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Pepsi Puts Some Fizz Back In M&A Market

By Gordon Platt

Merger and acquisition activity is returning to a semblance of normality, with a series of significant deals in industries other than financial services. While financing remains constrained, stock-swap transactions and cash deals are the order of the day.

Snack and beverage maker PepsiCo made a cash-and-stock bid for its two biggest bottlers, PepsiAmericas and Pepsi Bottling, both of which promptly rejected the offer as being priced too low.

PepsiCo sued Pepsi Bottling in a Delaware court over the adoption of a poison-pill plan to block the merger, or at least to get a higher price. The suit claims Pepsi Bottling kept PepsiCo in the dark about the meeting at which the bottler adopted new executive compensation agreements and changed the company's bylaws to make a merger more difficult to achieve.

PepsiCo owns 33% of the outstanding shares of Pepsi Bottling and 43% of the outstanding shares of Pepsi-Americas. It said that acquiring the remaining shares it did not already own in the bottlers would create a leaner, more agile business model.

"Our operating environment has changed dramatically in the last decade," Pepsi chairman and CEO Indra Nooyi said in a statement. "Retailers have continued to consolidate. New companies have emerged. And noncarbonated drinks, which have different economics and different distribution systems than carbonated soft drinks, have become a much bigger factor in the industry and in our own portfolio," she said.

PepsiCo has offered 50% cash and 50% stock in the transaction. The offer represented a 17.1% premium to the market price.

Redwood Shores, California-based Oracle offered to buy Sun Micro-systems, a maker of servers and storage equipment, for cash. Sun shareholders filed three separate lawsuits in an effort to halt the sale, which was valued at $8 billion.

In the US energy sector, Enterprise Products Partners planned to launch an unsolicited tender offer to acquire Teppco Partners, an owner and operator of gas pipelines, in a stock-swap transaction.

In another stock-swap deal, Jacksonville, Florida-based Fidelity National Information Services agreed to acquire Metavante Technologies, a Milwaukee-based provider of banking and payments technologies. The definitive agreement for Fidelity National to acquire Metavante valued the combined company at about $10 billion. The transaction will be structured as a tax-free reorganization, whereby Metavante will be merged with a newly formed subsidiary of Fidelity National.

Bloomfield, Michigan-based Pulte Homes agreed to buy Dallas-based Centex for $1.3 billion in stock, plus the assumption of $1.8 billion in liabilities. The acquisition would make Pulte the largest homebuilder in the US.

In Europe, a company formed by private equity firm CVC Capital Partners agreed to acquire iShares from Barclays Global Investors, in a leveraged buyout. Barclays agreed to sell the exchange-traded funds business to raise capital after it spurned the British government's asset-protection scheme.

The primary factors inhibiting global M&A closings for 2009 include lack of funding and unattractive valuations to sellers, according to IMAP, an organization of middle-market M&A advisory firms. Despite the economic downturn, IMAP advisers say they believe M&A opportunities still exist in several industries, including industrials, energy and power, and consumer goods.

In its 2008 global transaction and pricing survey, released in May, IMAP said its advisers in Europe, the Middle East and Africa expect industry consolidation to be the primary area of opportunity for mergers this year, followed by exit strategies due to the health or age of business owners. Advisers in the US and Canada expect opportunities where financial leverage remains too high, followed by exits due to health and age. The survey included more than 500 advisers at 55 firms.

AMERICAS M&A: TOP DEAL ADVISERS

Adviser	Rank Value ($million)	Rank	% Mkt Share	# of Deals
Morgan Stanley	145,144	1	58.8	36
Goldman Sachs	135,511	2	54.9	24
J.P. Morgan	134,920	3	54.7	42
Bank of America Merrill Lynch	98,401	4	39.9	33
Citi	84,386	5	34.2	28
Industry Totals *	246,758 *	-		2,600

Download Table* Figures may not add up, as more than one bank typically obtains credit for any one transaction.

EUROPE M&A: TOP DEAL ADVISERS

Adviser	Rank Value ($million)	Rank	% Mkt Share	# of Deals

Deutsche Bank	110,627	1	55.3	26
Citi	108,338	2	54.2	21
Credit Suisse	99,721	3	49.8	25
UBS	77,617	4	38.8	28
J.P. Morgan	74,412	5	37.2	32
Industry Totals *	200,077 *	-		3,844

Download Table* Figures may not add up, as more than one bank typically obtains credit for any one transaction.

ASIA M&A: TOP DEAL ADVISERS

Adviser	Rank Value ($million)	Rank	% Mkt Share	# of Deals
Nomura	14,226	1	18.8	49
Morgan Stanley	11,614	2	15.3	19
Citi	9,548	3	12.6	25
J.P. Morgan	6,127	4	8.1	5
RBS	4,688	5	6.2	3
Industry Totals *	75,723 *	-		3,177

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January 1, 2009 - May 1, 2009

Source: Thomson Reuters

* Figures may not add up, as more than one bank typically obtains credit for any one transaction.

