

# BOW Finance Newsletter

November 18th, 2020  
Issue V

## M&A: Callaway to acquire Topgolf



**Type of deal:** M&A

**Industry:** Consumer/Retail

**Acquirer:** Callaway Golf Company (Ticker: ELY) (Stock Price as of 11/17/2020: US \$18.12)

**Target:** Topgolf

**Underwriters:** Callaway: Goldman Sachs; Topgolf: Morgan Stanley and J.P. Morgan

**Time Announced:** October 2020

**Time Closed:** Expected Early 2021

**Purchase Price:** \$2 billion

### About Callaway:

Callaway is a prominent golf attire and equipment company. Led by CEO Chip Brewer, Callaway has established itself as a provider of the highest quality golf clubs and clothing. To broaden its inventory and decrease competition, Callaway has already acquired Odyssey, OGIO, TravisMathew, and Jack Wolfskin.

### About Topgolf:

Under CEO Dolf Berle, Topgolf has transformed the golf entertainment industry with innovative technology and an enticing social scene. By appealing to everyone from first-time players to golf enthusiasts, Topgolf's consumer base is extraordinary in size. In addition to its own digital platforms, Topgolf utilizes the Toptracer framework. Toptracer provides users with in-depth analysis of any swing, thereby enhancing the Topgolf virtual reality.

### Rationale/Discussion

- Prior Relationship**
  - The pre-existing relationship between Callaway and Topgolf has provided a solid foundation for the future of this merger. In addition to Callaway owning approximately 14% of Topgolf, CEO Chip Brewer has been on the board of Topgolf since 2012. Such pre-existing familiarity will allow Callaway to best navigate the newly acquired company and ease the tension of meshing two companies' cultures together.
- Room for Growth**
  - While there are currently about 60 Topgolf locations, company leaders see the potential for about 400 additional venues after the merger. Additionally, over half of the Topgolf consumer base are "non-golfers," indicating that they play golf less than twice a year. Of those individuals, however, about half claim that they will play more often in the coming year on a physical course. With Callaway's recent acquisition, many of these new golfers will likely turn to Callaway for their equipment and attire. Additionally, such individuals may be incentivized to utilize Topgolf facilities even more in order to improve their game.
- Merging Sectors**
  - By transitioning operations from just the equipment/retail sector to the service sector as well, this merger is expected to double Callaway's growth. This acquisition will combine the financial stability of Callaway with the technology-driven growth potential of Topgolf. By selling Callaway products at Topgolf venues, Callaway will broaden their consumer base. Specifically, they will likely be able to extend their sales to more "non-golfers."

## M&A: Inspire Brands to acquire Dunkin' Donuts



**Type of deal:** M&A

**Industry:** Fast-Food & Quick-Service Restaurants Industry

**Acquirer:** Inspire Brands, Inc. (Private)

**Target:** Dunkin' Brands Group, Inc. (NASDAQ: DNKN) (Stock price as of 11/14/20: \$106.13)

**Time Announced:** October 25, 2020

**Time Closed:** Expected to close by the end of 2020

**Purchase Price:** \$11.3 billion (\$106.50 per share in cash - a nearly 20% premium over Dunkin's closing price on Oct 23)

**Advisors:** Barclays is serving as financial advisor to Inspire. Paul, Weiss, Rifkind, Wharton & Garrison LLP is serving as its legal counsel. BofA Securities, Inc. is serving as exclusive financial advisor to Dunkin' Brands. Ropes & Gray LLP is serving as its legal counsel.

**About Inspire Brands:** Inspire Brands is a multi-brand restaurant company whose current portfolio includes more than 11,000 Arby's, Buffalo Wild Wings, SONIC Drive-In, Rusty Taco, and Jimmy John's restaurants worldwide. The company was founded in 2018 and is headquartered in Atlanta, Georgia. Inspire is majority-owned by affiliates of Roark Capital.

**About Dunkin' Brands:** Dunkin' Brands Group, Inc. is one of the world's leading franchisors of quick-service restaurants (QSR) serving hot and cold coffee and baked goods as well as hard-serve ice cream. The franchisor owns 12,500 Dunkin' restaurants and almost 8,000 Baskin-Robbins restaurants in more than 60 countries worldwide. Dunkin' Brands Group, Inc. is headquartered in Canton, Mass.

