

Kassirer Merger Arbitrage Monitor: June 13, 2018

Kassirer
ASSET MANAGEMENT CORPORATION

(All figures expressed in USD. Data as of 6-8-18)

Payment Type Summary	# Deals	Volume	Percent
Cash & Stock	14	194.85B	41.15
Stock	17	118.61B	25.05
Cash	27	92.72B	19.58
Cash or Stock	7	67.36B	14.22

Deal Size Breakdown	# Deals	Volume	Percent
> 10,000M	8	317.44B	12.31
5000.01-10,000M	9	69.82B	13.85
1000.01-5000M	29	75.96B	44.62
500.01-1000M	8	6.19B	12.31
0-500M	11	4.13B	16.92
Deal Count YTD:	65		

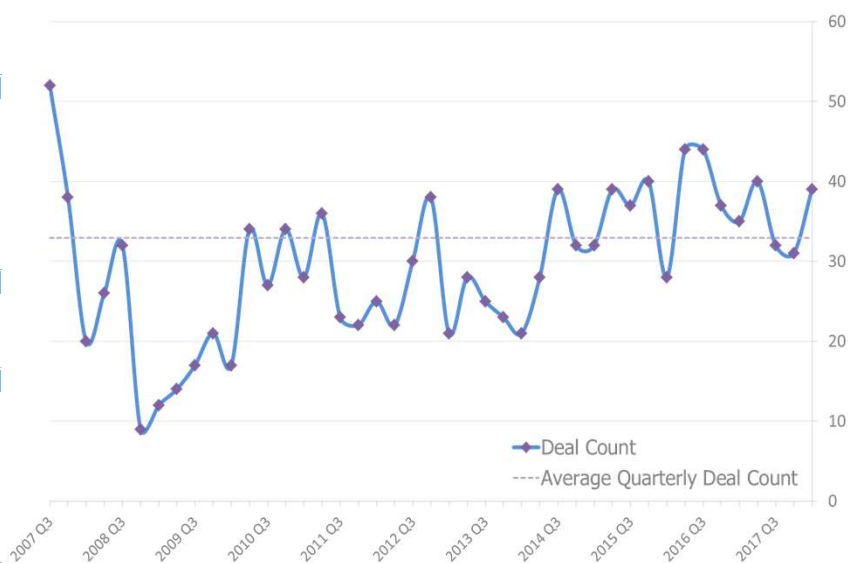
Nature of Bid Summary	# Deals	Volume	Percent
Friendly	59	431.11B	93.65
Unsolicited	4	37.76B	6.35

Premiums Paid	# Deals	Volume	Percent
>50%	5	17.5B	4.02
40.01-50%	2	6.7B	1.42
30.01-40%	9	140.26B	29.62
20.01-30%	14	110.34B	23.3
10.01-20%	11	110.27B	23.29
0-10%	14	71.27B	15.05

Target Industry Summary	# Deals	Volume	Percent
Basic Materials	2	2.54B	0.54
Communications	3	59.46B	12.56
Consumer, Cyclical	5	9.63B	2.03
Consumer, Non-cyclical	11	192.81B	40.72
Energy	7	59.9B	12.65
Financial	23	98.58B	20.82
Industrial	5	16.85B	3.56
Technology	4	7.29B	1.54
Utilities	5	26.49B	5.59
Deal Count YTD:	65		

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

Quarterly Deal Count



COMMENTARY

2018 YTD M&A volumes have surpassed 2007 levels, though the number of deals remains lower. The median annualized spread level is now approximately 7.3%, significantly higher than the historical 300-500bps premium to the risk-free rate. This fertile environment for merger arbitrage is likely to improve further as the recent federal court's decision to allow the TWX / AT&T merger, without condition, has likely emboldened would-be acquirers who have been waiting patiently for insight into how the courts would handle challenges to vertical mergers. We expect to see increased deal activity in the near term as a result.

Recent Announcements:

Announced	Target	Acquirer	Sector	Deal Size	Premium	Cash/Stock
6/11/2018	Envision Healthcare Corp	KKR & Co LP	Medical-Hospitals	9.5B	7.08%	CASH
6/11/2018	USG Corp	KnaufVerwaltungsgesel	Bldg & Construction	6.8B	27.4%	CASH
6/7/2018	AV Homes Inc	Taylor Morrison Home	Bldg-Residential	700MM	22.72%	C or S
5/21/2018	LaSalle Hotel Properties	Blackstone Group	REITS-Hotels	4.54B	9.40%	CASH
5/21/2018	MB Financial Inc	Fifth Third Bancorp	Commer Banks-Central US	4.57B	24.62%	C & S

Recent Completions:

