



Mergers & Acquisitions
Newsletter
March Edition



**MERGERS &
ACQUISITIONS**

**UNIVERSITY
OF READING**

Table of Contents

Executive Summary.....	3
Denso’s takeover proposal of Rohm by Yi fu Mei.....	4
UniCredit's takeover proposal of Commerzbank by Matthew Adebisi.....	8
Proposed acquisition of EA by the Saudi PIF-led consortium by Ameya Bhate	11
Axel Springer SE’s acquisition of Telegraph Media Group by Atharva Deshmukh	13
Bain Capital’s Acquisition of Perpetual Wealth Management by Safeer Hussain.....	16
SpaceX’s Acquisition of xAI by Rohan Mehta	19
Merck’s Acquisition of Terns Pharmaceuticals by Jonathan Bello	24
Stone Ridge & Flywheel’s Acquisition of Ovintiv Anadarko’s Basin Assets by Shubham Desai	27
Industry Opportunities by Adam Qureshi	31
Industry trends by Giacomo Volpe.....	33
Learning Corner by Giacomo Volpe	35
Final Words from JP Ornellas Filho, the President.....	37
Meet the team	38

Executive Summary

The global M&A market in March 2026 is defined by strategic consolidation and sovereign-backed mega-deals. In the semiconductor space, Denso's \$8.2 billion bid for Rohm signals a shift toward vertical integration to secure Silicon-Carbide tech for the EV supply chain. Simultaneously, the banking sector faces political headwinds as UniCredit pursues a €35 billion takeover of Commerzbank, aiming to create a pan-European champion despite German resistance.

In the private equity and sovereign wealth sphere, the Saudi PIF-led \$55 billion take-private of Electronic Arts stands as a historic all-cash transaction, bridging digital entertainment with national "Vision 2030" goals. Meanwhile, the asset management industry continues its quest for scale, evidenced by Nuveen's £9.9 billion acquisition of Schroders, creating a \$2.5 trillion powerhouse. Finally, Bain Capital's AUD550 million LBO of Perpetual Wealth highlights a "buy-and-build" strategy targeting Australia's high-net-worth market, proving that even mid-market carve-outs remain highly competitive.

This month's newsletter sees the addition of our new section 'Industry Opportunities' which will be taking a look at recent Macroeconomic events and how this could affect the M&A landscape through the creation of opportunities for firms to consolidate and strengthen their strategic positions in the face of these events.

This month, the industry trends section focuses the AI deal motive, UK companies perceived cheapness and Europe's rearmament and its effects on M&A activity. The Learning corner this month focuses on how to create a full synergies model from scratch similar to the one that took us to the Grand final of the UK & Europe M&A competition and helped us place third out of over 120+ teams.

Denso's Takeover Proposal of Rohm by Yi fu Mei

Overview

On the 6th March 2026, Denso Corporation, Toyota's major auto parts supplier, has made an \$8.2 billion takeover proposal for Japanese chipmaker Rohm, targeting expansion in power semiconductors. The bid was formally acknowledged by Rohm, which confirmed it had received a proposal from Denso for a share acquisition. If successful, the acquisition would mark a major expansion of Denso's semiconductor footprint and strengthen its supply chain for electric vehicles and data centre power systems.

Strategic Rationale

The objective of the deal is clear: Denso is attempting to develop high-end semiconductors, particularly Silicon-Carbide (SiC) and Systems-on-Chip (SoC), which are crucial for electric vehicles and self-driving technology to compete with China. In fact, by bringing Rohm's technology in-house, Denso can vertically integrate its semiconductor supply chain, protecting itself from third-party shortages or price hikes, and strengthening its competitive position within the Toyota Group and the wider automotive market.

Denso has realized that collaborative partnerships alone are not sufficient to compete with the price pressure and speed of Chinese manufacturers such as BYD. As a result, the company is pursuing a capital-driven consolidation strategy to build a Japanese semiconductor powerhouse capable of global scale. Acquiring Rohm provides access to SiC technology, which can achieve up to 50% less energy loss in heat compared to traditional silicon. For Toyota, this translates into smaller and cheaper batteries for the same driving range, creating a stronger competitive advantage.

The acquisition would not only extend EV range and reduce costs, but also position Denso to diversify into other markets, such as data centers, which rely heavily on power management chips. Finally, the timing is also strategic. Rohm reported a rare \$337 million net loss in fiscal year ending March 2025, making it more open to a financially strong partner. Denso's acquisition would provide the capital needed to support continued research and development investment.

Market Context

The deal comes at a time of rapid growth in the global semiconductor market, which is expected to exceed \$1 trillion by 2030. Within this, the automotive semiconductor segment is expanding even faster, with a projected CAGR of 10.7%, driven by demand from EVs, advanced driver-assistance systems (ADAS), and software-defined architectures.

While Japanese companies hold cutting-edge technology, the semiconductor sector has long been fragmented across mid-sized players such as Rohm, Renesas, Fuji Electric, and Mitsubishi Electric. This lack of scale limits their ability to compete on cost and speed with global rivals, particularly Chinese manufacturers, who benefit from vertical integration and large-scale production.

The Japanese government has actively encouraged industry consolidation, offering subsidies and supporting joint ventures to increase scale, efficiency, and competitiveness. Denso has already taken steps in this direction, including its 2024 joint venture with Fuji Electric and its minority stake in Rohm since May 2025. Against this backdrop, the proposed \$8.2 billion transaction stands out as one of the largest moves to consolidate Japan's power semiconductor industry, highlighting a shift from collaboration to full integration in response to global competitive pressures.

Deal Structure and Financials

Denso's proposed bid for Rohm represents an 18% premium to the chipmaker's closing share price prior to the announcement. Following the news, Denso shares fell by up to 5.6%, while Rohm shares surged 18.2%. The transaction is expected to involve a full share acquisition, although detailed terms, including the payment structure, have not yet been disclosed, as the deal remains at the proposal stage.

From a valuation perspective, using Rohm's last-twelve-months EBITDA of \$267.1 million and the industry EV/EBITDA multiple of 10.8x, the implied enterprise value would be roughly \$2.9 billion, far below Denso's proposed \$8.2 billion bid, representing a premium of approximately 183%. However, considering Rohm's 5-year median EBITDA of \$706 million, the implied EV rises to about \$7.62 billion, placing Denso's offer roughly in line with historical earnings performance.

Rohm's recent results were weak, with a \$337 million net loss and a 4.1% YoY revenue drop, mainly due to slower global EV demand and flat industrial recovery in China. Earnings were also affected by R&D and restructuring costs, focused on SiC and SoC technology. These investments temporarily reduced profits but are exactly the kind of advanced tech Denso needs to compete with global rivals. While the bid seems expensive based on last-twelve-month results, its alignment with historical

performance and expected synergies suggests the transaction could become accretive to Denso's EPS within 2-3 years.

Risks & Outlooks

The deal faces several integration and execution risks. While Denso and Rohm are related through EV and electronics work, integrating semiconductor production into Denso's automotive systems still requires careful coordination. Denso is relying on a recovery in EV demand to justify the valuation. If demand remains weaker than expected, returns on the acquisition could be delayed. In addition, scaling SiC production is capital-intensive and technically complex, and any delays or cost overruns could reduce the expected benefits of the deal.

There are also strategic uncertainties. Rohm is still considering a potential merger with Toshiba, which could disrupt or delay the transaction. If Rohm moves forward with this option, Denso may need to increase its bid beyond \$8.2 billion, or risk losing access to key semiconductor technology. At the same time, competition is intensifying. Chinese players such as BYD and CATL are scaling production and R&D at a rapid pace, with annual semiconductor R&D budgets often between \$1-10 billion, potentially putting margin pressure on Japanese players. Other Japanese companies may also pursue consolidation, increasing the risk of bidding competition for assets.

