



MONTHLY RESEARCH PUBLICATION

Mergers & Acquisitions

Student-led analysis of global deal activity, market intelligence, and strategic transactions

May 2026

IN THIS ISSUE

Six Deals

FOCUS

The FTSE Discount

ANALYSIS

Deal Consideration

FOR EDUCATIONAL PURPOSES ONLY

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Executive Summary

The University of Reading Mergers & Acquisitions Society's latest newsletter covers seven major deals announced in May 2026, reflecting a market shaped by strategic repositioning, opportunistic consolidation, and the growing weight of geopolitical forces on corporate decision-making.

In media and entertainment, Sony Music Group's ~\$4.0 billion acquisition of Blackstone's Recognition Music Group deepens Sony's control over a 45,000-song catalogue spanning rights linked to Justin Bieber, Fleetwood Mac, and Shakira, reinforcing its competitive position against Universal Music Group and Warner in a streaming-dominated rights landscape.

In utilities and energy infrastructure, NextEra Energy's ~\$66.8 billion all-stock merger with Dominion Energy creates the world's largest regulated electric utility by market capitalisation, with a combined enterprise value of approximately \$420 billion, positioning the combined group at the centre of surging power demand from AI data centres and electrification across Virginia, North Carolina, and South Carolina.

In industrials, EQT's £9.24 billion take-private pursuit of Intertek — the fourth proposal in a contested bid sequence — exploits a persistent FTSE discount to lift the FTSE 100 testing and quality assurance group off the public market at a 59% premium to its undisturbed share price, while granting EQT the operational freedom to separate Intertek's Energy & Infrastructure division on its own timeline.

In UK retail banking, Santander UK's completed acquisition of TSB Banking Group for approximately £2.86 billion advances the group to third place by personal current accounts, doubles its mortgage market share to roughly 6%, and addresses a structural wholesale-funding dependency through TSB's regionally diversified deposit base.

In food and beverage ingredients, Ingredion's conditional \$3.68 billion proposal for Tate & Lyle — carrying a 64% premium — would unite two legacy ingredient platforms, combining Ingredion's plant-based solutions capabilities with Tate & Lyle's recently transformed specialty portfolio anchored by CP Kelco's pectin and gum assets.

In consumer fashion, Shein's \$100 million acquisition of Everlane from L Catterton, against a backdrop of \$90 million in assumed debt, represents a brand-legitimacy bet by the fast-fashion giant, purchasing a decade of sustainability credibility at distressed-asset pricing as a hedge against regulatory and reputational headwinds in the US and EU.

In our industry opportunities section, we examine three geopolitical scenarios reshaping M&A activity: EU–China sanctions escalation opening acquisition opportunities in non-Chinese supply chain alternatives; Colombia's pivotal 2026 election driving a Latin American political shift toward market-friendly policy reform; and Europe's deepening

strategic partnerships with Japan and South Korea ahead of the G7, accelerating cross-border deal flow in semiconductors, defence, and cleantech.

Our industry trends section this month focuses on two defining dynamics: the pre-tariff scramble among Indian and emerging-market generics players to acquire regulated-market biosimilar platforms before the UK–US pharmaceutical trade deal reshapes asset pricing, and the continued wave of FTSE take-privates and UK infrastructure acquisitions as global capital exploits a structural valuation discount.

The Learning Corner for this month's newsletter addresses payment consideration — cash versus stock versus mixed — and provides a practical accretion shortcut for interview settings, using Microsoft–Activision and Devon–Coterra as live examples to make the mechanics immediately applicable.

Finally, the Legal Dynamics in M&A section opens with the Musk–OpenAI litigation, dismissed after mere hours of deliberation, examining the legal tensions between fiduciary duty, founding mission, and commercialisation as OpenAI advances toward one of the most anticipated IPOs of the modern era.

Analyst: Jonathan Bello

Sector: Media and Entertainment

Sony Music Group's acquisition of Blackstone's Recognition Music Group

Overview

Acquirer: Sony Music Group

Deal Type: 100% acquisition of Recognition Music Group's full music catalogue, structured as a cash purchase

Announced Date: May 11th, 2026

Advisers: Simpson Thacher & Bartlett advised Sony Music Publishing; advisers for the seller were not disclosed at announcement.

Key Metrics:

Metric	Value
Total Consideration	~\$4.0bn
Catalogue Scale	45,000+ songs across ~145 catalogues

Strategic Rationale

Sony Music Group is one of the world's largest music companies, with a global recorded-music and publishing platform that generated more than £3 billion of revenue in recent quarters. Its scale provides a strong base for further catalogue acquisitions, while Recognition Music Group owns a broad catalogue spanning rights associated with artists such as Justin Bieber, The Weekend, Fleetwood Mac, and Shakira.

SMG is pursuing the Recognition transaction to deepen its control over high-quality music rights and expand a catalogue that already generates recurring streaming and licensing income. The deal fits Sony's broader strategy of building scale through ownership of durable, evergreen assets rather than relying only on frontline releases. Recognition adds a large, diversified portfolio of songs with long monetisation tails. Overall, the deal aims to strengthen Sony's position against Universal Music Group, Warner Music Group, and other major rights holders.

Why Sony Music Group Is Pursuing the Transaction

From Sony's perspective, the attraction is not only scale but control. Owning these rights increases exposure to streaming, sync, and other licensing revenues, while also improving leverage with digital platforms. The partnership with GIC (Government of Singapore Investment Corporation) also gives Sony a way to pursue large catalogue acquisitions without bearing the full capital burden alone.

Blackstone perspective

For Blackstone, the sale is a natural exit after it built up the portfolio through Hipgnosis and Recognition and refinanced it through the ABS market. The transaction enables Blackstone to realise value from its operational and financing work, while transferring the assets to a

strategic buyer better positioned to capture further upside. In that sense, the deal is both a financial exit and a validation of music rights as an institutional asset class.

Market Context

The deal sits inside a market that has changed materially over the past decade. Streaming now dominates global recorded-music revenue, making back catalogues more valuable because they deliver stable, recurring cash flows over long periods. Familiar songs also benefit from algorithmic discovery, social media, and sync placements, which can revive older tracks years after release.

At the same time, music rights have become a recognised alternative asset class. Large investors have been drawn to the sector because of its low correlation with traditional markets, inflation-linked cash flows, and the ability to finance portfolios through securitisation and long-term debt. This has pushed catalogue valuations higher and encouraged competition between strategic buyers and financial sponsors.

That being said, higher interest rates have made the market more selective. Buyers are now more cautious about paying peak multiples, which has reduced the advantage of leveraged financial bidders and improved the relative position of strategic acquirers such as Sony. As a result, the highest-quality assets continue to attract strong interest, while weaker or less distinctive catalogues face more pressure on price.

Deal Structure and Financials

The transaction is understood to be valued at around \$4.0bn. On that basis, it implies a premium valuation for a large catalogue with diversified revenue streams and long remaining cash-flow life. The reported size of the portfolio also suggests that Sony is underwriting the deal on stable royalties rather than speculative growth alone.

Recognition's catalogue should generate income across streaming, performance rights, sync, physical sales, and neighbouring rights. Streaming is likely to remain the main source of revenue, but the catalogue also contains songs with seasonal and event-driven spikes that make cash flows more resilient than a typical entertainment asset. That combination supports a long-duration, income-style valuation framework.

The acquisition is being executed through Sony's joint venture with GIC, which helps reduce the upfront equity burden and spreads risk across partners. The structure also gives Sony additional flexibility for future transactions while preserving balance-sheet capacity. In summary, the deal looks designed to combine strategic ownership with institutional capital discipline.

Risks & Challenges

The main risk is valuation. If Sony has paid close to the top of the cycle, returns could disappoint if streaming growth slows or if digital platforms push back on royalty economics. In a higher-rate environment, even high-quality catalogues must generate stronger cash flows to justify premium multiples.

There is also platform concentration risk. Royalty income depends heavily on a small number of global streaming services, and changes to algorithms, payout models, or subscription pricing could affect performance. Sony has limited control over those external factors.

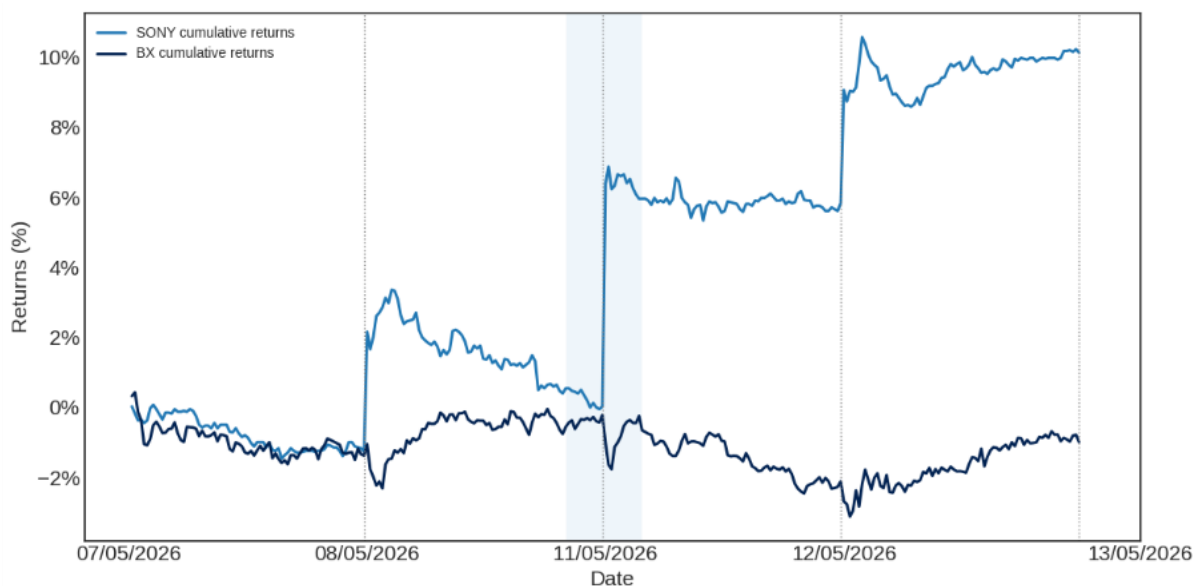
Integration and rights management are additional challenges. Full ownership means Sony must manage royalty accounting, metadata, and contract enforcement across multiple jurisdictions, and any errors could create leakage or cause disputes. Regulatory and copyright issues also remain a background risk, especially as the industry faces growing scrutiny around ownership concentration and AI-related content.

