Corp	UnitedHealth Group Inc	13,227	12/31/15	61.50	61.17	Cash	0.5%	1.1%	-0.2%	
Chubb Corp/The	ACE Ltd	28,986	03/31/16	125.37	121.47	C&S	3.2%	4.3%	3.3%	▲
Cigna Corp	Anthem Inc	49,584	-	184.00	161.29	C/S	14.1%	-	4.4%	▲
City National Corp/CA	Royal Bank of Canada	5,317	12/31/15	92.75	90.53	C&S	2.5%	4.9%	-0.5%	
DIRECTV	AT&T Inc	66,044	-	95.00	94.30	C&S	0.7%	-	-0.6%	
Dresser-Rand Group Inc	Siemens AG	7,640	07/01/15	0.00	85.18	Cash	0.0%	0.0%	0.0%	
Family Dollar Stores Inc	Dollar Tree Inc	9,093	07/31/15	79.42	79.35	C&S	0.1%	1.2%	-0.3%	
Freescale Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	40.80	40.06	C&S	1.8%	3.7%	-0.5%	
HCC Insurance Holdings Inc	Tokio Marine Holdings Inc	7,480	12/31/15	78.00	76.99	Cash	1.3%	2.6%	0.2%	
Home Properties Inc	Lone Star Funds	6,818	12/31/15	75.23	73.26	Cash	2.7%	5.4%	0.2%	
Hospira Inc	Pfizer Inc	16,807	12/31/15	90.00	88.95	Cash	1.2%	2.4%	-0.2%	
Integrus Energy Group Inc	WEC Energy Group Inc	8,929	06/30/15	0.00	69.66	C&S	0.0%	0.0%	0.0%	
Mylan NV	Teva Pharmaceutical Industries Ltd	33,221	-	82.00	70.12	C&S	16.9%	-	-1.5%	
Office Depot Inc	Staples Inc	5,854	12/31/15	10.65	8.85	C&S	20.3%	40.8%	-1.2%	
Omnicare Inc	CVS Health Corp	11,294	12/31/15	98.00	94.29	Cash	3.9%	7.9%	0.0%	
Pall Corp	Danaher Corp	13,779	12/31/15	127.20	124.96	Cash	1.8%	3.6%	-0.3%	
PartnerRe Ltd	EXOR SpA	5,911	12/31/15	137.50	130.75	Cash	5.2%	10.4%	-1.1%	
PartnerRe Ltd	Axis Capital Holdings Ltd	5,313	09/30/15	118.13	130.75	Stk	-9.7%	-39.1%	0.4%	
Pepco Holdings Inc	Exelon Corp	12,185	09/30/15	27.25	27.04	Cash	0.8%	3.2%	-1.1%	
Perrigo Co PLC	Mylan NV	34,870	-	236.28	183.68	C&S	28.6%	-	5.3%	▲
Sigma-Aldrich Corp	Merck KGaA	16,395	-	140.00	139.48	Cash	0.4%	-	0.0%	
Time Warner Cable Inc	Charter Communications Inc	79,250	12/31/15	192.93	180.88	C&S	6.7%	13.4%	-0.7%	
Towers Watson & Co	Willis Group Holdings PLC	8,072	12/31/15	124.16	128.93	Stk	0.1%	0.2%	0.1%	
Williams Cos Inc/The	Energy Transfer Equity LP	69,732	-	60.56	57.60	Stk	5.1%	-	-1.5%	
Williams Partners LP	Williams Cos Inc/The	14,129	09/30/15	64.22	47.81	Stk	34.3%	139.2%	6.7%	▲

MARB <GO> North American deals at close of the market July 2

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock

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EDITOR'S CORNER

Take-Privates, Samsung Show Globalization's Power

BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR



It's hard to predict the fallout from globalization. Over the past two weeks, its impact has played out in surprising ways in the cross-border deal sphere.

In South Korea, **Paul Singer**, the American activist, is butting heads with the Lee family that controls the Samsung companies. Singer's fund, **Elliott Management**, was in court Friday challenging the Lees' attempt to buttress their control in the face of looming inheritance taxes and government moves to curb cross shareholdings. The fight pits an American mentality against Korean culture and corporate tradition.

Meanwhile, Chinese businesses that not too long ago flocked to the U.S. capital markets are running for the exits. Since the beginning of April, 16 U.S.-listed Chinese companies have announced *take-privates*. In all but two cases, management is participating in the buyout. Last week brought three more, including the biggest yet, an \$8.2 billion offer for **Qihoo 360 Technology**, which makes Internet security software.

In most cases, the companies' shares have fared poorly since their U.S. debuts and the take-out price is well below the IPO price. But not all. Qihoo's stock is up more than 400 percent in the four years since its IPO. The surge in Chinese equity markets over the past year has made the prospect of relisting back home at higher valuations simply too enticing. Even last week's downturn in the Chinese markets may not stem the outflow from the U.S.

An added plus for the companies: no more pesky U.S. securities regulations or accounting requirements; no need for the same level of transparency. (A cynic might call it arbitrage in transparency and investor skepticism.)

As the Chinese take-privates and the Singer-Samsung fight show, mergers can now be shaped by forces from the far side of the globe.

Chinese Companies Are Leaving U.S. Markets



Source: Bloomberg MA<GO>

BloombergBriefs.com

QUOTED

"When you run out of cost [cutting] options, you focus on M&A."

— **Martin Sorrell**, chairman of advertising firm **WPP Plc**, on the *pressure* that slow growth exerts on companies



If **Donald Trump** follows through on his suggestion that he might ask **Carl Icahn** to be treasury secretary if he's elected president, Icahn will decline the offer, Icahn *said* in a web posting Friday. "I am flattered but do not get up early enough in the morning to accept this opportunity," Icahn wrote.

WEEK IN NUMBERS

■ **10%:** *Rise* in **ConAgra** shares after **Jana Group** disclosed a 7.2% stake.

■ **\$49.6 billion:** Value of **Anthem's** rejected *offer* for **Cigna**.

IN THIS ISSUE

TODAY'S DEALS. **Cigna** and **Williams Co.** *rejected* offers this weekend, and **Drahi** bid for **Bouygues Telecom**.

INDUSTRY FOCUS. Obamacare is driving the latest burst of consolidation among *health insurers*.

INSIGHT. Which Chinese companies are exiting the U.S. equity markets and how their shares have *performed*.

PROFILE. **Cliff Robbins** is carving out a role for his **Blue Harbour Group** as a friendly *activist*.

DEAL ROSTER. **Evercore** and **O'Melveny & Myers**, which advised Dealertrack on its sale to **Cox Automotive**, *advised* the target before.

Q&A. Slow growth and low rates will sustain *M&A* momentum, says **Moody's** **Bill Wolfe**.

TODAY'S DEALS

Cigna Rejects Anthem Bid as CEOs Clash Over Roles

BY TARA LACHAPELLE AND SAIJEL KISHAN

Cigna Corp. rejected a \$49.6 billion bid from **Anthem Inc.**, saying it was inadequate, not in the best interests of shareholders and that Anthem's management wasn't fit to lead a merged insurance giant.

The non-binding proposal is for \$184 a share, about 31 percent of which would be paid in Anthem shares and the rest in cash. That's a 29 percent premium to Cigna's average closing price in the past 20 trading sessions. Anthem said Saturday that the total transaction value is \$53.8 billion, including net debt.

The merged entity would be about 24 percent owned by Cigna shareholders and would serve about 53 million members.

A major sticking point between Anthem and Cigna is who would lead a combined company. Anthem Chief Executive Officer **Joseph Swedish** wants to stay in control for two years. Cigna CEO **David Cordani** says Anthem hasn't sorted out its growth strategy and Swedish hasn't been able to handle problems at the insurer, like a large data breach by hackers in February. Cordani and Chairman **Isaiah Harris Jr.** also questioned whether the deal could pass antitrust scrutiny.

Kristin Binns, an Anthem spokeswoman, didn't respond to a telephone message and e-mail seeking comment.

The industry has seen other deals in the works in recent weeks. **Aetna Inc.** made a takeover proposal to **Humana Inc.** in the past few days, the Wall Street Journal reported on Saturday, without saying where it got the information. Humana had a market value of \$30.3 billion on Friday, compared with Aetna's \$43.3 billion.

A \$53.8 billion enterprise value for Cigna would be about 14 times Cigna's trailing 12-month Ebitda, more than double Anthem's own Ebitda multiple.

Williams Spurns \$48 Billion Offer From Energy Transfer

BY MATTHEW MONKS AND JOE CARROLL

Williams Cos. rejected a \$48 billion stock-based takeover offer from pipeline magnate **Kelcy Warren**.

Williams hired banks to explore alternatives to the offer that it said undervalued the group, according to a statement on Sunday that didn't identify the bidder. The offer of shares in a new unit was valued at \$64 each, a 32 percent premium to Williams' last close, **Energy Transfer Equity LP** said in a statement today, confirming it was the bidder. Including debt and other liabilities, the offer is worth \$53.1 billion, according to the statement.

The Energy Transfer offer depends on Williams abandoning its own pending \$14 billion purchase of the units it doesn't already own in **Williams Partners LP** that feeds gas and crude from wells to larger pipeline systems.

Williams hired **Barclays Plc** and **Lazard Ltd.** to assist in its review of strategic alternatives, including a potential merger, sale of the company or continued pursuit of the existing operating and growth plan.

Top Deals Since Friday

TARGET	INDUSTRY	COUNTRY	ACQUIRER	VALUE (\$M)
Williams Cos Inc	Pipelines	US	Energy Transfer Equity LP	69,555
Cigna	Insurance	US	Anthem	49,584
Home Properties	Real estate	US	Lone Star Funds	6,800
Moy Park Holdings Europe	Food	GB	JBS SA	1,507
Spire Healthcare Group	Health-Care Services	GB	Remgro	685

Source: Bloomberg [MA<GO>](#)

Real estate assets, joint ventures and stock buybacks excluded

Drahi Offers to Buy Bouygues Telecom

BY MARIE MAWAD AND MANUEL BAIGORRI



Photo: Bloomberg/
Ivan Guilbert

Patrick Drahi

French billionaire **Patrick Drahi** offered to buy **Bouygues SA's** wireless carrier in a proposal said to be valued at about 10 billion euros (\$11.4 billion), setting up another faceoff with **Martin Bouygues** in just over a year.

The bid for **Bouygues Telecom** was made by **Numericable-SFR**, the cable and mobile-phone unit of Drahi's **Altice SA** holding company, Luxembourg-based Altice said Monday. Bouygues called the offer unsolicited and said no negotiations are under way. Its board will meet Tuesday to evaluate the proposal.

Economy Minister **Emmanuel Macron** said the timing "isn't right" for further consolidation in the French phone market.

While informal discussions have been taking place for months, Drahi, who beat Bouygues last year in a bidding war for SFR, decided to move quickly as he's concerned that possible interest-rate increases and market volatility due to Greek bailout talks may make it more costly to finance a takeover, people familiar with the matter said.

A combination of Numericable-SFR and Bouygues would create a company with more than 30 million wireless subscribers, potentially overtaking **Orange** to become the market leader by mobile customer numbers, according to data compiled by Bloomberg.

A 10 billion-euro bid implies a valuation of 14.4 times Bouygues's 12-month trailing Ebitda, the highest among industry deals in Europe in the past 2 1/2 years, according to Bloomberg Intelligence analyst Erhan Gurses.

"Consolidation isn't advisable for the sector," Economy Minister Macron said on Sunday, after Journal du Dimanche reported the offer. "Employment, investment and giving customers the best possible service should be the priority."

Some 3,000 jobs may be cut as a result of the merger, an official from the CFDT union said in an interview on BFM TV.

INDUSTRY FOCUS

Biggest Health Insurers to Get Even Bigger Under Obamacare

BY DREW ARMSTRONG AND SAIJEL KISHAN

America's biggest health insurers are about to get even bigger, driven into a wave of consolidation by Obamacare's new regulations and markets.

Anthem Inc.'s disclosure Saturday that it's offered about \$47 billion for **Cigna Corp.** is the first public confirmation the deal-making is in full swing. Cigna rejected the offer on Sunday, despite Anthem's attempt to pressure Cigna's board by taking the offer public. Anthem, **Aetna Inc.** and **UnitedHealth Group Inc.** all are poised to emerge as buyers or sellers when the dust settles.

Driving the consolidation is the 2010 health law that put tougher rules on the industry, demanding more covered services, better care and a ceiling on profits. It funded coverage for the uninsured, and companies are racing to capture the more than 20 million customers who will buy coverage through Obamacare's markets.

"The industry is far more regulated under Obamacare and so companies need to do a better job at negotiating better unit costs and contracts," said Ana Gupte, an analyst with Leerink Partners. "Market share helps. The larger you are, the stronger standing you have."

Gupta predicts that the "big five" insurers will merge into a "big three," likely composed of Aetna, Anthem and UnitedHealth.

A combined Anthem and Cigna would form an insurance giant with more than 50 million customers, adding power to negotiate prices with hospitals and doctors. Cigna also has a large presence overseas, another source of potential growth.

Cigna said in a statement Sunday that Anthem lacked a clear strategy for growth

or for how to run a merged company. Cigna called Anthem's offer inadequate and said it had fundamental concerns about a deal.

Anthem isn't alone in seeking a major deal. While the Indianapolis, Indiana-based insurer has also expressed interest in **Humana Inc.**, so have Aetna and Cigna, Bloomberg has reported. The Wall Street Journal has said UnitedHealth

"In combination Anthem and Cigna don't have market share that's threatening. There could be some minor divestitures, but that's it. It's a doable transaction."

— ANA GUPTA, LEERINK PARTNERS
ANALYST

might be interested in Aetna or Cigna, and that Aetna has proposed buying Humana.

As Anthem and Cigna go back and forth, a deal isn't guaranteed. Anthem has made multiple approaches since last year and been rejected. Going public raises the stakes.

"Anthem is upping the ante," said Chris Koller, a former Rhode Island health insurance regulator. "They have been trying to do this by cooperating but now they are forcing the deal by going public and putting up an offer that is hard for the board to refuse."

While the big five are indeed large, their businesses are for the most part regional. Not every company has operations in every state, and buying a competitor offers access to new markets.

Anthem, for example, has about 38.5 million members, through insurance plans in 14 states and government plans for the poor in 19 states. A combination with Cigna would give it 53 million customers and add services in Arizona, Oklahoma and elsewhere.

While regulators will scrutinize a deal, a combination can probably pass antitrust hurdles, said Jason McGorman, an analyst with Bloomberg Intelligence. "Of all of the deals announced, this one has fewer hurdles based on our analysis."

Gupte agreed. "In combination Anthem and Cigna don't have market share that's threatening. There could be some minor divestitures, but that's it. It's a doable transaction."

A merger between UnitedHealth — the biggest insurer by market value — and Aetna would face much more scrutiny from regulators, Gupte said.

Health insurers' consolidation is driven in part by hospitals doing the same sort of deals, said McGorman said in a telephone interview. "Insurers need to gain efficiencies and scale to get more negotiating power with the hospitals."

That could, in turn, cause more hospital mergers, Gupte said. "After this deal, hospitals will start looking at their negotiating power. The industry is too fragmented."

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INSIGHT: EXITING THE U.S. MARKET

Three More Chinese Companies Unveiled Plans Last Week to De-List in the U.S.

A record number of U.S.-listed Chinese companies have received offers to go private this quarter, fueled by rising stock prices back home in China. Some have been traded in the U.S. for less than two years.

"When a company's management feels the stock is neglected in the U.S. and believes it'll surely get a much higher multiple in the local market, it's likely to go private and seek a relisting in China," said Henry Guo, an analyst at Summit Research Partners, in a phone interview. "It's also easier for companies with large stakes owned by leading shareholders to go through the privatization process."

A spike in take-privates of Chinese companies three years ago was triggered by short sellers' scrutiny of overseas traded firms including Sino-Forest Corp. This round consists of "larger market

cap names doing dual-listings," 86Research Ltd. analysts led by Ming Zhao wrote in a note June 12.

Baidu, China's largest search engine, would sell shares on the Chinese market if allowed by regulators, CEO **Robin Li** said in a March interview.

Shares of online cosmetics retailer **Jumei International Holding Ltd.**, which debuted in the U.S. in May 2014, are "seriously undervalued" and the company is actively studying the possibility of a home-market listing, the Southern Metropolis Daily reported May 7, citing CEO **Leo Chen**.

Chinese Premier **Li Keqiang** encouraged firms with certain types of equity structures, referring to companies with overseas listings, to do initial public offerings in China, the Xinhua News Agency reported June 4, citing a government statement.

— Belinda Cao

Take-Privates of U.S.-Listed Chinese Companies This Quarter

ANNOUNCED	TARGET	ACQUIRER(S)	DEAL VALUE (\$M)	TAKE-PRIVATE PRICE/SHARE	IPO PRICE	DIFFERENCE FROM IPO PRICE	IPO DATE
6/19	AirMedia Group	Management	227	\$6.00	\$15.00	-60%	11/6/07
6/17	Qihoo 360 Technology	Management, CITIC Securities, Sequoia Capital, China Renaissance Holdings, Golden Brick Capital	8,224	\$77.00	\$14.50	431%	3/29/11
6/15	iDreamsky Technology	Management	497	\$14.00	\$15.00	-7%	8/7/14
6/12	Bona Film Group	Management, Fosun International, Sequoia Capital	586	\$13.70	\$8.50	61%	12/8/10
6/11	Homeinns Hotel Group	Management, BTG Hotels Group, Ctrip.com International, Poly Victory Investments	1,066	\$32.81	\$13.80	138%	10/4/06
6/10	21Vianet Group	Management, Kingsoft, Tsinghua Unigroup International	1,729	\$23.00	\$15.00	53%	4/20/11
6/10	Renren	Management	563	\$4.20	\$14.00	-70%	5/4/11
6/9	E-House China Holdings	Management	770	\$7.38	\$13.40	-45%	8/8/07
6/9	China Mobile Games & Entertainment Group	Orient Hongtai Zhihe Investment Mgmt, ChangJiang Growth Capital, Beijing HT Capital	236	\$22.00	\$24.00	-8%	3/21/14
6/5	JA Solar Holdings	Management	797	\$9.69	\$42.00	-77%	10/10/07
6/4	Mindray Medical International	Management	2,019	\$30.00	\$13.50	122%	9/25/06
6/1	Taomee Holdings	Management, Orient Securities Ruide Investment Management	26	\$3.59	\$9.00	-60%	6/8/11
4/30	WuXi PharmaTech Cayman	Management, Boyu Capital Consultancy Co, Ally Bridge Group	3,069	\$46.00	\$14.00	229%	8/8/07
4/20	Xueda Education Group	Xiamen Insight Investment Co	2	\$3.38	\$9.50	-64%	11/1/10
4/13	Sungy Mobile	Management, IDG Accel China	33	\$4.90	\$11.22	-56%	11/21/13
4/3	Shanda Games	Management, Investment Firms	1,737	\$7.10	\$12.50	-43%	9/24/09

Source: Bloomberg [MA<GO>](#) and [IPO<GO>](#)

Does not include companies traded over the counter.

REGULATION

After Tax Inversion, Mylan Asks Not to Be Treated as Foreigner

BY CYNTHIA KOONS AND DAVID
MCLAUGHLIN

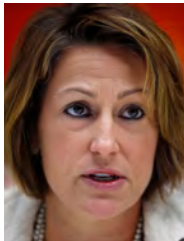


Photo: Bloomberg/
Victor J. Blue

Mylan NV, which moved its corporate address overseas this year to lower its U.S. taxes, is now asking the American government for help fending off a hostile takeover.

So far, it's not getting an answer.

The generic drugmaker relocated in February through a transaction known as an inversion, a maneuver that has drawn criticism in Washington for letting American companies cut their tax bills. Now incorporated in the Netherlands, Mylan is pushing U.S. antitrust officials to clarify whether **Teva Pharmaceutical Industries Ltd.** should have been allowed to buy a 4.61 percent stake in the company.

At issue is whether the Federal Trade Commission should consider Mylan a foreign or a U.S. issuer. Mylan argues it should pass the test of being treated like an American company under federal regulations because its principal offices are in Canonsburg, Pennsylvania. If Mylan were treated as an American issuer, the deal would need to have been cleared by U.S. antitrust officials.

"We know the inversion has invoked a lot of emotional and political banter but the reality is we remain a U.S. issuer under all of the formal and informal guidelines," Mylan Chief Executive Officer **Heather Bresch** said in an interview with Bloomberg. "What we've said is you can't

be arbitrary and capricious."

Mylan is trying to fend off a \$40.1 billion takeover offer from its Israeli rival, which has amassed a stake in Mylan to step up its pursuit. With that investment, Teva will be able to bring a case against Mylan in a Dutch court and will be able to vote against Mylan's bid for smaller competitor Perrigo Co.

Typically, when a U.S. company buys a stake in another company of more than \$76.3 million, it must report the transaction to antitrust officials, who then

this week to clarify whether the company is considered a foreign or domestic company by the agency's standards. Bresch said she believes the FTC is treating Mylan as a foreign issuer — letting Teva amass its stake without needing approval — because of the politics around inversion deals like Mylan's.

"If we are a U.S. issuer, it's illegal for Teva to buy shares without HSR clearance," Bresch said, in regard to Hart-Scott-Rodino Act, which regulates antitrust reviews of mergers. "If we're a foreign issuer, what's the basis of being a foreign issuer? We think the public deserves to know if the FTC has changed its long-standing policy."

Justin Cole, a spokesman for the FTC, declined to comment.

"We are confident that our purchases were made in accordance with HSR requirements," Teva said in a statement.

Mylan shares fell 1.3 percent to \$71.62 at the close in New York. The stock has risen 27 percent this year on speculation that Teva will complete the deal.

In an interview last year, Bresch said part of Mylan's rationale for its inversion deal was to help the company boost profits to make it less vulnerable to a takeover. At the time, she criticized what she called political rhetoric against such transactions.

"What's patriotic is making this country a place that allows you to thrive, grow your industry versus handcuffing you and making you a sitting target" to be acquired by a company based elsewhere, she said then.

"If we're a foreign issuer, what's the basis of being a foreign issuer?"

— MYLAN CEO HEATHER BRESCH

review the purchase.

There is an exemption, however, for acquisitions by foreign companies of non-controlling positions in "foreign issuers," according to Paul Denis, an antitrust lawyer at Dechert LLP in Washington. Foreign issuers are companies not incorporated in the U.S., not organized under U.S. laws and not having their "principal office" within the U.S., he said. The term principal office isn't defined in the regulations.

Mylan asked the FTC a second time

RESERVE
Where to Go What to Eat

Bloomberg
BRIEF

June issue

Read it here.

PROFILE BY BETH JINKS

Ex-KKR Dealmaker Carves His Niche as the Friendly Activist



Photo:
Bloomberg/Peter
Foley

Cliff Robbins used to be a barbarian — one of those private-equity dealmakers at KKR & Co. who ended up in the book that defined the Wall Street of the 1980s.

Today he is making a mark as the practitioner of friendly shareholder activism.

Robbins doesn't publicly deride his targeted companies or file lawsuits to force changes and has yet to wage a proxy war for board seats — all sticks activists typically use when confronting recalcitrant corporations. Instead, he buys into companies that are willing to listen to him.

His strategy seems a departure from KKR's epoch-defining buyout of RJR Nabisco, the \$25 billion megadeal chronicled in the book "Barbarians at the Gate: The Fall of RJR Nabisco."

"We're a friendly activist, that's been a key to our success," said Robbins, 57, referring to the hedge fund he founded in 2004, **Blue Harbour Group**. "We don't invest if we don't like the management team, we don't invest where we're not welcome."

Robbins calls it a private-equity approach to activism and he has a very different view of KKR's dealings than that barbarian title implies. Still, his goal is the same: to convince management to enrich stockholders through dividends, stock buybacks, spinoffs and other measures.

Shareholder activism has evolved into a formidable asset class, with an estimated \$200 billion to invest.

Blue Harbour, which manages about \$3.8 billion, has taken active stakes in about 50 companies as diverse as burger chain **Jack in the Box Inc.**, women's clothing retailer **Chicos FAS Inc.**, oil driller **Nabors Industries Ltd.**, and Internet performance improver **Akamai Technologies Inc.**

Blue Harbour typically buys 5 percent to 10 percent of enterprises with market capitalizations between \$2 billion and \$10 billion, a size often neglected by bankers pitching strategic and capital ideas. His approach can achieve the same results

buyout firms shoot for, without having to pay the takeover premium for absolute control, he said.

So far, Robbins's strategy is working for investors, including pensions like the **California State Teachers' Retirement System**, university endowments and sovereign wealth funds. Blue Harbour returned 15 percent net annualized over the past five years with its flagship activist Strategic Value Partners fund, which hedges risk by also shorting some correlated securities.

Compare that to 8 percent from the HFRX Activist Index, which tracks fund performance. Blue Harbour's long-only activist fund Active Ownership Partners is up 45 percent since starting in 2013.

"No one wants to read about a bunch of thoughtful guys sitting in a room figuring out the tax advantage of a unit spinoff."

— GREGG HYMOWITZ, ENTRUST CAPITAL MANAGEMENT

"The number of transactions that Cliff and Blue Harbour have achieved relative to most others is fairly significant, and yet you don't really see him out there in the headlines," said Gregg Hymowitz, whose \$12 billion Entrust Capital Management invests with Blue Harbour and other activists. "The fight is the exciting thing, the nasty letter to the board. No one wants to read about a bunch of thoughtful guys sitting in a room figuring out the tax advantage of a unit spinoff."

With Blue Harbour's backing, for example, **Babcock & Wilcox Co.** is spinning off its power generation business, **Investors Bancorp Inc.** just authorized a second buyback and **Conversant Inc.** sold itself to **Alliance Data Systems Corp.**

Last year, Blue Harbour bought a stake in **Rackspace Hosting Inc.**, an investment that was greeted with some "leeriness," said Chief Executive Officer **Taylor Rhodes**. Shares of the provider of managed cloud storage were battered by a misstep into competing with Amazon.com Inc. in cheaper cloud offerings. Rackspace hired bankers after buyers circled. Then the activist arrived.

"Blue Harbour began a very constructive conversation with us," Rhodes said. "It was clear that the team had done their homework. They said, 'We're here for longer, we're not going to get nasty in the press, but in return' — there's always an in return — 'we do have a point of view on capital structure, and we want you to listen to us.'"

Rackspace re-focused on its premium cloud offerings, abandoned sale efforts and authorized a \$500 million buyback. The stock has gained about 25 percent since Blue Harbour first disclosed a stake.

Robbins, a graduate of Harvard University and Stanford Business School, joined KKR from Morgan Stanley as an associate just 18 months before the PE firm entered the October 1988 bidding war to take Nabisco private.

Robbins worked for years with Nabisco, serving on the snack maker's board during KKR's ownership, and even met his wife while she was working in the public relations department. Robbins left KKR as a general partner at the end of 1999 for PE firm General Atlantic Partners, and four years later decided to try his idea.

He disagrees with the "barbarian" label coined by authors Bryan Burrough and John Helyar, insisting KKR bought Nabisco in a fair auction and worked profitably alongside management.

"While it was a catchy title, 'Barbarians at the Gate' was not at all an accurate characterization of private equity's style and approach," Robbins said. "PE taught me the importance of finding good, open-minded management teams and the skills to work in partnership with them. If you back a smart manager who is hard-working and has high integrity, they know how to create a lot of value when things go well — and protect your capital when things don't go so well."

ACTIVIST SITUATIONS COMPILED BY TAYLOR RIGGS, BLOOMBERG BRIEF EDITOR

Significant Actions at Companies Targeted by Activist Investors

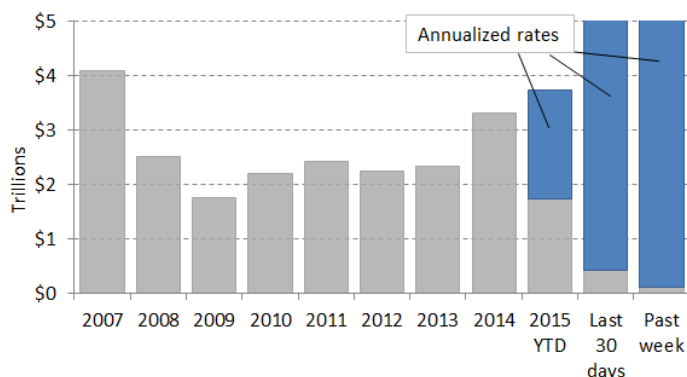
COMPANY	ACTIVIST	WHAT HAPPENED	STOCK LAST WEEK
ConAgra Foods Inc	Jana Partners	Food company rose the most in more than six years, up 10% to \$43.09, after activist disclosed a 7.2% stake June 18 and said it wants to shake up board. Link on terminal: NSN NQ761M6K50XV<GO>	
STT Enviro Corp	BG Capital Group Ltd.	Activist announced intention to nominate three directors to board of environmental solutions company. Link: NSN NQ77U26K50KS<GO>	
Zargon Oil & Gas Ltd	Livermore Partners	Activist wants Canadian energy producer to increase output, cut costs and consider asset sales to boost stock, it said in a June 18 letter. Link: NSN NQ7H5D6VDKHS<GO>	
Telecom Italia SpA	Vivendi SA	Shares rose most in six months after the Italian telecommunications company's biggest investor said it favors a sale of a Brazilian business to focus on home market. Link: NSN NQ6H161J1JIS<GO>	
AGCO Corp	Blue Harbour Group LP	Activist reported 5.3% stake in a June 18 filing, an increase from 4.35% stake in March 31 filing. Link: NSN NQ55I26K50Y0<GO>	
Shutterfly Inc	Ancora Advisors LLC, Marathon Partners	Activist sent letter to e-commerce website urging it to overhaul compensation and appoint a Marathon-nominated director to compensation committee. Link: NSN NQ58T26K50Y7<GO>	
New York REIT Inc	Sorin Capital	Shareholder recommended real estate investment company suspend strategic alternatives process and increase independence of board. Link: NSN NQ1L1Q6K50XU<GO>	
DHI Group Inc	Barington Capital Group, Ancora Advisors	Funds with a combined 4% stake are pressing provider of career and recruiting services to sell itself, Bloomberg reported June 15, citing a person familiar with the matter. Link: NSN NP245X6JTS<GO>	

Source: Bloomberg News, [NI SHRHOLDACT<GO>](#)

WEEK IN REVIEW: M&A TRENDS COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Last Week Saw a Spate of Billion-Dollar Mergers and One Truly Mega-Deal

Pace of Dealmaking

Source: Bloomberg **DMON<GO>**

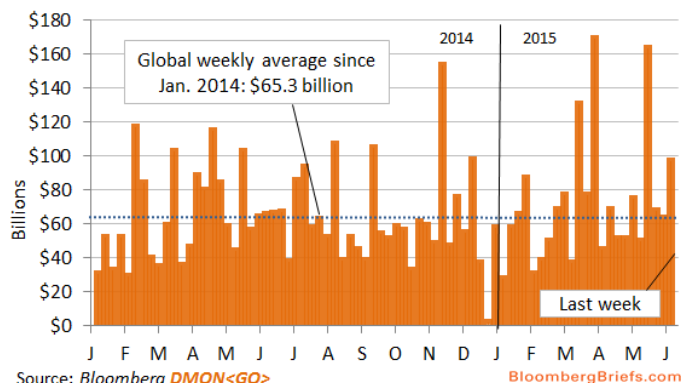
BloombergBriefs.com

Global deal volume rose last week to \$96.8 billion on the back of 18 new deals worth more than \$1 billion. The largest deal of the week, **Enbridge Income Fund Holdings Inc.**'s \$24.8 billion purchase of **Enbridge Inc.**'s Canadian pipelines, constituted slightly more than a quarter of the global total.

The \$8.4 billion take-private of Chinese Internet security software maker **Qihoo 360 Technology Co Ltd.** ranked second.

Last week's total is already set to be eclipsed this week, as unsolicited *offers* for **Williams Co. Inc.** and **Cigna Corp.** announced over the weekend are worth more than \$100 million combined.

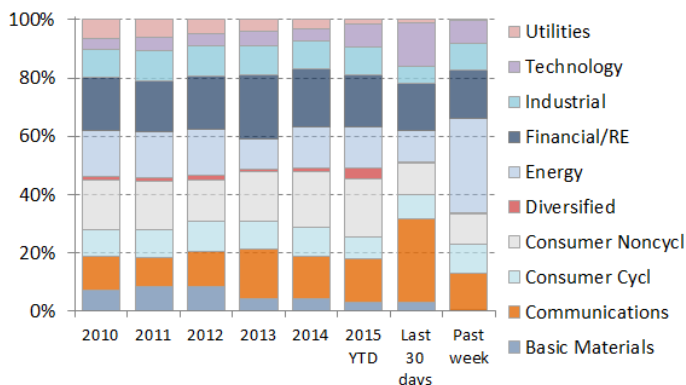
Week-by-Week Activity

Source: Bloomberg **DMON<GO>**

BloombergBriefs.com

Going into Friday, merger activity was roughly in line with the 18-month weekly average of \$65.3 billion. The Enbridge deal, announced that day, pushed the total 48 percent above the weekly average.

Sector Breakdown

Source: Bloomberg **DMON<GO>**

BloombergBriefs.com

Dealmaking was spread across sectors last week, with the top deals spanning energy, software, retail, home building and financial services.

WEEK IN REVIEW: TOP DEALS

Largest Deals Announced June 13 to June 19

DATE	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
6/19	Enbridge's Canada liquids pipelines business	Pipelines	CA	Enbridge Income Fund Holdings Inc	CA	24,756
6/17	Qihoo 360 Technology Co Ltd	Internet	CN	Management, CITIC Securities Co Ltd, Sequoia Capital, China Renaissance Holdings Ltd, Golden Brick Capital Management Ltd	CN, US	8,430
6/15	Dealertrack Technologies Inc	Software	US	Cox Automotive Inc	US	4,354
6/15	Galeria Kaufhof GmbH	Retail	DE	Hudson's Bay Co	CA	3,187
6/14	Ryland Group Inc	Home Builders	US	Standard Pacific Corp	US	3,001
6/17	Shanghai International Trust Co Ltd	Investment Companies	CN	Shanghai Pudong Development Bank Co Ltd	CN	2,821
6/19	ICBPI	Banks	IT	Bain Capital Partners LLC, Advent International Corp, Clessidra SGR SpA	US, IT	2,439
6/14	Cairn India Ltd	Oil&Gas	IN	Vedanta Ltd	IN	2,291
6/14	Suddeutsche Wohnen Group	Engineering & Construction	DE	Deutsche Annington Immobilien SE	DE	2,142
6/17	Welch Allyn Holdings Inc	Healthcare-Products	US	Hill-Rom Holdings Inc	US	2,048
6/16	DO Deutsche Office AG	Real Estate	DE	alstria office REIT-AG	DE	2,013
6/15	Target Corp pharmacy & clinic businesses	Retail	US	CVS Health Corp	US	1,887
6/17	Kythera Biopharmaceuticals Inc	Biotechnology	US	Allergan plc	US	1,833
6/15	ERM Group Inc	Environmental Control	GB	Alberta Investment Management Corp, OMERS Private Equity Inc	CA	1,700
6/16	Shenzhen Maoye Department Stores Co Ltd, Shenzhen Maoye Department Store Huaqiang North Co, et al	Retail	CN	Chengshang Group Co Ltd	CN	1,507
6/15	SmartStop Self Storage Inc	Real Estate	US	Extra Space Storage Inc	US	1,410
6/15	POSCO Engineering & Construction Co Ltd	Engineering & Construction	KR	Public Investment Fund/The	SA	1,111
6/19	Colt Group SA	Telecommunications	GB	FMR LLC, FIL Ltd	US, BM	1,015
6/15	Niska Gas Storage Partners LLC	Pipelines	US	Brookfield Infrastructure Partners LP	BM	979
6/13	China International Futures Co Ltd	Diversified Financial Services	CN	China CIFCO Investment Co Ltd	CN	925
6/15	Sanan Optoelectronics Co Ltd	Semiconductors	CN	National Integrated Circuit Industry Investment Fu	CN	779
6/16	Shanghai Edrive Co Ltd	—	CN	Zhongshan Broad Ocean Motor Co Ltd	CN	779
6/15	Cox Automotive Inc	Software	US	BDT Capital Partners LLC	US	750
6/19	Taas-Yuryakh Neftgazodobycha OOO	Oil & Gas	RU	BP PLC	GB	750
6/19	Shanghai Youngsun Investment Co Ltd	Environmental Control	CN	Shanghai Chengtong Holding Co Ltd	CN	678

Source: Bloomberg [MA<GO>](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.



Q&A

Low Growth Fundamentals Will Drive Robust M&A Activity Into 2017: Moody's



Low growth and low rates will continue to drive M&A activity for the next several years, said **Bill Wolfe**, senior vice president at Moody's Investors Service, in an interview with Bloomberg Brief editor Taylor Riggs. Wolfe's comments have been edited and condensed.

Q: What was the main driver of the M&A surge this year versus last year?

A: I haven't been able to discern a change that explains 2015 being different from 2014. If you think to 2014, everyone was concerned about the end of QE and what that might mean, and we thought that would accelerate deals because prices might go up. So that might have pulled some into 2014, but if that was the case, then why is 2015 so strong? The real issue is we continue to see low growth being the new normal and yet CEO compensation and the kinds of things that motivate companies hasn't changed. The economy isn't helping. So that's why they are considering M&A activity. There is nothing we can point out to say 2015 will be different than 2014.

Q: What will be the key factors driving future M&A activity in 2016?

A: There's nothing that our economists are forecasting that suggests the economy will accelerate dramatically. We will have growth but it will be low compared to what we might be used to. So I think we'll still have CEOs trying to synthesize growth as best they can. If you don't have an iconic new product or a new service to offer people, you can still grow company cash flows by buying other companies, eliminating redundancy and synthesizing growth. So we should expect this wave of M&A activity to continue for at least the next couple of years.

Q: Is the landscape more competitive, so companies have to be bigger in order to compete?

A: In the last 20 years competition from markets we didn't have to compete with

before has increased. There's been the rise of the Chinese economy. In some businesses, scale is important so that drives the need to expand and drives economies of scale. In mining and oil and gas, that's always been important. But in core manufacturing and services businesses, emerging-market competition is more relevant than it used to be.

Q: How would a rate increase by the Fed affect M&A activity in larger companies versus smaller companies?

A: I think there is some rushing to the door, with the financial intermediaries using a pending rate increase to try to motivate companies to act sooner rather than later. But our economists are anticipating relatively modest increases in rates. So it will provide temporary dislocation that will disrupt markets but it doesn't change the underlying trends. So I think it will be more of a speed bump than something that derails M&A activity. After rates go up, you still have very low rates. And you will still have a relatively low-growth environment. So if you're a CEO and you're trying to maximize shareholder value, you're still thinking about acquiring another company. I don't think that a rate change necessarily changes the landscape.

Q: Do you expect to see more mega deals or middle-market activity?

A: I think the only issue with size is how you finance the deal. Smaller deals don't fit very well into the bond market. Bond investors want a large liquid deal that they know is tradable. Smaller deals tend not to have that liquidity and are financed in the bank market. In terms of motivation to get deals done there's no difference between big and small. They are both facing the same underlying economy.

Q: How has the dollar's strength

changed the M&A landscape for both U.S. acquirers and international acquirers looking to buy U.S. companies?

A: Over the last three years, when the dollar was weak, you didn't see mergers going the other way. The rest of the world wasn't taking over corporate America. Exchange-rate volatility is interesting because you still have to earn a return on that investment but it does create a window of opportunity and if you had your eye on a target it might be less expensive today than it was.

Q: If the Fed raises rates this year, how does that dynamic change?

A: I think when companies make decisions about acquiring another company they are looking over a five- to 10-year time horizon. You have to subtract from what may be temporary foreign-exchange volatility. Also, if you look at how much cash resides on company balance sheets, a lot of that cash is offshore and can't be repatriated. So if you're going to go out and buy something and it's a good deal but you can't repatriate the cash, that's another thing companies look at that may create inertia instead of just foreign-exchange volatility over time.

Q: Media and health care have been some of the most active sectors in M&A this year. Why is that?

A: The underlying issues of low GDP growth and low interest rates affect everyone. That shouldn't favor one sector over another. In media and telecommunications, there's a huge technology change going on and how you communicate with your audience is changing and how that audience accesses content is changing and that's driving M&A in media. But low growth and low rates aren't sector specific.

