



Mergers & Acquisitions

Newsletter

February Edition



**MERGERS &
ACQUISITIONS**

**UNIVERSITY
OF READING**

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Executive Summary

February's newsletter starts with Apple's 2 billion dollar purchase of Q.ai shows how seriously it now takes the AI gap, paying 80× invested capital for silent-speech tech it thinks can become the next Face ID. Devon's all-stock merger with Coterra builds a 58 billion dollar shale player with real depth in low-cost Permian and Marcellus inventory, while NatWest's 2.7 billion pound move for Evelyn Partners is a clear swing at rebalancing towards fee-driven wealth. On top of that, we cover Nuveen's tilt at Schroders, KKR's push into sports with Arctos, Santander's bet on Webster, and Talen's aggressive grab for PJM gas capacity, all against a backdrop of over 200 billion dollars of February M&A and a market that still rewards scale, scarcer assets and clear strategy.

The Industry Trends and Learning Corner sections then zoom out: how AI, energy, pharma and financials are driving the current cycle, and what you actually need to do, step by step, if you want to move from a non-target campus into those teams.

Research Team Update: February welcomed Matthew, Jonathan and Rohan to the research team, all of whom have made an impressive start. We also wish to thank Raphael Rondelot for his contribution as Head of Research, following the release of this newsletter, he will be stepping down to focus on his next chapter, and we wish him the very best. Adam Qureshi will be stepping up to lead the team for the remainder of the year, and we have full confidence in his ability to take the society's research to new heights.

Apple's Acquisition of Q.AI by Safeer

Deal Snapshot

Apple has agreed to acquire Israeli startup Q.ai (Q Ltd) for around 2 billion dollars in an all-cash deal announced on 29 January 2026. The price, reported by the Financial Times but not confirmed by Apple, makes this one of the largest acquisitions in Apple's history. Qatalyst Partners is advising Q.ai, while Apple has not publicly disclosed its advisers. The target brings Apple proprietary silent speech recognition technology that can read facial micro-movements, with a clear fit across its wearables and device ecosystem.

Strategic Rationale

This is Apple trying to close a growing AI gap with Google, Meta and Microsoft after a stop-start Apple Intelligence rollout through 2025. Q.ai's silent speech recognition lets devices interpret intent from tiny skin movements instead of spoken commands, which gives Apple a hardware-level interaction mode that others cannot copy just by plugging in a third-party model. The technology slots neatly into Apple's long-term vision for wearables and ambient computing, especially for AirPods and Vision Pro, where voice input is not always practical or desirable.

Strategically, the deal pushes Apple further towards full AI vertical integration. It reduces an uncomfortable reliance on Google's Gemini for key Siri features and strengthens Apple's control over how users interact with its devices. The immediate value is strategic optionality rather than near-term P&L impact, but if the tech scales, Apple gets a proprietary input layer that can be monetised across hardware, services and potentially new device categories.

Deal Structure and Financials

The transaction follows Apple's usual pattern as an all-cash acquisition funded from its balance sheet. While Apple has not disclosed the price, FT reporting puts it at roughly 2 billion dollars, which would make Q.ai Apple's second-largest deal after the 3-billion-dollar Beats acquisition in 2014. On traditional metrics the number looks extreme: Q.ai is believed to have raised only about 24.5 million dollars in venture funding, so Apple is paying roughly 80 times the capital put into the business.

That gap underlines how Apple is valuing scarcity and defensibility of the underlying IP rather than revenue or earnings. There is no formal synergy guidance, which is consistent with how Apple usually handles M&A. Economically, the deal is best viewed as a combined

technology and acqui-hire premium. Apple is buying exclusive rights to the tech and locking in a specialist founding team, with the financial return entirely dependent on how well Q.ai's capabilities are embedded into mass-market products.

Risks and Outlooks

The core execution risk is taking a lab-grade prototype and turning it into something that works seamlessly for hundreds of millions of users. Q.ai has been operating in stealth with a small, specialist team; scaling silent speech detection so it works reliably across different faces, lighting, and usage patterns is a fundamentally different challenge. Apple's own track record here is mixed, given repeated delays to its Siri 2.0 upgrade.

Regulation is another angle. The deal size falls below automatic US pre-merger notification thresholds, which limits immediate FTC scrutiny, but Apple's "gatekeeper" status under the EU Digital Markets Act means Brussels can still lean in if it thinks the acquisition further entrenches Apple's power in wearables. At the same time, Apple enters 2026 juggling DOJ antitrust actions in the US, DMA interoperability demands in Europe, and a tight high-bandwidth memory supply chain. All of that competes for management attention and could slow the integration path for Q.ai's technology.

Looking ahead, Meta is the most obvious competitive threat, with Ray-Ban AI glasses already in market and building a user base. The key milestones to watch are the first Apple product announcements that explicitly reference Q.ai's tech, likely at WWDC 2026 or a major hardware launch, and any signs that Siri 2.0 is adding new "silent" input modes. If Apple executes, it can shift the basis of competition away from raw model size, where it lags, towards interaction design and hardware-software fusion where its 1.2 billion-device install base gives it an edge. In that scenario, silent speech could become the default interface for wearable AI and Apple would own the standard.

Analyst Commentary

For me, the 80-times-funding multiple tells you everything. Apple is not buying a revenue line; it is paying up to pre-empt a capability it clearly thinks will define the next interface cycle. We have seen this playbook before. The 2013 acquisition of PrimeSense sat in the background until Face ID turned into a mass-market feature that competitors struggled to match. Q.ai has the same feel: niche today, but with the potential to become the next "of course every device does this" layer of interaction.

It also looks like a shift in Apple's M&A philosophy. A company that historically preferred to build in-house is suddenly writing one of its biggest cheques only weeks after Tim Cook said Apple is "very open to M&A that accelerates our roadmap". The whole bet comes down to one question: can Q.ai's technology survive the jump from a stealth research outfit to Apple's extremely demanding hardware ecosystem? If it can, this will look like a bargain in hindsight. If it cannot, 2 billion dollars will have bought Apple an expensive experiment.