Outlook

The deal should strengthen Sony's position as one of the leading global music publishers. Over time, the acquisition should support higher recurring income, stronger bargaining power with streaming platforms, and more licensing opportunities across film, television, gaming, and advertising. It also reinforces the view that large catalogues with proven demand will continue to trade at premium values.

For the broader market, the transaction is likely to support further consolidation. Strategic buyers with patient capital are still willing to pay for rare, high-quality catalogues, especially where there is meaningful operational upside. That should encourage more exits from financial sponsors that built portfolios during low-interest rate periods.

Looking ahead, the market is likely to split between premier catalogues and lower-quality assets. Premium portfolios with global recognition and long-tail earnings will remain highly sought after, while mid-tier catalogues may face weaker demand and tighter pricing. Sony's move positions it firmly on the winning side of that divide.



As shown in the chart above, Sony Group's share price is used here as a listed proxy for Sony Music Group, while Blackstone's share price is used as a proxy as the seller, since Recognition Music Group was privately held in their portfolio and neither asset traded independently. The Sony line (light blue) rises sharply around the announcement window, indicating that investors initially viewed the transaction as value-accretive for Sony's broader music platform and strategic positioning.

Blackstone's line (dark blue) is comparatively flat over the same period, which is consistent with the fact that the portfolio represented only one part of its wider private-equity and

alternatives franchise. As a result, the stock chart is not able to fully capture the economic impact of the sale.

The main takeaway is directional rather than definitive. The market reaction appears more visible in Sony's listed shares than in Blackstone's, but the chart should read as a proxy for sentiment rather than a direct measure of the transaction value itself.

Analyst Commentary

This is a logical but aggressive extension of Sony's catalogue consolidation strategy. It turns a large institutional music platform into direct strategic scale for Sony, while demonstrating that music rights have become a core asset class for both corporates and alternative investors.

Financially, the transaction appears expensive, but the quality of the assets and the breadth of revenue streams help support the case. Sony also has greater scope than financial buyers to create value through marketing, sync, and cross-platform exploitation. The key question is whether the firm can grow cash flows fast enough to justify the price.

Overall, the deal is a strong example of how strategic acquirers can outbid financial sponsors when the assets are both culturally important and operationally scalable. It may also become a useful benchmark for future exits of large music portfolios.

Analyst: Yifu Mei**Sector:** Utilities & Energy Infrastructure

NextEra Energy's merger with Dominion Energy

Overview

Acquirer: NextEra Energy, Inc. (NYSE: NEE)**Target:** Dominion Energy, Inc. (NYSE: D)**Deal Type:** 100% acquisition via all-stock merger consideration**Announced Date:** May 18th, 2026**Advisers:** Kirkland & Ellis LLP, Lazard, BofA and Wells Fargo advised NextEra; McGuireWoods LLP, Goldman Sachs and J.P. Morgan advised Dominion.

Key Metrics:

Metric	Value
Transaction Value	~\$66.8bn / approximately \$67bn
Combined Enterprise Value	~\$420bn
Combined Market Capitalization	~\$249bn (World's largest regulated electric utility by market cap)
Headline Premium	~23% to Dominion's prior closing price
Share consideration	0.8138 NextEra shares for each Dominion share
Pro Forma Ownership	NextEra shareholders ~74.5%; Dominion shareholders ~25.5%
Customer Commitments	\$2.25bn bill credits over two years post-close
Expected Closing	12-18 months after announcement, subject to approvals

Strategic Rationale

NextEra's acquisition of Dominion (the fourth largest deal of all time according to LSEG) is mainly driven by scale, demand growth and regional positioning. NextEra is already one of the largest electricity and energy infrastructure companies in North America, while Dominion owns regulated utilities across Virginia, North Carolina and South Carolina. By combining the two, NextEra gains a much larger regulated platform in some of the fastest-growing power markets in the U.S., instead of building that position slowly through smaller investments.

Operationally, the deal is about meeting power demand at a time when electricity needs are rising faster than utilities expected. Dominion gives NextEra direct exposure to Virginia, including Northern Virginia's Data Center Alley, which is one of the world's most important data center markets. This is especially valuable because technology groups such as Microsoft, Amazon and Google are competing to build data centre capacity to meet AI demand. Artificial intelligence, cloud computing and electrification are all increasing the need for reliable power, transmission and grid investment.

The transaction also strengthens NextEra's long-term investment story. The combined company is expected to serve around 10 million utility customer accounts, own about 110 GW of generation and remain more than 80% regulated. At this scale, the company can buy, build and finance infrastructure more efficiently, converting size into purchasing power, lower capital costs and ultimately more affordable electricity for customers.

Market Context

The deal comes at a time when U.S. power companies are becoming more valuable because electricity demand is no longer growing slowly. For many years, utilities were seen as stable but low-growth businesses. That view is changing as AI data centers, electric vehicles and industrial projects place new pressure on power grids.

Virginia is central to this story. Dominion's service territory includes the world's largest concentration of data centers, including Amazon Web Services hyperscale sites in Northern Virginia and Meta's Henrico data center campus, which is supported by new renewable energy sourced in Virginia. Together, the companies have described a large-load opportunity pipeline of more than 130 GW, showing how much future demand may need to be served by new generation and grid infrastructure.

The market is also revaluing nuclear power. AI data centers need constant electricity that renewables alone cannot provide. Dominion generates more than 40% of its electricity from nuclear facilities, offering the 24/7 baseload power that data center operators increasingly require. This makes Dominion's nuclear fleet particularly valuable in Virginia, while the Trump administration's supportive nuclear policy, including backing for at least \$80 billion of new Westinghouse AP1000 reactor projects, further improves the sector backdrop.

Deal Structure and Financials

The transaction is valued at approximately \$66.8 billion and is structured as an all-stock deal. Dominion shareholders will receive 0.8138 shares of NextEra Energy for each Dominion share they own at closing. Based on market prices at announcement, this valued Dominion at about \$75.97 per share, representing a premium of roughly 23% to its previous closing price.

After completion, existing NextEra shareholders are expected to own around 74.5% of the combined company, while Dominion shareholders will own around 25.5%. The transaction is expected to be tax-free to shareholders and immediately accretive to NextEra's adjusted earnings per share at closing. Dominion shareholders will also continue to receive Dominion's current quarterly dividend until closing, plus a one-time cash payment of \$360 million at close.

Financially, the deal creates a much larger utility group with an estimated enterprise value of about \$420 billion and market capitalization of about \$249 billion. The combined company expects more than 9% adjusted EPS growth through 2032 and a 6% annual dividend growth policy through 2028. However, the scale also comes with leverage and capital intensity, as Dominion had about \$44.11 billion of long-term debt as of March 31, 2026. Despite this debt load, the combined company's stronger credit profile and scale should improve financing costs for both entities, which helps to keep borrowing costs manageable relative to the \$420 billion enterprise value.

Risks & Challenges

Despite the strategic rationale, the deal carries meaningful regulatory risk. It requires shareholder approvals, antitrust review, approval from the Federal Energy Regulatory Commission, approval from the Nuclear Regulatory Commission, and review by state utility regulators in Virginia, North Carolina and South Carolina. Because the combined company would be extremely large and important to power prices, reliability and grid investment, regulators are likely to examine customer impact closely.

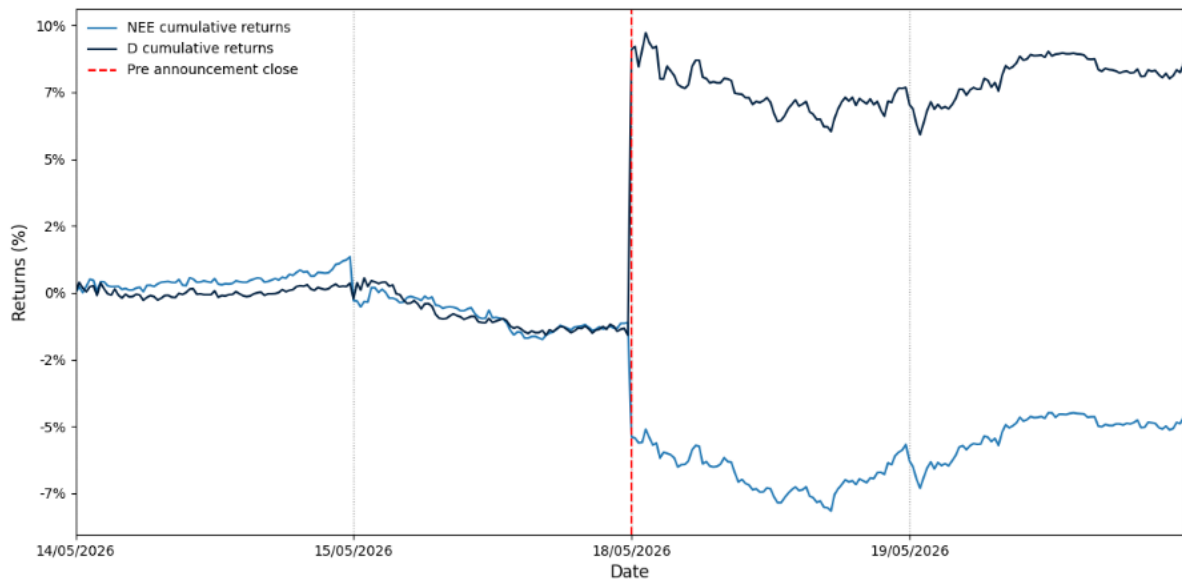
Also, the customer affordability issue is especially important. The companies are offering \$2.25 billion in bill credits to Dominion customers over two years post-close, which helps reduce political and regulatory pressure. However, bill credits do not remove the longer-term question of whether a much larger utility can keep costs low while also spending heavily on generation, transmission, renewables, nuclear, gas and storm resilience.