AT A GLANCE

Education: University of Alberta

Career History: At Moody's for 11 years

Last book you read: Anything written by John le Carre

Favorite sport: Formula 1 racing

DEAL ROSTER COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Evercore, O'Melveny Return to Help Sell a Company They Advised on Big Purchase

Cox Automotive Inc. announced June 15 that it's acquiring **Dealertrack Technologies Inc.**, which sells software that links car dealers with banks and other financing sources, in a deal valued at about \$4.3 billion including debt. That works out to 32 times Dealertrack's Ebitda in the last year — the highest multiple paid in the application-software industry since 2006.

Cox Automotive, owner of Kelley Blue Book and Autotrader, is paying a 54

percent premium to Dealertrack's average stock price in the 20 days before the deal announcement.

The deal will be funded through an existing bank facility, a new \$1.85 billion bank term loan arranged by **Citigroup Global Markets Inc.** and a \$750 million common equity investment from **BDT Capital Partners**, according to a statement.

BDT Capital, which is investing from a \$5.2 billion buyout fund it raised last year,

is affiliated with **BDT & Co.**, which was one of Cox's financial advisers on the deal. **Cox Enterprises**, the parent of Cox Automotive, named BDT & Co. founder **Byron D. Trott** to its board in April.

Evercore Partners Inc., Dealertrack's financial adviser, and **O'Melveny & Myers LLP**, its counsel on the sale, advised Dealertrack on its \$985 million purchase of Dealer Dot Com Inc. in 2013.

SELLER: **Dealertrack Technologies Inc.**

BUYER: **Cox Automotive Inc.**

FINANCIAL ADVISERS

Evercore Partners Inc.

Jonathan Knee
Jason Sobol
Nathan Graf
Jaison Thomas
James Lilly
Helen Li
Kathy Xu

LAW FIRMS

O'Melveny & Myers LLP

Paul Scrivano
David Schultz
Sung Pak
Chris Del Rosso
Robert Fisher

FINANCIAL ADVISERS

BDT & Co. LLC

Citi

LAW FIRMS

Wachtell Lipton Rosen & Katz

Ed Herlihy
David Karp
David Shapiro

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PEM <GO>

DEAL ARBITRAGE

TARGET	ACQUIRER	DEAL SIZE (M)	EXPECTED COMPLETION DATE	OFFER PER SHARE	TARGET PRICE	PAYMENT TYPE	SPREAD	PROJECTED ANNUALIZED RETURN	1W CHANGE IN SPREAD	MAJOR MOVE
Altera Corp	Intel Corp	14,355	03/31/16	54.00	51.32	Cash	5.2%	6.7%	0.5%	
Axis Capital Holdings Ltd	Arch Capital Group Ltd	6,560	-	65.00	55.71	Cash	16.7%	-	20.0%	▲
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	68.11	61.93	C&S	10.0%	18.7%	0.6%	
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	8.89	Cash	74.2%	0.0%	4.2%	▲
Broadcom Corp	Avago Technologies Ltd	29,806	03/31/16	58.53	53.73	C/S	8.9%	11.4%	1.5%	
Catamaran Corp	UnitedHealth Group Inc	13,227	12/31/15	61.50	61.08	Cash	0.7%	1.3%	-0.8%	
Cigna Corp	Anthem Inc	47,233	-	175.00	155.26	Cash	12.7%	-	14.6%	▲
City National Corp/CA	Royal Bank of Canada	5,317	12/31/15	94.09	91.39	C&S	3.0%	5.5%	0.3%	
Cleco Corp	BC Investment Management Corp. et al	4,685	12/31/15	55.37	54.26	Cash	2.0%	3.8%	-0.3%	
Crestwood Midstream Partners LP	Crestwood Equity Partners LP	5,238	09/30/15	12.35	12.01	Stk	2.8%	10.0%	0.7%	
DIRECTV	AT&T Inc	66,044	06/30/15	95.00	92.78	C&S	2.4%	79.4%	-0.2%	
Dresser-Rand Group Inc	Siemens AG	7,640	09/30/15	85.20	84.62	Cash	0.7%	2.4%	0.2%	
Family Dollar Stores Inc	Dollar Tree Inc	9,093	07/31/15	79.36	78.97	C&S	0.5%	4.3%	-0.3%	
Freescall Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	43.09	42.23	C&S	2.0%	3.8%	0.3%	
HCC Insurance Holdings Inc	Tokio Marine Holdings Inc	7,480	12/31/15	78.00	77.13	Cash	1.1%	2.1%	0.1%	
Hospira Inc	Pfizer Inc	16,807	12/31/15	90.00	88.32	Cash	1.9%	3.6%	-0.1%	
Integrus Energy Group Inc	Wisconsin Energy Corp	8,929	09/30/15	71.12	70.48	C&S	0.9%	3.2%	0.3%	
MeadWestvaco Corp	Rock-Tenn Co	9,713	07/01/15	50.40	50.01	Stk	0.8%	23.9%	0.6%	
Mylan NV	Teva Pharmaceutical Industries Ltd	33,221	-	82.00	71.62	C&S	14.5%	-	3.0%	▲
Office Depot Inc	Staples Inc	5,854	12/31/15	10.83	9.09	C&S	19.1%	35.9%	1.1%	
Omnicare Inc	CVS Health Corp	11,294	12/31/15	98.00	94.22	Cash	4.0%	7.5%	0.8%	
Pall Corp	Danaher Corp	13,779	12/31/15	127.20	124.31	Cash	2.3%	4.4%	0.3%	
PartnerRe Ltd	EXOR SpA	5,911	12/31/15	137.50	130.81	Cash	5.1%	9.6%	0.1%	
PartnerRe Ltd	Axis Capital Holdings Ltd	5,313	09/30/15	121.45	130.81	Stk	-7.2%	-25.4%	0.2%	
Pepco Holdings Inc	Exelon Corp	12,185	09/30/15	27.25	26.78	Cash	1.8%	6.2%	-0.2%	
Perrigo Co PLC	Mylan NV	34,870	-	239.73	185.00	C&S	29.6%	-	-2.7%	▼
Sigma-Aldrich Corp	Merck KGaA	16,395	-	140.00	139.45	Cash	0.4%	-	-0.2%	
Synageva BioPharma Corp	Alexion Pharmaceuticals Inc	7,941	-	236.35	235.80	C&S	0.2%	-	-1.2%	
Time Warner Cable Inc	Charter Communications Inc	79,250	12/31/15	191.77	177.30	C&S	8.2%	15.3%	0.0%	
Williams Partners LP	Williams Cos Inc/The	14,129	09/30/15	53.90	53.14	Stk	1.4%	5.1%	0.4%	

MARB <GO> North American deals

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock



Read it here.

REAL ESTATE

Second-Tier Cities:
A Millennial Migration

**Bloomberg
BRIEF**

The Sharing Economy

Monday
June 15, 2015

www.bloombergbriefs.com



The Sharing Economy: Friend or Foe?

BY ERIC NEWCOMER, BLOOMBERG NEWS

"The sharing economy" is a sobriquet to warm hearts. Think of it as a claim that while grubbier businesspeople sell, buy and rent, the ones in the sharing economy collaborate,

IN THIS ISSUE

Timeline. Key events in the rise of the sharing economy, including the

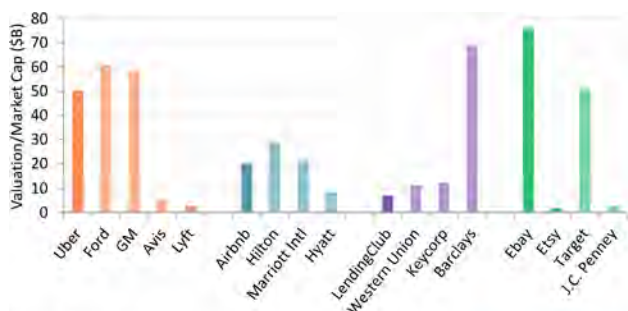
facilitate, build trust. Or so they say.

Sharing-economy flag-bearers like Uber, Airbnb and Homejoy give people easy, cheap access to products and services that would otherwise go unused, free of the burdens of ownership. Their fans say this brings social benefits like community building and diminished inequality. Skeptics predict that it's more likely to lower wages, raise housing costs, undermine health and safety rules, and expose women to harassment and assault. A 2015 Harvard Business Review headline had [this](#) to say: "The Sharing Economy Isn't About Sharing at All."

The notion that sharing constitutes a distinct economy has been emerging at least since publication of a 1978 academic paper called "Community Structure and Collaborative Consumption," about car sharing. So what's new? Smartphones. Today's sharing economy got its start in 2008, when Apple introduced its App Store. Suddenly, it was easy to summon a business partner in minutes. Expansion has been aided by innovations like cloud computing and by economic circumstances, notably more people looking for work in weak economies since the financial crisis.

Nowadays, it's hard to find more exuberant sharing-economy enthusiasts than investors. Uber, the ride-hailing company, is raising \$1.5 billion at a valuation of \$50 billion — theoretically making the six-year-old business the equal of Target and Kraft Foods. Airbnb, for home sharing, is valued at \$20 billion. Uber competitor Lyft is valued

Valuation Bubble? Uber, Airbnb Go Mainstream



Source: Bloomberg

Uber is reportedly raising money at a \$50 billion valuation, which would put it among the largest 500 companies by market cap globally. Airbnb, meanwhile, would be almost as big as Marriott if it raises money at the \$20 billion valuation it is reportedly seeking.

million guests since it launched in 2008 and 1.2 million listings; more than 600 are castles. Dogs can share homes too, on DogVacay, with 20,000 sitters on its platform. It's hard to figure out if revenue is growing as rapidly at these closely held companies, but a leaked Lyft fundraising document showed that the company took in about \$140 million in 2014.

Ideological opponents say the sharing economy creates employee-serfs who go without benefits like health insurance and job security, and that peer-to-peer transactions aggravate inequality. In big cities, for example, apartments used for "sharing" become unavailable to long-term renters, worsening housing shortages and driving up rents. Cities and countries around the world are having to decide whether to treat sharing companies as innovators or scofflaws.

As sharing companies adjust to regulators, they become more like other businesses. Houston makes Uber drivers pass a background check and provide disability access. What makes car-sharing there different from cab services? We explore this and other questions throughout this supplement.

world's first smartphone (it was earlier than you think.)

Naming Conventions. 'Sharing economy' isn't a great [name](#) for these types of companies, but it appears to be catching on.

Disruption. The sharing economy is muddling the [way](#) economists measure how we're doing. The hotel industry is just [one](#) example.

Demographics. [Are](#) the people engaging in sharing different than the U.S. workforce as a whole? And what about the [users](#)?

P2P Lending. What it is, [where](#) it's growing, and [whether](#) or not it's in a bubble.

Regulation. [Views](#) on how the industry should be regulated, including the important question of how to classify [workers](#). Plus, mapping Uber's many [regulatory](#) and legal challenges.

M&A. [What](#) are the prospects for deal activity?

Venture Capital. Just how much money have sharing [startups](#) attracted since 2010? It depends on your definition. Also, Venky Ganesan of Menlo Ventures, an early investor in Uber, gives his [take](#).

Just for Fun. Read a bunch of "Uber but for" [tweets](#), and then take a [quiz](#) about which such companies actually exist.

Good Will. Edgar Cahn, founder of TimeBanks USA, a non-profit forum for the exchange of time and skills, sees the [sharing](#) of time and resources as the ultimate community builder.





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NAMING CONVENTIONS BY JENNIFER ROSSA, BLOOMBERG BRIEF EDITOR

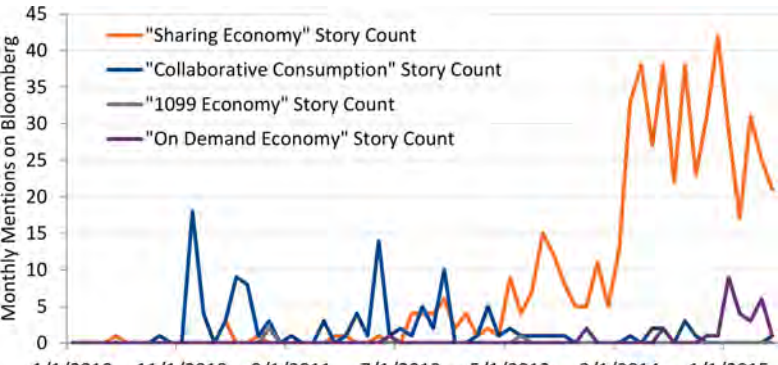
The Sharing Economy By Any Other Name

The term "sharing economy" doesn't quite capture what's really going on with companies like Uber and Airbnb. After all, if you're paying for something, is it really sharing?

Timothy Taylor, managing editor of Macalester College's Journal of Economic Perspectives, writes on his [blog](#) that the term "seems like a triumph of public relations artistry." He prefers "the matching economy." Others call it "collaborative consumption," or the "on-demand economy" — although that's not quite right, either, because it can include things like Seamless that don't rely on freelance labor.

Even less used terms are the "gig

The Rise and Fall of Collaborative Consumption



Even less used terms are the "gig economy" and the "1099 economy" — referring to the kind of tax forms freelancers must file.

The inadequacy of the name isn't lost on sharing economy detractors, either. Dieter Schlenker, chairman of Taxi Deutschland, is among those who have

1/1/2010 11/1/2010 9/1/2011 7/1/2012 5/1/2013 3/1/2014 1/1/2015
Source: Bloomberg BloombergBriefs.com

Type [NT <GO>](#) on the terminal to recreate this chart.

described it as a "locust economy."

While "sharing economy" appears to be the term that's catching on, judging from

the number of mentions of each of these phrases on the Bloomberg terminal, the debate is likely to continue.

Sharing Platforms Are Contributing to the U.S. Economy and Not Getting Credit

Sharing platforms are contributing a "nonnegligible" fraction of income that probably isn't being counted in official estimates, Boston Fed researchers said.

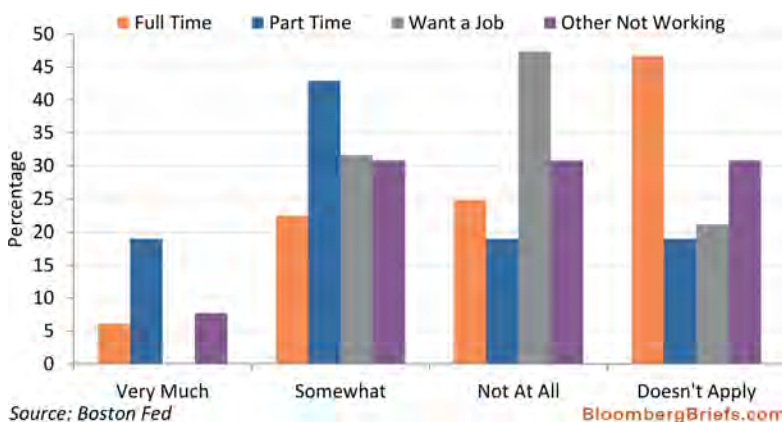
The researchers surveyed 778 people about how much they participated in informal work activities in recent years. The survey, conducted in December 2013, found that aggregate income from informal work amounts to 4.4 percent of income from formal work. Excluding people who sold goods or rented property, the figure is 1.8 percent. More than a third of respondents said informal work helped them offset the effects of the recession either very much or somewhat.

"Taken at face value, either number represents a nonnegligible fraction of formal income that is probably not fully counted in official estimates of national income," they wrote.

The research also points to a sort of double whammy of additional sources of slack in the labor market that formal estimates may be missing.

The Fed researchers, Anat Bracha and Mary A. Burke, said 26 percent of those they classify as being out of the labor

How Much Did Informal Work Relieve Your Recession Woes?



force actually engaged in informal work in the past two years. At least some of these people would probably be interested in formal work as the job market improves.

Also, more part-time workers are probably interested in better jobs than official surveys have captured. The researchers guesstimate that about 37

percent of part-time workers surveyed are likely to be part time for economic reasons. The comparable BLS estimate they cited, from August 2014, is 27 percent. "As formal wages increase in an improving labor market, individuals may switch from informal to formal work," they wrote. Read the survey [here](#).

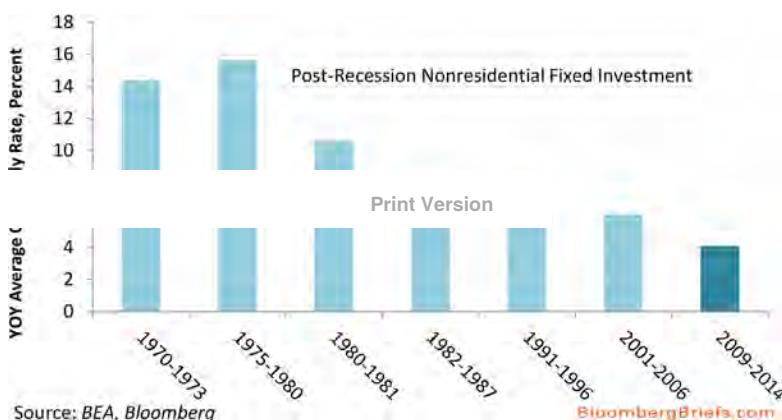
ECONOMIC IMPLICATIONS BY JOSH WRIGHT, BLOOMBERG INTELLIGENCE ECONOMIST

Sharing Means We're Wealthier Than We Think But May Grow Slower Than We Want

The rise of the sharing economy has disrupted not just the business models of major industries like hotels and cars, but also the models of economists analyzing U.S. data.

By generating new forms of informal employment, the sharing economy has muddled existing measures of

Business Investment in U.S. Recoveries Dwindles



Bloomberg Brief | **Sharing Economy** June 15, 2015

development has been widely acknowledged, if not yet effectively addressed. Less frequently discussed are the implications for U.S. capital expenditures and GDP accounting — measures of aggregate economic growth and overall material well-being.

In this regard, an alternative name for the sharing economy is instructive: the "revealed infrastructure" economy. By repurposing existing assets that previously were for exclusively personal use, on-demand services reduce the need to make new business investments

the growth in sharing industries stems from the intuitive appeal of repurposing assets and enhancing consumer choice. You don't have to be an economist to

\$15 billion in 2014, equivalent to less than 0.1 percent of the entire U.S. economy as conventionally measured. That's not yet a large number from the macroeconomic

need to make new business investments in fixed assets. The overlap between consumer and business goods suddenly increases, whether they are buildings, vehicles or human capital — knowledge about everything from household tasks to musical instruments. All of these can now be easily shared — traded really — via TaskRabbit, Thumbtack and the like.

In a sense, all this sharing reveals we are wealthier than we thought. It's an upward shock to our economically productive capital stock. On the other hand, we may not need to invest, build, buy and grow quite so quickly under current GDP accounting because of the new overlap between consumer and business goods. That may constitute a near-term drag on GDP growth. As it is, U.S. capital expenditures have been abnormally weak since the recession — an average quarterly rate of 4.1 percent over the first five years, compared to a range of 6.0 to 15.6 percent over the prior six post-recession periods — and the rise of the sharing economy may have contributed to that on the margin. That's the first-order effect.

The second-order effect from an economist's perspective is that this should also free up some societal capacity for investing our resources elsewhere. Indeed, part of the popular enthusiasm for

appreciate that there's something highly efficient about that.

In any change, some stakeholders in the status quo face deep uncertainties, but there's something more unsettling here. Complaints that workers fear being displaced by automation and outsourcing have grown commonplace, and firms and industries have faced obsolescence before, but this time relationships both between employees and firms and between firms and consumers are being transformed simultaneously.

The potential size of even the near-term first-order effect — less old-style investment — is hard to measure, because the "sharing economy" is still small in terms of profits and in its share of overall U.S. GDP. The second-order effect is impossible to model quantitatively with confidence, because we don't yet know what the economy of the future will look like, despite the best efforts of the venture capital industry to tell us. We won't build as many cars for taxi fleets, so what will we do with that money instead? We don't know, and that unknowability is what makes such economic shifts unsettling, if not downright threatening. For now, the *global* sharing economy's size in five key sectors has been estimated at around

perspective.

To some extent, the latest measurement issues point up an old problem. Introductory economics courses regularly rehearse the shortcomings of GDP as a measure of material, let alone overall well-being. Most of the major U.S. macroeconomic data reports are geared toward the goods-producing industries, a legacy of the U.S. economy's structure in the middle of the 20th century. More recently, the critiques of GDP have broadened with analysts exploring wider development or quality-of-life measures such as infant mortality and education levels, or even attempting to develop measures of Gross National Happiness. What's novel about revealed infrastructure is it poses a challenge to traditional GDP accounting on its own terms.

Even more of the sharing economy flies under the GDP radar than activity in the traditional economy does. As yet, there's no easy way to adjust GDP for this. But given the data generated by these new businesses, the open-source ethos inculcated in many of their staff and the basic economic incentive to analyze the industry, it's hard to believe that new tools and new opportunities are not on the horizon.

CORRECTION: An earlier version of this article incorrectly stated the size of the sharing economy as a percentage of U.S. GDP.

GUEST COMMENTARY BY GEORGIOS ZERVAS, DAVIDE PROSERPIO, & JOHN W. BYERS, BOSTON UNIVERSITY

Airbnb May Benefit Travelers More Than Cities as Hotel Rates Fall

Many hoteliers are probably contemplating what the current and future economic impacts on their business of upstart firms such as Airbnb may be. This question is of increasing relevance, as this formerly little-known startup has served over 35 million guests and commands a valuation in excess of \$20 billion, surpassing brands like Hyatt (\$8.6 billion), and closing in on Hilton (\$29 billion).

To date, both Airbnb and incumbent hotels have downplayed the potential economic impact on hotels. Airbnb has portrayed *itself* as adding incremental economic activity in its mission to diversify travelers' accommodation options, and has specifically touted the degree to which Airbnb properties are "located outside the main hotel areas" (72 percent in London). Similarly, prominent figures in the hotel industry have represented Airbnb as non-threatening. Marriott CEO Arne Sorenson said on CBS This Morning in 2014: "I think Airbnb is a really interesting experiment that is very fun to watch."

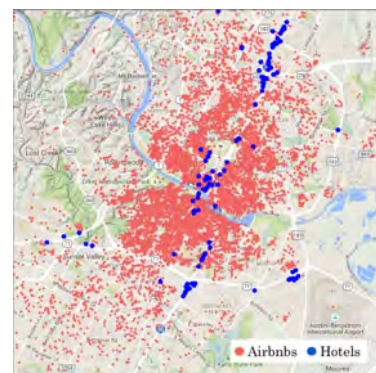
But in practice, 35 million guests

alternative to a hotel stay — not a perfect substitute, but with increasing frequency, a suitably viable alternative such that any given Airbnb booking might plausibly equate to a hotel room vacancy elsewhere. Moreover, we developed a strategy to quantify and estimate this impact. We found that hotel revenue is indeed hurt to varying degrees, which has implications for travelers and policymakers as well as the hotels themselves.

We chose to consider Airbnb stays in the state of Texas, in part because of the state's geographic diversity, and because hotel room revenues in Texas are reported in public tax records with the Texas Comptroller's Office.

We estimate the impact on hotel room revenue in the most affected city in our study, Austin, to be in the 8 to 10 percent range. Austin is most affected because it has the highest rate of Airbnb adoption in the state — 8,575 properties as of 2014. Airbnb's popularity in Austin is likely a product of the city's idiosyncratic nature as well as large events held in the city every year such as SXSW and the

Airbnbs & Hotels, Austin



Source: The authors

implications for hotels, travelers and policy makers. Low- to mid-range hotels should pay particular attention to Airbnb penetration. While offering discounted rates is a good strategy to compete for price-sensitive Airbnb customers, Airbnb also offers highly personalized and crafted stays, with which traditional hotels could find it hard to compete.

All travelers, not just participants in the

worldwide is a large number for the hotel industry to sweep completely under the rug.

Until recently, there have been no rigorous attempts to answer the question of economic impact, as it's difficult to quantify and a comparison against a counterfactual is needed: what would a given hotel's revenue stream have looked like had Airbnb never come into existence? In addition, significant diversity in Airbnb penetration has resulted in hotel impacts that range from negligible to potentially substantial, depending on diverse factors such as location, market segment, etc., so that any one individual hotel's experience is difficult to generalize.

Our research started from the hypothesis that Airbnb offers travelers an

Formula 1, which create spikes in accommodation demand.

While this result suggests that Airbnb is, on average, negatively impacting hotel room revenue, it was still not clear which hotels were most affected and how hotels responded to increased competition. By utilizing a dataset of hotel occupancy rates and prices (obtained from Smith Travel Research), we found that affected hotels have responded by reducing prices. We also leveraged the rich attributes of hotels in the hotel census dataset to understand which hotel categories were the most affected. We found that lower-end hotels, and hotels not catering to business travelers, are most vulnerable to increased competition from rentals enabled by firms like Airbnb. These results have important

For travelers, not just participants in the sharing economy, benefit from Airbnb because they can now travel at more affordable rates. Finally, the implications for cities and policy makers are nuanced. While Airbnb generates incremental economic value for cities by attracting new tourism, it is not clear that this extra income will compensate for loss in hotel taxes. Whether cities embrace and regulate the sharing economy (e.g., in Portland, [Oregon](#)) or fight it (in [NYC](#)), this new peer-to-peer model is clearly here to stay.

Georgios Zervas is assistant professor of marketing at Boston University. John W. Byers is a professor of computer science and Davide Proserpio is a PhD student in computer science. Read the full paper at ssrn.com/abstract=2366898

Methodology: The authors collected consumer-facing information from the Airbnb website on the complete set of users who had listed their properties in the state of Texas for rental on Airbnb. Joining these datasets with Texas hotel census data provided by Smith Travel Research (STR), they compiled a spatiotemporal time series of Airbnb stays against hotel room revenues, all accurately geo-located. The observations span a period prior to Airbnb's entry (2003-2008) and a period in which Airbnb grew rapidly, but differentially, across Texas markets (2008-2014). Thus, for each city and each hotel, a baseline of hotel performance prior to Airbnb entry in that city can be established. A difference-in-differences strategy was employed to estimate the difference in revenues between post-treatment hotels subjected to a high incidence of Airbnb against a control group of hotels with minimal or no Airbnb exposure.

THE WORKERS BY JENNIFER ROSSA, BLOOMBERG BRIEF EDITOR

'On-Demand' Workers Are Supplementing Their Incomes, Not Living Off Their Jobs

Thinking about quitting your full-time job to start freelancing willy-nilly in the sharing economy, setting your own hours, having total work-life balance, and still being able to pay the bills? Think again.

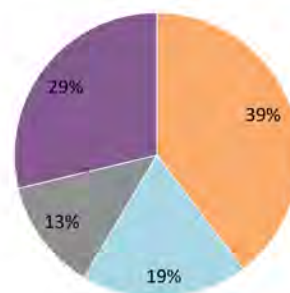
Most of those working freelance for companies like Postmates or DogVacay don't rely on it as a primary source of income, and flexibility of hours appears to be more of a promise than a reality, a recent survey finds.

Sharing-economy jobs account for less than 50 percent of household income for 58.5 percent of respondents to the "RFS 1099 Economy Workforce Report," and less than 25 percent of household income for almost two-fifths. The report's title refers to the tax forms freelancers file.

The high proportion of college students in the survey sample, 38 percent, helps explain this, as these individuals are likely looking for supplemental income. But respondents also think that pay isn't great — the average hourly rate is \$18, according to the survey — and cited "finding enough work" as their biggest pain point. They also reported that while they value flexibility highly, demand/peak hours winds up being the biggest influencer of their work schedules.

Secondary Sources: You Can't Live on the Sharing Economy

% Household income coming from the sharing economy



Source: RFS 1099 Report

BloombergBriefs.com

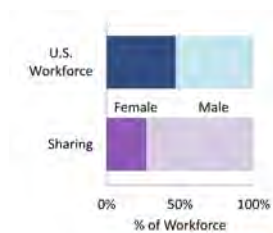
Many 1099 workers do other things to supplement their contractor income. A quarter of respondents said they also work a full-time job, and another quarter said they run a side business. Twenty percent work a seasonal job like construction, and daytrading is somewhat popular: 7.5 percent saying they invest.

In light of all this, high turnover among respondents isn't a surprise. One out of

every two plan to leave contractor work in the next year, the survey reported. And about one-third of respondents said they can't see themselves as an independent contractor for the rest of their life.

For more from the survey, click [here](#). For a survey from MBO Partners on similar topics, click [here](#). To see a breakdown in this issue of just Uber drivers, click [here](#).

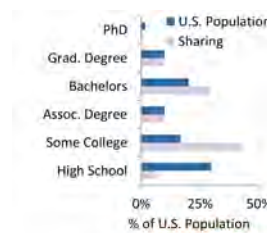
Compared to the U.S. Workforce, Sharing Economy Workers Are...

More Male

Sources: RFS 1099 Report, DOL

Younger

Sources: RFS 1099 Report, DOL

More Educated

Sources: RFS 1099 Report, US Census

Ethnically Similar

Sources: RFS 1099 Report, DOL

Notes: We took demographic stats collected by the 1099 survey and compared them with the demographics of the U.S. workforce broadly. In the "Younger" chart, we compare 18- to 24-year-olds in the 1099 survey with 16- to 24-year-olds for the U.S. workforce. In the "More Educated" chart, the stats for the broader U.S. are for population as a whole, not workforce.

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INSIGHT: UBER DRIVERS

BY ANNE RILEY, BLOOMBERG BRIEF EDITOR

Younger, More Educated and Less Married: Who's Driving Your Uber?

Do you slip into the backseat of your Uber, pop in your earbuds and text away in silence until you reach your destination? I'm sure you aren't alone. But take a minute to introduce yourself to your driver, and odds are you two have a lot more in common than you realize.

According to an Uber-sponsored survey of 601 active drivers for the San Francisco-based ride sharing company, its drivers — or "driver-partners" as sharing-economy-speak would have it — are much more similar in terms of age and education level to the general workforce than to traditional taxi drivers and chauffeurs. (See pie charts below.)

At the same time, Uber drivers are less likely to be married (50.4 percent) compared with taxi drivers (59.4 percent) and the general population (52.6 percent) and more likely to have children at home (46.4 percent) compared with taxi drivers (44.5 percent) and the overall workforce (42.2 percent.) Seven percent of Uber drivers are veterans, more than the 5.3 percent of traditional taxi drivers and 5.2 percent of the general U.S.

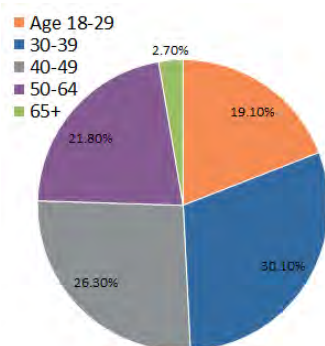
population. Uber drivers also comprise more women (13.8 percent) than traditional taxi drivers (8 percent), though those statistics are still well below the approximately fifty-fifty makeup of the overall U.S. population.

Uber did not respond to requests for comment on the study.

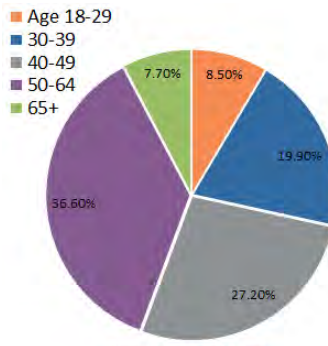
An [analysis](#) of the study, co-authored by Princeton economist Alan B. Krueger and Uber's head of policy research Jonathan V. Hall, partially attributes the demographic overlap between Uber drivers and the general population to the fact that the U.S. economy was operating below full employment during the period studied, attracting to Uber's workforce more highly educated employees than might usually look to this sector for work.

Flexible work hours also likely drew non-traditional drivers into the company's ranks and kept them there even after the job market began its recovery, the analysts suggest.

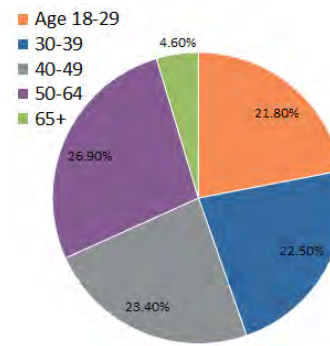
So maybe strike up some friendly, neighborly banter next time you call an Uber. Or text away in the backseat. If your driver is just like you, he or she will probably understand.

Uber Drivers: Age

Source: Benenson Strategy Group

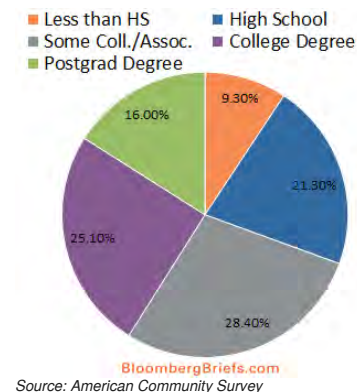
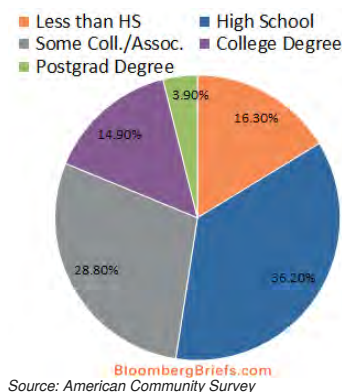
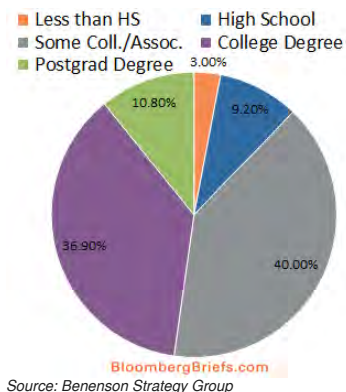
Taxi Drivers: Age

Source: American Community Survey

U.S. Population: Age

Source: American Community Survey

Uber Drivers: Education**Taxi Drivers: Education****U.S. Population: Education**



COMMENTARY: JOBS

On-Demand Begins March on White-Collar Professions; 'Uber Legal' to Come?

BY KATIE BENNER, BLOOMBERG VIEW

On-demand companies are known for using technology to match service providers with customers who need things like taxi rides, house cleaners and couriers. But these companies aren't just for concierge-type services.

Some startups are trying to usher white-collar workers into the on-demand economy as employees, rather than as customers. If these companies succeed, it could be an interesting development in the contract labor debate that has been sparked by the advent and rapid adoption of on-demand services.

A former PayPal and Microsoft executive, Rakesh Agrawal, recently introduced redesign|mobile, a web-based marketplace for skilled labor. Agrawal once worked for the expert network Pacific Crest Securities as a contractor who hopped on the phone to explain certain tech topics to hedge funds and mutual-fund managers.

He's essentially replacing the expert network idea with software that matches clients with consultants, lawyers and other professionals who can answer questions about legal issues, personal finance, the tech industry, communications and business strategy. But instead of working with huge institutional investors who pay thousands of dollars, he's serving individuals and charging tens of dollars.

"A lot of questions that could be answered don't even get asked because the process is so cumbersome," Agrawal said. With his company, customers can book appointments in 15-minute increments and not worry about lots of paperwork and other logistics.

Amy Phillips, redesign|mobile's editor, is herself a contract worker who manages the site from her new home in Todos Santos, Mexico. "She's a great example

that the Uberization of high-skilled or high-paying work hasn't been talked about much. Lawyer-on-demand apps, such as Quicklegal and UpCounsel, already exist. People can use the Mediacast app to summon a doctor to their homes. And Upwork matches a network of freelance writers, graphic designers, accountants, programmers and marketing experts with clients who need their skills, even for very small jobs.

While I was at the Collision startup conference in Las Vegas recently, I noticed that there was more buzz around

"White-collar workers seemingly enter this space with more privileges and potentially lower costs."

the idea of turning white-collar work, or skills or products that traditionally command higher paychecks, into less expensive services that can be summoned as easily as a town car.

People were talking about Zirtual, which specializes in providing administrative assistants on demand. It's similar to Fancy Hands and to TaskRabbit, which matches customers with administrative assistants as well as handy men and delivery people. There was PayLive, a company that makes it easier for hosts of live events to charge viewers only for what they actually watch. And I met with the developer of an app called

there's a market for less expensive white-collar work. An Uber, for legal advice, seems like a pretty good idea.

If companies such as redesign|mobile catch on, it will be interesting to see how they influence the conversation about the on-demand economy. Right now it's dominated by the Ubers and Homejoys of the world, companies that use low-cost contract workers to serve customers at high volume and take a cut. This is also known as the 1099 economy, since contract workers fill out 1099 tax forms used to report income other than regular wages and salaries. Lots of 1099 employees are fighting to be considered full-time employees and be given full-time employee rights or some way to account for the job-related costs they incur in travel, gas, supplies and insurance.

White-collar workers seemingly enter this space with more privileges and potentially lower costs. They can hop on their laptops or phones to get the job done and don't need to worry very much about transportation and supplies. In this way, it's hard to see how this is a bad deal for, say, a busy working mom who wants to make extra money off of her expertise.

If they're happy to be part of the 1099 economy, will that influence the way that companies and the law look at these on-demand companies? Will they miss perks such as sick pay, paid vacation and expense accounts and other supplies? If they embrace on-demand work, shouldn't that drive pricing down in industries like law and consulting, just as Uber and Lyft should drive down pricing in the taxi industry? What happens to the business models of law and accounting firms?

I don't have answers, but this is something that I'm watching closely. On-demand probably will be the most important development to come out of this

of the kinds of positions we want to create," Agrawal said, noting that she can use the site to get work even though she lives in a place where there isn't a huge demand for editors — and make a flexible schedule for herself.

What Agrawal is doing isn't new. It just

TalkToChef that lets people contact a kitchen whiz to help them through a tough cooking problem.

There isn't yet a break-out hit in the world of on-demand professional services, so it's impossible to call the category a success. But I do think that

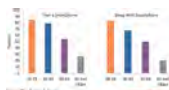
tech boom. And making the white-collar world part of this phenomenon doesn't have to be a runaway Uber-like success to be an interesting and influential development that shapes how we think about workers and their rights.

— This column originally appeared on Bloomberg May 8

USERS: MILLENNIALS BY DEIRDRE FRETZ, BLOOMBERG BRIEF EDITOR

Demographics Drive Sharing Economy as Millennials Seek More for Less

Millennials More Likely to Have and Sleep With Smartphone



Millennials are more likely to participate in the sharing economy than other generations, according to a 2014 poll by marketing company Havas Worldwide. Set to become the largest living generation in the U.S. by the end of 2015, millennials will continue to drive growth in the sharing economy.

Millennials' median income is close to that of previous generations when they were the same age, despite millennials' higher education levels. With more college debt and a higher chance of being unemployed or living in poverty than previous generations when they were 18 to 30 years old, millennials are using their smartphones to borrow rather than buy in order to maintain the lifestyle of their childhood. See related StoryChart online at <http://bit.ly/1JrOfuL>.

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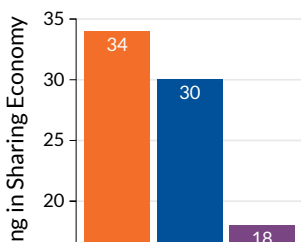
Demographics Drive Sharing Economy as Millennials Seek More for Less

By Deirdre Fretz Jun 9, 2015

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1 Millennials Most Likely to Participate in Sharing Economy

Millennials Most Likely to Participate in Sharing Economy

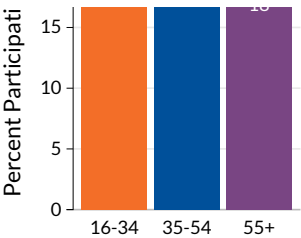


Millennials are more likely to participate in the sharing economy than other generations. Thirty-four percent of U.S. residents between the ages of 16 and 34 say they belong to a sharing service or expect to within the next year, according to a poll by marketing company Havas Worldwide. Set to become the largest living

2

They Have the
Tools to
Share...

3
...and Lack the
Buying Power
to Own



Source: Havas Worldwide report "The New Consumer and the Sharing Economy"

Millennials will become the largest living generation in the U.S. by the end of 2015*, millennials will continue to drive growth in the sharing economy.

*Bank of America Merrill Lynch report "Generations Next - Millennials Premier"

COWORKING PROFILE: WEWORK BY ANDREW RICE, BLOOMBERG BUSINESS

Is This the Office of the Future or a \$5 Billion Waste of Space?

