

Kassirer Merger Arbitrage Monitor: August 1st, 2018 – 3rd Edition

(All figures expressed in USD)

Payment Type Summary	# Deals	Volume	Percent
Cash & Stock	18	307.37B	44.08
Cash or Stock	7	150.24B	21.55
Cash	33	130.84B	18.76
Stock	17	108.86B	15.61

Deal Size Breakdown	# Deals	Volume	Percent
> 10,000M	13	516.58B	17.33
5000.01-10,000M	12	83.76B	16
1000.01-5000M	35	85.6B	46.67
500.01-1000M	15	11.37B	20
Pending Deal Count:	75		

Nature of Bid Summary	# Deals	Volume	Percent
Friendly	67	659.67B	91.78
Unsolicited to Friendly	2	29.63B	2.74
Unsolicited	3	2.91B	4.11
Friendly to Hostile	1	953.02M	1.37

Premiums Paid	# Deals	Volume	Percent
>50%	5	20.7B	2.98
40.01-50%	2	2.51B	0.36
30.01-40%	9	147.03B	21.08
20.01-30%	12	120.74B	17.32
10.01-20%	21	241.96B	34.7
0-10%	15	61.3B	8.79

Target Industry Summary	# Deals	Volume	Percent
Basic Materials	4	6.85B	0.98
Communications	5	151B	21.65
Consumer, Cyclical	8	17.62B	2.53
Consumer, Non-cyclical	13	253.84B	36.4
Energy	4	42.49B	6.09
Financial	22	110.41B	15.83
Industrial	6	48.04B	6.89
Technology	8	36.41B	5.22
Utilities	5	30.67B	4.4
Pending Deal Count:	75		

Quarterly Deal Count



DEAL FLOW

Deal Flow during the month of July was dramatically less than the record pace set in the first half of 2018 as we only saw nine deals. Aggregate deal volume in 2018 is on pace to exceed 2007 levels, but the number of deals continues at a measured pace and has not accelerated like we saw in the 2006/2007 time frame. In general, deal risks have increased as trade wars and unpredictable regulatory changes have added an additional layer of risk variables into several larger deals. We continue to pay close attention to foreign acquisitions of domestic US companies (especially in hi-tech) and any deals that require SAMR/MOFCOM approvals as it is now crystal clear that merger approvals are being utilized as leverage in ongoing trade wars and will continue to be until trade agreements have been resolved.

Recent Announcements:

Announced	Target	Acquirer	Sector	Deal Size	Premium	Cash/Stock
7/26/2018	SUPERVALU Inc	United Natural Foods Inc	Food-Retail	3.12B	53.76	Cash
7/23/2018	LifePoint Health Inc	RegionalCare Hospital Partners	Medical-Hospitals	5.3B	32.63	Cash
7/24/2018	FCB Financial Holdings	Synovus Financial Corp	Commer Banks	2.7B	-4.78	Stock
7/11/2018	CA Inc	Broadcom Inc	Enterprise Software	18.1B	22.11	Cash
6/27/2018	Pinnacle Foods Inc	Conagra Brands Inc	Food-Misc/Diversified	10B	4.68	C & S

Recent Completions:

Closed	Target	Acquirer	Sector	Deal Size	Cash/Stock
27-Jul-18	Quality Care Properties Inc	Welltower Inc	REITS-Health Care	3.4B	Cash
19-Jul-18	RSP Permian Inc	Concho Resources Inc	Oil Comp-Explor&Prodn	9.2B	Stock
18-Jul-18	Validus Holdings Ltd	American International Group I	Reinsurance	5.4B	Cash
9-Jul-18	WGL Holdings Inc	AltaGas Ltd	Gas-Distribution	6.2B	Cash
9-Jul-18	Cavium Inc	Marvell Technology Group Ltd	Electronic Compo-Semicon	6.1B	C & S

Kassirer Merger Arbitrage Monitor: Spreads

(All figures expressed in USD)

Pending Deal Universe

Pending Deal Pool (\$B):	688.83
Arbitrage Profit Pool (\$B)	44.80
# Deals with positive Spreads	56
# Deals with negative spreads	15