The outlook remains positive if the deal is completed and executed well. The combined business would be more vertically integrated, potentially reducing supply interruptions that have historically added 5-15% cost premiums in automotive chip sourcing. However, success will depend on execution and market conditions. Key milestones include the outcome of Rohm's discussions with Toshiba, deal approval, integration progress, SiC production ramp-up, and earnings recovery. If these are achieved, Denso could significantly strengthen its position in EV and semiconductor markets over the long term.

Analyst Commentary

The pricing is aggressive but understandable. Denso's bid implies a 27-30x EV/EBITDA multiple based on last year's results, well above the 10.8x industry benchmark. On a 5-year median EBITDA of \$706 million, however, the offer roughly aligns with historical performance, reflecting the strategic value of SiC and SoC technology and vertical integration. This is not a bet on short-term profits, but on securing the "brains" of the next-generation electric vehicle.

The logic is strategically strong. Rohm's technology is difficult to replace, and acquiring the company allows Denso to control a key part of its supply chain while scaling advanced semiconductor production. The risk lies in execution and timing. Scaling SiC production is capital-intensive and technically complex, and integration across automotive and semiconductor operations will require careful management.

As the deal is still at the approval stage, the coming months are crucial. The outcome of Rohm's discussions with Toshiba, regulatory approvals, and market reactions will determine whether this bid becomes a strategic win or a missed opportunity.

UniCredit's takeover proposal of Commerzbank by Matthew Adebisi

Overview

On the 16th of March it was announced that UniCredit has launched a €35bn offer for the German lender Commerzbank. The Italian lender had been building its stake in its German rival before this deal announcement; in 2024 it announced that it had built up a 9 percent stake in Commerzbank with plans to increase its position. By the end of 2024, the position was around 20 percent and now currently sits at 30 percent.

After UniCredit announced its position in Commerzbank, the Italian lender had to seek regulatory permission from the European Central Bank (ECB) if it wanted to increase its stake beyond 9.9 percent. UniCredit was able to build up its position while waiting for the outcome from the ECB. It entered several Total Return Swaps (TRS) a derivative contract that allowed the bank to have indirect ownership of shares. This allowed the Italian lender to stay within regulatory limits while seeking permission to acquire more shares.

Permission was granted in 2025 and since then UniCredit has continued to increase its stake in the lender, it has now reached 30 percent, at this level, under German law it is required that the bank makes a formal takeover offer. UniCredit is offering 0.485 of its own shares for every Commerzbank share, effectively pricing Commerzbank at roughly €30.80 per share. This works out to about a 4% premium.

Strategic Rationale

UniCredit is a pan-European commercial bank headquartered in Milan, with a strong presence in Italy, Germany and Central & Eastern Europe. It has a market cap of €90bn with assets of €870.24bn, this makes it one of the largest banks operating in Europe. The bank has grown through a series of acquisitions, the most recent of which was the acquisition of Alpha bank Romania. The bank has focused on cutting cost and homing in on high margin fee income rather than just traditional lending, this has led the bank to have 20 consecutive quarters of profitable growth.

Commerzbank is Germany's second-largest retail bank and a vital corporate lender. The bank struggled for years following the global financial crisis where it received a state bailout and has undergone several restructurings. It currently has a market cap of €34.5bn with €590bn in assets. The German bank is the primary lender for the Mittelstand, the small and medium-sized enterprises, that form the backbone of Germany's industrial sector. The bank also handles about 30 percent of German foreign trade finance, making it a vital bank for the many export-oriented family businesses in Germany.

UniCredit already operates in Germany through its subsidiary HypoVereinsbank, it serves customers predominantly in the Bavaria and Hamburg area and has little overlap with Commerzbank. A merger between the two banks will give UniCredit access to a large customer base in the industrial core of Germany, further positioning itself in Europe as a premier lender.

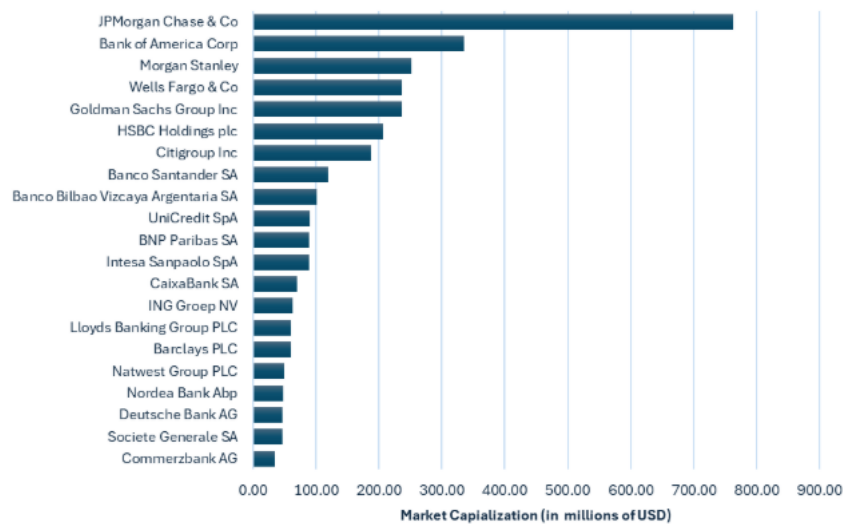
Market Context

Fragmented Capital

The European banking sector is highly fragmented when compared to the centralized system and scale of Wall Street banks. European banks routinely trail their US counterparts in profitability, market capitalization, and global reach. Capital mobilization in Europe is highly localized, this is a problem as the European block is looking to improve its local industrial capacity in core sectors such as defence, technology and green energy. These industries require massive amounts of capital, with only a few European banks able to underwrite these massive transactions. This lump side demand for capital could favour US banks as they increase market share in Europe.

High Base Rate

The high base rate environment over the last couple years has meant that banks have been able to charge higher interest rates on their loans. This has helped boost profits coming into the banks but has simultaneous reduced customers appetite for taking on credit. Coming into the year rates were expected to fall but due to the ongoing war in Iran those outlooks have flipped. It is now projected that rates in the euro area are likely to go up.



Risk & Challenges

Political/Nationalism Risk

The German government remains the second largest shareholder in Commerzbank. It had been selling its position in the bank until UniCredit's announcement back in 2024. Berlin is hesitant on a deal going forward, viewing this as a hostile takeover of one of the country's systematically important banks. Commerzbank is the second largest lender in Germany, with its core customers being small and medium enterprises (SMEs).

Regulatory Risk

Within the EU there exists no unified regulatory framework for cross border deposit insurance. The lack of such a scheme creates liquidity constraints around capital mobilization. This would make it difficult for the Italian lender to move surplus deposits from Germany and use them to fund loans in Italy.

Analyst Commentary

I see this deal as an opening into more constructive talks, the share premium of 4% is too low for a bank like Commerzbank whose portfolio of customers is second only to Deutsche bank in Germany. This initial bid was likely to fulfill regulatory requirements; it forces the German banks board to the deal table where the details will be ironed out.

UniCredit want to take over Commerzbank and could do so by buying up more shares in the open market if a deal is not to be carried out between boards. The bank is determined to be a premier lender in Europe and will remain patient.

I think this deal will go through; the price UniCredit will pay will likely be higher than intended due to the strategic national importance of Commerzbank.

Proposed acquisition of EA by the Saudi PIF-led consortium by Ameya Bhat

Overview

On 29th September 2025, Electronic Arts Inc. announced a definitive agreement to be acquired by an investor consortium comprising Saudi Arabia's Public Investment Fund (PIF), Silver Lake, and Affinity Partners in an all-cash transaction valuing EA at an enterprise value of approximately \$55 billion; the largest all-cash sponsor take-private in history. EA shareholders approved the deal in December 2025. As of 13th February 2026, the deal cleared the HSR antitrust waiting period, with CFIUS review remaining the primary outstanding hurdle. As of March, JP Morgan has started selling \$18 billion of debt to investors, keeping the deal on track to close by the end of June 2026.