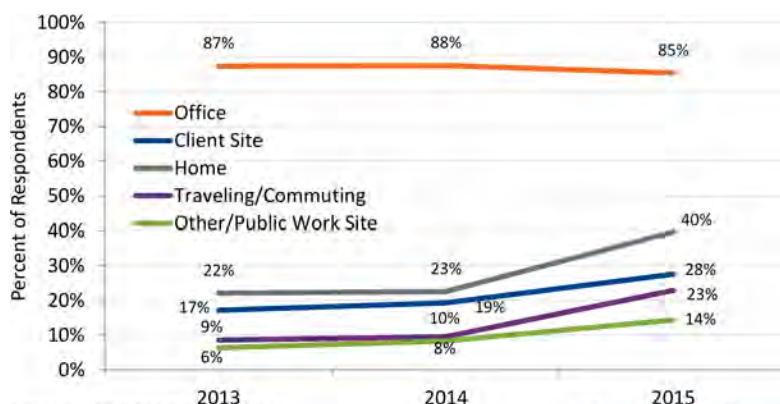
When the job is no longer 9-to-5, it's hard to keep a work-life balance. Now, though, there's a place where the age-old divide can seem irrelevant, where toil and fun blend together beneath neon signs that say things such as "Embrace the Hustle." Where there's always a free keg of beer at the self-serve bar, with a tap that says: WeWork.

At a basic level, WeWork is a company that sublets office space, taking care of many of the time-consuming hassles involved in self-employment. That's not the factor, though, that has captured the fancy of venture capital investors, who have pushed the five-year-old company's valuation to a giddy \$5 billion. WeWork has cast itself as a new kind of workplace for the post-recession labor force and a generation that has never known a cubicle. It aspires to make your job a place you never want to quit.

In April I decided to give WeWork a try. After perusing the options, which start at \$45 a month for pay-as-you-go access and run into the thousands for a small office, I sign up for a \$350 "unlimited commons" membership. This allows me to use WeWork locations around the world, so long as I can find a seat at the bar. I download the company's iPhone app and book a spot at a WeWork location on Varick Street in Manhattan. By the next day, I'm tapping away on my laptop in the facility's second-floor common area. In this WeWork, as in others I later visited, tiny, glassed-in offices line the perimeter. Many have techy names on the doors — Blipit, Znaptag — but there are also lawyers, nonprofits, movie producers, political consultants, and a beef jerky brand. My work area is lit like a gastropub, with dark wood and leather armchairs, a bar with trompe l'oeil liquor-bottle wallpaper, and microbrews on tap.

Adam Neumann, WeWork's Israeli-born co-founder, has called the company a "physical social network," and it makes every effort to lubricate connections. "We gave 90,000 glasses of beer last month," he said in a recent onstage interview at TechCrunch Disrupt NY 2015, "which is a number we're proud of." Here are some other enviable numbers for WeWork: It currently has 23,000 customers working

Where Do You Work at Least Once a Week?



Source: Forrester Research Inc.

The proportion of North American and European information workers who do their job someplace other than their office is rising, the Forrsights Telecom and Mobility Workforce Survey shows.

in 32 locations, about half of them in New York, where WeWork is the fastest-growing consumer of office space. Flush with \$355 million in venture capital from its latest funding round, the company is now expanding internationally.

Many traditional real estate investors are perplexed by WeWork's \$5 billion valuation. With that kind of money, you could build the world's most expensive skyscraper — One World Trade Center, which at 3 million square feet has roughly the same cumulative amount of office space as WeWork — and still have \$1 billion left over. And its business model — leasing space wholesale from landlords and then subletting it at a margin in small blocks — is a familiar and fairly risky one. Publicly traded Regus, which dwarfs WeWork with its 2,500 locations in 110 countries, is worth \$1.3 billion less by market capitalization. Neumann says doubters don't grasp the scope of his plans. "We are not competing with other co-working spaces," Neumann says. "We are competing with offices. And that is a \$15 trillion asset class in the U.S."

White-collar professionals now represent the fastest-growing segment of the contingent workforce, he says, and they have driven demand for a new, flexible place to do business. "They're looking for a Starbucks solution, without having to be in that Starbucks," says

Sean Black, a managing director at real estate brokerage JLL who has handled several of WeWork's lease deals.

Neumann says his mission is to transform the workplace for what he calls the "We Generation," providing his tenants — or rather, "members" — with all the bandwidth, printer toner and beer they need, so they can concentrate on the parts of their jobs they enjoy. WeWork also offers valuable benefits like access to a group health insurance plan, and its app doubles as an online social network, where members post inspirational quotes, trade tips about the best barbecue in Austin, and seek professional help. Each office location has a "community manager" who programs events: book clubs, Ping-Pong tournaments, yoga and meditation classes, technology talks, life coaching, Easter egg hunts, wine tastings, and movie, salsa and trivia nights.

"I think there's been a fundamental shift in expectations," says Bruce Dunlevie, a founding partner of Benchmark Capital, an early investor in the company.

"Today's 23-year-old in a decade will be a 33-year-old, and I don't think they're going to want to go back to the old model. They will have derived utility and created a habit around a WeWork-style workplace."

P2P LENDING

Peer-to-Peer Loans Spread Bankings' Profits and Risks

BY NOAH BUHAYAR, BLOOMBERG NEWS

Need a few thousand dollars to pay down credit card debt, fund an elective medical procedure or put on a new roof? How about hundreds of thousands of dollars to buy equipment for a small business or buy a home? Peer-to-peer lenders want you. To the industry's backers, peer-to-peer lending is about democratizing finance, making borrowing money more efficient. To its detractors, it's an end run around bank regulation with a good chance of blowing up.

Peer-to-peer lenders see their advantages as lower costs and better risk management. Not only are risks widely distributed, but they say their credit assessments, based on algorithms that

look at many factors, are more sophisticated than traditional credit ratings. Proponents say efficiencies like those will let peer-to-peer lenders remake banking, with some predicting \$1 trillion in loans originated through online marketplaces globally by 2025. Goldman Sachs says marketplace lenders are part of a growing trend of shadow banking that will steal \$11 billion a year in profit from traditional banks in the next five years. Former U.S. Treasury Secretary Larry Summers, who sits on LendingClub's board, said in a speech in 2015 that marketplace lenders can make the financial system safer because they perfectly match assets with liabilities. John Stumpf, the CEO of Wells Fargo,

disagrees and says competition for borrowers could cause underwriting standards to plunge, threatening the financial system. Peer-to-peer lenders aren't regulated like banks, and usually don't hang on to any portion of the loans. That's drawn comparisons to the originate-to-distribute mortgage model, which fueled the U.S. housing bubble. Others wonder whether sky-high valuations like LendingClub's reflect what many see as a tech bubble rather than underlying business potential. A go-go atmosphere might lure in new entrants with big hopes but little experience and could increase pressure on existing companies to take more risks to maintain rapid growth.

More Than 1,500 Lenders Crowd China's Nascent Online Financing Market

BY SHAI OSTER, BLOOMBERG NEWS

Peer-to-peer lending in China is taking off, and the growth is attracting big-name investors from Tiger Global Management to Alibaba Group Holding Ltd. It's testing a state-dominated banking system that's traditionally favored big government firms at the expense of smaller players.

Soul Hite, the LendingClub co-founder who left to form Chinese lender Dianrong.com three years ago, said he believes the momentum is just starting.

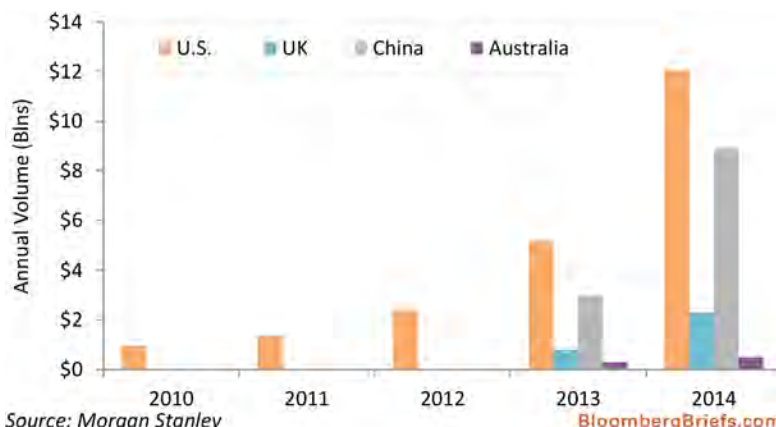
"The market in China is more profitable because costs are lower and the growth is much bigger," he said.

Dianrong, which bundles funds from investors and lends them to smaller businesses hungry for capital, hopes to lead China's new crop of peer-lending services. It has facilitated about 1 billion yuan (\$161 million) of mostly business loans, charging lower rates than China's shadow banks.

For Chinese investors, P2P lending offers higher interest rates than they'd get leaving their money in the bank, with the promise of lower risk than putting their money in China's volatile stock market. Lenders claim they lower the risks of default by spreading the cash across a large number of loans.

The pace of growth has drawn regulatory scrutiny: Chinese officials are considering what rules are needed to

U.S., China Lead in Peer-to-Peer Lending



maintain oversight of the sector.

Hite welcomes that scrutiny because he says it will bring more clarity and confidence. He adds that while his model bundles loans, each lender effectively signs mini contracts with each borrower, insuring greater transparency.

China's nascent online financing arena is already crowded with more than 1,500 lenders — not all sound. According to Yingcan Group, 275 lenders went bankrupt or had trouble repaying money last year, prompting regulators to take a closer look at the sector.

Yet the prospects of faster growth and higher returns are luring investment. U.S. investment firm Tiger Global bought an undisclosed stake in Dianrong this year. Tencent Holdings Ltd. and an affiliate of e-commerce provider Alibaba have stepped into the fray.

Even traditional banks are testing the waters. Dianrong built an Internet financing business for Bank of Suzhou in Jiangsu province, taking a percentage of profits from that operation, Hite said. The company is currently building similar platforms for four more banks, he said.

P2P LENDING

As Money Pours Into Peer-to-Peer Lending, Some See Bubble Brewing

BY EDWARD ROBINSON, BLOOMBERG BUSINESS

Is peer-to-peer lending out of control?

There's certainly some cause for concern. P2P loan volume is poised to hit \$77 billion this year, a 15-fold increase from just three years ago. LendingClub, the No. 1 player worldwide, is trading at a market value of about \$7 billion even though it lost \$33 million last year. And in a flashback to the subprime mortgage boom, P2P startups are now bundling and selling off loans through securitizations.

The business of matching lenders with borrowers online — which still amounts to only 0.08 percent of the \$96 trillion in global corporate and household outstanding debt — may truly be an innovative way to distribute capital. But is P2P a revolution or just another bubble?

Money managers are betting it's the former as they pile into one of the fastest-growing asset classes in finance, Bloomberg Markets reports in its June issue. Some are taking equity stakes in P2P startups. Others are investing in the loans themselves.

In the U.K., holders of tax-free savings accounts known as ISAs may even soon be allowed to invest in P2P loans, a move that could draw Britain's top asset management houses and provide 150 billion pounds (\$220 billion) in fresh cash by 2020, according to Liberum Capital, a London investment bank. "Every single lending product that a bank provides is vulnerable to this model," says Cormac Leech, a senior analyst at Liberum.

And now Wall Street is cranking up the volume by running these loans through its securitization machine. In November, Morgan Stanley and Goldman Sachs led the sale of securities backed by \$303 million in student loans originated by SoFi. In February, BlackRock unveiled the first investment-grade-rated package of P2P consumer loans with a \$281 million offering of notes Prosper Marketplace.

Such deals will help P2P platforms spread risk and multiply loan volume, which isn't necessarily a bad thing. Still, the specter of the subprime-mortgage bust looms over this nascent market.

"Yes, these platforms are low-cost

LendingClub's Pre- and Post-IPO Valuations



Source: Bloomberg News, WSJ, Privcap

BloombergBriefs.com

distributors of loans, and investors are frantically chasing yield," says Tania Modic, the head of Western Investments Capital, a family office based in Lake Tahoe, Nevada. "But loans take time to season and go bad, and Wall Street loves to package and pass along risk. The music will stop — it always does — and this will not end well."

Peer-to-peer stalwarts counter that their industry doesn't look like the toxic mortgage market of the 2000s. Many platforms in the U.S. and the U.K. post their loan books online so investors can analyze the quality and performance of their debt on a loan-by-loan basis. London-based RateSetter maintains a "provision fund," which stood at 13 million pounds as of May 14, to make lenders whole should borrowers default, a feature other sites are now imitating.

Most P2P firms also shun subprime borrowers. Zopa, a 10-year-old British firm that's issued more than 800 million pounds in consumer loans, approves only one out of five applicants. Both Zopa and RateSetter have default rates of less than 1 percent, while bad loans at LendingClub and Prosper are below 3 percent.

"There's always tension in any credit business between how fast you grow and the quality of your loan book," says Giles Andrew, Zopa's co-founder and CEO. "We publish data on every loan. So any signals that bad debt had started rising would be very visible."

But as institutions pour money into P2P, some platforms may relax their credit criteria and welcome riskier borrowers to accommodate the flow, especially if they can offload risk through securitizations, says Michael Tarkan, an equities analyst at Compass Point Research & Trading in Washington who covers P2P companies.

In the U.S. market, LendingClub and its brethren have enabled consumers to pay off pricey credit card balances with cheaper P2P term loans. So what's to stop consumers from leveraging their credit cards back up? Such behavior could spell bad news for investors in P2P loans if an interest rate hike or an unforeseen shock pressures borrowers, Tarkan says.

"We've created a mechanism to refinance a credit card into an unsecured personal loan," says Tarkan, who's rated LendingClub a sell. "This may prove to be a superior model, but we just don't know because it hasn't been tested yet through a full credit cycle."

Renaud Laplanche, the founder and CEO of LendingClub, says borrowers may indeed max out their cards again. But so far, he says, they're boosting their creditworthiness after converting card debt into P2P loans by paying lower interest rates. Moreover, Laplanche says, the global lending market is so vast that platforms like his, which is multiplying its volume by 20 percent a quarter, won't have to take on riskier borrowers for years.

REGULATION: VIEWS FROM THE PUBLIC

Airbnb Pays My Health Insurance and Parking Tickets; Uber Helps Me Pay Bills

The U.S. Federal Trade Commission held a June 9 workshop to examine "competition, consumer protection, and economic issues raised by the

Companies like Airbnb offer a valuable service by protecting my privacy, handling transactions, and connecting people that wouldn't normally have the chance to be

sharing economy has been life-changing and life saving."

"Since Airbnb made it possible to host

protection, and economic issues raised by the sharing economy." Public comments filed ahead of the hearing show that people renting their houses or driving for car services are usually supportive, and in some cases, are relying on these services to pay their mortgages or help with basic things like food between jobs, during illnesses, or when they move to new towns. Those who compete with these services are less supportive. Here is a sampling (comments have been edited and condensed). Read more [here](#).

Anti-Homesharing:

"Airbnb has made it impossible to make a living as an innkeeper in Wellfleet. Last year there were forty options in our small town on Airbnb and many were whole houses, rather than single rooms, since lots of people own second homes elsewhere. Airbnb hosts do not need permits from the town or insurance. They offer rates that undercut what traditional B&Bs charge, and I doubt they all declare their earnings, since they do not believe they are running a business. We have decided to close at the end of this season, unable to compete."

Neutral on Homesharing:

"The sharing economy is great because you can help others while helping yourself and making ends meet. However, whole house rentals on sites like Airbnb ruin communities by artificially raising rents, removing viable housing stock, and destroying neighborhoods by replacing neighbors with loud, often drunk enough tourists. There is room for companies like this but regulation should limit the types of rentals that are available."

Pro-Homesharing:

"Airbnb has allowed me to earn a supplemental income while offering the opportunity to people to experience this beautiful area that I live in for a fraction of the cost. Not only that, but these people also aid in the local economy by shopping at the stores, eating at the restaurants, visiting the museums, and much more."

wouldn't normally have the chance to be connected in a safe, secure environment. This is nothing new in my community. In fact, my neighbor, now in his 50s and a part-time resident himself, said when he was a kid, you could step off the train in Southampton, go to the Chamber of Commerce, and find out what rooms were available to rent for a night or a weekend. His grandmother would frequently rent a room in their home to professionals looking to come to Southampton for a summer getaway. As demand grew in the succeeding decades, so did the way in which rentals were obtained; shifting to private industry, being regulated by local

"I can't describe how helpful this income has been. Before this, my only income was Social Security."

government, and hindering the opportunity and limiting the availability for people to offer short-term accommodations at reasonable costs. When things are done correctly, the sharing economy is a way for people to be their own small business owner with assistance, safety, and privacy. It is a way for our world to continue to connect."

"I started renting with Airbnb a little bit over two years ago. I can't describe how helpful this income has been. Before this, my only income was Social Security, I had to cut down on lots of things including my poor maid, which now is part of the team."

"Being able to rent our home has enabled us to make extra income that we use directly for health insurance! We don't have health care provided by employers, so the success of our participation in the

guests in our basement, we've made close to \$10k. We have been able to pay parking tickets and credit cards."

Pro-Ridesharing:

"I applied to become an UberDriver after my wife told me about the company back in December 2014. I am a civilian contractor working mainly overseas on DoS and DoD contracts. Three weeks prior I had just returned from my last contract and would not have another contract until late February or early March 2015. After my wife told me about Uber, I checked out the Uber website and determined that it would not hurt to apply, so I did. Now, I did apply for several reasons but mainly to make some extra cash to pay some bills and the fact that UberDrivers make their own hours — we can logon and logoff when it is convenient and I do have children and my wife works during the day. The flexibility Uber offers is exceptional and desirable."

"I'm a bartender in South Florida and use Uber to drive my customers home all the time. There are never cabs available and if by chance you get one, the drivers are pushy and rude and the cars are usually nasty. Uber keeps thousands of drivers off the road who've been drinking."

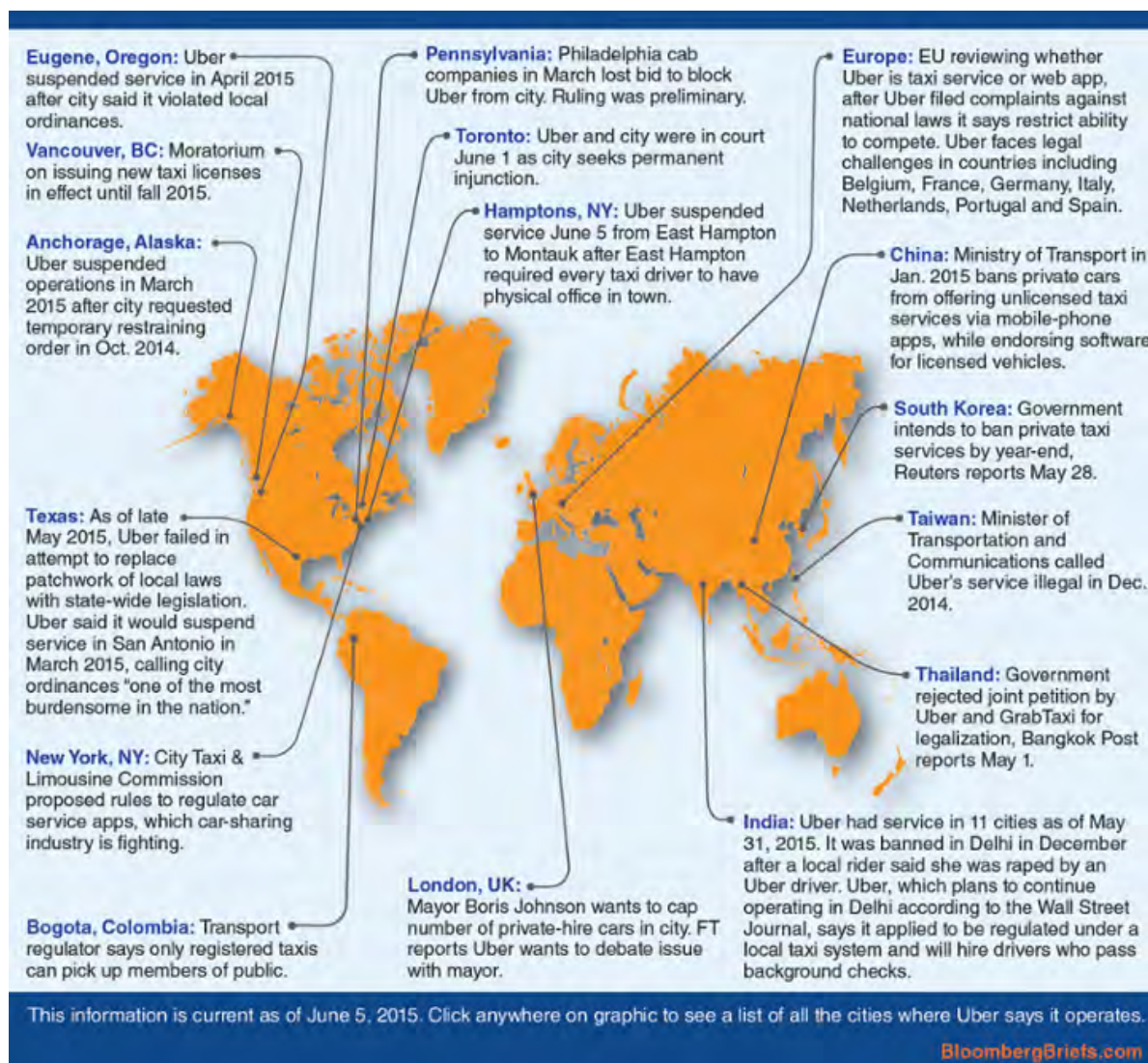
Thinks drivers should be employees:

"Some of these companies are abusing workers who are actually employees. Basically Uber takes the money, keeps track of rides, accounts for what we should get paid. If we were contractors, we would do this. Uber is trying to influence the schedule we work by offering minimums and bonuses for certain days of the week, events, times of the day. Uber is in complete control of ratings and not revealing crucial information to drivers. Uber completely controls the rate drivers get paid. Uber does not allow drivers to promote tips. Uber promotes that drivers should provide water."

UBER'S CHALLENGES, MAPPED COMPILED BY JENNIFER ROSSA, BLOOMBERG BRIEF EDITOR

Cabbies (and Regulators) Versus Collaborative Consumption





Ride-sharing companies have run into strong opposition from entrenched cab companies and regulators concerned about public safety. While they are slowly making progress, it is very much on a state-by-state, and in some cases, city-by-city, level. The map shows places where Uber currently faces regulatory opposition. An Uber spokeswoman said June 8 that the company has "paused" operations in Vancouver, Anchorage, San Antonio, Eugene and East Hamptons. Uber also said numerous U.S. jurisdictions — it listed 41 states or cities — have put in place ridesharing legislation in its support. It named a few places with short-term solutions in place as well: Detroit, Michigan; Spokane, Washington; Massachusetts; Pennsylvania; South Carolina; Palm Beach County, Florida; and Portland. Outside the U.S., Uber points to the Philippines as being "the first country to adopt modern ridesharing laws."

Q&A

Brick-and-Mortar, Internet Companies Held to Different Regulatory Standards: Baker

Dean Baker, co-director of the Center for Economic Policy and Research, an economic think tank based in Washington, D.C., spoke to Bloomberg Brief editors Anne Riley and Jennifer Rossa May 1 on the challenges of the sharing economy and the need for consistent regulation. Comments have been edited and condensed.

Q: Is the sharing economy as it is now good or bad for the economy?

A: It's clearly a mixed bag. The claims that the sharing economy is allowing for sellers to be connected with consumers

Q: Who should regulate the industry?

A: A lot of these things do come up at the local level. Certainly the cab services, the hotel industry, most of that is at the local level. The labor aspect of it would be primarily at the state level in terms of state rules on overtime, and some of that is federal as well. So it would be mixed.

Q: It would seem impossible to keep up with a patchwork of regulations for a global company.

A: If you look at the hotel industry, you have the Hiltons: They're worldwide chains and they're subject to a large

give a higher tip, and cab drivers come to expect that. At the same time, many lower-income people are dependent on cabs going to the hospital, maybe going grocery shopping once a week, and they often don't tip. So the higher-income people are in effect subsidizing for the lower-income people. Now if you had a story where Uber drives out some of the traditional cab services, it makes it difficult for low income people to get a cab, then I don't know if it's an antitrust issue but it does become a serious issue where people who expect they are going to have this service to go to the hospital or a

and allowing for efficiency, there's clearly some truth to that story and that basic picture's good, for the most part. But a lot of what it is about is essentially evading regulations and for the most part, I have to say that's bad. It doesn't make sense to have a regulatory structure in place for the traditional taxi industry, for the hotel industry, and then say if you go via of the web, none of that applies to you. Insofar as that's what's going on in terms of Uber and Airbnb, that creates real problems. The point is we want to have consistent regulation and that has to apply to everyone. I think most of the sharing economy is about evading those regulations and that is a serious problem.

Q: Is regulating labor conditions for employees of these companies part of the picture as well?

A: I would certainly say so. It doesn't make sense to say the traditional companies are subject to pay minimum wage, are subject to overtime, have to pay workers' comp, but we're going to call ourselves a sharing company and we're going to do it over the web so none of that now applies to us. You have to have symmetric regulation there. It doesn't make sense that we have one set of rules for brick and mortar and another set for over the Internet. My model here is Amazon. It provides the case study, the gold standard of bad regulation. Here's this huge, huge company now that in many states is still not collecting sales tax because it operates over the Internet. It just makes no sense.

extent to local regulations. Obviously there are cases where they determine it's more trouble than it's worth, and that's a decision a company has to deal with when it enters a new market.

Q: How close do you think regulators are to taking action?

A: It's really just becoming an issue. I've had the occasion to talk to a few legislators and they're really struggling. I think most of them recognize its positives. The big question to me is how do you try to make the regulations symmetric? What makes sense from a policy standpoint?

Q: The FTC has been looking at the sharing economy. What can they do?

A: Most of their authority usually stems from antitrust action and I doubt that at least at the moment there will be much by way of antitrust issues. Now it could get to where that's something to worry about; you could have an Uber driving out traditional cab companies in some areas. One of the issues with traditional cabs is an element of cross subsidies. You have higher-income people that take a cab and

doctors' appointment aren't able to get a cab if Uber's basically the only service around.

Q: These lower-income people don't have access to smart phones and credit cards needed to book an Uber.

A: Exactly. It's largely closed off to them. These are barriers that can be overcome obviously but again we have to recognize that.

Q: We have a sharing economy of cars, apartments, tasks. What next?

A: The worry is if you're giving people a route to evade regulations, then there are a lot of cases where it might not really be sharing but it's an opportunity to evade labor regulations. If you say "that's fine, these are independent contractors," you give companies more incentive to look at places where they could do that and avoid having traditional employee/employer relationships. That's the sort of thing that in my view is totally bogus. You aren't providing a service to the economy by giving people a way to evade regulations.

AT A GLANCE



Current Residence: Washington, D.C.

Career: Co-founded CEPR in 1999; previously worked as a senior economist at the Economic Policy Institute and an assistant professor at Bucknell University; has also worked as a consultant for the World Bank, the Joint Economic Committee of the U.S. Congress, and the OECD's Trade Union Advisory Council

Education: B.A. from Swarthmore College and Ph.D. in Economics from the University of Michigan

PROFILE: MANAGED BY Q

Happiness Can Be an On-Demand App

BY KATIE BENNER, BLOOMBERG VIEW

I've been to two big gatherings of on-demand workers — the service-providers available through the apps of companies such as Uber, Lyft, TaskRabbit and Homejoy.

At the first meeting, last spring, drivers assembled in San Francisco to protest their treatment by Uber. They said the ride-hailing company was exploiting them. Uber staff members struggled to appease the disgruntled contractors, and the conversations were heated and tense.

I attended a very different kind of session this winter at the headquarters of Managed by Q, a New York startup that matches workers with companies that need office cleaning.

These workers, called "operators" mingled with company founders, executives, engineers and sales staff at

Can you offer a consistently high-quality experience with a workforce that is temporary? How important are loyalty and consistency as companies expand?

Uber, for example, has reportedly used drivers that have assaulted and harassed passengers. The chances of getting a dangerous Uber driver are still vanishingly small. And that tiny risk probably doesn't matter to an executive rushing to the airport. But it may matter a lot to people who think about using the app to pick up unaccompanied children or elderly relatives.

tech workers who write code.

"It will be a harder sell to create an environment where companies coddle tech talent and treat everyone else poorly," Walk said.

Q has found a way to overturn the industry standard of turning workers into a cheap commodity: It offsets the lower margins on labor costs through the sale of higher-margin products and amenities.

The company charges \$25 an hour for cleaning, with a four-hour minimum. Operator wages start at \$12.50 an hour, plus benefits, with an opportunity for a performance-based raise every six months.

But Q's operators do far more than just clean. They also deliver and manage a package of goods and services, just like the fictional Q in the James Bond movies.

Customers can buy Q's cleaning

"Q's model is a direct response to many of the questions hanging

one of Q's monthly operator assemblies. The conversations were loud at times, punctuated by hellos, hugs and high fives. They had gathered to express their concerns and problems and learn more about the company's growth. Several operators told me they loved Q as well as the businesses they cleaned, which they referred to as their clients.

The tension at Uber and other big on-demand companies is the norm. The scene I witnessed at Q is an anomaly. What sets Q apart is that its operators are full-fledged employees who get benefits, including health care.

Most other on-demand startups regard their workers as contractors who aren't necessarily eligible for the minimum wage, benefits or compensation for on-the-job injuries and other claims.

Contract workers have sued Uber, Lyft, Homejoy, Postmates and Instacart to be recognized as employees. You are unlikely to find them spending afternoons fraternizing at headquarters.

Q's model is a direct response to many questions hanging over the freelance economy, which is growing by leaps and bounds thanks to on-demand service apps. For the most part, these startups want a steady, stable workforce, but don't necessarily want to pay the cost. Can you create loyalty among your contractors without treating them like employees?

the questions hanging over the freelance economy."

Other on-demand startups, such as the butler app Alfred and the food delivery app Munchery, are also treating employees as workers, not contractors. Hunter Walk, a seed investor in Q, believes that more on-demand companies will start to think about labor that way — even if they don't offer full-time jobs — for two big reasons.

First, employment laws could change to account for the increase in companies that depend on contract workers and there will be a push to create a new worker category that is a hybrid of traditional full-time employment and contract labor. No one is sure what that might look like, but it could include some combination of benefits and insurance for people who work the equivalent of a full-time workweek.

Second, when labor markets are competitive — increasingly the case in the on-demand sector — workers will take company culture into account. To attract the best talent, companies will need to show they value drivers, handymen and housekeepers in the same way as, say,

supplies at a starting rate of \$50 a month, and they can also purchase basics such as toilet paper and hand soap. The operator orders items when they run low and puts them away. They keep notes and take care of special requests. Q can also supply maintenance people when repairs are needed.

Over the past year, Q's clientele has grown to more than 200 from 15. Other startups, including Kickstarter, Oscar Health and Uber, account for 40 percent of the customer base. The one-and-a-half-year-old company has raised more than \$2.4 million in venture funding, and it will expand to Chicago this spring.

Q's co-founders, Dan Teran and Saman Rahmanian, said the only way to provide consistently great service was to have loyal, committed operators — hence the operator assemblies, higher wages and the benefits.

They also say that treating employees with respect is the right thing to do, and you get the sense that they really mean it.

Walk is right: Q is onto something big. Even if it doesn't become an Uber-size business, it is now becoming the standard-bearer for a new type of on-demand service company that values all of its workers.

— This column originally appeared on Bloomberg

April 9

Q&A

'All Companies Are Targets' for M&A, Hindered by Regulation, Says Viant's Smith

Regulatory uncertainty poses a threat to M&A in the sharing economy, says **Scott Smith**, CEO and founder of California-based investment bank **Viant Capital**. He spoke to Bloomberg Brief reporter Hema Parmar on May 19. His comments have been edited and condensed.

Q: What's your outlook on M&A activity within the sharing economy?

A: I expect M&A activity to grow rapidly and to be at all levels. I think all of the companies are targets.

Q: Even giants like Uber and Airbnb?

A: Absolutely. These companies are backed by venture firms, which means they're all going to be looking for an exit three to five years afterwards. Some like Airbnb have already gained sufficient size and momentum to be able to be a public company. But the vast majority will never attain that kind of size.

Q: How do sharing companies differ?

A: There are distinctions between the

[startups] for example, some of the major health-care providers might acquire them.

Q: Are there different risks?

A: Very much so. This is the interesting thing about the entire sector that is an impediment to an acquisition. Lyft and Uber are skirting both the limousine and the taxi rules throughout the world. And they are subject to a tax locally and internationally by the taxi companies, by the regulators and by legislatures. For Airbnb, this has become a huge problem. Almost all cities regulate hotels. Airbnb is technically not under the hotel regulations, is not under the health and safety code regulations that a restaurant or food provider would be under. And there's a real question in everybody's mind as to where the regulation should be imposed. Should every Airbnb venture be regarded as a hotel operator, for example? And should the Lyft drivers be required to have taxi medallions?

Q: How will this be resolved?

A: What will be created is a third set of

A: There's a company called CareLinX, another one called CareZone. If you hire a person from CareLinX, CareLinX takes care of all of the filings — tax filings, social security filings, FICA filings — on behalf of the employer. This is a huge benefit to the user of the services, because for many years California has had a law that anybody providing services in the home is legally an employee, which means you have to provide workers compensation, pay social security and FICA. The new company is actually providing compliance with the regulation rather than avoiding the regulation.

Q: How do you value sharing?

A: We're valuing these companies on a combination of current revenue, but also projected revenue growth. If you look at the recent valuations that Uber, Airbnb and Lyft achieved, it's because people looked at not only the places where they are, but all the places they can go and replicate their model. A lot of it is your sense of where they can go in the future. These valuations have no basis in current

sharing of goods and the sharing of services. If you look at the services side that's where it gets very complicated. For example with home help or child care, there are websites now that are providing direct access to care providers and getting rid of the home-help agency or the after school programs. That is one aspect of the sharing economy where it's purely services. And it's a different sort of metric with Lyft or Airbnb where you're providing maybe a service but also a room, or a car ride.

Q: How does that affect M&A activity?

A: They will be acquired by different people. I could easily see one of the major hotel companies buying Airbnb to keep their eyes on the space and to keep it within the family. I could also see Airbnb being acquired by one of the major web properties because of the ability to get eyeballs and readership. Another very logical acquirer of Airbnb would be the travel sites, [like] Expedia. With the service companies it's a little complicated to figure out where they're going to land. But certainly if you look at home help

regulations for these emerging companies. I think Uber and Lyft are going to have a set of regulations ultimately imposed on them that's rational. Similarly with Airbnb I think we're going to have local counties mandate that if you rent out your property it has to meet certain code standards and you have to have an insurance and various other things like that. Those would be beneficial provided it doesn't kill the opportunity.

Q: What are the benefits of services?

reality.

Q: Where would Uber or Airbnb IPO?

A: It wouldn't surprise me to have them be valued at 10-12 times current revenue. I think both Airbnb and Uber are likely to go public. And maybe they go public at the very low end of the range, which would be 5-7 times revenue. Most public companies are valued on forward-looking growth. The only thing that can set them back is a series of very negative regulatory findings against them.

AT A GLANCE



Hometown and base: San Francisco

Career history: Lawyer at Pillsbury Winthrop; co-head of tech banking at Credit Suisse; founder of Viant Capital

Favorite sharing company: Uber

Favorite recent movie: Sharknado

Favorite book: Capital in the 21st Century, Thomas Piketty

Favorite restaurant: Harry's Bar, Venice, Italy

Favorite toy: Drone with GoPro camera

Best recent vacation: St. Barts

Hobby: My garden

If you could have another career it would be: Skateboarder and 20 years old

M&A OUTLOOK

Fast Growth of U.S. Sharing Economy Today May Mean M&A Tomorrow

BY BEN EISEN, BLOOMBERG BRIEF

When Robin Chase co-founded car-sharing company Zipcar Inc. in 1999, she had no illusions about the endgame.

"We always knew that we would eventually either have an IPO or get purchased," Chase, who was chief executive officer until 2003, said by e-mail.

Zipcar ended up doing both. The company's public offering was in 2011, then it was acquired by Avis Budget Group Inc. for \$509.9 million in 2013.

A growing number of companies built around providing on-demand services, often by pooling resources in what's become known as the sharing economy, is poised to face the same decision. Companies like car-hailing start-up Uber Technologies Inc., said to be raising money at a \$50 billion valuation, and room-rental service Airbnb Inc., said to be doing the same at a \$20 billion valuation, have helped a once remote concept grow into a burgeoning business model.

Bank of America Corp. strategists led by Sarbjit Nahal said in a report last month that there's a \$450 billion market in the U.S. for services that could be disrupted by the sharing economy. As the flow of money helps create dominant players in the space, smaller competitors may join forces to try to displace market

New York University's Leonard N. Stern School of Business who researches the sharing economy, puts that number anywhere between \$150 billion and \$1 trillion in a "few" years' time.

That's fertile ground for U.S. companies that are flush with cash and on the prowl for acquisitions. There was \$3.3 trillion of M&A activity globally last year, the most since 2007, and \$1.5 trillion is in the

well-capitalized peers," said Matthew Wong, lead research analyst at CB Insights.

In the hotel industry, the rise of house-sharing services is catching the attention of traditional hotel companies that have historically shied away from the sector. Hyatt Hotels Corp. is "collaborating" with onefinestay, according to Hyatt spokeswoman Amy Patti. The Wall Street Journal reported last month that the hotel chain invested in onefinestay's \$40 million funding round.

For hospitality companies, which have already diversified into auxiliary areas like senior housing, room-sharing could be another complement to the core business, according to Sean Hennessey, clinical assistant professor at the Tisch Center for Hospitality and Tourism at New York University School of Professional Studies.

"Certainly from the hospitality point of view there is momentum for M&A activity," Hennessey said. Home-sharing's appeal to younger consumers with less money offers a chance to "rope in lifetime customers" for traditional companies that are already trying to lure that cohort with hip branding, he said.

Still, the hospitality industry embodies some of the challenges for traditional companies jumping into the sharing economy, including a patchwork of legal

"When you have a winner-take-all marketplace environment, they are truly more valuable as they grow."

— MICHAEL STILLER, A TECH ANALYST AT NASDAQ OMX GROUP'S ADVISORY SERVICES UNIT

books so far this year, according to data compiled by Bloomberg.

Paris-based Comuto SA's BlaBlaCar

leaders, according to Michael Stiller, a tech analyst at Nasdaq OMX Group's advisory services unit.

"When you have a winner-take-all marketplace environment, they are truly more valuable as they grow," he said.

Because there's no precise definition of what's included in the sharing economy, pinpointing its size is tough. According to an Aug. 15 study last year by PricewaterhouseCoopers LLP, the sector had \$15 billion in annual revenues in 2013, which could grow to \$335 billion by 2025. Arun Sundararajan, a professor at

bought rivals Carpooling.com and AutoHop for undisclosed sums earlier this year. China's two largest taxi-hailing apps merged in February to create Didi Kuaidi Joint Co., which is backed by Internet giants Alibaba Group Holding Ltd. and Tencent Holdings Ltd. The lack of M&A in the U.S. could give way to purchases down the road, according to Sundararajan.

"Ride sharing is an area where the funding is very heavy among the top couple of players, but for the smaller ones it's more unclear whether they will be able to sustain themselves compared to their

restrictions on home rentals.

Because the sector is still young, few sharing-economy companies have made M&A a priority, according to Sebastian DiGrande, who heads Boston Consulting Group Inc.'s West Coast Technology, Media and Telecoms practice.

Sharing economy companies "are more focused on getting to what I would describe as critical mass in their given market than they are on M&A," he said. "That doesn't mean downstream they won't do M&A, but to me that's still where we are in the evolution."

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720px file for Desktop and Mobile



COMMENTARY: CONSOLIDATION

Boom in On-Demand Apps, Waiting for Consolidation

BY KATIE BENNER, BLOOMBERG VIEW

I had a lot of things to mail recently, so I tried to download an app called Shyp, which would let me summon a courier to pick up and mail my packages. But I couldn't get Shyp because I've maxed out my phone's storage capacity with lots of other apps that let me call for food, car rides and cleaning services. I'll probably delete Netflix to make some room, since watching "West Wing" reruns is less important to me than avoiding a trip to the post office.

My phone is crammed full of apps for on-demand services. It's just one sign of the crazy boom in companies that want to turn our phones into remote controls for the real world.

Money is pouring into these startups. U.S. funding grew by 514 percent to \$4.1 billion in 2014, and that number will probably double this year, according to a recent research report from CB Insights. A total of \$9.4 billion has been spent on 263 deals since 2010, when the trend began. In 2010, there were fewer than 20 venture investors in the space. There were 198 by the end of April 2015.

The clamor to get into on-demand companies has been driven by the runaway success of Uber. At the industry's On Demand Conference, it was impossible to avoid the phrase "Uber for." (See our related [feature](#).) Steve Schlafman, a venture investor at RRE and a panelist at the event, said that someone had even tried to pitch him an "Uber for private investigators."