Closed	Target	Acquirer	Sector	Deal Size	Cash/Stock
6/07/2018	Monsanto Co	Bayer AG	Agricultural Chemicals	61.67B	CASH
5/30/2018	Microsemi Corp	Microchip Technology Inc	Electronic Compo-Semicon	9.83B	CASH
06/06/2018	General Cable Corp	Prysmian SpA	Wire&Cable Products	2.5B	CASH
5/16/2018	Avexis Inc	Novartis AG	Medical-Biomedical/Gene	7.91B	CASH
5/15/2018	Jean Coutu Group	Metro Inc	Retail-Drug Store	4.70B	C or S

Kassirer Merger Arbitrage Monitor: Spreads

(All figures expressed in USD)

Pending Deal Universe

Pending Deal Pool (\$B): 473.1
Arbitrage Potential Profit Pool (\$B): 43.0
Deals With positive spreads: 47
Deals With negative spreads: 16

Pending Deal Spreads

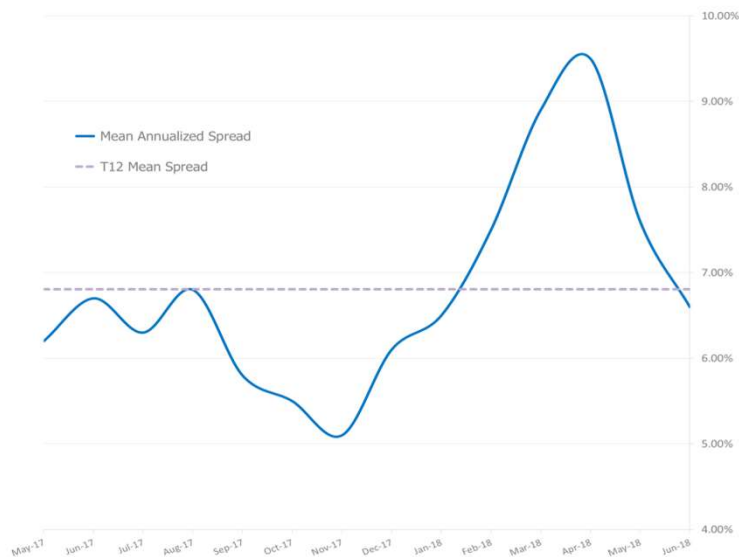
Annual
Deal-Weighted Average Spread 12.66%
Median Spread 7.00%
Average Spread 6.49%

Market Cap

Annual
<\$1B 4.99%
1 - 5B 5.51%
>15B 9.26%

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

Deal Universe Annualized Spreads



Spread Commentary:

MOFCOM has not blocked a U.S acquirer since it blocked Coca-Cola from acquiring a Chinese beverage company in 2009. Despite this fact, the market arguably priced some transactions that required MOFCOM approval as if they were 'busted' (CAVM,NXPI) at the beginning of May. Spreads tightened by approximately 2% during the month of May as a handful of deals that require approval by China's Ministry of Commerce (MOFCOM) improved due to positive developments in the ongoing trade negotiations between the U.S & China, including a settlement agreement related to violations of Iran Sanctions by Chinese telecom giant ZTE.

Post-Mortem: Terminated Transactions:

Termination Date	Target Name	Acquirer Name	Sector	Cash Terms
4/23/2018	AKORN	Fresenius SE & Co KGaA	Medical-Drugs	34.00/sh.

On 04/24/2017, Fresenius SE & Co KGaA announced it had signed an agreement to acquire Akorn Inc for USD 34.00 per share. Weakening fundamentals, an overly long process to negotiate antitrust divestitures, and a management team with a controversial history. Ultimately, the relatively small upside given the many issues led us to take a short position in the stock last summer. In late Feb 2018, an anonymous tipster alleged that the company was guilty of FDA data integrity violations. The stock traded from a price of \$30 down to \$17.50 based on this issue. On 04/23/2018, Fresenius terminated the merger due to Akorn Inc's failure to fulfill several closing conditions and shares closed at \$13.05, with implied aggregate losses to arbitrage participants of approximately USD \$1.2B by our estimates caused HFRXMA down 1% in FEB.

Termination Date	Target Name	Acquirer Name	Sector	Cash Terms
1/2/2018	MONEYGRAM INT'L	ANT Financial	E-Commerce/Services	18.00/sh.

On 04/17/2017, Ant Financial increased its offer for MoneyGram International Inc to USD 18.00 per share. On 01/02/2018, MoneyGram and Ant Financial announced they have agreed to terminate their merger agreement due to the inability to gain required CFIUS approval after three separate attempts. At deal break, shares traded down to \$12 which implied moderate losses to arbitrage participants of USD \$120MM by our estimates, but have subsequently declined to \$6.50, which would imply significantly greater losses. On deal termination, Moneygram's CEO was quoted as saying "The geopolitical environment has changed considerably since we first announced the proposed merger last year. Despite our best efforts to work cooperatively with the US government, it has now become clear that CFIUS will not approve this merger."

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