Strategic Rationale

The acquisition represents a sovereign strategic asset-building exercise central to Saudi Arabia's vision 2030, marking the Public Investment Fund (PIF) evolution from a passive minority investor to a controlling stakeholder capable of diversifying the Kingdom's economy and projecting global soft power.

By securing elite franchises like EA Sports FC, the PIF aligns its digital assets with physical sports investments, such as the 2034 FIFA World Cup, while gaining the private-market freedom to pursue long-term R&D. Supported by Silver Lake's operational expertise Jared Kushner's Affinity Partners; which provides a political buffer through the \$600 billion US-Saudi investment framework, the deal capitalized on EA'S high-margin recurring revenue and temporary market vulnerability to cement Saudi influence at the intersection of sports, technology and interactive entertainment.

Deal Structure and Financials

The \$55 billion all-cash-take-private deal is funded by \$36 billion in equity from the PIF-led consortium and \$20 billion in debt financing exclusively committed by JP Morgan Chase, which has already started selling \$18 billion of debt to investors at the start of March representing a "clean" exit for shareholders at a 25% premium. While the resulting leverage profile is aggressive at approximately 6x gross debt (6.9x net debt/EBITDA), the deal is underpinned by EA's robust \$2.9 billion LTM EBITDA and reliable free cash flow conversion.

At an implied valuation of roughly 18-19x EV/EBITDA, the purchase price aligns with EA's 10-year historical trading norms, effectively re-rating the company after its early-2025 valuation dip. To protect against execution hurdles, the structure includes a \$1 billion reverse break fee, though the concentration of the record-breaking \$20 billion debt facility with a single lender poses significant syndication risk and will likely trigger a downgrade of EA's investment-grade credit rating post close.

Risks and Outlooks

The proposed \$210-per-share acquisition of Electronic Arts represents a high-stakes convergence of technology, finance, and global politics, where the primary hurdle remains a rigorous CFIUS review scrutinizing national security concerns; specifically biometric data privacy, generative AI, technology transfer, and the “soft power” of media influence.

While the transaction benefits from the current Trump-MBS partnership framework and Affinity Partners’ political proximity, it represents a categorically different risk than previous passive investments, transitioning into a controlling interest that will saddle EA with 6x gross leverage and potentially stifle financial flexibility during critical development cycles like Battlefield 6.

Beyond the balance sheet, the deal faces significant operational friction, including the risk of creative talent attrition and a shift towards sports-centric priorities at the expense of core IP like The Sims or Dragon Age, all while navigating “sportswashing” brand perceptions and the inherent volatility of US-Saudi relations. Despite these headwinds, the current 3% deal spread (\$203.79 market price) suggests an 85-90% market-implied completion probability, pointing towards a base case closing by Q2 2026, likely subject to CFIUS-mandated data governance restrictions and board composition requirements.

Analyst Commentary

PIF’s acquisition of Electronic Arts Inc. represents a strategically sound “crown jewel” investment that anchors a broader ecosystem of sports and esports, yet it remains a calculated bet on a company currently navigating an operational transition and modest 3.7% revenue growth.

While the \$210-per-share price delivers a fair 25% premium to shareholders, the consortium is paying for scarcity value of 18-29x EBITDA, placing immense pressure on the post-close entity to achieve 6-8% revenue CAGR and margin expansion to service \$20 billion in debt.

Moving forward, the industry must monitor CFIUS-imposed conditions, the high-stakes launch of Battlefield 6, and talent retention as critical barometers for success, especially as this deal validates sovereign wealth funds as a new class of “mega-buyers” and sparks renewed M&A speculation for remaining independent publishers Take-Two and Ubisoft.

Axel Springer SE's acquisition of Telegraph Media Group by Atharva Deshmukh

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 longstanding 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 overpromised.

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.

Bain Capital's Acquisition of Perpetual Wealth Management by Safer Hussain

Overview

Acquirer: Bain Capital

Target: Perpetual Wealth Management

Deal Value: AUD550 million (£285/\$349 million)

Deal Type: Leveraged Buyout (LBO)

Announced Date: 16/02/2026

Advisers: Barrenjoey for Perpetual (Financial Advisor), not disclosed for Bain

Strategic Rationale

The Core Thesis is a classic private-equity platform, buy-and-build strategy in a structurally fragmented, but growing market. Bain's stated rationale is to acquire a well-established, legacy wealth platform and further scale and consolidate smaller advice businesses into the perpetual wealth umbrella. From Perpetual's perspective, this sale is the culmination of a multi-year restructuring process to "simplify and transform" the Group. Perpetual's recent M&A activity has proven to provide little synergy and an increased burden on its management in recent years. The sale allows Perpetual a clean exit from wealth, reducing its debt burden significantly. The Australian wealth manager fits well into Bain's long-term strategy in the region, as Bain has a strong history of acquiring Australian financial services firms.

Value creation can be expected from a range of levers, such as technology and systems modernisation, as noted by Bain. Furthermore, other areas of potential value creation are platform consolidation, using the wealth manager to acquire smaller advisory businesses, cross-selling pathways, operational efficiency and margin improvement.

Market Context

Australia's superannuation system, one of the world's largest pension funds, manages AU\$4 trillion in total and underpins demand for professional financial advice. Factors such as an ageing population, growing wages, and the impending AU\$5 trillion-plus intergenerational wealth transfer are creating structural, secular demand for high-quality advice, estate planning, and trustee services – precisely the services Perpetual Wealth Management provides. This deal also sits within a clear, accelerating PE wave of interest in Australian wealth management. The sector has attracted extraordinary international capital in the last 2 years, with Bain having been involved in previous bidding wars with rival firms, such as its failed bid for Insignia Financial, Australia's largest retail wealth manager, against CC Capital reframing Bain's Australian strategy to carving out more specialised platforms over scaling. The notable aspects highlight that it is one of the most significant carve-outs in Australian financial services history, involving a manager with deep brand equity and entrenched relationships with high-net-worth clients, which confirms Bain Capital's commitment to the Australian wealth management market.

Deal Structure and Financials

The deal value is contingent on the performance of Perpetual's advice and accounting operations, which could lead to contingent payments of up to AU\$50 million, which is a reflection of negotiating tension over near-term earnings visibility, on top of AU\$500 million upfront. To finance the acquisition, Bain has secured a AU\$430 million leveraged loan — implying a loan-to-value ratio of approximately 86% of the base price, which is aggressive even by PE standards for a business mid-carve-out. No formal EV/EBITDA multiple has been disclosed, though AU\$500 million for AU\$21.9 billion in funds under advice implies roughly 2.3% of FuA, consistent with premium HNW advice platform benchmarks in Australia. Perpetual has guided to AU\$30 million in separation costs and a AU\$45–50 million tax liability on proceeds, while its pro-forma net debt to EBITDA is expected to fall to approximately 0.2x post-close — a meaningful balance sheet repair for the listed parent.

Risks & Challenges

Integration & Operational Risk

The transaction's foremost challenge is the wealth managers' structural complexity, involving the restructuring of advice, wealth, and trustee operations. An 18-month transitional services agreement signals that true operational independence remains some way off, and comparable financial services separations routinely see timelines slip and costs overrun. Talent retention risk is equally acute: financial advisers are mobile, and their client relationships are the asset Bain is acquiring. A shift to PE ownership with an explicit exit orientation could unsettle both practitioners and the fiduciarily minded not-for-profit clients that represent a meaningful share of trustee revenues, making adviser retention the single most critical early execution variable.

