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BOW Finance Newsletter 2019-2020 Issue 2

Signify to acquire Cooper Lighting Solutions

Investment Banking:



Acquirer description: Signify is a Dutch-based lighting company. This is Signify's

Industry: Energy

Sachs)

largest deal since the company's spin-off from Philips Lighting in 2016.

Acquirer: Signify (LIGHT, €24.56; advisor: Lazard)

 Target description: Cooper Lighting Solutions is a U.S. firm based in Peachtree City, GA. They sell professional lighting under several brands, such as Corelite, Halo, McGraw-Edison, and Metalux.

Target: Cooper Lighting Solutions from Eaton Corp. (ETN, \$81.41; advisor: Goldman

Time announced: October 15th, 2019

Time closed: the First quarter of 2020 Purchase price: USD \$1.4 billion in cash

1. Strengthen North American presence: Signify acquired Cooper Lighting Solutions in order to increase its presence in North America. Signify is known as the No. 2 player in the global professional lighting market, so acquiring Cooper will help the company boost its position internationally. Acquiring Cooper will also allow Signify to

better compete with North American rivals. According to Signify's CFO Stephane Rougeot, the goal of the deal was to "get a much stronger market position in North

markets.

Acquisition Rationale:

for cost savings in the years after the deal. The company recently announced that the deal will lead to cost savings of over \$60mm annually within the next three years. Signify also stated that the acquisition will add to earnings per share in the first year for stock-holders. After this announcement, Signify shares rose 4.6% to 25 EUR. 3. Increase potential for success: By acquiring Cooper, Signify will benefit from a larger pool of employees with innovative ideas for the future. As a result of North America's growing conversion to LED lighting, the demand for the lighting systems that Signify and Cooper produce is increasing. Signify owning Cooper while allowing

the two front offices to function separately will produce more revenue than if Signify

was attempting to capture the North American market on its own. Acquiring Cooper

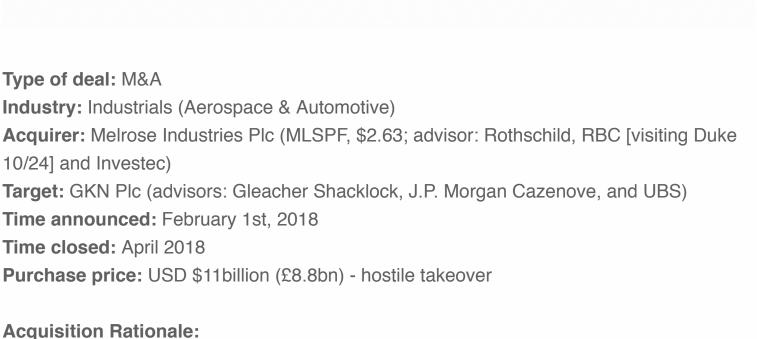
gave Signify access to another successful company; thus, Signify's manpower and

America." While Cooper will not add any new capabilities to Signify's portfolio, the

deal will likely accomplish Signify's goal of increasing its access to North American

2. Cost savings: Signify's acquisition of Cooper was likely influenced by the potential

brainpower multiplied, and their ability to offer North American consumers competitive goods increased. **Investment Banking: Melrose Industries Acquired GKN**



1. Cost savings: Melrose Industries said it would reduce £200mm in costs by

2. **Synergies**: Historically, Melrose has specialized in buying underperforming

offloading one of GKN's businesses that supply gearboxes for agricultural and

towards plugging a deficit in the GKN pension scheme. The rest will be used to pay

engineering or manufacturing businesses with the goal of increasing profitability

before selling them on. For GKN, both divisions had already been designated as not

mining vehicles, as well as by selling its minority stake in a Belgian aerospace supplier. Ten percent of the net £200mm proceeds from the disposals will go

products.

down some of Melrose's debt.

This deal's impact on RBC (visiting Duke 10/24):

Melrose

core and earmarked for sale under GKN's failed takeover defense strategy. 3. **Background on defense spending and aerospace**: The turning point for global defense spending is expected soon, as many governments seek to increase purchases in response to strong geopolitical tensions. Despite a stagnation across the US, UK, and Eurozone market in the recent past, the output measured by net production value in the aerospace industry is projected to experience an expansion of 3% this year according to the research firm Oxford Economics. Drivers of such expansion are to be recognized in increased order backlogs, low fuel costs,

passenger growth and strong momentum in world trade. Therefore, this acquisition

proves valuable to Melrose as we are noticing an uptick in the demand for its

The Melrose deal marked a milestone in RBCCM's journey from niche bit-part player in European investment banking to a mainstream adviser. This deal serves as a case study in how a relatively unknown bank patiently built a reputation with a client which ultimately trusted it with its biggest-ever deal. **Markets Market Updates:** While U.S. bonds decline, U.S. stocks approach record highs alongside this week's

generally positive earnings reports and increased optimism surrounding a potential Brexit

deal. However, a Commerce Department report announcing a drop in September U.S.

retail sales for the first time in seven months indicates a broader economic warning sign

potentially caused by a weak manufacturing sector. This news increases the likelihood of

by strong consumer spending. Prior to Thursday, the strength of the dollar has helped to

currency helps commodities as assets priced in dollars are cheaper to overseas buyers.