Most people I know in San Francisco —

Startups Quietly Buy Up Their Sharing Economy Peers

ACQUIRER	# of DEALS	SELECT TARGETS
Airbnb	4	Localmind, Fondu, DailyBooth, Crashpadder
Chegg	8	Internships.com, InstaEDU, Campus Special, Bookstep assets, Zinch, Student of Fortune, Cramster, CourseRank
Etsy	3	A Little Market, Grand Street, Lascaux
HomeAway	14	Redbeacon, Stayz Group, Travelmob, BedandBreakfast.com, Abritel.fr
Zipcar	4	Denzel Mobility, Streetcar, Flexcar

Source: Bloomberg Briefs and Bloomberg MA<GO>

A few mainstream companies have dipped their toes into M&A in the sharing economy. Daimler bought MyTaxi and RideScout in September 2014 and Avis Budget Group bought ZipCar for \$507 million in January 2013. But most M&A so far in this sector has been startups buying other startups. Sharing economy companies that have gone public especially seem to be trying to roll up their sectors. The above table looks at some of the more active acquirers.

consolidation and a lot of failures.

Patricia Nakache of Trinity Ventures says her firm believes in the on-demand economy in part because the millennial generation wants products and services that fit into a lifestyle of smartphones and instant gratification. Trinity is invested in Eat Club (on-demand meals) and Zixr (on-demand parking).

But even Nakache thinks that there will be consolidation. Part of the reason the investment dollars are flooding the zone, she argues, is that many of the winning companies will be those that got the biggest the fastest. "There are low barriers to entry for lots of companies in the space, like on-demand alcohol delivery," she says. "Never underestimate the power of branding, but for these companies, generally speaking, the way to achieve any barrier is to go for market

service throws some thornier issues into the mix, especially around labor.

Outsource to minimize cost (the industry norm) or hire [full-time employees](#) to assure quality (as Alfred and Q do)? These are two wildly different business models, and it's unclear which will win out.

Regional players will consolidate: Do we really need Washio in Los Angeles and Rinse in San Francisco? It might make sense for startups that are attacking the same problem in different cities to get together. Companies that have the strongest operations and best cost structures will be in a position to roll up other players.

Only a few on-demand services will thrive outside big cities: Uber, and to some extent Lyft, have been hugely successful because people use taxis just

Most people I know in San Francisco — usually other yuppies like me — use an on-demand service everyday. Uber for a ride home. Sprig when there's no time to grab lunch. TaskRabbit when Ikea furniture must be assembled. New apps promising a more convenient, pampered world spring up all of the time.

But California, and the Bay Area in particular, is basically a test kitchen for all sorts of ideas. It's easy to forget that few of the buzzy startups out here survive.

It's hard to read that frothy CB Insights report and not think that all this growth will end like the previous boom in social networks, which was driven by the huge success of Facebook. There will be a handful of other big winners, a lot of

domination."

So as the money flows and new startups are formed seemingly every month, here are some ways that the on-demand space will probably shake out.

Startups will deliver service people, not just stuff: Uber, Lyft and Postmates have shown that people are comfortable having strangers shuttle them and their stuff from door to door. The next step is to get people into our homes. TaskRabbit has been doing this for awhile, but a new crop of startups including Handy, Managed by Q, Soothe and Alfred are sending plumbers, cleaning people, masseuses and personal assistants into our homes and offices. This new type of

about everywhere, even in the suburbs and rural areas. But household economics are not the same everywhere. Outside of a handful of metro areas, chores are less of a schlep. People own washing machines. A family in suburban Iowa might use a grocery shopping service, but they probably won't need someone to park their cars at night.

The on-demand marketplace will sort all this out, as markets do. The apps that meet a consumer demand will survive. I'll do my part by clearing a few gigabytes on my phone so I'm ready for the next big thing.

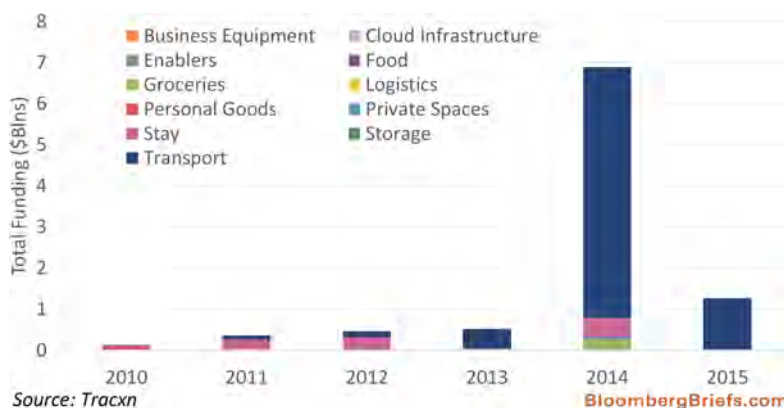
— This column originally appeared on Bloomberg
May 26

VENTURE FUNDING BY JENNIFER ROSSA, BLOOMBERG BRIEF EDITOR

Follow the Money: Sharing Startups Have Attracted Billions in Capital Since 2010

Given that no one can agree on what exactly the sharing economy is, statistics about it are hard to come by. *CB Insights* estimated in May that "on-demand" U.S. companies have raised \$9.4 billion since 2010 including Uber, and \$3.89 billion excluding it. Tracxn figures that under a liberal definition of the sector, companies have raised \$9.6 billion over the same period. Jeremiah Owyang, founder of crowdcompanies.com, [says](#) about \$15 billion has been raised over time, including "the venerable eBay, founded in the dim mists of technological antiquity." Data also varies on which firms are the most active investors. Tracxn puts Y Combinator at the top of its list, with eight investments. CB Insights lists SV Angel as most active. The data on this page is from Tracxn.

VC Funding for Transport Dwarfs Other Sectors

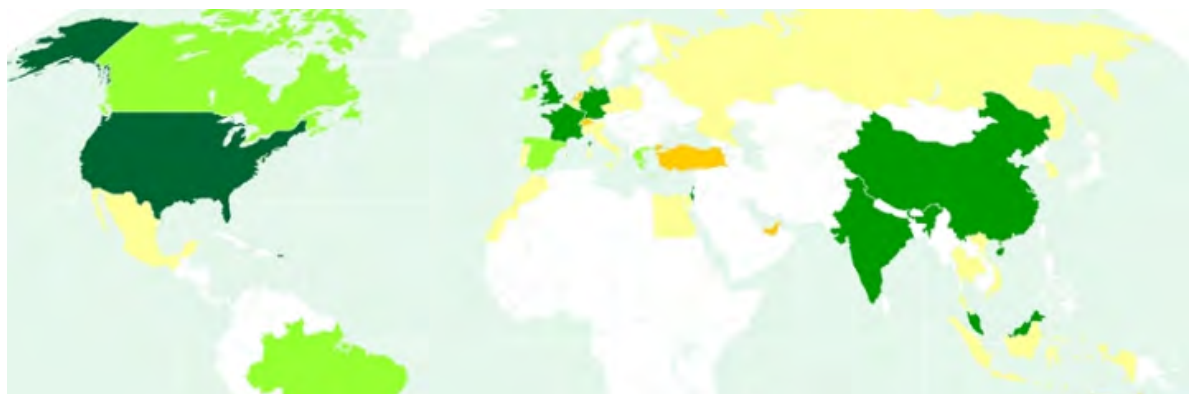


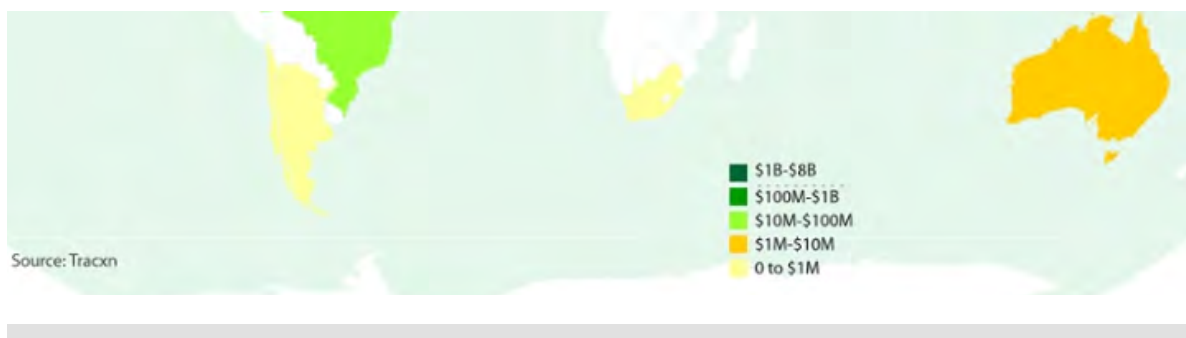
Y Combinator Is Top Investor With Eight Companies

FIRM	# OF COMPANIES	SELECT COMPANIES
Y Combinator	8	Airbnb, Instacart
Index Ventures	6	BlaBlaCar, Fon
SV Angel	6	Sidecar, Airbnb
Andreessen Horowitz	6	Lyft, Instacart
Google Ventures	5	Homeaway, Uber, RelayRides
General Catalyst Partners	5	Airbnb, Getaround
Accel Partners	5	BlaBlaCar, Ola

Source: Tracxn

A Global Phenomenon: Capital Raised by Country





Q&A

Sharing Economy Will Reinforce Income Inequality, Says Menlo's Ganesan

The sharing economy will be great for consumers, but not so great for the income gap, **Venky Ganesan**, managing director at **Menlo Ventures**, told Bloomberg Brief editor Jennifer Rossa. The firm has invested in companies such as Uber, Poshmark, Getaround, Munchery and Rover.com.

Q: How did you first get interested in these types of companies?

A: Menlo Ventures has always said, let's pick an area that's interesting and focus on it. A few years back we felt there was a combination of things that made the sharing economy work. An important question is, why now? First is the explosion of mobile phones, which gives everyone out there access. Secondly we had the Great Recession, which created a big labor mobile force. You had people out there looking for ways to supplement their income and that brought a lot of freelance people in at a time when the sharing economy was blossoming. It's the concept of a stranded asset. In Uber's case it is what I call stranded capital of a car. With Airbnb it is a stranded second bedroom. Cloud services and big data are another component. A lot of these services start with information in the cloud and then use big data. We have gone through vertical by vertical thinking about which marketplaces to invest in.

Q: What does the sharing economy mean for how we think about work?

A: We're going to be reshaping how we work and what it means to be a fixed labor force. The sad truth is, ObamaCare has probably done more to improve mobility of the workforce than any other initiative conservatives had in mind. There are lots of implications, not all good. We'll move closer and closer to a freelance economy. People will have a much more variable view of what work is.

Q: How will that affect income inequality?

A: It will reinforce it. We all want a

who are the best at what they do will get more. Ironically as you get more meritocratic the median person faces a reduction and so does everyone below. Unless you live in Lake Wobegon, most people are average, and being average isn't great. We need to think about how we balance that wealth creation with more social nets for people who get trapped below the median.

Q: Ideas to address that?

A: I'm sure my capitalistic brethren will hate me for saying it, but you'll have this incredible wealth creation that creates tax revenue. You need to take that tax revenue to fund social programs and safety nets.

Q: Another person we spoke to said that if this industry were properly regulated, at best it would add modestly to growth and wealth.

A: I disagree. You'd still add a lot of wealth. The challenge we have is 19th century labor laws conflicting with 21st century economics. Overtime laws were written because if you were working over 40 hours in the industrial age, you can't take that physical toll. People retired at 55 and died at 70. Jobs are changing. People will work beyond 55 and won't die in their 70s. We need to update our laws and should address who is an employee, who is an employer, and who is a contractor. A lot of these companies are in the middle of what I call regulatory arbitrage. Clear regulations would create a positive effect, not a negative effect.

Q: What are the next big areas for sharing economy companies?

A: I think all local services are going to be

affected. Think about your day and the things you do locally. You go to the grocery. That will be a marketplace. You wash clothing. Women get a mani-pedi and other aesthetic services. There is someone doing a service for you and there is a company in the middle that hired that person and coordinated the service. When the transaction cost is low the provider can transact directly. It's better for the person getting the service and the person doing the service.

Q: What other places besides local services?

A: High value transactions done infrequently through brokers, like real estate. Financial services — for most people they're hard to understand, so they pay someone in the middle. A topic that's close to home because my wife is a doctor is medicine. There's a doctor, a patient, the employer, the insurance company. If you think about how the money flows, there are lots of people taking pieces of the transaction. Education is another big sector. Take Udemy [Menlo is not an investor]. Teachers usually do a lesson plan. Some teachers said, why have every teacher do a lesson plan? So teachers use their own money out of pocket to buy these lesson plans.

Q: Do you see big regional companies forming? Global ones?

A: I absolutely expect that there will be very meaningful regional players. In India and China Uber is behind. If Uber doesn't have the most meaningful number of drivers in Columbus, Ohio you'll go with Lyft. These markets will be won city by city, country by country. It's still very early.

AT A GLANCE



Hometown: Coimbatore, a small town in India

Career: Microsoft, McKinsey, started my own company (Trigo Technologies, sold to IBM), Globespan Capital, Menlo Ventures

Favorite app: Twitter

A: It will reinforce it. We all want a meritocratic world but the challenge is that leads to income inequality. If you had perfect information about all the doctors in the world, who is going to want to go to the surgeon with a lower success rate? As we get more transparency the people



Recommended book: Influence by Robert Cialdini

Favorite restaurant: Three Seasons, Palo Alto

Favorite vacation spot: Watching SportsCenter in bed on my big screen TV (doesn't happen often since my wife wants to watch crime shows)

#UBERBUTFOR

"Uber, but for..." jokes are so ubiquitous that there's now a [spambot](#) retweeting them. Here are some of our favorites.

Specialization is the name of the game these days. But this idea may be a little too much so.



Jimmy Dunn
[@jimmy_dunn](#)



.@_AlexLawrence #UberButFor sticking your hand down the disposal to see if a fork is down there.

[Details](#)

Uber for stuff you don't want to do is in fact a common theme.



Mad Ted: Country Rd
[@Top_level_Ted](#)



Like Uber, but for getting other people to go to the dentist for you

[Details](#)

I wouldn't want to do this, either.



ChrisEppstein ♥ ☺
[@chriseppstein](#)



Uber but for putting camping equipment back into its original bag.

[Details](#)

Scheming happy-go-lucky dogs are a thing.



Purge.
[@QuienPagaElige](#)



@umairh Uber but for dogs that want to be walked. All the early adopting dogs have downloaded the app.

[Details](#)

And so are shirking cats.



Chris Taylor-Davies
[@CTD](#)



Business idea. Uber for cats. If you need a cat for a short time the app will connect you with one in your area for a visit. Probably.

[Details](#)

Love this.



Michael Tams
[@michaeltams](#)



carries mattress around
creates app like Uber but for naps
calls it Napster
gets sued by Lars Ulrich

[Details](#)

Maybe someone should call John Kerry.



Alex Blagg
[@alexblagg](#)



Wish there was an app that's like Uber, but for getting weapons grade plutonium

[Details](#)

And finally, the "Uber, but for" backlash is in process.



Dave Higgins
[@davehiggins1](#)



I would have to imagine that venture capitalists are tired of hearing pitches that begin "It's like Uber but for..."

[Details](#)

Details

QUOTED

"In 2008 we were introduced to these people. They called them angels. I'm like, oh my god, these people believe in angels. They were called angel investors, of course. They had the opportunity to invest \$150,000 in Airbnb, at like a \$1.5 million valuation. Everyone turned the idea down. And so we resorted to selling collectible breakfast cereal."

— Airbnb CEO Brian Chesky on May 11 telling Bloomberg TV how the company got its start

"The jury in this case will be handed a square peg and asked to choose between two round holes. The test the California courts have developed over the 20th Century for classifying workers isn't very helpful in addressing this 21st Century problem."

— Judge Vince Chhabria of the U.S. District Court of Northern California on March 11, presiding over a case about whether drivers for ridesharing companies are contractors or employees

"The sense that you don't own things is much more prevalent than it used to be — that you're really only renting things anyway. It gets down to something that all of us can understand: Why do you own something you don't use very much? It's probably never made sense to do a lot of things we've done, but it sure is a lot easier to share them today."

— Christopher "Kit" Kaufman, a partner at Latham & Watkins, on June 3 in an interview with Bloomberg Brief

WHAT TO READ COMMENTARY AND ANALYSIS FROM AROUND THE WEB

How to classify workers in the sharing economy? Robert Sprague, associate professor at the University of Wyoming College of Business, writes that classification tests should [focus](#) "not on the dependence of the workers on the employer, but the dependence of the employer on the workers."

Insurance may have to adapt to the rise of the sharing economy, writes Tim Sablik in the Richmond Fed's fourth quarter magazine. He [says](#) that insurance, historically separated into personal and commercial categories, may see demand for mixed-use products as sharing companies grow.

There's a lot of talk about how the sharing economy needs to be regulated. But what if these companies can replace some regulatory functions? That's the argument of a [paper](#) from authors at George Mason University's Mercatus center. The authors write: "By facilitating greater trust while simultaneously opening up new innovations and opportunities, these new Internet-based mechanisms promise to revolutionize modern

marketplace interactions. This should force a reevaluation of traditional regulations aimed at addressing perceived asymmetric information market failures, regulations that have typically failed to improve consumer welfare while also undermining innovation and competition."

Cities have more work to do to regulate sharing economy companies, according to a [survey](#) conducted by the National League of Cities. The survey found that 59 percent of cities impose no regulation on ride-sharing, and 58 percent impose no regulation on home-sharing. The largest percentage of respondents, 61 percent, said that "public safety" was a sharing economy concern.

Among sharing economy customers, 18.4 percent — representing about \$600 million of transactions annually — expressed some level of dissatisfaction, according to a [survey](#) by TrustCloud.

QUIZ

Which of the following 'Uber but for' ideas are fake?

A) Uber for cash so you don't have to go to the ATM

B) Uber for iPhone repair

C) Uber for airport lounges

D) Uber for cabana boys

E) Uber for drones

F) Uber for umbrellas

G) Uber for barn raisings

H) Uber for private investigators

I) Uber for tailors

J) Uber for getting packages

delivered to a neighbor

K) Uber for siestas

L) Uber for putting gas in your car

M) Uber for backyard pools

N) Uber for marijuana delivery

Answers [here](#)

Q&A

'It's Not About Transactions:' TimeBanks Founder Cahn on the Essence of Sharing

Sharing is a way to channel productive capacity not valued by the market while also strengthening communities, says **Edgar Cahn**, founder of **TimeBanks USA**, a non-profit forum for the exchange of time and skills. The 80-year-old legal professor — a former counsel and speech writer to Robert F. Kennedy — spoke to Bloomberg Brief editor James Crombie on May 20.

Q: What does 'sharing economy' mean to you?

A: For me it's a sense of stewardship. All of us have assets and the question is whether those assets are held exclusively to line our own pockets or whether they are held as trustees to build the kind of world we all want to live in together.

Q: How does it work beside money?

A: Look at the capacity in the community we have that the market does not value. I consider aging baby boomers to be part of that, and the disabled and returning veterans and people returning from prison. The sharing economy embraces an attempt to enlist untapped or underutilized capacity to meet unmet needs.

Q: Why does this resonate now?

A: I consider home, family, neighborhood, community, civil society to be an operating system that was subsidized considerably by labor exacted from the subordination of women and the exploitation of minorities and immigrants. When you take that labor out of that operating system, you need a serious upgrade. I view time banking as a way to say, 'How do we upgrade that operating system, because it undergirds the whole monetary economy.'

Q: What is 'time banking'?

A: A medium of exchange that enables everybody to use his or her time as a currency, both to earn and to spend, to save, to invest, in ways that money does not do, and I believe cannot do. It may be an idea whose time has come with the sharing economy and an awareness that wealth is something other than stuff.

Q: So you replace money?

A: Money works brilliantly to provide a way of distributing what's in short supply. I have yet to meet anybody in the Wall Street world who doesn't acknowledge the existence of domains that are above and beyond money. What has been missing is a medium of exchange that would enable us to strengthen, reinforce and reaffirm those values. I don't think it's a currency that will replace money.

Q: How successful has time banking been, and how do you measure that?

A: It's become almost a concept that takes on a life of its own. And in that sense it's successful. It's about exchanges but we know of 2 million hours registered over the past say 10 years in time banking in this country and at least another 2 million in England, Scotland and Wales. We also know that 55 percent of the people in the largest time bank that was going at the time did not even record their hours. When we asked why, what they told us was, 'Time banking is about relationships, and the relationships are more important than the digits.' You can't commodify relationships so there's an inherent contradiction a medium of exchange that tries to give it value. It's that spirit that infuses the sharing economy. It's not about transactions.

Q: This all sounds very Utopian.

A: I don't think it's Utopian. All of us has a big side and if that's appealed to, we respond with our biggest selves. I would like us not to exact dependency as the price of giving help. I would like us to value work that builds community.

Q: Isn't Time Banking open to abuse?

A: In all these years — we're talking

millions of transactions — we know of only one theft of one cellphone in one public housing complex, and within an hour that whole community knew who had done it and that teenager had a lot of time credits to earn to get accepted back into that community. If you're doing respite care for the elderly, you have to run a police background check. The same is true if you're focusing on childcare and pre-school.

Q: What are the biggest challenges of time banking?

A: What we've found most difficult, ironically, is getting people to spend their credits, not to earn them. People don't like to ask for help. Probably that's the culture of this country.

Q: What do you make of all the new so-called 'sharing' sites out there?

A: You can commodify stuff, like rides, a room in your house. I don't think you can commodify things that you feel are unique and are above and beyond price. Price has invaded in a disturbing way every domain of value and part of the sharing economy is a reaction to that.

Q: Is it OK to make money on this?

A: It's not bad, but it's just different. To the extent that it enables people to get rides that they couldn't have gotten before, or go places that they couldn't afford, that's desirable.

Q: What are the bigger regulatory issues for the sharing economy?

A: There are going to be a great many challenges, in the sense that, if you look at licensing and credentialing, it serves a purpose, supposedly of quality control. But it creates a quasi monopoly.

AT A GLANCE



Hobbies: Silversmith ('I make pins and cufflinks'), gardener

Vacation spot: 'Anywhere I can snorkel'

Favorite cuisine: Indian

Recommended Reading: Change the Story, Change the Future by David Korten; The Zero Marginal Cost Society by Jeremy Rifkin; With Liberty and Dividends for All by Peter Barnes and 'anything by Robert Reich'

Transferable skill from government: Respect for human beings

EDITOR'S CORNER

Even Scraps From Syngenta Deal Could Be Quite Filling

BY JEFFREY MCCracken, MANAGING EDITOR, GLOBAL M&A AND DEALS

As the outside world waits to see if **Monsanto Co.** will bump its bid and lure Swiss rival **Syngenta AG** into friendly negotiations, bankers who didn't get hired by those two players are lining up for roles in the peripheral deals that would follow.

Morgan Stanley and **Centerview Partners** have signed up to work with Monsanto, while **Goldman Sachs**, **JPMorgan** and **UBS** are playing defense for Syngenta. Other banks could pile in, especially when Monsanto looks for financing a \$50 billion-plus deal.

But millions in fees could also be made with the right third party. Banks left out of the original deal can go from wound-licking to buy-side mandates in the time you can read this column. Recall how Goldman and boutique **LionTree Advisors** went from outside to inside when **Comcast Corp.** called off its **Time Warner Cable Inc.** acquisition and **Charter Communications Inc.** swooped in to buy TWC for \$79.2 billion.

Given Syngenta's concerns about regulatory issues facing a merger, Monsanto has publicly signaled its willingness to sell off major assets, especially Syngenta's seed business, which could fetch \$9 billion or more. Plenty of bankers have now made the flight to Germany to pitch to the two likeliest buyers, **BASF AG** and **Bayer AG**. A successful divestiture would generate fees in the tens of millions. And, who knows, there could be a white knight scenario for Syngenta, or someone who comes if the deal gets blocked by regulators.

Being left on the outside of a big deal can be a big loss for a banker. Being prepared for the rebound with a buyer or someone who can jump in if the deal falls apart is a trait the best of them have mastered.



QUOTED

"If you go to a Grateful Dead concert, you're going to find a lot of Grateful Dead fans. They're not a group. They just like the same music."

— **Phil Goldstein**, co-founder of activist **Bulldog Investors**, discussing an inquiry from the SEC about any agreements his firm might have with **Foundation Asset Management**, another activist targeting **Stewart Information Services**



Diageo shares surged 8 percent Friday on a report in the Brazilian press that **3G Capital** founding partner **Jorge Paulo Lemann**, who has teamed up with **Berkshire Hathaway** to buy **Heinz** and then **Kraft Foods**, is working on a bid for the drinks giant.

WEEK IN NUMBERS

■ **8%:** Target return on equity under new Japanese governance guidelines

■ **30-40:** Potential targets **Celanese** looked at last year, according to a senior executive

IN THIS ISSUE

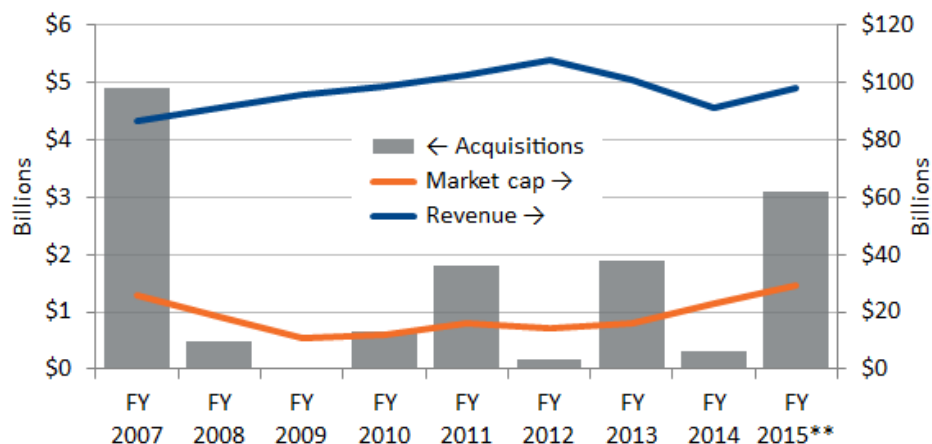
ACTIVISTS. With his **Samsung** campaign, **Paul Elliott Singer** becomes the latest U.S. activist to take on **Korea Inc.**

REGULATION. **Kunio Ito**, the man behind Japan's new push for better corporate governance.

VERBATIM. Telecoms are merging to achieve the scale needed to invest for converging technologies, says **Michael Rake**, chairman of **BT Group**.

Q&A. **Latham & Watkins** partner **Kit Kaufman** talks about what makes this round of tech M&A different.

Cardinal Health Deals Haven't Sustained Revenue



Source: Bloomberg

BloombergBriefs.com

Drug distributor **Cardinal Health Inc.** agreed last week to buy **Harvard Drug Group LLC** for \$1.1 billion, three months after announcing the \$1.9 billion acquisition of **Cordis Corp.** Cardinal's revenue fell in FY 2013 and 2014.

TODAY'S DEALS

GE Said to Near Deal With Canada Pension Plan

BY MATTHEW MONKS AND RICHARD CLOUGH

General Electric Co. is poised for a \$12 billion deal as soon as today to sell more than half of its U.S. private-equity lending arm to **Canada Pension Plan Investment Board** while **Ares Management LP** seeks to buy the rest of that business, people familiar with the matter said.

Ares is pursuing a deal for the \$8 billion Senior Secured Loan Program it co-manages with GE, said the people, who asked not to be identified because the details aren't public. The firm has lined up investors to help it acquire Senior Secured, one person said.

GE is close to an accord to sell the other \$10 billion in assets in the buyout lending unit to Canada Pension after Ares balked at including Senior Secured, the people said. Canada Pension would pay about \$12 billion, chiefly for the GE Antares division, they said.

A deal with Canada Pension would mark the first sale of a major business since GE announced plans April 10 to unload about \$200 billion of GE Capital assets. Chief Executive Officer **Jeffrey Immelt** is refocusing Fairfield, Connecticut-based parent GE on industrial operations.

If no GE-Ares agreement is reached in the next few weeks, Senior Secured may stop making new loans and be wound down, the people said. Without an accord, Ares intends to end its GE partnership and start a similar program, one person said. GE is still studying its options, another person said.

Seth Martin, a GE spokesman, declined to comment, as did Mei Mavin, a spokeswoman for Canada Pension. A representative of Ares, the credit and private-equity manager run by billionaire Tony Ressler, also declined to comment.

Iron Mountain Boosts Offer for Recall, Adding Cash

Iron Mountain Inc. increased its bid for **Recall Holdings Ltd.** a second time, adding a cash component to a deal that will value the data storage company at A\$3.4 billion (\$2.6 billion) including debt.

Boston-based Iron Mountain will offer 50 U.S. cents in addition to 0.1722 Iron Mountain shares for each Recall share, it said in a statement Monday. Recall investors will also have a choice of accepting A\$8.50 a share in cash, subject to a cap of A\$225 million, with preferential access to the cash pool for the first 5,000 shares owned by each shareholder.

Recall had been seeking improved terms after a fall in Iron Mountain's shares cut the value of its offer for the Atlanta-based company, people with knowledge of the matter said last week.

— Brett Foley

Today's Top Deals

TARGET	INDUSTRY	COUNTRY	ACQUIRER	VALUE (\$M)
Verallia SA	Packaging & Containers	FR	Apollo Global Management LLC	3,291
Motor Fuels Group Ltd	Retail	GB	Clayton Dubilier & Rice	763
COTA Commercial Bank	Banks	TW	Waterland Financial Holdings Co Ltd	213
Yapidmas Plantation Sdn Bhd, Sri Kehuma Sdn Bhd et al	Agriculture	MY	Felda Global Ventures Holdings Bhd	174
Cognex surface inspection systems division	Industrial	US	AMETEK Inc	160

Source: Bloomberg [MA<GO>](#)

Real estate assets, joint ventures and stock buybacks excluded

Apollo Offers \$3.3 Bln for Saint-Gobain's Verallia

Apollo Global Management LLC offered 2.945 billion euros (\$3.3 billion) for **Cie. de Saint-Gobain SA's** glass-packaging unit **Verallia**.

Saint-Gobain is in exclusive talks with Apollo over a deal, the Courbevoie, France-based company said in a statement today.

Saint-Gobain Chief Executive Officer **Pierre-Andre de Chalendar** said Thursday that Verallia attracted five bids. The company is selling the business as it refocuses on building materials. Saint-Gobain already sold the North American part of the unit to Ardagh Group SA for \$1.7 billion.

Saint-Gobain last year said it would seek to reach an agreement with a buyer before mid-2015. The company is also battling to take control of Swiss adhesives maker **Sika AG**.

— Francois de Beaupuy

Stifel to Buy Barclays Wealth-Management Unit

Stifel Financial Corp., the Missouri-based investment bank known for snapping up regional rivals and Wall Street castoffs, agreed to buy **Barclays Plc's** U.S. wealth-management business for an undisclosed price.

Barclays had about 180 financial advisers in the U.S. managing \$56 billion in total client assets as of May 31, St. Louis-based Stifel said Monday in a statement. Barclays had bought the unit with other Lehman Brothers Holdings Inc. operations in 2008 and was faulted by regulators last year for inadequate internal controls there.

Stifel Chief Executive Officer Ron Kruszewski has made more than two dozen acquisitions since taking the helm in 1997, including Sterne Agee Group Inc., KBW Inc. and Thomas Weisel Partners Group Inc. The Barclays's deal is expected to be completed in mid-November.

— Zeke Faux

INSIGHT: U.S. CABLE & WIRELESS

COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

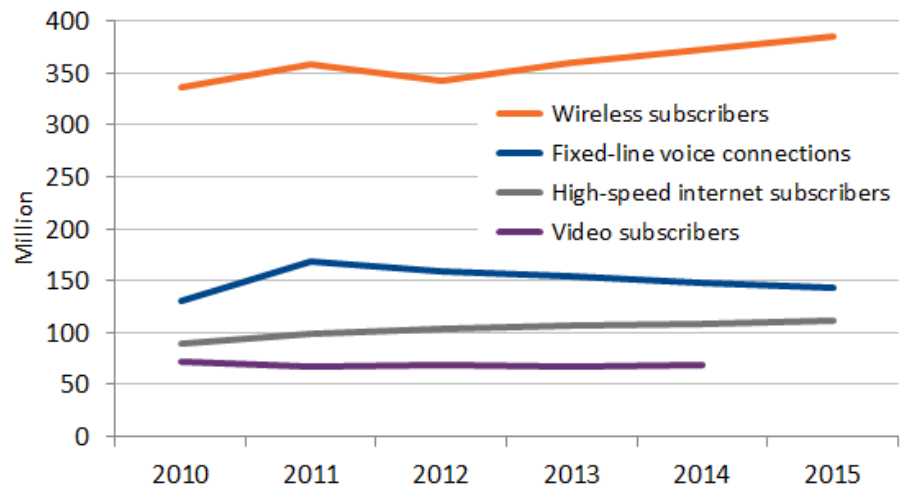
Comcast Could Be the Wild Card as DISH and T-Mobile Are Reported to Talk

Merger talks between satellite TV provider **DISH Network Corp.** and wireless carrier **T-Mobile US Inc.** are still preliminary and haven't progressed much, according to a Wall Street Journal story last week reporting the discussions. That could give **Comcast Corp.** a potential opening to make its own offer for **Deutsche Telekom AG's** 66 percent stake in T-Mobile.

Comcast said it doesn't intend to pursue M&A in the near future and would focus on core operations after terminating its takeover of **Time Warner Cable Inc.** in April. But French operator **Altice SA's** purchase of a 70 percent stake in **Suddenlink** (aka **Cequel Communications**) and **Charter Communication Inc.'s** revived plans to buy **Time Warner Cable Inc.** and **Bright House** might be catalysts for Comcast to make a bid for T-Mobile.

Demand for pay TV in the U.S. — Comcast's traditional core business —

U.S. Wireless, Broadband Bases Grow



Sources: *Wireless Intelligence, Ovum, SNL Kagan, U.S. Census* **BloombergBriefs.com**

has been slowly shrinking, with subscriptions last year down 4 percent from 2010.

Meanwhile, wireless carriers have continued to add subscribers.

— *Bloomberg Intelligence analysts Paul Sweeney and Geetha Ranganathan*

Wireless Video Challenges Cable Operators

A Dish-T-Mobile deal would leave Comcast with fewer options to enter the U.S. wireless market, given that **SoftBank Corp.** acquired control of **Sprint Communications Inc.** in 2015.

Comcast could use its 8.6 million Wi-Fi hotspots in conjunction with T-Mobile's wireless network to provide mobile data packages at faster speeds and reduced prices.

Global mobile video views rose 400 percent from 2012 to 2014, according to Ooyola, showing the need for pay-TV providers to have a viable mobile strategy as users increasingly use smartphones. Wireless carrier AT&T can potentially offer a mobile video solution with its pending deal to buy satellite cable company **DirecTV**. And T-Mobile Chief Executives Officer **John Legere** has suggested that cable operators are attractive partners, due to their strong relationship with content owners. Comcast's ownership of NBC-Universal adds to its allure.

U.S. broadband-only homes rose 7 percent to 11.7 million at the end of the first quarter, in the highest sequential jump on record, according to SNL Kagan. That signals intense competition for pay-TV services as consumers opt for over-the-top content services such as Sling TV and HBO Now delivered via broadband connections instead of buying content from cable operators.

The number of broadband-only homes is up 20 percent from

Pay TV Operators' Wi-Fi Offerings

	WI-FI HOTSPOTS (000)
Comcast	8,600
Cablevision	1,100
Time Warner Cable	400
Cox Communications	>20
Bright House	25
Charter Communications	3

Source: *Heavy Reading, company filings via Bloomberg Intelligence*

the first quarter of 2013, suggesting consumers may be giving up pay-TV subscriptions in a trend known as cord-cutting, opting for just broadband in addition to a streaming service such as Netflix for about \$10 a month.

If Comcast decided to make a bid for T-Mobile, a deal would give it 57 million wireless subscribers. This could help Comcast create a robust "quad-play" product for its 22 million subscribers, bundling video, fixed broadband and voice with mobile service. Such a deal would be unlikely to face regulatory obstacles, because the companies don't compete with each other.

— *Paul Sweeney and Geetha Ranganathan*

ACTIVISTS: SINGER VS. SAMSUNG

Singer Escalates Fight With Samsung's Lees on C&T Takeover Bid

BY ROSE KIM, SEONJIN CHA AND
KYUNGHEE PARK



Photo: Bloomberg/
Jacob Kepler
Paul Elliott Singer

Hedge-fund owner **Paul Elliott Singer** stepped up his battle with South Korea's most-powerful business family today by appealing for changes at **Samsung C&T Corp.** and lobbying its investors against a proposed takeover.

Elliott Associates

LP wrote to Samsung C&T asking it to use assets to help pay dividends and sent a separate letter to investors recommending they reject the bid from the Lee family's **Cheil Industries Inc.** Pension funds in South Korea have bought about 116 billion won (\$103 million) of Samsung C&T stock since the billionaire announced a 7.1 percent stake on June 4.

Singer's moves may make it harder for the Lees to reshape the Samsung Group conglomerate as they prepare for leadership transition to a new generation. Gaining control of Samsung C&T, which holds about \$12 billion of shares in other listed chaebol members, would help the family tighten their grip and boost ownership of crown jewel **Samsung Electronics Co.**

"There is a possibility that the deal may fall apart if Elliott is able to get enough investors to side with it," Chae Yi Bai, an analyst at the Center for Good Corporate Governance in Seoul, said Monday. "Elliott has triggered a mood among investors, especially the foreign ones, to review the deal again."

Elliott's stake makes it the third-largest investor behind South Korea's National Pension Service and **Samsung SDI Co.** The fund wrote to both shareholders, along with others, and said Cheil's offer isn't in the best interests of shareholders.

Shares of Cheil fell 6.9 percent to

183,500 won in Seoul, and Samsung C&T slumped 7.4 percent, the most in a year.

National Pension Service received the letter from Elliott and hasn't decided how it will vote on the proposed deal, a spokeswoman, Chi Young Hye, said Monday, declining to give details of the correspondence.

Cheil's offer for Samsung C&T provides an unfair stock ratio and should be opposed, Elliott said in the letter, according to an e-mailed statement from Samsung SDI.

Pension funds in South Korea bought Samsung C&T shares between June 4 and June 8, according to data from Koscom Corp., which didn't specify the funds.

Cheil, with interests spanning construction and a theme park, is offering 0.35 share for each Samsung C&T share, the companies said last month. The deal is valued at about \$8.9 billion at Monday's closing prices.

Elliott Associates Joins Legacy of Activist Funds Taking on Korea Inc.

BY BEI HU

Paul Elliott Singer's Elliott Associates LP, which led bondholders in the fight against Argentina on debt repayment, is now taking on Korea Inc. with its June 4 purchase of a stake in **Samsung C&T** and its declared intention to take a role in management.

Elliott has led holdout investors who rejected Argentina's efforts to renegotiate debt after a default in 2001 and instead won the right to full repayment in courts. In June 2014, the country was banned from honoring debt it issued in those restructurings in 2005 and 2010 until it pays \$1.7 billion to the Elliott-led group of investors.

The fund said last week that C&T's proposed takeover by **Cheil Industries Inc.** is "neither fair to nor in the best interests of Samsung C&T's shareholders." Shares of both companies surged in Seoul.

Elliott joins a list of activist funds that have attempted to influence Korean companies. Here's how they fared:

■ U.S. billionaire activist **Carl Icahn** and **Warren Lichtenstein** of the U.S. hedge fund **Steel Partners** ended a campaign to force changes at **KT&G Corp.** after South Korea's biggest tobacco company in 2006 announced plans to increase shareholder returns. They won about \$3 billion in concessions from KT&G after threatening to take over the company unless payouts to investors increased. Before their KT&G campaign, no foreign investor had ever succeeded in a hostile takeover. It prompted the business groups' lobby arm, the Federation of Korean Industries, to demand the government create counter-measures to fend off hostile takeovers.

■ Dallas-based **Lone Star Funds** was once the biggest foreign investors in South Korean financial assets. It exited Korea Exchange Bank in February 2012 with its stake sale to Hana Financial Group Inc. The fund founded by billionaire **John Grayken** won control of Korea Exchange Bank in October 2003, when

no local lenders were interested. It sold out after eight years, which saw Lone Star mired in entanglements with the courts, regulators and lawmakers. The Dallas-based fund made \$4.2 billion of profit from its original investment of \$2 billion.

■ **SK Telecom**, Korea's biggest mobile-phone company, in the late 1990s bowed to several demands from **Julian Robertson's Tiger Management LLC** and other overseas investors that had accumulated about 10 percent of the company. The company agreed to seek board approval for certain overseas investments and business transactions within the SK Group.