Regulatory & Antitrust Risk

ACCC clearance is required alongside FIRB approval, and the regulator's increasingly assertive posture on M&A reviews introduces meaningful uncertainty. The ACCC will scrutinise whether Bain's consolidation ambitions raise concentration concerns across advice and trustee markets, and any conditions restricting future acquisitions would directly undermine the buy-and-build strategy central to the investment thesis. A court-sanctioned corporate restructure of Perpetual Group is also a prerequisite for completion, adding procedural risk outside the party's direct control.

Macro & Financing Risk

The AU\$430 million leveraged loan leaves limited financial headroom for a business simultaneously navigating operational separation and technology investment. Fee compression, equity market volatility affecting HNW client portfolios, or renewed interest rate pressure could each weaken near-term revenue visibility and strain leverage ratios. Unlike a stable platform acquisition, this carve-out's elevated execution risk profile means the debt structure has fewer natural buffers should the downside scenario materialise.

Outlook

The immediate post-deal conditions will be defined by two priorities: **stabilising the adviser base** and **operational independence**. Retention rates in the first 12 to 18 months will serve as the clearest early indicator of whether the strategic rationale holds, since sustained FuA outflows in this window would compromise the platform's attractiveness as a consolidation vehicle. Bain is expected to invest heavily in technology modernisation — explicitly cited as a priority — while the pace of exiting transitional

service agreements will signal operational readiness. A first bolt-on acquisition within two years of close would represent the critical proof point for the buy-and-build strategy. For competitors, a well-capitalised PE-backed Perpetual Wealth recalibrates the market: AMP, Centrepoint, and CC Capital-owned Insignia will intensify recruitment and acquisition activity in response. For Perpetual Limited itself, the divestiture creates a cleaner asset management and corporate trust story for investors, though whether that simplification unlocks a durable re-rating remains the central open question

Analyst Commentary

It can be argued that Perpetual is a consolation prize after the failed bids for Insignia, though this may not actually be the case, but rather a more focused, defensible asset than Insignia; high-net-worth and trustee clients are stickier, less price sensitive, and harder to disrupt than mass-market superannuation. The valuation can be justified by Perpetual's more premium client quality, compared to Insignia's lower margin mass-market platform. Though the earn-out structure reveals Bain's discomfort with near term earnings visibility, suggesting near term EBITDA was thin. Additionally, the AU\$430m leveraged loan is the most concerning element, leaving almost no buffer if separation costs overrun or advisers walk. Overall, this deal is strategically sound, but operationally ambitious; Success hinges almost entirely on adviser retention in year one and technology delivery in year two – if right, the returns case is compelling, but mistakes will lead to punishment from the debt structure.

SpaceX's Acquisition of xAI by Rohan Mehta

Overview

On 2 February 2026, Elon Musk announced that SpaceX would acquire xAI, parent of X, in an all-stock reverse triangular merger. The deal closed on 4 February, becoming the largest ever. It values SpaceX at \$1T and xAI at \$250B, for a \$1.25T combined entity, above their prior \$800B and \$230B valuations.

The consideration is structured entirely in SpaceX equity: each xAI share converts to 0.14 SpaceX shares, implying a per-share value of \$75.46 for xAI based on SpaceX's implied price of \$526.59 per share. xAI employees were permitted to elect a partial cash redemption in lieu of SpaceX stock, though the primary mechanism remains a stock-for-stock exchange. Morgan Stanley acted as financial adviser to SpaceX; Sullivan & Cromwell advised xAI.

The combined group unites SpaceX assets, Starlink (9,500+ satellites, ~9M users, ~\$10B revenue) and launch services, with xAI assets: Grok, the Colossus cluster, and X (~600M MAUs). It consolidates all key elements of Elon Musk's vision for orbital AI data centres in low Earth orbit.

Strategic Rationale

The deal addresses two linked needs: xAI's need for patient capital to fund its ~\$1B monthly burn competing with OpenAI, Google, and Anthropic; and SpaceX's goal to become a vertically integrated AI infrastructure platform ahead of the largest IPO in history. For Elon Musk, it realises his belief that space is the lowest-cost location for AI compute and only SpaceX can build the orbital infrastructure to prove it.

The two businesses complement each other in several concrete ways:

- **SpaceX:** SpaceX brings Falcon 9 reusable launch capability (a record-setting cadence of more than 130 flights per year), the Starlink constellation providing global low-latency broadband to approximately 9 million customers across 150 countries, an estimated \$8 billion in 2025 EBITDA that immediately backstops xAI's losses, and the Starship platform expected to radically reduce the cost per kilogram of payload to orbit.
- **xAI:** xAI contributes the Grok-4 family of frontier models, the world's second-largest AI compute infrastructure (Colossus, 200,000+ Nvidia GPUs, built in 122 days against an industry norm of 3–4 years), real-time proprietary training data from X's 600 million monthly users, an existing tailored version of Grok (internally branded Spok) already deployed within SpaceX's own operations, and a \$200 million US Department of Defense contract.

- **X (formerly Twitter):** The X platform contributes an annualised subscription and advertising revenue stream of approximately \$2.9 billion, and more importantly a continuously refreshed source of human feedback data at a scale no purely commercial AI lab can replicate.

The deal's real thesis is the orbital data centre. Before the merger, SpaceX had already achieved a breakthrough in satellite-based AI compute and filed with the Federal Communications Commission to deploy up to one million satellites. Elon Musk projects up to 100GW of solar-powered AI compute, cooled by space's vacuum. At scale, this sidesteps the terrestrial limits that constrain every rival: grid capacity, cooling water, interconnection delays, and land costs.

The deal also creates a data flywheel with no obvious precedent. Activity on X trains Grok; Grok usage drives engagement and generates more feedback. With SpaceX processing this at orbital scale, the group could achieve structurally lower AI costs than any terrestrial rival. Microsoft, Amazon, and Google, by contrast, are locked into expensive data centres and have no launch capability or meaningful satellite constellations.

Deal Structure and Financials

The transaction was structured as a reverse triangular merger, facilitated through two newly incorporated Nevada special-purpose vehicles established on 21 January 2026, with Musk as majority shareholder of both. Nevada's management-friendly legal framework, under which directors' personal liability is generally limited to intentional misconduct or fraud, was a deliberate choice that constrains controlling-shareholder litigation risk relative to a Delaware structure.

The all-stock deal reflects clear financial logic: SpaceX spent no cash to acquire xAI, and existing investors, including Valor Equity Partners, Fidelity, Qatar Investment Authority, Nvidia, and Tesla, receive SpaceX equity, freely tradeable after the anticipated IPO. The \$20B Series E xAI round in January 2026, at a \$230B valuation, set a floor for the \$250B transaction and gave recent investors an immediate 8.7% gain.

Key financial metrics:

- Combined 2025 revenues of approximately \$16 billion: SpaceX at \$15.5 billion (Starlink contributing ~\$10 billion) and xAI/X at ~\$3.8 billion annualised, with substantial overlap eliminated by the intra-group Spok arrangement.
- SpaceX earned ~\$8B EBITDA on \$15-16B revenue in 2025, enough to cover xAI's ~\$12B annual burn, though with limited headroom if AI infrastructure spending rises.

- At a targeted \$1.5–1.75T IPO valuation, the combined entity would trade at ~94-109x 2025 trailing revenue, a premium unsupported by near-term earnings but reflecting expectations of Starlink’s ~50% annual subscriber growth and the optionality of the orbital compute thesis.
- Bank valuation ranges at signing: SpaceX \$859 billion to \$1.26 trillion; xAI \$219 billion to \$294 billion, with the deal struck at the midpoint-to-high end of each range.
- The IPO is expected to raise up to \$50 billion, which would rank as the largest initial public offering in nominal-dollar terms, surpassing Aramco’s \$29.4 billion raise in 2019.