Devon Energy's Acquisition of Coterra Energy by Matthew

Deal Snapshot

Devon Energy has agreed an all-stock merger with Coterra Energy, valuing Coterra at 21.6 billion dollars and creating a 58-billion-dollar pro forma company that will be one of the largest shale producers in the United States, with a dominant position in the Delaware Basin and roughly 1.6 million BOE per day of production.

Strategic Rationale

The core aim is to build a top-tier position in the Delaware Basin. Combined, Devon and Coterra control close to 750,000 net acres in the most economic part of the Permian, with more than ten years of high-quality drilling locations, most of which break even below 40 dollars per barrel. That depth of low-cost inventory is hard to replicate and should support resilient returns through the cycle.

Management is targeting 1 billion dollars of annual pre-tax synergies by the end of 2027, split into roughly 350 million from capital optimisation, 350 million from operating margin improvement, and 300 million from lower corporate costs. By using overlapping acreage and shared technical teams more efficiently, the combined business expects to cut its cost base while keeping output high.

The merger is also pitched as immediately accretive. A stronger “fortress” balance sheet should reduce the cost of capital, support higher free cash flow, and underpin a planned increase in the quarterly dividend to 31.5 cents per share. That is how the deal is being sold to shareholders: larger scale, lower unit costs, and more dependable cash distributions.

Unlike many peers that are now effectively single-basin Permian stories, Devon and Coterra are building a multi-basin portfolio. Coterra's tier-one gas position in the Marcellus Shale balances Devon's oil-weighted assets, which creates a more even mix across oil and gas and gives the group a partial hedge against swings in any one commodity.

Deal Structure and Financials

The transaction values Coterra at an enterprise value of around 25 billion dollars. It is structured as an all-stock deal in which Coterra shareholders will receive 0.70 Devon shares for each Coterra share, based on Devon's closing price on 30 February 2026. On that basis, the merged

company has an equity value of roughly 58 billion dollars and sits just below the very largest “super-independent” producers.

The implied EV / LTM EBITDA multiple for Coterra is about 5.93 times, which is at the lower end of the sector range of 5.0 to 9.5 times. That pricing suggests Devon is not overpaying on headline valuation and is counting on synergies and scale to drive returns rather than multiple expansion.

Risks and Outlooks

In the near term, the main hurdle is regulatory clearance. Given the current administration’s relatively pro-business stance, I would expect limited pushback, but the antitrust risk is not zero, especially if regulators decide the combined Delaware position is too concentrated. Any conditions or delays would slow the expected timetable for synergy delivery.

Longer term, the real test is execution. Hitting 1 billion dollars of annual synergies by 2027 requires disciplined integration, tight capital allocation, and no major operational missteps. If cost savings arrive late or come in below plan, free cash flow will fall short of expectations, and the promised dividend uplift will be hard to sustain. That would undermine the whole equity story.

The macro backdrop also matters. Oil prices are still above the sector breakeven of roughly 45 dollars, but pressure on prices is expected to build as supply catches up and demand growth slows. In that environment, smaller high-cost operators will be squeezed, and efficiency will decide who survives and who becomes a target. A larger, low-cost Devon-Coterra combination should be better placed, but it will still be exposed to commodity cycles.

Analyst Commentary

I see this deal as Devon’s way of closing the gap with larger Permian players. At a 58-billion-dollar enterprise value, the new company steps into a different peer group, just below the global majors and the very largest independents and gains the scale to matter in any conversation about US shale. The upside is clear: lower-cost inventory, a thicker margin of safety on dividends, and genuine economies of scale in the Permian. The downside is that the market will hold management to the 1-billion-dollar synergy target and the dividend promises. If they deliver, Devon moves up a weight class with a stronger equity story. If they fall short, investors will see this as another scale-for-scale’s-sake merger that diluted discipline instead of reinforcing it.

NatWest's Acquisition of Evelyn Partners Group by Adam

Deal Snapshot

On 9 February 2026, NatWest Group announced a 2.7-billion-pound cash acquisition of Evelyn Partners from Permira, with completion targeted for 30 June 2026. The deal will roughly double NatWest's assets under management and administration and create the UK's largest private banking and wealth platform. Ardea Partners and Bank of America advised NatWest, alongside UBS, while Evelyn was advised by Permira's banks.

Strategic Rationale

NatWest is still primarily a UK retail and commercial bank, with most of its income tied to interest margins and lending to more than 20 million UK customers. That mix leaves it heavily exposed to the rate cycle. Evelyn sits on the other side of the spectrum. It is a fast-growing UK wealth manager providing integrated financial planning, investment management and professional services, with 69 billion pounds of AUMA growing at more than 7 percent a year.

For NatWest, buying Evelyn is a direct way to bulk up in private banking and wealth management rather than building slowly. NatWest's AUMA of 59 billion pounds will jump to around 127 billion, and total customer assets and liabilities across the combined business are expected to reach roughly 188 billion. That scale matters for product manufacturing, brand, and adviser productivity. It also shifts more of the group's income towards fee-based revenue, which is much less sensitive to rate cuts than net interest income.

There is also a timing angle. With the Bank of England expected to start cutting rates, NatWest's traditional spread income will come under pressure. Management has been under pressure to diversify, particularly after peers like Lloyds moved earlier in wealth. This deal catches NatWest up in one move and is guided to be accretive to growth and return on tangible equity in year one, with a projected 11 percent return on investment at year five, higher than the bank's estimate for using the same capital on buybacks.

NatWest has circled Evelyn before and has openly explored large acquisitions, including a rejected 11-billion-pound bid for Santander UK's domestic arm. Since the government fully exited its post-crisis stake last May, the market has expected a "statement" deal. Evelyn is that deal but focused on fee-rich wealth rather than more balance-sheet-heavy lending.

