THE MONTHLY DEAL REVIEW

Mergers & *Acquisitions*

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



LARGEST DEAL	THIS MONTH	COVERAGE
$110bn	11	5
Paramount Skydance's takeover of Warner Bros. Discovery	Deals analysed this month	Healthcare · TMT · Consumer & Retail Energy & Industrials · Asia

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INTHISISSUE

Contents

Head of Board Note 3

Executive Summary 4

CVC and GBL's €11bn Take-Private of Recordati 6

Nvidia's Acquisition of Hugging Face 11

Paramount Skydance Acquires Warner Bros. Discovery 16

Verizon's $20bn Acquisition of Frontier Communications 21

Broadcom's Acquisition of VMware 26

Chanel to Acquire Charvet 30

Tata Motors Iveco Takeover 34

Schneider Electric to Acquire PTC 40

Constellation Energy's $26.6bn Acquisition of Calpine 46

Nippon Paint to Acquire AkzoNobel's Decorative Paints Businesses in Southeast Asia and Australia 50

Weston Family's Acquisition of Boots 55

Learning Corner: Walk Me Through a DCF 60

Meet the Team 62

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JP Ornellas Filho
HEADOFBOARD,UORM&AGROUP

Head of Board Note

The M&A Group is back, and this edition marks the start of a new chapter. Over the summer we put together a brand new research team, and what follows is their first newsletter. It will not be the last. Alongside the monthly editions, we will be publishing several special editions through the year, and there is a good deal more to come.

The year has already started on the events side. On Tuesday 27 October we held the first session of our Financial Modelling Workshop series, which covered building and linking the three financial statements. That model is the foundation for everything that follows, and the series builds on it in order. The next session covers trading comparables and precedent transactions, followed by a DCF, then a merger model, and finally LBO modelling. Members who attend the full series will have built the core models used across banking, private equity and corporate development, rather than only read about them.

We are also bringing practitioners to campus, with two guest speakers lined up back to back this month. On 17 November we will host Andrew Thomson, founder of HMT LLP, and on 24 November, Mark Wilson, Managing Partner of Headpoint Advisors. Hearing how people who run firms think about deals, clients and careers is something a newsletter cannot replace, and we intend to make these sessions a regular part of the year. Several more speakers will be announced in the coming weeks.

Full details on both November events will be out shortly on all of our social media platforms. I look forward to seeing you there.

JP Ornellas Filho
HEADOFBOARD,UORM&AGROUP

Mordecai Mokua
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Executive Summary

This month's newsletter covers 11 transactions across healthcare, TMT, consumer and retail, energy and industrials, and Asia. Some were announced in October, others completed during the month, and two are revisited to see how they have developed. The transactions highlight a growing focus on acquiring strategic assets, from software platforms and distribution channels to established networks. However, while strategic rationale remains central to dealmaking, the ability to create value will depend on whether buyers can justify the price paid and deliver the expected returns.

In healthcare, CVC Capital Partners and Groupe Bruxelles Lambert's €11bn take-private of Recordati effectively sees the business transferred from one CVC fund to another, with GBL joining as an equal partner. The €53-per-share offer represents a 16.6% premium to the undisturbed share price, but falls below the midpoint of the independent directors' DCF valuation range, limiting the value minority shareholders receive relative to the company's estimated worth. With debt at approximately 56% of initial funding, the deal shows private equity moving mature assets between funds rather than exiting through the public markets.

TMT accounts for four of this month's deals. Nvidia's $12.9bn acquisition of Hugging Face, at roughly 86x annual recurring revenue, buys the open-source hub used by some 18 million developers and 3 million models. The valuation is hard to justify on conventional software metrics, but the deal strengthens Nvidia's position as hyperscalers develop their own chips, giving it greater influence over how AI models are developed, distributed and deployed, while keeping the platform hardwareneutral.

Paramount Skydance's acquisition of Warner Bros. Discovery, completed on 6 October at an enterprise value of approximately $110bn, is the largest transaction featured in this issue. Paramount secured the deal with a $31-per-share offer for the entire business, outbidding Netflix in the process, and has set a target of more than $6bn in annual cost savings. However, the combined Skydance Corporation faces a heavy debt burden and pre-completion credit rating downgrades, while integrating two major studios and their streaming operations will require careful execution to retain talent and realise synergies.

Verizon's $20bn acquisition of Frontier Communications, completed in January, adds Frontier's fibre network across 25 states to a footprint previously concentrated in nine, taking Verizon's fibre coverage to 31 states and Washington DC, and targets $500m in annual run-rate

synergies. The deal accelerates Verizon's fibre expansion and strengthens the infrastructure behind its 5G services.

We also look back at Broadcom's ~$69bn acquisition of VMware, which closed in November 2023. Broadcom has pushed VMware's software margins from around 20% to about 80% against an $8.5bn EBITDA target, but much of that gain has come from repricing customers who find it hard to leave. With Gartner forecasting VMware's market share to decline from 70% to 40% by 2029, the deal highlights the tension between extracting value from established software customers and preserving long-term growth.

In consumer and retail, Chanel's acquisition of Charvet, the historic Place Vendôme shirtmaker founded in 1838, is relatively small, with an estimated enterprise value of €30–75m, but strategically significant. The deal gives Chanel an established entry into menswear, allowing it to broaden its customer base without the cost of developing a new line. It also secures specialist craftsmanship and keeps a heritage brand from rivals, building on Chanel's ownership of Lesage and Massaro.

In energy and industrials, Tata Motors' tender offer for Iveco values the equity at €3.9bn, based on a final offer price of €14.40 per share. The deal gives Tata a stronger foothold in Europe and adds Iveco's expertise in electric buses and gas-powered trucks, with a controlling stake that lets Tata direct strategy and integration.

Schneider Electric's $23.7bn acquisition of PTC expands its industrial software offering, adding design and engineering capabilities to AVEVA and the pending Cognite deal. The fit is clear, but the valuation is demanding at 21x estimated 2027 adjusted EBITA standalone, falling to 13x only with full run-rate synergies, which lean heavily on revenue synergies. The market reaction highlights the execution risk, with Schneider's shares falling almost 10% on the announcement while PTC's rose by around a third.

In Asia, Nippon Paint's $1.35bn purchase of AkzoNobel's decorative paints businesses across Southeast Asia and Australia completes AkzoNobel's exit from Asian decorative paints as it prepares for its merger with Axalta. For Nippon, the deal makes it the largest architectural paints player in Asia, but at 21x 2025 EBITDA for a business whose sales and earnings fell last year, the price relies on a recovery that has yet to show.

This month's Learning Corner breaks down one of the most common technical interview questions: "Walk me through a DCF." It explains the four key steps, works through a simple five-year example and highlights that approximately 74% of the illustrative valuation comes from terminal value.
Strong answers should therefore explain and stress-test the assumptions, not just the mechanics.

Mordecai Mokua

HEAD OF RESEARCH, UOR MERGERS & ACQUISITIONS GROUP

Analyst: Luigi Gabriele Togni
Sector: Healthcare (specialty pharma)

CVC and GBL's €11bn Take-Private of Recordati

Overview

CVC Capital Partners and Groupe Bruxelles Lambert (GBL) are bidding about €11bn to take Recordati, the Milan-listed specialty and rare-disease pharma group, private. CVC has controlled Recordati since 2018, so the offer is in effect a sale from one CVC fund to another, with GBL as an equal partner. The price was raised once, to €53 per share, and the offer closes on 23 October 2026.

Metric	Value
Acquirer	Respighi BidCo S.p.A., jointly controlled by CVC Capital Partners Fund IX and GBL (through Black Mountain S.à r.l.); co-investors include ADIA, CPP Investments, PSP, StepStone, AlpInvest and Andrea Recordati (about 4%)
Target	Recordati S.p.A. (Euronext Milan: REC)
Seller of the controlling stake	Rossini S.à r.l., CVC's existing holding vehicle (46.82%)
Deal Type	Voluntary all-cash tender offer (OPA) for 100% of the shares, aimed at delisting
Announced Date	22 May 2026 (CVC's interest disclosed 26 March; price raised 6 October). Offer closed 23 October with 74.58% of the capital; payment 2 November; reopening 3–9 November
Consideration	€53.00 per share in cash, declared "best and final"
Advisers	Acquirers: Goldman Sachs, Jefferies, J.P. Morgan, Mediobanca, Deutsche Bank (CVC), Morgan Stanley (GBL); PedersoliGattai, Latham & Watkins. Target: Lazard (board), Rothschild & Co (independent directors). Seller: White & Case
Enterprise Value	~€13.2bn implied; 13.3x 2025 EBITDA, 5.0x 2025 sales (offer document)
Equity Value	~€11.2bn at €53.71 per share (€53.00 cash plus the €0.71 dividend paid in May); maximum cash outlay €10.5bn for the 94.9% not yet held
Headline Premium	3.1% vs the last close before the announcement; 16.6% vs the undisturbed price of 25 March (€46.06)
Financing	Original €10.2bn outlay: 44% equity, 41% bank debt, 15% PIK notes; payment guaranteed by UniCredit, Mediobanca, Crédit Agricole CIB and BNP Paribas
Target financials (Bloomberg)	FY2025: revenue €2,618m (+11.8%), adj. EBITDA €1,004m (38.3% margin), net debt ~€2.0bn (2.0x EBITDA); 19 Oct share price €52.95

Strategic Rationale

This deal is a fund-to-fund transfer, in practice a GP-led secondary carried out through a public offer. CVC has controlled Recordati since 2018 through Rossini S.à r.l., owned by CVC Capital Partners VII, a fund raised in 2017. After eight years Fund VII needs to return cash to its investors (LPs), while CVC wants to keep an asset it knows well. The offer moves Recordati to Fund IX, with GBL as an equal partner. CVC is therefore both the main seller and one of the two buyers, which is why the independent directors and their adviser have such an important role.

The stated rationale for delisting is flexibility. The bidder argues that a private Recordati could buy early-stage drugs or other assets that reduce profits in the short term. As a listed company this is harder: spending on early-stage assets mostly goes straight through the income statement, so it cuts reported EBITDA and EPS at once, analysts compare the company with its guidance every quarter, and shareholders expect a steady dividend. In my view the argument is not very convincing on its own, because no change to the 2025–2027 business plan has been announced. The fund timing above, and the return that leverage can generate, look like the stronger drivers.

The deal is a leveraged buyout. About 56% of the original €10.2bn outlay, roughly €5.7bn, is bank debt and PIK notes. Once Recordati is merged with the bidder's holding companies, its own cash flows will service this debt. Recordati also has existing net debt of about €2.0bn. Unless that is refinanced into the new package, pro forma net debt is about €7.7bn, or 7.7x 2025 EBITDA of €1.0bn, compared with 2.0x today. Assuming an average cost of debt of about 6% (my assumption; the offer document does not give one figure), interest would be around €460m a year, so EBITDA would cover interest only about 2.2 times, against about 10 times in 2025, when interest expense was €99m.

What makes Recordati able to carry this is cash conversion more than margin. In 2025 it generated €597m of operating cash flow and €558m of free cash flow after only €39m of capex, so about 56% of EBITDA became free cash. Rare-disease drugs, which made up 41% of 2025 revenue (€1,081m, up 30% on 2024) and 47% of segment EBITDA, have small patient groups, few competitors and demand that does not depend on the economic cycle, so revenue is predictable. Recordati also has a record of bringing debt down: net debt rose to about 2.5x EBITDA in 2024 after a large acquisition and was back at 2.0x by the end of 2025.

Market Context

Recordati is the largest biopharma deal of 2026 on the BioBucks tracker at about US$12.4bn, a figure that matches the €11.2bn equity value rather than the €13.2bn EV. That puts it just ahead of Sun Pharma's acquisition of Organon at about US$11.75bn.

The more relevant backdrop is the steady flow of companies leaving Borsa Italiana. In 2025, 30 companies were delisted from Milan's markets, 20 of them after a public tender offer. In 2024 delistings removed about €28bn of market value, against only about €1bn raised by new listings; Professor Massimo Belcredi links the trend to private equity offers and to shareholders finding market valuations unsatisfactory. CVC's bid fits this pattern: a sponsor offering a modest premium to take a company off a market that values it below what the sponsor thinks it is worth.

The bidder and the sell-side analysts read valuation very differently. The bidder argues that European specialty pharma has de-rated and that at €53 Recordati is valued at 13.3x 2025 EBITDA, against a 10.7x median for the peers it chose: Almirall, BioMarin, Ipsen, Orion and SOBI. This peer group is debatable. BioMarin is a US rare-disease biotech rather than European specialty pharma, and with five names one company can move the median. On Bloomberg's own peer group, which includes Orion, ALK-Abelló, Lundbeck, Rovi, Almirall and SOBI, Recordati trades at 14.8x forward earnings against a peer average of 16.0x, so on this measure it is not expensive. Recordati can also justify a premium to peers: a 38%

EBITDA margin, 11.8% revenue growth in 2025 and 41% of revenue from rare diseases, up from 16% in 2018. Trading multiples also exclude a control premium, so for a take-private precedent transactions are the better benchmark, and Rothschild's precedent-transaction range of €53.76–58.85 sits entirely above the offer.

Brokers reach the opposite conclusion, but the figures need to be on the same basis. On a trailing basis the offer is 13.3x 2025 EBITDA; on a forward basis it is about 12.7x 2026E consensus EBITDA, close to Equita's 12.8x, which Equita compares with a five-year average of about 16x. I could not confirm on which basis Equita's 16x is calculated. On a trailing basis, using year-end enterprise value and EBITDA from Bloomberg, Recordati traded at 13.9x in 2022, 15.1x in 2023, 14.7x in 2024 and 12.0x in 2025, an average of about 13.9x, so the offer's 13.3x is only slightly below its recent history. A five-year average also includes 2021, when sector multiples were unusually high, which makes the bid look cheaper than it is.

Recordati's shares hit a low of €44.48 on 19 March, jumped when CVC's interest became public on 26 March and have traded between €50 and €53 since. When the offer was raised on 6 October the stock moved straight up to just under €53, and on 19 October it closed at €52.95. Taking the undisturbed €46.06 as the downside if the offer failed, that price implied a probability of completion of about 99%, (52.95 − 46.06) / (53.00 − 46.06). This looked inconsistent with the bidder being about 8 percentage points short of the threshold at the time, but the market was right (see Risks & Challenges). On the last day of the offer the shares closed at €53.80, and on 26 October at €53.00 (Figure 1).



Figure 1. Recordati (REC IM) share price over the last 12 months, to 26 Oct 2026, € per share. Source: Bloomberg.

Deal Structure and Financials

Shareholders who tendered receive €53.00 in cash on 2 November 2026. The first offer was €51.29, so the raise was only 3.3%, and the bidder called €53 its "best and final" price. The offer needed at least 66.67% of the capital, which the bidder could waive, together with antitrust approval in 17 jurisdictions, FDI approval in 11 countries and EU foreign subsidies clearance.

CVC did not start from zero. Rossini committed its 46.82%, CVC and GBL bought another 5.07% on the market, and CVC holds a total return swap with UniCredit over 4.90% of the shares.

There are no synergies, since CVC and GBL are financial buyers, so the return has to come from four sources. The first is leverage: about 56% of the price is debt, so any increase in value goes mostly to the equity. The second is EBITDA growth: consensus expects €1,158m

in 2027, about 15% above 2025. The third is bolt-on acquisitions in rare diseases, which is what the flexibility argument is really about. The fourth is the exit multiple: CVC is buying at 13.3x trailing EBITDA, below the broker five-year average, so a higher exit multiple is possible. As a rough illustration, if EBITDA grows 7% a year to about €1.4bn by 2030, net debt falls to about €6.5bn and the exit is at the same 13.3x, the equity would be worth about €12bn against roughly €5.5bn today (EV of €13.2bn less €7.7bn of net debt). That is about 2.2x the money, or an IRR in the high teens, before any multiple expansion (my estimates).

The real debate was about the price. In July Rothschild, the adviser to the independent directors, found the original €51.29 below the minimum of 8 of its 10 valuation methods. After the raise the board backed €53 unanimously, because it now falls inside Rothschild's DCF range of €52.01–61.25. However, €53 is only about €1 above the very bottom of that range: the board accepted a price that barely clears the floor. Every other measure is above €53, as Figure 2 shows. Before the result, broker targets were €65–71, and the activist fund Palliser asked for €60. Palliser's figure was not extreme: it sits close to the middle of Rothschild's ranges (the DCF midpoint is about €56.6) and well below the broker targets, and as an activist it has every reason to set a high anchor to push for a raise.