United Auto Workers (UAW) began a strike against General Motors on

September 16th which has since involved over 50,000 workers and shut down over 30

beginning of the strike, GM stock has dropped about 5%, while strike-related costs total to

related to luxurious spending by senior union officials. The strike may finally be reaching its

U.S. factories. The union is seeking to raise pay for entry-level workers, preserve

affordable healthcare, introduce profit sharing, and maintain job security. Since the

around \$1.5 billion, 575,000 workers in the industry and related industries have been

affected, and \$222 million in tax revenue has been lost. The conflict has drawn further

attention due to a corruption scandal that has implicated UAW President Gary Jones

an October Fed rate cut and contributed to a decline in the U.S. dollar that has been driven

halt the rally of gold and silver and to keep energy prices lower. At the moment, the weaker

General Motors Strike: <u>Summary:</u>

end as GM and the UAW reached a tentative agreement on Wednesday, October 16 to be voted upon and ratified, though the strike will continue until then. It seems that the agreement will include the protection of healthcare at no higher cost for GM workers and bonuses of \$9,000 when the deal is approved. GM has also, in the lead up to this potential agreement, pledged to invest some \$7 billion in 8 U.S. plants and 5,400 manufacturing jobs. Economic & Market Implications: Since the beginning of the strike, General Motors has endured losses of about \$90 million a day, a \$4 billion decline in market cap, and an almost continuous fall in stock price until news of a potential resolution prompted the stock to rebound. However, the story of the GM strike, the first in 12 years, suggests broader implications for the economy. Not only has the strike skewed future reports on the health of the economy with an influx of lower payroll figures, higher unemployment, and more benefits filings, the effects of the strike are exacerbated by indicators of an economic slowdown. Manufacturing has officially

plunged into recession, accounting for only 10% of economic activity, as factories are

shrinking and layoffs are surging. President Trump's trade war with China, which has led to

excessive tariffs and a devalued Chines RMB (that lowers the price of Chinese exports and

therefore increases the price of other exports), only accelerates this decline in American

industry. More alarmingly, these struggles in manufacturing have spilled over to affect the

decline in retail sales took a hit (which also drove the latest decline in the strength of the

to cut interest rates yet again at the end of the month in an attempt to bolster spending.

Upcoming Campus Events and Deadlines

U.S. dollar). This group of indicators for an impending recession will likely prompt the Fed

transportation, warehousing, and, most recently, the retail sectors as the September

Upcoming Events: Oct 24, 6:30PM - RBC Capital Markets Info Session Oct 23, 6:30PM - Walmart eCommerce Info Session **Upcoming Deadlines:** Oct 31 - Point72 Future of Finance Mentorship Series; apply here Nov 15 - Girls Who Invest; apply here Rolling deadline: Ares Management (Product Management & Investor Relations teams in Private Equity, Credit, and Real Estate and public IR teams); apply here Evercore (Healthcare IBD intern in SF); contact Pranav Ganapathy (pg113@duke.edu) PIMCO (Account Analyst intern); apply here

Summit Partners (Growth Equity & Venture Capital intern); apply on Career

Principal Financial Group; apply here

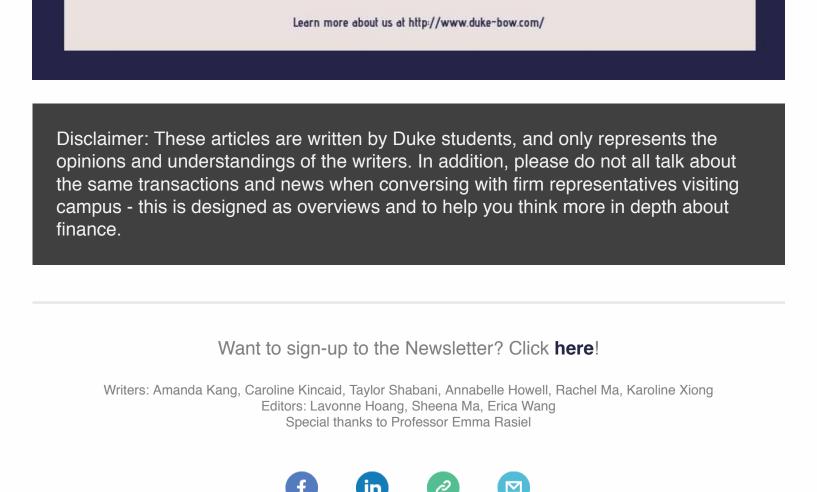
DUMAC (senior full-time position)

*Please check CareerConnections for more information

Connections

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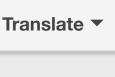
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