Deal Structure and Financials

The purchase will be funded entirely in cash. The 2.7-billion-pound price tag implies a premium of more than 900 million pounds over some internal value estimates and sits well above the roughly 750-million-pound present value of expected cost savings. On an EV / EBITDA basis, NatWest is paying about 50% more than Evelyn would be worth if it traded at the 10-times multiple of peers such as Quilter or Brooks Macdonald.

That gap has driven questions about whether NatWest has overpaid. The market reaction was negative on the day, with NatWest shares down around 6%. Some of that move reflected wider UK political noise, as peers like Lloyds also fell, but it still shows investors are cautious on the price. Management's counter-argument is that Evelyn's top-line and AUMA growth outstrip peers and that the bank expects an 11% ROIC within five years, ahead of the expected return from buying back its own shares.

Risks and Outlooks

The most immediate balance-sheet impact is on capital. The acquisition is expected to reduce NatWest's CET1 ratio by about 130 basis points. That erosion of capital headroom narrows the buffer above regulatory minima and slightly reduces flexibility for further distributions or large follow-on deals, even though NatWest remains within its target range.

Execution risk is material. Management is targeting more than 700 million pounds of revenue synergies and around 100 million pounds of cost synergies. Delivering that requires aligning technology platforms, integrating propositions across retail, private banking and wealth, and managing complex client and adviser migrations. Retaining Evelyn's key advisers and high-net-worth clients will be critical; if too many leave, the revenue synergy story weakens quickly.

There is also franchise risk. Moving a large bank brand into a more boutique wealth culture is not straightforward. NatWest needs to avoid alienating Evelyn's existing clients while still extracting the efficiencies it has promised. If integration drags or client experience suffers, the bank will struggle to justify the high headline multiple to shareholders.

Analyst Commentary

I see the deal as strategically sensible but aggressively priced. NatWest needed to rebalance away from pure interest-rate exposure and acquiring Evelyn does that in one step by scaling

fee income and giving it a credible position in UK wealth. The combination genuinely creates a market-leading platform in private banking and wealth management, which should strengthen the group's long-term earnings quality.

The question is whether NatWest can earn its way into the premium it has paid. If management hits the synergy targets, protects adviser relationships, and keeps capital ratios within the stated range, the 11 percent return case looks achievable and the criticism about overpaying will fade. If it misses on integration or client retention, investors will look back at the 2.7-billion-pound cheque and decide a simpler buyback would have been the better call.

Nuveen's acquisition of Schroders by Ameya

Deal Snapshot

Nuveen has agreed a recommended all-cash offer to acquire Schroders PLC for up to 9.9 billion pounds, valuing one of the UK's last large independent asset managers at a 29 percent premium and creating a 2.5 trillion-dollar global manager that will use London as its non-US headquarters while keeping the Schroders brand.

Strategic Rationale

This is a scale and stability deal. Both firms are trying to get ahead of fee pressure, rising tech and compliance costs, and the shift towards passive and ETFs. A larger asset base spreads fixed costs more efficiently and gives the combined group more clout with platforms, consultants and big institutional allocators.

The businesses are complementary rather than overlapping. Schroders brings long-standing strengths in active equities, multi-asset and wealth management, with deep roots in the UK and Europe. Nuveen contributes a sizeable private-markets platform in real estate, infrastructure and alternatives, together with strong US institutional and retirement-channel access. Put together, you get a more balanced multi-asset manager with broader geography and a more diversified client list.

Distribution is a key part of the logic. Nuveen gains better access to Europe, the Middle East and Asia through Schroders' networks, while Schroders plugs into Nuveen's US institutional relationships and TIAA's retirement ecosystem. Keeping the Schroders name is deliberate; it helps protect client trust in wealth and intermediary channels and should limit outflows during the transition. TIAA's long-term capital support gives Schroders the balance-sheet backing to keep investing in data, technology and product innovation rather than cutting to stand still.

Deal Structure and Financials

Nuveen is offering up to 612 pence per share, made up of 590 pence in cash and up to 22 pence in permitted dividends. That values Schroders' equity at roughly 9.9 billion pounds and represents about a 29 percent premium to the undisturbed share price and up to 61 percent on a 12-month volume-weighted average including dividends. On earnings terms, the offer is roughly 17 times forecast 2025 adjusted operating profit after tax, which is a premium multiple that prices in brand, distribution reach and franchise quality rather than near-term growth alone.

The deal will run as a UK public takeover through a new Nuveen acquisition vehicle. Schroders' board has unanimously recommended it, and Nuveen already holds irrevocable commitments from shareholders representing around 42 percent of the shares. After completion, the combined group will oversee about 2.5 trillion dollars of assets, employ over 10,000 people in more than 40 markets, and keep key members of Schroders' leadership in place to preserve continuity in governance and client coverage.

Risks and Outlooks

The culture question sits at the centre of the risk list. Schroders has a partnership-style heritage and a strong sense of independence, while Nuveen operates within the more institutional framework of a TIAA-owned US asset manager. Missteps in how platforms, investment teams and decision-making processes are merged could create friction and slow integration.

Client and talent retention are just as critical. Wealth clients and institutional mandates often react nervously to ownership changes, and rivals will see this as an opportunity to poach teams and mandates. If key portfolio managers or wealth advisers leave, performance and client confidence can deteriorate quickly.

Regulatory risk is manageable but not trivial. The deal will be reviewed across the UK, EU, US and parts of Asia. Approvals could take time and regulators may look closely at concentration in certain strategies or client segments. On top of that, the usual synergy risks apply. Cost cuts need to be delivered without undermining investment processes, and revenue synergies from cross-selling and wider distribution are, by nature, less certain and often over-promised.

In the short term, consultants and clients will scrutinise the combined group's stability and performance, and competitors will press their advantage. Over the medium term, if integration is handled well, the enlarged Nuveen–Schroders platform is well placed to capture flows into private markets, multi-asset, solutions, wealth advice and sustainable strategies, with its added scale supporting margins against ongoing fee compression. Longer term, this deal is likely to push other mid-sized UK and European active managers towards their own consolidation moves, especially those without credible private-markets offerings.