Pending Deal Spreads

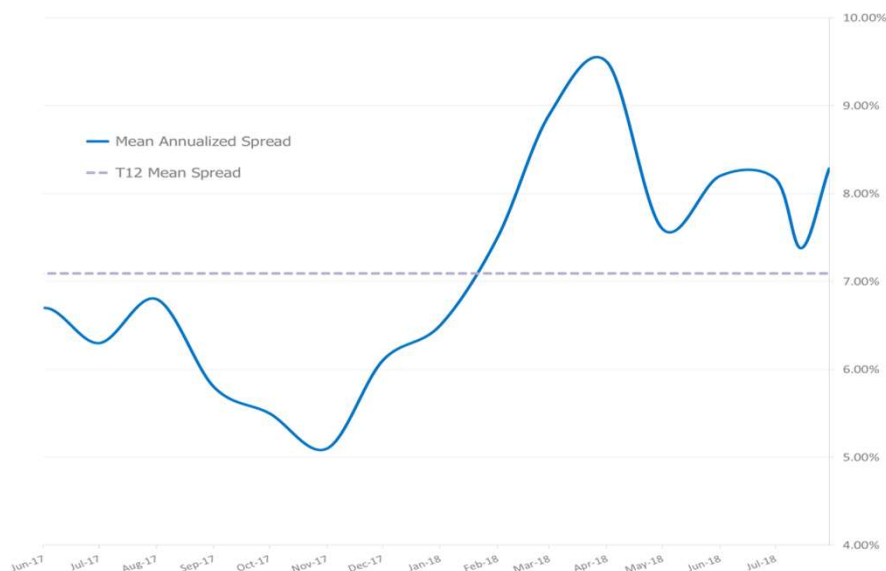
Annual Deal-Weighted Average Spread	12.04%
Median Spread	7.00%
Average Spread	7.71%

Market Cap

Annual	
<\$1B	5.45%
1 - \$5B	6.92%
>\$15B	12.04%

Deal Universe: Bloomberg Pending M&A / North America Public Target ex - L.P's.

Deal Universe Annualized Spreads



Spread Commentary:

The average spread of 8.2% is more in-line with its historical average, versus the wider spreads we saw in early spring of approximately 10%. We believe spreads will continue to remain volatile as we churn through a rising interest rate cycle and continue to face increased trade tensions / regulatory uncertainty. We calculate the current aggregate arbitrage profit pool to be ~\$45B, significantly more supply than the T12 average of ~ \$35B, which should present significant near-term opportunities in a volatile spread environment.

Post-Mortem: Terminated Transactions:

Termination Date`	Target Name	Acquirer Name	Sector	Cash Terms
7/25/2018	NXP Semiconductors	Qualcomm Inc.	Semiconductors	127.5/sh.

On October 27th 2016, Qualcomm announced a definitive agreement to acquire NXP for \$110 per share. The \$38 billion deal increased to \$44 billion when major NXP shareholders grew hesitant of the drawn-out regulatory approval process. The two companies worked on executing concessions demanded by antitrust reviewers in America and Europe, and the application for a Chinese go-ahead expired and was refilled. In the end, as trade war fears intensified, this deal was done in by China's approach of "kill them with silence". However, China's State Administration for Market Regulation—the last of nine regulators around the world needed to green-light the deal—finally broke their silence last Friday when they announced that Qualcomm's latest proposal failed to address competition concerns. The purchase of NXP was officially scrapped after a deadline passed on Thursday July 26th.

Termination Date`	Target Name	Acquirer Name	Sector	Cash Terms
5/23/2018	AECON	CCCC International	Construction	\$20.37/sh.

On October 26th 2017, Chinese Construction company (CCCC) signed a definitive agreement to acquire Canadian construction company Aecon Group. The following day, Canadian Prime Minister Trudeau's said that the proposed acquisition would be examined "very carefully", so it was no surprise that the transaction underwent an extended "national security review" in Canada. The fact that in May 2018 Investment Canada issued an order blocking the \$1B merger on national security grounds came as a surprise to many as Canada had never blocked a Chinese acquirer and had allowed several higher profile Chinese acquisitions of sensitive assets (Nexen -\$15B, Progress Energy \$6B) without issue. Apparently Aecon's domestic competitors were able to convince Canadian regulators that Aecon's intellectual property would be at risk despite CCCI's having demonstrated superior technology and experience in building a Global Construction & Engineering company with greater than \$70B in annual revenues worldwide.

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