■ In 2005, Dubai-based **Sovereign Asset Management Ltd.** gave up its two-year attempt to oust the chairman of SK Corp., the name of South Korea's largest oil refiner before it was split. He had been convicted of fraud. Sovereign Asset sold its \$900 million stake that July.

ACTIVIST SITUATIONS

COMPILED BY MELISSA KARSH, BLOOMBERG BRIEF EDITOR

Significant Actions at Companies Targeted by Activist Investors

COMPANY	ACTIVIST	WHAT HAPPENED	STOCK LAST WEEK
Samsung C&T Corp	Elliott Associates LLP	Activist said June 4 it bought a 7.1% stake and called its proposed takeover by Cheil Industries "neither fair to nor in the best interests" of shareholders. Link on terminal: NSN NPG7I36S972B<GO>	
Nomad Holdings Ltd	Pershing Square Capital Management	Bill Ackman's fund disclosed June 2 that it owns almost 22% of company established to acquire food businesses. Link: NSN NPC3KV6KLVN6<GO>	
OM Group Inc	FourFront Capital Group LLC	Chemical maker that had been criticized by activist for being overcapitalized agreed June 1 to be acquired by Apollo Global for about \$1 billion. Link: NSN NPA8236JIUUP<GO>	
Sony Corp	Tomotsu Iba	Former Sony CFO criticized CEO Kazuo Kirai, saying he is abandoning company's traditional engineering focus. Link: NSN NP95C56JTSEA<GO>	

Source: Bloomberg News, [NI SHRHOLDACT<GO>](#)

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VERBATIM

Convergence Is Causing Telecom's 'Tectonic Plates' to Move: BT's Michael Rake



Photo: Bloomberg/
Jason Alden

Michael Rake, chairman of British telecom **BT Group Plc**, discussed convergence of technologies and consolidation in the telecommunications sector during a June 5 interview on Bloomberg TV with Anna Edwards. BT's 12.5 billion pound (\$19.6 billion)

deal to buy wireless carrier **EE Ltd.** from **Orange SA** and **Deutsche Telekom AG**, announced last year, is expected to be completed next year.

Rake's comments have been edited and condensed.

Q: We've been talking a lot in recent months about the consolidation that's taking place in the telecom sector. You've got your own deal pending with EE. How is that going at the moment?

A: We're just waiting for regulatory clearance. We hope to get that by the end of the year.

Q: There's a lot of consolidation taking place in the sector, isn't there? It must be complicated to get that regulatory clearance. I mean, we were reporting overnight that Vodafone and Liberty Global are in talks about all kinds of consolidation tie-ups. What would BT's response be to that?

A: Fixed-mobile convergence is

happening. There are huge demands on data, video, the use of technology and broadband. All of these things have been quite obvious for the last two years. And it was quite obvious that the tectonic plates were going to move to create scale to make the investments you need to provide what the public are demanding in terms of broadband, video access and data access. That's what we engaged with EE. That's why we did the EE deal and we think that will put us in a very strong position to invest to get the public what they need.

Q: And if we saw Vodafone and Virgin tie up, would that give you any reason to object?

A: No, we'd obviously have the lawyers look at that. But I think competition is a good thing and we're very happy to compete with anyone.

Q: You say the tectonic plates have been shifting. Is this all around quad play? Is quad play as popular with the customers as it is with the people like you who run big television?

A: So far in the United Kingdom I don't think quad play is yet there. Triple play clearly is there. And there's a demand for that. And there's an expectation that people might well move to quad play. And we're seeing that in other parts of the West, for example in Spain, quad play is beginning to take off. But our basic philosophy is based on the reach of triple

play, fixed-mobile convergence, giving the customers what they need when they need it, whatever they want. And we'll be in a position to do quad play as that moves forward.

A: There seems to be a number of areas where BT is up against possible regulatory challenges. One of them is around Openreach [BT's local access network subsidiary]. Do you foresee a situation where you're going to have to spin off Openreach?

A: No. If it hadn't been for the Openreach and BT investments, and five of them we started in 2008 in the depths of the recession, we would not have the super-fast broadband we have to 20 million homes today. It would have been completely counter to the interests of the U.K. and it's consumers for Openreach not to be part of BT.

Q: So BT will hang on to it?

A: Oh, yes.

Q: Do you think if you'd had different types of relationships with your competitors over recent years, they wouldn't be calling for it to be sold off?

A: No, and I don't really understand that positioning. I mean, we just want to get on at providing great service to our customers. We don't think it's an issue at all. We have good relationships with the people we work with and we supply to as well. And we'll continue to do that.



REGULATION

The Man Behind Japan's Governance Plan Is Feeling Pleased

BY TOM REDMOND AND TAKAKO
TANIGUCHI



Photo: Bloomberg/
Akio Kon
Kunio Ito

The architect of a revolution at Japanese companies is a happy man.

Sipping orange juice on the 45th floor of the Ritz Carlton hotel in Tokyo last week, **Kunio Ito** was about to celebrate another milestone, with the nation introducing

governance rules for companies that other developed countries have had for years. The snappily-dressed academic headed a 53-person group that spent more than a year reviewing business and financial markets, finally producing recommendations in August 2014 that foreshadowed many sweeping changes since, including the code for listed firms that took effect last week.

Prime Minister **Shinzo Abe's** governance overhaul takes aim at companies for ignoring profitability and having docile boards, and investors for staying silent as firms squandered their money. Now both groups have new standards prescribed by the government that they must meet or explain why they didn't. Ito already sees the impact.

"Foreign investors say there's a revolution going on in Japan and the country's DNA is changing," said the friendly 63-year old, a professor at Tokyo's Hitotsubashi University. "I can see why they're taking it this way."

Japan's push to make firms more daring comes after 15 years of deflation conditioned them to cling to cash, making them about half as profitable as global peers when measured by return on equity. It's also the result of a new urgency driven in part by fear of a stronger and more assertive China. A stock market languishing at about half its 1989 peak was further proof something needed to be done.

Change, when it came, was fast. In February 2014, the country started rules designed to make investors press companies to use capital better. Then

Ito's team published its review, which called for greater dialogue between owners and management and said every public firm should have ROE of at least 8 percent. On June 1, the country began its first code for companies, more than 20 years after the same process began in the U.K.

The measures seem to be working. ROE for members of the Topix index was 8.2 percent at the end of March, from 5.8 percent two years before. Sony Corp., Mitsubishi Heavy Industries Ltd. and NTT Docomo Inc. are among companies targeting double-digit ROE after the Ito review. Dividends and share buybacks surged 76 percent to \$104 billion last fiscal year.

*SMBC Nikko
Securities Inc.
estimates companies
could sell as much as
34.1 trillion yen in
cross-shareholdings.*

"Japanese companies tend to move together," said Ito, an outside director at Tokio Marine Holdings Inc., Seven & I Holdings Co. and at least four other firms. "We reached critical mass when Sony set its goal. I've been told they based it on our report."

Following the principles-based model used in Europe, the governance code gives companies the option to comply with its rules or explain why they didn't. They include appointing two independent directors and justifying any cross-shareholdings.

Having more outsiders on boards is expected to instill more discipline at firms as they seek higher profits. Reducing shares held for relationship purposes will free up capital for better uses, while replacing friendly shareholders with those

more interested in returns.

Just 416 of 1,880 companies on the Topix index, or 22 percent, had two or more independent directors as of their latest full-year filing. SMBC Nikko Securities Inc. estimates companies could sell as much as 34.1 trillion yen in cross-shareholdings.

David Herro, who oversees about \$35 billion as a portfolio manager and chief investment officer at Harris Associates, says it's great that the government is acting, but what's really needed is for Japan Inc. to realize why the changes are good.

"The big question is how companies are going to implement it," according to Jamie Allen, secretary general of the Asian Corporate Governance Association in Hong Kong. "Some will take it quite seriously. Others that don't care for this will find the simplest, most formulaic way around it, but over time the number of companies that see value in it will increase."

While positive about the code, Allen also wanted its provisions to apply to all companies in Japan, rather than just those on the first and second sections of the TSE. Two independent directors isn't enough, he said.

The success of the rules will depend on shareholders, according to Koji Watanabe, an official at the listing department of Japan Exchange Group Inc. They have to push companies whose explanations lack substance, he said.

"Investors have to try really hard on this," he said. "But it is about improving their returns. If it doesn't work, we could go back to a hard-law approach."

Ito, for one, is betting that won't be necessary. He's preparing to start a forum for management and investors that his review recommended, seeking to reinforce its central theme: governance as a dialogue in pursuit of better profitability. He's also looking to write a book on how Japan changed.

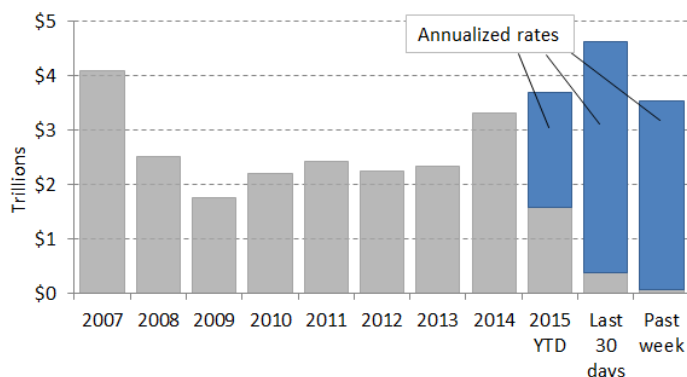
"This is a transformation of the country's companies and capital markets and it's fully under way," he said. "I didn't think Japan's firms would get this onboard with ROE."

WEEK IN REVIEW: M&A TRENDS

COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Intel and Four \$1 Billion-Plus Asian Deals

Pace of Dealmaking

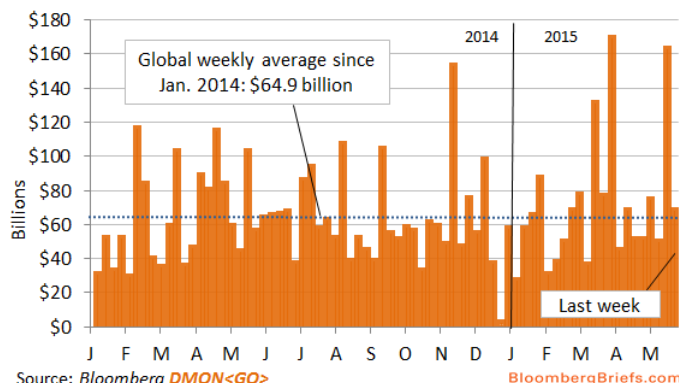
Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

Intel Corp.'s \$14.4 billion agreement to buy **Altera Corp.**, the largest new deal announced last week, accounted for 21.2 percent of total volume.

Nine deals worth *more than \$1 billion* were announced in the week ended June 5, according to data compiled by Bloomberg. Five were for U.S. targets. The other four were all in Asia: two for Chinese targets, one in South Korea and one in Mongolia.

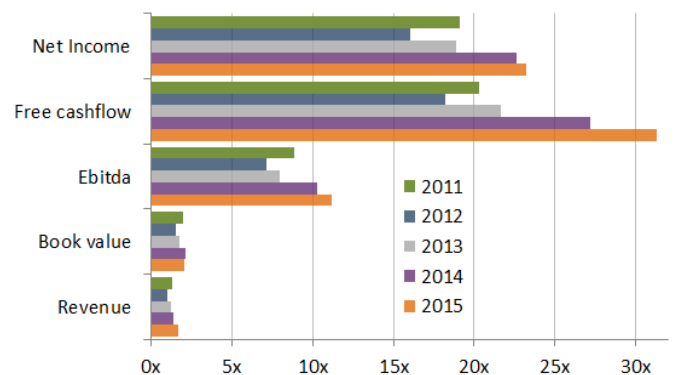
Volume Week by Week

Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

Global M&A volume was back closer to its 17-month average last week, after a surge the week before. At \$67.8 billion, the total was slightly above the average of \$64.9 billion since the beginning of last year.

Valuations

Source: Bloomberg [MA<GO>](#)

BloombergBriefs.com

Four of the five average valuation multiples we regularly monitor are up in 2015 through June 5, although four of the five are slightly lower than the year-to-date averages a month ago.

The revenue and free cash flow multiples have risen the most this year, according to data compiled by Bloomberg — to 1.72x and 31.3x, respectively. Those are based on 932 and 416 transactions, respectively.

The average book value multiple this year is 2.04x, down 4.2 percent from the 2.24x average in 2014. The 2015 average is based on 926 deals.

WEEK IN REVIEW: TOP DEALS

Largest Deals Announced May 30 - June 5

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
6/1	Altera Corp	Semiconductors	US	Intel Corp	US	14,355
6/3	Focus Media Technology Shanghai Co Ltd	Advertising	CN	Jiangsu Hongda New Material Co Ltd	CN	8,791
6/1	EFS Midstream LLC	Gas	US	Enterprise Products Partners LP	US	2,150
6/4	Mindray Medical International Ltd	Healthcare-Products	CN	Management Group	CN	2,019
6/2	Iron Mining International Mongolia Ltd, Shiny Glow Ltd, Mongolia New La Le GaoTe Iron Mining Co Ltd	Resources	MN	Zhongrun Resources Investment Corp	CN	1,971
6/4	Bio-Reference Laboratories Inc	Healthcare-Services	US	OPKO Health Inc	US	1,323
6/5	Harvard Drug Group LLC/The	Pharmaceuticals	US	Cardinal Health Inc	US	1,115
6/1	OM Group Inc	Chemicals	US	Apollo Global Management LLC	US	1,019
6/3	Coupang	Internet	KR	SoftBank Corp	JP	1,000
6/5	JA Solar Holdings Co Ltd	Energy-Alternate Sources	CN	Jinglong Group Co Ltd, private investor	CN	874
6/1	Bridger Logistics LLC	Oil&Gas	US	Ferrellgas Partners LP	US	838
6/1	TDR doo, tobacco and retail assets of Adris Grupa DD	Tobacco	HR	British American Tobacco PLC	GB	601
6/2	Hongta Creative Investment Holding Co Ltd	Investment Companies	CN	Qingdao Huaren Pharmaceutical Co Ltd	CN	569
6/1	Plus500 Ltd	Diversified Financial Services	IL	Playtech Plc	IM	560
6/1	Chevron New Zealand	Oil & Gas	NZ	Z Energy Ltd	NZ	556
6/1	Qunar Cayman Islands Ltd	Leisure Time	CN	Silver Lake Management LLC	US	500
5/31	Shandong Ruiyin Mining Industry Development Co Ltd	Holding Companies-Diversified	CN	Zhaojin Mining Industry Co Ltd	CN	440
5/30	Alior Bank SA	Diversified Financial Services	PL	Powszechny Zaklad Ubezpieczen SA	PL	436
6/1	Grontmij NV	Engineering & Construction	NL	Sweco AB	SE	416
6/5	Join Me Group HK Investment Co Ltd	Internet	HK	Wowo Ltd	CN	390
6/1	OM Group's electronic chemicals & photomasks unit	Chemicals	US	Platform Specialty Products Corp	US	365
6/2	Zhejiang Benbao Industrial Investment Co Ltd	Holding Companies-Divers	CN	Yantai Xinchao Industry Co	CN	357
6/3	Campofrio Food Group SA	Food	ES	Alfa SAB de CV	MX	354
6/2	Jinshan Environmental Protection Science & Technology	Environmental Control	CN	Nanfang Pump Industry Co Ltd	CN	345
6/5	Huzhou Zhanwang Pharmaceutical Co Ltd, Beijing ChoiceMMed Electronic Technology Co Ltd	Pharmaceuticals	CN	Tianjin Chase Sun Pharmaceutical Co Ltd	CN	332

Source: Bloomberg [MA:GO](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.

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BUYERS AND SELLERS

WHAT COMPANIES ARE SAYING ABOUT ACQUISITIONS AND DIVESTITURES

Memory Chipmaker Looks for Tuck-Ins After Big 2013 Acquisition

COMPILED BY JOHN E. MORRIS

Micron Technologies Inc.



Photo: Micron Technologies

The need for more R&D investment is helping to drive consolidation in the semiconductor industry, Micron Treasurer **Ken Rizvi** said at the Morgan Stanley Leveraged Finance Conference on June 4. The memory chipmaker completed its \$4.4 billion acquisition of Elpida

Memory Inc. in 2013 and announced the \$400 million sale of Aptina Imaging Corp., which it jointly owned, last year. His comments came after three \$10 billion-plus takeovers have been announced in the semiconductor industry since March, of Broadcom Corp., Freescale Semiconductor Ltd. and Altera Corp. His remarks have been edited and condensed.

Q: Could you just talk about M&A the and kind of tuck-in-type acquisitions — what competencies you're looking

to add to your portfolio?

A: It's really, how do we get more value for the technologies that we develop around DRAM and NAND, and how do we migrate more towards a solutions product portfolio. Part of that is adding firmware capabilities, controller technology, to develop storage devices for key end markets.

We continue to invest organically in those capabilities on the controller side, on the software side, on the firmware side. We continue to look at partnerships such as the Seagate partnership to enable us to speed up our go-to-market engine. And those are areas where we would potentially look at some small tuck-in acquisitions.

But, stepping back, a lot of that activity that we've done thus far has really been organically driven and partnership-driven.

Q: We've seen the wave of consolidation in the semiconductor space over the past couple of months. Does any type of tuck-in-type acquisition, larger-type scale M&A — does that fit Micron's DNA, or expanding outside of the core memory market. Is that something that the

company has ever considered?

A: We were one of the first to look at consolidation and scale as a necessity in order to compete on the long-term basis. If you looked in 2013, with the Elpida acquisition and the rework of some of our joint ventures, it really transitioned Micron from a scale perspective.

Looking back in 2008, our revenues were in that \$4 billion to \$5 billion range. If you look at our last fiscal year, we were north of \$16 billion in sales. So acquisitions have been part of our history in terms of consolidating within the memory segment.

I think what you're seeing in other segments outside of memory is that scale is becoming important, because if you look at our customer base and the requirements to invest in next-generation technologies and products for those key end markets, it requires more and more R&D dollars. So you're seeing scale come into effect with a number of transactions that have been announced over the last 12 months, similar to the path that Micron has taken in the memory space.

Source: Bloomberg Transcripts [NH BT <GO>](#)

More Executives on M&A Plans Last Week

SECTOR	DATE	COMPANY	WHAT THEY SAID
OIL & GAS	June 5	Quadrant Energy Pty	Private equity-backed Australian spinoff of Apache Corp. is looking for acquisitions, particularly on Australia's west coast, CEO said. Link on terminal
MANUFACTURING	June 4	Rockwell Collins Inc.	Acquisition of information systems company ARINC in 2013 creates many more acquisition opportunities in that field, CFO said at a conference. Link
TECHNOLOGY	June 4	Proofpoint Inc.	Acquisitions are a "core part of our strategy," enterprise software maker's CEO said in an interview. Most targets will be smaller, private companies, he said. Link
MEDICAL DEVICES	June 3	ReWalk Robotics Ltd.	Maker of devices to help spinal cord injury victims walk aims to be a "sustainable standalone" company and is not aiming to sell company, CEO said in an interview. Link
PHARMACEUTICALS	June 3	Merck KGaA	German drugmaker isn't looking for major acquisitions and is focused on deleveraging after Sigma-Aldrich purchase, deputy CEO said in an interview. Link
CHEMICALS	June 3	Celanese Corp.	Chemical maker looked at 30 or 40 potential targets last year and is looking at a number now, president of materials solutions said at a conference. Link

Source: Bloomberg News, Bloomberg Transcripts



SPECIAL REPORT

Canada Economic Summit

Read it here.



Q&A

Lack of IPOs, Fewer Worries About People Issues Spur Tech M&A: Latham's Kaufman

Technology M&A has increased as companies have become less worried about losing key employees after a merger, **Latham & Watkins** partner **Christopher 'Kit' Kaufman** told Bloomberg Brief's Hema Parmar and John E. Morris. Kaufman was lead counsel to semiconductor maker **Avago Technologies Ltd.**'s \$29.8 billion cash-and-stock purchase of **Broadcom Corp.**, which employed an unusual structure to allow Broadcom shareholders to be paid entirely in restricted stock if they choose. He also advised Avago on its \$5.6 billion deal for LSI Corp. in 2013 and was counsel to Lucasfilms Ltd. on its \$4 billion sale to Walt Disney Co. in 2012. Kaufman's remarks have been edited and condensed.

Q: Where do you expect to see the most M&A tech activity?

A: I think there should be an increase of activity throughout. I think tech is increasingly unafraid of consolidation, whereas before there was always the view that tech was so dependent on the people, and the people went out the door each and every day. You always had to be worried about M&A activity because the lifeblood of the company could walk out the door. People and businesses seem to be much less worried about that than they were five, 10 years ago.

Q: Why is that?

A: I think there are a number of reasons. Some of it is these companies are mature. [But] they aren't all mature companies that are bought. If you look at acquisitions that Facebook, Google and Cisco had made, they aren't all mature companies.

I think there is more confidence today that you can put together companies and you can continue to make it work. And you will not have lost what made the company great.

When you take the semiconductor industry, the market has not been horribly receptive to an IPO, and people want liquidity at some point, and you're going to see more of that activity.

Q: You've witnessed a number of M&A cycles over the years. What's different in deals today?

A: I'm not sure that a great deal has changed, but I would provide a couple of thoughts.

One is that, if you go back far enough, most technology deals were stock for stock deals, in part because the buyers historically, before they got as big as they are today, didn't have the cash. And in part because the view was the way you put two technology companies together was, in effect, to keep them together by common equity. So if you go back 15, 20 years, if you look at the deals, many, many were stock-for-stock deals or a combination rather than an acquisition. I think the tech companies are much more comfortable than they used to be using cash, leveraging up. They're not afraid to borrow. If you take both the NXP[-Freescale] deal and Avago deal, it will involve debt.

Q: Any changes in deals structurally you've seen in the last year or two?

A: Ours was more complicated than anybody's. Within a cash-and-stock deal, which is roughly 50/50, we wanted to assure people who wanted to keep an investment and who believed in the combined company. We structured the deal so people who wanted that could have it. And it proved to be complicated to do, but that's the basis for the structure. There are two kinds of equity as well as cash. And if they pick one kind of equity [a new restricted stock that cannot be traded for a year or two] which is made for long-term participants — people who are willing to stick with the stock — they are guaranteed to get stock [instead of a pro-rated mix of cash and stock].

Q: Has that structure been used before?

A: I'm not aware of it being used in exactly this manner. What it says is that for people who want a long-term investment in the combined entities, they can have it. And they'll get that with respect to the shares they elect.

[Editor's note: Two other M&A lawyers said they could not recall this structure in other mergers.]

AT A GLANCE

**Age:** 70**Based in:** Menlo Park, CA**Hometown:** Today, Woodside, California; originally, Winnetka, Illinois**Career history:** Heller, Ehrman, White & McAuliffe; Latham & Watkins since 1990**Degrees:** B.A. in English Literature, Amherst College; J.D., Harvard Law School**Recommended book:** Middlemarch**Favorite toy:** BMW i3**Best recent vacation:** Rwanda and Tanzania**Favorite sports team:** Tennis, Roger Federer, so not really a team**If you could have another career:** Film critic

G-7 ECONOMIC FORECASTS

A review of consensus forecasts for Group-of-Seven economies.

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BRIEF

DEAL ARBITRAGE

TARGET	ACQUIRER	DEAL SIZE (M)	EXPECTED COMPLETION DATE	OFFER PER SHARE	TARGET PRICE	PAYMENT TYPE	SPREAD	PROJECTED ANNUALIZED RETURN	1W CHANGE IN SPREAD	MAJOR MOVE*
Altera Corp	Intel Corp	14,355	03/31/16	54.00	51.46	Cash	4.9%	6.0%	-4.8%	▼
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	70.22	64.68	C&S	8.6%	15.0%	0.2%	
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	9.76	Cash	58.7%	-	0.5%	
Broadcom Corp	Avago Technologies Ltd	29,806	03/31/16	58.73	54.35	C/S	8.1%	9.8%	3.0%	▲
Catamaran Corp	UnitedHealth Group Inc	13,227	12/31/15	61.50	60.18	Cash	2.2%	3.8%	-0.6%	
City National Corp/CA	Royal Bank of Canada	5,317	12/31/15	95.17	92.55	C&S	2.8%	4.9%	-0.1%	
Cleco Corp	BC Investment Management Corp. et al	4,685	12/31/15	55.37	54.05	Cash	2.4%	4.3%	0.4%	
Crestwood Midstream Partners LP	Crestwood Equity Partners LP	5,238	09/30/15	13.20	12.88	Stk	2.5%	7.8%	-0.1%	
DIRECTV	AT&T Inc	66,044	06/30/15	94.36	91.68	C&S	2.9%	42.6%	-0.6%	
Dresser-Rand Group Inc	Siemens AG	7,640	09/30/15	85.20	84.60	Cash	0.7%	2.2%	0.7%	
Family Dollar Stores Inc	Dollar Tree Inc	9,093	07/31/15	78.89	78.38	C&S	0.7%	4.2%	-0.3%	
Freescale Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	43.92	43.12	C&S	1.9%	3.2%	0.3%	
Hospira Inc	Pfizer Inc	16,807	12/31/15	90.00	88.41	Cash	1.8%	3.1%	0.0%	
Informatica Corp	Canada Pension Plan Investment Board, Permira	4,784	09/30/15	48.75	48.50	Cash	0.5%	1.6%	-0.2%	
Integrus Energy Group Inc	Wisconsin Energy Corp	8,929	09/30/15	69.92	69.02	C&S	1.3%	4.1%	-0.3%	
Lorillard Inc	Reynolds American Inc	26,477	06/30/15	71.49	71.06	C&S	0.6%	8.7%	0.1%	
MeadWestvaco Corp	Rock-Tenn Co	9,713	06/30/15	49.80	49.70	Stk	0.2%	3.0%	-0.3%	
Mylan NV	Teva Pharmaceutical Industries Ltd	34,826	-	82.00	74.14	C&S	10.6%	-	-2.0%	
Office Depot Inc	Staples Inc	5,854	12/31/15	10.85	9.28	C&S	16.9%	29.5%	-0.1%	
Omnicare Inc	CVS Health Corp	11,294	12/31/15	98.00	94.85	Cash	3.3%	5.8%	0.5%	
Pall Corp	Danaher Corp	13,779	12/31/15	127.20	124.80	Cash	1.9%	3.4%	-0.3%	
PartnerRe Ltd	EXOR SpA	5,911	12/31/15	137.50	131.93	Cash	4.2%	7.4%	-0.4%	
PartnerRe Ltd	Axis Capital Holdings Ltd	5,313	09/30/15	117.63	131.93	Stk	-10.8%	-33.8%	-2.1%	▼
Pepco Holdings Inc	Exelon Corp	12,185	09/30/15	27.25	27.04	Cash	0.8%	2.4%	0.8%	
Perrigo Co PLC	Mylan NV	34,870	-	245.52	191.26	C&S	28.4%	-	1.3%	
Sigma-Aldrich Corp	Merck KGaA	16,395	-	140.00	138.25	Cash	1.3%	-	0.8%	
Synageva BioPharma Corp	Alexion Pharmaceuticals Inc	7,941	-	220.47	215.56	C&S	2.3%	-	-2.0%	▼
Time Warner Cable Inc	Charter Communications Inc	79,250	12/31/15	194.10	178.06	C&S	9.0%	15.7%	0.1%	
UIL Holdings Corp	Iberdrola SA	4,609	12/31/15	52.75	48.97	C&S	7.7%	13.5%	3.6%	▲
Williams Partners LP	Williams Cos Inc/The	14,129	09/30/15	54.38	53.05	Stk	2.5%	7.8%	0.4%	

MARB <GO> North American deals

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock



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REAL ESTATE

Second-Tier Cities:
A Millennial Migration

EDITOR'S CORNER

Keeping Track of the Deals That Aren't Quite Deals Yet

BY JEFFREY MCCrackEN, MANAGING EDITOR, GLOBAL M&A AND DEALS

"The pipeline is full." It's a cliché M&A bankers and lawyers have mastered when a reporter or analyst asks if they are busy.

Sometimes, like in 2009 to 2011, they were probably overstating things. Today is a different story. Through the [end of May](#), M&A activity stood at \$1.5 trillion, 21 percent above last year at this point. And last year it hit \$3.3 trillion, the most since 2007.

All the enormous deals in recent days, from the \$79 billion **Charter Communications Inc.** dropped on **Time Warner Cable Inc.** to **Avago Technologies Inc.**'s \$29.8 billion bid for **Broadcom Corp.**, can almost take your breath away. Today **Intel Corp.** [said](#) it will pay \$14.3 billion for semiconductor maker **Altera Corp.**

Those are just the agreed deals. What may be more notable: all the transformational deals that have been proposed or reported to be in the works. By Bloomberg's count, there are more than \$500 billion of deals in that category.

The biggest such transaction we know of is **Monsanto Co.**'s \$47 billion rejected offer for Swiss agricultural chemicals rival **Syngenta AG**. Monsanto is still hoping to overcome Syngenta's resistance and could return soon.

Friday it emerged that health insurer **Humana Inc.** is exploring a sale after being approached by **Cigna Corp.** — a deal that would likely end up north of \$32 billion.

And there's the three-way situation kicked off when **Mylan NV** made an unsolicited \$32.7 billion offer for **Perrigo Co. Plc**, which prompted **Teva Pharmaceutical Industries Ltd.** to offer \$40.1 billion for Mylan.

Those are just the not-yet-sealed deals that reporters have unearthed. It makes clear that the pipeline this year is, indeed, quite full.



QUOTED

"God knows how any of you can place your vote based on ISS or Glass Lewis. If you do that, you are just irresponsible. I'm sorry. And you probably aren't a very good investor either. And you do, believe me, I know some of you in here do it because you're lazy."

— **JP Morgan Chase** Chairman and CEO **Jamie Dimon** [referring](#) to proxy advisory firms, who recommended that the bank's shareholders vote against its executive compensation proposal last month. Forty percent did.



Debt ratings have been dropped for three holdings of **American Energy Partners**, former **Chesapeake Energy** CEO **Aubrey McClendon**'s investment firm. Squeezed by lower oil prices, bonds of one of AEP's oil and gas companies trade at less than 50 cents on the dollar and the company has proposed a [debt swap](#) to extend maturities.

Big Mergers Reported to Be in the Works

REPORTED	TARGET	ACQUIRER*	EST. DEAL VALUE (\$M)
4/29	Salesforce.com inc	Microsoft Corp	47,493
4/30	Syngenta AG	Monsanto Co	47,152
5/29	Humana Inc.	Cigna Corp	32,000
4/26	HSBC U.K. retail business	—	30,330
5/8	Visa Europe Ltd	Visa Inc	20,000
4/22	Clariant AG	Dow Chemical Co	10,008
4/24	GE US private equity lending unit	Potential Buyer	10,000
3/26	Clariant AG	Evonik Industries AG	9,222
4/10	Veritas Software Corp	—	8,000
5/20	Transatlantic Holdings Inc	Potential Buyer	6,500
3/20	Various Halliburton assets	—	5,000

Source: Bloomberg [MA<GO>](#) Largest possible transactions reported in the past three months.

*Dash indicates target is reported to be for sale with no buyer yet identified

WEEK IN NUMBERS

■ **24.8x:** Ebitda multiple **Intel** is [paying](#) for **Altera**

■ **\$100 million a year:** **Hain Celestial**'s annual [budget](#) for M&A through 2018

IN THIS ISSUE

INSIGHT. [Chipmaking M&A](#) is at a record high with **Intel**'s deal today for **Altera** and **Avago**'s agreement to buy **Broadcom**. Plus, what **Broadcom** [brings](#) **Avago**.

DEAL ROSTER. [Financial and legal](#) advisers on **Avago-Broadcom**.

BUYERS & SELLERS. IT outsourcer **Cognizant** wants to make more [small acquisitions](#).

TODAY'S DEALS

Intel to Acquire Chipmaker Altera on Heels of Avago-Broadcom Deal

BY IAN KING

Intel Corp. said it agreed to buy **Altera Corp.** in a deal valued at \$14.3 billion that will take out yet another chipmaker and add to a record year for industry consolidation.

The world's largest chipmaker will pay \$54 a share in cash for the maker of programmable logic semiconductors, Intel said today. That's a premium of 11 percent over Altera's closing share price on Friday and 56 percent from March 26, the day before the possibility of a transaction was first reported.

Intel, like other chipmakers, is seeking a way to mitigate slowing growth amid rising costs and trying to defend its most profitable business. The largest deal ever in the \$300 billion semiconductor business was announced last week when **Avago Technologies Ltd.** agreed to buy **Broadcom Corp.**

"Management teams are looking at their business and predicting little growth going forward," said Gus Richard, an analyst at Northland Securities Inc. "The M&A wave is a function of them trying to drive

earning growth. Intel's purchase of Altera is one of the few strategic moves that is being made currently."

Intel's Altera purchase and Avago's Broadcom deal makes 2015 already a record year for semiconductor dealmaking.

The transaction will add to Intel's non-GAAP earnings per share and free cash flow in the first year after it closes, which is expected within six to nine months, the company said. It will be funded with cash and debt.

Altera earlier rejected an Intel bid, spurring some shareholders to pressure Altera to reconsider an offer they thought valued the company higher than it would be on its own.

Intel has been looking for growth beyond the struggling personal-computer market, which has been declining since it peaked in 2011. Altera chips are used in a variety of markets ranging from communications to consumer electronics.

Altera's devices can have their function updated, even after they've been installed in end-devices. While they're sold in

relatively small volumes, programmable logic usually requires the latest in production technology because it's some of the largest chips in the industry.

Intel Chief Executive Officer **Brian Krzanich** is trying to find more customers, outside of his own chip business, for Intel's factory network, which the company says is the most advanced in the industry.

Acquiring Altera may help Intel defend and extend its most profitable business: supplying server chips used in data centers. While sales of semiconductors for PCs are declining as more consumers rely on tablets and smartphones to get online, the data centers needed to churn out information and services for those mobile devices are driving orders for higher-end Intel processors and shoring up profitability.

Sales at Intel's data-center division rose 19 percent in the first quarter as Internet companies such as Google Inc. and Facebook Inc. built out their server operations.

Enterprise to Buy Eagle Ford Pipeline Unit for \$2.15 Billion

BY JIM POLSON

Enterprise Products Partners LP agreed to buy a pipeline and processing company in Texas from **Pioneer Natural Resources Co.** and **Reliance Industries Ltd.** for \$2.15 billion, adding systems that feed exports of slightly processed oil.

Under the agreement, Pioneer and Reliance will use the EFS Midstream LLC pipeline system for 20 years, including a minimum volume requirement for the first seven years, Houston-based Enterprise said in a statement today. The system is in the Eagle Ford, the most prolific oil field in the U.S.

The joint venture established in 2010 by Pioneer and India's Reliance owns plants that separate natural gas from crude condensate, enabling that light oil to be exported under U.S. rules. It also owns 460 miles of pipelines.

Pioneer exported 7,000 barrels of condensate daily from the Eagle Ford in this year's first quarter and wants to

double that, Chief Operating Officer **Timothy Dove** told investors on a May 6 earnings call. Pioneer and Enterprise won approval for exports from the Commerce Department in 2014. Condensate is a light oil purchased in Europe and Asia as a substitute for naphtha, he said.

Pioneer announced the intended sale in November. The company, which owns 50.1 percent of the venture, said at the

time it intended to spend the proceeds on wells in the Permian Basin of Texas and to bolster its balance sheet after crude prices dropped.

Energy Transfer Equity LP and Williams Cos. also bid on the unit, people with knowledge of the matter said in January.

Enterprise said the transaction is expected to close in the third quarter.

Today's Top Deals

TARGET	COUNTRY	INDUSTRY	ACQUIRER	VALUE (\$M)
Altera Corp	US	Technology	Intel Corp	14,320
Eagle Ford Shale pipeline and processing assets	US	Oil & Gas	Enterprise Products Partners LP	2,150
OM Group Inc	US	Basic Materials	Apollo Global Management LLC	1,019
Adris tobacco and retail assets	CZ	Tobacco	British American Tobacco PLC	601
Plus500 Ltd	IL	Financial	Playtech Plc	563

Source: Bloomberg [MA<GO>](#)

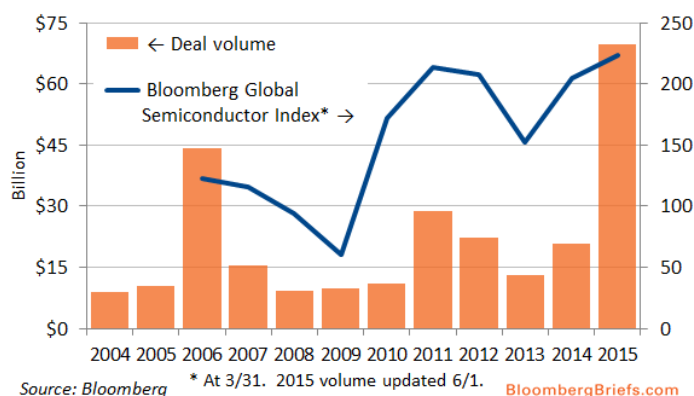
Real estate assets, joint ventures and stock buybacks excluded

INSIGHT: SEMICONDUCTORS

COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Broadcom, Altera Deals Push Chipmaker M&A to a Record

YTD Volume Is 57% Above Previous Peak



Avago Technologies Ltd.'s May 28 deal for wireless chipmaker **Broadcom Corp.** is the largest ever in the semiconductor industry and will create the world's sixth-largest chipmaker by revenue. It was followed by the announcement today that **Intel Corp.**, the world's largest semiconductor maker, *will buy Altera Corp.*

The deals are the latest in a round of consolidation in the \$300 billion industry as the rising costs of production and design push manufacturers to combine. The biggest previous deal in the sector until the past week was the leveraged buyout of **Freescale Semiconductor** in 2006, followed by **NXP Semiconductors**'s agreement this March to buy Freescale.

Avago has been at the forefront of the merger wave with several acquisitions, including its \$5.6 billion purchase of LSI Corp. announced at the end of 2013.

Singapore-based Avago makes semiconductors for the cellular, automotive and defense industries. Irvine, California-based Broadcom is the biggest maker of Wi-Fi chips for short-range connections in mobile devices.

Largest Deals for Semiconductor Makers

ANNOUNCED	TARGET	ACQUIRER	VALUE (\$M)	TV/EBITDA	PAYMENT*
5/28/15	Broadcom Corp	Avago Technologies Ltd	29,806**	27.0x	C or S
9/15/06	Freescale Semiconductor Inc	Blackstone Group LP, Carlyle Group LP, TPG Capital, Permira, Battery Ventures, AXA SA	16,222	11.2x	Cash
3/2/15	Freescale Semiconductor Ltd	NXP Semiconductors NV	15,769	15.8x	C&S
6/1/15	Altera Corp	Intel Corp	14,300	24.8	Cash
8/3/06	NXP BV	KKR & Co, Silver Lake Management LLC, Apax Partners LLP, Bain Capital Partners LLC, Alpinvest, AXA SA	9,473	na	Cash
6/21/00	Burr-Brown International Holding Corp	Texas Instruments Inc	6,621	70.8x	Stock
4/4/11	National Semiconductor Corp	Texas Instruments Inc	6,407	10.9x	Cash
12/16/13	LSI Corp	Avago Technologies Ltd	5,596	16.5x	Cash
7/24/06	ATI Technologies Inc	Advanced Micro Devices Inc	5,028	3136.8x	C or S
5/4/11	Varian Semiconductor Equipment Associates Inc	Applied Materials Inc	4,572	14.6x	Cash
1/7/00	Worldwide Semiconductor Manufacturing Corp	Taiwan Semiconductor Manufacturing Co Ltd	4,541	na	Stock
7/2/12	Elpida Memory Inc	Micron Technology Inc	4,426	2.2x	Cash
12/4/06	Agere Systems Inc	LSI Corp	3,778	18.9x	Stock
12/10/12	Renesas Electronics Corp	Innovation Network Corp of Japan	3,736	8.5x	Cash
9/12/11	NetLogic I LLC	Broadcom Corp	3,397	156.6x	Cash
7/9/12	ASML Holding NV (15%)	Intel Corp	3,077	10.8x	Cash
12/14/11	Novellus Systems Inc	Lam Research Corp	2,831	7.6x	Stock
8/15/05	Avago Technologies Ltd	KKR & Co LP, Silver Lake Management LLC	2,660	na	Cash
9/7/09	GLOBALFOUNDRIES Singapore Pte Ltd	Advanced Technology Investment Co	2,530	7.8x	Cash
8/20/14	International Rectifier Corp	Infineon Technologies AG	2,277	13.6x	Cash

Source: Bloomberg [MA<GO>](#)

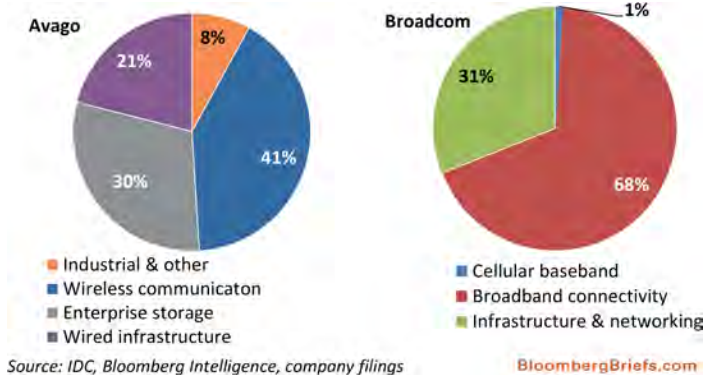
*C or S = cash or stock C&S = cash and stock **Deal announcement gave a \$37 billion deal value based on cash and stock. Value here factors in \$3.9 billion of net cash at Broadband and is based on 20-day average of Avago's share price.