Integration is another risk. NextEra and Dominion have limited operational overlap, which helps from an antitrust perspective, but it also means the combined company must manage different state regulators, customer bases, workforces and capital plans. If approvals are delayed or conditions become stricter than expected, the expected benefits from scale, financing and procurement could take longer to appear. Moreover, if regulators block the transaction, NextEra will owe Dominion a break fee of \$4.8 billion, according to SEC filings, underscoring both NextEra's commitment to the deal and the substantial downside risk if approvals fail.

Outlook

Post-transaction, NextEra would move from being a leading power company into a much broader U.S. electricity platform. The combined business would have major regulated utilities across Florida, Virginia, North Carolina and South Carolina, plus a large generation base across renewables, batteries, natural gas and nuclear. This creates a stronger platform to serve fast-growing demand from households, businesses and data centers.

Several milestones will determine whether the deal succeeds. Investors will first watch shareholder votes and the regulatory process. They will also watch whether the promised bill credits and local commitments are enough to satisfy state regulators. The companies expect closing within 12-18 months of announcement, putting the transaction on track for completion in mid-to-late 2027, though regulatory complexity could extend this timeline. After closing, the key question will be whether NextEra can turn greater scale into lower financing costs, faster project development and stronger earnings growth.



On announcement, Dominion shares rose roughly 10%, while NextEra shares fell around 5.2%. This suggests the market welcomed the premium for Dominion shareholders but remained cautious about the size, regulatory complexity and capital needs of the transaction.

Analyst Commentary

In my view, this is one of the most important U.S. utility deals in recent years. The price is large and the approval path will not be simple, but the strategic logic is clear. NextEra is paying for a stronger position in high-growth electricity markets, especially as AI and data centers reshape power demand. Dominion brings regulated assets, customer relationships and exposure to Virginia's data center economy, while NextEra brings scale, operating capability and a stronger financing platform.

The success of the deal will depend less on the headline size and more on execution after closing. If NextEra can keep regulators comfortable, protect customer affordability and deliver infrastructure faster, the acquisition could become a defining move in the next stage of the U.S. power sector. If approvals become difficult or costs rise too quickly, the deal may face pressure despite its strong strategic rationale. Either way, the transaction signals a fundamental shift in how the market values utility assets in an AI-driven economy.

Analyst: Ameya Bhate

Sector: Industrials / Testing, Inspection & Certification (TIC)

EQT's £9.24bn Pursuit of Intertek: A Four-Bid Battle for Britain's Testing Champion

Sweden's largest private equity house tables a definitive all-cash bid for the FTSE 100 quality assurance group, triggering a shareholder revolt and forcing Intertek's board to abandon its demerger strategy.

Overview:

Acquirer: EQT x EUR SCSp and EQT x USD SCSp (collectively EQT), managed by EQT Fund Management S.à r.l.

Target: Intertek Group plc (LSE: ITRK) - FTSE 100

Deal Type: 100% Cash Acquisition of entire issued ordinary share capital

Announced Date: Final proposal received 11 May 2026; Board statement issued 13 May 2026

Status: Non-binding; board considers terms recommendable, subject to due diligence and definitive documentation

Metric	Value
Equity Value (Cash Consideration)	£9.24bn (£60.00 per share in cash)
Total Value incl. FY25 Dividend	~£9.4bn (£61.077 per share including 107.7p dividend)
Headline Premium (Undisturbed Price)	~59% to closing price of £37.70 on 9 April 2026
Premium to 1-Month VWAP	~61% to £37.18 VWAP as of 9 th April 2026
Financing	100% cash; no equity component or earn-out disclosed
Bid Sequence	Four proposals: £51.50 - £54.00 - £58.00 - £60.00 per share
PUSU Deadline	Extended to 11 th June 2026 (Panel consent obtained)
Target Market Cap (pre-approach)	~£7.8bn at undisturbed share price

Strategic Rationale:

Stockholm-based private equity heavyweight EQT is making a bold, confident statement with its £9.24bn take-private acquisition of Intertek, offering a 59% premium to lift the global quality assurance leader off the public market's quarterly earnings treadmill. As an investor with over €200bn under management and a firm reputation for operationally building rather than stripping businesses, EQT believes Intertek is fundamentally underpriced by a stock market that consistently prioritises immediate margins over long-term strategic reinvestment. Intertek itself is a global powerhouse, operating more than 1,000 laboratories across 100 countries, and its testing, inspection, and certification (ATIC) services actually become more indispensable as global supply chains face disruption, tightening regulations, and strict ESG mandates. By taking the business private, EQT aims to unlock value through three distinct levers: capitalising on these massive structural tailwinds, leveraging its own cross-border network to expand Intertek's deeply entrenched US (29% of revenue) and Chinese (18% of revenue) footprints, and cleanly separating the underperforming Energy &

Infrastructure division on its own strategic timeline, entirely insulated from activist shareholder pressure. While the premium entrance price means EQT will need to execute this building process at pace, the freedom of private ownership provides the exact operational breathing room required to maximise the company's true global potential.

Market Context:

EQT's pursuit of Intertek does not emerge in a vacuum, standing instead as the latest and largest episode in a broader trend of global private equity firms targeting premium FTSE 100 industrials that trade at a persistent discount relative to their international peers. Driven by years of political uncertainty and a domestic institutional shift away from UK equities, this valuation gap has opened a clear window of opportunity for well-capitalised buyers, right as Intertek's internal strategic position was becoming increasingly messy. The board's 14 April announcement of a strategic review to evaluate separating its Energy & Infrastructure division was widely dismissed by the city as a desperate defensive manoeuvre rather than a proactive value-creator, failing to lift a share price already weighed down by public dissatisfaction from activist heavyweights Lost Coast Collective, PrimeStone Capital, and Palliser Capital. By the time EQT tabled its fourth proposal, the board's strategic credibility was on thin ice, meaning a completed deal would not only rank as one of the largest FTSE 100 buyouts in recent history and the biggest-ever take-private of a major testing platform, but also serve as a stark reminder of the immense firepower of elite European private equity, leaving global rivals like Bureau Veritas, SGS, and TÜV SÜD watching the fallout closely.

Deal Structure and Financials:

EQT's final proposal, delivered to Intertek's board on 11 May 2026, is a textbook knockout bid: a clean, 100% all-cash offer of £60.00 per share funded by two of its flagship vehicles, leaving no room for messy earn-outs or complex equity roll-overs. To ensure institutional investors remain sweet during this delicate phase, EQT threw in a savvy concession by letting shareholders keep Intertek's FY25 final dividend of 107.7 pence, which was up for approval at the AGM on 20 May 2026 without reducing the headline consideration by a single penny. This sweetens the all-in deal to £61.077 per share, lifting the total transaction value to a massive £9.4 billion and reflecting an eye-watering 59% premium over the undisturbed share price of £37.70 from 9 April, which stretches to 64% on an all-in basis. These are clearly not the actions of a cautious buyer testing the waters; this is an aggressive, definitive play explicitly priced to override the board's defensive demerger counterplans, placate a vocal activist shareholder base, and prevent a prolonged, disruptive public bidding war before it can even start. While EQT has kept its specific funding blueprints under wraps for now, as is standard practice at this stage under the UK Takeover Code, the all-cash structure will inevitably draw on a heavy mix of institutional equity commitments alongside typical leveraged debt from syndicated loan and bond markets, allowing the private equity giant to assume total control without yet having to disclose any expected synergy targets.

Risks & Challenges:

EQT's bid is well-priced and structurally credible, but several material execution risks stand between the current announcement and a completed transaction:

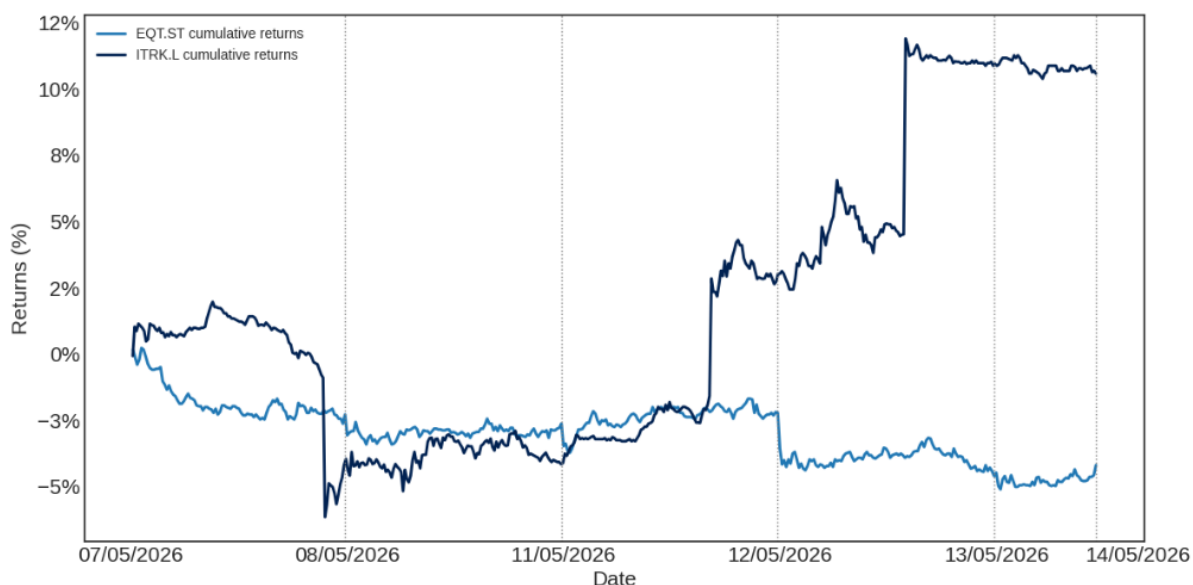
1. **Diligence and Conditionality:** At this stage, EQT's proposal remains strictly non-binding and entirely dependent on confirmatory due diligence. Given Intertek's sprawling global footprint, encompassing more than 1,000 sites across 100

countries; there is plenty of room for EQT's deal team to uncover an unwelcome surprise. Any significant adverse findings, or even a late-stage clash over the exact wording of representations and warranties in the final contract, could easily give EQT the leverage to demand a price cut or walk away from the table entirely before a formal Rule 2.7 firm intention announcement ever sees the light of day.