TOP MERGERS & ACQUISITIONS IN APRIL 2009

AMERICAS

Date Announced	Target Name (Target Advisers)	Country	Acquirer Name (Acquirer Advisers)
4/20/09	Pepsi Bottling Group (Morgan Stanley)	US	PepsiCo (Centerview Partners) (Bank of America Merrill Lynch)
4/20/09	Sun Microsystems (Credit Suisse)	US	Oracle
4/29/09	Teppco Partners	US	Enterprise Products Partners
4/13/09	NextRX	US	Express Scripts

	(Merrill Lynch) (Goldman Sachs)		(Citi) (J.P. Morgan) (Credit Suisse)
4/1/09	Metavante Technologies (Barclays)	US	Fidelity National Information Services (Banc of America Securities) (Goldman Sachs)
4/20/09	PepsiAmericas (Goldman Sachs)	US	PepsiCo (Centerview Partners) (Bank of America Merrill Lynch)
4/20/09	Stiefel Laboratories (Blackstone Group)	US	GlaxoSmithKline (Lazard)
4/8/09	Centex (Goldman Sachs)	US	Pulte Homes (Citi) (Bank of America Merrill Lynch) (J.P. Morgan) (Barclays Capital) (Deutsche Bank)

EUROPE

4/9/2009	iShares (Barclays Capital) (Lazard) (J.P. Morgan Cazenove)	Ireland	Blue Sparkle (Rothschild) (Goldman Sachs)
4/4/2009	Gazprom Neft (Deutsche Bank) (Merrill Lynch) (J.P. Morgan)	Russia	Gazprom (Citi) (Gazprombank)
4/29/2009	France Telecom	Spain	France Telecom

	Espana		
4/17/2009	SWB (Credit Suisse)	Germany	Investor group
4/16/2009	Linea Directa Aseguradora	Spain	Bankinter (PricewaterhouseCoopers) (Deutsche Bank)

ASIA

4/14/2009	MangistauMunaiGaz (Morgan Stanley) (J.P. Morgan)	Kazakhstan	Investor group (ABN AMRO Holding) (Citi)
4/7/2009	New City Residence Investment (Nikko Citigroup)	Japan	Lone Star Funds
4/29/2009	Far EasTone Telecom	Taiwan	China Mobile (Goldman Sachs)
4/21/2009	North United Power	China	Guangdong Yudean Group
4/15/2009	Panzhihua New Steel	China	Zhonghai Trust

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AMERICAS

Date Announced	Target Name (Target Advisers)	Country	Description	Ranked Value ($billion)
4/20/09	Pepsi Bottling Group (Morgan Stanley)	US	Planned to launch an unsolicited offer to acquire the remaining 66.9% interest plus options, which it did not already own, in a stock-swap transaction.	9.61
4/20/09	Sun Microsystems (Credit Suisse)	US	Definitively agreed to acquire maker of servers	8.00

			and storage equipment, for cash.	
4/29/09	Teppco Partners	US	Planned to launch an unsolicited tender offer to acquire owner and operator of gas pipelines, in a stock-swap transaction.	5.38
4/13/09	NextRX (Merrill Lynch) (Goldman Sachs)	US	Definitively agreed to acquire provider of managed healthcare services.	4.68
4/1/09	Metavante Technologies (Barclays)	US	Definitively agreed to acquire provider of online payment services, in a stock-swap transaction.	4.45
4/20/09	PepsiAmericas (Goldman Sachs)	US	Planned to launch an unsolicited offer to acquire the remaining 57% plus options, which it did not already own.	3.60
4/20/09	Stiefel Laboratories (Blackstone Group)	UK	Agreed to acquire pharmaceutical maker; includes $400 million in liabilities and $300 million in profit-related payments.	3.60
4/8/09	Centex (Goldman Sachs)	US	Definitively agreed to merge with home builder, in a stock-swap transaction; includes $1.8 billion in liabilities.	3.05

EUROPE

4/9/2009	iShares (Barclays Capital) (Lazard) (J.P. Morgan Cazenove)	Luxembourg	Company formed by CVC Capital Partners agreed to acquire iShares from Barclays Global Investors, in a leveraged buyout.	4.40
4/4/2009	Gazprom Neft (Deutsche Bank) (Merrill Lynch) (J.P. Morgan)	Russia	Agreed to raise its interest to 95.68% by acquiring a 20% stake from Eni, in a privately negotiated transaction.	4.20
4/29/2009	France Telecom Espana	France	Raised its interest to 99.85% by acquiring an 18.25% stake.	1.82
4/17/2009	SWB (Credit Suisse)	Germany	Group comprised of government of Bremen and EWE planned to acquire a 51% interest in electric utility from Essent.	0.92
4/16/2009	Linea Directa Aseguradora	Spain	Agreed to acquire the remaining 50% interest, which it did not already own, in insurer.	0.56

ASIA

4/14/2009	MangistauMunaiGaz (Morgan Stanley) (J.P. Morgan)	China	Agreed to acquire oil and gas exploration company, in the formation of a joint venture.	3.30
4/7/2009	New City Residence Investment	US	Planned to acquire a 68.72% stake in bankrupt real-estate investment	1.08

	(Nikko Citigroup)		trust.	
4/29/2009	Far EasTone Telecom	Hong Kong	Agreed to acquire a 12% stake, in a privately negotiated transaction.	0.53
4/21/2009	North United Power	China	Agreed to acquire a 20% stake in electric utility.	0.29
4/15/2009	Panzhihua New Steel	China	Unit of China National Offshore Oil acquired a 5% stake in open-market transactions.	0.28

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Source: Thomson Reuters