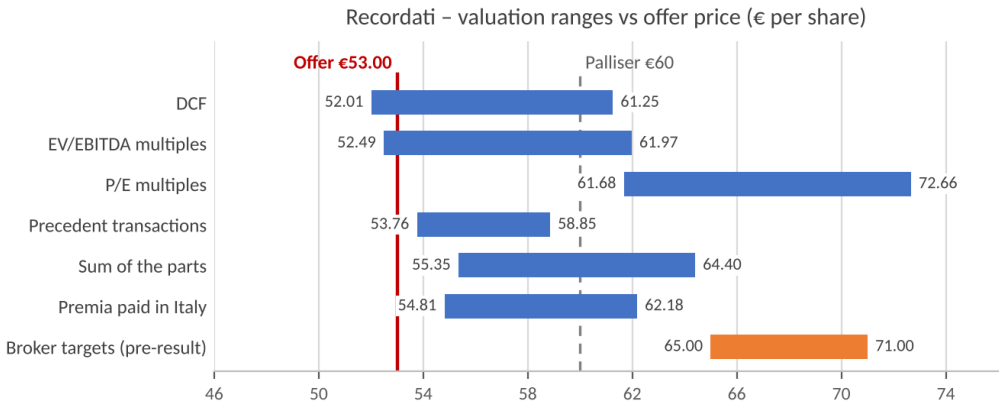


Figure 2. Valuation ranges vs the €53.00 offer. Sources: offer document as reported by Websim (21 Jul 2026); Banca Akros, Equita, Intermonte and Palliser as reported by MF and Websim (Oct 2026).

Risks & Challenges

The biggest risk was that not enough minority shareholders would tender. By 9 October 99.9m shares had been tendered, about 47.8% of the 209.1m shares outstanding, but 97.9m of them (46.8% of the capital) were Rossini's, so the market had added only about 1% of the capital. Including its own shares and the swap, the bidder was at about 58.6%, roughly 8 percentage points short of 66.67%. The risk did not materialise. Minorities waited until the end: 19.4m shares were tendered on the last day alone, bringing the total to 130.0m shares, 65.47% of the shares subject to the offer. With its existing holdings the bidder now owns 74.58% of the capital.

The conflict of interest is the second issue. Since CVC is on both sides, minorities depended on the independent directors, and pressure on the price continued until the end. Palliser said on 14 October that it would not tender at €53 and asked the board to confirm publicly whether its recommendation was unanimous, and the family office Tokos filed a complaint with Consob.

Leverage is the main long-term risk. Pro forma net debt of about 7.7x EBITDA and interest cover of roughly 2x leave little room if a key drug loses sales or a launch disappoints. PIK interest can also be paid with new notes, so that part of the debt grows when cash is tight. The rating agencies see the same picture. On 26 October Moody's gave Respighi a B1 rating and S&P a preliminary B+, both deep in speculative grade, and Recordati launched a five-part euro and dollar bond offering worth about €6.05bn. That is close to the €4.1bn of bank debt plus Recordati's existing €2.0bn of net debt, which suggests the two are being refinanced together.

Shareholders who did not tender are now in a difficult position. With the bidder between 66.67% and 90%, it has committed to merge Recordati into the unlisted BidCo within six months. Holdouts could then leave only at the withdrawal price, which is the average closing price over the six months before the meeting is called. Almost all of that period is post-bid trading at €50–53: the average from late April to 23 October was €51.76, so holdouts risk receiving about €1.24 (about 2%) less than the €53 offer, or keeping unlisted shares.

Outlook

The offer closed on 23 October with the 66.67% condition met, and the bidder now holds 74.58% of the capital. The terms reopen from 3 to 9 November at the same €53, giving holdouts a last chance to sell. If the bidder reaches 90% after the reopening, it can squeeze out the remaining shareholders at €53 and delist Recordati. Otherwise it will delist the company through a reverse merger with its holding company within six months, which its 74.58% stake allows it to approve at the extraordinary meeting. The market reaction was quick: the shares closed at €53.80 on the last day of the offer, above the offer price, and fell back to €53.00 on 26 October, while Banca Akros cut Recordati to Neutral and Equita to Reduce, both with a €53 target. With control settled, the broker targets in Figure 2 no longer apply.

After the deal Recordati will be a private company with 50/50 governance between CVC and GBL, with economic stakes of roughly 69% for CVC and its co-investors, 27% for GBL and 4% for Andrea Recordati. Bloomberg reported earlier this year that CVC might look at selling the rare-disease division, but this has not been confirmed. The milestones to watch are the reopening result on 9 November, the merger timetable and, later, whether CVC refinances the acquisition debt.

Analyst Commentary

My view is that the offer was well structured but priced at the bottom of what was acceptable. The headline premium of 16.6% matters less than the 3.1% premium to where Recordati traded just before the announcement: that is what minorities actually gained by tendering rather than selling on the market. At €53 CVC keeps most of the value that Rothschild and the brokers see, and the board accepted a price only about €1 above the bottom of the DCF range. The low premium has some logic, because CVC already had control and did not need to pay for it.

Minorities tendered late because unlisted shares or a lower withdrawal price were unattractive. The real test is leverage: at 7.7x EBITDA, Recordati must maintain predictable rare-disease cash flows. If it does, debt repayment and EBITDA growth can deliver CVC and GBL a solid return without a higher exit multiple.

Analyst: Ian Lim
Sector: TMT

Nvidia’s Acquisition of Hugging Face

Overview
On September 3, 2026, Nvidia announced that it had just signed an agreement to acquire Hugging Face for a total Value of ~$12.9 billion. The transaction is structured as $11.9 billion in total purchase consideration alongside a $1.0 billion employee, retention pool, subject to verification. Valued at a premium ~86x ARR multiple, the deal is underwritten as a long-term strategic acquisition of the AI distribution layer rather than a near-term software yield. Post-acquisition, Hugging Face will operate as an independent subsidiary, preserving strict hardware neutrality commitments to maintain developer trust and platform liquidity across its 18 million users and 3 million models.

Metric	Value
Acquirer	Nvidia
Target	Hugging Face
Deal Type	Strategic Acquisition
Announced Date	September 3, 2026
Advisers (Legal)	Latham & Watkins, Cleary Gottlieb, Hogan Lovells (Nvidia); Wilson Sonsini, Gunderson Dettmer (Hugging Face)
Advisers (Financial)	Not disclosed

Strategic Rationale

Securing the AI Developer Ecosystem and Distribution Layer
Hugging Face serves as the main open-source AI platform and Model Hub, housing over 18 million developers and 3 million models. Developers pay for private accounts on Hugging Face to store and process their AI models, borrowing computing power to run them. Owning the platform gives NVIDIA real-time visibility and direct insight into developer mindshare, model adoption, frameworks, and deployment trends. Furthermore, NVIDIA can sell cloud computing power to smaller users in space who need it. Because major competitors like Anthropic and Google are slowly building their own chips, NVIDIA loses whenever users run models on those alternative chips. In a statement on Nvidia’s blog they stated that they aim to keep Hugging Face as an open platform, keeping the existing brand, key staff, multicloud and multi accelerator support without forcing Nvidia's chips as a computing requirement.

Hedge Against Custom Silicon & Closed Ecosystem
Major tech firms are increasingly building AI specific Application Specific Integrated Circuits (ASICs), Circuits like Jalapeno (OpenAI), TPU (Google) and closed AI ecosystems to reduce reliance on NVIDIA CUDA architecture. With these developments taking roughly 2-4 years. Controlling the open-source hub ensures NVIDIA remains central to the broader software ecosystem in the long run.

Open-weight Models Shift The Cost Structure From Proprietary Software Licensing To Pure Compute
Traditionally, proprietary AI developers are faced with a hefty premium on licensing fees from software licensing and API tokens. The customers pay a markup on the provider's infrastructure cost to cover its margins. But with Hugging-face, open-weight models reduce licensing costs, meaning more spending which would have been unavailable can be focused on compute spending. By funding and accelerating open-source development, NVIDIA creates a larger total addressable market for its GPU hardware by being its main compute provider and CUDA software stack. The deal deploys NVIDIA's hardware and datacenter infrastructure directly to software distribution, testing, evaluation, and enterprise deployment tools.

Nvidia's Perspective

Model-Distribution and Standard-Setting
Nvidia is already the largest contributor on Hugging Face with over 500 open models and 250 datasets released. Direct ownership provides Nvidia with unfiltered, direct access to distribute its in-house Open-weight models. By establishing itself as the default option on the platform, Nvidia effectively controls the frameworks, architecture, and safety protocols that developers are forced to use.

Hardware-Software Co-optimisation
Nvidia released models, such as the autonomous driving model "Alpamayo", are heavily fine-tuned for the CUDA architecture and GPU stack. Which creates significant eco-system stickiness for developers who are aiming to maximise the full performance of their model. Attempting to port over other models to rival ASICs (Google TPU or AWS Inferentia) introduces high friction and integration complexities and performance losses, driving proprietary demand for its hardware.

Increased Safety Measures
Safety tools like NeMo Guardrails are critical for mitigating model hallucinations, managing data privacy, and preventing jailbreaks. By embedding itself within Hugging Faces model distribution pipelines, Nvidia positions itself as the underlying governance layer for enterprise AI security, making its software stack integral for corporate deployments.

Market Context

Industrial Sector & Capital Allocation Trends
The global market for AI accelerators is facing extraordinary economic expansion. AI Hyperscalers (Microsoft, Meta, Alphabet and Apple) are projected to allocate $660-690Bn to Capex in 2026, with 75% of spending going to AI infrastructure. With Mega-cap free cash

flow at an all-time high, infrastructure M&A is accelerating acquisitions are focused on distribution layers and critical software to defend hardware moats.

Market Inflection: Training to Inference

The AI market is reaching a turning point with workloads shifting from Training to Inference; 30-40% of computing in data centers will be inference. With models, training happens only a few times; serving customers occurs continuously billions of times per day. The cost pressure from serving customers on Nvidia chips is mounting, with power efficiency and cost per-token metrics, and this is where Custom chips have their own advantage. Although Nvidia at this point owns 90% of the Accelerator market, the training market is still Nvidia's strong suit with Cuda Flexibility and NV link's scaling maintaining a distinct advantage. As a result, this drives Hyperscalers and Frontier labs to invest in AI ASICs. Therefore, the custom AI ASICs market is set to grow 44.6%YoY, significantly outgrowing merchant GPU growth.

Software Budgeting Re-allocation

With software licensing fees from larger hyperscalers at an all-time high, corporate budgets are re-evaluating their strategy. As open-weight models drive licensing fees toward zero, spending can be funneled directly into compute infrastructure.

Trade restrictions & Sovereign infrastructure

With strict US export controls on advanced semi-conductors, markets in Europe and East Asia have had to push towards open-source frameworks to build regional AI capabilities & infrastructure. Foreign nations have waned from an over-reliance on US-models instead of seeking technological independence. Controlling the primary repository for global open models ensures Nvidia remains the underlying engine for AI deployment regardless of Global & Political disputes.

Deal Structure and Financials

Comparable Transaction: Microsoft & GitHub

Microsoft's $7.5Bn acquisition of GitHub in 2018 is a highly relevant comparable transaction, as it represents a similar strategic move by a tech giant to acquire a foundational developer ecosystem and secure long-term influence over software creation rather than immediate financial yield. At the time, GitHub generated roughly $200m-$300m in ARR, implying a multiple of approximately 25x–37x ARR. Nvidia's proposed $12.9Bn acquisition of Hugging Face, implying an 86x ARR multiple (on a $150m ARR base), reflects an even steeper premium, underscoring the scarce-asset valuation of AI infrastructure in the current market. Alongside a $1.0Bn unvested equity retention pool.

The $1.0Bn retention component is important to mitigate engineering talent attrition and AIresearch leads. In the highly competitive AI market, keeping the faces being Hugging face is as valuable as the platform itself. Though funds are undisclosed, Nvidia could finance the transaction entirely through free cash flow. This funding approach eliminates interest expenses, prevents EPS dilution associated with new share issuance. There is an opportunity cost deploying $11.9Bn in cash removes capital that could otherwise be used for core R&D, data center CapEx, strategic investments, or shareholder returns through dividends or buybacks.

Hugging Face Perspective & Changing Tides

From Hugging Face's perspective, agreeing to an acquisition after previously rejecting NVIDIA's investment likely signals a shift in the AI landscape. The sheer capital required to scale open-source AI models, and compute infrastructure has exploded. Partnering with NVIDIA provides Hugging Face with unparalleled access to compute resources (GPUs) and enterprise distribution, ensuring they remain the dominant hub for AI models rather than being squeezed out by increasingly well-funded closed-source competitors like OpenAI or Anthropic.

Risks & Challenges

Regulatory & Anti-trust Regulation

Trade commissions (UK CMA, EU European Commission, FTC) will closely scrutinise for anti-competitive vertical integration. Nvidia's previous acquisition attempts highlight significant regulatory hurdles. The failed $40Bn Arm acquisition demonstrated that regulators (FTC, CMA, EU) are highly sensitive to NVIDIA controlling foundational ecosystem assets that competitors rely on. While the Run.ai acquisition was smaller, it still faced scrutiny over potential compute orchestration monopolies. Acquiring Hugging Face, the central repository for open-source AI would trigger intense antitrust investigations regarding competitive access, with regulators fearing NVIDIA could optimize the platform exclusively for its own hardware, disadvantaging rival chipmakers (like AMD or Intel). Though Nvidia has committed to keeping Hugging-Face as an independent subsidiary, though there is no legally binding contract, they could keep publishing neutral benchmarks and submit third-party audits to confirm non-discriminatory performance on the model hub. There is also a potential impact for regulations regarding Chinese-Origin open-source models being banned. This enforcement would remove these highly competitive markets from the platform entirely. This risks, fracturing the open-source model community, decreased platform adoption rates, and suppressing growth from users in affected areas as they are forced to find alternative repositories.

The Hyperscaler Response

This acquisition poses a risk to other hyperscalers, like Amazon Web Service or Microsoft Azure and Google Cloud as it leaps Nvidia to the top of the AI Distribution funnel. Historically, hyperscalers relied on Hugging Face as a neutral distribution layer, with companies like AWS a deep partnership would be formed through integrating its catalog directly into its cloud service.

Funding the alternative

Other Hyperscalers have yet to comment, but we can forecast that Competitors like AMD, Microsoft or Google, will look to fund other alternatives. An increase in Venture Capital spending or funding for other Open-source communities is likely to happen. Until other alternatives scale, non-CUDA ecosystems face friction. With hugging face under Nvidia's ownership, Open-source deployment platforms like AMD's ROCm may not be the default tooling, and new model architecture may favor CUDA.

Outlook

This deal is ideal for Nvidia's position against the commoditisation of raw compute. As workloads transition to purely inference and less computationally intensive training, cost and

power efficiency are favoring the aggressive shift to cheaper and efficient ASICs. By acquiring Hugging Face, it ensures that even as hyperscalers shift inference workload to custom ASICs, Nvidia will retain strategic position over the AI distribution layer where millions of developers discover, test and distribute their models. Ultimately, this deal encapsulates the broader AI market shift. Transforming Nvidia from a pure Hardware titan into the go-to foundational software and deployment layer for future AI distribution. The use of unvested equity will seek to retain key staff who were essential to Hugging Face's operations.

With Nvidia's commitment to maintain platform openness and independence, developers can still hope to have control over the companies policies and direction. On the other side, regulators will aggressively probe the deal for hardware exclusivity and compute monopolies, echoing the Arm and Run.ai investigations. Concurrently, potential bans on Chinese-origin models risk fracturing the global developer community and limiting platform availability.



Hugging face valuation history as at 17 October 2026

Analyst Commentary

Revenue Diversification

The transaction strategically evolves Nvidia's top line mix beyond cyclical hardware sales. By acquiring the primary AI distribution layer, Nvidia introduces high-margin software touchpoints and recurring ecosystem lock-in across model discovery, testing, and enterprise deployment.

Valuation & Capital Allocation

At a $12.9bn EV (~86x ARR), the multiple commands a steep scarcity premium and is undeniably expensive on a near-term yield basis.

Defensive Moat & Market Shift

The shift from training to inference encourages hyperscalers to develop more efficient ASICs. Acquiring Hugging Face protects Nvidia's influence over AI distribution even as workloads shift to custom chips. The platform connects 18 million developers and 3 million models.

Analyst: Aarna Agarwal
Sector: TMT

Paramount Skydance Acquires Warner Bros. Discovery

Overview

Paramount Skydance Corporation's acquisition of Warner Bros. Discovery (WBD) was announced on 27th February 2026 and completed on 6th October 2026 at an enterprise value of approximately $110bn. WBD shareholders received $31 per share plus ticking consideration, bringing the final consideration to $31.02 per share. WBD merged with Paramount Skydance's wholly owned subsidiary, Prince Sub Inc., and survives as a wholly owned subsidiary of the acquirer. Following completion, the company was renamed Skydance Corporation, bringing major film, television, streaming and news businesses under single ownership. The deal marks significant consolidation in the media sector, offering scale and efficiencies alongside integration, competition and portfolio-management challenges.