2. **Regulatory and Antitrust Exposure:** Pushing a global transaction of this magnitude across the finish line means navigating a complex web of antitrust clearances across the UK, EU, US, and crucially, China, where Intertek generates about 18% of its revenue. Beijing has a well-documented track record of weaponizing merger reviews for geopolitical leverage, meaning a high-profile British take-private that touches sensitive Chinese supply chain infrastructure is bound to face intense scrutiny. Ultimately, these international regulatory timelines drag on for months, and any structural remedies demanded by regulators to greenlight the deal could prove incredibly costly for EQT.
3. **Debt Market Conditions:** Funding an all-cash deal of this magnitude requires EQT to secure substantial debt financing in a market that remains highly sensitive to interest rate volatility and shifting credit spreads. This presents a genuine risk over a multi-month regulatory waiting period; if credit markets sour between signing and completion, the underlying economics of the deal shift dramatically. Unlike a strategic corporate buyer who can fund an acquisition using their own shares as currency, EQT has no natural hedge, leaving it entirely exposed to any sudden credit market shocks.
4. **The Standalone Alternative Has Not Disappeared:** It is also worth remembering that Intertek's original break-up strategy hasn't been killed off; it has simply been put on ice. If a trade buyer emerges with a premium offer for the Energy & Infrastructure division, Intertek's sum-of-the-parts valuation could realistically climb past EQT's £60.00 per share bid, quickly undermining the logic of the entire takeover. Big institutional shareholders who previously defended management's independence haven't suddenly had a profound change of heart about the company's standalone prospects; they have simply decided that EQT's fourth offer is finally high enough to accept. Consequently, City backing for this deal remains strictly conditional rather than absolute, and it could easily fracture if a more lucrative alternative appears.
5. **Index and Institutional Forced Selling:** Delisting a blue-chip heavyweight of Intertek's scale automatically triggers a massive rebalancing headache for passive tracker funds and benchmarked institutions, who are legally required to dump their shares. While this is par for the course with any major UK take-private, Intertek's status as a top-quartile FTSE 100 player means the sheer volume of this forced selling could spark genuine near-term share price volatility. Beyond the immediate technical friction, losing such a prominent asset also creates an uncomfortable reputational headache for the London index itself, raising further awkward questions about the shrinking depth of the UK equity market.

Market Outlook:

Following the board's 13 May announcement that it finally considers EQT's terms recommendable, the deal has moved into a high-stakes confirmatory due diligence phase with a very strict clock. The Takeover Panel has extended EQT's "put-up-or-shut-up" deadline to 5:00 pm on 11 June 2026, giving the private equity firm a tight four-week window to finalise its books, hammer out definitive contracts, and either announce a formal Rule 2.7 firm intention to bid or walk away empty-handed into a mandatory six-month cooling-off period. This decision to pause the company's internal strategic review, having already batted away three previous bids at £51.50, £54.00, and £58.00 marks a dramatic U-turn for a board that spent six weeks publicly championing its standalone demerger plan, effectively admitting to shareholders that independence can no longer match this price. With the pivotal 20 May AGM and final dividend approval now wrapped up, the market's focus shifts squarely to the 11 June deadline and the outside chance of a competing interloper triggering a bidding war; ultimately, a successful completion here will send an unmistakable signal across the City that even premium FTSE 100 industrials are up for grabs if private capital is willing to write a big enough cheque.



The chart above plots the cumulative returns of EQT.ST and ITRK.L from 7 May to 14 May 2026. Note that EQT.ST is the Stockholm-listed ticker for EQT AB, the publicly traded parent of EQT Fund Management S.à r.l.; the entity managing the acquiring fund vehicles, which itself carries no stock market listing.

Analyst Commentary:

This is a textbook EQT play; methodical, research-driven, and built on a rock-solid structural thesis. The quality assurance sector remains one of the most resilient corners of the industrial world, offering sticky recurring revenues, high switching costs, and regulatory moats that act as a natural hedge against escalating global supply chain friction. As the sector's most sophisticated operator, Intertek is the ultimate crown jewel acquisition. Beyond the headline figures, the deal brilliantly exploits the notorious "FTSE discount," proving the growing consensus among private equity heavyweights, institutional investors, and; rather awkwardly for the London Stock Exchange; British boards themselves believe that UK public markets systematically undervalue premium assets. While the board's early resistance

was entirely justified when batting away the initial £51.50 opening bids to protect their own demerger strategy, the combination of relentless activist pressure and a stubborn 17% market discount to EQT's cash offer ultimately forced management to face reality. At this stage, the remaining risks are entirely about execution rather than valuation; the 59% premium stretching to an all-in £61.077 with the dividend is more than enough to satisfy rational shareholders. Any potential derailment would have to stem from a nasty surprise in a complex global jurisdiction, a sudden crunch in the leveraged finance markets, or regulatory intervention from Beijing. Assuming a smooth run up to the formal Rule 2.7 announcement in June, this deal looks set to close, marking one of the most consequential FTSE 100 take-privates of the decade.

Analyst: Shubham Desai

Sector: Banking and Financial Services

Santander UK's Acquisition of TSB Banking Group

OVERVIEW

Acquirer: Santander UK plc, a subsidiary of Banco Santander S.A. (BME: SAN)

Target: TSB Banking Group plc, wholly owned by Banco de Sabadell S.A.

Deal Type: 100% acquisition of TSB's entire issued share capital via an all-cash transaction

Announced: 1 July 2025

Completed: 30 April 2026

Regulatory Approvals: Prudential Regulation Authority on 19 March 2026; European Central Bank on 14 April 2026; Sabadell shareholder approval on 6 August 2025

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

The acquisition addresses a structural gap in Santander UK's franchise that the group had been unable to close organically. Prior to completion, Santander ranked fifth by personal current accounts and lacked meaningful presence outside its core metropolitan markets. TSB repositions it to third, with a combined 28 million customers and a mortgage book that doubles its share in that segment to approximately 6%.

The strategic fit is rooted in complementarity rather than overlap. TSB's deposit base, concentrated in retail and SME customers across underserved regional markets, directly offsets Santander UK's historical overreliance on wholesale funding. Post-transaction, the combined loan-to-deposit ratio improves from 108% to 107%, a modest but meaningful shift in the structural funding mix.

The cost case rests on one core assumption: that TSB can be migrated onto the Partenon platform without material disruption. At GBP 400m per annum run rate, the synergy target equals 13% of the combined cost base, a figure that is ambitious but within the range achieved in Santander's prior UK integrations. The institutional knowledge from Abbey National, Alliance and Leicester, and Bradford and Bingley are the most underappreciated asset in this transaction.

At 1.45x tangible book value and 5.0x post-synergy earnings, the entry price reflects TSB's operational history rather than its underlying asset quality. The implied ROIC of over 20%, against a UK banking cost of equity of approximately 11%, is value-accretive on any reasonable set of assumptions, provided the integration timeline holds.

MARKET CONTEXT

The UK retail banking sector has entered a period of active consolidation that has not been seen for more than a decade and a half. A combination of regulatory pragmatism from the PRA and FCA, broadly stable interest rates, and sustained cost pressure on mid-tier lenders has created the conditions for larger players to absorb smaller ones. The Santander and TSB transaction sits at the centre of that wave.

TSB's availability as an acquisition target was driven by pressure at the seller level rather than weakness in the asset itself. Banco Sabadell, subject to a sustained hostile takeover approach from BBVA, required a high-visibility capital event to demonstrate independent shareholder value. The TSB disposal generated GBP 2.65bn in proceeds, which Sabadell directed towards a EUR 2.5bn extraordinary dividend equivalent to EUR 0.50 per share. That dynamic created a motivated seller and gave Santander pricing leverage that would not have existed under normal market conditions.

The broader transaction environment provides useful context. Aviva completed its 3.7 billion acquisitions of Direct Line Group in July 2025, and Nuveen announced its 9.9 billion offers for Schroders in February 2026. Both deals reflect the same dynamic: established financial services businesses seeking scale, cost efficiency, and expanded distribution through consolidation rather than organic growth.

The absence of a Competition and Markets Authority referral is itself a signal. Regulators concluded that a stronger Santander UK improves the competitive landscape for consumers, particularly in the mortgage market where the combined 6% share remains well below the largest lenders.

DEAL STRUCTURE AND FINANCIALS

The transaction is structured as a straightforward all-cash acquisition of TSB's entire issued share capital. There is no earn-out, contingent value right, or equity consideration. Santander UK has funded the purchase from its own resources and intercompany financing provided by its parent, Banco Santander, and has done so without affecting the group's stated distribution commitments, which include at least EUR 10bn in share buybacks across 2025 and 2026 earnings.

The headline price of GBP 2.65bn was subject to a TNAV adjustment mechanism, reflecting the net tangible assets generated by TSB during the period from signing in July 2025 to completion on 30 April 2026. That adjustment amounted to approximately GBP 213m, bringing total cash paid to approximately GBP 2.86bn, or approximately EUR 3.3bn.

On a valuation basis, the deal is priced at 5x TSB's expected 2026 earnings after the identified cost synergies, and 1.45x tangible book value as at March 2025. Both multiples represent a material discount to UK banking sector comparables, which typically trade at 8x to 10x forward earnings and 1.6 to 2.0 times book value. The implied return on invested capital of over 20% is well above the group's cost of capital.

Cost synergies of at least GBP 400m per annum form the financial backbone of the investment case. These savings will be driven primarily by migrating TSB onto the Partenon platform, consolidating back-office functions, and rationalising the branch network. To deliver them, Santander expects to incur GBP 520m in restructuring costs spread

across 2026 and 2027. At group level, the deal is expected to be EPS accretive from the first year and to add approximately 4% to group EPS by 2028. Santander UK's return on tangible equity is targeted to rise from 11% in 2024 to 16% by 2028.