Market Context

The SpaceX–xAI merger is the single largest act of corporate consolidation in the current AI infrastructure race, taking place against a backdrop in which Microsoft spent \$37.5 billion on capital expenditure in the fourth quarter of 2025 alone, and Meta spent \$22.1 billion in the same period. The hyperscalers are locked into a competition for GPU capacity, data centre power, and frontier model capability that shows no sign of decelerating, and the capital requirements of staying competitive have grown faster than most AI-pure-plays anticipated when they raised their last funding rounds.

For xAI, the pressure is mounting. Despite ~38x revenue growth from 2024 to 2025, it burned about \$9.5B in the nine months to September 2025. Its Grok models rank fifth behind OpenAI, Google, Anthropic, and Meta. Competing at the frontier requires massive compute, its Colossus cluster is second only to Google, and continued access to capital as investors grow more cautious on burn.

SpaceX is in a stronger position. Starlink surpassed \$10B revenue in 2025 and could reach \$15-24B in 2026, with ~9M users growing ~50% annually. Its main rival, Project Kuiper, faces a July 2026 deadline to launch 1,600 satellites and lacks launch self-sufficiency. In national security, SpaceX leads, including a \$5.9B Pentagon contract for 28 Space Force missions through 2029.

The deal also speaks to a broader investor thesis around the convergence of space infrastructure and AI compute — one that frames the combined company as something genuinely new, rather than simply a player in aerospace or AI taken separately.

Risks and Challenges

Integration & Culture Conflict

SpaceX is a process-driven engineering firm with strict safety protocols, while xAI operates with a “move fast, ask questions later” approach and flat hierarchy, culturally at odds with SpaceX. Former xAI employees flagged this tension at the announcement. Merging these two cultures without

derailing Starlink's reliability or slowing Grok's development is a real management challenge, particularly with an IPO on the horizon.

Key Talent Departures

The merger has prompted several xAI co-founder departures—Jimmy Ba and Tony Wu—after earlier exits by Igor Babuschkin, Kyle Kosic, Christian Szegedy, and Greg Yang. Losing founding research talent at a frontier AI lab threatens model quality, training methods, and institutional knowledge. Competitors like OpenAI and Anthropic are likely to recruit them during the transition.

Regulatory & Legal Exposure

xAI faces regulatory investigations across Europe, Asia, and the US over Grok's generation of non-consensual explicit content, including involving minors, creating significant legal risk now under SpaceX's governance. The deal may also draw Committee on Foreign Investment in the United States review due to sovereign investors like Qatar Investment Authority and MGX. Multi-jurisdictional exposure raises financial and IPO disclosure risk.

Orbital Data Centre Feasibility

The core thesis, that space-based AI compute will be cheaper than terrestrial options within 2–3 years, remains unproven. It depends on advances in satellite processors, laser links, heat management, and Starship economics. Analysts view the timeline as aggressive, and Federal Communications Commission approval for a one-million-satellite network is unprecedented. If delayed, the strategy reduces to cash flow support and IPO engineering, likely prompting a market repricing.

IPO Valuation Risk

At a \$1.5-1.75T IPO valuation, the combined entity would trade at ~94-109x revenue and ~500x net income—justifiable only if Starlink growth holds and orbital compute is validated. Comparisons to the AOL-Time Warner merger have emerged. Weak AI infrastructure returns or rising competition from Project Kuiper or other LEO players could materially impair the IPO.

Financial Drag from X Platform

X's ad revenue fell from ~\$4.4B in 2022 to \$2.9B in 2025, with \$1.2B in annual debt service from Elon Musk's original acquisition, leaving near break-even operations. Advertiser concerns over content moderation continue to limit recovery. As a consolidated liability in a pre-IPO company, X's financial drag will be a prominent disclosure issue.

Market Outlook

In the near term, the combined entity faces intense scrutiny from investors and regulators alike, all while managing integration, co-founder departures, active probes, and IPO preparation simultaneously. Rivals — OpenAI, Google DeepMind, and Anthropic — will look to exploit any distraction or cultural instability to poach AI talent and win enterprise clients.

Looking further out, the combined business is better positioned than most to capture the next wave of AI and space infrastructure spending. Starlink alone could generate \$15-24B in 2026, covering xAI's

costs and early orbital compute build-out without needing outside capital. Enterprise AI — where Grok already has real traction in finance, brand monitoring, and government — offers a revenue base that isn't tied to X's ad recovery.

A successful SpaceX IPO would provide public currency for acquisitions, talent retention, and funding capital-intensive orbital data centres. If orbital compute proves viable by 2027-2029, SpaceX could gain a unique edge as a vertically integrated provider of launch, connectivity, and space-based AI at costs terrestrial operators cannot match. The deal may be remembered as either defining the next era of AI infrastructure or as a historic founder-driven capital risk.

Analyst Commentary

The deal's strategic logic is coherent and the financial engineering is elegant, but execution risk is exceptional. SpaceX acquires access to frontier AI capability and a real-time data asset of global scale, while xAI acquires the financial firepower and infrastructure platform without which it could not sustain a competitive position in the frontier model race beyond the near term.

The all-stock structure is the right call: it aligns incentives, avoids immediate balance sheet stress, and gives xAI investors a credible and near-term path to liquidity through the IPO. The orbital data centre thesis is ambitious to the point of being speculative on a two-to-three-year horizon, but the underlying logic, abundant solar energy, natural vacuum cooling, and launch self-sufficiency, is scientifically sound. The question is timeline, not feasibility.

Key risks are talent retention, losing founding researchers is more damaging than publicly acknowledged, regulatory resolution of Grok deepfake probes before the IPO, and Starlink's subscriber growth versus Project Kuiper. If managed well, the merger creates a platform no competitor can match: the only company controlling rockets, satellites, connectivity, and AI models to build space-based compute. It is either transformative or the largest venture bet in corporate history, there is no middle ground.

Merck's Acquisition of Terns Pharmaceuticals by Jonathan Bello

Overview

Acquirer: Merck & Co., Inc. (NYSE: MRK)

Target: Terns Pharmaceuticals, Inc. (Nasdaq: TERN)

Deal Type: 100% Acquisition of clinical-stage oncology biotech (asset-style accounting)

Announced Date: March 25th, 2026

Advisers: Not disclosed as of announcement

Key Metrics:

Metric	Value
Enterprise Value	~\$5.7bn net of \$1bn acquired cash
Equity Value	~\$6.7bn (all-cash, \$53.00 per share)
Headline Premium	~6% vs prior-day close; 31% vs 60-day and 42% vs 90-day VWAP
Financing	100% cash from Merck balance sheet; no CVR/earn-out disclosed

Strategic Rationale

Merck has been looking for ways to strengthen its position in haematology as the patent on Keytruda (one of its most important drugs) is expected to expire in 2028. Terns offers a strong fit for the firm as TERN-701 is designed to treat chronic myeloid leukaemia, a type of blood cancer caused by the overproduction of abnormal myeloid cells. It does this by blocking the BCR-ABL protein that drives the disease. In early data, the drug has shown strong response rates and a clean safety profile, which is vital as patients and doctors want treatments that work well without causing too many side effects. Overall, this makes TERN-701 a standout option in CML, and it would be difficult for Merck to build something this competitive from scratch in such a short timeframe.

The growth story fits Merck's model. Management is leaning into external oncology innovation to replace 2030s revenues, and TERN701 drops straight into its global development, regulatory and oncology commercial infrastructure. Early sell-side estimates already treat the drug as a potential multibillion dollar product. If this proves to be the case, Merck's scale should allow it to turn strong trial data into global market share faster than Terns could have managed on its own.

Deal Structure and Financials

The consideration is \$53 per share in cash for 100% of Terns, implying ~\$6.7bn equity value and ~\$5.7bn enterprise value after factoring in \$1bn of net cash on Terns' balance sheet. There is no

disclosed earnout or CVR; this is a clean, all cash takeout funded from Merck's balance sheet, subject to standard regulatory and shareholder approvals, and expected to close in 2026.