Analyst Commentary

Strategically this is a strong match. Nuveen gets a highly respected active and wealth brand with European depth; Schroders gains a long-term capital partner and direct access to US

institutional and retirement channels it could not build alone. The premium makes sense once you accept that there are very few independent managers of this scale and quality left to buy.

The real test will be execution. If Nuveen protects Schroders' brand and investment autonomy, keeps core teams in place and reassures clients, the combined group has a credible shot at becoming a top-tier global active manager with genuinely differentiated multi-asset and private-markets capabilities. If culture clashes drag on or mandates drift away, the same premium will look like a high price for lost independence and shrinking assets.

Banco Santander's Acquisition of Webster Financial by Rohan

Deal Snapshot

In February 2026, Banco Santander agreed a roughly 12.3-billion-dollar cash-and-stock acquisition of Webster Financial, valuing Webster at 75.59 dollars per share, a 16 percent premium to its 10-day VWAP, and creating a top-ten US bank by assets with a 327-billion-dollar balance sheet, 185 billion dollars of loans and 172 billion dollars of deposits.

Strategic Rationale

This is Santander's re-entry statement on the US. After years of trimming its footprint, it is now buying scale and funding strength in one go. Webster gives Santander one of the most efficient deposit franchises in the market, which directly improves the group's cost of funds, a structural edge when margins are under pressure.

The fit is clear. Santander contributes its consumer finance engine, digital deposit-gathering through Openbank, and global balance-sheet capacity. Webster brings a strong commercial bank, a differentiated Healthcare Financial Services arm built around low-cost health savings account deposits, and a solid branch network across Connecticut, Massachusetts, Rhode Island and the New York metro area. Together, they create a top-five deposit franchise in the Northeast and a top-ten US retail and commercial bank with the scale to compete more seriously with JPMorgan, Bank of America and Wells Fargo in key regional markets.

Retaining Webster's CEO, John Ciulla, as CEO of Santander Bank NA and keeping Stamford as a key US hub is deliberate. It signals that Santander wants to preserve Webster's culture and client relationships rather than impose a heavy-handed global template, a lesson from past bank mergers where leadership churn undermined the very franchises being bought.

Deal Structure and Financials

Webster shareholders will receive 48.75 dollars in cash plus 2.0548 Santander ADSs per share. That mix gives them immediate liquidity and ongoing exposure to the combined group's upside. The deal is structured as a two-step process. Webster first merges into a new Virginia subsidiary, which Santander then acquires via a statutory share exchange. The cash-to-stock split, roughly 65 percent to 35 percent, helps Santander manage capital while still offering an attractive headline price.

On the numbers, Santander is paying around 10 times Webster's consensus 2028 earnings on a stand-alone basis. After factoring in expected synergies, that falls to roughly 6.8 times, which looks reasonable for a high-quality Northeast deposit franchise. Management is guiding to an ROIC of about 15 percent by 2028 and EPS accretion for Santander of 7–8 percent over the same horizon. There is also a termination fee of roughly 489 million dollars payable by Webster if it walks away in favour of a rival bid or changes its recommendation, which helps protect Santander against topping offers.

Closing will depend on shareholder approvals at both companies, Federal Reserve sign-off, ECB approval of Santander's capital increase, NYSE listing of the new ADSs, and the execution of a Spanish-law capital increase deed, which introduces more moving parts than a purely domestic deal.

Risks and Outlooks

Integration will not be trivial. Santander runs a complex global matrix, while Webster is a regionally focused US bank. Aligning credit policies, tech stacks and operating processes without disrupting service or loan quality will take careful sequencing.

Branch overlap is another practical risk. Around 40 percent of branches sit within two miles of each other, and 57 percent within five miles. Santander will have to close and consolidate intelligently. Shut too many too fast and you risk losing long-standing community banking relationships; move too slowly and you leave synergy value on the table.

Regulatory approvals are a real timeline risk. The deal needs clearance from the Fed, the ECB and likely some state regulators, and the capital increase piece means European supervisors are directly involved. That could push closing into late 2026 or beyond. On top of that, the share component is denominated in euros, so Webster investors are exposed to EUR/USD moves between signing and completion. If the euro weakens materially, their effective consideration falls.

Talent and culture retention, especially in Healthcare Financial Services, is critical. That unit is a key reason for the deal, since it brings sticky, low-cost HSA deposits and specialist expertise. Competitors will target these teams during the transition. If too many people leave, Santander ends up owning a brand and some branches rather than the differentiated franchise it thought it was buying.

In the short term, the combined bank will face heavy scrutiny from clients and consultants, and rivals will push hard in commercial, community and healthcare banking to exploit any integration noise. Over the medium term, if integration is handled well, the enlarged group is positioned to grow in healthcare-linked financial services, Northeast commercial lending and digital consumer banking, with Openbank's online deposit model sitting alongside Webster's branches to provide a flexible funding mix. Longer term, this move underlines that cross-border buyers with strong balance sheets can play in the US regional consolidation wave, and it may encourage other mid-sized banks to seek partners rather than go it alone.

Analyst Commentary

I think this is a smart, targeted use of capital for Santander. It solves a structural problem around funding costs by buying a profitable, efficient bank in a region where it had been losing ground, and it gains a genuinely differentiated healthcare-focused deposit franchise it did not have before. The valuation looks sensible once synergies are included, and the cash-and-stock mix, plus keeping Ciulla in charge of the US bank, are all the right signals.

The flip side is that there is no room for a lazy integration. Branch rationalisation, regulatory timing and protecting the health savings account franchise are the pressure points. Get those right and Santander ends up with a stronger, more credible US platform for future growth. Get them wrong and it has paid over 12 billion dollars for a complex integration that distracts management and puts its US strategy back under question.

Talen Energy's Acquisition of PJM Natural Gas by Giacomo

Deal Snapshot

Talen Energy is buying a three-plant PJM natural gas portfolio from ECP for 3.45 billion dollars, paid via 2.55 billion dollars of new debt and 900 million dollars in stock, implying 6.6× 2027E EBITDA and 1,327 dollars per kW for 2.6 GW of capacity, with closing targeted for Q3 2026.