Metric	Value
Acquirer	Paramount Skydance Corporation (formerly Nasdaq: PSKY; now Skydance Corporation NSYE: SKYD
Target	Warner Bros. Discovery, Inc. (formerly Nasdaq: WBD)
Deal Type	100% acquisition, structured as a merger in which WBD survived as a wholly owned subsidiary of the acquirer
Announced Date	February 27th, 2026
Advisers (Financial)	Centerview Partners and RedBird Advisors (lead); Bank of America Securities, Citi, M. Klein & Company, and LionTree Advisors
Advisers (Legal)	Cravath, Swaine & Moore LLP and Latham & Watkins LLP.
Enterprise Value	$110bn
Headline Premium	147% as of 10th September 2025 vs. unaffected share price of $12.54 per share
Financing	$47bn equity financing and $54bn debt financing commitments; Ellison family and RedBird-backed equity, with debt financing led by Bank of America, Citi and Apollo.
Closing Date	October 6th, 2026
Consideration	All-cash consideration of $31.02 per WBD share

Strategic Rationale

Several strategic benefits drive this deal. The combined reach and resources of both companies should deliver economies of scale in distribution and marketing, supporting their aim to create a 'Hollywood champion' that releases more films per studio each year. Combining streaming platforms and subscribers strengthens competitive positioning, while the deal diversifies revenue across sports, news, entertainment and advertising. Paramount Skydance also gains WBD's valuable franchises, such as Harry Potter and DC, which can be monetised through films, streaming, licensing and merchandise across a wider distribution network.

The acquisition supports Paramount Skydance's ambition to become a globally scaled media company able to compete with major streaming and technology businesses. Before the deal, the two companies had combined annual revenue of ~$65bn, more than 200mn direct-toconsumer subscribers and annual content spending above $30bn on shows such as The White Lotus and House of the Dragon. This scale supports a broader, technology-led strategy across film, television, streaming and sports rather than reliance on a single distribution model.

Value creation is expected to come from margin improvement and a broader business mix. Annual cost synergies of more than $6bn are targeted within three years, from integrating technology systems, combining procurement, cutting duplicated marketing and rationalising real estate. Revenue synergies from franchises, licensing and distribution have not been quantified, but the deal's geographic and business diversification reduces dependence on any single market or channel.

Market Context

The acquisition reflects several developments in the media industry. The shift to streaming has made content libraries, established franchises and distribution platforms more valuable, which is why Netflix and Paramount competed for WBD. Traditional media companies are also consolidating to gain the scale needed to compete with streaming and technology groups, although this deal shows the financial cost, with significant debt raised despite the expected synergies. Regulatory scrutiny of media ownership has also intensified, with 12 US states securing conditions on the combined company (see Risks & Challenges).

Paramount's offer of $31 per share in cash for the entire company beat Netflix's $27.75-pershare agreement for WBD's studio and streaming businesses, and Netflix declined to match. The deal is comparable with Disney's ~$71bn acquisition of 21st Century Fox assets, completed in 2019, though Paramount's transaction is broader, combining two established studios, streaming services, television networks and news organisations. Amazon's $8.45bn acquisition of MGM in 2022 is another relevant comparison, showing how a technology company can buy a large film library to strengthen its entertainment offering.

The deal is notable for its scale, its effect on Hollywood's competitive landscape and the political sensitivity surrounding media ownership. It reduces the number of major studio groups, raising concerns about competition, employment and the range of films produced, and places CNN and CBS News under the same owner. President Trump publicly commented on the competing bids, Larry Ellison has a publicly reported relationship with him, and David Ellison faced questions about his political independence, which he defended by pointing to his support for candidates from both parties. These connections drew scrutiny, but they alone do not show that political influence determined the outcome.

Deal Structure and Financials

Paramount acquired WBD in an all-cash deal at $31 per share plus a small ticking fee, so shareholders received $31.02 per share at closing on 6th October 2026. The deal implied an enterprise value of approximately $110bn and an equity value of approximately $81bn. It was funded by $47bn of equity backed by the Ellison family and RedBird Capital Partners and $54bn of debt commitments, comprising $15bn to refinance WBD's existing loan and $39bn of new debt, for $101bn in total.

Paramount targets more than $6bn in annual cost savings within three years from combining technology systems, better supplier pricing, reducing office space and removing duplicated corporate functions, although these are goals rather than guarantees and will involve upfront costs. Revenue synergies, such as cross-promoting WBD content on Paramount's platforms or licensing the combined catalogue, are plausible, but the company has not given a separate figure for them.

Using the approximate $110bn enterprise value and reported WBD's FY2024 revenue of $39.32bn, the EV/Sales ratio falls around a multiple of 2.8x. However, this is only a rough indicator. Before expected synergies, Paramount valued WBD at an EV/EBITDA multiple of 13.3x. After including the expected $6bn in cost synergies, the valuation multiple fell to 7.5x. This value is based on its projected 2026 EBITDA and the fall in value illustrates how Paramount expects the cost synergies to improve the deal's financial attractiveness. It also forecasts a net debt/EBITDA ratio of 4.3x at closing, assuming the synergies have been achieved.

Paramount initially planned a $3.25bn rights offering but replaced it with 10-year warrants for eligible Class B shareholders. WBD also owed Netflix a $2.8bn termination fee for ending their original agreement.

Market Reaction

Skydance Corporation's share price fell from above $16 in October 2025 to $8.92 on 6 October 2026 and continued to decline after completion, closing at $7.79 on 22 October. This may reflect investor concern about high debt and integration risk, although other market factors may also have contributed. Part of the sharp fall on 14th October was linked to the free distribution of approximately 471 million tradeable warrants to Class B shareholders, each allowing the holder to buy one share for $12. If exercised, they will dilute existing shareholders, so the share price decline should be read alongside the separate value of the warrants.

Title - Skydance Corporation (formerly Paramount Global) Share Price Performance, October 2025 - October 2026

Company name: Skydance Corporation (NYSE: SKYD)



Risks & Challenges

The biggest challenge is combining two large entertainment companies with different management structures, working practices and technology systems while keeping their creative teams and brands successful. The combined company has more than 53,000 employees, and cutting overlapping operations to reach the $6bn savings target may lead to redundancies, loss of experienced staff and weaker content if cuts go too far. Integrating Paramount+ and HBO Max will require significant investment to avoid technical problems for customers. The deal also increases exposure to declining linear television: in 2025, WBD's Global Linear Networks advertising revenue fell 13% and distribution revenue 8%, and continued declines would reduce the cash flow needed to service the acquisition debt.

The deal also faced competition scrutiny. The US Department of Justice concluded in June 2026 that it was unlikely to harm competition, and the UK's Competition and Markets Authority cleared it in August. However, 12 US state attorneys general challenged the transaction, settling for commitments to release at least 30 theatrical films annually (rising to 32 after two years), invest an additional $1.5bn in US film and television production over five years, and protect editorial independence at CNN and CBS through a News Editorial Independence Board. Each missed film costs $30mn, and a persistent shortfall could force a sale of Miramax Studios.

Paramount's credit ratings were downgraded before closing, with Fitch cutting it to BB+ in March and S&P lowering it from BB+ to BB in September. Management expected approximately $79bn of net debt at closing; S&P forecasts leverage of around 7.6x EBITDA through 2027, against management's projection of 6.5x before synergies and 4.3x after. Management aims to reduce net leverage to around 3x by the end of 2029, but if savings arrive late, the company may struggle to cut debt while funding films, streaming technology and sports rights. Higher borrowing costs and weaker consumer spending add further uncertainty.

Outlook

Netflix and Disney are likely to keep investing in original content, international growth, advertising and technology, and Netflix may expand its role as a streaming aggregator for other companies' content. Skydance's larger library could make it a stronger competitor, but it must still produce content audiences want and retain subscribers. Its plan to combine HBO

Max and Paramount+ into a single service could offer a larger catalogue at lower cost, provided both brands keep their appeal. Rivals may respond with stronger content, bundles or pricing, and traditional media groups may seek partnerships or further mergers, which would face their own financial and regulatory hurdles.

Key milestones to monitor

- Does Skydance achieve the planned annual cost savings within three years?
- Does the company reduce its debt and improve its leverage ratio, or do financing costs remain a burden?
- Does combining or integrating the streaming services improve subscriber retention, revenue and profitability?
- Does the combined studio release successful content while meeting its production commitments?
- Are overlapping roles and technology systems combined effectively, without disrupting creative output?
- Does the company meet its commitments on theatrical releases, US production investment and editorial independence?

Skydance Corporation now combines Paramount Pictures and Warner Bros., Paramount+ and HBO Max, CBS, CNN and sports operations, with franchises including Mission: Impossible, Top Gun, Batman and Harry Potter. It aims to produce at least 30 theatrical films and more than 180 television shows and series annually, while targeting at least $6bn in annualised cost synergies within three years.

Analyst Commentary

In my view, Paramount's acquisition of Warner Bros. Discovery is a strategically ambitious deal. Two major studios, two streaming services and extensive content libraries give the company a wider offer to compete with Netflix and Disney, and the $6bn savings target and cross-promotion opportunities could create real value. However, the acquisition carries significant financial and operational risks: the debt burden makes cash generation and cost savings critical, integration may cause job losses and disruption to creative teams, and reduced studio competition could narrow consumer choice despite the regulatory commitments. Overall, I see the deal as a high-risk, potentially high-reward strategy rather than a guaranteed success; its value will depend on whether management can control costs, reduce debt and keep investing in high-quality content without weakening the creative businesses that make it valuable.

Analyst: David Pantelescu
Sector: TMT

Verizon's $20bn Acquisition of Frontier Communications

Overview

Metric	Value
Acquirer	Verizon Communications Inc.
Target	Frontier Communications Parent, Inc previously known as Citizens Communications Company until 2008.
Deal Type	100% friendly takeover. Frontier's board of directors supported the acquisition, despite some shareholders opposition.
Announced Date	5th of September 2024.
Advisers	Verizon: Centerview Partners LLC and Morgan Stanley & CO LLC used for financial advisory; Debevoise & Plimpton LLP used for legal advisory. PJT Partners and Barclays used for financial advisory; Cravath, Swaine & Moore LLP used for legal advisory.
Enterprise Value	$20bn (including paying off Frontier $10.4bn net debt)
Headline Premium	43% (VWAP) vs 37.3% unaffected share price on stock market at $28.04
Financing	100% cash consideration. To help with funding cash Verizon issued $11 billion five-part bond deal
Transaction Completion	January 20, 2026

Strategic Rationale

The acquisition significantly strengthens Verizon's competitive position in the US communications market. It extends Verizon's fibre footprint from 9 states, concentrated in the North-East, to Frontier's 25-state coverage (figure 1), delivering economies of scale and targeted annual run-rate cost synergies of $500 million by removing duplicated resources. Frontier's $4.1 billion, four-year capex programme also gives Verizon an immediate infrastructure upgrade, replacing legacy copper lines with high-speed fibre, while Frontier's deep fibre backhaul strengthens Verizon's mobile and 5G capacity, reducing latency and improving reliability and speed. EBITDA rose 7.2% year over year to $13.7 billion in Q2 2026, with the adjusted EBITDA margin expanding to 40.1% from 37.1%, and management

remains on track for at least $9 billion of operating and capital expenditure savings and 9–10% free cash flow growth in 2026, up from 7% in its previous outlook.

The deal also removed a major ‘pure play’ fibre competitor, taking Verizon’s reach to approximately 30 million homes and businesses (66% growth) across 31 states and Washington DC, and CEO Dan Schulman plans to expand this to 40–50 million over the medium term. With over 25% of nationwide fibre connections, Verizon is now third in US fibre and second in Ethernet, which could strengthen its pricing power; Genakos, Valletti and Verboven (2018) found that greater concentration in US telecoms was associated with higher pricing power. So far, however, Verizon has used the acquisition mainly to offer discounted bundles of home fibre and mobile plans, encouraging customers to buy both services and stay with Verizon.

The deal reflects fierce competition among US telecom giants to bundle services and extend coverage. Fibre already accounted for 50% of Frontier’s revenue, with strong positions in key areas such as New York, California and Texas. Verizon’s directors aim to reduce mobile churn to cheap cable bundles, and cross-selling converged mobile and home fibre makes switching more of a hassle; this has been linked to a 50% reduction in mobile churn and 40% in fibre churn.

Market Context

The US wireless market is a tight oligopoly: the three largest firms hold 96.5% of the market (CR3), with Verizon leading at 35.5%, followed by T-Mobile and AT&T. This creates strong interdependence, so a move such as Verizon’s discounted bundles directly influences rivals’ decisions. High sunk infrastructure costs, the inefficiency of duplicating networks and large economies of scale give the market natural-monopoly features and high barriers to entry.

Demand for fibre is rising as operators densify 5G networks and handle heavy AI traffic, while competition from technology leaders such as China and Singapore pushes US companies to innovate. Because the industry is highly capital-intensive and mature, organic growth is slow and costly, pushing companies towards acquisitions that cut duplicate costs, combine network footprints and build market influence faster.

A few other examples include:

AT&T acquisition of Lumen's Mass Markets fibre business (2nd February 2026):

- $5.75 billion in cash (7.7× EV/revenue, as reported by FOCUS). AT&T acquired more than one million fibre subscribers across more than four million fibre locations in 11 states, expanding its fibre availability to 32 states and its scope to bundle with 5G.

Merger between T-Mobile and Sprint (1st April 2020):

- $26bn all-stock transaction (5.1× Sprint’s 2019 EBITDA; $146bn combined enterprise value after closing). Combining T-Mobile’s broad coverage with Sprint’s mid-band spectrum established a 5G lead and made T-Mobile the number 2 US wireless carrier, closely challenging Verizon and AT&T.

AT&T joint venture with BlackRock (December 2022):

- A 50/50 joint venture that lets AT&T build fibre-to-the-home outside its legacy 21state footprint without adding large infrastructure debt to its balance sheet, while supporting broadband and 5G bundles. AT&T is now scaling its fibre network towards 50 million passings.

Although the deal added only about 2% to Verizon's market share, it held a strategic advantage (see 'Strategic Rationale'), giving Verizon a nationwide physical wireline network to combine with its mobile coverage. Verizon estimates that customers combining mobile and home internet have approximately 50% lower postpaid mobile churn, while faster, more reliable networks and discounted bundles should increase the value customers get from its services.

Deal Structure and Financials

- Enterprise Value (EV): $20.0 Billion ($9.4bn in equity value in addition to $10.4bn debt assumption).
- Equity Valuation / Per-Share Price: $38.50 per share in an all-cash transaction.
- Implied Premium: Represents a ~43.7% premium over Frontier's 90-day volumeweighted average price (VWAP) prior to announcement.
- EV 8.5× estimated 2025 EBITDA. EV/Revenue 3.37×
- Debt Absorption: Verizon assumed approximately $11 Billion of Frontier's net longterm net debt.
- Asset Base Acquired: 2.2 million fibre internet subscribers (figure 2) and 7.2 million fibre passings across 25 states, with a buildout towards 10 million; combined, Verizon's fibre reach exceeds 25–30 million locations nationwide.
- Primary Synergy Drivers: greater procurement scale for network hardware and optical fibre; merging back-office platforms, billing systems and customer care into Verizon's centralised architecture; and the addition of Frontier's workforce (13,000 employees in 2025).

The projected $500 million of annual cost synergies equals about 2.5% of the $20bn enterprise value once fully achieved (targeted by the third year), set against a 43.7% premium to Frontier's 90-day VWAP. This shows the potential significance of operational efficiencies, although it is not a direct measure of return on investment.

Risks & Challenges

One risk is long-run diseconomies of scale. A much larger Verizon may add management layers, lengthening the chain of command, distorting communication and slowing decisions. The resulting idle time would raise average costs, and slower responses could reduce Verizon's flexibility to react to market changes.

Culture clash is another risk as more than 5,800 Frontier employees join Verizon with different ways of working. According to Royal London Asset Management, 'between 50% and 75% of post-merger integrations fail to meet their original objectives due to a culture clash'. Consequences could include lost productivity, departures of skilled staff and an 'us vs them' mentality, including disagreements over how legacy infrastructure is managed.

The acquisition also brought regulatory conditions, including commitments to deploy fibre to at least one million additional US homes a year (including rural areas) and to offer

$20/month low-cost broadband to eligible customers for 10 years. These may reduce shortrun operating gains by requiring extra investment and limiting revenue, and closer regulatory scrutiny of Verizon's scale could affect the brand and reputation that underpin subscriber loyalty (figure 2).

Financially, the $20bn price (14.3% of Verizon's total revenue) included about $11bn of net debt that Frontier built up through a debt-fuelled acquisition spree of legacy landline networks, which led to its Chapter 11 restructuring in 2020. Verizon arranged a $10bn bridge facility with Morgan Stanley and issued a further $10bn of corporate bonds in 2025 to refinance Frontier's debt, adding to leverage already evidenced by $136.5bn of unsecured debt. An attractive return on the deal is therefore not guaranteed.

Outlook

Rivals may respond by matching Verizon's bundle discounts to limit customer switching, and companies such as AT&T may cut costs through leaner operations and more efficient use of resources.

Dan Schulman has said Verizon's priority is to invest strategically to maintain 'network excellence and fully delight' customers, with reliable, high-capacity broadband that can handle heavy traffic such as AI centres. Enterprise clients such as Google, in a deal currently worth $1bn, alongside Amazon Web Services, Microsoft and KodiakAI, may need more dark fibre for their data centres. Operating margins and post-acquisition returns will be the key indicators of the deal's financial success.

Verizon now has fibre coverage across 31 states and Washington DC (figure 1), reaching over 30 million locations. Because Frontier had largely completed costly copper-to-fibre conversions, Verizon's near-term capex can focus on targeted extensions rather than greenfield builds. Free cash flow, supported by cost synergies, is forecast to reach $22.54bn, a 9% increase from 2025, strengthening dividend coverage.