### Discussion:

The deal is the second-largest in the restaurant sector in the last 10 years since Tim Hortons was acquired by Restaurant Brands International Inc. in 2014 for around \$14.6 billion. The acquisition will nearly triple Inspire's store footprint by bringing both Dunkin' Donuts and Baskin Robbins into the fold, making it the fifth-largest restaurant operator in the world. The large scale will better position Inspire to share resources across its many brands, including technology, marketing, franchisee relations, and corporate overhead.

Dunkin' is the only national and non-premium priced coffee brand in the U.S. The coronavirus pandemic and its disruption of coffee drinkers' usual routines have hurt Dunkin's sales, sending same-store sales in the U.S. down 18.7% in the second quarter of 2020. However, Dunkin recovered somewhat in Q3 by promoting its drive-throughs, keeping up with consumer trends, including more Starbucks-like coffee offerings, and a partnership with TikTok star Charli D'Amelio. Shares of Dunkin' surged 15% the Monday after the deal was announced. As consumers get back to their old routines after the pandemic is over and the chain's drive-throughs remain attractive, Inspire is likely to see untapped unit growth potential for both Dunkin' and Baskin in the U.S. and globally.

## Market Updates

### How Presidential Elections have affected Markets in the Past

Based on data from the past 90 years of election cycles, both stock and bond markets showed worse performance in the year leading up to a presidential election on average. In any given 12-month period, the analysts saw equities generally providing gains of about 8.5%, but in the year leading up to an election, **gains totaled less than 6%**.

After elections, it does not make much difference which party takes office, but it does matter whether the White House party control changes. Perhaps, because this election is extremely politicized, the markets may experience a more extreme reaction once the new president is elected. Historically, when the same president is re-elected or if the same party retains control of the White House, returns are slightly higher.

Because the Senate plays a key role in making changes, if Democrats take the Senate in the 2020 election, it may result in "short-term market impacts" because the Democratic Party would be in control of the White House, Senate, and House. The battle for the Senate is down to Georgia, where they will hold a run-off election for both of its seats.

### Election Day Market 2020

Markets rose on election day, suggesting optimism that there would be a clear winner. The Dow Jones industrial average closed the day up more than 550 points, just above 2 percent, at 27,480. The S&P 500 index closed up more than 1.8 percent at 3,369. The Nasdaq 100 rose 1.8 percent to **11,160**. They had their best weekly gains since April.

Even oil markets, which have been choppy, were steady on Election Day. Brent Crude, the international oil benchmark, was trading up 2.67 percent at \$40.01 per barrel. West Texas Intermediate Crude, the U.S. oil benchmark, was trading up 2.8 percent at \$37.84 per barrel.

Presumably, the markets reflect a "hunger for change," and "Stocks are rallying today in hopes of a better tomorrow."

### Post Election Results Market

The results of the election were solidified on Saturday morning as Pennsylvania went Democratic. Various news outlets shared the news that Joe Biden and Kamala Harris won the White House. In many cities, there were parades and celebrations. The markets soared Monday morning. The S&P jumped more than 3.6% shortly after opening, and the DOW gained 5.3% to reach an all-time high. The election may have had an effect on the markets, but the election news was coupled with an early morning announcement by Pfizer regarding their Coronavirus vaccine.

It is impossible to know the specific reason why the markets progressed, but it is likely due to the promising Coronavirus news. Pfizer announced positive progress regarding their vaccine, sending optimistic shockwaves through the market. Stay-at-home stocks, such as Peloton (-20%), Zoom (-17%), Etsy (-17%), and Clorox (-11%), plummeted while travel, entertainment, and real estate industries reacted well. Carnival Corp rose 39%, and AMC Theaters jumped 51%, for example.

## Advice Column: What I Wish I Knew

Advice from upperclassmen who have been through the finance recruitment process

- In order to prepare for interviews, make sure to surround yourself with current events and deals in the pipeline. Beyond reading this newsletter, we suggest the following resources for acquiring information (in a fun and digestible manner!)
  - Snacks Daily** podcast (incredibly fun to listen to)
  - Axios newsletters** (they have several different options for the type of newsletter, Pro Rata with Dan Primack has helped me the most in interviews)
  - Morning Brew** newsletter (current events and deals)
  - CNBC (for current events and opinions)
  - "Alexa, tell me what's going on in the news" (my personal favorite)



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