The \$53 offer represents roughly a 6% premium to the closing price, but on a net-of-cash basis it implies a much larger premium of about 31% to the 60-day volume-weighted average price and 42% to the 90-day volume-weighted average price. TERN-701 is not yet approved and is still in Phase 1/2 development, so Merck is paying for promise rather than a fully de-risked asset. Essentially, the lower headline premium reflects both the fact that much of the upside had already been priced in after the positive ASH (American Society of Haematology) data and the real execution risk that the drug is not ready to launch. Even so, Merck is effectively paying a multi-billion-dollar enterprise value for a single lead asset plus a small pipeline, which signals confidence that TERN-701 could become an exceptional treatment for chronic myeloid leukaemia with multibillion peak sales.

For Merck, the main financial consequence is portfolio mix rather than immediate EPS. The deal tilts capital allocation further toward high-risk, high reward oncology bets aimed at replacing Keytruda revenue in the 2030s. This adds a potential long duration cashflow stream at the expense of near-term balance-sheet flexibility.

Risks and Challenges

Clinical risk is one major concern. TERN701 is still in early stage development; the high Phase 1 response rates and tolerability are based on relatively small, short follow up datasets. We must also consider that many "best in class" oncology assets have faltered in larger Phase 2/3 trials. If later studies reveal safety issues, insufficient depth, or weaker performance in earlier line patients, the core value driver of this deal disappears.

Regulation and evidentiary standards are another major variable. CML is already treated with several tyrosine kinase inhibitors, and Novartis' agent Scemblix has already set a high bar. As such, regulators can be demanding before approving a broad label in first-line, or 1L, treatment and later-line, or 2L+, settings, where 2L+ means second line and beyond. First-line studies are usually more rigorous and take longer because they compare a new drug earlier in the disease course, while 2L+ trials can often move faster and may support accelerated approval if the data is strong enough. Given this, Merck may still need head-to-head studies, stricter endpoints, or a narrower label than it is currently underwriting.

Execution risk shows up on the commercial side as well. Haematologists and payers are used to effective, often generic TKIs. Therefore, if TERN701 is seen as only incrementally better, reimbursement pressure and stepedit requirements could slow uptake and compress pricing. That

being said, Novartis and other competitors will not stand still, as lifecycle work on Scemblix and follow-on BCRABL projects continue to push the bar higher.

Moreover, the firms key competitors remain vigilant, and ongoing work on Scemblix and other BCR-ABL drugs should keep the standard high.

Outlook

Rivals firms will find it hard to ignore this deal. Other big pharma's facing their own patent cliffs are likely to respond by locking up similar "best in class" oncology assets earlier in development, pushing valuations higher and pulling earlier deals into Phase 1/2 territory. This will reinforce an already clear trend: external innovation in oncology becoming the primary lever for defending 2030s earnings as legacy blockbusters like Keytruda lose exclusivity.

The next 5 to 10 years will come down to whether TERN-701 can keep producing clean, convincing data as it moves into larger trials and whether Merck can use its scale and oncology experience to push it through the clinic and into the market. Merck does have a real crossover here: it already describes the deal as building on its growing presence in haematology, and it says it will bring the "deep expertise and significant resources" needed to advance TERN-701. The key questions are whether that expertise is enough to help convert an early-stage CML asset into a drug with broad labels in both second-line-and-beyond and first-line settings, and whether Merck can translate that into meaningful global share and multi-billion-dollar peak sales. Success would turn TERN-701 into a high-margin haematology pillar for Merck, while failure would leave it as an expensive bet on early-stage optionality despite the company's ability to develop it further.

Analyst Commentary

I see this deal as a large, calculated play from Merck on where the next phase of oncology growth comes from. Instead of trying to build a CML franchise organically, they are effectively buying what could be the next best in class BCRABL inhibitor and plugging it into a global development and commercial machine. The price looks full for an early-stage asset, but reasonable if TERN-701 can deliver multi-billion peak sales in a valuable oncology niche.

If TERN701 delivers, this could mark the start of the next-generation, best in class CML era and prove Merck can replace Keytruda revenue through acquisitions. If the asset disappoints, it will be a reminder that paying strategic scarcity prices at Phase 1/2 carries real downside, even for a company of Merck's scale.

Stone Ridge & Flywheel’s Acquisition of Ovintiv Anadarko’s Basin Assets by Shubham Desai

Executive Overview

In March 2026, Ovintiv Inc. (NYSE: OVV | TSX: OVV) announced a definitive agreement to divest substantially all of its Anadarko Basin assets for US \$3.0 billion in cash. On the surface, this reads like a straightforward upstream asset sale. But once you look at both sides of the transaction, it becomes clear that this deal is doing two very different things at the same time.

What makes this deal interesting is not just the divestiture itself, but how the same asset is being viewed in two entirely different ways. One side sees a mature, gas-heavy basin. The other sees an energy infrastructure platform tied to future power demand.

Transaction Snapshot

Transaction snapshot	
Deal Classification: Upstream Asset Divestiture	Production Mix: 30% Oil 27% NGLs 43% Gas
Seller: Ovintiv Inc. (NYSE: OVV TSX: OVV)	Implied Price: ~\$33,333 per flowing BOE/d
Buyer: MidCon II BuyerCo, LLC (Stone Ridge Energy + Flywheel Energy)	Effective Date: 1 January 2026
Deal Value: US \$3.0 Billion (All Cash)	Expected Close: Early Q2 2026
Assets: ~360,000 Net Acres (Anadarko Basin) Production: ~90,000 BOE/d	Advisors: Wells Fargo Securities Kirkland & Ellis LLP

Strategic Rationale

On Ovintiv’s side, the rationale is consistent with its stated capital allocation strategy. The Anadarko Basin, currently producing ~90,000 BOE/d, has shifted away from core focus due to weaker economics, declining drilling activity, and limited Tier-1 inventory. In contrast, The Permian Basin is primarily situated across West Texas and Southeastern New Mexico, and the Montney Formation spans Northeast British Columbia and Northwest Alberta, Canada are generating ~50–55% returns, making capital reallocation an obvious decision. The divestiture supports debt reduction toward the ~\$3.6B target and underpins a $\geq 75\%$ free cash flow shareholder return framework.

The buyer’s rationale is structurally different. According to industry reporting, Stone Ridge Energy and Flywheel Energy are not acquiring production for traditional upstream returns but reportedly see the

~240 MMcf/d gas stream as a strategic input for energy generation. Their model aims to convert natural gas into electricity near the wellhead, potentially bypassing traditional grid constraints entirely.

In a market where data centre power demand is accelerating and grid interconnection delays exceed 5–7 years, this creates a clear advantage. The same gas-weighted profile that limits value under conventional pricing becomes the core economic driver under this model.

Synergy-Driven Value Creation

For Ovintiv, value creation is limited to capital efficiency. Divesting a ~\$33,000/BOE/d gas-weighted asset and reallocating into ~50–55% return Permian and Montney assets improves portfolio ROIC, while ~\$3.0 billion proceeds reduce debt and interest burden.

The real value sits with the buyer. This is a combined capital + operating platform where Stone Ridge provides financial scale and Flywheel executes operationally, enabling immediate deployment at asset level.

The key synergy here is vertical integration and rather than selling ~240 MMcf/d of gas into an extremely volatile commodity market where prices recently spiked above \$7/MMBtu before crashing back to ~\$3 support the buyer intends to monetise it as power. This shifts the asset away from unpredictable spot pricing and toward stable, infrastructure-linked revenue.