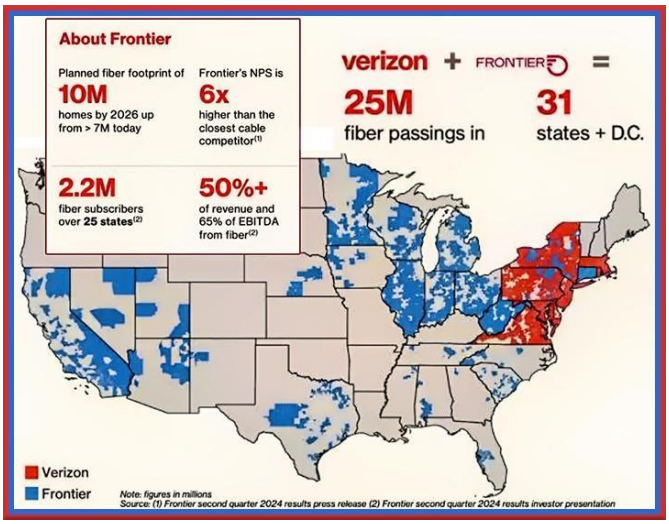


Figure 1

These outlook possibilities are based on company estimates and forward-looking statements, which are inherently uncertain.

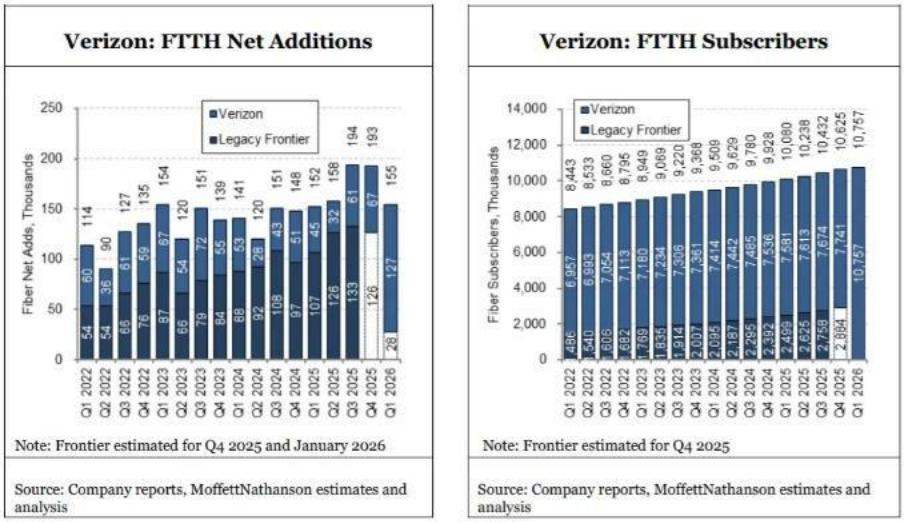


Figure 2

Analyst Commentary

In my judgement, the acquisition is likely to prove positive overall. Fibre expansion gives Verizon greater control of the communications market, and eliminating Frontier raised concentration and barriers to entry, reducing customer switching and keeping subscription revenue (figure 2) stable, which supports dividend security. However, well-established conglomerates such as SpaceX may be able to enter and contest the market.

The deal also went beyond a surface-level competitive acquisition. In 2020, Verizon divested its legacy wireline assets in California, Texas and Florida to Frontier for $10.5bn to free its balance sheet for wireless spectrum. After restructuring through Chapter 11, Frontier converted those assets to fibre through heavy capital expenditure, and Verizon has now acquired the modernised network, avoiding much of the upgrade cost itself. Combining broadband and mobile should improve retention and revenue per customer through crossselling.

The acquisition also aligns with market trends. AI, cloud computing, data centres, 5G and video streaming are driving unprecedented data demand, and fibre offers greater capacity over longer distances at faster speeds. A report by IAE found the top five AI companies have invested over $400 billion globally, while household demand for fibre broadband is growing 7% a year.

However, investors appear increasingly worried about competition. Verizon's share price fell 12.5% between 20 September and 9 October, including 10% on 9 October, when SpaceX agreed to buy nationwide 800MHz low-band spectrum for $8bn, signalling a move beyond satellite internet into mobile. The decline began earlier, suggesting other concerns such as Verizon's $136.5bn of net debt as interest rates rise.

Thus, despite Verizon's strength against current rivals, new entrants such as SpaceX could contest its success as they pursue vertical integration and diversification.

Analyst: Yusuf Ahmed
Sector: TMT

Broadcom's Acquisition of VMware

Overview
Broadcom's acquisition of VMware is one of the biggest deals in technology in the last decade.

It was announced on 26th May 2022 and was finished on the 22nd of November 2023. The value of VMware was around $61bn in cash and stock. This deal made Broadcom a more software drive where it makes up more than half of the revenue. They are best known for their data centers and chips. To close this deal, it took 18 months due to regulators in the EU, South Korea, UK and China all needing to review it. After closing, the software margins have increased, however, there has been complaints from customers about the large price increases.

Metric	Value
Acquirer	Broadcom Inc. (Nasdaq: AVGO)
Target	VMware, Inc. (formerly NYSE: VMW)
Deal Type	100% acquisition, cash-and-stock merger; VMware became an owned subsidiary of Broadcom
Announced Date	May 26th, 2022
Closing Date	November 22nd, 2023
Consideration	$142.50 in cash or 0.2520 Broadcom shares per VMware share, prorated 50% cash / 50% stock
Equity Value	~$61bn at announcement (cash and stock)
Enterprise Value	~$69bn including ~$8bn of VMware net debt
Headline Premium	~44% vs unaffected close on 20th May 2022; ~32% vs 30-day VWAP
Financing	$32bn committed bank debt; $30.4bn of term loans drawn in August 2023
Value at Closing	~$86.3bn preliminary purchase consideration, as Broadcom's share price rose before closing

Strategic Rationale Why Broadcom bought VMware
The focus of this deal was to diversify into software. The Broadcom's chip business is profitable but cyclical. VMware brings stable subscription revenue which help to reduce the

overall cyclicality of the companies' revenue. In 2022, VMware reported a revenue of $12.85bn and free cash flow of $3.97bn. This cash can be used to pay the debt raised for this deal.

The second reason was cost synergies. Broadcom had a target of $8.5bn EBITDA from VMware within 3 years of closing.. This was double VMware's operating income before the

deal. Broadcom had already done this with CA Technologies before by cutting costs and making sure the biggest customers are focused on after each deal.

Strategic fit

Broadcom has a strategy put in place to ensure that large companies can't replace it and sell at higher margins. vSphere is a VMware's software which runs below the large number of corporate servers, and moving away means restructuring their IT systems. Software would make up 49% of Broadcom's revenue. Furthermore, Broadcom has a plan to focus VMWare on private clouds to sell non-core assets.

Where the value comes from

Most of the value was expected to come from margins. Before the deal, VMware had operating margins from 13% to 22% and by Q3 of 2025, Broadcom had an infrastructure software segment which also had an operating margin of 77%. The other source of value was its licenses to subscriptions and bundling up products, so customers must pay more to access VMware's range. Hock Tan stated that over 90% of VMware's largest customers moved to VMware Cloud Foundation.

Market Context Sector backdrop

This deal was announced as central banks increased their interest rates fast and technology share prices fell. This allowed Broadcom to buy a cash-flowing business at a discount rate but made debt funding more expensive since rates kept rising throughout 2023. In addition, it fits the shift to a hybrid cloud where companies are allowed to run their IT in public clouds and some of their own data centers where VMware's software helps control. Regulators were taking time to review large tech deals in this period which increased cost and time.

Comparable deals

The closest deal in size was Microsoft's acquisition of Activision Blizzard. This closed in October 2023 after a long review in the UK. Microsoft's aim here was to grow, whereas Broadcom's was to cut costs and raise prices. In enterprise software, IBM's acquisition of Red Hat had was a contrast because IBM kept Red Hat mainly independent and invested for further growth. On the other hand, Broadcom integrated VMware hastily. VMware's main competitors for customers were Nutanix, Red Hat and Proxmox.

Why the deal matters

It changed the whole idea of Broadcom. Their net revenue increased from $36bn in 2023 to $52bn in 2024. Also, it shows how much pricing power is a factor when a company owns its software in which customers find hard to leave. Ray Wang of Constellation Research claimed that some customers witnessed price rises of 50% to 400%. Finally, regulators are keeping a keen eye. The European Commission started to collect information from cloud providers about the licensing of VMware in July 2026.

Deal Structure and Financials Payment structure
The shareholders of VMware could take $142.50 in cash or 0.2520 Broadcom shares, prorated so half of VMware's shares received each. The blended offer was priced at $138.23 per share at its announcement which is a 44% premium to VMware's close. VMware had a 40-day period to look for a better offer, but there was none to step forward.

At closing, Broadcom paid $30.8bn in cash and funded by $30.4bn of loans and cash on hand, resulting in issuing 54.4 million shares. This is due to the sharp price increase of Broadcom's shares before it closed. The preliminary purchase consideration came to around $86.3bn, strongly higher than the $61bn headline..

Synergy targets
The target revealed from Broadcom was $8.5bn of pro forma EBITDA within 3 years. VMware is not recorded separately, but with its software margins increasing from 13-22% to 77-78%, it seems as if the target was met. Cost synergises rises from the staff and product cuts in which VMware had more than 38,000 employees from Q1 2023 and ended up with 16,000 in 2025. Revenue synergies are introduced from pricing, bundling and a 20% penalty for late renewals.

Risks & Challenges

Customer and integration risk
The largest risk was losing customers. Gartner predicts VMware's market share to drop from 70% in 2024 to 40% in 2029. Culture also proves another risk because cutting the workforce by more than a half gets rid of a lot of experience which could slow down product development. And there have been legal disputes such as the Dutch court ordering Broadcom to maintain their support of a national water agency.

Regulatory scrutiny
Regulators stress that Broadcom would make VMware work less with its rivals' hardware. The EU, South Korea and the UK approved of the deal only after Broadcom came to an agreement to keep VMware using its hardware provided by their rivals. In May 2025, the CISPE-backed cloud observatory gave Broadcom their worst 'red' rating over their licensing and EU fines could reach around 10% of worldwide revenue.

Financing risk
During closing, the main issue was the debt taken at high interest rates. Having strong cash generation allowed it to be manageable. In Q3 2026, Broadcom produced $13.7bn in cash flow. The risk in hand is now growth. Most software growth has risen from allocating their existing customers to pricier subscriptions. Hock Tan stated that VCF offers less value to smaller companies. **Outlook**

Competitor response
Competitors are already taking an eye on unhappy VMware customers. For example, Nutanix added 2700 customers in its last fiscal year, and Scale Computing reported a 140% increase in new customers in Q1 of 2025. Moving away from VMware is slow for large companies so competitors are likely to have the upper hand to win mid-sized customers first in which Broadcom has not prioritised.

Milestones to watch

- Does software revenue keep growing once subscription renewals are finished?
- Does VMware lose market share in line with Gartner's forecast?
- Does the European Commission open a formal antitrust case?
- Do mid-sized customers accept VCF bundles or move to alternatives?

The combined business

Broadcom now contains two large companies. In Q3 2026, its semiconductor revenue was up by 127% on demand of AI, and infrastructure software which is mostly VMware. VMware is smaller and has a focus on selling VCF to larger companies on a multi-year subscription. This allows Broadcom to have a high and steady margin of cash flow which puts the cyclical chip business in balance. But its reputation with customers is weaker than before the deal.

Analyst Commentary

In my opinion, the deal has been financially successful so far. Broadcom bought a market leader when tech valuations were low and allowed costs to be cut as well as pushing software margins from around 20% to 80%. This was measured against the $8.5bn EBITDA target and paid around 8x earnings for a business that generates large amounts of cash.

But most of their gains come from increasing the prices on customers who find it hard to leave, not from having improvements on their products. This works in the short term but gives customers a reason to plan their leave and for competitors to build alternatives. If Gartner's forecast is correct, this damage will accumulate over time, and an EU case could limit how much Broadcom prices VMware in the future.

In conclusion, I would describe this deal as well-executed financially, but unfriendly to customers. Their long-term value depends on whether Broadcom keeps enough customers once their renewal cycle ends and if investments in VMware's products start, instead of just extracting value from them.

Analyst: Betty Xu
Sector: Consumer & Retail

Chanel to Acquire Charvet

Overview

Metric	Value
Acquirer	Chanel (privately held)
Target	Charvet (privately held, family-owned since 1965)
Deal Type	100% acquisition, including Charvet's headquarters and flagship store on Place Vendôme, Paris
Announced Date	2nd July 2026
Advisers	Not disclosed as of announcement
Consideration	Undisclosed
Analyst Estimated EV	~€30–75m (median ~€48m; see Table 1)
Charvet Revenue	~€10–15m p.a. (Bernstein estimate); ~100 employees
Chanel 2025 Revenue	$19.3bn (€16.8bn)
Financing	Not disclosed
Transition	Colban family to remain for at least one year; Charvet to operate independently

Strategic Rationale

Founded in Paris in 1838 by Joseph-Christophe Charvet, Charvet is often described as the world's first specialist shirtmaker. Based on Place Vendôme since 1877, the house is known for its bespoke shirts, its library of thousands of fabrics and its single workshop in France. Charvet's shirts have gained attention and many endorsements, including Sir Winston Churchill, Charles de Gaulle and the founder of its new owner, Coco Chanel. More recent devotees include David Beckham.

The deal started with a creative collaboration when Charvet made the shirts for Matthieu Blazy's debut Chanel show in October 2025. These shirts proved popular with Chanel clients. At the same time, the Colban family was facing a harsh situation where there were no heirs willing to take over, which made it a perfect time for both sides.

For Chanel, this deal fills a gap in its menswear field, and the two brands complement each other well. Chanel is mainly a womenswear brand. However, according to Bruno Pavlovsky,

Chanel's president of fashion, it is seeing a growing number of male clients. Charvet is a perfect match as it is mainly a menswear brand with a growing female client base. Owning Charvet therefore allows Chanel to serve its new male clients without launching its own men's line, which could dilute the brand, while Charvet can benefit from Chanel's strong appeal to women.

This deal aligns with Chanel's long-term strategy of buying craft workshops such as the embroiderer Lesage and the shoemaker Massaro. These acquisitions protect high-end skills and craftsmanship which is the core of maintaining its goodwill in the industry. Besides, Charvet also has a historic link to Chanel as Boy Capel, who was an important figure to Chanel's founder Gabrielle Chanel was also a loyal Charvet client.

Market Context

The luxury industry was facing a difficult time when the deal was announced, as demand had slowed and many big brands had struggled to grow. The war with Iran has added further pressure. Since the conflict began in February 2026, the Strait of Hormuz has been effectively, and war-risk insurance for ships crossing it has risen from about 0.001% to around 4% of a vessel's value. Higher oil prices have also pushed up the cost of synthetic fibres, with textile costs expected to rise by 8–15%.

However, the slowdown has mainly affected aspirational buyers. To survive in this environment, luxury groups are investing in the things which can make them stand out from the crowd. In this case, the acquisition of Charvet can serve as a buffer for Chanel, as Charvet targets top-end clients, whose demand remains relatively price-inelastic, making Charvet more resilient for Chanel.

Chanel has been buying craft workshops for decades, and similar takeovers have taken place in the industry such as LVMH's acquisition of Loro Piana and Kering's acquisition of Creed. These deals were made since the strategy of owning specialist suppliers and small heritage brands has become more common.

What makes this deal notable is its size. In contrast with Prada's €1.25bn purchase of Versace, which was about scale and growth, Chanel-Charvet is the opposite with a relatively small deal focused on protecting rare skills. In addition, as a privately owned company, Chanel can have an advantage of making a long-term investment without needing to show shareholders a quick financial return.

Deal Structure and Financials

Chanel acquired 100% of Charvet, which includes the company's headquarters and flagship store on Place Vendôme. As both are privately held, there is no obligation required to publish the transaction price. Additionally, Charvet does not have the convention of reporting its own financials. The Colban family will remain in management to support the transition and Charvet will continue to be an independent operation under Chanel's ownership.

We made an estimate of Charvet's value using some previous M&A cases as the sale price was not transparent (Table 1). Three luxury apparel deals: LVMH/Loro Piana, Moncler/Stone Island and Zegna/Thom Browne traded at 3.0-4.8x EV/Sales and a median of 3.9x. Kering/Creed (14.0x) is excluded as an outlier due to the characteristic of high margins

in the fragrance industry. If we multiply Charvet's estimated revenue €10-15m by these multiples, we get a valuation of approximately €30-75m. Even the highest doesn't reach 0.5% of Chanel's revenue of €16.8bn in 2025.

Table 1: Comparable Luxury Apparel Transactions

Deal	Year	EV (€m)	Revenue (€m)	EV/Sales
LVMH / Loro Piana	2013	2700	700	3.9x
Moncler / Stone Island	2020	1150	240	4.8x
Zegna / Thom Browne	2018	430	145	3.0x
Kering / Creed	2023	3500	250	14.0x
			Median (excl. Creed)	3.9x
			Charvet revenue (€m)	12.5
			Implied Charvet EV (€m)	48.2

Note: Kering/Creed excluded from the median as a fragrance outlier. Thom Browne revenue estimated; EV converted from USD. Charvet revenue per Bernstein estimate. Sources: LVMH, Business of Fashion, Fashion United (FT).