DEAL FOCUS: AVAGO-BROADCOM

COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Merged Chipmaker Would Have Strong Product Offerings, Customer Concentration

Companies Have Complementary Products

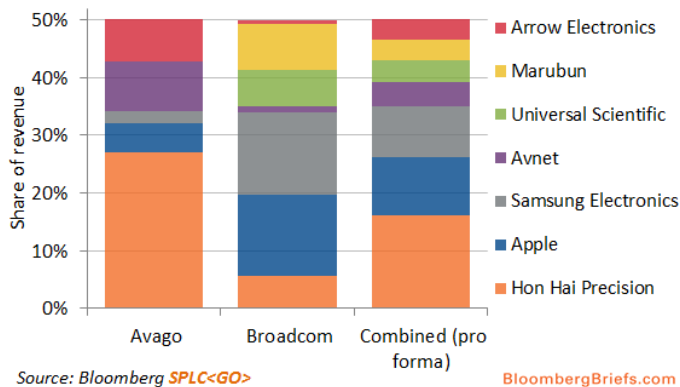


An **Avago Technologies-Broadcom** combination would create a communication- and storage-chip leader capable of competing in multiple large and profitable markets. Its combined position in storage, hard-drive and networking controllers would be strong, as would its presence in handsets, creating synergies in R&D and manufacturing and reducing SG&A. The combined consensus 2015 sales projection is \$15.4 billion, making it a top 10 chipmaker, surpassing Texas Instruments.

With the acquisition of Broadcom's Wi-Fi, Bluetooth and NFC chips, Avago may be seeking to complement its radio frequency, filter and power amplifier expertise in the wireless communications market. Pairing Avago's leadership in front-end modules with Broadcom's in connectivity chips may allow the company to increase silicon content within smartphones. This could help it become a more important chip supplier to handset makers such as Samsung and Apple.

— Anand Srinivasan & Eshani Gupte, Bloomberg Intelligence analysts

Companies Share Key Customers



Apple Inc. and **Samsung Electronics Co.** buy radio frequency chips from Avago and Wi-Fi elements from Broadcom. Together, the two customers account for about 22 percent of sales for a combined Avago-Broadcom. At each company, the top seven customers provide 50 percent of revenue, and that would be true of the merged business as well.

Customers' use of Hon Hai as a contract manufacturer furthers exposure indirectly.

Avago-Broadcom may risk losing customers who shun too much exposure to the combined company. As some hardware makers promote their own chips, they may view the deal as an opportunity to move on. Significant clients of both firms include Apple and Samsung for handset chips, and **Cisco Systems Inc.** for data center products.

— Anand Srinivasan & Eshani Gupte

SPECIAL ISSUE

CHINA'S SMOG
Clearing Skies Without Killing Growth

Read it here.

**Bloomberg
BRIEF**

COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

financial adviser, as it did on the LSI deal, and as counsel it retained **Latham & Watkins LLP**, which also advised it on LSI. And **Skadden, Arps, Slate, Meather & Flom**, which was counsel to LSI, showed up again across the table from Avago, advising Broadcom.

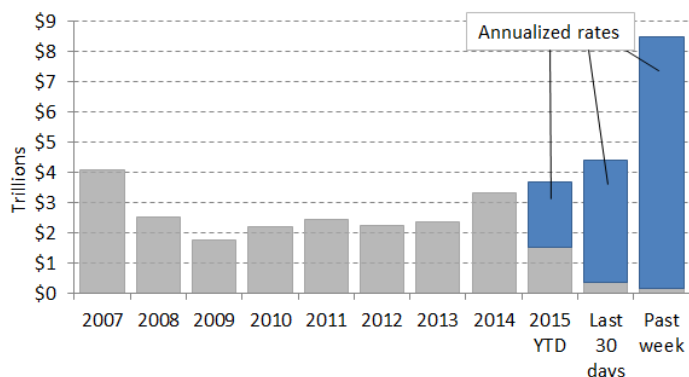
William M. Kelly, *corporate partner*
Kirtree Kapoor, *corporate partner*
Neal A. Potischman, *corporate partner*

WEEK IN REVIEW: M&A TRENDS

COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Charter Communications, Avago and a Samsung Consolidation Make for a Busy Week

Pace of Dealmaking

Source: Bloomberg [DMON<GO>](#)

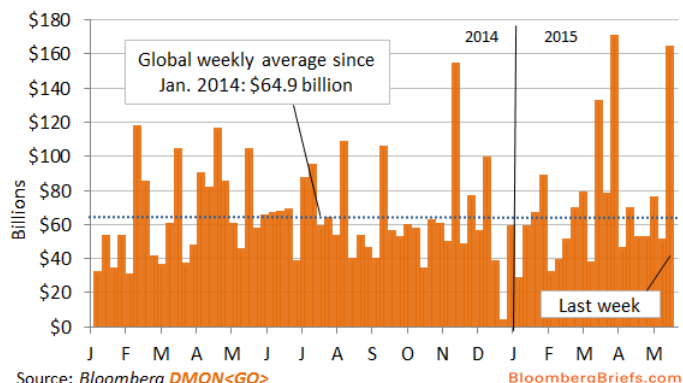
BloombergBriefs.com

Global M&A volume soared to \$163 billion last week on the back of three giant transactions with a combined value of \$120 billion: **Charter Communications Inc.**'s takeover of another cable operator, **Time Warner Cable Inc.**, **Avago Technologies Ltd.**'s merger with rival chip maker **Broadcom Inc.** and **Cheil Industries Inc.**'s offer to buy **Samsung C&T Corp.**, a step toward consolidating the various entities in the Samsung family of companies.

Fourteen new mergers *worth at least \$1 billion* were announced last week, according to data compiled by Bloomberg.

Last week's deals kept 2015 on pace to be the busiest year in M&A since 2007.

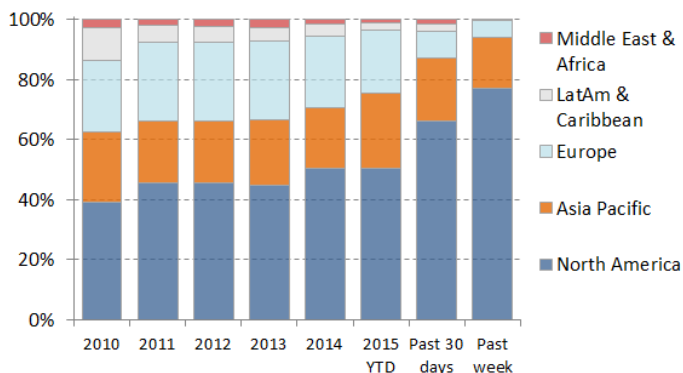
Week-by-Week Volume

Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

Last week was the second most active in the last 17 months, topped only by the week of April 6, when **Royal Dutch Shell Plc** announced its \$79.3 billion agreement to buy **BG Group Plc**, the largest deal announced this year.

Regional Breakdown

Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

The Time Warner Cable deal alone made up nearly half the week's aggregate deal value. North American targets made up 79 percent of that figure. The total was boosted by the Broadcom merger and two \$4 billion transactions involving **Liberty Broadband Corp.**, Charter Communication's largest shareholder, to help finance the Time Warner Cable acquisition.

WEEK IN REVIEW: TOP DEALS

Largest Deals Announced May 23 to May 29

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
5/26	Time Warner Cable Inc	Media	US	Charter Communications Inc	US	79,250
5/28	Broadcom Corp	Semiconductors	US	Avago Technologies Ltd	SG	29,806
5/26	Samsung C&T Corp	Distribution/Wholesale	KR	Cheil Industries Inc	KR	10,938
5/26	Liberty Broadband Corp (minority stake to help finance Charter's purchased of Time Warner)	Media	US	JANA Partners LLC, Soroban Capital Partners LP, Liberty Ventures, Coatue Management LLC	US	4,400
5/26	Charter Communications Inc (additional minority stake to help fund Time Warner purchase)	Media	US	Liberty Broadband Corp	US	4,300
5/28	NXP's radio frequency power unit	Semiconductors	NL	JianGuang Asset Management Co Ltd	CN	1,800
5/27	Nomura Real Estate Office Fund Inc	REITS	JP	Nomura Real Estate Master Fund Inc	JP	1,630
5/25	Sektor Gruppen AS	Real Estate	NO	Citycon OYJ	FI	1,615
5/25	Mudanjiang Youbo Phamarceutical Co Ltd	Pharmaceuticals	CN	Jiuzhitang Co Ltd	CN	1,492
5/28	Labco SA	Healthcare-Services	FR	Cinven Ltd	GG	1,312
5/25	Jta Star KK, Japan Beverage Holdings Inc, Brands/Roots & Momono Tennensui, Japan Beverage Ecology Inc	Food & Beverages	JP	Suntory Beverage & Food Ltd	JP	1,235
5/25	Sirius Resources NL	Mining	AU	Independence Group NL	AU	1,226
5/26	Virtustream Inc	Software	US	EMC Corp/MA	US	1,200
5/26	Legacy Oil + Gas Inc	Oil&Gas	CA	Crescent Point Energy Corp	CA	1,181
5/27	Nomura Real Estate Residential Fund Inc	REITS	JP	Nomura Real Estate Master Fund Inc	JP	870
5/25	Haier Singapore Investment Holding Co Ltd	Investment Companies	SG	Qingdao Haier Co Ltd	CN	786
5/26	Applegate Farms LLC	Food & Beverages	US	Hormel Foods Corp	US	775
5/25	Barrick Gold Corp Cowal Gold Mine	Mining	AU	Evolution Mining Ltd	AU	550
5/25	Jiangxi Lianchuang Electronics Co Ltd	Electronics	CN	Hemp Industrial Investment Co Ltd	CN	547
5/25	Jiutong Jiye Investment Co Ltd	Investment Companies	CN	China Fortune Land Development Co Ltd	CN	500
5/28	Integrated Silicon Solution Inc	Semiconductors	US	Cypress Semiconductor Corp	US	493
5/25	Jiangdong Fittings Equipment Co Ltd, Zhongtian Broadband Technologies Co Ltd, Zhongtian Superalloy Technology Co Ltd	Various	CN	Jiangsu Zhongtian Technology Co Ltd	CN	465
5/27	Rally Software Development Corp	Software	US	CA Inc	US	448
5/26	CTBC Financial Holding Co Ltd	Diversified Financial Services	TW	China CITIC Bank Corp Ltd	CN	424
5/26	Ivanhoe Kamao copper deposit	Resources	CD	Zijin Mining Group Co Ltd	CN	412

Source: Bloomberg [MA<GO>](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.

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BUYERS AND SELLERS

WHAT COMPANIES ARE SAYING ABOUT ACQUISITIONS AND DIVESTITURES

Outsourcing Company Wants to Accelerate Smaller Acquisitions

COMPILED BY JOHN E. MORRIS

Cognizant Technology Solutions Corp.



Photo: Cognizant

The outsourcing company wants to accelerate its "tuck-in" acquisitions, Chief Financial Officer **Karen McLoughlin** said at the Cowen & Co. Technology Media & Telecom Conference May 27. Cognizant may pause before doing more deals,

however, while it integrates health-care technology provider TriZetto Corp., which it acquired for \$2.7 billion in November, she said. Her remarks have been edited and condensed.

Q: Some of us were hoping last year that maybe you're going to see a dividend payment introduction. You had that capability and I probably had less of it after the TriZetto acquisition. How much cash do you have here, how much cash do you have overseas?

A: Before we did TriZetto, typically a little over half of our cash was outside the U.S. When we brought TriZetto back in November, roughly speaking, it was \$2.8 billion. We took out \$1 billion dollar term

loan and paid the rest in U.S. cash. So at the end of Q1, what you saw is we've got give or take \$1 billion of debt on the balance sheet and only about 10 percent of our cash was here in the U.S. So we're pretty restricted in terms of U.S. cash flow right now, which is one of the reasons we are not instituting a dividend.

As we've stated now for some time, and as we demonstrated last year, we think there are lots of good opportunities for growth over the next several years. Some of those will be organic, some of those will be inorganic, and we want to ensure just like we did it with TriZetto, than we've got the flexibility to move very quickly when those opportunities arise. In an ideal world a lot of those opportunities would be outside North America, but that's not what's really happening. Most of those opportunities today I do think to be in North America and so we need to make sure we got the flexibility to act upon that.

Q: The M&A pipeline activity: Is there an appetite to do anything right now given the fact that you're still kind of integrating TriZetto?

A: We said last year that we would like to do more M&A. That is certainly our intent. We're always looking for the right opportunity. I think people should expect us to continue to do what we would call niche or tuck-in acquisitions. We'd like to

do more of them than we have historically. We're able to do that. We would not anticipate doing another TriZetto-type deal until we're very confident we have that under our belt. TriZetto was fairly unique in the marketplace. There aren't a lot of deals of that scale that are really appropriate for us in terms of the fit and our strategy right now. So in the near-term our focus will continue to be on the niche and tuck-in-acquisition.

Q: On the tuck-in and niche, is that going to be more on the services side, is it going to be more on the IP side of the business?

A: It will really be a mix. We've done a couple of digital deals, like Odyssey and Cadient last year, and we did iTask. So I think you'll see us do a mix. We continue to look for deals that give us a geographic footprint, and those tend to be more consulting type deals — where we get that big consulting capability and a country to really launch the geographic expansion. But we'll continue to look for more IP-based solutions, more digital work platforms, if they are appropriate, if we feel something we can really grow strategically.

Source: Bloomberg Transcripts [NH BT <GO>](#)

More Executives on M&A Plans Recently

SECTOR	DATE	COMPANY	WHAT THEY SAID
TECHNOLOGY	May 28	Western Digital Corp.	M&A is "a central thesis in our strategy," president of memory device maker's HGST unit said at conference. Link on terminal
CONSUMER GOODS	May 28	Coach Inc.	Acquisitions are second priority for capital allocation after organic growth of Coach leathergoods brand, CEO said at a conference. Link
INTERNET	May 27	Snapdeal	Indian e-commerce startup will make acquisitions because it can't build everything from scratch, CEO said in an interview. Link
FOOD	May 21	Hain Celestial Group	Natural foods company plans about \$100 million of acquisitions a year to meet revenue target for 2018, senior vice president said at a conference. Link
FINANCIAL SERVICES	May 18	Intrum Justitia AB	Swedish company, Europe's largest debt collector, is getting close to its first expansion into new markets since 2002 and may look outside Europe, CEO said in an interview. Link
MANUFACTURING	May 18	Honeywell International Inc.	Honeywell has a pipeline of more than 100 possible deals and is open to acquisitions in new product areas such as water and health care, CEO said in an interview. Link

Source: Bloomberg News, Bloomberg Transcripts

ACTIVIST SITUATIONS COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Significant Actions at Companies Targeted by Activist Investors

COMPANY	ACTIVIST	WHAT HAPPENED	STOCK LAST WEEK
Shutterfly Inc	Marathon Partners Equity Management	In a May 29 letter activist said e-commerce company's settlement offers in proxy fight "do not come close to addressing the issues." Link on terminal: NSN NP45R63MSFLS<GO>	
Casella Waste Systems Inc	JCP Investment Partners	Investor called on company to retain bankers for a sale on May 29 and asked that annual meeting be rescheduled "without delay." Link: NSN NP41U16KLVR4<GO>	
SunCoke Energy Inc	Jet Capital Investors	Shareholder with 6.3% stake called on metallurgical coke maker to raise dividend in May 28 letter and to explore options. Link: NSN NP322A6KLVR4<GO>	
Annaly Capital Management Inc	Artisan Partners	In a May 28 letter activist suggested that REIT and real estate asset manager buy back 20% of its shares, which sell at a discount to book value. Link: NSN NP2M326X50YD<GO>	
Checkpoint Systems Inc	North Star Partners	Activist said May 27 that ISS Proxy Advisory Services has recommended shareholders vote against executive comp package proposed by labeling systems maker. Link: NSN NP0C073MMTC0<GO>	
Crescent Point Energy Corp	FrontFour Capital Group	Canadian oil and gas company announced acquisition of Legacy Oil + Gas May 26. Activist that had pressed Crescent to sell itself said a better result could have been achieved. Link: NSN N07HSF6KS0XS<GO>	
Perry Ellis International Inc	Legion Partners, California State Teachers' Retirement System	Activist and pension withdrew their board nominees May 26 after apparel company appointed two new directors. Link: NSN N0YHQUEJUVV<GO>	

Source: Bloomberg News, [NI SHRHOLDACT<GO>](#)

Municipal Market Brief Special Edition
GFOA CONFERENCE MAY 2015

Navigating the Course
Innovation and Resilience



Read it here.

Bloomberg
BRIEF

Q&A

PE Firms Complaining About High Prices, Risk a Sign Middle Market Has Peaked

Michael Schwerdtfeger, managing director at middle-market M&A advisory firm **Chapman Associates**, spoke with Bloomberg Brief editor Taylor Riggs on M&A activity and why this year should prove to be busier than 2014.

Q: How do you see deal activity this year compared to 2014?

A: The market is still really booming at this stage. I just saw some data that shows this quarter over last year and the multiples and prices are still increasing and there is more debt available. A lot of times, the big mega transactions happen first and a lot of the smaller transactions come after. So last year was a big year for mega transactions and now you're seeing more transactions on the lower end. The private equity community drives those transactions and the last time I looked there was something around \$750 billion worth of cash still sitting in private equity funds that was looking to be invested.

Q: Charter-Time Warner Cable showed buyers are willing to pay a high price to get targets they want. Why are companies paying so much for acquisitions? Is it just cheap cash?

A: Cheap cash is definitely driving it. A lot of deals are driven in the lower middle market on a leveraged-buyout basis. We are seeing alternative lenders jumping into the market, where institutional funds are acting as debt providers in place of big banks and they are lending money into these deals at high levels. So there is a lot of cash available being pumped into these deals on the debt side.

Q: Does this year look to be on pace to match the volume we saw in 2014?

A: I was busy last year and I am really busy this year. There was a lot of deal flow the end of last year and early this year and I think that's consistent with the market. I suspect what's happening is entrepreneurs saw the big deals and it convinced them that now is a good time to be a seller. So I think part of what you see is fundamentals are good and entrepreneurs are having a positive

mindset about the deal economy.

Q: How does the Fed and a potential rate hike in 2015 play into deal activity?

A: I think the Fed is a factor. Very honestly, I think we may be peaking right now. One of the things I'm seeing now that I wasn't seeing a year ago is a lot of commentary and reports of institutional investors and private equity firms that are starting to say prices are really getting high and that they are just competing with deals at crazy sorts of levels. I think people are starting to be a little worried that prices are too irrational in some of these lower middle-market deals. Since most of these deals are done on a variable-rate basis, investors will be concerned if they over-lever transactions and the Fed raises rates.

Q: How would a downturn affect activity?

A: It took a surprisingly long time for the market to rebound after the great recession. I didn't see the market really come back until maybe 2012, maybe 2013, and for sure 2014 was the banner year for M&A. But there hasn't been a big M&A boom going on for years. It's been a function of the last 18 months, two years. I do suspect that the memory of the last downturn will play strongly in that people will probably be quicker to pull the plug on deals in the event things go the wrong direction.

Q: What are the hot sectors right now?

A: I do a lot of work in the logistics and transportation space and there's been a lot of activity and interest in growing and consolidating the core infrastructure businesses. I do a fair amount of work in the IT services sector and as that market

matures and you see a move to the cloud, there is a lot of consolidation.

Q: Is it still cheaper for companies to pay big multiples than to grow organically?

A: There are two buyers in the world. Financial players and strategic buyers. Financial players don't have the option of growing internally so that's not the issue. I think on the strategic side, the wisdom has been these companies have realized they don't have a lot of good alternatives to growing internally. The more attractive alternative for the big companies has been to buy capacity rather than try to grow it.

Q: Is there anything you're worried about?

A: The thing I think is going to be interesting is what happens politically in the next year. As the presidential race fires up, there is such a different view of the world on the right and left in this country that as we go into a presidential cycle there is a lot of uncertainty on key issues like Obamacare and Dodd Frank. This sort of uncertainty can kill transactions. So I wonder if the next year will bring the kind of uncertainty that will play negatively on the M&A market.

Q: What else can the market expect going forward?

A: I'd pay attention to the sentiment of the private equity firms in the middle market. As those firms start to be scared off of deals due to overheating prices, it will be a warning sign that the market will be contracting. If you start seeing too many of the large private equity firms complaining that prices are too high and there is too much risk in deals, you'll start to see a less enthusiastic market.

AT A GLANCE



Residence: Redondo Beach, California

Education: Undergraduate degree in engineering from USC, law school at UCLA, MBA from USC

Favorite Sports: Basketball to play, USC football to watch

DEAL ARBITRAGE

TARGET	ACQUIRER	DEAL SIZE (\$M)	EXPECTED COMPLETION DATE	OFFER PER SHARE	TARGET PRICE	PAYMENT TYPE	SPREAD	PROJECTED ANNUALIZED RETURN	1W CHANGE IN SPREAD	MAJOR MOVE*
Altera Corp**	Intel Corp	13,854	-	54.00	48.85	Cash	10.5%	-	-2.9%	▼
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	69.85	64.46	C&S	8.4%	14.1%	0.8%	
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	9.81	Cash	57.9%	-	7.3%	▲
Broadcom Corp	Avago Technologies Ltd	29,806	03/31/16	59.66	56.85	C/S	4.9%	5.9%	5.2%	▲
Catamaran Corp	UnitedHealth Group Inc	13,227	12/31/15	61.50	59.83	Cash	2.8%	4.7%	0.7%	
City National Corp/CA	Royal Bank of Canada	5,317	12/31/15	94.87	92.18	C&S	2.9%	4.9%	-0.6%	
Cleco Corp	BC Investment Management Corp. et al	4,685	12/31/15	55.37	54.25	Cash	2.1%	3.5%	0.4%	
Crestwood Midstream Partners LP	Crestwood Equity Partners LP	5,238	09/30/15	13.75	13.42	Stk	2.5%	7.2%	-0.3%	
DIRECTV	AT&T Inc	66,044	06/30/15	94.30	91.04	C&S	3.6%	40.8%	0.2%	
Dresser-Rand Group Inc	Siemens AG	7,597	09/30/15	84.65	84.60	Cash	0.1%	0.2%	-0.2%	
Family Dollar Stores Inc	Dollar Tree Inc	9,093	07/31/15	78.23	77.52	C&S	0.9%	5.3%	0.1%	
Freescale Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	45.77	45.12	C&S	1.4%	2.5%	-0.4%	
Hospira Inc	Pfizer Inc	16,807	12/31/15	90.00	88.42	Cash	1.8%	3.0%	-0.2%	
Informatica Corp	Canada Pension Plan Investment Board, Permira	4,784	09/30/15	48.75	48.40	Cash	0.7%	2.1%	0.1%	
Integrus Energy Group Inc	Wisconsin Energy Corp	8,929	09/30/15	73.04	71.91	C&S	1.6%	4.6%	1.6%	
Lorillard Inc	Reynolds American Inc	26,477	06/30/15	72.83	72.48	C&S	0.5%	5.5%	0.0%	
MeadWestvaco Corp	Rock-Tenn Co	9,713	06/30/15	50.81	50.54	Stk	0.5%	6.1%	-0.1%	
Mylan NV	Teva Pharmaceutical Industries Ltd	34,826	-	82.00	72.63	C&S	12.9%	-	-3.9%	▼
Office Depot Inc	Staples Inc	5,854	12/31/15	10.85	9.27	C&S	17.0%	28.9%	1.1%	
Omnicare Inc	CVS Health Corp	11,294	12/31/15	98.00	95.29	Cash	2.8%	4.8%	0.9%	
Pall Corp	Danaher Corp	13,779	12/31/15	127.20	124.44	Cash	2.2%	3.8%	0.1%	
PartnerRe Ltd	EXOR SpA	5,911	12/31/15	137.50	131.43	Cash	4.6%	7.8%	1.2%	
PartnerRe Ltd	Axis Capital Holdings Ltd	5,313	09/30/15	119.99	131.43	Stk	-8.7%	-25.6%	0.5%	
Pepco Holdings Inc	Exelon Corp	12,185	09/30/15	27.25	27.25	Cash	0.0%	0.0%	-1.0%	
Perrigo Co PLC	Mylan NV	34,870	-	242.05	190.30	C&S	27.2%	-	8.6%	▲
Sigma-Aldrich Corp	Merck KGaA	16,395	-	140.00	139.30	Cash	0.5%	-	-0.2%	
Synageva BioPharma Corp	Alexion Pharmaceuticals Inc	7,941	-	222.82	213.41	C&S	4.4%	-	-0.3%	
Time Warner Cable Inc	Charter Communications Inc	79,250	12/31/15	196.83	180.89	C&S	8.8%	14.9%	9.7%	▲
UIL Holdings Corp	Iberdrola SA	4,609	12/31/15	52.75	50.69	C&S	4.1%	6.9%	-0.3%	
Williams Partners LP	Williams Cos Inc/The	14,129	09/30/15	56.98	55.88	Stk	2.0%	5.8%	0.3%	

MARB <GO> North American deals ** Estimated deal value as of close of market 5/29. Includes deals reported to be in the works that have not been officially announced.

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock

PME Benchmarks: Comparing Apples to Apples

A special supplement to Bloomberg's Private Equity brief explaining PMEs.



EDITOR'S CORNER

Investors Are Rewarding This Crop of Deals

BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR



Dealmaking was slow in four of the last six weeks. Today's \$79 billion agreed [takeover](#) of **Time Warner Cable Inc.** should allay concerns that the burst of activity earlier in the year would not be sustained.

There is another good reason to think this year's total will top last year's best-since-the-crisis level: Investors continue to reward companies that make acquisitions. More than [two thirds](#) of acquirers this quarter have seen their shares rise when they unveiled new deals, including three of the five biggest new U.S. deals this month through last week.

At \$11.5 billion, the addition of **Omnicare Inc.** is not transformative for the \$128 billion (enterprise value) **CVS Health Corp.** Still, CVS shares were up 2.4 percent at one point shortly after the announcement. Investors had been waiting for **Danaher Corp.** to do a deal. When it said it would make its biggest acquisition ever (\$13.8 billion), of **Pall Corp.**, and threw investors an additional bone in the form of a planned spinoff, its shares shot up 6 percent in the first minutes after the news.

It took investors a day to make sense of **Ascena Retail Group Inc.**'s \$2 billion for **ANN Inc.**, the parent of the Ann Taylor and Loft women's apparel chains. Ascena's shares rocketed, then plunged, then rebounded to come out ahead. Adding professional

Reaction to Big U.S. Deals This Month



Synageva Biopharma Inc., which had just \$5.8 million of revenue in the first quarter. Alexion shares were down as much as 12 percent on the first day. Likewise, **Endo International Plc** initially traded down more than 5 percent after its \$9.7 billion cash-and-stock deal for **Par Pharmaceutical Holdings Inc.**, which will be financed in part with \$2 billion of new equity.

But even those companies saw their stocks rebound. Two days later Endo had regained the lost ground and was at breakeven. And five days after the Par announcement, Alexion's stock was down only 5 percent from pre-announcement.

At a time when even serial acquirer [Mike Pearson](#) of **Valeant Pharmaceuticals International Inc.** thinks the drug industry is getting ahead of itself in M&A, the rebounds showed how investors give buyers the benefit of the doubt.

QUOTED

"There's a deal frenzy going on. Some of these acquisitions are not going to work. In terms of prices being paid for acquisitions, some of them make sense and some of them don't make sense."

— Mike Pearson, CEO of Valeant

Pharmaceuticals, [discussing](#) drug mergers.

Valeant has made 41 acquisitions under Pearson since 2011, not counting unsuccessful bids.



Goldman Sachs shareholders voted 96 percent [in favor](#) of the company's compensation proposal, which awarded CEO **Lloyd Blankfein** a 7 percent raise for 2014, for a total of \$31 million.

WEEK IN NUMBERS

- **14%:** [Premium Charter Communications](#) is offering to **Time Warner Cable**'s closing price Friday
- **3.7%:** [Average rise](#) in acquirers' shares after announced acquisitions in Q2
- **94%:** [Biggest gain](#) in an acquirer's shares after a deal announcement in Q2

IN THIS ISSUE

DEALMAKER. John Malone [regains](#) the lead in cable consolidation with **Charter's** deal today for **Time Warner Cable**.

INSIGHT. What **Omnicare** [brings](#) CVS.

DEAL ROSTER. Individual financial and legal [advisers](#) on CVS-Omnicare.

MARKET REACTION. Updated figures on the [boost](#) that buyers' shares are getting from deal announcements.

VERBATIM. Valeant Pharmaceuticals CEO **Michael Pearson** [discusses](#) his company's potential targets.

TODAY'S DEALS

Charter Agrees to Buy Time Warner Cable for \$79 Billion

BY ALEX SHERMAN AND ED HAMMOND

Charter Communications Inc. plans to buy **Time Warner Cable Inc.**, clinching a deal made necessary by slowing growth in the U.S. cable industry — and made more expensive by last-minute competition from French billionaire **Patrick Drahi**.

Charter will pay \$195.71 a share — 14 percent above Time Warner Cable's May 22 close — with options of \$100 and \$115 in cash and the remainder in its own stock, according to a statement Tuesday. **Bright House Networks**, a smaller cable company that Charter has previously agreed to buy, will also be merged into the combined entity.

It took Charter and its main shareholder **John Malone** more than a year to reach a deal with No. 2 Time Warner Cable after their January 2014 bid of \$132.50-a-share was rejected as a "low-ball offer" and **Comcast Corp.** jumped in with a

competing offer. Although Charter got another shot when regulatory scrutiny caused the Comcast deal to fall apart in April, talks were disrupted by Drahi's **Altice SA**, which also approached Time Warner Cable in the past weeks.

"The idea that Time Warner Cable and Charter are merging isn't a surprise, but the price raises some eyebrows," Craig Moffett, an analyst at MoffettNathanson in New York, said May 24 after Bloomberg News reported a deal was near. "Altice undoubtedly contributed to Charter having to pay such a steep price to close the deal."

Including debt, the transaction values Time Warner Cable at \$78.7 billion. The deal enables Charter, whose largest shareholder is billionaire John Malone, to almost quadruple its number of cable subscribers, gaining 12 million customers in cities including New York, Los Angeles and Dallas. The combined business will

have about 17 million basic cable customers, second to Comcast's 22 million.

The deal values Time Warner Cable's enterprise value at 9.5 times Ebitda, based on 2015 estimates. That's 23 percent higher than the average multiple of 7.7 for recent cable deals and 14 percent above Comcast's proposed and abandoned bid, according to data compiled by Bloomberg.

At \$55 billion, Charter's offer will be difficult to top for Altice, a Luxembourg-based company that has a market value of about 32 billion euros (\$35 billion) and ballooning debt.

"It would be hard for Altice to structure a deal that would be as compelling for Time Warner Cables' shareholders as a Charter deal," said Moffett, the MoffettNathanson analyst.

Altice couldn't immediately be reached for comment.

Top Deals: Yesterday and Today

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
5/26	Time Warner Cable Inc	Media	US	Charter Communications Inc	US	79,062
5/26	Samsung C&T Corp	Distribution/Wholesale	KR	Cheil Industries Inc	KR	10,972
5/26	Liberty Broadband Corp	Media	US	JANA Partners LLC, Soroban Capital Partners LP, Liberty Ventures, Coatue Management LLC	US	4,400
5/26	Charter Communications Inc	Media	US	Liberty Broadband Corp	US	4,300
5/25	Sektor Gruppen AS	Real Estate	NO	Citycon OYJ	FI	1,615

Source: Bloomberg MA<GO>

CORRECTION: In the Dealmaker feature last week, the units for Blackstone Group's and Carlyle Group's assets under management were misstated. They were \$310 billion and \$193 billion, respectively, at the end of the first quarter.

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DEALMAKER BY KRISTEN SCHWEIZER

John Malone to Reclaim Cable King Throne With Time Warner Deal



Photo: Bloomberg/
David Paul Morris
John Malone

John Malone has returned to the U.S. cable industry with a vengeance.

Just two years ago, the man who made a fortune building Tele-Communications Inc. into a U.S. broadcasting titan was spending much of his time trying to repeat

the trick in Europe through London-based **Liberty Global Plc.**

Yet today's \$79 billion bid by Malone's **Charter Communications Inc.** for **Time Warner Cable Inc.** shows the 74-year-old billionaire remains eager to grab a leading role in the industry consolidation taking place on both sides of the Atlantic.

"There's been no one as instrumental as Malone in this business," said Neil Campling, a senior analyst at Aviate Global in London. "He's also a banker at heart and does these deals not because he loves the industry, or there's a romance there, but because he's a shrewd businessman."

Should the Time Warner Cable acquisition go ahead, Malone will have come full circle from 15 years ago, when he gave up his number-two spot in U.S. pay-TV by selling TCI to AT&T Inc. Tuesday's announcement also marks a turnaround from 15 months ago, when Charter's first offer for Time Warner Cable was trumped by a \$45 billion bid from **Comcast Corp.** — abandoned last month amid antitrust concerns.

Losing out to Comcast was considered a big blow to Malone after he tiptoed back into the U.S. cable waters in 2013 by buying a majority stake in Charter. It was also his second defeat that year after losing out to **Vodafone Group Plc** on a

7.7 billion-euro (\$8.4 billion) bid for Germany's Kabel Deutschland Holding AG.

Today's bid at \$195.71 a share, 14 percent more than Time Warner Cable's May 22 close, would catapult Charter from the fourth-largest cable company to the No. 2 slot behind Comcast. The deal will let Charter almost quadruple its cable subscribers, gaining 12 million customers in cities including New York, Los Angeles and Dallas. It's also agreed to buy **Bright House Networks LLC**, the sixth-largest

"Drahi is an aggressive cost-cutter and his presence forced Malone to move quicker than later. They wanted to lock this down."

— MATTHEW HARRIGAN, ANALYST AT
WUNDERLICH SECURITIES

cable company, and will merge it into the combined entity.

The pursuit of Time Warner Cable was lent urgency after **Patrick Drahi**, a former Malone protege, emerged as a rival looking to snap up U.S. cable assets. Drahi's Luxembourg-based **Altice SA** last week bought smaller U.S. cable provider Suddenlink Communications and was said to be in talks with Time Warner Cable.

"Drahi is an aggressive cost-cutter and

his presence forced Malone to move quicker than later," said Matthew Harrigan, an analyst at Wunderlich Securities in Denver, Malone's home town. "They wanted to lock this down."

While cable faces an uncertain future because of the emergence of Internet competitors such as Netflix Inc., Malone and Drahi are willing to finance large deals because they believe cable networks will be crucial in delivering large amounts of content at high speed.

"This deal is all about the pipeline," said Campling at Aviate, "and in areas where broadband Internet and fibre has not been rolled out cable offers some of the best speeds."

Malone has also signaled a desire to pursue large deals in Europe through Liberty Global, saying last week that he thought Vodafone's mobile phone assets in western Europe would be a "great fit."

Liberty Global is the world's biggest cable company with 27 million subscribers, followed by Comcast's 22.4 million and Time Warner Cable's 11 million, according to Bloomberg Intelligence. Charter currently has about 4.3 million subscribers.

With a net worth of \$8.6 billion, according to the Bloomberg Billionaires Index, Malone started in the cable industry in 1972 when he helped former cottonseed salesman Bob Magness transform TCI. After selling the company to AT&T, he ramped up investment in British satellite-TV and cable operations and started Liberty Global in the mid-2000s.

He ventured back into U.S. cable in May 2013 by paying \$2.6 billion for a 27 percent stake in Charter. He's also the U.S.'s largest private landowner and has been buying up hotels and private land in Ireland in recent years.

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INSIGHT: CVS-OMNICARE

COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

With Omnicare, CVS Returns to Its Decade-Long Campaign to Diversify

CVS's Largest Acquisitions

ANNOUNCED	TARGET	DEAL VALUE (\$M)	TV/EBITDA
11/1/06	Caremark Rx Inc	21,695	12.2x
1/23/06	Albertsons LLC pharmacies	16,119*	6.6x
5/21/15	Omnicare Inc	11,470	19.9x
2/7/97	CVS Revco DS Inc	3,507	10.3x
8/12/08	Longs Drug Stores Corp	2,840	10.1x
4/5/04	Eckerd Florida operations	2,150	-
11/27/13	Coram LLC	2,100	-
12/31/10	Universal American Medicare drug business	1,250	-
2/9/98	Arbor Drugs Inc	1,217	16.2x
1/9/12	Health Net Medicare drug plan	160	-

Source: Bloomberg [MA<GO>](#)

*CVS paid about \$4 billion for drug stores in buyout of grocery chain.

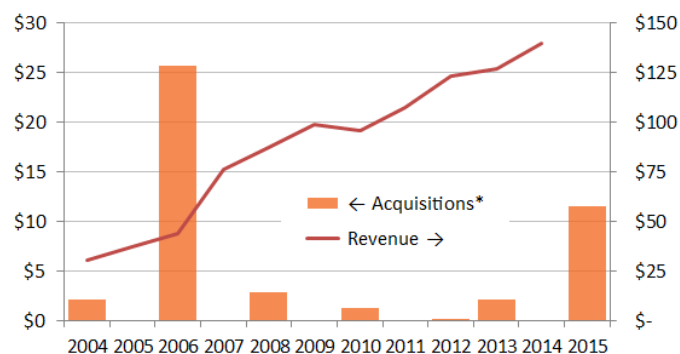
CVS Health Corp.'s acquisition of **Omnicare Inc.** is a continuation of a strategy started a decade ago to broaden its business outside of traditional pharmacy. Beginning with the move into pharmacy benefit manager services with Caremark in 2006, the trend has accelerated. Coram's infusion business, acquired in 2014, expanded CVS into specialty services.

With Omnicare, CVS will acquire the premier asset in the long-term-care pharmacy market. Strategically, the deal allows CVS to expand its reach across all areas of care — maintaining its ability to capture prescriptions as patients move from their homes into senior-housing facilities. Omnicare's specialty business, the eighth largest in the U.S. with \$1.7 billion in sales, provides additional scale to CVS's presence in the high-growth specialty-drug dispensing niche.

The merger could bring significant purchasing and operational scale to Omnicare's long-term-care pharmacy services business.

— Jonathan Palmer and Gerard Campagna, Bloomberg Intelligence health-care analysts

Revenue Has Grown With and Without Deals



* By announcement date. All figures in billions.

Source: Bloomberg

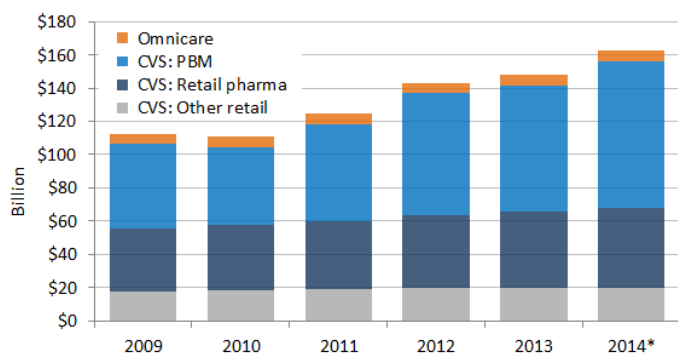
BloombergBriefs.com

CVS's annual revenue increased 167 percent from 2006, the year it announced the purchase of Caremark and Albertsons's drug stores, to the 12 months ended March 31, according to data compiled by Bloomberg.

Revenue rose sharply after CVS completed the acquisitions of Caremark and the pharmacies of the Albertson grocery chain in late 2006 and 2007. It also rose steadily even without any major acquisitions from 2007 through last year.