Strategic Rationale

Talen is following a simple rule: buy capacity that cannot realistically be built again in time. It is paying about 1,327 dollars per kW for assets that would cost 2,200–2,500 dollars per kW to construct today, so roughly a 40–45 percent discount to replacement cost. New build faces eight-plus years in PJM interconnection queues and five to seven-year turbine lead times. This portfolio gives Talen immediate, dispatchable megawatts instead of a decade-long construction risk.

This is Talen's third major deal in 18 months and doubles its fleet to around 15.7 GW. The “flywheel” strategy is clear: buy efficient PJM gas at a discount, tie up long-term data-centre contracts such as the 18-billion-dollar AWS nuclear deal, throw off cash, deliver, then repeat. On management guidance, 2026 EBITDA of 1.75–2.05 billion dollars implies 70–100 percent year-on-year growth.

The specific assets matter. Lawrenceburg is a 1,218 MW CCGT with 840 MW contracted out to 2034. Waterford is an 869 MW plant running at more than 80 percent capacity factor. Darby is a 480 MW peaker that captures price spikes. All three sit in western PJM and have access to relatively cheap Appalachian gas, which supports margins at moderate power and gas prices.

Market Context

PJM's capacity market has just flipped. Prices jumped from 28.92 dollars per MW-day in the 2024/25 auction to 333.44 dollars per MW-day for 2027/28, an eleven-fold move. Nearly all incremental demand through 2030, about 30 GW, is coming from data centres, while coal retirements are expected to remove 24–58 GW. The 2027/28 auction cleared 6,623 MW below the reserve margin for the first time, which is a clear warning on reliability.

The next auction, in June 2026 for 2028/29 delivery, has no price cap. If it clears around 530 dollars per MW-day, Cornerstone's share of capacity revenue alone could reach roughly

500 million dollars per year, worth about 15 percent of the purchase price just for being available. At 4 dollars per MMBtu gas and 50 dollars per MWh power, management estimates these plants generate 220–246 million dollars of gross margin per GW. On those assumptions, the economics are compelling.

Deal Structure and Financials

The 3.45-billion-dollar consideration is split between 2.55 billion dollars of new cash debt and 900 million dollars of Talen equity, giving ECP around 5 percent of the combined company. That stock element is important; it shows the seller is willing to stay exposed to PJM upside rather than fully cashing out.

On valuation, the deal prices at $6.6\times$ 2027E EBITDA, the lowest multiple among recent large gas transactions, which have ranged from $6.6\times$ to $7.9\times$. The 1,327 dollars per kW price is about 3 percent above the median for pure PJM portfolios (1,292 dollars per kW) but commands a 40–75 percent premium over multi-market gas portfolios that tend to trade at 743–985 dollars per kW. Investors are clearly paying for PJM’s scarcity value.

The flip side is the balance sheet. Talen has added about 6.5 billion dollars of debt in 18 months, pushing net leverage above its $3.5\times$ target. Moody’s, which rates the company Ba3, has flagged potential pressure and is reviewing for a downgrade. The capital structure now has much less room for error if power or capacity prices disappoint.

Risks and Outlooks

Regulation is the biggest swing factor. In December 2025, the DOJ forced Constellation and Calpine to divest six plants in the first structural remedy in US power M&A for 15 years. Talen’s previous deal already required an HSR withdrawal and refiling. Post-close, the company would control roughly 8–9 percent of PJM capacity, with a notable concentration in western PJM where all three plants sit. That increases the odds of a deeper DOJ review.

Leverage is the second clear risk. With net debt above $3.5\times$ EBITDA and 6.5 billion dollars raised in a short window, there is little cushion if forward curves move against them or if capacity auctions clear lower than expected. Any policy intervention that cuts capacity payments would hit the thesis directly. The White House has already floated an “emergency wholesale electricity auction” idea that briefly hit independent power producer stocks and raises the possibility of further PJM rule changes.

Asset age and capex are also real considerations. All three plants are more than 20 years old. Moody's has already highlighted elevated capital investment needs, and Darby's peakers, which run at a 13 percent capacity factor, rely on older turbines. Keeping them reliable through a decade of heavier system stress will not be cheap.

The near-term catalyst is the uncapped June 2026 PJM auction. A clearing price close to 530 dollars per MW-day would validate Talen's case, support the low-end multiple, and likely tighten credit spreads. Softer pricing, a negative DOJ outcome, or disruptive policy changes would all dent the investment case. On the positive side, Talen has hedged about 90 percent of 2026 output and 40 percent of 2027, which provides some buffer while the new capacity and market structure settle. The underlying fundamentals, with retirements outpacing new build and data-centre demand locked in, look supportive through at least 2030.

Analyst Commentary

The pricing looks sharp. Paying 6.6× for scarce PJM gas capacity when replacement costs and auction signals are where they are is opportunistic rather than reckless. Age-related capex and the Ba-rated balance sheet are not a surprise; they are already baked into the multiple.

Strategically, the logic is strong. Existing, efficient gas in PJM is effectively irreplaceable on a realistic grid-reliability timeline, and Talen is assembling a portfolio that lines up directly with where demand is going. The risk is all about execution and balance-sheet discipline. A tougher-than-expected DOJ process or a policy shift that undermines capacity prices would hurt. So would any stumble in managing leverage.

In short, this is a confident play on structural scarcity in PJM. Talen is exploiting a genuine market dislocation, but it is doing so on a stretched capital base. The next six to twelve months, especially the June auction and antitrust review, will decide whether this looks like a masterstroke or an over-gear bet.

KKR's Acquisition of Arctos Partners by Jonathan

Deal Snapshot

KKR is buying 100% of sports-focused asset manager Arctos Partners for an initial 1.4 billion dollars, funded with roughly 300 million dollars in cash and 1.1 billion dollars in KKR equity, with up to 550 million dollars of additional equity earn-out that could take the total deal value close to 2 billion dollars and play sports a core vertical within KKR's GP-solutions platform.