RISKS AND CHALLENGES

The most significant risk in this transaction is not financial but operational. TSB's 2018 IT migration remains one of the most prominent technology failures in UK retail banking history, and both regulators and the market will be watching the planned Part VII banking business transfer with considerable attention. That process, which is targeted for the first half of 2027 and requires court sanction and regulatory non-objection, is the moment at which accumulated integration risk crystallises. Any system instability or service disruption at that point could trigger regulatory intervention and accelerate customer switching.

Customer retention is a related concern. TSB's retail base has remained broadly loyal despite the bank's difficulties, but that loyalty has limits. The UK's seven-day current account switching service makes movement straightforward, and any perception that the acquisition will result in reduced service quality or branch closures could prompt attrition before the combined group has had time to demonstrate the benefits of the deal.

Regulatory risk does not end with deal approval. The FCA will monitor conduct outcomes closely through the integration period, and the PRA will continue to assess capital adequacy and operational resilience. The combined group's approximately 10% personal current account market share, while not large enough to trigger a formal referral, will remain a reference point for any future market conduct reviews.

On the financial side, the GBP 520m restructuring envelope and the complexity of TSB's legacy systems create a realistic risk that costs come in above plan or that synergy realisation is delayed. Either outcome would weigh on near-term earnings and slow progress towards the 16% return on tangible equity target. A deterioration in UK macroeconomic conditions, particularly one that drives arrears higher in TSB's mortgage book or compresses net interest margins, would compound this risk.

OUTLOOK

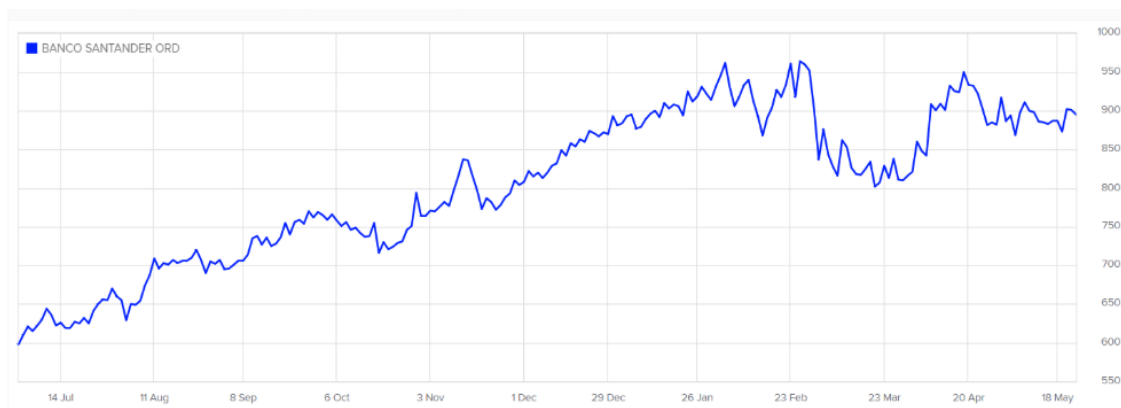
In the near term, TSB will continue to operate under its own brand and on its existing systems. Integration planning is underway, and Santander expects to file the Part VII transfer application with the PRA during 2026. Restructuring charges of between GBP200m and GBP250m are likely to appear in Santander UK's income statement for the year, which will temporarily reduce reported profitability before the synergy programme begins to flow through.

The first genuine operational test will come in the first half of 2027, when the full platform migration is targeted for completion. At that point, the combined group should begin to demonstrate a credible trajectory towards the GBP 400m annual synergy run rate and the 16% return on tangible equity target for 2028. Progress against those milestones will be the primary measure by which the market assesses whether the acquisition is delivering.

For the broader UK banking sector, the response from competitors will be measured over time rather than in immediate announcements. Lloyds, NatWest, and Barclays will likely respond by sharpening their propositions in the mortgage and SME segments where the

combined Santander and TSB franchise is most competitive. The deal may also prompt further consolidation activity among mid-tier lenders that lack the scale to compete effectively against a strengthened challenger.

The combined entity, once fully integrated, will be a materially different institution from either predecessor: a bank with the technology backbone of Santander, the customer breadth of the combined franchise, and the balance sheet strength of one of Europe's largest banking groups behind it.



Banco Santander ORD (SANB.L): 12-Month Price Performance Following TSB Acquisition Announcement

Santander's share price has returned + 48.3% since the TSB acquisition was announced on 1 July 2025, rising from 598p to a peak of 962p in early February 2026. The sustained rally through the second half of 2025 reflected growing market confidence in the deal's strategic logic, supported by record group profits and the subsequent announcement of the Webster Financial acquisition in the United States.

The sharpest correction came in February and March 2026, where the stock fell from 962p to approximately 805p. This was driven by broader European banking sector volatility and macro uncertainty around global trade, rather than any deterioration in Santander's own fundamentals or integration progress.

The stock recovered strongly through April, aided by record Q1 2026 results and the formal completion of the TSB acquisition on 30 April 2026, and has since settled at approximately 893p. The current level reflects a market that is broadly supportive of the deal but is reserving further re-rating for tangible evidence of integration delivery, particularly the Partenon platform migration targeted for 2027.

Analyst Commentary

Santander has been in the UK for over twenty years. It built its presence through Abbey National, absorbed Alliance and Leicester and Bradford and Bingley through the financial crisis, and spent the years that followed consolidating rather than expanding. TSB is the next step, and arguably the most logical one it could have taken.

What makes this deal interesting is not the price, although the price is good. It is the timing. Sabadell was under pressure from BBVA and needed to show its shareholders something

tangible. TSB had been carrying the weight of its 2018 IT disaster for nearly a decade, and that history suppressed its valuation well below what the underlying business was actually worth. Santander read that situation correctly and moved when the window was open. The business logic is straightforward. TSB brings customers in parts of the UK where Santander is thin, deposits that reduce a real funding weakness, and a mortgage book that doubles Santander's share in that market. There is not much overlap between the two franchises, which means the combined group has genuine room to grow rather than simply cutting costs to justify the deal.

On the financials, 1.45x book value and 5.0x post-synergy earnings for a franchise of this quality represents a fair price on the lower end of what this asset deserves. The GBP 400m synergy target is the number the market will watch most closely, and it is achievable if the Partenon migration proceeds to plan. Santander has done this before in the UK, and that track record matters more than most commentators have acknowledged.

The question is whether the institutional knowledge that delivered those prior integrations remains intact heading into 2027. That is ultimately where this deal will be decided. The strategy is right, the price is right, and the vision is clear. Santander wants to be a top three UK bank and TSB gets it there. Everything else depends on execution.

Analyst: Matthew Adebisi

Sector: Food and beverage solutions

Ingredion's proposed acquisition of Tate & Lyle

Overview

Acquirer: Ingredion Incorporated (NYSE: INGR)

Target: Tate & Lyle PLC (LSE: TATE)

Deal Type: 100% Acquisition of specialty food and beverage solutions business (Conditional Proposal)

Announced Date: May 14th, 2026

Advisers (Ingredion): J.P. Morgan (Financial); Hogan Lovells (Legal)

Advisers (Tate & Lyle): Goldman Sachs, Greenhill, Citi, BofA Securities (Financial); Linklaters (Legal)

Key Metrics:

Metric	Value
Enterprise Value	~\$3.68bn
Equity Value	~\$2.74bn (595p in cash + up to 20p dividends per share)
Headline Premium	~64% vs prior-day close (13/05/2026)
Financing	100% cash

Strategic Rationale

Headquartered in the US, Ingredion is a \$6+ billion global leader in ingredient solutions. The company operates a primarily B2B model, transforming plant-based raw materials, such as corn, tapioca, potatoes, peas, and stevia, into value-added starches, plant proteins, and sweeteners.

Tate & Lyle is a pure-play specialty food and beverage solutions provider. The company has spent the last seven years executing a strategic pivot. Having entirely exited the commodity sugar and bulk sweetener markets (most recently by selling its remaining stake in Primient in 2024).

Ingredion's proposed acquisition of Tate & Lyle unites two legacy titans in the specialty food ingredients sector. Tate & Lyle has spent recent years successfully transitioning into a growth-focused specialty food and beverage solutions business. The company divested its remaining 49.7% interest in Primient in June 2024 for US\$350 million (£277 million) and then acquired CP Kelco in November 2024 for £1.4 billion. Its focus has shifted to investing more into innovation and core key business segments.

For Ingredion, this deal offers significant overlapping capabilities and provides an opportunity to dominate the sweetening, mouthfeel and fortification markets. Tate & Lyle's robust portfolio of stevia, sucralose, clean-label starches, and newly acquired pectin and specialty gums (via CP Kelco) makes it a highly attractive, ready-made expansion vehicle for Ingredion.

Market Context

The food and beverage ingredients industry has faced turbulent macroeconomic headwinds, marked by weak consumer demand, input cost deflation and the rising prominence of GLP-1 weight-loss drugs altering consumption habits. Tate & Lyle recently reported a disappointing fiscal year, with a 5% fall in adjusted pretax profit to £238 million (\$319.7 million). Despite revenue rising 16% to £2.01 billion, the company's vulnerable stock price, which had previously dropped over the last five years, opened the door for Ingredion's opportunistic bid.

Deal Structure and Financials

The current proposal values Tate & Lyle at £2.74 billion (\$3.71 billion). The structure is almost entirely cash, offering 595p per share alongside a dividend payment of up to 20p. Under UK takeover rules, Ingredion has a strict deadline of June 11, 2026, to formally announce a firm intention to make an offer or walk away.

Risks & Challenges

Integration Fatigue

Tate & Lyle is currently undergoing a massive internal integration following its late 2024 acquisition of CP Kelco, a process aimed at realizing US\$50 million in run-rate cost synergies by 2027. Layering a new takeover on top of an ongoing integration presents severe execution and cultural risks.