— John E. Morris

Omnicare Adds Incremental Revenue



* Retail breakdown calculated from reported growth rates

Source: Bloomberg [FA<GO>](#)

BloombergBriefs.com

Omnicare will add about 4.6 percent to CVS's revenue, based on 2014 figures.

While pharmacy counters occupy only a small part of CVS's stores, prescription drugs provide about 70 percent of revenue from the company's retail arm. "Front of the store" sales of over-the-counter drugs, toothpaste, stationery and other products accounted for less than \$20 million of CVS's \$139 million in revenue last year.

The segment revenue figures do not include intersegment eliminations.

— John E. Morris

DEAL ROSTER

Merrill Lynch, Barclays, Sullivan & Cromwell, Dechert Reprise Roles on Omnicare

CVS Health Corp. agreed May 21 to buy nursing-home pharmacy **Omnicare Inc.** for \$11.5 billion, including debt, adding services for the elderly to bolster its position as the biggest U.S. retailer of prescription drugs.

Omnicare hired advisers to explore a sale earlier this year. The acquisition price represents a 21 percent premium over Omnicare's closing price on April 21,

the day before Bloomberg News reported the company was exploring a sale.

Bank of America Merrill Lynch, which advised Omnicare on its \$1.7 billion purchase in 2004 of NeighborCare Inc., also advised it on the sale to CVS, alongside **Centerview Partners**.

Barclays Plc and **Evercore Partners Inc.** acted as financial advisers and investment bankers to CVS. Barclays also

worked with CVS on its \$2.1 billion purchase of Coram LLC, which was completed last year.

Sullivan & Cromwell LLP was counsel to CVS on the Omnicare merger with **Dechert LLP** advising on antitrust issues. They both worked on the the Coram deal as well.

— John E. Morris

TARGET: **Omnicare Inc.**

BUYER: **CVS Health Corp.**

INVESTMENT BANK

Bank of America Merrill Lynch

Centerview Partners LLC

LAW FIRMS

White & Case LLP

Mort Pierce
Chang-Do Gong
Robert Chung

INVESTMENT BANK

Barclays

Marco Vella
Jed Brody

Evercore Partners Inc.

Roger Altman
Will Hiltz
John Honts
Mark Hanson

LAW FIRMS

Dechert

Sullivan & Cromwell

Matthew G. Hurd, *partner, corporate*
Brian E. Hamilton, *partner, corporate*
Ronald E. Creamer Jr., *partner, tax*
Matthew M. Friestedt, *partner, employee benefits and compensation*

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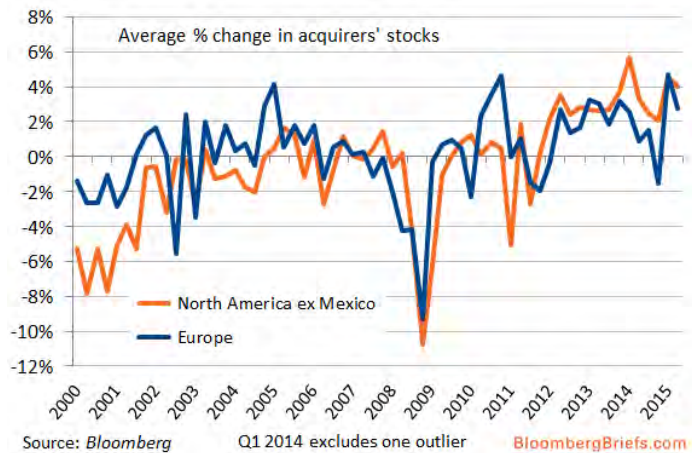
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MARKET REACTION

DATA COMPILED BY MICHAEL ZLOTNICK, BLOOMBERG M&A ANALYST

There Is More Upside in Announcements Than Downside

Buyers' Shares Averaging 3.7% Gain in Q2

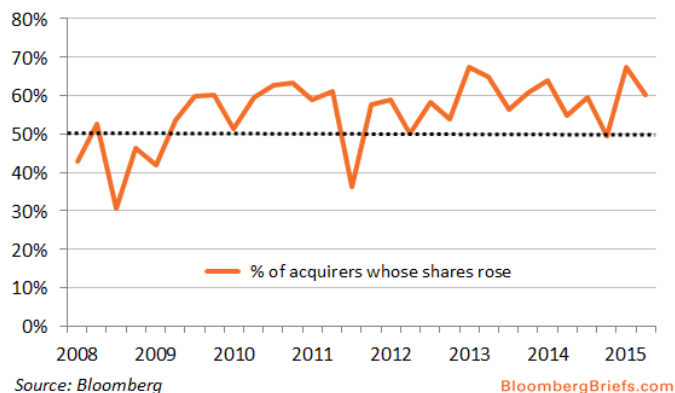


Acquirers, on average, continue to see their shares rise after announcing deals. American and Canadian acquirers who announced deals in the first quarter saw an average gain of 4.6 percent following the news, compared to a 4 percent gain for those announcing deals in the second quarter through May 21. European acquirers saw their shares rise an average of 4.7 percent in the first quarter, and 2.8 percent so far in the second quarter. The combined regional average gain this quarter was 3.7 percent through last week.

The figures are based on deals valued at \$500 million or more by public companies. They are derived from Bloomberg's merger and market data. The share price change is measured from the closing price three trading days prior to the announcement to one trading day after in order to account for weekends and deals announced after the close.

— John E. Morris

Odds Favor Acquirers



In the first quarter, 67.3 percent of acquirers in the U.S., Canada and Europe saw their shares rise when they announced deals, nearly matching the 67.4 percent level in the first quarter of 2013 — the highest quarterly average since 2008, according to the data.

— John E. Morris

Continued on next page...

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May issue





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MARKET REACTION...

Continued from previous page...

Best Received Deal Announcements This Year

DATE	TARGET	ACQUIRER	VALUE (\$M)	PAYMENT	STOCK MOVEMENT*
4/13	Pro-Build Holdings	Builders FirstSource	1,630	Cash	94%
3/23	Sentinel Topco Ltd	Optimal Payments	1,283	C&S	45%
3/9	Covis Pharma Sarl, Covis Injectables Sarl	Concordia Healthcare	1,200	Cash	32%
1/28	TE Connectivity enterprise & wireless units	CommScope Holding	3,000	Cash	30%
3/3	OneMain Financial Holdings	Springleaf Holdings	4,250	Cash	28%
3/30	Hyperion Therapeutics	Horizon Pharma	866	Cash	26%
4/22	Pace	ARRIS Group	2,084	C&S	25%
1/26	MOM Brands	Post Holdings	1,151	C&S	23%
4/8	Perrigo	Mylan	34,870	C&S	21%
2/22	Salix Pharmaceuticals	Valeant Pharmaceuticals	12,524	Cash	20%

Source: Bloomberg

*Change from closing price three trading days before announcement to closing price one trading day after announcement. Covers deals announced through May 21.

Worst Received Deal Announcements This Year

DATE	TARGET	ACQUIRER	VALUE (\$M)	PAYMENT	STOCK MOVEMENT*
5/6	Crestwood Midstream Partners	Crestwood Equity Partners	5,238	Stock	-14%
2/9	Rio Alto Mining	Tahoe Resources	1,081	C&S	-12%
3/2	Mavenir Systems	Mitel Networks	526	C or S	-10%
3/10	EQT Marcellus gathering system	EQT Midstream Partners	1,050	C&S	-8%
3/9	RTI International Metals	Alcoa	1,468	Stock	-7%
5/8	Menulog Group Ltd	Just Eat	677	Cash	-7%
4/29	Mirror Controls International	Flextronics International	509	Cash	-7%
5/11	Rosetta Resources	Noble Energy	3,915	Stock	-6%
3/4	Pharmacyclics	AbbVie	19,822	C or S	-6%
1/26	Regency Energy Partners	Energy Transfer Partners	17,430	Stock	-6%
5/6	Synageva BioPharma	Alexion Pharmaceuticals	7,941	C&S	-6%

Source: Bloomberg

*Change from closing price three trading days before announcement to closing price one trading day after announcement. Covers deals announced through May 21.



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After Allergan Bid, Salix Deal, Valeant's Pearson Eyes Emerging Markets

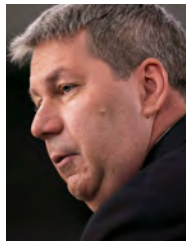


Photo: Bloomberg/
Scott Eells

Michael Pearson, chief executive officer of **Valeant Pharmaceuticals International Inc.**, spoke with Bloomberg TV's Erik Schatzker Friday about where the drug maker will look next for deals. His remarks have been edited and condensed.

Q: There is no bigger acquirer, more aggressive acquirer in this industry than Mike Pearson of Valeant. You made an unsuccessful run with Bill Ackman at Allergan, and then ended up buying Salix Pharmaceuticals for some \$10 billion. Where else are you prospecting for M&A?

A: I think the emerging markets. People are nervous about the emerging markets. There has been a great devaluation in terms of the strong dollar. So I think that many, many companies are reluctant to go there, and we like to go where people are reluctant. That's somewhat of a contrarian strategy to be.

Q: So I should look at markets like Brazil, for example, or Russia, where we've seen a tremendous amount of currency depreciation, and say that's the kind of place Valeant likes to go shopping?

A: We like to do deals that will create long-term value for shareholders. So we

always look for the right price, and one that we feel we can earn a great return, but we're also looking for markets that have great long-term growth prospects. And that comes down to demographics. It comes down to whether we believe income will rise over the next decade or two. So we look at the fundamentals.

Q: Where are the economic fundamentals good from your point of view?

A: We like Asia. We like the Middle East and Northern Africa. We continue to be bullish on Russia longer term. And I think Mexico, and Colombia, Chile, Peru — we like those fundamentals.

Q: Does the speed with which you reached a deal for Salix, even though it was a competitive situation with Endo bidding as well, say something about the way that Valeant is going to bid in the future?

A: We always tend to move pretty quickly. Part of it is that we have great interaction with our board. They're willing to meet basically at anytime, anywhere. So we get them involved quite early on. We've done a lot of deals, and I think one of our core capabilities is both due diligence and making sure that we can do that and also integrations very quickly. So we do believe speed has been one of our competitive advantages.

Q: How is your strategy going to change, or evolve, let's say, once

access to capital and leverage dries up, as it inevitably will?

A: There's always times in the cycle where capital is more expensive, but part of our strategy is to make sure that we always have access to capital. That's why we want to keep our leverage ratios at reasonable levels. I would disagree that inevitably it will all dry up.

If interest rates are much, much higher, it makes the hurdle rate for doing that deal much, much greater. But we're fine. If we go through a period like that, let's say there's a year, or two years, six months, our base business is performing extremely well, and we are more than happy to just continue on operating our base business.

Q: You walked away from Allergan, but that deal attracted a lot of attention because of the innovative approach that you took, partnering with Bill Ackman and Pershing Square. I'm curious to know whether the success of that approach — in as much as you both made money even though you didn't get Allergan — becomes a template for the future.

A: No, not necessarily. We've learned some things about hostile takeovers using the stock, especially against a target that is not interested in evaluating our business. So I think it's not likely. We'll never say no about anything, but we're not likely to take that same approach again.



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REAL M&A: PFIZER

BY TARA LACHAPELLE

All Eyes on Pfizer as Shareholders Await the Mega-Deal



Photo: Bloomberg/
Chris Ratcliffe
Ian Read

Pfizer Inc. built itself into a \$212 billion behemoth by spending more money on acquisitions than any other drugmaker in the world. Still, Pfizer's next purchase is what will really leave its mark as a dealmaker.

The company may be plotting its biggest purchase yet to solve its biggest gripe: taxes. It pays a higher rate than most of its rivals, and Chief Executive Officer **Ian Read** has made it no secret that he wants to change that. It made a failed run at AstraZeneca Plc last year in what would have been a \$120 billion tax-inversion deal.

As speculation about a deal mounts again, analysts this week began picking their top takeover candidates. They centered on **GlaxoSmithKline Plc**, **AstraZeneca** and **Shire Plc**. And if you ask **Mylan NV**, it's also on the list. Its executive chairman was said to have told shareholders last week that Pfizer could buy his company after Mylan buys **Perrigo Co.**

Any one of those deals may enable Pfizer to move its legal address to a place such as the U.K., where corporations have a lower tax burden. Some of its rivals have already done this and it's led to a greater ability to access their overseas cash stockpiles and eke out more profits for future investments or shareholder payouts.

"Subject to price, there are a lot of merits to a deal like that," Colin McWey, a fund manager for Heartland Advisors Inc., said in a phone interview. The Milwaukee-based firm owns shares of Pfizer among the \$4 billion it oversees.

In addition to the tax benefits, a deal would give Pfizer more lucrative products

and a way to cut costs. And now may be the time to do it before borrowing rates climb and the best targets get picked off. The pharmaceutical industry has been on an M&A spree for more than a year now, so targets are getting more and more expensive, especially as some draw bidding wars.

Many transactions were structured as tax-inversion deals, which have drawn increasing scrutiny from the U.S. Treasury Department since Pfizer bid for AstraZeneca a year ago. In September, the Treasury Department announced new rules to clamp down on inversions. While

Glaxo, AstraZeneca and Shire top the list of targets analysts think Pfizer might try to acquire.

the changes do reduce some of the benefits of such transactions, they don't eliminate those advantages altogether or make doing them impossible.

Read, the Pfizer CEO, said in October that he saw "no reason" why the company wouldn't be able to do an inversion if it found an attractive enough opportunity.

Joan Campion, a spokeswoman for Pfizer, said the New York-based company doesn't comment on speculation. When asked about M&A and inversion plans on an earnings call last month, Read stressed that creating shareholder value is what guides his dealmaking.

In February, the company announced a takeover of **Hospira Inc.** for \$16.8 billion, including net debt. Through that deal, it

gains generic injectable drugs and devices to deliver them, bolstering its established-products division. That part of Pfizer, which comprises drugs that have lost or are going off patent protection, may eventually be spun off.

"We believe that other significant acquisitions are possible, though more likely to be aimed at" Pfizer's innovative-pharma side of the company, Jeffrey Holford, a New York-based analyst for Jefferies Group, wrote in a report Thursday. He cited Shire as that type of candidate.

Shire, valued at \$52 billion, makes treatments for neurological disorders such as attention deficit hyperactivity and rare diseases such as Hunter syndrome. Perrigo, the maker of over-the-counter medicines that received an unsolicited bid from Mylan, could also be attractive to Pfizer, Holford wrote. Both companies' tax jurisdictions are in Ireland.

Brentford, England-based Glaxo would be the largest of the likely targets at \$111 billion. It would diversify Pfizer's vaccine and consumer portfolios while doubling and quadrupling each of those revenue bases, respectively, Deutsche Bank's Gregg Gilbert wrote in a May 20 report.

Pfizer could always make another attempt at buying AstraZeneca. The London-based company's stock has risen just 2.2 percent since it spurned Pfizer last May, underperforming most of its competitors.

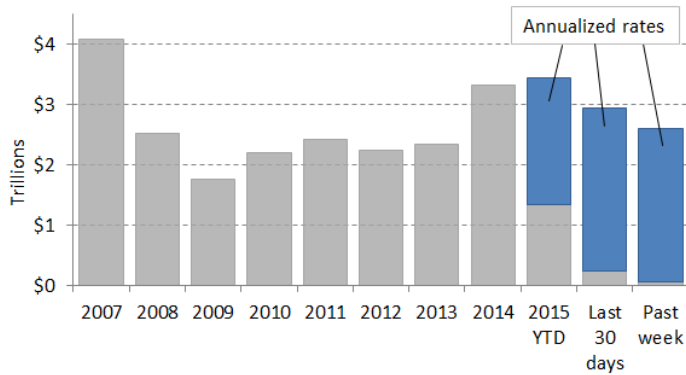
Any deal may be a precursor to an eventual breakup. The company has said it may explore a split in which its established-drugs unit gets spun off or sold.

That means multiple deals may be in Pfizer's future. Or as Holford of Jefferies called it, "a rich seam of corporate optionality."

WEEK IN REVIEW: M&A TRENDS COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Despite Omnicare, Par Pharma Deals, M&A Activity Was Low Last Week

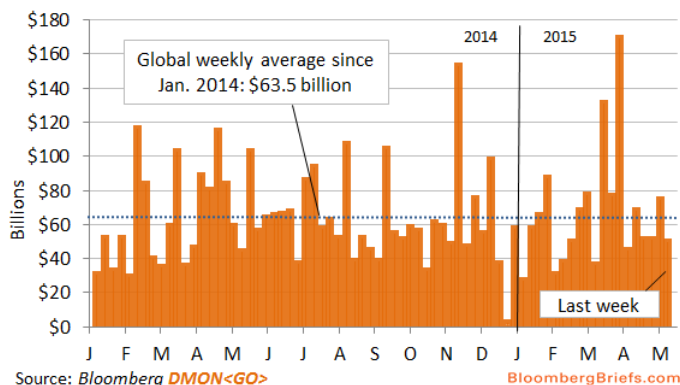
Pace of Dealmaking

Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

Global M&A volume was \$49.6 billion last week, including six deals over \$1 billion, according to data compiled by Bloomberg. The *two largest* new transactions were both in the U.S. health-care sector: **CVS Health Corp.**'s \$11.5 billion deal for pharmaceutical benefits manager **Omnicare Inc.** and **Endo International Plc**'s \$9.8 billion purchase of **Par Pharmaceutical Cos. Inc.** Those two deals alone accounted for almost 43 percent of combined global deal value for the week ended Friday, according to data compiled by Bloomberg.

Week by Week Activity

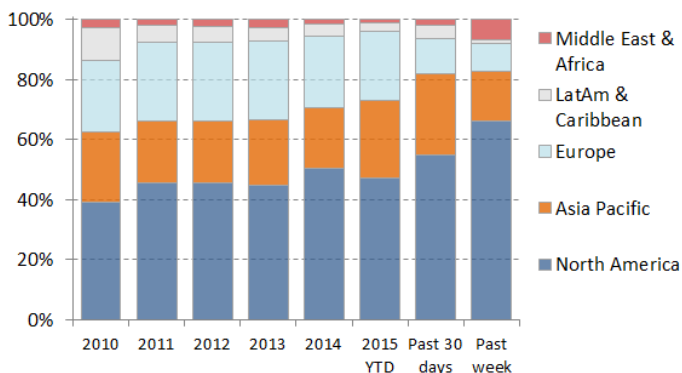
Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

Last week was the fourth week in the past six weeks in which deal volume was below the 17-month average. If the pace of the last week or the last 30 days holds for the rest of the year, full-year volume would fall below last year's level, as the first chart shows.

Charter Communications Inc.'s \$79 billion deal today for **Time Warner Cable Inc.** will lift the current week's total.

Regional Breakdown

Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

The Omnicare and Par Pharmaceutical deals helped give North America by far the largest share of global volume last week, even though only eight of the top 25 deals were for U.S. targets.

The chart data also includes the \$2.3 billion purchase of the 11 Madison Avenue office tower by **SL Green Realty Corp.** and **Moody National REIT Inc.**'s \$1.75 billion purchase of 175 hotels from **Goldman Sachs Group**. Real estate asset purchases such as these are not included in our [deal list](#).

WEEK IN REVIEW: TOP DEALS

Largest Deals Announced May 16 to May 22

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	VALUE (\$M)
5/21	Omnicare Inc	Pharmaceuticals	US	CVS Health Corp	US	11,470
5/18	Par Pharmaceutical Cos Inc	Pharmaceuticals	US	Endo International PLC	IE	9,757
5/21	Dragon Oil PLC	Oil&Gas	AE	Emirates National Oil Co Ltd	AE	2,662
5/21	Hewlett Packard's 51% stake in H3C Technologies Co Ltd	Computers	CN	Tsinghua Unisplendour Co Ltd	CN	2,300
5/18	ANN Inc	Retail	US	Ascena Retail Group Inc	US	2,006
5/19	Slovak Telekom AS (remaining 49%)	Telecommunications	SK	Deutsche Telekom AG	DE	1,003
5/22	eLong Inc (62.4%)	Internet	CN	Ctrip.com International Ltd, Keystone Lodging Co Ltd, Luxuriant Holdings Ltd, Plateno Group Ltd	Various	671
5/19	Elektrobit Automotive GmbH	Computers	DE	Continental AG	DE	669
5/21	Eagle Rock Energy Partners LP	Oil & Gas	US	Vanguard Natural Resources LLC	US	605
5/19	Butagaz SAS	Gas	FR	DCC PLC	IE	518
5/18	Flipkart Online Services Pvt Ltd	Internet	IN	Tiger Global Management LLC, private investor	na	500
5/16	Kangxin New Material Science & Technology Co Ltd	Miscellaneous Manufacturing	CN	Weifang Beida Jade Bird Huaguang Technology Co Ltd	CN	500
5/19	Ingenico Group	Computers	FR	Bpifrance Financement SA	FR	405
5/19	Daybrook Fisheries Inc	Agriculture	US	Oceana Group Ltd	ZA	382
5/21	Aspen's Australian generic drug unit	Pharmaceuticals	AU	Strides Arcolab Ltd	IN	300
5/21	Phoenix IT Group PLC	Computers	GB	Toscafund Asset Management LLP, Daisy Group Ltd	Various	296
5/18	China Mobile Games & Entertainment Group Ltd	Software	CN	Orient Securities Co Ltd/China	CN	281
5/19	Jiangsu Bada Gardening Co Ltd	Environmental Control	CN	Beijing Shenhuaxin Co Ltd	CN	277
5/21	Lattice Power Corp	Semiconductors	CN	Shunfeng International Clean Energy Ltd	CN	273
5/21	Baihe.com	Internet	CN	Shengda Mining Co Ltd, Dahu Aquaculture Co Ltd	CN	242
5/22	Frigoglass operations in Nigeria and Dubai	Manufacturing	NG, DU	GZI Mauritius Ltd	NG	225
5/22	Patriot Renewable Fuels LLC	Chemicals	US	CHS Inc	US	198
5/18	GE's Roots blowers & compressors unit	Manufacturing	US	Colfax Corp	US	185
5/19	Banco BBM SA	Investment Companies	BR	Bank of Communications Co Ltd	CN	174
5/22	Frisch's Restaurants Inc	Retail	US	NRD Capital Management LLC	US	173

Source: Bloomberg [MA<GO>](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.



ACTIVIST SITUATIONS

COMPILED BY MELISSA KARSH, BLOOMBERG BRIEF EDITOR

Significant Actions at Companies Targeted by Activist Investors

COMPANY	ACTIVIST	WHAT HAPPENED	STOCK LAST WEEK
PartnerRe Ltd	Sandell Asset Management Corp.	Activist with less than 1 percent stake scolded company's directors May 22 for pushing a merger rather than talks with a hostile bidder. Link on terminal: NSN NOREEA6KLVR<GO>	
Children's Place Inc/The	Macellum Advisors, Barington Capital Group	Children's-apparel retailer agreed May 22 to add two board members in a settlement with activists, who have been seeking to improve the company's performance and boost share price. Link: NSN NORD7R6JIIUR<GO>	
Darden Restaurants Inc	Starboard Value	Olive Garden's parent company is debuting a new menu at the restaurant following a fight with activist last year, Bloomberg News reported May 21. Link: NSN NOO58F6KLVR9<GO>	
MGM Resorts International	Land & Buildings Investment Management	Activist dropped its effort May 19 to gain board seats at the casino coperator, after failing to gain the support of the company's biggest shareholders. Link: NSN NCM8CH6K50Y0<GO>	
El du Pont de Nemours & Co	Triun Fund Partners	Activists deleted its attack website May 18 after it lost a proxy fight with the chemical maker last week. Link: NSN NOKF1J6K50XW<GO>	
Apple Inc	Carl Icahn	Activist urged the maker of iPhones and iPads in a letter May 18 to increase its stock buyback, saying the market continues to misunderstand the company's share value. Link: NSN NQIZEM6K50Y8<GO>	

Source: Bloomberg News, [NI SHRHOLDACT<GO>](#)

PME BENCHMARKS: Comparing Apples to Apples

Public market-equivalent (PME) benchmarks are now the preferred method for limited partners to evaluate past investments and make decisions. A special supplement to Bloomberg Brief: Private Equity explains how PME's work and compares seven different PME's.



Read it here



DEAL ARBITRAGE

TARGET	ACQUIRER	DEAL SIZE (M)	EXPECTED COMPLETION DATE	OFFER PER SHARE	TARGET PRICE	PAYMENT TYPE	SPREAD	PROJECTED ANNUALIZED RETURN	1W CHANGE IN SPREAD	MAJOR MOVE
Altera Corp	Intel Corp	13,854	-	54.00	47.37	Cash	14.0%	-	16.3%	▲
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	70.42	65.53	C&S	7.5%	12.2%	-0.8%	
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	10.48	Cash	47.8%	-	-1.2%	
Catamaran Corp	UnitedHealth Group Inc	13,227	12/31/15	61.50	60.26	Cash	2.1%	3.4%	-0.2%	
City National Corp/CA	Royal Bank of Canada	5,317	12/31/15	96.20	93.00	C&S	3.4%	5.6%	0.0%	
Cleco Corp	BC Investment Management Corp. et al	4,685	12/31/15	55.37	54.45	Cash	1.7%	2.8%	-0.9%	
Crestwood Midstream Partners LP	Crestwood Equity Partners LP	5,238	09/30/15	14.19	13.82	Stk	2.7%	7.5%	0.7%	
DIRECTV	AT&T Inc	66,044	06/30/15	94.62	91.57	C&S	3.3%	31.2%	0.7%	
Dresser-Rand Group Inc	Siemens AG	7,597	09/30/15	84.65	84.44	Cash	0.2%	0.7%	-0.2%	
Exelis Inc	Harris Corp	4,736	05/29/15	24.85	24.82	C&S	0.1%	6.7%	-0.6%	
Family Dollar Stores Inc	Dollar Tree Inc	9,093	07/31/15	78.77	78.17	C&S	0.8%	4.0%	0.2%	
Freescale Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	43.99	43.15	C&S	1.9%	3.2%	0.0%	
Hospira Inc	Pfizer Inc	16,807	12/31/15	90.00	88.27	Cash	2.0%	3.2%	-0.2%	
Informatica Corp	Canada Pension Plan Investment Board, Permira	4,784	09/30/15	48.75	48.44	Cash	0.6%	1.8%	-0.3%	
Integrus Energy Group Inc	Wisconsin Energy Corp	8,929	09/30/15	73.11	73.14	C&S	0.0%	-0.1%	-0.7%	
Lorillard Inc	Reynolds American Inc	26,477	06/30/15	72.34	72.01	C&S	0.5%	4.3%	-0.8%	
MeadWestvaco Corp	Rock-Tenn Co	9,713	06/30/15	52.03	51.72	Stk	0.6%	5.5%	0.2%	
Mylan NV	Teva Pharmaceutical Industries Ltd	34,826	-	82.00	69.66	C&S	17.7%	-	1.5%	
Office Depot Inc	Staples Inc	5,854	12/31/15	10.79	9.31	C&S	15.9%	26.1%	-1.9%	
Omnicare Inc	CVS Health Corp	11,470	12/31/15	98.00	96.12	Cash	2.0%	3.2%	2.0%	
Pall Corp	Danaher Corp	13,779	12/31/15	127.20	124.59	Cash	2.1%	3.4%	-0.7%	
PartnerRe Ltd	EXOR SpA	5,911	12/31/15	137.50	133.03	Cash	3.4%	5.5%	0.9%	
PartnerRe Ltd	Axis Capital Holdings Ltd	5,313	12/31/15	120.97	133.03	Stk	-9.1%	-14.8%	1.2%	
Pepco Holdings Inc	Exelon Corp	12,185	09/30/15	27.25	26.98	Cash	1.0%	2.8%	0.1%	
Perrigo Co PLC	Mylan NV	34,870	-	235.22	198.47	C&S	18.5%	-	-3.1%	▼
Pharmacyclics Inc	AbbVie Inc	19,777	05/22/15	261.20	261.25	C&S	0.0%	0.0%	-2.2%	▼
Sigma-Aldrich Corp	Merck KGaA	16,395	-	140.00	139.08	Cash	0.7%	-	0.0%	
Synageva BioPharma Corp	Alexion Pharmaceuticals Inc	7,941	-	228.15	218.11	C&S	4.6%	-	0.4%	
UIL Holdings Corp	Iberdrola SA	4,609	12/31/15	52.75	50.52	C&S	4.4%	7.2%	-1.4%	
Williams Partners LP	Williams Cos Inc/The	14,129	09/30/15	59.08	58.13	Stk	1.6%	4.6%	-0.8%	

MARB <GO> North American deals

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock

MISS AN EVENT OR CONFERENCE CALL?
No worries. Check our archives.

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Due to Memorial Day, the next edition will publish on Tuesday, May 26.

EDITOR'S CORNER

Danaher: The Gift That Keeps on Giving

BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR



Danaher Corp. has long been a gift to M&A. The company subscribes to the "too numerous to mention" school of dealmaking, chalking up so many acquisitions that it *doesn't bother* to name them all or give prices.

Now it is offering a trifecta: (1) its biggest acquisition ever (**Pall Corp.**) as a prelude to (2) a spinoff of half the company, with (3) the prospect of more acquisitions and divestitures down the road.

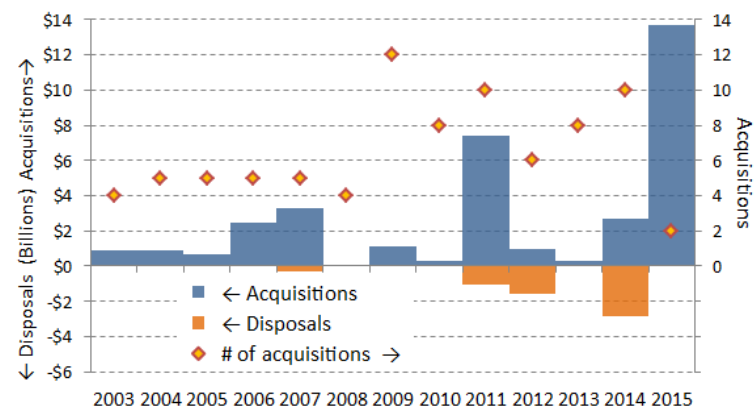
Pall will bulk up Danaher's health-care and other high-tech businesses before Danaher spins off its old-economy businesses. Danaher CEO **Thomas Joyce Jr.** and CFO **Daniel Comas** will lead the faster growing, higher-tech side. (Ever notice how the top

incumbent executives always choose the high-growth half when companies are split?)

The Pall move recalls **Hewlett-Packard Co.**'s \$2.5 billion deal for **Aruba Networks Inc.** in March, which will bolster HP's enterprise business ahead of its split from HP's slow-growth PC and printer units. (Guess where **Meg Whitman** will end up.)

The dealmaking probably won't end there. After Danaher breaks up, it could look to divest its dental-equipment division as well, said Ryan Mendy, chief operating officer at

Danaher's Buying and Selling



Source: Bloomberg

BloombergBriefs.com

Deal counts include only individually disclosed deals. Value totals include only deals where values were individually disclosed.

The execution risk for HP and Danaher should not be minimized. Separating not only segments, but businesses *within segments*, while integrating Danaher's biggest acquisition ever could be tricky.

Perhaps shareholders had begun to ponder that by week's end. Danaher shares, which shot up 3 percent when the Pall deal and spinoff were announced, were back near their pre-announcement level by the close on Friday. At the very least, the payoff from the acquisition and the split are a ways down the road.

— with assistance from Brooke Sutherland

QUOTED

"Now Mel always kicks me underneath the table. And since it's my last [earnings call], we won't comment on rumors about acquisitions or not, but I wouldn't bet on the one that you heard today. Sorry, Mel. I know I'm going to break all kinds of rules today."

— Cisco Systems CEO John Chambers, who will step down in July, referring to reports of a deal for FireEye and to VP of corporate communications Melissa Selcher during a May 13 earnings call
(link to [transcript](#) on terminal)



Tesla founder **Elon Musk** sometimes meets in a secret Google apartment with Google co-founders **Larry Page** and **Sergey Brin** to discuss *futuristic ideas* like a vertical take-off electric jet aircraft, according to a new book on Musk.

WEEK IN NUMBERS

■ **23 of 25:** Number of last week's biggest deals that involved *U.S. targets*

■ **\$9 billion:** Additional *cash* Mexico's **Femsa** could use for acquisitions if it sells its stake in **Heineken**

IN THIS ISSUE

INSIGHT. Why Danaher *opted* to buy **Pall** and split.

INSIDE VERIZON-AOL. AOL CEO **Tim Armstrong** *tells* how and why the deal came together.

DEALMAKER. Brookfield Asset Management's **Bruce Flatt** is pursuing deals *around the globe*.

Q&A. The shift to cloud computing and software as a service is *shaping* IT consolidation, says **Willkie Farr** partner **Gordon Caplan**.

TODAY'S DEALS

Endo to Buy TPG's Par Pharma in Deal Valued at \$8 Billion

BY TOM LAVELL

Endo International Plc agreed to buy **Par Pharmaceutical Holdings Inc.** from investment firm **TPG Capital** in a deal valued at \$8.05 billion, two months after dropping an effort to purchase **Salix Pharmaceuticals Ltd.**

The U.S.-Irish drugmaker plans to acquire Par with 18 million Endo shares, valued at \$1.55 billion, and \$6.5 billion in cash, and will assume Par's debt, the companies said in a statement Monday. The takeover will create a generic drugs business that is among the top 5 in U.S. sales, the companies said, and will boost Endo's earnings in the first year.

The purchase "builds upon our generics

growth, adding a strong portfolio of high barrier-to-entry and attractive gross margin products," Endo Chief Executive Officer **Rajiv De Silva** said in the statement.

Endo said it is seeking a capital structure that will allow for more acquisitions in the future. It withdrew a cash-and-stock offer for Salix in March after **Valeant Pharmaceuticals International Inc.** countered with a sweetened all-cash bid. That acquisition would have been Dublin-based Endo's largest by far at more than \$11 billion, including debt.

Par has almost 100 products, including oral and injectable drugs, and a "solid

pipeline" that includes many medicines that if approved would have a period of market exclusivity, the companies said. Par CEO **Paul Campanelli** will join Endo and lead the generics business.

The deal "positions Endo for long-term double-digit organic growth, strong cash flow and financial flexibility," according to the statement. The purchase is expected to be completed in the second half of the year.

No further shareholder approvals are needed for the deal to go through, Endo said.

TPG bought Par for about \$1.93 billion in 2012, according to data compiled by Bloomberg.

Ascena Agrees to Buy Ann Taylor Owner for \$2.16 Billion

BY KEVIN ORLAND

Ascena Retail Group Inc. agreed to buy **Ann Inc.** for about \$2.16 billion, adding the Ann Taylor and Loft chains to its collection of women's apparel brands.

Ann investors will receive \$37.34 in cash and 0.68 of an Ascena share for every Ann share they hold, the companies said in a statement Monday. The \$47-a-share offer represents a 21 percent premium to Ann's closing price Friday.

The takeover unites the Ann Taylor and Loft brands with Ascena's Lane Bryant and Cacique, creating a company with more than 4,900 stores focused exclusively on women's clothing and accessories. The companies, which had a combined \$7.34 billion in sales in the previous 12 months, said the deal will "significantly" add to earnings in the first year after closing, excluding transaction and integration expenses.

Ann has struggled to adapt to changes in the women's apparel business. Workplace attire has become more casual, giving women less need to buy the business suits that had been Ann Taylor's calling card. And millennials have largely shunned stores that cater to older professional women.

In an effort to adjust, Ann added the

Loft chain in the 1990s to sell more laid-back looks.

Revenue growth in Ann's most recent fiscal year slowed to 1.6 percent, and net income tumbled 34 percent to \$68 million.

Investors **Engine Capital** and **Red Alder** pressed Ann to consider a sale last year, saying it was undervalued and could fetch as much as \$55 a share in a buyout. Ann had been exploring a sale earlier this year and had contacted rival retailers and at least two buyout firms, Bloomberg reported in February, citing people with knowledge of the matter.

Ascena has built a significant part of its

business from acquisitions in the past decade or so. The company purchased Charming Shoppes Inc. for about \$848.7 million in 2012, Tween Brands Inc. for about \$340 million in 2009 and Maurices Inc. for about \$320 million 2005, according to data compiled by Bloomberg.

Ascena said it has identified \$150 million in annual savings that it can generate from the Ann deal within three years of closing. The company plans to finance the takeover with bank debt and expects it to be completed in the second half of this year.

Today's Top Deals

TARGET	COUNTRY	INDUSTRY	ACQUIRER	DEAL VALUE (\$M)
Par Pharmaceutical	U.S.	Consumer, Non-cyclical	Endo International	9,757
Ann Inc.	U.S.	Consumer, Cyclical	Ascena Retail Group	2,006
Flipkart Online Services (minority stake)	India	Communications	Tiger Global Management	500
China Mobile Games & Entertainment Group	China	Technology	Orient Securities Co	281
Kingdee International Software Group (20%)	China	Technology	JD.com Inc	171

Source: Bloomberg [MA<GO>](#)

Real estate assets, joint ventures and stock buybacks excluded

INSIGHT: DANAHER-PALL

Health-Care Danaher May Be Constrained While Industrial Unit Is Positioned for M&A

Danaher Corp. announced a pair of deals May 13 that will reshape and split the diversified manufacturer, whose products range from water quality machinery, paints and color standardization products to dental imaging equipment and microscopes.

The Washington, D.C.-based company said it will buy **Pall Corp.**, which makes biopharma and medical products, for \$13.8 billion, and then split its faster growing health-care and high-tech units from its more traditional industrial businesses. The former are likely to grow

at about a 4 percent to 5 percent rate while the latter are seeing growth closer to 2 percent.

The health-care and technology businesses, which will retain the Danaher name and top management, will emerge with substantial debt, taken on to fund the Pall purchase. Thus the new Danaher may have to stay on the M&A sidelines for the next 18 months or so as it builds cash and strengthens rebuilds. Longer term, the acquisition of Pall may make filtration an area for bolt-on acquisitions.

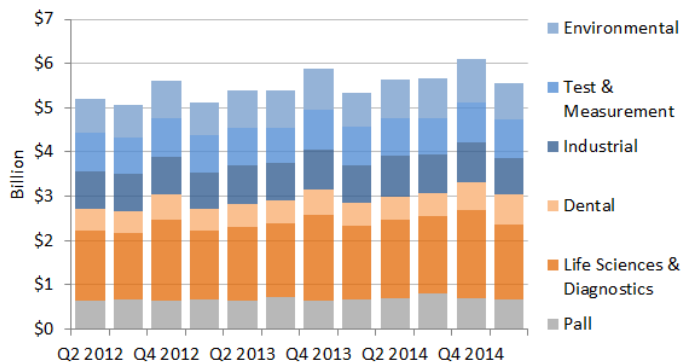
The merger may also lead to

divestitures, as Pall has exposure to the aerospace, energy and microelectronics sectors, which historically have not been core to Danaher.

The slower-growth industrial company, referred to as NewCo for the time being, has high margins and management indicated on the conference call for the deal that it will aim for a low investment-grade credit rating. That would position it to make more acquisitions. NewCo's high margins and cash flow potentially could make it attractive for private equity buyers.

— Joel Levington, Bloomberg Intelligence
industrials credit analyst

Revenue Breakdown and Trends



Source: Bloomberg [FA<GO>](#)

[BloombergBriefs.com](#)

Danaher's life sciences and dental segments now account for about 48 percent of revenue, up from 46 percent three years ago. Accelerating revenue from Danaher's 2011 acquisition of Beckman Coulter Inc. and the purchase in December of Nobel Biocare Holding AG will shift the balance even more in that direction.

The split will not occur strictly along the lines of the segments in Danaher's financial reports. Some high-tech businesses such as product identification, including bar code equipment and color testing, which are now part of the industrial segment, will move to the new Danaher along with the health-care products.

— Joel Levington

Danaher's History of M&A

ANNOUNCED	TARGET	DEAL VALUE (\$M)	TV/EBITDA
5/13/15	Pall Corp	13,712	22.3
2/7/11	Beckman Coulter Inc	6,965	8.7
10/15/07	Tektronix Inc	2,808	16.2
9/15/14	Nobel Biocare Holding AG	2,068	17.4
4/12/06	Sybron Dental Specialties Inc	1,977	13.4
12/11/03	Radiometer A/S	672	14.2
4/10/12	X-Rite Inc	626	10.6
9/2/09	Analytical Technologies division	589	na
4/27/98	Fluke Corp	587	9.5
7/1/05	Leica Microsystems AG	543	na

Source: Bloomberg [MA<GO>](#)

Pall is Danaher's largest acquisition by far, nearly double the size of its 2011 purchase of Beckman Coulter Inc.