Strategic Rationale

This is KKR buying its way straight into the top tier of sports investing. Arctos is currently the only private firm approved to own equity across all five major North American leagues, as well as European football and motorsport, and already holds minority stakes in more than 25 elite franchises including the Golden State Warriors, LA Dodgers, Liverpool and PSG. That kind of multi-league access is extremely hard to replicate.

Arctos will sit at the centre of "KKR Solutions", with management talking about 100 billion dollars plus of potential AUM across GP-solutions and sports. It bolts neatly onto KKR's existing youth-sports exposure via Varsity Brands and PlayOn! Sports and pushes the share of perpetual or very long-dated capital to 53 percent of KKR's 759 billion dollars AUM, underpinned by multi-decade media-rights cash flows. In a high-rate world, that tilt towards durable, fee-rich assets matters.

The financial engine is Arctos's 15 billion dollars of AUM and its fundraising pipeline. KKR sees the deal as immediately EPS-accretive, with value creation driven by three levers: using KKR's global distribution to push Arctos products to HNW and mass-affluent investors, cross-selling sports and GP-solutions strategies to existing LPs and using Arctos's league relationships to source proprietary deals for KKR's private equity and credit strategies.

Deal Structure and Financials

The upfront consideration is 1.4 billion dollars for 100% of the GP. That breaks down into roughly 300 million dollars in cash and 1.1 billion dollars in KKR equity. Of the equity, about 900 million dollars goes to existing shareholders with vesting out to 2030, and a further 200 million dollars is allocated by 2028 with vesting through 2033. On top of that sits an earn-out of up to 550 million dollars in additional KKR equity through 2031, contingent on KKR's share price and Arctos's performance. That structure ties founders and key staff into KKR's upside for the long term.

Arctos's 15 billion dollars of AUM implies a confirmed price-to-AUM of roughly 9.3 percent. On fee-related earnings, the inferred EV / FRE multiple is around 18×, which sits towards the upper half of GP-stakes precedents, where deals typically land at 10–20 percent of AUM. EBITDA is not disclosed, but the pricing clearly assumes strong, growing fee streams and high margins.

For KKR, one of the main financial outcomes is the mix shift. After the transaction, perpetual capital rises to about 53 percent of total AUM. In the context of a secondaries and GP-solutions market that hit roughly 226 billion dollars of volume in 2025, up 41 percent year-on-year, that positions KKR to lean harder into fee-related earnings growth, which the firm has been prioritising.

Risks and Challenges

Integration is the obvious first risk. Arctos is a specialist, entrepreneurial shop with founders whose value lies as much in their league relationships as in their modelling. Folding that culture into KKR's much larger platform without blunting what makes Arctos attractive is not guaranteed. Many GP-stakes deals struggle when key people feel absorbed rather than empowered.

Regulation is another big variable. Sports leagues are extremely protective of control. Arctos's existing approvals span the NBA, MLB, NHL, MLS and NFL, as well as European football and motorsport, but KKR still needs each league and governing body to bless the change of control. That could mean tighter caps on future stake sizes or more restrictive structures, which would limit growth in ways a typical asset-management deal would not face.

Execution risk shows up on the market side as well. Franchise valuations have risen sharply on the back of media-rights inflation, streaming and globalisation. If media dynamics weaken or rights deals reset lower, sports valuations could compress. At the same time, competition from CVC, Apollo, Ares and others keeps pushing up pricing for minority stakes and GP-solutions capital while fee pressure creeps in as the secondaries market matures. LPs are also increasingly sensitive to reputational risk around sports, which could complicate fundraising if any high-profile controversy hits the portfolio.

Outlook

Rivals will not ignore this. Other mega-managers such as Blackstone and more focused sports investors like RedBird are likely to respond, either by pursuing their own GP-stakes

acquisitions in sport or by deepening league partnerships. That will accelerate an already clear trend: sports assets moving from niche to mainstream in institutional portfolios, with GP-solutions platforms competing to intermediate the flow.

The key milestones over the next five to ten years are straightforward. Does KKR Solutions actually scale AUM towards the 100 billion dollar mark they are signalling? Do media-rights and franchise valuations keep rising in a way that supports growing fee bases? Does Arctos remain a coherent, high-performing franchise within KKR, or does team turnover start to bite? If things go well, sports could become a high-margin, fee-related earnings pillar for KKR, not just an interesting side bet.

Analyst Commentary

I see this as a big, calculated swing from KKR on where the next phase of GP-solutions growth comes from. Instead of building a sports capability from scratch, they have bought the pure-play leader with multi-league approvals and dropped it into a global distribution machine. The price looks full on AUM and FRE, but not unreasonable if you believe sports will keep compounding as a long-duration, perpetual-capital asset class.

The interesting question is whether KKR is early enough to shape how institutional sports investing is structured, in the same way its 2010 Prima Capital deal helped define modern real-estate secondaries. If Arctos thrives inside KKR, this could end up being the transaction people point to when sports stopped being “alternative within alternatives” and became a core institutional allocation. If integration misfires and key relationships fray, it will be a reminder that buying a GP is very different from buying a portfolio.

Thomas Lloyd's Merger with Roman DBDR by Shubham

Deal Snapshot

In February 2026, Roman DBDR Acquisition Corp. II agreed a SPAC business combination with Thomas Lloyd Climate Solutions at an 850-million-dollar pre-money equity valuation, with an earn-out that can lift the pro forma equity value to around 1.5 billion dollars and over 240 million dollars of expected gross proceeds plus a 200 million dollar committed equity line to fund a 40-project US data-centre-focused pipeline.

Strategic Rationale

Thomas Lloyd is a pure-play climate infrastructure developer in a sector where scale and capital intensity are not optional. It has already delivered 115 projects across 20 countries, adding 28 GW of generation, 92 million litres of annual biofuel output and more than 2.8 billion dollars of climate finance. The next phase is about shifting that experience into the US, where AI-driven demand has pushed the interconnection queue to roughly 326 GW. Speed to capital and speed to build are the real constraints.