Risks & Challenges

Cultural differences in these two companies are where the main integration risk lies. Charvet is a small and family-run workshop, while Chanel is a global luxury giant. If Chanel breaches its promise to protect the craftsmanship of Charvet, Charvet might soon lose the exclusivity that makes this deal valuable.

The unfavourable market could limit the growth speed of Charvet under Chanel, even though financing is not a concern, as Chanel's size is enormous compared with Charvet. In addition, our valuation is based on estimated revenue and comparable deals, so the actual case could be more unanticipated.

Outlook

After the announcement of this deal, competition among general luxury groups for the remaining independent heritage craft houses is likely to intensify, which could push up future acquisition prices as such houses become rarer. For some well-known menswear brands such as Zegna and Brunello Cucinelli, they may face stronger competition as Chanel steps into top-end shirt and tailoring market. However, some family-controlled rivals such as Hermès may continue to build in-house craftsmanship.

There are three key milestones which command attention. Firstly, the appointment of Charvet's own creative director, which will define the direction for Charvet whether to keep its classic style or establish a new model. Another milestone to look out for is the end of the Colban family's transition period when Charvet's ability to maintain its craftsmanship without its long-time owners will be tested. In addition, future collaborations after this deal on the runway will show how closely these two brands can work together.

Analyst Commentary

This deal is Chanel's answer to menswear. Rather than a traditional brand acquisition, it is a low-cost option that gets Chanel's foot in the door of the men's market. Chanel can take the

opportunity to test demand from male clients for only an estimated €30-75m, without the risk of launching its own line. Chanel can then decide whether they should scale Charvet after the testing period when sales data show positive signs. The worst possible outcome is insignificant for a company with €16.8bn in revenue. As a result, the size of this deal has already shown Chanel is managing its risk carefully.

The deal may also come from the aim of being defensive to survive in today's more competitive market. Since independent heritage craft houses are becoming rarer, this deal ensures that a supplier connected to its own history does not end up in a rival's hands. In addition, Chanel as a private company presents itself as a preferred buyer for family-owned houses which are facing succession problems. It is more likely to promise long-term independence than those listed groups whose decisions will be affected by their shareholders. Overall, we hold the belief that this deal is likely to succeed as Chanel has said it wants to keep Charvet independent and exclusive.

Analyst: Alessandro Menardi
Sector: Industrials (Automotive, Commercial Vehicles)

Tata Motors Iveco Takeover

Overview

Metric	Value
Acquirer	Tata Motors Ltd (NSE: TMCV), the demerged commercialvehicle arm of Tata Motors, via TML CV Holdings B.V.
Target	Iveco Group N.V. (Euronext Milan: IVG), civil business only; the Defence unit (IDV, ASTRA) was sold separately to Leonardo
Deal Type	Recommended all-cash voluntary tender offer for 100% of Iveco common shares, followed by delisting and a squeezeout or back-end restructuring
Announced Date	July 30th, 2025 (offer launched September 4th, 2026; price raised to a final €14.40 on October 9th, 2026)
Advisers	Morgan Stanley (financial) and Clifford Chance (legal) for Tata Motors; Goldman Sachs (financial) for Iveco
Equity Value	€3.9bn at €14.40 per share
Enterprise Value	€3.3bn: equity value less Iveco's ~€0.6bn net industrial cash (30th June 2026)
Headline Premium	On the €20.22 total value: ~6% vs. the day before the announcement; ~32% vs. the day before the first reports; ~26% vs. the 3-month average before the first reports (July 2025)
Financing	All cash, through a 12-month bridge loan of about €3.8bn from Morgan Stanley and MUFG
Expected Close	Payment on 30th October 2026, reopening from 2nd to 6th November, then back-end restructuring (or squeeze-out above 95%) and delisting from Euronext Milan

Strategic Rationale

Tata Motors split its truck business from its car business in 2025. On its own, the truck business still makes most of its money in India. Buying Iveco gives it a second home market. Iveco had about €13bn of revenue last year. Together the two would sell more than half a

million vehicles a year, with roughly €22bn of sales. About half would come from Europe, a third from India and the rest from Latin America.

The two companies hardly overlap. Iveco sells mainly in Europe and Brazil, Tata in India, and they make different products. This is why the European Commission cleared the deal in November 2025 without asking for any changes. It also means Tata will not save money by closing plants. Savings will have to come from buying parts together, sharing platforms and making more engines in FPT Industrial's factories.

Tata also gets technology. Iveco is the market leader in electric buses in Europe and has long experience with gas and biomethane trucks. India wants cleaner heavy trucks, and Tata did not have this know-how. The timing is good too. Iveco's margins and sales both fell in 2025, so Tata is buying when profits are low.

Market Context

Truck sales in Europe were weak in 2025 and are slowly picking up this year. At the same time, EU rules say new heavy trucks must cut CO_2 emissions by 45% by 2030, while electric trucks are still a tiny share of sales. Building them is expensive, and smaller truck makers find it hard to pay for alone.

So the industry is consolidating. Daimler Truck and Toyota merged Mitsubishi Fuso and Hino into ARCHION in April 2026, and Leonardo bought Iveco's defence business. Traton, part of Volkswagen, bought the US truck maker Navistar in 2021, and the big European groups share costs where they can: Daimler Truck and Volvo build fuel cells together through cellcentric, and with Traton they are building a charging network for trucks through Milence. Chinese groups such as Sinotruk are now among the largest truck makers in the world. Before this deal, Iveco was the smallest European truck maker and the only one without a bigger partner.

What is different here is the buyer. This is Tata Motors' largest foreign acquisition, bigger even than Jaguar Land Rover in 2008, and it ends Exor's long ownership of one of Turin's best-known companies.

Deal Structure and Financials

The deal happened in two steps. First, Iveco sold its defence business to Leonardo in March 2026 and paid the money to shareholders as a special dividend of €5.82 per share in April. Then Tata offered €14.10 per share for the rest of the company. On 9th October, Tata raised the offer to €14.40 and said it would not go higher. It blamed delays in some regulatory approvals. The extra €0.30 costs Tata only about €80m. Counting the dividend, Iveco shareholders get €20.22 per share, 26% more than the average share price in the three months before the first reports of the deal.

At first Tata needed 95% of the shares, but on 16th October Iveco's EGM approved all the proposals, including one lowering the threshold to 80%. At 95%, Tata can force the remaining shareholders to sell (a squeeze-out); at 80%, it can use the back-end restructuring approved at the EGM, which moves Iveco's business to Tata and pays remaining shareholders the offer price in cash, minus taxes. Between 66.67% and 80%, it could waive the condition and still buy, but Iveco would stay listed with minority shareholders. Exor, which owns about 27%, had agreed to sell, yet by mid-October just under 30% of the shares had been tendered.

Tata is paying with a bridge loan of about €3.8bn from Morgan Stanley and MUFG. Its own truck business is doing well, with sales up more than 20% in the last quarter and an EBITDA margin above 11%. Neither company has said how much it expects to save. Tata also promised to keep the headquarters in Turin and not to close plants or cut jobs because of the deal for two years. When the Italian government approved the deal in October 2025, it made these promises a condition.

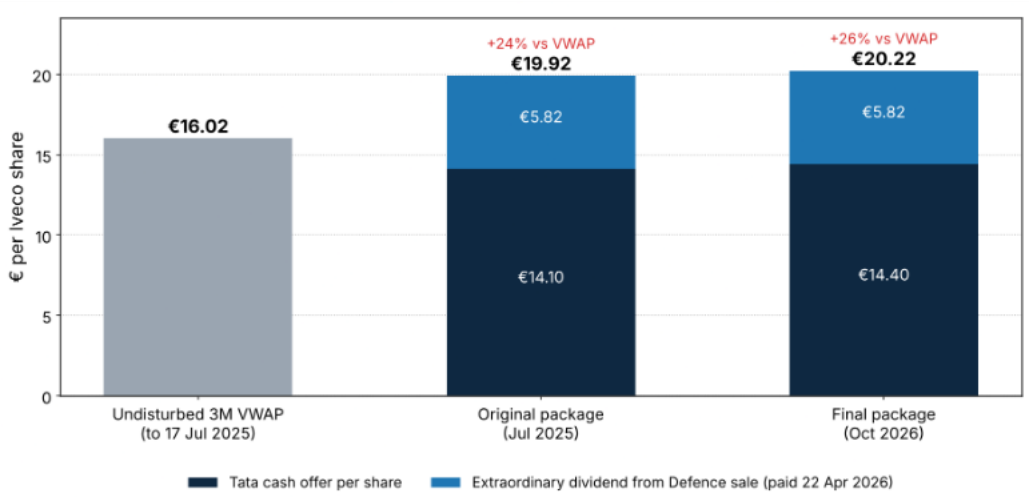
For the equity, Tata pays about €3.9bn. Iveco had about €0.6bn of net industrial cash at the end of June 2026, so the enterprise value is around €3.3bn. Compared with its listed rivals, the price looks low. On Bloomberg's forward estimates, Iveco is valued at about 7.7x earnings at the offer price, against about 10.7x on average for Daimler Truck, Volvo, Traton and Paccar, and about 9x for the three European groups.

Company	Fwd P/E	Fwd EV/EBITDA	Fwd EV/EBIT
Iveco (at offer price)	7.7x	1.6x	3.0x
Daimler Truck	8.9x	3.7x	4.7x
Volvo	12.6x	6.9x	9.0x
Traton	5.8x	3.0x	5.1x
Paccar	15.3x	10.8x	12.1x
Peer average (excl. Iveco)	10.7x	6.1x	7.7x

Source: Bloomberg EQRV, blended forward multiples, 26th October 2026.

Part of the discount comes from Iveco's lower profitability, and the EV multiples are less reliable here because all five groups have large finance arms. At the European average P/E, Iveco would be worth around €17 per share, close to the €18 that Petrus Advisers, one of the funds that held out, thinks is fair.

Breakingviews estimated that Tata could earn about 16% on its investment, against an 11.5% cost of capital, if Iveco reaches €1.48bn of operating profit by FY28. That is a lot to ask, given where Iveco's margins are now. On about €13bn of revenue, €1.48bn is a margin of around 11%, against 4.8% in 2025, so Iveco would have to more than double it in about two years, without restructuring. Another way to look at it is the premium. Tata is paying about €1.1bn more than Iveco was worth before the first reports. With an 11.5% cost of capital and a 27% tax rate, that needs about €180m of extra profit a year, about 1.4% of Iveco's revenue, just to break even.

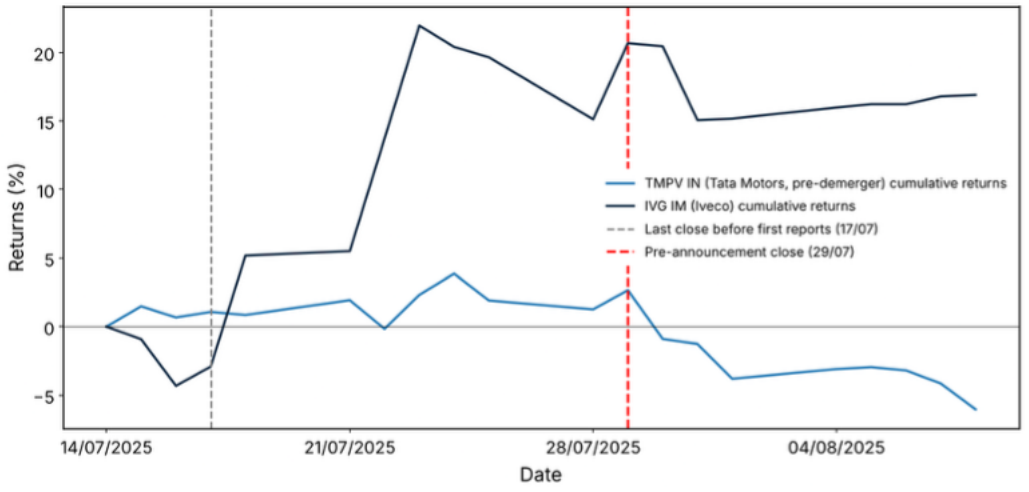


The chart above shows what Iveco shareholders receive per share (Tata's cash offer plus the €5.82 special dividend paid in April 2026), compared with the average share price in the three months before the first reports of the deal.

Market Reaction

The share prices tell the story well. Iveco jumped about 8% on 18th July 2025, the day after the first reports of talks, and by 23rd July it was up about 25%. Most of the premium was already in the price before the announcement, which is why the premium over the 29th July close looks so small. When the deal was confirmed, Tata Motors fell about 3.5% on 30th July and Iveco about 4.5% on 31st July, also hit by weak second-quarter results. Tata's fall is not a clean read on the truck deal, though, because at the time Tata Motors still included Jaguar Land Rover.

Since the offer opened in September, Iveco has moved up slowly towards the offer price and closed at €14.40 on 9th October, the day of the raise. From then on it traded at or just below €14.40, with almost no spread to the offer. The market expected the deal to complete and did not expect Tata to pay more, and it was right on both. Tata Motors' truck business has instead lost about 14% since the start of September.



The chart above plots the cumulative returns of Iveco (IVG IM) and Tata Motors (TMPV IN, the pre-demerger Tata Motors, which still included Jaguar Land Rover) from 14th July to 8th August 2025, around the first reports and the announcement of the deal. Prices in local currency, from Bloomberg

Risks & Challenges

The biggest risk was execution, because of a group of shareholders who had not tendered. Davidson Kempner owns about 10%, Syquant Capital about 6.5% and the activist fund Petrus Advisers almost 4%. Together that is around 20%. Exor's 27% and the funds' 20% make about 47%, so the other shareholders held about 53%. To reach 80% without the funds, Tata needed 53 points from them, nearly all of it, which in practice never happens. Petrus said on 29th September that the price is too low compared with other truck makers and that Iveco shareholders get nothing from the synergies. It also wanted to be paid for waiting about 15 months. Tata said €14.40 was final, so it could not offer more. In the end 87.8% was tendered, which is only possible if at least part of the funds accepted.

This also settles the governance question. Because Tata is above 80%, it can take full control through the back-end restructuring. Had the funds stayed out and Tata waived the threshold, they would have held around 20% of a listed Iveco controlled by Tata, and every deal between Tata and Iveco would have had to be fair to them, which would have slowed down the synergies.

The regulatory risk is now behind the deal. All approvals have been obtained, including from the European Central Bank and the Bank of Spain for Iveco's finance companies, and the Italian government will monitor Tata's promises on jobs and plants.

Integration is the longer-term risk. Tata will manage a European company with strong unions from Mumbai, and it cannot restructure for two years. Its past deals are mixed. Corus, bought for about $12bn in 2007, was paid for with a lot of debt and later written down, and JLR only recently got rid of its net debt. Iveco's CFO also leaves on 2nd November, just as integration starts. And Iveco's results are still getting worse. In the second quarter of 2026 operating profit fell by almost a quarter, even though sales rose, mostly because of extra work on city buses. Cash flow was negative in 2025, and the company expects van sales to slow towards the end of the year.

Tata also has to refinance the 12-month bridge loan, priced at about 1% over Euribor with a letter of support from Tata Sons. With net cash of about €1.5bn at Tata's truck business and €0.6bn at Iveco, the combined industrial business starts with net debt of roughly €1.8bn, about 1.3x forward EBITDA according to ICICI Securities, excluding the €4.2bn of dealerfunded debt in Iveco's finance arm. Tata plans to repay the bridge within 12 to 18 months with up to €1bn of new equity, the sale of its Tata Capital stake and long-term debt. A big part of its profit will now be in euros while it reports in rupees, and Chinese companies are starting to sell cheaper electric trucks in Europe.

Outlook

The offer closed on 26th October with about 87.8% of the shares tendered, above the 80% threshold. Most shares arrived in the final days, which is normal when hedge funds hold big stakes. Tata pays on 30th October, the offer reopens from 2nd to 6th November, and Iveco will delist from Euronext Milan after the back-end restructuring, or a squeeze-out if Tata passes 95%. After that, the things to watch are how Tata refinances the loan, its first results with Iveco included and whether Iveco's margins improve in the second half.

Once the deal closes, Iveco becomes fully owned by Tata but stays in Turin and keeps the IVECO, IVECO BUS and FPT Industrial brands. Daimler Truck, Volvo and Traton will face a competitor with Indian costs behind it.

Analyst Commentary

I think the deal makes sense and the price is fair. At about 7.7x forward earnings, below its rivals, it is fair rather than generous: Tata is buying a smaller European company while its profits are low, with no bidding war and support from Exor and the Iveco board from the start. Tata has also not promised big savings that it might fail to deliver. I think the extra €0.30 was meant for the hedge funds as much as for the regulatory delays. I was less sure Tata would reach full control straight away, as a fund with 10% had every reason to wait, but the 87.8% result lets Tata take full control through the back-end restructuring.

From Exor's side, I understand the economic logic. Selling at the bottom of Iveco's earnings cycle looks like poor timing, but talks to sell Iveco to China's FAW failed in 2021, and this sale completes Exor's exit, bringing in about €1.5bn in cash without having to fund the move to zero-emission trucks on its own. What we still need to see is how many decisions will still be made in Turin once the two years of guarantees end.