Antitrust Scrutiny

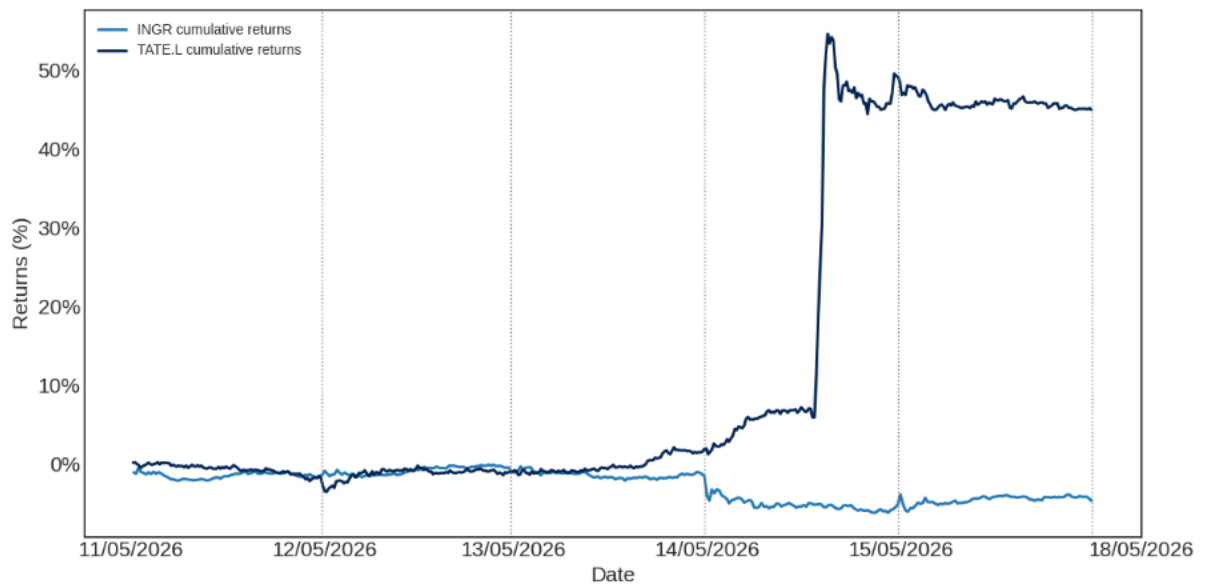
Given the significant overlap between Ingredion and Tate & Lyle in sweeteners and starch-based thickening agents, the deal is likely to face stringent regulatory and antitrust reviews across multiple jurisdictions.

Shareholder Pushback

Ingredion's stock fell 1.7% to \$104.15 following the announcement, suggesting investors may be wary of the 64% premium being offered for the London-listed peer.

Outlook

If completed, the combined entity will control an unmatched portfolio of plant-based, nature-derived ingredients spanning the Americas, Europe, and fast-growing markets in Asia and the Middle East. Competitors will likely be forced to seek their own consolidation opportunities to match the scale, operational efficiency, and pricing power of the new Ingredion-Tate & Lyle powerhouse.



The announcement of this deal led to a considerable rise to the share price of Tate & Lyle and a slight drop to Ingredion. The high premium and all cash structure of this deal is likely the cause for this dramatic response as the deal will have no dilutive effect to Ingredion shareholders while Tate & Lyle shareholders would be completely bought out.

Analyst Commentary

This deal highlights a classic M&A opportunism strategy: acquiring a fundamentally strong but momentarily undervalued competitor. While Tate & Lyle has done the heavy lifting of shedding its commodity assets (Primient) and acquiring high margin texturants (CP Kelco), Ingredion is swooping in to reap the rewards of that transformation. The 64% premium is steep but given Tate & Lyle's extensive R&D capabilities and entrenched customer relationships, the long-term cost and revenue synergies make this a highly compelling move for Ingredion.

Analyst: Rohan Mehta
Sector: Consumer fashion

Shein's acquisition of Everlane

TRANSACTION	
Entity	Shein (Acquirer) / Everlane (Target)
Transaction Type	Full Acquisition Private Sale
Announced	May 17, 2026 (first reported by Puck / Lauren Sherman)
Board Approval	May 16, 2026 (Everlane Board)
Deal Value	~\$100 million
Seller	L Catterton (LVMH-backed PE; investor since 2020, majority owner since 2024)
Target Debt Assumed	~\$90 million (\$65M revolving credit + \$25M term loan from Gordon Brothers)
Common Stockholder Payout	None; common stockholders receive \$0
Post-Close Structure	Everlane operates as independent subsidiary under Shein; CEO Alfred Chang retained
Competing Bids	Multiple bidders reported (Reuters); rumoured \$1B deal fell through in early 2026

PARTY PROFILES	
SHEIN (Acquirer)	EVERLANE (Target)
Founded 2008 in Nanjing, China. Headquarters in Singapore. Operates in 150+ countries via app-first, on-demand manufacturing model. Shelved US/EU IPO plans under regulatory and labour-practice scrutiny.	Founded 2011 in San Francisco by Michael Preysman and Jesse Farmer. Known for 'radical transparency' and minimalist basics. Relocated HQ to Los Angeles in early 2026.
2023 Revenue: ~\$32B; 2024 Revenue: ~\$38B. 2022 Valuation: \$100B peak; estimated current valuation ~\$30B post-regulatory headwinds.	Revenue: ~\$200M (2023) declining to ~\$170M (early 2026). Breaking even at best. Peak valuation \$600M (2020); sold for \$100M.
Prior acquisitions: Misguided (UK, 2023); SPARC Group partnership (Forever 21, 2023). First outright US brand acquisition.	Raised \$85M from L Catterton in 2020. Accumulated ~\$90M in debt by 2022. Failed unionization led to mass layoffs; faced greenwashing allegations.

STRATEGIC RATIONALE

Shein's \$100 million acquisition of Everlane serves as a highly strategic move for both companies, functioning as a brand-legitimacy asset for the fast-fashion giant and a structured exit for the premium retailer. For Shein, acquiring the California-headquartered brand provides a crucial bridgehead into premium, ethically conscious consumer segments, leveraging Everlane's decade of credibility in sustainability and supply-chain transparency to counter regulatory and reputational headwinds in the US and EU. The deal expands Shein's US foothold, maintains a physical retail presence, and opens a massive cross-selling

opportunity to funnel its roughly 90 million active shoppers toward higher-value products with an average selling price five to ten times higher than its core range; all while effectively covering Everlane's \$90 million debt load with marginal incremental cost. Conversely, for Everlane and its investor L Catterton, the sale represents a significant write-down from an initial \$550-600 million valuation following a collapsed \$1 billion deal in early 2026; however, securing a buyer among multiple bidders ultimately prevents a disorderly wind-down, preserves brand identity, and maintains operational continuity for approximately 400 employees, avoiding a total liquidation scenario.

MARKET CONTEXT

The Everlane sale is the clearest data point yet in the structural collapse of the DTC sustainable fashion thesis. Brands built on ethical positioning as a primary growth lever such as Everlane, Allbirds, and Reformation encountered the same wall: a customer base that cares about values at low price sensitivity, but defects at scale when lower-cost alternatives proliferate. Everlane's revenue slide from ~\$200M to ~\$170M into 2026, compounded by ~\$90M in debt, left L Catterton with few viable exit paths.

For Shein, this acquisition mirrors a broader upgrade strategy: acquire brand equity it cannot organically create while its IPO ambitions remain frozen in regulatory amber.

The Missguided acquisition (2023) established European DTC capabilities; Everlane extends that logic into the US premium segment. The \$100M entry price, relative to Shein's estimated ~\$30B current valuation, makes this an immaterial but strategically high-leverage bet.

DEAL STRUCTURE & FINANCIALS

Financial Metric	Detail
Acquisition Price	~\$100 million
Everlane Peak Valuation	~\$600 million (2020, L Catterton entry); ~\$250M initial VC-era peak
Valuation Decline	~83% from 2020 peak from \$600M to \$100M in six years
Debt Assumed	~\$90M (\$65M RCF + \$25M Gordon Brothers term loan)
Effective Net Asset Cost	~\$10M net premium above debt absorption — minimal brand cost outlay
Everlane Revenue (FY2026E)	~\$170 million (declining from ~\$200M in 2023)
EBITDA / Profitability	Breaking even; no meaningful EBITDA generation
L Catterton Equity Check-In	\$85M raised in 2020 at ~\$550-600M valuation; exit at \$100M = ~83% impairment
Common Shareholder Return	\$0 - preferred stack absorbs full proceeds

RISKS & CHALLENGES

- **Brand Contradiction Risk:** Shein's model algorithmic micro-trend exploitation, opaque supply chain, sub-\$5 price points is the structural opposite of Everlane's radical transparency positioning. Running both under the same ownership will invite consumer backlash and greenwashing scrutiny. Early consumer reaction on social media has been sharply negative.
- **Integration vs. Independence Tension:** Everlane retains operational independence under Alfred Chang, but Shein's incentive is to leverage the brand for cross-selling. Any visible harmonisation of sourcing, pricing, or merchandising risks destroying the brand equity Shein paid \$100M to acquire.

- Revenue Trajectory: Everlane is already in decline at ~\$170M and breaking even. Shein must stabilise and grow the brand not just hold it to justify the modest acquisition price. There is no clear product or channel catalyst to reverse the slide without significant investment.
- Regulatory Amplification: Shein is under active US congressional scrutiny over de minimis tariff use and labour practices. Owning an American brand with an ethical brand identity may intensify not reduce regulatory attention, particularly if Everlane's supply chain is seen to drift toward Shein's model.
- Creditor and Covenant Risk: The \$90M debt load, transferred with the business, carries covenants that may constrain operational flexibility. The \$25M Gordon Brothers term loan in particular, is associated with distressed lending and may include aggressive security terms.

MARKET OUTLOOK

In the near term, the focus will be on whether Everlane retains its customer base post-announcement and how Shein deploys the brand across its platform ecosystem. Key watch points include: the pace of any merchandising integration with Shein's core app; whether Everlane's certification and transparency commitments are maintained post-close; how major Everlane wholesale or retail partners (if any) respond; and whether US trade and congressional scrutiny of Shein expands to include Everlane's sourcing.

For the wider DTC and sustainable fashion sector, this transaction closes a chapter. The Everlane model's premium ethics, direct-to-consumer, millennial-first approach has proven insufficient as a standalone business at scale. Brands in this cohort (Reformation, Patagonia's retail model, Cuyana) will need to demonstrate that ethical positioning translates into durable margin, not just customer acquisition, or risk the same outcome.