This creates a direct value uplift. Electricity realisations far exceed raw gas pricing, particularly in data centre-driven markets where power scarcity is the real bottleneck. At their combined scale of ~600,000+ acres across basins, infrastructure deployment becomes highly efficient, allowing the buyer to sell reliable energy rather than just extracting hydrocarbons.

Valuation & Financial Perspective

The deal is priced at an implied ~\$33,333 per flowing BOE/d. This sits squarely within the expected range for Anadarko gas-weighted assets (~\$28K–\$38K/BOE/d) and aligns perfectly with Stone Ridge's previous ConocoPhillips acquisition (\$32.5K/BOE/d). As expected, it trades well below premium oil-heavy Permian comps (\$70K–\$100K+/BOE/d), reflecting the 43% gas mix and the portfolio's mature, declining production profile.

For Ovintiv, this is value-accretive through balance sheet impact. Net debt reduces from ~\$4.4B to ~\$3.6B, lowering leverage from ~1.2x to ~0.9–1.0x Debt/EBITDA and saving ~\$65M annually in

interest. The asset sold represents ~18% of EV but enables a structurally higher FCF yield under a $\geq 75\%$ payout model.

For the buyer, valuation is not based on upstream EBITDA. Under a normalized mid-cycle gas pricing scenario, a mature upstream asset like this would typically justify a standard ~4–6x EBITDA multiple. But by converting the ~240 MMcf/d gas into electricity, the buyer re-rates the asset: shifting it away from upstream commodity multiples and toward higher, infrastructure-linked valuations driven by stable power market revenues.

The investment case is driven by margin expansion, not volume growth. Existing infrastructure and scale (~600K+ acres combined) reduce incremental capex per unit, allowing EBITDA to grow through higher energy realisations rather than increased production.

Key Risks & Execution Considerations

For Ovintiv, the main risk is concentration. Once the Anadarko assets are removed, the portfolio becomes more focused on Permian oil and Montney gas. That increases exposure to commodity cycles, particularly if prices move against the company.

There is also some execution overlap, with the NuVista integration and this divestiture happening in close succession.

For the buyer, the risks are more operational. The entire strategy depends on successfully deploying infrastructure at scale. That requires capital, regulatory approvals, and consistent execution.

There is also a degree of dependency on both gas prices and electricity demand. If either side of that equation moves unfavourably, the economics can shift quickly.

Outlook

For Ovintiv, the direction is clear. The company emerges as a more focused operator with a cleaner balance sheet and a defined capital return strategy. The next phase will be about execution and particularly in the Permian and Montney and how effectively management delivers on buybacks and returns.

For the buyer, the outcome is less certain but potentially more impactful. If the model works, this could set a precedent for how similar assets are valued and used going forward.

More broadly, this deal reflects a shift in how energy assets are being repositioned, particularly against a backdrop of severe geopolitical risk. With escalating tensions around the Strait of Hormuz threatening global LNG and oil supply chains, domestic U.S. onshore assets carry a rising 'security premium.' Mature basins are no longer just being sold because they are declining; they are being actively repurposed for entirely different roles within the energy system to provide insulated, localized power security.

Analyst Commentary

This deal stands out because both sides are acting rationally, but for very different reasons. Ovintiv is simplifying its portfolio and focusing on higher-return assets. The buyer is effectively reclassifying the asset within a different part of the energy value chain.

At the same time, the growth in AI and data centres is creating a new layer of demand that traditional energy infrastructure is struggling to meet. That is where models like the one being pursued here start to make sense.

Taken together, this deal sits right at the intersection of two themes of geopolitical energy dynamics and the future of power demand. Execution will ultimately decide the outcome, but structurally, this is the kind of transaction that signals where the market is heading, not where it has been.

(Note on Buyer Identity: While Ovintiv's official press release listed the purchaser as an "undisclosed buyer," industry sources Hart Energy and TGS have identified the buyer as Stone Ridge Energy, with Flywheel Energy operating the assets.)

Industry Opportunities by Adam Qureshi

US–China Tech Fragmentation & Semiconductor Realignment

Intensifying US–China strategic competition has accelerated the decoupling of advanced technology supply chains. The US continues to expand export controls on AI chips, semiconductor manufacturing equipment, and quantum-related technologies. China is responding with domestic substitution policies, increased state funding for chip independence, and restrictions on critical mineral exports. Multinational firms are diversifying production into “friend-shoring” hubs such as Vietnam, India, and Mexico. The result is a split tech ecosystem, rising compliance costs, and pressure on global semiconductor and electronics companies to restructure operations, secure alternative suppliers, and reduce geopolitical exposure.

Where does the opportunity lie?

The strategic rationale for cross border acquisitions of smaller chip design firms becomes more attractive to lock in supply chain resilience through vertical integration and to secure IP and talent. We can expect there to be an extra emphasis in cross border acquisitions in ‘neutral’ jurisdictions such as Singapore, Taiwan and South Korea which try to maintain strong relations with both China and the US.

European Energy Security & the Post-Ukraine War Realignment

Russia’s invasion of Ukraine triggered a long-term restructuring of Europe’s energy system. European states have reduced reliance on Russian gas, accelerated LNG import capacity, and expanded investment in renewables, hydrogen, and grid infrastructure. Governments are offering subsidies for clean-energy projects, while utilities face pressure to modernise networks and secure stable supply. The conflict has also reshaped global LNG flows, with the US, Qatar, and Australia becoming dominant suppliers. Energy price volatility and regulatory shifts have created both financial strain and strategic urgency across the sector.

Where does the opportunity lie?

Russia’s invasion of Ukraine highlighted the fragility of Europe’s energy dependence and it’s need to develop its own energy independence. This need for energy independence is coupled with the need for energy transition away from fossil fuels towards renewable sources. This has produced the opportunity for energy developers to consolidate renewable developers, acquire battery storage and hydrogen technology startups and Oil and gas majors to acquire clean tech firms to accelerate the energy transition.

Middle East Instability & Global Shipping Route Disruption

Escalating tensions in the Middle East, including attacks on commercial vessels in the Red Sea and instability around the Strait of Hormuz, have disrupted global shipping routes. Major carriers are rerouting around the Cape of Good Hope, increasing transit times, insurance costs, and supply chain uncertainty. Governments are deploying naval assets to secure trade lanes, while companies face rising logistics expenses and inventory challenges. The disruptions have highlighted vulnerabilities in global maritime infrastructure and accelerated interest in nearshoring, alternative transport corridors, and digital logistics optimisation.

Where does the opportunity lie?

The recent disruption in the Strait of Hormuz had exposed the fragility in global logistics and drives the needs for companies to acquire technology, capacity and alternative transport networks to maintain reliability. We can expect to see logistics companies acquiring AI driven supply chain optimisation platforms , strategic acquisitions of rail and intermodal transport assets to bolster supply chain resilience and consolidation among port operators and inland logistic hubs.

Industry trends by Giacomo Volpe

The headline for Q1 2026 is simple: fewer deals, but dramatically bigger ones. Global M&A hit roughly \$813 billion through late March, the strongest Q1 on record, yet deal counts dropped 22% year-on-year. The market has not recovered evenly. A small cluster of megadeals are doing all the heavy lifting, while the middle market stays quiet. Three themes explain where the serious money is moving.

The AI deal motive

SpaceX acquired xAI on 2 February in an all-stock deal valuing the combined entity at roughly \$1.25 trillion. Google closed its \$32 billion purchase of cloud security firm Wiz on 11 March. Palo Alto Networks completed its \$25 billion acquisition of CyberArk the same week. That is nearly \$60 billion in tech M&A, and none of those deals are about market share in the traditional sense. They are about owning the infrastructure that AI runs on.

The reason is straightforward. Amazon alone committed \$200 billion in 2026 capex. When companies are deploying that kind of money on infrastructure, adjacent sectors (i.e. data centres, cybersecurity, semiconductors) get swept up. OpenAI has already made six acquisitions this year, nearly matching its entire 2025 count.