Whether the deal creates value is another question. Iveco's EBIT margin is below 5%, while Tata's truck business has a double-digit EBITDA margin. To close that gap, Iveco has to change how it buys parts and builds its trucks and engines. That takes years, and job cuts are off the table until late 2028. With so little overlap there are few quick savings, and Breakingviews' case needs Iveco's margin to more than double. So I would put the chance of reaching the 16% return below 50/50, closer to one in three. The first test was the acceptance figure on 26th October, and Tata passed it. The more important one is Iveco's margins in the second half of 2026.

UoR M&A GROUP

Analyst: Jacopo Margotti
Sector: Industrials & TMT

Schneider Electric to Acquire PTC

Overview

Metric	Value
Acquirer	Schneider Electric SE (French energy and automation group; Euronext Paris: SU)
Target	PTC Inc. (Boston-based CAD and PLM software company; Nasdaq: PTC)
Deal Type	100% all-cash acquisition of a listed US industrial software company, funded by about €5–6bn of new Schneider equity and €16–17bn of new debt; a Schneider subsidiary merges into PTC, which survives as a wholly owned subsidiary
Announced Date	October 5th, 2026 (merger agreement signed October 4)
Advisers	Morgan Stanley (lead financial adviser), Goldman Sachs (financial); Debevoise & Plimpton (legal)]Evercore (financial); Paul, Weiss, Rifkind, Wharton & Garrison (legal)
Enterprise Value	$23.7bn (€21.1bn)
Equity Value	$22.6bn (€20.1bn); $205.00 per share, all cash
Headline Premium	42.3% vs last close ($144.03, Oct 2); 46.1% vs 30-day VWAP (volume-weighted average price)
Financing	€22bn: ~€5–6bn new equity and ~€16–17bn new debt; $25bn fully committed bridge; no financing condition
Expected Close	By Q3 2027

Euro figures use EUR/USD 1.1255 (2 October 2026), as stated in the joint release. EBITA is earnings before interest, tax and amortisation. CY25 is the companies' calendar-year label (PTC's fiscal year ends on 30 September); the €2.4bn CY25 revenue excludes ThingWorx and Kepware, sold to TPG in March 2026 and not part of what Schneider is buying.

Strategic Rationale

Schneider Electric Perspective
Schneider is buying PTC to move its industrial software business upstream into product design and engineering. PTC sells computer-aided design (CAD), product lifecycle

management (PLM), application lifecycle management (ALM) and service lifecycle management (SLM) software to more than 30,000 customers. It adds a design and engineering layer to AVEVA (fully under Schneider's control since 2023) and the pending $3.1bn Cognite purchase, which Schneider calls a unified digital thread.

With PTC and Cognite, software and services would be about 24% of pro forma group revenue, and Schneider expects to roughly triple its addressable market in industrial software. PTC made €2.4bn of revenue at an adjusted EBITA margin of about 40% on the companies' CY25 basis, and consensus has its recurring revenue growing about 10% a year through 2029.

PTC Perspective

Both boards approved the deal unanimously. For PTC shareholders it turns a business under valuation pressure into certain cash: Oddo BHF (a Franco-German financial services group) noted that PTC shares had fallen 29% over the prior year, on fears that AI could undermine software business models.

Why PTC Matters

PTC owns the products Schneider lacks: Creo and Onshape for CAD, Windchill and Arena for PLM, Codebeamer for ALM and ServiceMax for SLM. Its customers span aerospace and defence, automotive and industrial equipment, markets where Schneider has had limited software presence.

Market Context

Industrial software consolidation

Acquirer	Target	Value	Comment
Schneider Electric	Cognite	$3.1bn, all cash	Industrial AI data platform, to be integrated with AVEVA; 18x revenue per Börsen-Zeitung; not yet closed
Schneider Electric	AVEVA	~£9.5bn (AVEVA valuation)	Buyout completed in 2023
Siemens	Altair	~$10bn	Simulation and analysis software
Siemens	Dotmatics	$5.1bn enterprise value (Siemens)	Life-sciences R&D software; about 16x revenue per Börsen-Zeitung; agreed in April 2025, before the 2026 software sell-off

Electrical and automation groups are buying their way into industrial software, and PTC is the largest acquisition in Schneider's history. Siemens (the German industrial and technology group), its closest rival, bought the US simulation specialist Altair for about $10bn and Dotmatics (a life-sciences R&D software company) for $5.1bn. Schneider itself has made three moves in a few months: Cognite (30 June), a €1.2bn offer for Shelly Group (a Bulgarian smart-home device maker) in September, and PTC.

On revenue PTC is the cheapest of these deals, at about 8.8x against 18x for Cognite and 16x for Dotmatics, but PTC is a scaled business with a 40% adjusted EBITA margin and about 10% growth, and Dotmatics was priced in April 2025, before the 2026 software sell-off. So the low multiple does not show that PTC is cheap; on earnings and cash flow the price looks full.

Competitive landscape

PTC's 10-K names Autodesk, Dassault Systèmes and Siemens as its main CAD and PLM competitors, with head-to-head products including Creo and Windchill against Siemens' NX and Teamcenter, Dassault's CATIA and ENOVIA, and Autodesk's Inventor. Siemens also owns the simulation specialist Altair; Schneider's presentation does not mention simulation, which looks like a gap.

AI disruption and valuation

The timing reflects a sell-off in software stocks, driven by the fear that AI will let cheaper competitors in. Reuters Breakingviews (Reuters' financial commentary column) said the deal "takes an unambiguous AI winner and mixes in a possible loser".

Macro backdrop

Schneider shares were up 29% for the year before the announcement, helped by data-centre power demand. This matters for the financing: about €5–6bn of the price will be paid with new shares, and the shares have since fallen 16%. PTC lists tariffs, geopolitical tension (including the recent military conflict in Iran), foreign exchange, high interest rates and inflation as risks, which can delay customers' software purchases and raise the cost of Schneider's new debt.

Deal Structure and Financials

Transaction value

Schneider pays $205 in cash per PTC share, valuing the equity at about $22.6bn (€20.1bn) and the enterprise at $23.7bn (€21.1bn). The total cash needed is about €22bn, some €1.9bn above the equity value. About €1.0bn of the gap is PTC's net debt (enterprise value minus equity value), with refinancing and fees likely covering the rest.

Valuation

Schneider values the deal at 21x enterprise value to 2027E adjusted EBITA, or 13x with full run-rate synergies. The 13x depends heavily on revenue synergies: Rothschild & Co Redburn (the equity research arm of Rothschild & Co) put the €800m at about 33% of PTC's revenue. Schneider's presentation and the CFO also put one-time implementation costs at about €250m. On trailing cash flow the price is about 27.7x PTC's fiscal 2025 free cash flow of $856.7m.

Financing

The ~€22bn is backed by a $25bn bridge from Morgan Stanley Europe SE and Société Générale, to be refinanced with about €16–17bn of new senior debt and about €5–6bn of new equity through an accelerated bookbuild, roughly 4% of Schneider's ~€142bn market value. The merger is not conditional on financing. Leverage (net debt to EBITDA) was already

1.78x in June 2026, up from 1.14x in September 2024, and BFM Bourse estimates it could reach 2.5 to 3x after the deal, against under 2x until now.

S&P affirmed Schneider's A and A-1 issuer ratings on 6 October and expects funds from operations to debt, a cash-flow measure of debt cover, to fall to 28–30% after closing and recover towards 40% in 2028. Moody's kept its A2. Buybacks pause in 2027 and 2028.

Synergies and accretion

Schneider expects the deal to be low single-digit accretive to adjusted earnings per share (EPS) in the first full year before purchase price accounting, and mid- to high single-digit accretive with full run-rate synergies. It also expects return on capital employed (ROCE) to exceed its cost of capital (WACC) by Year 5, without publishing the underlying figures.

Conditions and deal protection

Closing needs approval from PTC's shareholders, expiry of the Hart-Scott-Rodino (HSR) antitrust waiting period, clearance from the Committee on Foreign Investment in the United States (CFIUS) and other approvals. CFIUS has become more political (per Clifford

Chance), but Schneider's CEO expects no major issue. PTC is under a no-shop covenant with a fiduciary exception, Schneider has a match right, and PTC owes Schneider a $700m termination fee if it accepts a superior offer or if Schneider terminates after the PTC board changes its recommendation. The 8-K describes no fee payable by Schneider, so PTC would bear the loss if CFIUS or antitrust review blocked the deal.

Market Reaction

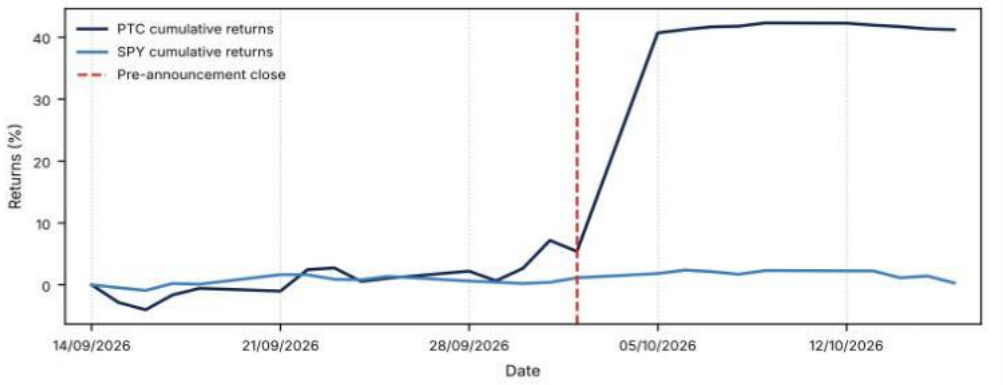


Chart: PTC and the S&P 500 ETF (SPY), cumulative returns in % from daily closing prices, 14 September to 16 October 2026, rebased to 0 on 14 September. The dashed line marks 2 October, the last close before the announcement.

PTC jumped 33.5% to $192.26 on announcement day, while the S&P 500 ETF (SPY) rose 0.7%, and closed at $192.98 on 16 October, a $12.02 (6.2%) gross spread to the $205 offer. With the 2 October close of $144.03 as break price, that implies about an 80% chance of completion, and about 6.5% annualised to Q3 2027, so much of it is time value.

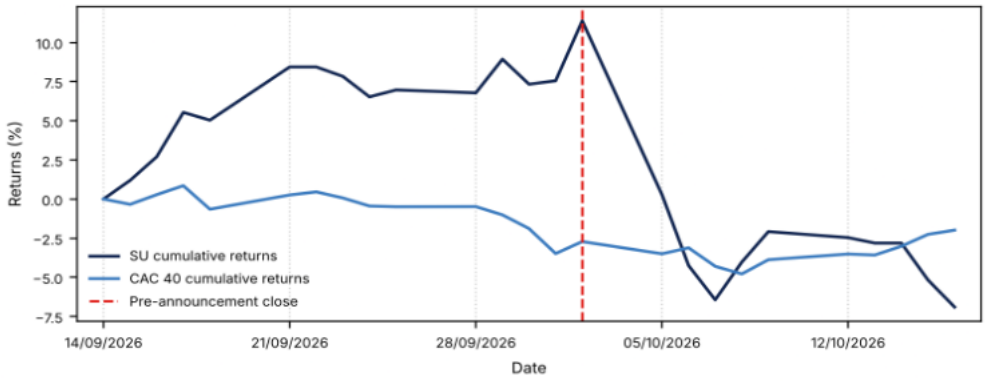


Chart: Schneider Electric (SU) and the CAC 40 index, cumulative returns in % from daily closing prices, 14 September to 16 October 2026, rebased to 0 on 14 September. The dashed line marks 2 October, the last close before the announcement.

The acquirer's reaction was the opposite: Schneider fell 9.97% to €272.80 on 5 October while the CAC 40 (French stock index) fell 0.8%, and closed at €253.30 on 16 October, 16.4% below its €303.00 pre-announcement close, while the CAC 40 was 0.8% higher.

Risks & Challenges

Integration risks. PTC is by far the largest piece: its enterprise value is about 7.6 times the Cognite deal ($3.1bn) and 18 times the Shelly offer (€1.2bn). Culturally, a French equipment group is absorbing a Boston software company, and Futurum says the strategy only works if PTC stays hardware-neutral, because many PTC customers run Siemens, Rockwell Automation or ABB automation. Schneider commits to an open-by-design approach, and the sources reviewed show no customers leaving after AVEVA joined Schneider in 2023, though RBC expects integration to be complicated.

Regulatory or antitrust concerns. Completion is targeted by Q3 2027, about a year after signing. HSR and CFIUS reviews can stretch that timetable, and on the 8-K's terms Schneider owes no fee if a clearance fails.

Execution risk. The financing carries market risk until done (timing is undecided, per the CFO). The new debt raises interest costs and pulls funds from operations to debt down to 28–30%, buybacks pause for two years, and the roughly 4% equity issue must be placed after a 16% fall in the share price. The 13x multiple also needs the €800m of revenue synergies, the harder of the two to prove. The AI fears that made PTC cheap could also erode pricing in CAD and PLM, and its growth depends on manufacturers investing despite tariffs and higher rates.

Outlook

How competitors may respond

Milestone	Timing	What it will show
PTC proxy statement and shareholder vote	No date in the sources reviewed	Whether holders accept $205 (shares trade about 6% below it)
Equity raise (~€5–6bn) and debt issuance (~€16–17bn)	Not decided (CFO, 5 October)	The price of new shares after the 9.97% fall on announcement day, and the cost of the debt
HSR, CFIUS and other clearances	Pending; closing by Q3 2027	Whether any second request or CFIUS condition delays the timetable
Run-rate cost synergies of €250m	Year 3 after closing	The first hard test of integration; the €800m revenue synergies are harder

Siemens now faces a peer with comparable scope. Futurum expects the Teamcenter (Siemens' PLM software) versus Windchill (PTC's) rivalry to extend into operations, energy and industrial AI, Dassault Systèmes and Autodesk to pitch their independence to PTC customers before closing, and automation vendors without a PLM franchise (Rockwell Automation, ABB, Emerson, Honeywell) to seek partnerships or acquisitions. **Milestones to watch**

The combined business

Schneider would own design and engineering software (PTC), asset lifecycle software (AVEVA) and an industrial AI data platform (Cognite) alongside its electrical and automation equipment. The commercial test is whether it can sell them as one connected offer while staying open to other vendors' hardware.

Analyst Commentary

The strategy holds together: PTC supplies the engineering data layer that Schneider's industrial AI pitch needs. The weaker point is price: at 21x 2027E adjusted EBITA and about 28x trailing free cash flow the deal looks full, and 13x needs the revenue synergies to arrive. Completion looks likely, with unanimous boards, a 42.3% all-cash premium, no financing condition and no reported rival bid, leaving the PTC vote and the HSR, CFIUS and other clearances. Value creation is the harder test: Schneider must integrate PTC, keep it neutral and deliver synergies, and only expects returns above its cost of capital in Year 5.

Analyst: Alek Lambri
Sector: Infrastructure

Constellation Energy's $26.6bn Acquisition of Calpine

Overview

Metric	Value
Acquirer	Constellation Energy Corporation (Nasdaq: CEG)
Target	Calpine Corporation (private; owned by Energy Capital Partners, CPP Investments and Access Industries)
Deal Type	100% acquisition of a privately held, PE-backed power generator; cash-and-stock consideration
Announced Date	January 10th, 2025 (completed January 7th, 2026)
Advisers	Lazard and J.P. Morgan Securities (financial, Constellation); Evercore (lead financial, Calpine), with Morgan Stanley, Goldman Sachs and Barclays US for Calpine and ECP. Legal: Kirkland & Ellis (Constellation); Latham & Watkins and White & Case (Calpine)
Enterprise Value	~$26.6bn net purchase price, including $12.7bn of assumed Calpine net debt, adjusted for pre-closing cash generation and tax attributes
Equity Value	~$16.4bn (50m Constellation shares + $4.5bn cash)
Valuation Multiple	7.9x 2026E EV/EBITDA
Financing	Mix of new CEG shares and cash; $500m buy-side termination fee

Strategic Rationale

The key reasons for this deal are scale and complementary capabilities; it combines nuclear fleets with natural gas and geothermal generation, creating a 55GW platform which makes Constellation the largest power producer in the US. Nuclear constantly provides the minimum amount of electricity around the clock; Calpine's gas fleet adds flexible capacity that can ramp up when demand peaks. Together they provide customers with a reliable 24/7 supply.

Constellation made this deal as a way of meeting rising US electricity demand from data centers, advanced manufacturing and critical infrastructure. Calpine also strengthens Constellation's footprint in high growth markets like Texas and California, where

Constellation's nuclear presence was limited. Calpine's geothermal assets add another clean, everyday power source that fits Constellation's low carbon outlook.