At more than 22 times Ebitda, the price tag on Pall also carries the highest multiple among Danaher's largest deals.

Danaher has a long history of acquisitions, many of which are small enough that it does not announce them or disclose their names at the time. In 2014, for instance, it acquired 17 businesses worth about \$3.2 billion, according to its [10-K annual report](#). That includes Nobel Biocare Holding AG, where Danaher acquired 97 percent by December. Only seven of those purchases were publicly disclosed, however, and of those, Nobel Biocare was the only one where a value was disclosed, according to data compiled by Bloomberg.

— John E. Morris

INSIDE AOL-VERIZON

Combined Company to Get Seat at Big Table: AOL CEO



Source: Bloomberg/
Jason Alden

Verizon's deal to buy AOL Inc. for \$4.4 billion was cultivated over a CEO lunch last year, AOL's top executive **Tim Armstrong** told Bloomberg TV's Alix Steel and Cory Johnson on May 12. Comments have been edited and condensed.

Q: What's your fate here? How will you run it?

A: The deal is really targeted at two main things, which is the \$40 billion market in mobile, which will happen before 2020, and the \$40 billion in OTT [over-the-top] and online video. The deal was kind of constructed around that. It started from conversations that we had between the teams.

I sat down with a lunch last year with Lowell McAdam, and we had a great discussion about where the future was going. We started talking too about operational things that lead into a deal. My role at the company is going to be to help drive the future of the businesses around advertising, digital content and video overall inside of Verizon. I'm committed to being there for an extended period of time, multiple years.

I think we're really excited to take our assets, put them together with the Verizon assets. And we'll be running a division of the company that is really one of their future areas of where they're expecting to get growth from. And we're a growth company and a growth group of talent, 4,500 people here. We love to grow. So I think we will bring a lot of energy and focus.

Q: Your brand group is more consumer-facing. What is Verizon's interest in that?

A: We've basically been building brands that are global in nature, video-centric and mobile-centric. And Verizon has a great distribution platform. Those brands also have partners and distribution with other people across the Internet. So I think what you will see from our brands group is more investment in the brands, more investment in video and more

investment in scaling the audiences.

Actually if you think about what AOL's strategy has been — the barbell of content and platforms — Verizon has done the same thing at a larger scale, which is NFL content and premium type content on one side, and VDMS distribution and video content delivery networks on the other side. So our strategies are actually similar.

Verizon is a big believer in content. We're a big believer in content. So I think there's a bright, bright future here for both sides of AOL's business, which is content and platforms. It actually mirrors what Verizon's business is. It's very exciting.

Q: You've been working on acquiring a full stack of everything an advertiser needs from the minute they've got an idea. Did the completion of that stack, and even the last quarter's results, spur the timing of this deal?

A: No. We were already working on it. The results we showed in Q1 were really strong, but Verizon already knew what our assets were and what their strategy was. So I don't think this deal was predicated on an individual day of trading or individual results.

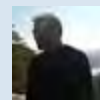
Verizon, obviously, is a much larger company with much larger success in terms of distributing content and ads and services to consumers, but you're taking one of the largest Internet companies in AOL and one of the largest companies in the world with Verizon, and putting them together. And it's going to create our ability to get a chair at the real big table in the industry.

Q: Your stock obviously jumped on the news, now trading over the actual purchase price. What's the probability of other buyers or potential bidders?

A: My focus and concern is basically running the company day to day, integrating and planning with Verizon in terms of getting ready for the deal to close. I think going forward if somebody else wants to get involved, that will happen, but that's not our plan. And our plan is to make sure that we deliver for shareholders and then deliver for Verizon over the next five years in the plus of what we're expecting.

OVERHEARD ON TWITTER

Verizon CEO Lowell McAdam called AOL "a digital trailblazer," but personalities on social media had some other ideas:



olliander
@ollieblog



AOL in a big media deal, Clinton running for office, stocks at all time highs. What's not to love about 2000. Wait...

[Details](#)



Eli Braden
@EliBraden



Verizon to buy AOL for \$4.4 billion. This HAS to be an Antiques Roadshow record!

[Details](#)



Marc Andreessen
@pmarca



Congratulations @timarmstrongaol and team: 147% return to investors for an AOL turnaround many thought impossible - well done!!

[Details](#)



pourmecoffee
@pouremecoffee



Verizon is buying AOL but there should be no service interruption for the dial-up account your grandma doesn't need or even know she has.

[Details](#)



Downtown Josh Brown
@ReformedBroker



\$AOL's Tim Armstrong executes his business plan <http://t.co/xXGTirFzn>

[Details](#)



REAL M&A

Heineken Stake Offers Femsa Billions for Needed Deals

BY JONATHAN LEVIN

Mexican conglomerate **Fomento Económico Mexicano SAB** is a step closer to freeing up billions in fresh cash, just when it may need the money.

The \$34 billion company, known as Femsa, can now sell shares from its 20 percent holding in brewer **Heineken NV** after a lockup on the stake expired at the end of April. Femsa acquired it five years ago in a swap for its Mexican beer business. The position has appreciated in that time to about \$9 billion as Heineken's stock more than doubled. The stake, combined with Femsa's existing cash, gives it more than \$11 billion in ammunition for M&A.

"Femsa doesn't like to own things that they really can't control," Lauren Torres, a New York-based analyst at UBS AG, said of the Heineken shares. "If they could parlay it into something that could give them another round of great returns, because they know that there's another opportunity out there, then they're going to do it."

Acquisitions could shore up growth prospects that have moderated as the company's Oxxo convenience-store business finds fewer Mexican street corners where it has yet to plant its flag. One option is to pursue a bigger slice of the fragmented Latin American pharmacy business, taking advantage of Femsa's experience in small-format retail. Or it could add to its Coca-Cola bottling operations.

Chief Financial Officer **Daniel Alberto Rodríguez Cofre** said on an April 30 conference call that the expiration of the lockup was "not lost on us." He added the company doesn't envision a change in the Heineken holding in the "short term."

Femsa "still has a very strong balance sheet" and doesn't foresee needing to sell the stake.

"Having said that, obviously, we always have the responsibility to look for alternatives and benchmark those alternatives with Heineken shares," he said.

A representative for Femsa declined to comment when reached on May 11.

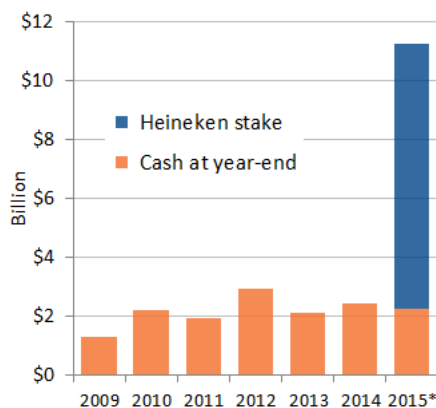
Over the past decade, Femsa's market value has grown about ninefold as

management expanded the company's Oxxo empire to about 13,000 locations. This year, UBS projects Oxxo's store count will grow 9 percent, the slowest pace in at least 15 years.

Should Femsa seek to sell its Heineken stake in pursuit of targets to help boost growth, it could probably find a buyer. With global brewers considering consolidation, Heineken itself could be interested, to keep would-be buyers at bay, as could possible suitors of the Amsterdam-based brewer. Heineken last year rebuffed an approach by bigger brewer **SABMiller Plc**.

Selling the stake would imply paying capital gains taxes on the profits, and Femsa probably won't do so before it finds another way to deploy the proceeds, said Miguel Mayorga, an analyst at Corporativo GBM SAB.

Stake Sale Would Lift Cash



Source: Bloomberg **FA<GO>** * Cash at 3/31/15

The company could pursue a Brazilian drugstore chain such as **Raia Drogasil SA**, valued at \$4 billion, or closely-held **Drogarias Pacheco**, according to a Jan. 30 UBS research note by analysts including Torres and Alan Alanis. It may also add to its roughly 800 pharmacies in Mexico or explore more deals for Coke bottling assets, UBS said. Its Coca-Cola Femsa SAB unit has used M&A to become the world's biggest independent bottler of Coca-Cola Co. products.

Representatives for Raia Drogasil and Drogarias Pacheco didn't respond to requests for comment.

Femsa is already among the top four players in the Mexican pharmacy market, along with Farmacias Benavides, Farmacias del Ahorro and Farmacias Guadalajara, and it may seek further consolidation, according to UBS. The top four players account for just 40 percent of the market, it said.

"Long-term growth at Femsa is going to be driven by inorganic expansion in a significant way," Corporativo GBM's Mayorga said in a telephone interview from Mexico City. "If at some point one of the big players in Mexico were willing to sell, I'm sure Femsa would make a serious effort" to make a deal.

Another possibility is to extend its conquest of the Coca-Cola bottling system, according to Mayorga. Targets in the sector could range from closely-held bottlers to **Arca Continental SAB**, the second-biggest bottler in Mexico, with a market value of 158 billion pesos (\$10.4 billion), he said.

Credit Suisse Group AG analysts led by Antonio Gonzalez wrote in an April 30 note that Chilean bottler **Embotelladora Andina SA** — valued at 1.75 trillion Chilean pesos (\$2.94 billion) — is a "key M&A target."

If the conglomerate enters a completely new line of business, it wouldn't be the first time. The company started primarily as a brewer, then transformed into a retailer and Coke bottler. It also dabbled in banking along the way. Today, its other interests include gas stations. It has even proven willing to explore new parts of the world, with its Coca-Cola Femsa unit agreeing to buy a 51 percent stake in **Coca-Cola Bottlers Philippines Inc.** in 2012.

Femsa has trial stores for its Oxxo format in Colombia, and it's currently seeking permission to sell alcohol in Texas, according to a May 4 regulatory filing. If it gets it, Femsa said it could invest \$850 million to open 900 convenience stores within 10 years.

"Whether it be the U.S., whether it be Colombia, whether it be other parts of Latin America, if the economics work then they'll do it," UBS's Torres said.

DEALMAKER

Flush With Capital, Brookfield's Flatt Is Now a Major Acquirer Across the Globe

BY SCOTT DEVEAU



Photo: Bloomberg/
Kevin van Paassen

Bruce Flatt, chief executive officer of **Brookfield Asset Management Inc.**, can often be found eating lunch in the boardroom with new hires, corporate veterans and any other employees that want to join.

Flatt, 49, talks strategy over tacos,

Greek food or whatever is delivered from the food court below the 49-story building Brookfield owns in Toronto.

The casual working lunches are emblematic of the team focus that Flatt has fostered in his 13 years as CEO and has helped turn Brookfield into Canada's biggest alternative asset manager.

"It's one of the great unknown stories in Canada," Ron Lloyd, chairman and CEO of Credit Suisse Securities (Canada), Inc., said in an interview.

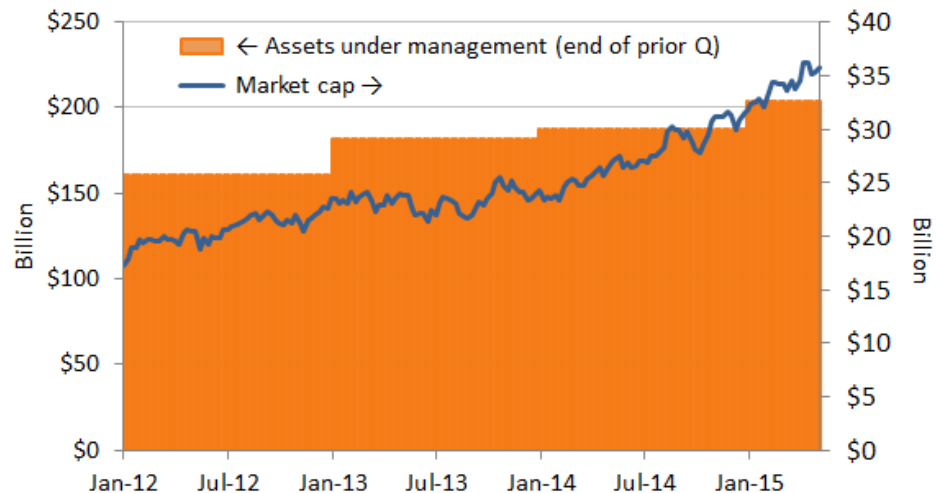
Brookfield's assets under management have swelled to \$207 billion, with \$93 billion of that in vehicles that generate management fees. That compares to **KKR & Co.**'s \$99 billion of assets under management, slightly ahead of **Carlyle Group LP**'s \$193 billion, and two-thirds as much as **Blackstone Group LP**, the world's largest alternative assets manager, which had \$310 billion of AUM as of March 31.

Brookfield has deployed \$15 billion in the past 12 months. Already this year it has announced three acquisitions worth more than \$2 billion each — for Brazilian real estate owner **BR Properties SA**, **Associated Estates Realty Corp.**, an Ohio-based residential real estate investment trust, and the Australian arm of Apache Corp., the oil and gas company.

Brookfield tends to invest when others are fleeing. The rapid drop in oil prices and economic turmoil in places like South America and Europe are creating the perfect hunting grounds.

"Our main investment objective is to put money where money is scarce," Flatt said after the company's annual general

Shares Have Risen as AUM Has Passed \$200 Billion



Source: Bloomberg

BloombergBriefs.com

meeting May 6.

The company increased its fundraising target for this year and early 2016 to \$21 billion last week as it prepares to go on the prowl. That's as much as Canada's largest private equity firm, **Onex Corp.**, had under management at \$21 billion on Dec. 31.

Flatt, a Winnipeg, Manitoba native and an accountant by training, rose quickly through the ranks of Brookfield after joining the firm in 1990 from Ernst & Young. He took over as CEO in 2002 at the age of 36.

Like the modest lunches, Brookfield's offices in Toronto, New York, London and Brazil are open concept. Flatt doesn't even have his own office.

Brookfield is broken down into four asset classes: property, infrastructure, renewable energy and private equity. By far the biggest is real estate, with \$123 billion of assets under management. Expanding its \$10 billion private equity portfolio has become a priority, Flatt said on a recent earnings conference call.

Brookfield is very much in the "investment phase," he said, citing opportunities in Brazil, Colombia, Peru, Europe, Australia, India and China. The drop in oil prices is also creating opportunities in Western Canada's oil patch, he said.

Brookfield's shares tumbled about 6

percent after a \$1.2 billion equity raise announced last month. They closed at \$36.54 on Friday, below their all-time high of \$38.66 on April 15 but up 26.1 percent over the 12 months.

"If there's one area in particular that has been going really well for the past couple years, it has been the growth in assets under management, which has been leading to higher management fees," said Mark Rothschild, a Toronto-based analyst with Canaccord Genuity who covers Brookfield.

Fee revenue increased to \$791 million in the 12 months ended in March, up from \$283 million at the end of March 2011, according to company filings.

Brookfield's earnings and share price growth will likely slow as it enters the investment phase and before the new assets start to show returns, said Ian Nakamoto, director of research at MacDougall MacDougall & MacTier, which manages about C\$5.5 billion (\$4.5 billion) including Brookfield shares.

Nakamoto, who describes himself as a long-term holder, said that wasn't a concern for him. "They're planting the seeds," he said. "They're very counter-cyclical, meaning they buy when things are tough or capital constrained and they sell when things are frothy. How can you not like that philosophy?"

Continued on next page...

DEALMAKER

Continued from previous page...

Brookfield Has Invested From Brazil and Chile to China and Back Home in Canada

In the past six and a half years, Toronto-based **Brookfield Asset Management Inc.** has reached to Brazil, Chile, Colombia, Australia and China as well as the U.S. for investments. Only two of its 25 largest deals in that span have been in Canada, and one of those a buy-in of the publicly held shares of an affiliated company.

The bulk of the deals have been in real estate and infrastructure, which includes electricity transmission, toll highways and ports.

— John E. Morris

Largest Acquisitions Since January 2009

ANNOUNCED	TARGET	COUNTRY	INDUSTRY	CO-INVESTORS	DEAL VALUE (\$M)
3/8/10	General Growth Properties Inc (65.8%)	US	REITS	Fairholme Capital Management LLC, Pershing Square Capital Management LP	30,714
11/7/14	Songbird Estates PLC (71.4%) (owner of Canary Wharf)	GB	Real Estate	Qatar Investment Authority	8,071
9/30/13	Brookfield Office Properties Inc (remaining 49%)	US	Real Estate	-	5,037
2/26/15	BR Properties SA	BR	Real Estate	Grupo BTG Pactual	2,488
4/22/15	Associated Estates Realty Corp	US	REITS	-	2,414
11/6/14	Telediffusion de France SAS	FR	Media	-	2,207
4/8/15	Apache Energy Ltd	AU	Oil & Gas	Macquarie Group Ltd	2,100
1/18/11	General Growth Properties Inc (Fairholme Capital's 11%)	US	REITS	-	1,711
8/6/12	Participes en Brasil SL	BR	Toll Roads	Abertis Infraestructuras SA	1,660
8/23/10	Prime Infrastructure Group (remaining 60%)	AU	Electric	-	1,602
11/1/13	General Growth Properties Inc	US	REITS	-	1,400
4/29/15	GrafTech International Ltd	US	Electrical Products	-	1,203
8/7/13	Industrial Developments International Inc	US	Real Estate	-	1,100
7/26/12	Verde Realty	US	REITS	-	886
10/23/14	Brookfield Residential Properties Inc (remaining 30.6%)	CA	Home Builders	-	875
12/23/13	VLI SA	BR	Transportation	-	845
4/19/12	Wynyard Properties Holdings Ltd	AU	REITS	-	765
10/8/09	Prime Infrastructure Group (40%)	AU	Electric	-	647
2/13/15	Canary Wharf Group PLC (remaining 8.5%)	GB	Real Estate	Qatar Investment Authority	540
10/31/13	China Xintiandi Holding Co Ltd (21.7%)	CN	Real Estate	-	500
10/2/12	Enwave Energy Corp	CA	Electric Distribution	-	488
12/29/11	Empresa de Energia de Boyaca Sa Esp	CO	Electric Distribution	-	416
2/11/13	Portfolio of 19 Babcock & Brown apartment communities	US	Real Estate	-	414
3/14/12	US industrial properties joint venture with Hillwood Development Corp	US	Real Estate	-	403
2/24/10	Crystal River Capital Inc (remaining 92%)	US	REITS	-	353

Source: Bloomberg

Includes acquisitions by the Brookfield Asset Management and its three publicly-traded subsidiaries: **Brookfield Infrastructure Partners LP**, **Brookfield Property Partners LP** and **Brookfield Renewable Energy Partners LP**. Deals announced in 2015 are bolded.

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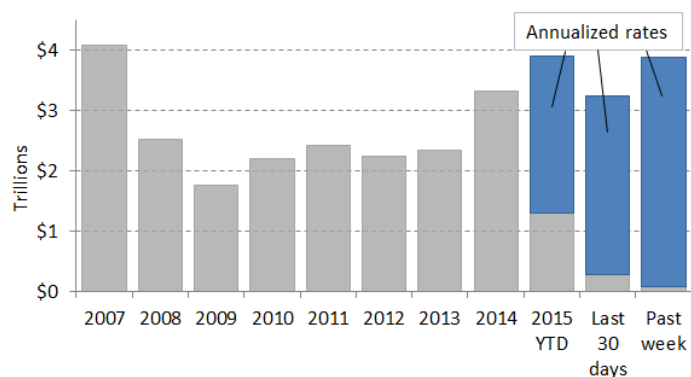
INDUSTRY
RESEARCH **BI** 

WEEK IN REVIEW: M&A TRENDS

COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Volume Rebounds on Back of Big Pipeline, Industrial Mergers

Pace of Dealmaking

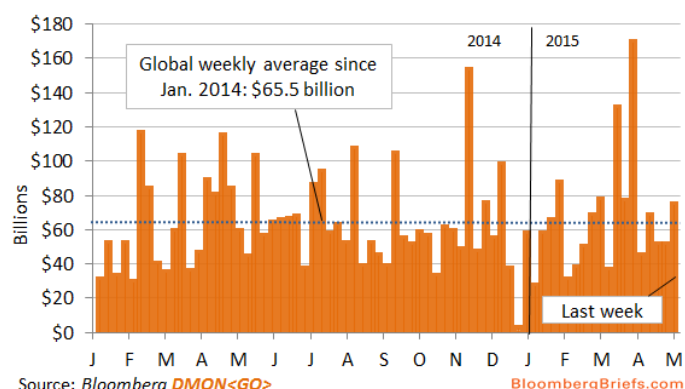
Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

There were *six deals* worth more than \$1 billion last week, fewer deals of that scale than most weeks this year. In addition, the cutoff for the list — the smallest deal on the top 25 list — was just \$50 million, considerably smaller than the lowest-ranked deal most weeks this year.

Still, two new deals over \$13 billion pushed up the total for the week ended Friday to \$74.4 billion: **Williams Cos.**'s \$14.1 billion deal to buy the 42.1 percent of **Williams Partners LP** it doesn't already own and **Danaher Corp.**'s \$13.7 billion deal for **Pall Corp.**

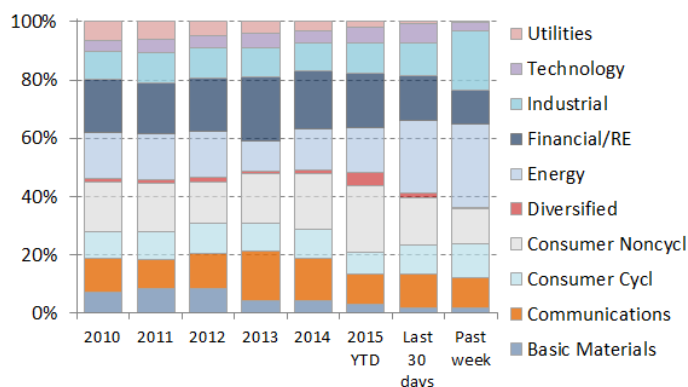
Week by Week Activity

Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

Last week was only the second week in the last five where global M&A volume exceeded the 16-month weekly average, which is now \$65.5 billion.

Sector Breakdown

Source: Bloomberg [DMON<GO>](#)

BloombergBriefs.com

The Williams Co.-Williams Partners merger helped give energy the largest share of last year's deal volume at 28.8 percent. Industrials, lifted by the Danaher-Pall merger, accounted for 20.3 percent of global volume.

WEEK IN REVIEW: TOP DEALS

Largest Deals Announced May 9 to May 15

ANNOUNCED	TARGET	INDUSTRY	COUNTRY	ACQUIRER	COUNTRY	DEAL VALUE (\$M)
5/13	Williams Partners LP	Pipelines	US	Williams Cos Inc/The	US	14,129
5/13	Pall Corp	Miscellaneous Manufacturing	US	Danaher Corp	US	13,712
5/12	AOL Inc	Internet	US	Verizon Communications Inc	US	4,025
5/11	Rosetta Resources Inc	Oil & Gas	US	Noble Energy Inc	US	3,915
5/11	Cushman & Wakefield Inc	Real Estate	US	DTZ Holdings PLC	GB	2,042
5/11	ACORE Capital LLC	Real Estate	US	Tokio Marine Holdings Inc	JP	1,600
5/11	Trade Street Residential Inc	REITS	US	Independence Realty Trust Inc	US	609
5/11	Creative Circle LLC	Commercial Services	US	On Assignment Inc	US	570
5/12	Virtual Radiologic Corp	Healthcare-Services	US	MEDNAX Inc	US	500
5/13	Colonial Pipeline Co (additional 19.5%) , Zydeco Pipeline Co LLC (additional 1.4%)	Pipelines	US	Shell Midstream Partners LP	US	448
5/10	Orange Triangle Inc	Internet	US	HC International Inc	CN	322
5/11	Imagitas Inc	Advertising	US	Red Ventures	US	310
5/12	Colgate-Palmolive Australian laundry detergent brands	Consumer Products	AU	Henkel AG & Co KGaA	DE	247
5/12	DocuSign Inc	Software	US	Brookside Capital LLC, Bain Capital Venture Partners LLC	US	233
5/11	MF Cachat Co/The (80%)	Chemicals	US	IMCD Group NV	NL	223
5/15	Denali Therapeutics Inc (minority stakes)	Biotechnology	US	Alaska Permanent Fund Corp, Fidelity Biosciences, ARCH Venture Partners LP, Flagship Ventures Management Inc	US	217
5/15	Lyft Inc (minority stake)	Internet	US	Icahn Enterprises LP et al	US	150
5/11	Aspen Pharmacare South African division	Pharmaceuticals	SA	Endo International PLC	IE	133
5/12	MarkLogic Corp (minority stakes)	Software	US	Wellington Management Co LLP, Sequoia Capital Operations LLC, Northgate Capital LLC, Arrowpoint Partners, Tenaya Capital Inc	US	102
5/15	IgDraSol Inc	Pharmaceuticals	US	NantPharma LLC	US	90
5/11	Core Delaware basin acreage	Oil&Gas	US	Emerald Oil Inc	US	75
5/12	NerdWallet Inc (minority stakes)	Diversified Financial Services	US	iGlobe Partners Inc, RRE Ventures, Institutional Venture Partners	US	64
5/9	zulily Inc (9.3%)	Internet	US	Alibaba Group Holding Ltd	CN	56
5/14	18 Buffalo Wild Wings restaurants	Retail	US	Diversified Restaurant Holdings Inc	US	54
5/14	Shift Labs Inc	Software	US	Brand Networks Inc	US	50

Source: Bloomberg [MA:GO](#)

Pending and completed M&A and investment transactions announced or amended in the past week. Real estate assets are excluded.

MISS AN EVENT OR CONFERENCE CALL?
No worries. Check our archives.

IR GO

BUYERS AND SELLERS COMPILED BY ANNE RILEY AND JOHN E. MORRIS, BLOOMBERG BRIEF EDITORS

PE Firm Expects More Tie-Ups as Platforms Age; SABMiller Has M&A on the Mind

Ares Management LP



Source: Ares

The Los Angeles-based asset management firm sees more consolidation ahead, president and co-founder **Michael Arougheti** said on the company's first quarter earnings call on May 12. In January, Ares expanded its

private equity group with the purchase of EIF, an asset manager in the U.S. power and energy industry. Comments on this page have been edited and condensed.

Q: How does the environment look for further acquisitions this year?

Michael Arougheti: We believe that our industry is consolidating for better or for worse. I would say for better. It's consolidating behind a couple of key industry trends, one of which is that the global investor base is shrinking its number of manager relationships.

Two, I think both the institutional and retail investor has recognized the benefits of scale, both in terms of information and investing advantages, relationships with the Street, deal flow etc. So, the consolidation trend is undeniable. There is also an underlying trend that we're experiencing in EIF: There is a generational transferring that's occurring within the alternative asset management space.

To oversimplify it, if you go back and say that the bulk of alternative asset management platforms were put in place in the late '80s and early '90s, you now

have a class of founders and senior partners who have built really high quality institutional businesses and are thinking about the longevity of those platforms. So when you think about this consolidation trend, the supply of opportunity is increasing just at a time when the demand for scale platforms is increasing. I think that's why you're seeing so much M&A opportunity, particularly in these smaller and mid-sized all managers.

Second, acquisitions have always been a part of our growth story; we've enjoyed tremendous organic growth, but have always used acquisitions of teams, assets, platforms to enhance our capabilities and then try to deliver better returns to our investors. With that being said, you will not see us just making acquisitions for acquisition sake, acquisitions to bulk up. Whether you're talking about EIF or other areas, we are looking to bring on people who have a unique capability in an industry or an asset class that is added to our core business.

Third, many of our peers went public for different reasons. We went public largely to enhance our global brand and also to take advantage of this consolidation trend with a public currency and a strengthened balance sheet. So not surprisingly now a year after going public as you'd expect, the amount of M&A dialog that we're having on a consistent basis is pretty high.

That being said, you should assume that we are applying a very rigorous filter to everything we're looking at as a potential acquisition, whether it's people, assets or platforms.

SABMiller Plc



Source: SAB

The international beer company hasn't ruled out M&A activity, director of corporate finance and interim CFO **Domenic De Lorenzo** said on the company's fourth quarter earnings call on May 13.

Two days later, the London-based company agreed to buy the U.K.'s Meantime Brewing Co. to expand in craft beers.

Q: You've talked a lot about M&A opportunities and your flexibility with your leverage where it is below your long-term targeted range. If you don't come across M&A opportunities, would you consider share buybacks?

Domenic De Lorenzo: Firstly, M&A opportunities are there to support the underlying organic growth of the business and the strategy of the business. So we're comfortable with a strong balance sheet. We think the balance sheet provides us flexibility, as you say, as well as strength as a big company. We see a need and a benefit in continued investment in organic growth.

So there is an active capital expenditure program across particularly the growth markets like Africa and Latin America, and that will continue, and we would look to invest in that. If M&A presents itself and if it makes sense and if it's value creative, then we will look to M&A as well. And a strong balance sheet would help in that regard.

Source: Bloomberg Transcripts [NH BT <GO>](#)

More Executives on M&A Plans Last Week

SECTOR	DATE	COMPANY	WHAT THEY SAID
BANKING	May 14	Intesa Sanpaolo	Italian bank is looking to buy an international private banking brand with a market value similar to its own private banking unit, which is worth €10-€15 billion, though no acquisition is currently pending, CEO said in an interview. Link on terminal
SHIPPING	May 14	Cosco Pacific	Container shipper is looking for acquisitions in Southeast and Central Asia and the Mediterranean, vice chairman said. Link
HEALTH CARE	May 14	Aspen Pharmacare Holdings Ltd.	South African generic drugmaker is in talks to acquire a baby food maker, the company said in a statement. Link

Source: Bloomberg News, Bloomberg Transcripts

Q&A

Shift to Cloud, Software-as-Service Is Shaping IT M&A, Says Willkie Farr's Caplan

On-premise software businesses are quickly acquiring cloud-based competitors, says **Gordon Caplan**, a partner in the corporate and financial services department of **Willkie Farr & Gallagher** and chairman of its private equity practice. He spoke to Bloomberg Brief reporter Hema Parmar. His comments have been edited and condensed.

Q: Are the rash of hacking attacks we've seen lately having an impact on cybersecurity deals?

A: I don't think the hacking incidents are necessarily in and of themselves increasing cybersecurity deals. Those deals were already on an upswing. There's a lot of demand for the products and I think we will continue to see a significant number of transactions in the area.

Q: Will that consolidation be between small firms or big ones snapping up smaller firms?

A: In software, generally it's very fast-paced, very diffused. There are new merging companies that pop up regularly and quickly. The barriers to entry are relatively limited. If you have good coders who can develop a good product, the take-up rates are very quick. So you have a proliferation of small companies that are constantly being supplanted. And they're popping up all the time and becoming very successful in very short periods of time and that is a continuing trend. The larger software companies have to keep acquiring, which you see regularly.

Q: What other trends are you seeing in the software space?

A: In software in particular, there are a couple of very serious trends. Subscription-based services is very much a trend and had been dominant within the market for the last few years at least. And moving everything to the cloud is a dominant trend. As the industry moves to a SaaS (software as a service) model for almost every application and moving almost everything to the cloud, you are seeing on-premise software businesses having to either acquire their SaaS and/or cloud-based competitors or develop it themselves.

Q: Are you seeing more tech investments by buyout firms in spaces that used to be venture-dominated?

A: Yes, we are. There's a proliferation of tech-focused private equity firms which really didn't exist in anything other than sort of a VC fashion until about 15, 20 years ago. In the 90s these types of businesses were supported by VCs and the true private equity guys shied away from the software business. It was seen as too unpredictable, too lumpy. That shifted. What you see now is software business is a very large portion of private equity in all forms, midmarket, large market.

Q: Do you expect that to continue moving forward?

A: Yes I do, because there are a couple of things happening. For private equity, the headlines are made by these big blockbuster take-privates. The bread and butter of most private equity is not headline take-privates, it's knocking out middle-market deals, most of which are private. That, mixed with an industry which is constantly changing, with new emerging companies that can get fairly profitable and grow very quickly — that is a very healthy mix of capital with growth. That mix is something that has proven very good and very healthy for the private equity industry and also for the mid-market software industry.

Q: Are there other areas within IT that you expect to see deal activity?

A: Virtualization has been and will continue to be a significant growth area. Virtualization is basically using software

to minimize the demand for server space. Companies are developing a lot of technology in that area. And of course, mobile, because everything that you can do on your desktop has been and will increasingly be moved to your mobile device.

Q: How does this tech deal boom compare to that of the late '90s?

A: It's entirely different. I'm not talking about valuations, as much as the types of deals I'm seeing. I did a bunch of dotcom deals in the late 90s. That was about putting stuff on the web, mainly content and some B-to-C e-commerce on the web. What I'm seeing in the tech deals now is there are a lot of very large e-commerce deals happening on a regular basis, but they tend to be very profitable or at least highly revenue-generating businesses. In software it's not about dotcoms and putting things on the web, it's really about making business work more efficiently. It's a fundamental difference from what people looked at during the tech boom of the late 90s and the early part of 2000, where very high valuations were being put on things like eyeballs.

There are very high valuations in this market. But it's still multiples of real Ebitda, multiples of real revenue. Even where they are dealing with companies that don't have huge Ebitda, their potential for real Ebitda is massive. I'm not saying the valuations aren't overinflated, but there's a real business there. We are seeing business models in the deals we do where real money can be made.

AT A GLANCE



Based in: New York

Degrees: B.A. from Cornell; J.D. from Fordham Law School

Career history: Corporate partner since 1999 and chair of the firm's private equity practice since 2010

Recommended book: Countdown to Zero Day, by Kim Zetter

Favorite restaurant: Milos (New York)

Favorite toy: Treadmill

Best recent vacation: Deer Valley, Utah

Favorite sports team: Giants (football)

If you could have another career: Astronaut

ACTIVIST SITUATIONS

COMPILED BY JOHN E. MORRIS, BLOOMBERG BRIEF EDITOR

Significant Actions at Companies Targeted by Activist Investors

COMPANY	ACTIVIST	WHAT HAPPENED	STOCK LAST WEEK
Precision Castparts Corp	ValueAct Capital Management, SQ Advisors	ValueAct and fund run by former money manager for Warren Buffett disclosed new stakes in manufacturer May 15. Link on terminal: NSN NOEEDW6VDKHU<GO>	
Integrated Silicon Solution Inc	Starboard Value	Activist urged memory device maker to renegotiate agreement to be acquired by Uphill Investment. Link: NSN NOEVK66JWUX<GO>	
Clayton Williams Energy Inc	Third Point	Dan Loeb's fund disclosed a 6.6% stake on May 15, making it the oil and gas company's second biggest shareholder. Link: NSN NOEJ566JWUY<GO>	
MGM Resorts International	Land & Buildings Investment Management	Proxy adviser Glass Lewis recommended May 15 that shareholders vote for activist fund's board nominee. Link: NSN NOE360MEQTXC<GO>	
Metro Bancorp Inc	PL Capital Group	Bank agreed May 15 to appoint co-founder of 8.8% shareholder to its board. PL will support bank's candidates and entered a standstill agreement. Link: NSN NOE5Q03PWT1C<GO>	
El du Pont de Nemours & Co	Triun Fund Management	Shareholders defeated Nelson Peltz's bid to join the chemical maker's board on May 13. Link: NSN NOBJYUGKLVRS<GO>	
Pinnacle Entertainment Inc	Unite Here	Union group said May 13 that proxy adviser Institutional Shareholder Services recommended shareholders support six proposals to protect them in a REIT spinoff. Link: NSN NOAVJ53PR6RL<GO>	
Rovi Corp	Engaged Capital	Digital TV equipment maker said May 13 that two activist board nominees had been elected, based on preliminary results. Link: NSN NOAQUL6JUUU<GO>	
Willbros Group Inc	Lawndale Capital Management	Activist with 2.6% said May 13 it will vote to eliminate staggered board at oil and gas engineering and construction company. Link: NSN NOAGIR3MSFLT<GO>	
Bank of East Asia Ltd/The	Elliott Management	Activist told Hong Kong court May 12 that \$850 million share sale to Sumitomo Mitsui Banking Corp. is "inappropriate and unfair use" of mandate from shareholders. Link: NSN NOXBUC6JTSEE<GO>	

Source: Bloomberg News, [NI SHRHOLDACT<GO>](#)

Target	Acquirer	Deal Size (M)	Expected Completion Date	Offer Per Share	Target Price	Payment Type	Spread	Projected Annualized Return	1W Change in Spread	Major Move
AOL Inc	Verizon Communications Inc	4,025	12/31/15	50.00	50.64	Cash	-1.3%	-2.0%	-1.2%	
Baker Hughes Inc	Halliburton Co	37,531	12/31/15	71.30	65.85	C&S	8.3%	13.1%	0.4%	
BlackBerry Ltd	Samsung Electronics Co Ltd	7,073	-	15.49	10.35	Cash	49.7%	-	-4.4%	▼
Catamaran Corp	UnitedHealth Group Inc	13,227	12/31/15	61.50	60.16	Cash	2.2%	3.5%	-0.9%	
City National Corp/CA	Royal Bank of Canada	5,317	12/31/15	96.27	93.05	C&S	3.5%	5.5%	0.1%	
Cleco Corp	BC Investment Management Corp. et al	4,685	12/31/15	55.37	53.94	Cash	2.7%	4.2%	-0.4%	
Crestwood Midstream Partners LP	Crestwood Equity Partners LP	5,238	09/30/15	14.69	14.42	Stk	1.9%	4.9%	5.7%	▲
DIRECTV	AT&T Inc	66,044	06/30/15	93.90	91.46	C&S	2.7%	21.2%	-0.9%	
Dresser-Rand Group Inc	Siemens AG	7,597	09/30/15	84.65	84.25	Cash	0.5%	1.3%	0.0%	
Exelis Inc	Harris Corp	4,736	06/30/15	24.69	24.52	C&S	0.7%	5.4%	-0.1%	
Family Dollar Stores Inc	Dollar Tree Inc	9,093	05/31/15	79.07	78.61	C&S	0.6%	13.3%	0.2%	
Freescale Semiconductor Ltd	NXP Semiconductors NV	15,769	12/31/15	42.42	41.59	C&S	2.0%	3.2%	-0.4%	
Hospira Inc	Pfizer Inc	16,807	12/31/15	90.00	88.11	Cash	2.1%	3.4%	-0.2%	
IGATE Corp	Cap Gemini SA	4,387	12/31/15	48.00	47.52	Cash	1.0%	1.6%	-0.1%	
Informatica Corp	Canada Pension Plan Investment Board, Permira	4,784	09/30/15	48.75	48.29	Cash	1.0%	2.5%	0.0%	
Integrus Energy Group Inc	Wisconsin Energy Corp	8,929	09/30/15	72.74	72.23	C&S	0.7%	1.9%	-0.3%	
Lorillard Inc	Reynolds American Inc	26,477	06/30/15	73.06	72.16	C&S	1.2%	9.9%	-0.3%	
MeadWestvaco Corp	Rock-Tenn Co	9,713	06/30/15	50.13	49.94	Stk	0.4%	3.0%	-0.1%	
Mylan NV	Teva Pharmaceutical Industries Ltd	34,826	-	82.00	70.67	C&S	16.0%	-	0.9%	
Office Depot Inc	Staples Inc	5,854	12/31/15	10.84	9.18	C&S	18.1%	28.7%	1.5%	
Pall Corp	Danaher Corp	13,779	12/31/15	127.20	123.70	Cash	2.8%	4.5%	2.9%	▲
PartnerRe Ltd	EXOR SpA	5,911	12/31/15	137.50	134.23	Cash	2.4%	3.9%	4.8%	▲
PartnerRe Ltd	Axis Capital Holdings Ltd	5,313	12/31/15	120.53	134.23	Stk	-10.2%	-16.2%	-0.7%	
Pepco Holdings Inc	Exelon Corp	12,185	09/30/15	27.25	27.00	Cash	0.9%	2.5%	-5.3%	▼
Perrigo Co PLC	Mylan NV	34,870	-	237.54	194.52	C&S	22.1%	-	-1.7%	
Pharmacyclics Inc	AbbVie Inc	19,822	05/15/15	261.25	255.42	C/S	2.3%	0.0%	-0.2%	
Sigma-Aldrich Corp	Merck KGaA	16,395	-	140.00	139.08	Cash	0.7%	-	-0.1%	
Synageva BioPharma Corp	Alexion Pharmaceuticals Inc	7,941	-	220.66	211.50	C&S	4.3%	-	0.4%	
UIL Holdings Corp	Iberdrola SA	4,609	12/31/15	52.75	49.80	C&S	5.9%	9.4%	-1.9%	
Williams Partners LP	Williams Cos Inc/The	14,129	09/30/15	59.99	58.57	Stk	2.4%	6.4%	2.5%	▲

*Spread moved by more than 2% of price target: ▲ = up, ▼ = down C/S=cash or stock

[illegible]