For Shein, the Everlane acquisition is best understood not as a fashion move but as a regulatory and reputational hedge on a \$100M bet that owning a 'good' brand can offset the structural liabilities of being the world's most controversial retailer.

ANALYST COMMENTARY

The Shein-Everlane deal is an M&A transaction that makes more sense on a whiteboard than it does in a store. Shein's logic is coherent: it is purchasing brand legitimacy at distressed-asset pricing. At \$100M against a debt load of \$90M, the effective cost of the Everlane brand, customer base, and sustainability credentials is approximately \$10M an almost trivially small price for a company of Shein's scale. The structural case for the acquisition holds.

The execution risk, however, is considerable. Everlane's brand value is almost entirely predicated on what it is not: it is not Shein. The moment that distinction becomes ambiguous through shared sourcing, platform integration, or the visible subordination of Everlane's transparency commitments to Shein's operational priorities, the asset Shein acquired evaporates. This is not a turnaround play; it is a brand-equity acquisition with a structural contradiction at its core.

For L Catterton, the deal represents a disciplined, if painful, recognition of reality. A \$600M entry marked down to \$100M is a significant impairment, but the alternative of a disorderly debt restructuring, operational wind-down, or liquidation would have been worse for both the

financial return and the reputational ledger. Common shareholders receiving nothing is the real casualty: a reminder that preferred equity structures in PE-backed DTC plays leave little room for error.

On balance, the Shein-Everlane transaction is a high-leverage brand acquisition at low absolute cost, with material integration risk and uncertain near-term revenue trajectory. It is strategically rational for Shein in a 24-36 month horizon if Everlane's brand credibility can be preserved while Shein navigates its IPO and regulatory environment. If integration is visible and rapid, the strategic logic inverts and Shein will have paid \$100M to accelerate the destruction of the asset it acquired.

European Defence: Harder Trade, Easier Deals

Europe's rearmament trade has stumbled on valuation, but the sell-off is making the sector's consolidation maths easier, not harder.

For three years, European defence was the trade. Rheinmetall is up more than 1,000% since Russia invaded Ukraine. BAE Systems, Leonardo, Saab and Thales have all returned the kind of numbers investors normally look for in US tech, not industrial primes. The story was clean. NATO had underspent for decades, Europe had to rearm, and a short list of companies held the orders, the capacity and the political backing to deliver.

That story has broken. Rheinmetall is down around 38% from its all-time high after a Q1 that missed revenue by 15% and earnings by close to 60%, and JPMorgan has pulled its rating to Neutral and cut its target from €2,130 to €1,500. The KNDS listing, once pitched at up to €25bn and now guided closer to €18bn to €20bn, is testing appetite at exactly the wrong moment. The CSG ammunition IPO, the largest defence float in European history when it priced in January, has since dropped well below its issue price. The question, for the sector and for anyone covering M&A in it, is simple. Healthy pause, or the market admitting it got carried away.

The macro case has not changed

On the fundamentals, nothing has weakened. NATO agreed at The Hague to push core defence spending to 3.5% of GDP by 2035, and Germany has pledged to get there by 2029. Five years ago a handful of members were clearing the old 2% line. The implied increase in European budgets over the next decade runs into the hundreds of billions of euros.

The order books say the same thing. Rheinmetall's backlog hit a record €73bn at the end of Q1, up 31% on the year, and management is still guiding to €14bn to €14.5bn of revenue this year, growth of 40 to 45%. BAE's backlog has crossed £80bn. Leonardo, KNDS and Hensoldt are all reporting record demand. The thesis is intact. What has changed is the price the market will pay for it.

Why Rheinmetall sold off

Three things landed at once. The Q1 miss was real rather than cosmetic, a 15% revenue shortfall from a company that had spent two years beating estimates, dragged partly by the naval business it bought from NVL consolidating for only one month and a working-capital build that pushed free cash flow negative. Management blamed timing and kept full-year guidance unchanged, but the market decided the smooth-ramp story was over. Second, the valuation had run ahead of even the bullish forecasts, pricing in flawless execution for five years, so any stumble was always going to be punished. Third, the rotation out of defence coincided with renewed talk of a Russia-Ukraine ceasefire. Whatever the odds, a credible peace process slows the pace of new orders even if the existing backlog holds.

The M&A angle

This is the part that matters for us. The sector is consolidating, and the share-price weakness has not changed that. If anything it has made the maths easier.

Rheinmetall has been the most active. Its \$950m purchase of Loc Performance gave it a US manufacturing base and a route into Pentagon vehicle programmes that European-headquartered firms had been shut out of, and the larger NVL deal this year turned it into a naval shipbuilder. Even after that spending, analysts reckon the group has well over €10bn of further firepower, funded by operating cash flow on an under-leveraged balance sheet. The targets pick themselves: smaller European primes in drones, electronic warfare and satellite communications, trading at multiples that looked absurd a year ago and now look digestible. Hensoldt, Kongsberg's defence arm and a handful of UK and Italian mid-caps all sit in range.

KNDS coming public is the other event to watch, though it is not the sell-down it might look like. Germany and France are set to control around 80% of the company at listing, with only a fifth floated, so the IPO is closer to price discovery and a funding round than an exit. The governments have signalled they will trim toward 30% over the following two to three years, which is where the real monetisation, and the capital for further consolidation, eventually comes from.

The quieter shift is private equity. Sponsors that used to avoid defence on ESG grounds have reopened the file. Several mid-market European defence businesses changed hands with sponsor money in 2025, and the pace is building in 2026.

What to watch

Three things decide whether this is a pause or a peak. The Q2 and Q3 prints from Rheinmetall and its peers will show whether the Q1 miss was timing or something structural, and a clean Q2 with backlog converting on plan would likely trigger a sharp re-rating given how much has already come out of the shares. The KNDS pricing and aftermarket will set the tone for sector valuations more broadly: a float at or near target reopens the door for more listings, a CSG-style disappointment pushes consolidation back underground for a year. And the geopolitical track matters most of all. A credible Russia-Ukraine settlement tests the whole thesis. Any escalation, or any sign the US is genuinely stepping back from Europe, pushes governments to spend faster.

The easy phase of this trade is over. The macro tailwind has not gone anywhere, but the multiples now demand execution rather than narrative, and Q1 was a reminder that even Rheinmetall can stumble. For anyone covering M&A in the sector, the next twelve months should bring real deal activity, a major IPO, and the first genuine test of whether the consolidation thesis survives a market that has stopped paying up on faith.

Industry Opportunities

Scenario 1 — EU–China Sanctions Escalation

In late April and early May 2026, the EU adopted its 20th sanctions package against Russia, extending measures to third-country entities, including firms in China and Hong Kong. China retaliated within days by placing several European defence companies on its export-control list and signalling further countermeasures. Analysts describe this as a new phase of reciprocal economic restrictions, with sanctions, export controls, and investment screening now central to EU–China relations. Brussels increasingly views economic interdependence with China as a strategic vulnerability, prompting a tougher trade posture and a shift toward supply-chain de-risking.

Where does the opportunity lie?

Increasing sanctions has seen EU – China relations deteriorate . With this we expect many opportunities to emerge including acquisitions of non-Chinese suppliers particularly in China dominant sectors such as EVs, solar , wind components and semiconductors . We may see EU corporations buying ‘China-plus-one’ manufacturing capacity in ASEAN / India to bolster supply chain resilience and reduce the strategic vulnerability highlighted by the tensions. Private equity firms will also likely take advantage of the take private opportunities where they see unrealised value through geopolitical uncertainty.

Scenario 2 — Latin America Political Shift Ahead of Colombia’s 2026 Election

Colombia’s first-round presidential election on 31 May 2026 is shaping up to be a pivotal moment in Latin America’s political realignment. Polling suggests a likely runoff between left-wing candidate Iván Cepeda and a right-wing challenger, with establishment figure Paloma Valencia favoured by centrist voters. Analysts expect a shift toward more market-friendly policies across the region, driven by voter dissatisfaction with left-leaning incumbents and the US’s renewed strategic focus on the Western Hemisphere. This trend is expected to bring lighter regulation, pro-business reforms, and efforts to address deteriorating security conditions.

Where does the opportunity lie?

The expected shift in market friendly policies within the region is expected to bring with it a host of opportunities for M&A . We can expect an increase in the M&A activity in Colombia and surrounding regional financials, infrastructure, and consumer sectors with security tech and fintech platforms being some of the sectors first to benefit due to their alignment with pro market reforms. We also expect private equity to take advantage of the take private opportunities with a focus on undercapitalised mid-market Latin American companies .

Scenario 3 — Europe Deepens Strategic Ties with Japan & South Korea Ahead of G7

In May 2026, Europe intensified diplomatic and economic engagement with Japan and South Korea ahead of the G7 summit. This reflects a broader strategic pivot as Europe seeks to reduce reliance on China, strengthen Indo-Pacific partnerships, and coordinate on technology, defence, and supply-chain resilience. Japan has already reached its 2% of GDP

defence-spending target and is expanding missile-defence infrastructure, while South Korea is deepening cooperation on semiconductors and clean-tech. The EU views these partnerships as essential to securing critical inputs, diversifying trade, and reinforcing collective security.

Where does the opportunity lie?

The EU's intensified diplomatic and economic engagement with Japan and South Korea marks a deliberate reorientation of its strategic dependencies. As relations with China become increasingly strained, driven by sanctions, export-control disputes, and widening geopolitical divergence, the EU is accelerating efforts to diversify away from Chinese supply chains. Japan and South Korea have emerged as the natural beneficiaries of this shift, offering advanced capabilities in semiconductors, defence systems, battery materials, and clean-tech manufacturing. This realignment is already reshaping corporate strategy: European firms are seeking deeper industrial partnerships in the Indo-Pacific, while Japanese and Korean champions are looking to expand their European footprint. Against this backdrop, we should expect a rise in cross-border acquisitions across semiconductors, battery materials, and clean-tech, alongside a new wave of EU–Japan–Korea joint ventures aimed at securing critical technologies and strengthening supply-chain resilience.