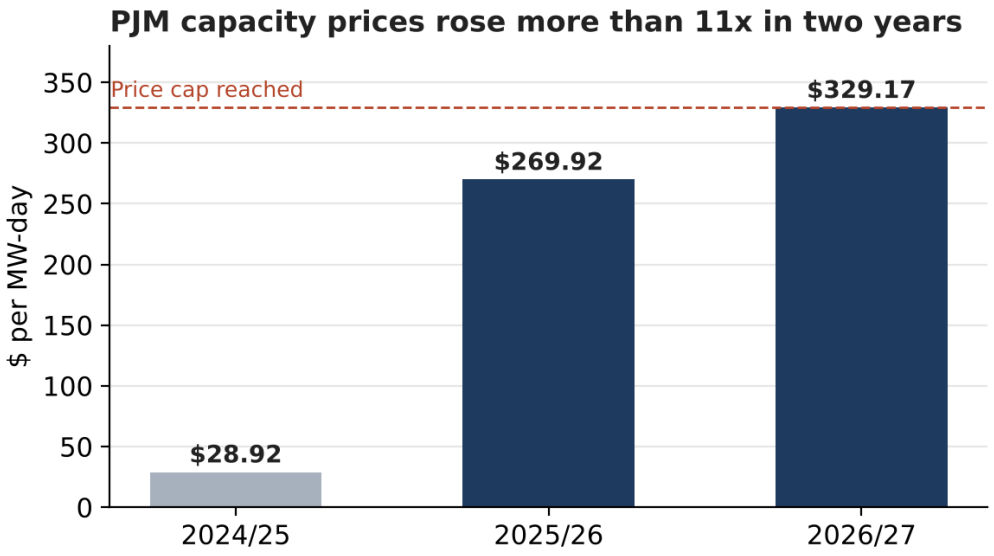
Constellation expected its earnings per share to accrete by more than 20% in 2026, and to increase by at least $2 per share in later years. 2.5 million customers are served in the retail business, creating the opportunity to cross-sell tailored clean-energy products to current customers, which is cheaper than finding and selling to new ones.

Market Context

With data centers being built faster than new power plants, rising demand for electricity is pushing prices up. This is seen in PJM (the largest US grid), with capacity prices rising from $28.92/MW-day in 2024/25 to $329.17/MW-day by 2026/27, hitting the price cap approved by FERC. PJM's most recent auction in December 2025 missed its reliability standard for the first time in the system's history. As a result, utilities are scrambling to secure long-term supply, particularly from nuclear power. Microsoft has a 20-year contract with Constellation for the restart of Three Mile Island Unit 1 (now named Crane) and Meta has a 20-year contract for all the power from the Clinton plant in Illinois. Operating plants have become scarce and a high-value resource. Consolidation is underway.

Arguably the most similar transaction is NRG's deal for LS Power in May 2025. 18 gas plants with a combined ~13GW have an EV of ~$12bn, or 7.5x 2026 EV/EBITDA. Constellation's deal for Calpine is only very slightly above this at 7.9x. The reason for the small overhang is Calpine's geothermal and retail operations plus its overall size.

The transaction produced the largest power generating company in the US and represents one of the largest transactions in the US power industry. On the regulatory side, the DOJ consent decree marked the first antitrust enforcement action filed in an electric utility transaction in 14 years. This indicated that regulation would permit mergers, but would require some type of remedy.



Source: PJM auction results via Introl, Oil & Gas 360

Figure 1. PJM capacity prices, $ per MW-day. Source: PJM auction results via Introl, Oil & Gas 360.

Deal Structure and Financials

Transaction type: cash and stock ($4.5bn in cash and 50 million new shares of Constellation). Constellation will also take on approximately $12.7bn of Calpine's net debt. Constellation financed the cash with cash on hand and cash generated by Calpine from contract to closing. Little or no new debt was issued. Calpine's shareholders (ECP and co-investors) will receive shares in Constellation and remain exposed to the synergies of the combined company.

There was no announced cost synergy. Constellation announced $2bn+ in annual free cash flow beyond what is currently generated and EPS accretion from the transaction. The primary sources of synergy come from sales rather than cost reductions. There are large cross-sell opportunities to Constellation's 2.5 million retail customers and combined gas/nuclear supply to large customers including data centers.

From a valuation standpoint, Constellation's EV/EBITDA multiple for 2026E (7.9x) is in line with NRG's multiple on LS Power's gas businesses (7.5x). This indicates that Constellation paid a reasonable price for a larger and more diversified business. Constellation's stock advanced approximately 22% on the announcement date. This is not typical, as buyers' shares usually decline on major transactions. Additional support for the valuation can be found in the $5bn sale of PJM plants to LS Power for approximately $1,142/kW, which was approved by the DOJ. This transaction indicates that the assets were sold at a significant price.

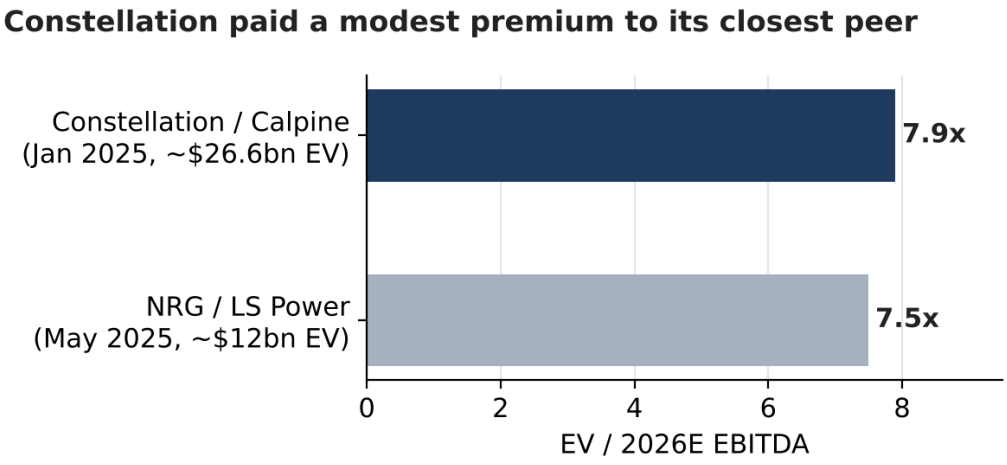


Figure 2. EV / 2026E EBITDA, Constellation/Calpine vs NRG/LS Power. Source: Constellation and NRG deal announcements.

Risks & Challenges

The main integration risks relate to the significant difference between the two companies. One is a nuclear company based in Baltimore and the other is a gas and geothermal company based in Houston that was previously owned by a private equity firm. Calpine has 79 power plants with over 27GW of capacity. Integrating the trading, safety and operating functions across this large number of assets will be a challenge. There is also a potential for a repositioning of Constellation's renewable energy strategy due to the addition of a large number of gas assets.

There were also antitrust and regulatory risks. The DOJ proposed that the transaction could have increased electricity rates by over $100m annually in PJM and ERCOT. As a condition for approval, six plants and a minority interest in a seventh were required to be sold. Constellation was also required to divest these assets post transaction. As of March 2026, the remaining asset not yet sold was the Jack Fusco plant in Texas. There is also political intervention risk: PJM has already imposed a cap on capacity payments in response to rate increases and additional intervention could occur, which would cap the revenue potential of the combined company.

A large portion of the investment rationale relies on the growth of data centers. A slowdown in AI spending or the move by technology companies to generate their own power could result in a shortfall in the level of earnings accretion achieved. Constellation will also be exposed to the price of natural gas with the addition of Calpine's gas plants. The $12.7bn of net debt assumed in the transaction also presents execution risk in a market downturn.

Outlook

Increased competition will likely drive increased consolidation. Constellation has become the largest power company in the US. Competitors like Vistra and NRG (who have doubled their generation via the LS Power transaction) now have incentives to add more flexible gas generation and scale. There will also be increased competition for long-term data center contracts as competitors attempt to replicate Constellation's deals with Meta and Microsoft.

Transactions to watch: completion of the remaining DOJ divestitures (the Jack Fusco plant in Texas and the $5bn deal for PJM generating units to LS Power); Constellation's 2026 earnings and realisation of the promised >20% EPS improvement; the start of Constellation's 20-year deal with Meta in June 2027; and the upcoming PJM capacity auction without a price cap. This auction will provide insight into the ability of the combined portfolio to generate revenue.

Constellation has acquired Calpine's geothermal and gas generation along with its customer base of approximately 2.5 million commercial and residential customers. Constellation owns its nuclear generating units. The combined company has a total capacity of 55GW. Constellation maintains a large operation in Houston and its corporate office remains in Baltimore. Constellation has a larger stake in higher growth markets such as California and Texas. Constellation provides both flexible generation to meet peak demand and reliable carbon-free baseload power. This is well suited to the increased demand from data centers.

Analyst Commentary

I like this deal at a reasonable price. The power plants have more value as the demand for power in data centers is outpacing the construction of new power plants. With demand for power rising faster than new power plants can be constructed, existing power plants are more sought after. Constellation acquired a significant number of these power plants in Calpine at 7.9x EV/EBITDA, compared with 7.5x for NRG in the prior transaction involving similar power plants. This indicates that Constellation is not overpaying for the power plants.

Combining nuclear baseload with flexible gas generation provides reliable 24/7 power for data centres. Regulatory intervention is the key risk: PJM has capped electricity prices before, and further restrictions could limit profits even if power demand continues to grow.

Analyst: Thapanapong Sripakho
Sector: Asia

Nippon Paint to Acquire AkzoNobel's Decorative Paints Businesses in Southeast Asia and Australia

Overview

Metric	Value
Acquirer	Nippon Paint Holding Co. (TYO:4612)
Target	AkzoNobel N.V. (AMS: AKZA)
Asset	Decorative Paints businesses in Vietnam, Indonesia, Malaysia, Thailand, Singapore, Papua New Guinea and Australia.
Announced Date	October 5th, 2026
Expected Completion	Mid-2027; Indonesia separately in late 2026
Enterprise value	$1.35 billion (EUR 1.20 billion)
EV/EBITDA	21x FY2025(AkzoNobel); c.16x FY2026E (Nippon)
Deal type	Cash acquisition; share acquisitions and business transfers (Indonesia JV,100%, as a separate transection)
Financing	Bank borrowings and cash on hand; no new equity issued
Net cash proceeds to seller	$1 billion (EUR 0.9 billion) after tax and payments to minority partners

AkzoNobel completes its exit from Asian decorative paints at a full price of $1.35 billion (¥216 billion) and can now focus on the Axalta merger. Nippon Paint adds scale in the region as it is old player in Asia-pacific, in opposite AkzoNobel is some part of the market. It is better that AkzoNobel focuses on merger deal with Axalta. However, Nippon pays 21x FY2025 EBITDA, implied by its earlier non-binding proposals for the wider decorative business, for assets whose 2025 sales and EBITDA fell year on year.

Strategic Rationale

For AkzoNobel
This decision by AkzoNobel marks the final formal step in the allocation of its decorative paints business portfolio in Southeast Asia. Following the earlier sales of its India business

($1.6 billion, completed December 2025) and Pakistan business $ 55 million. The disposal would follow through on an earlier pledge by AkzoNobel chief executive Grégoire PouxGuillaume to withdraw from peripheral markets in south-east Asia where the company is not a market leader. In addition, KBC Securities mentioned that this deal is complete exit from Southeast Asia. Moreover, AkzoNobel announced that the company will focus on closing its merger with Axalta deal. The disposal, valued at approximately $1.35 billion, represents only around 4-5% of the combined enterprise value of the AkzoNobel-Axalta merger ($25billion), the simpler portfolio supports that transition.

For Nippon Paint

Nippon Paint will hold the largest market share of architectural paints in Asia after the acquisition complete (34 percent in southeast Asia). This Acquisition will help strengthen its Asia-Pacific Business foundations by getting more market cap than in the past. However, Nippon Paint will continue to use the Dulux brand in seven countries such as Vietnam, Indonesia, Malaysia, Thailand, Singapore, Papua New Guinea and Australia, which preserves brand recognition with local customers.

AkzoNobel’s employees have described the Dulux brand to retaintly a high degree of quality, which Nippon has stated it aim to maintain this standard of quality whilst integrating it with its business and combine them with its own local businesses. This is a bolt-on that secures part of what Nippon did not win through the larger approaches, at a time when integration capacity is the limiting factor.

Market Context

How the deal came about

Date	Event
Nov 2025	AkzoNobel and Axalta announce an all-stock merger of equals (combined enterprise value about $25 billion).
Dec 2025	AkzoNobel completes sale of its India business ($1.6 billion).
Apr 2026	AkzoNobel completes sale of its Pakistan business to the Packages Group (about $ 55-58 million, 14x EV/EBITDA).
Apr 2026	Nippon Paint and Sherwin-Williams jointly bid for all AkzoNobel shares (about $14.6 billion); AkzoNobel rejects it.
Jun 2026	Nippon and Sherwin-Williams withdraw the public offer. AkzoNobel's F-4 for the Axalta merger becomes effective (23 June).
Jul 2026	AkzoNobel confirms receiving non-binding Nippon proposals for all Decorative Paints (indicative EV $8.44 billion/€7.5 billion); boards say it undervalues the business.
Aug 2026	AkzoNobel shareholder meeting on the Axalta merger (5 August); shareholders approve the allshare merger.
Oct 2026	Binding agreements signed for the Southeast Asia sale to Nippon at $1.35 billion.

Context Points

Sector consolidation: The series of bid shows strong buyer appetite for AkzoNobel's decorative business, even though this deal covers a much smaller scope than Nippon first targeted. The Nippon paint wants to be leader in southeast Asia, this is the main reason why it pursues to buy decorative business from AkzoNobel.

AkzoNobel's reorganisation: Under the merger term, Axalta shareholders receive 0.6539 AkzoNobel shares per Axalta share. AkzoNobel shareholders will own ~ 55% of the combined company and Axalta ~45%. It AkzoNobel plans to play a special dividend of $2.8 billion (EUR 2.5 billion), with closing expected between late 2026 and early 2027. In addition, there is termination fee 150 million Euro.

Deal Structure and Financials

Transaction terms

Item	Detail
Perimeter	AkzoNobel Decorative Paints in seven countries (Vietnam, Indonesia, Malaysia, Thailand, Singapore, Papua New Guinea, Australia). Includes the Dulux paints business in Indonesia.
Net proceeds	About $1 billion (EUR 0.9 billion) after tax and payments to minority partners.
Buyer funding	Nippon Paint's cash on hand plus loans from financial institutions
Timing	Mid-2027 for the bulk; Indonesia separately in late 2026
Conditions	Customary closing conditions, including regulatory approvals
Seller counsel	Baker McKenzie (described the transaction as highly complex and multi-jurisdictional)
Not disclosed	Payment structure, price adjustments, and the terms of Dulux brand use after closing

Nippon subsidiaries uy each unit

Business/country	Acquirer
Vietnam	Nippon Paint Singapore Pte. Ltd.
Singapore	Nippon Paint Singapore Pte. Ltd.
Malaysia	Nippon Paint (Malaysia) Sdn Bhd. Ltd.
Indonesia	Nippon Paint (H.K.) Co., Ltd.
Thailand	Nippon Paint Decorative Coatings (Thailand) Co., Ltd.
Australia	Dulux Group Limited.
Papua New Gini	Dulux Group Limited.

Valuation and busine ss metrics

Metric	Figure	Source / note
EV / FY25 EBITDA	21x	AkzoNobel
EV / FY26E EBITDA	About 16x	Nippon Paint investor presentation
FY24 sales	About $299 million	Nippon presentation, reported; below prior year
FY25 sales	About $291 million	Nippon presentation, reported; below prior year
FY24 EBITDA	About $ 69 million	Nippon presentation, reported; below prior year
FY25 EBITDA	About $65 million	Nippon presentation, reported; below prior year
FY26E revenue	About $330million	Nippon projection
FY26E EBITDA margin	About 26%	Nippon projection

Sanity check: $65 million EBITDA against $1.35 billion is about 20.8x, and $330 million x 26% gives about $86 million, or about 15.7x. Nippon valuation depends on a significant recovery in profitability. EBITDA is projected to increase from approximately $ 65 million in FY25 to $86 million in FY26, representing growth of around 32%. Combined with projected revenue growth from approximately $291 million to $330 million, the EBITDA margin is expected to rise from around 22% to 26%. This recovery is a key assumption underpinning the acquisition valuation and may not be achieved it demand, pricing or integration benefits fall short of expectations.

Valuation benchmark

Transaction	Multiple (EV/EBITDA)	Comment
Nippon's indicative offer for the whole Decorative Paints business (EUR 7.5 billion)	About 11.5x FY25	Rejected by AkzoNobel as undervaluing the business
Nippon Paint acquisition of Dulux Group (Australia & New Zealand, $2.9 billion EV)	16.1x FY18	Completed
Southeast Asia sale to Nippon ($1.35 billion)	21x FY25 / about 16x FY26E	This deal

The regional price is far above the multiple implied in the broader bid. That fits a buyer paying up for specific brands it wants, betting that integration savings and a 2026 recovery make the maths work. At the current transection value, Nippon would need approximately $112 million in additional EBITDA, including synergies, to justify valuation of ~11.5x EV/EBITDA, or alternatively reduce the purchase price by approximately $3.1 billion, assuming FY26 EBITDA remains unchanged.

Market Reaction

AkzoNobel’s price immediately rose 2.5 percent after news announced. Nippon Paint shares also rose on the news, reflecting the market’s view that both parties benefited from the transaction terms.