This is the moment when AI stops being a business school thesis topic and becomes a live valuation problem. Traditional metrics like EV/EBITDA struggle to price AI assets. Understanding how bankers are handling that (replacement cost analysis, strategic optionality frameworks) is quickly becoming a core skill in tech advisory.

Two FTSE 100 deals signal just how cheap UK companies look to foreign buyers

On 12 February, US asset manager Nuveen agreed to acquire Schroders for £9.9 billion, ending over 220 years of independence for one of the City's most recognisable names. Three weeks later, Zurich Insurance bid £8.1 billion for specialist insurer Beazley, at a 63% premium to its share price before talks began. That premium is not generosity. It reflects how scarce quality Lloyd's market franchises are when you are looking from Switzerland.

UK M&A value hit \$89.9 billion in the first two months of the year, the highest for that period since 2000. Sterling's relative weakness and FTSE valuations that lag US peers by a wide margin have created a window that foreign acquirers are using aggressively. Across the Channel, UniCredit launched a €35

billion hostile exchange offer for Commerzbank on 16 March. The German government called it unacceptable. UniCredit now owns 30% of the bank and counting.

When two FTSE 100 financials go in the same quarter, it is worth asking what the next targets might look like, and why UK companies keep trading at a discount to US equivalents.

European rearmament is creating M&A activity that looks nothing like the last cycle

The EU's ReArm Europe plan targets up to €800 billion in additional defence spending by 2030. Leonardo completed its €1.6 billion acquisition of Iveco Defence Vehicles in March. CACI bought space intelligence firm ARKA Group from Blackstone for \$2.6 billion. The Airbus/Leonardo/Thales satellite joint venture is now in due diligence at an estimated €10.5 billion.

The nuance matters here. European governments will not allow straightforward cross-border mergers in defence, sovereignty concerns are real. What you see instead are joint ventures, co-development agreements, and strategic minority stakes. Quality defence assets with government contracts are trading at high-teens EBITDA multiples. That makes consolidation expensive, but it also makes advisory work in the sector genuinely lucrative.

March's deals show a market defined by concentration. The money is flowing into AI infrastructure, undervalued financial franchises, and the first new defence spending cycle in a generation. For anyone thinking about where to build a career in M&A, those three sectors are worth following closely.

Learning Corner by Giacomo Volpe

In this month's section, we will be taking a look at how to do professional grade synergies modelling similar to the one apart of our model that took us to the UK & Europe M&A competition Grand final.

Most competition synergy slides get dismissed in Q&A because they're built top-down. Here's how to build them so they can't be challenged.

The Bottom-Up Synergy Framework

Judges see the same mistake constantly: "We assume 5% revenue synergies based on industry benchmarks." That's a conclusion dressed as an assumption. Bottom-up modelling forces you to show the *mechanism*, and a mechanism can be defended.

There are three levels to build in sequence.

Revenue Synergies

Start with the acquirer's existing customer base. Identify which customer segments can be cross-sold the target's product. Then build each synergy pillar using this formula:

$$\text{Run-Rate Revenue} = \text{New Customer Base} \times \text{ACV} \times \text{Penetration Rate}$$

For each pillar you need three inputs: the new customer base count (from filings or management disclosure), the Average Contract Value per customer (from earnings calls, analyst reports, or comparable contracts), and the penetration rate (anchored to a real benchmark, McKinsey cross-sell data, management guidance, or a comparable integration).

Separate customers into different customer tiers. Tier-1 (top accounts) will have higher ACV and lower penetration, they're harder to win. Tier-2 (mid-market) will have lower ACV but higher volume. Model each independently and sum to a total run-rate.

Cost Synergies

Go line by line through the target's P&L. For each opex category, ask: what percentage can be eliminated, and why?

Line Item	Driver	Rationale
G&A	Public company costs	SOX, D&O, IR, board eliminated on take-private
S&M	Overlapping coverage	Acquirer's sales force absorbs accounts
R&D	Duplicate tooling	QA, DevOps, shared infrastructure
COGS / Infra	Volume contracts	Migrate to acquirer's cloud agreements

Benchmark your total cost synergy as a % of the target's revenue. TMT deals typically run 12–16% (LEK Consulting). If your number is outside that range, you need a specific explanation.

Phase-In Schedule and Haircuts

Synergies take time to realise. Build a realisation schedule across 3–5 years. Cost synergies (especially G&A) are typically 40% captured in Year 1 because some are contractually certain. Revenue synergies ramp slower, 20% Year 1, 50% Year 2, 80% Year 3.

Then haircut for dis-synergies: customer churn, pipeline disruption, attrition. These hit EBITDA in Year 1–2 and belong in the model as a negative line.

Finally, link your Net Present Value (NPV) of synergies to the premium paid. If NPV of synergies > acquisition premium, the deal creates value independent of growth assumptions.

Application: Mastercard–OneSpan

The model used three revenue pillars. Tier-1: 50 banks × \$300K ACV × 50% penetration = \$7.5M run-rate, anchored to a McKinsey 60% cross-sell benchmark (conservatively discounted). Tier-2: 1,500 Financial Institutions × \$120K ACV × 8% penetration = \$14.4M, ramp structured over 5 years to reflect 12–18 month FI procurement cycles. Digital Agreement Acceleration growth rate: modelled as a growth delta on the existing \$65M base. Cost synergies totalled \$36M, benchmarked to 15% of OSPN revenue. NPV of combined synergies (\$264M) covered 159% of the premium paid, meaning the deal worked even before revenue synergies were counted.

Rules of Thumb

1. **Use benchmarks for your assumptions.** Source it to a management quote, a McKinsey cross-sell study, or a comparable deal. An unsourced 10% is a guess. A cited 8% is an assumption.
2. **Cost synergies below 12% of target revenue need justification. So does anything above 20%.** If you're outside the 12–16% TMT benchmark, you need a slide explaining why.
3. **Don't forget about dis-synergies usually taking effect in Year 1–2.** Churn, pipeline disruption, and attrition are real. Including them makes your model credible, ignoring them makes judges trust nothing else in it.
4. **Check synergy NPV vs. premium paid before you finalise the offer price.** If cost synergies alone cover the premium, the deal works even with zero revenue upside. That's your floor, and your strongest defence in Q&A.

Final Words from JP Ornellas Filho, the President

As this March edition comes to a close, I want to reflect on what this month has represented for the University of Reading Mergers & Acquisitions Society.

This newsletter is one example of the standard we are continuing to build. Across the publication, our team has covered a wide range of live transactions, industry developments, and technical insights, from major cross-border deals to broader themes shaping the M&A market. At the same time, March was also a landmark month for the society competitively. Our team placed 3rd out of 120+ teams in the UK & Europe M&A Case Competition, a result we are extremely proud of. The competition gave us the chance to pitch our investment case on Mastercard's acquisition of OneSpan in front of professionals from Nomura, PJT Partners, Neuberger Berman, and BGF. To perform at that level against such strong competition was a major achievement for the team and an important moment for the society as a whole.

What made that result especially meaningful was what sat behind it: weeks of preparation, detailed technical work, constant iteration, and the willingness to challenge our own assumptions until the case could stand up under pressure. That is the same mindset we want this society to promote more broadly. Whether through competitions, newsletters, research, or events, the goal is the same: to build real understanding, raise standards, and create an environment where ambitious students can develop.

So for me, this month has been about more than one result or one publication. It has been about the momentum that the society has built. The quality of this newsletter and the competition performance both point to the same thing: this society is moving in the right direction, and we are continuing to build something stronger with each month that passes.

Thank you to everyone who contributed to this edition and to everyone who helped make this progress possible. There is still a great deal more to come, and we look forward to building on it.

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