Industry trends

May's deal flow ran on two tracks. Devon Energy and Coterra completed their \$58bn all-stock merger on 7 May, no leverage, no premium dispute, just a stock swap targeting \$1bn in annual synergies, while a new UK-US trade deal quietly repriced British life sciences assets almost overnight.

1. Emerging Markets Turn Acquirer and the UK-US Pharma Deal Changes the Math

On 26 April, Sun Pharmaceutical Industries agreed to buy Organon & Co. for \$14 per share in cash, a 103% premium to Organon's unaffected price on 9 April. Total EV: \$11.75bn. Organon, spun out of Merck in 2021, brings \$6.2bn in annual revenue across women's health, biosimilars and established brands. The combined entity reaches \$12.4bn across 150 countries and becomes the world's 7th largest biosimilar player. Sun Pharmaceutical is not buying revenue, it is buying regulated-market distribution infrastructure and a biosimilar platform that would take a decade to build from scratch.

The UK angle is worth noting. The UK-US pharmaceutical trade deal, finalised on 2 April, gives Britain the only tariff-free access for pharma exports to the US for at least three years, in exchange for a 25% increase in NHS prices for new medicines and a VPAG rebate rate cut to 15%. UK life sciences assets were already trading at a discount to US peers. That discount now comes with a cash flow kicker for any acquirer with US commercial ambitions.

Why it matters: Indian generics manufacturers face margin pressure at home and need regulated-market scale to grow into. Biosimilars are how you enter the US and EU without taking on patent risk. The UK-US deal adds a second layer, a British target's revenue just got more valuable to a US or Indian buyer than it was six weeks ago. That is the kind of shift an M&A team notices before it shows up in a valuation model.

2. The FTSE Discount Is an M&A Opportunity and Capital Has Noticed

EQT submitted what it called a "final proposal" for Intertek on 11 May, £60 per share in cash plus a dividend of up to £1.08, valuing the FTSE 100 testing group at roughly £9.4bn. It was the fourth approach as EQT had already been rejected at £51.50, £54 and £58. Intertek's board had turned down the £58 offer as recently as 8 May. What changed this time: instead of letting the Rule 2.6(a) deadline expire on 14 May, the board paused its strategic review and agreed to extend to 11 June.

On the infrastructure side, Engie's acquisition of UK Power Networks from CK Infrastructure, £10.5bn equity, £15.8bn EV, roughly 10x estimated 2027 EBITDA and 1.5x regulated asset value, is expected to close mid-2026. A private equity firm circling a FTSE 100 industrials business and a French utility buying one of Britain's largest electricity networks are not the same trade, but they are responding to the same signal: post-Brexit UK valuations have left assets cheap relative to their cash flows, and cross-border capital has been patient enough to wait.

Why it matters: regulated asset value, or RAV, is the standard benchmark for UK utility and network assets, it is the regulatory book value of the infrastructure, and the premium above it tells you how much a buyer paid for the operating platform on top of the physical asset. Engie paid 1.5x. On the Intertek side, the board's decision to extend rather than reject is worth understanding mechanically: under the Takeover Code, once a deadline is extended by mutual agreement, the bidder is not obligated to raise again, but the market reads the extension as a floor, not a ceiling.

Trend Snapshot

Trend	Primary Driver	Notable Deal
Pharma — emerging markets consolidate	Biosimilar scarcity, UK-US zero-tariff catalyst	Sun Pharma → Organon, \$11.75bn, 103% premium (26 Apr)
UK as PE and strategic target	FTSE discount, infrastructure returns, active board engagement	EQT → Intertek, £9.4bn, deadline extended 11 Jun; Engie → UKPN, £15.8bn EV

Learning Corner

Why the payment method matters as much as the price.

Every deal announcement gives you two crucial information: the premium and the consideration. Most students read the premium, but analysts read the consideration first.

The three consideration options

All-cash. The acquirer pays from its balance sheet or raises debt. Clean and certain for the seller, they're out at close. The cost to the acquirer is either foregone interest on deployed cash or interest expense on new debt. It signals conviction since you're not sharing upside with anyone, so you'd better be confident.

All-stock. The acquirer issues new shares as currency. No cash leaves the business, leverage stays flat, but existing shareholders get diluted. The seller keeps exposure to whatever happens next. Common in mergers of equals, where both sides want a stake in the combined entity.

Mixed. A cash-and-stock split manages both constraints simultaneously — some certainty for the seller, controlled dilution and leverage for the acquirer.

The Accretion Shortcut

Every interview eventually asks: is the deal accretive or dilutive? There is a shortcut that works without building the full model.

For an **all-stock deal**: accretive if the acquirer's P/E is higher than the implied offer P/E. You're buying earnings at a cheaper multiple than your own stock trades at .

For an **all-cash deal** financed with debt: accretive if the target's earnings yield ($1 \div$ offer P/E) exceeds the acquirer's after-tax cost of debt. You're borrowing at 4% to buy something yielding 9% — the spread is the accretion.

Two Real Examples

Microsoft/Activision (\$68.7B, all-cash). Microsoft sat on a mountain of cash and a high P/E multiple, issuing stock would have been accretive almost automatically. They chose debt-financed cash instead. That decision signals they didn't want to share the upside. If you're confident in the deal, you take all the return yourself.

Devon/Coterra (\$58B, all-stock). A merger of equals between two US shale producers. In a commodity cycle with volatile earnings, neither side wanted to add leverage. Both shareholder bases participate in the combined entity's upside. All-stock was the only rational call and the market read it exactly that way.

	All-cash	All-stock	Mixed
Cost to acquirer	Debt interest or foregone cash yield	Earnings dilution ($1 \div$ acquirer P/E)	Both, proportionally
Accretive if...	Earnings yield > after-tax debt cost	Acquirer P/E > offer P/E	Weighted average of both
Signal	Confidence, keeping all upside	Rich stock or merger of equals	Leverage management
Real example	Microsoft / Activision (\$68.7B)	Devon / Coterra (\$58B)	Capital One / Brex (\$5.15B)

Earnings yield = $1 \div$ offer P/E. After-tax debt cost = rate \times (1 - tax rate)

Three rules to use immediately

1. All-cash signals conviction. The acquirer is keeping all the upside, so they must believe in the deal.
2. Stock deals are accretive if the acquirer's P/E exceeds the offer P/E. Cash deals are accretive if the target's earnings yield beats the after-tax cost of debt.
3. When you see mixed consideration, check what leverage constraints the acquirer is already carrying — that's almost always the real reason.

Legal Dynamics in M&A

This month's section of 'Legal Dynamics', we have chosen to approach the Elon Musk and OpenAI dispute, as it was recently dismissed from the District Court of Northern California after mere hours of deliberation by the jury. The litigation between Musk and OpenAI resulted in causing one of the most significant contemporary business law disputes, exposing the legal tensions between corporate profit-making, fiduciary responsibility, and the preservation of an organisation's founding public-interest mission. These matters may become increasingly contentious as OpenAI prepares for a potential transition into public markets with their IPO.

Elon Musk was one of four co-founders of OpenAI back in 2015, standing in position, with Altman, as co-chair of the company. Tensions sparked in 2018 after Musk observed a change in governance which led him and the co-founders to part ways. The current contention between Musk and Altman effectively centred around disagreement on direction of the company; Musk claims that the company was founded as a public-interest non-profit organization, and that monetization would breach any contracts made under this conception, while Altman maintained that no breach was committed because monetization was always, implicitly, the company's vision. Musk's lawyers denied this, arguing the increasing commercialisation of the company contradicted the original contractual direction of the company upon which he made his investments. Questions were raised about whether non-profit organizations owe enforceable legal duties to adhere to their founding objectives, or whether these obligations were merely moral aspirations without contractual obligation.

These concerns intensified in 2025 with OpenAI announcing a restructuring into a Public Benefit Corporation (PBC), a corporate structure permitting greater flexibility for commercialisation while retaining their claim of a public-interest ambition. The Wall Street Journal now claims that the organization has even begun working with Goldman Sachs and Morgan Stanley in preparation of draft IPO documents, which caused Musk to apply for a preliminary injunction to slow this transition into a more conventional for-profit model.

The case itself ended rather underwhelmingly, with the case being dismissed for procedural reasons, and Musk being refused every cent of his 4-billion-dollar damages claim. The judge conceded that the filings had taken place too late following the incident, and it was outside of jurisdiction to allow any further trial. Many legal questions that were made prevalent through Musk's litigation were left unanswered. However, despite there being no real verdict over the content of the case itself, OpenAI will almost certainly view this as a massive victory over Musk, as it eliminates one of the major threats to their proposed commercialisation, paving the way for their transition into a global for-profit entity.

With OpenAI preparing to launch one of the most globally anticipated IPOs in the modern era, the Musk-OpenAI dispute may prove to be more than a corporate disagreement; it represents a defining clash between idealism and profit in the contemporary and developing

climate of AI, with consequences likely to shape the future relationship between innovation, corporate power, and public accountability.

UoR Mergers & Acquisitions Society
Written by: JP Ornellas Filho

President's Note

May was a strong month for deal activity, and this edition reflects that.

NextEra's roughly \$67 billion all-stock merger with Dominion is more than a utility transaction. It is a bet on AI-driven power demand, regulated infrastructure, and the value of owning the grid as electricity consumption accelerates. EQT's £9.24 billion approach for Intertek is another example of the FTSE discount we have tracked this year, with four bids and a 59% premium needed to bring the board to the table. Santander completed its acquisition of TSB. Sony bought a major music catalogue. Ingredion moved for Tate & Lyle at a 64% premium. Shein paid \$100 million for Everlane, buying brand credibility it was unlikely to build organically. The theme across these transactions is clear. Strategic value is being placed on assets that would take too long, or cost too much, to replicate.

This edition also marks a useful point in the society's first academic year. Since launch, we have built a monthly publication, formed a research team, and created a permanent archive of our work at uormanda.com. The standard has improved each month, and the May edition is a good example of that progress.

Thank you to everyone who contributed while managing exams and coursework. It will be interesting to see where June takes us.

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