Listing via Roman DBDR gives Thomas Lloyd instant access to US public markets rather than waiting out a traditional IPO. It lines up neatly with the Inflation Reduction Act incentives and the pressure on hyperscalers to decarbonise power supply. For Roman DBDR, this is a hard-asset target with a tangible project pipeline at a time when credible SPAC deals are rare. The combined entity positions itself as a “picks and shovels” supplier to the AI boom rather than a speculative AI stock.

Deal Structure and Financials

The transaction values Thomas Lloyd at 850 million dollars pre-money. It is structured as a standard SPAC merger, with closing aimed for the second half of 2026. Expected gross proceeds exceed 240 million dollars from trust cash and an anticipated PIPE, backed by a binding 200-million-dollar equity line from B. Riley. That facility gives the company flexible draw-down funding for capex without needing to time the market perfectly.

Existing Thomas Lloyd shareholders are rolling 100 percent of their equity into the new vehicle. Up to 450 million dollars of additional value comes through an earn-out tied to 45 million shares that vest in tranches between 12.50 and 25.00 dollars per share. Public investors only hand over that value if the stock trades significantly higher, so management is paid out only if shareholders win first. There is no minimum cash closing condition, which means the

deal can close even if redemptions are high, and shifts the focus from “will this list?” to “what does it earn per share?”.

On valuation, the market is clearly not treating Thomas Lloyd as a sleepy utility on 8–10× EBITDA. The pricing leans more towards a high-growth climate infrastructure and tech-adjacent multiple, anchored in the 40-project pipeline that promises 15–30 percent energy savings for data centres once built. Exact forward EV / EBITDA will only be clear after F-4 filings, but the earn-out structure and full equity roll-over show that insiders think those targets are realistic.

Strategic and Synergy Logic

The value creation story is about pairing Thomas Lloyd’s engineering and project-delivery capability with Roman DBDR’s capital-markets toolkit. On the funding side, the combination of more than 240 million dollars of upfront cash and the 200-million-dollar equity line gives over 440 million dollars of accessible capital, which is enough to move multiple US projects from development into construction even if markets are choppy.

On the revenue side, the core engine is long-term PPAs and tech licensing for data centres. If Thomas Lloyd can consistently deliver 15–30 percent reductions in data-centre energy use, it can price PPAs at a premium while still cutting overall power bills for hyperscalers. That kind of model produces high-margin recurring cash flows once projects hit COD. Layered with licensing and services, it nudges the combined business closer to “climate-tech infrastructure” than to a conventional merchant generator.

Risks and Outlook

The biggest financial risk is dilution. Between the 45 million potential earn-out shares and the 200-million-dollar B. Riley facility, which issues shares at market prices as it is drawn, the share count can rise sharply if the company leans heavily on equity. If the share price does not move up in line with project execution, early investors will feel that dilution acutely.

Operationally, shifting focus from a largely European footprint to the US grid is tough. Markets like PJM and ERCOT are already dealing with five to seven-year queue delays, complex permitting and intense competition from incumbents such as NextEra and Constellation. Thomas Lloyd will need to navigate state-by-state regulation, interconnection bottlenecks and local opposition while still hitting timelines that satisfy hyperscale customers. Any lag in converting the 40-project pipeline into COD-stage assets will push out cash flows.

In the short term, the key watchpoints are project FIDs in the US, draw-downs under the B. Riley facility, and any early PPAs announced with major tech clients that validate the 15–30 percent energy-saving claims. Over the next 18–24 months, investors will focus on time-to-revenue, not just headline pipeline megawatts. If execution is solid and the AI power demand story holds, the platform can lock in long-dated, high-margin cash flows and justify a premium multiple. If delays and dilution outrun cash-flow growth, the market will compress the valuation back towards utility-like levels.

Analyst Commentary

I like the strategic set-up here. Thomas Lloyd is using a SPAC in the way these vehicles were supposed to be used: to fund a capital-hungry, hard-asset pipeline that actually exists, with committed facilities backing it, rather than a slide deck. Rolling 100 percent of management equity and tying 450 million dollars of extra value to demanding share-price hurdles is exactly how you align insiders with public investors.

The aggressive 1.5-billion-dollar pro forma target only makes sense if Thomas Lloyd proves, quickly, that it can get US projects permitted, built and contracted with hyperscalers at the energy-saving levels it advertises. If it does, the market will stop comparing it to regulated utilities and start comparing it to premium infrastructure-tech names. If it does not, the dilution from earn-outs and equity draws will become the main story. In climate infrastructure, the real edge is not the buzzwords, it is whether your financing structure keeps shovels in the ground when conditions turn. Here, that part of the design is strong.

Industry Trends by Giacomo

February saw more than 200 billion dollars of M&A announced, keeping the momentum from 2025's 4.9 trillion dollar year. The market is being pushed by three forces at once: still-supportive financing conditions (Fed at 3.50–3.75 percent, high-yield spreads around 272 bps), a softer regulatory stance after the Biden era, and private equity sitting on 2.2 trillion dollars of dry powder, with about 40 percent of those funds ageing beyond their original investment windows.

Four clear themes stand out this month.

AI infrastructure colliding with energy assets.

Data-centre demand and power generation are now driving the biggest tickets. Devon Energy's 58-billion-dollar merger with Coterra is about more than Permian oil; the real angle is Coterra's Marcellus gas sitting close to hyperscale corridors. Vistra's 4-billion-dollar Cogentrix deal adds 5,500 MW explicitly for AI load. Alphabet's 32-billion-dollar acquisition of Wiz, focused on cloud security for enterprise AI, sailed through EU review with no remedies. SpaceX's merger with xAI at a 1.25 trillion-dollar valuation plants a flag in orbital infrastructure. The pattern is obvious: capital is chasing AI capability, the physical kit that runs it, and the energy system that keeps it all on.

Healthcare's patent-cliff scramble.