Risks & Challenges

Nippon’s risk

Paying 21x EBITDA for a business whose sales and EBITDA fell in 2025 relies on a recovery to a 26% margin and on synergies, and procedure in Asia-Pacific might utilize timing and resources management of Nippon for long time because there are seven countries and two-time separate deals. Moreover, the sequent of Dulux brand management maximize complexity. Another thing that Nippon Paint already holds leading market positions in several Southeast Asian countries, meaning the acquisition could face regulatory scrutiny and potential approval delays due to increased market concentration. It also has currency risk that the acquisition increases exposure to Southeast Asian currencies (IDR, VND and THB), creating translation risk if these currencies depreciate against JPY and reduce reported earnings. Brand dependency is another risk: the business trades under Dulux, and the

branduse terms have not been disclosed, because the business conduct under Dulux brand that might have condition of using brand and permission ongoing brand.

AkzoNobel’s risk

Axalta dependency: the merger still needs regulatory approval, and a EUR 150m termination fee applies if either party walks away. Axalta’s merger deal has to wait regulatory approval and there is termination fee 150 million Euro if either party walks. This sale reduces portfolio complexity. However, the deal executes risk now centres on the Axalta deal. Proceeds leakage, net proceeds are about $350 million below headline EV, so the realised cash benefit is lower than the headline figure.

Outlook

Milestone	Expected timing	Key items to watch
Indonesia closing	Late 2026	Completion of closing conditions and receipt of proceeds
Axalta merger closing, incl. special dividend of $2.9 billion less 2026 dividends	Late 2026 to early 2027	Regulatory approval, final dividend amount and closing condition
Closing of the other six markets	Mid-2027	Local regulatory clearances, execution timing and any delays

Indonesia should close first, while the rest depends on regulatory clearances. Looking ahead, the FT reported that Nippon remains interested in a larger deal, although AkzoNobel says it has no plans to sell further decorative assets reaction was positive for AkzoNobel, then Nippon's next move. I expect integration of these assets to come first, with any renewed approach likely after the Axalta deal closes. Key items to watch: Indonesian completion, regulatory approvals in the larger market, delivery against Nippon Paint’s projections (approximately$330 million in revenue at a 26% EBITDA margin), and Axalta closing.

Analyst Commentary

The 21x EBITDA multiple is the deal's defining feature. It signals a strategic premium rather than a conventional financial investment. Nippon Paint is betting that long-term value comes from consolidating Asia-Pacific decorative paints, not simply short-term earnings. The acquisition adds the Dulux brand across Southeast Asia, expands manufacturing and R&D, deepens distribution and brings potential synergies in procurement, logistics and sales. Management expects EPS accretion from Year 1 and ROIC above WACC by Year 3, which would justify part of the premium if achieved. Nippon also expects an EBITDA recovery and a 26% margin in 2026, although these remain forecasts.

For AkzoNobel, this disposal accompanies its proposed merger with Axalta. Under the agreed exchange ratio, Axalta shareholders would receive 0.6539 AkzoNobel shares for each Axalta share. The combination is intended to create a larger global coatings company with wider technology capabilities and market reach. Selling its Southeast Asian decorative paints operations should let AkzoNobel concentrate on higher-return businesses, pay a special dividend and strengthen its long-term competitive position.

Analyst: Mitchel Burford
Sector: Consumer and retail

Weston Family's Acquisition of Boots

Overview
On 7 October 2026, the Weston Family, through Wittington, and Fairfax announced an agreement to acquire 100% of Boots UK Ltd. The transaction values the pharmacy and health-and-beauty retailer at $8.9bn, including assumed debt and liabilities. Fairfax is providing equity alongside the Westons, while the Weston Family will lead the business operationally.

Metric	Value
Acquirer	Weston Family / Wittington and Fairfax Financial
Target	Boots UK Ltd. (pharmacy and retail)
Deal Type	100% acquisition
Announced Date	7 October 2026
Advisers	Weston family: Skadden (legal); CIBC and Morgan Stanley (financial). Fairfax: A&O Shearman (legal); CIBC and Morgan Stanley (financial). Boots: David Polk (legal); UBS and Rothschilds (financial).
Enterprise Value	$8.9bn
Equity Value	$4.6bn, with $4.3bn assumed debt and liabilities
Headline Premium	Not disclosed
Financing	Fairfax provides $2.3bn equity for 50% ownership

Strategic Rationale
The acquisition centres on portfolio and commercial synergies between Boots and Shoppers Drug
Mart, which is already owned by the Weston Family in Canada. Boots' own brands, particularly No7 Beauty and Soap & Glory, are already sold through Canadian stores. Joint product development, supplier relationships and marketing could lower costs and improve margins while making those brands more prominent in Canada.

Boots and Shoppers Drug Mart operate in similar areas of pharmacy, healthcare, beauty and convenience retail, but in different geographies. This overlap creates opportunities to share merchandising, product design and clinical practices without introducing direct competition between their existing store networks. Although Boots stores are unlikely to open in Canada,

Shoppers Drug Mart may adopt parts of Boots' merchandising and store presentation. The transaction also marks a return to the British high street for the Weston Family, which previously owned Selfridges before selling it four years ago.

The potential operating synergies go beyond distributing the same products through two chains. Shared product-development teams could eliminate duplicated work on Boots' beauty ranges, while joint global marketing may improve the visibility of No7 and Soap & Glory. Closer supplier relationships could also let both groups respond faster to changes in demand and consumer preferences. The analyst expects these initiatives to improve unit economics and the resilience of product margins, rather than requiring a wholesale change to either company's established retail identity.

For the acquirer, Boots supports a longer-term goal of integrating pharmacy and retail operations internationally. Boots has an established UK high-street footprint, strong consumer recognition and activities ranging from medicines to food and convenience. Cross-selling could work in both directions: Boots' products can reach more Canadian consumers, while successful Shoppers Drug Mart merchandise could be introduced into the UK.

Management also has an opportunity to address underinvestment in Boots' stores and infrastructure. The report notes that Boots passed from Walgreens to Sycamore Partners in late 2025 and is now set to change hands again. A possible London IPO was abandoned in favour of a direct sale, which offered Sycamore an exit amid high rates and weak conditions for refinancing and public listings. The Weston Family aims to modernise store interiors, lighting and service to support sales and margins. The analyst estimates that, with 5% additional sales growth, Boots could approach £9bn of revenue by 2029; at a 7% margin, operating profit could rise towards £470m compared with just under £350m in 2025. These are illustrative expectations rather than announced synergies.

The author believes modernisation is particularly important because repeated ownership changes have left significant scope for improving the customer experience. The potential upside comes from better store infrastructure and presentation as well as adding successful Canadian products to Boots' UK shelves. Store refurbishment carries an upfront cost, so sales and operating-profit improvements should be assessed against the capital needed to achieve them. The forecast of around £9bn revenue is conditional on the analyst's growth assumption, not a guaranteed outcome.

Market Context

High interest rates make the debt-funded element of the acquisition more expensive, but Fairfax's
$2.3bn equity contribution reduces the capital that the Weston Family must provide. The investment is presented as a long-term expansion rather than a short-term financial trade. Its returns will depend on whether improvements in stores, product development and operations outweigh financing costs.

Private-equity and overseas investors have increasingly targeted established British retailers with recognisable brands, loyal customers and opportunities for operational improvement. The report places Boots alongside other high-street ownership changes, and argues that investors in pharmacy are drawn to consolidation, technology, specialist services and operating efficiencies. High borrowing costs, pressure on margins and regulatory oversight mean that value creation must extend beyond leverage or cost reductions.

Boots also sits at the intersection of healthcare and discretionary retail. It relies on repeat pharmacy visits, but beauty and convenience purchases are more exposed to changes in consumer spending. The report observes that borrowers and retailers alike face pressure from elevated interest rates. This makes it important for the new owners to increase organic sales, preserve cash generation and fund investment from operating performance rather than rely solely on financial engineering. Long holding periods may make this approach more realistic, but do not remove the need to earn an adequate return on the $8.9bn purchase price.

Changes in the UK community-pharmacy market could also support Boots. The report highlights an additional £340m of funding announced in May 2026 and the growing role of pharmacies in community healthcare. Additional services can differentiate Boots from beauty-only retailers, although staff training and capacity will require investment.

Sigma Healthcare had been discussed as another potential buyer after expanding into the UK through a joint venture with GreenLight Healthcare, but withdrew from talks in June 2026. The report notes a 4.5% fall in Sigma's share price after its interest was disclosed.

Expanded community-pharmacy roles may encompass minor-ailment advice, vaccinations, chronic-disease management and newer treatment programmes such as weight-loss services. The ability to share expertise and dispensing technology between Canada and the UK could improve service consistency and efficiency. The opportunity nevertheless comes with implementation costs, particularly if Boots must train more clinical staff to meet demand. Reliable medicines supply and relationships with international pharmaceutical manufacturers, including those mentioned in the source report, will remain important to customer access and service quality.

The combination is notable because Boots and Shoppers Drug Mart are two large pharmacy operators on opposite sides of the Atlantic. Both businesses could share lessons in vaccinations, minor-ailment consultations, chronic-disease services, weight-loss programmes, dispensing technology and medicine procurement. Greater collaboration with manufacturers could improve sourcing and access to new treatments. Fairfax would hold 50% of the equity, yet operational control would remain with the Weston Family and Galen Weston as chairman, reflecting its retail and pharmacy experience.

Deal Structure and Financials

The transaction has a stated enterprise value of $8.9bn, comprising $4.6bn of equity and approximately $4.3bn of assumed debt and liabilities. Fairfax is providing $2.3bn in equity for a 50% ownership interest, with Wittington and the Weston Family retaining operational control. The report describes the transaction as leverage-neutral, with existing loans retained. No quantified cost, revenue or operational synergy target has been disclosed.

This structure makes the distinction between ownership and management especially important:

Fairfax is participating as a financial investor with an equal economic stake, while Wittington and the Weston Family bring the operational experience and decision-making role. The report regards that division as a distinctive feature of the deal. It will be important to see whether equal ownership alongside unequal operational responsibilities can support swift investment decisions, clear governance and an effective long-term exit strategy. The absence of disclosed synergy estimates also makes management's subsequent execution harder to benchmark against the acquisition case.

At around 9.0x EV/EBITDA, the price is high relative to the analyst's indicative 4.0-6.5x range for a mature regional pharmacy retailer. An EV/Sales ratio of 1.2x likewise exceeds the 0.4-0.7x range cited in the report for comparable pharmacy retailers. These premiums suggest that the buyers are paying for a leading brand, customer loyalty, distribution and operational upside rather than simply existing growth. Returns therefore depend on realising that upside.

Risks & Challenges

Integration risk appears manageable given the overlap in retail and pharmacy operations, but Boots will still face changes in ownership and governance. New management practices may not be welcomed uniformly by store teams. Processes that work in Canadian pharmacies may be less suitable in Britain because of differences in staff duties, training, regulation and equipment. Piloting changes in a small number of UK stores before a wider rollout would reduce execution risk.

The analyst expects comparatively limited horizontal antitrust concerns because the Weston Family's existing pharmacy retail interests are based mainly in Canada, not the UK. Concentration concerns should therefore be lower than in a merger between major domestic competitors. The report also notes that a purchase limited to Boots' UK and Irish operations avoids the need to acquire separate overseas businesses, such as Farmacias Benavides in Mexico or Healthcare Deutschland in Germany. UK regulatory clearance remains a key condition to monitor.

Operational integration must also accommodate differences between the healthcare systems in the two countries. A service model used by Shoppers Drug Mart may require different staff qualifications or more equipment in Boots locations. Simply importing the Canadian model could therefore increase expense without producing the same benefits. Carefully designed trials would help compare performance, operating costs and customer responses before national expansion. The new chairman's decisions about priorities and staffing will also matter to the retention of experienced store managers and pharmacists.

Funding remains an important risk. An increase in floating borrowing rates would raise interest costs on the debt and liabilities associated with the purchase and could reduce cash available for store refurbishment. Inflation could also increase wages, energy and other operating expenses. If Boots cannot pass higher costs to customers, margins will suffer; if household real incomes fall, discretionary spending on beauty and retail products may weaken. Both outcomes could delay the planned upgrades and reduce the return on the acquisition.

Outlook

Superdrug is a major UK competitor and may respond with stronger loyalty-card offers, personalised discounts and promotions to defend its customers. Boots can likewise use its Advantage Card and refreshed product offering to attract shoppers. However, a prolonged price war would undermine retail margins even if sales volumes improved.

A stronger loyalty proposition will not necessarily mean higher earnings. Both retailers could increase discounts to defend market share, putting pressure on gross margins just as Boots needs cash for refurbishment. Differentiation through pharmacy services, established private-label beauty ranges and a better in-store experience may therefore be more sustainable than trying to win a price war.

Any success should be evaluated through customer retention and profitability, not simply transaction volumes or headline store traffic.

The immediate milestones are UK competition clearance and the expected first-quarter 2027 closing. After completion, investors should monitor the company's commitment to avoiding significant redundancies, maintaining pension arrangements, improving customer service and funding store refurbishment. The size and effectiveness of that capital expenditure will be critical to the investment case.

Boots is expected to continue operating as a standalone UK health, beauty and pharmacy retailer.
The Westons may gain opportunities to distribute Boots' No7 and Soap & Glory products across
Canada through Shoppers Drug Mart, while drawing on Canadian operating expertise. Since Boots is privately held, there is no listed Boots share price to assess as an immediate market reaction. The central question will be whether operational control and equal equity ownership create an effective partnership.

Analyst Commentary
In my view, this acquisition has a strong chance of success because the two retailers share expertise in pharmaceuticals, beauty and convenience retail while serving different markets. The Weston Family's history in British retail, including its former ownership of Selfridges, should help its understanding of the UK high street and reduce the risks of entering an unfamiliar sector.

I do not expect the purchase to transform competitive concentration in either the Canadian or British markets, as the acquirer is primarily expanding geographically. Established retailers such as Superdrug have loyal customer bases and will remain serious competitors. The investment case rests instead on making Boots' stores more attractive, expanding the reach of its own brands and improving operating performance. Those benefits are plausible, but the high valuation and financing costs make disciplined execution essential.

Author: Hassan Kamran

Learning Corner: Walk Me Through a DCF

"Walk me through a DCF" is one of the most common technical questions in finance interviews. Last edition showed why cash matters more than profit. A DCF is how we turn that idea into a valuation.

What is a DCF?

A discounted cash flow (DCF) values a company by adding up all the cash it is expected to make in future, then adjusting it for the fact that money tomorrow is worth less than money today. Think of it like this: would you rather have £100 now or £100 in five years? Now, because you could invest it and it would grow. A DCF applies that logic to a whole business.

The 4 steps: Cash in, Risk rate, Forever value, Equity out

1. Cash in: forecast the cash. Estimate how much spare cash the business will generate each year for the next five to ten years, after paying tax, running costs and investing in the business. This is called free cash flow.
2. Risk rate: choose a discount rate. This is the return investors demand for taking the risk of owning the business, called WACC (weighted average cost of capital). The riskier the business, the higher the rate, and the less future cash is worth today.
3. Forever value: add the terminal value. A business doesn't end after year five, so we add one lump sum for all the cash it makes beyond the forecast. The usual method assumes the cash grows at a small, steady rate each year (in the UK, around 2%, in line with the Bank of England's inflation target).
4. Equity out: discount and subtract debt. Convert every future cash amount into today's money using the discount rate. The total is the enterprise value, the value of the whole business. Subtract net debt (what it owes minus the cash it holds) and what's left belongs to shareholders. That is the equity value.

A quick example (£m). A company makes cash of 100, 108, 116, 124 and 132 over five years, with a discount rate of 9% and growth of 2% after that.

Year	Cash flow (£m)	Discount factor	Worth today (£m)
1	£100	0.917	£91.7
2	£108	0.842	£90.9
3	£116	0.772	£89.6
4	£124	0.708	£87.8
5	£132	0.650	£85.8
Total			**£445.9**

Discount factor = 1 ÷ (1 + discount rate) for each year you wait

- The five years of cash are worth **£445.9m** in today's money.
- Everything after year 5 is the terminal value and its calculated the following Terminal value: £132m × 1.02 ÷ (9% − 2%) = £1,923m, which is £1,250m in today's money (× 0.650)
- Together that gives an enterprise value of about **£1,696m**.

- Take away net debt of £300m and the equity value is about **£1,396m**, or roughly **£13.96 per share** with 100m shares.

What to say in the interview

"A DCF values a company on the cash it will generate in future, discounted back to today. I forecast the free cash flow, discount it at the company's WACC to reflect risk, add a terminal value for the years beyond the forecast, then subtract net debt to get equity value. I'd also test how the answer changes if my assumptions change."

Two follow-ups to expect

- **What if the discount rate goes up?** The value falls, because future cash is worth less today.
- **What is the main weakness?** The result depends heavily on assumptions. In our example, about 74% of the value comes from the terminal value, so a small change in growth or the discount rate moves the answer a lot.

Key takeaway: DCF is only as good as its assumptions. Showing you would stress test them tells the interviewer you understand how it works, not just the steps.

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