Big pharma is still buying rather than building as revenue cliffs get closer. Boston Scientific's 14.5 billion dollar bid for Penumbra adds depth in neurovascular, while Danaher is paying 9.9 billion dollars for Masimo at 18× 2027E EBITDA. Merck is staring at a 31.6-billion-dollar Keytruda cliff in 2028 and is circling Revolution Medicines. At the same time, Chinese-to-Western licensing deal values have jumped more than 200 percent as Western pharma leans harder on Asia for pipeline assets.

Financial services consolidation.

Scale is not a buzzword here, it is survival. Nuveen's 9.9-billion-pound takeover of Schroders creates a roughly 2.5 trillion-dollar asset-management platform. Capital One's 5.15-billion-dollar acquisition of Brex, at a big discount to 2022 fintech valuations, comes straight after its 35.3 billion dollar Discover deal and is aimed at building payments rails to stand up against JPMorgan. Regional banks completed 181 deals in 2025 because trying to fund 1 billion-plus digital-transformation budgets alone no longer makes sense.

Private equity's exit backlog.

PE deal value reached 2.2 trillion dollars in 2025, but deal count fell 5 percent, so activity is concentrating into mega-transactions such as the 55-billion-dollar Electronic Arts take-private. The sector has a real problem: around 31,000 companies worth 3.7 trillion dollars are still sitting in portfolios, and continuation vehicles now account for roughly 20 percent of distributions as sponsors increasingly sell assets to themselves when classic exits are hard to find.

The macro and regulatory picture is still supportive, but not risk-free. Default rates sit near 1.5 percent, well below the 4.5 percent long-run average. US middle-market deals clear at about 9.0–9.5× EV/EBITDA, under the 10.8× long-term mean. Tech software trades around 19×, AI infrastructure at 25–30×. Regulators are more open to deals but have not disappeared; the FTC blocked Edwards Lifesciences' proposed tie-up with JenaValve, and the DOJ has opened a full review into Netflix's bid for Warner Bros. Discovery. Looking ahead, investors are watching three pressure points: the end of Powell's term in May 2026, uncertainty on tariffs, and a 3 trillion-dollar IPO backlog that could pull capital away from M&A if equity windows finally open.

Learning Corner by Giacomo

Reading is not a target. Bulge brackets fill around 65% of analyst seats from Oxbridge, LSE, UCL, Imperial and Warwick, but roughly 27% of mid-market and 42% of boutique hires come from non-targets. UK banks plan about 2,365 graduate hires in 2026, up from 2,069. The people who break in from places like Reading usually started early, applied broadly, and showed deal fluency that was clearly above what recruiters expected.

Timeline execution matters more than people admit. Spring week applications open August to October with offers landing December to January. Summer internship applications open as early as July in your penultimate year, and real deadlines are often weeks before the stated close. Bulge brackets fill 60–95% of analyst seats from their own summer interns, so you need to stay on top of platforms like Trackr and Bright Network rather than waiting for reminders.

A simple stepping-stone plan works. First year: any finance-adjacent role (search fund, boutique M&A, Big 4 advisory) plus taking responsibility in the M&A Society. Writing 2–3-page deal analyses and posting them on LinkedIn instantly sets you apart from the majority who say they are “passionate about M&A” but have never analysed a live transaction. Second year: aim for a boutique or mid-market summer internship. Third year: go for bulge brackets and larger platforms. If undergrad recruiting does not work, a Master’s at a target like LBS, Oxford or LSE is a credible reset, not a failure.

Technicals are not optional. “Walk me through a DCF” is still the most common question, so you should have a clear five-step structure you can explain in your sleep. Then three-statement connectivity, especially “what happens with a 10-pound depreciation?” across all three statements. You should know when DCF, trading comps and transaction comps will give the highest or lowest value, and for LBOs, be comfortable with sources and uses, the debt schedule and IRR. UK assessment centres throw in psychometric tests (worth practising), group exercises where you contribute without talking over everyone, case studies and interviews.

Courses like Breaking Into Wall Street, Wall Street Prep and Financial Edge are useful for structure, but one honest analyst put it best: pick a company, value it, then message someone on LinkedIn and ask them to critic your work. You learn more from that than from another passive course.

Commercial awareness is really deal fluency. You need opinions on why a deal makes sense, where the value is, and what could go wrong in execution. When you speak to people, reference

specific transactions their team has actually worked on. Do not ask for a job in the first message. Aim to reach out to 5–7 people a week. A 12–14% reply rate is normal, so you need to be persistent without sounding desperate.

The fatal mistakes are boringly consistent: applying near deadlines when roles are filled on a rolling basis, sending the same generic CV to every bank, asking for roles in your first message, assuming the CFA will get you into IB on its own, applying to only 5–10 firms and then being surprised by 30–50 rejections, cramming the night before assessment centres instead of drilling fundamentals and turning up rested, and letting a single typo slip into a CV in an industry that cares about decimal points.

The formula is not glamorous: stepping-stone experience, strong technicals, systematic networking, early applications and stubborn persistence. Put those together and offers follow.

Final Words from the President

February was a standout month for the society. We had the privilege of attending the Warwick Economics Summit, an outstanding event that offered our members exposure to world-class economic discourse and invaluable networking opportunities. We then turned our focus inward, hosting the Futures Trading Challenge on the CME Group platform. This highly engaging competition gave our members hands-on experience with real-world derivatives markets and demonstrated the depth of talent within the society. It has been a month that reflects exactly what the M&A Society stands for, and we look forward to carrying that momentum into March.

Looking ahead, March is shaping up to be another exciting month for the society. Full details on all upcoming events will be published shortly, so keep an eye out, but we have some great collaborations in the pipeline with both the Entrepreneurship Society and the Consulting Society that we are very much looking forward to. Additionally, our competition team has been putting in an incredible amount of work on their recent submission, and we will be hosting a dedicated event where they will walk members through everything they learned throughout the process and share insights from their submission. It promises to be a genuinely valuable session for everyone involved.

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