BOW Finance Newsletter

March 3rd, 2021
Issue VIII

M&A: AstraZeneca to Acquire Alexion

Type of Deal: M&A

Industry: Healthcare, Pharmaceuticals

Acquirer: AstraZeneca plc (NASDAQ: AZN) (Stock Price of AZN as of 3/01/21: US $49.09)

Target: Alexion Pharmaceuticals Inc. (NASDAQ: ALXN) (Stock Price of ALXN as of 3/01/21: US $151.97)

Time announced: December 12, 2020

Intended closing: Q3, 2021

Purchase Price: US $39 Billion (US $175 per share)

Industry Overview: AstraZeneca is a Cambridge, UK based drugmaker with a robust oncology portfolio of promising cancer drugs such as Enhertu for breast cancer, Tagrisso and Lynparza. It's market cap is US $137.7 billion, and the company's recent success with its affordable COVID-19 vaccine has further strengthened its credible reputation. AstraZeneca's target, Alexion, is a US based biotech firm with a focus on rare immune disease treatments, which target a comparatively narrow pool of users.

Acquisition Rationale & Analysis:

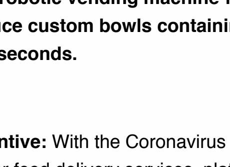
1. **Diversification of Research Areas:** AstraZeneca's portfolio is based around oncology, cardiovascular, respiratory diseases whereas Alexion focuses on immunology. The synergy of the deal stems from AstraZeneca's increased efforts to research rare diseases. Currently, AstraZeneca is developing 11 molecules which would be supported appropriately by Alexion's specialised R&D department. The growth of the rare disease market segment combined with its limited range of approved drugs provides a substantial revenue opportunity, according to AztraZeneca's Chief Executive Soriot.
2. **Cost Savings:** Adding Alexion's technology to AstraZeneca's already impressive range is expected to allow AstraZeneca to add US $500 million per year in cost synergies for three years from closing. Alexion's specialized technology is thought to be applicable to innovation in more mainstream drug research. Alexion's Soliris drug is a cash generator and will help AstraZeneca to reduce debt and increase reinvestment flexibilities. Despite Alexion's impressive performance over the last 2 years, its stock price has been disappointing due to the overvalued acquisition of Portola Pharmaceuticals for US $1.4 Billion. AstraZeneca would improve Alexion's struggling reputation as the company dives deeper into specialty drugs.
3. **Overall Analysis:** Soliris is the largest contributor to Alexion's appeal, but rising competition for the drug along with downward pressures on drug prices are threatening Alexion's position in the market and thus pose a risk to the success of the takeover. However, Alexion's low-priced stock could be traded at this advantageous time for mutual capital allocation and research benefits that would mitigate those risks.

https://www.astrazeneca.com/media-centre/press-releases/2020/astrazeneca-to-acquire-alexion.html

https://www.reuters.com/article/us-alexion-pharms-m-a-astrazeneca-breaki/breakingviews-astrazenecas-39-billion-deal-is-bold-as-well-as-big-idUSKBN28M0UM

https://www.reuters.com/article/us-health-coronavirus-india-eu-exclusive-idUSKCN2AT1J0

M&A: DoorDash to Acquire Chowbotics



Type of Deal: M&A

Industry: Food Delivery

Acquirer: DoorDash

Target: Chowbotics

Time Announced: February 2021

Purchase Price/Time Closed/Type of Financing: Undisclosed

Background: **Food delivery giant DoorDash has recently acquired Chowbotics, a tech company that produces robotic vending machine-like structures. These automated "chefs" can produce custom bowls containing anything from salads, to grains, to yogurt in under 60 seconds.**

Acquisition Rationale:

1. **Pandemic-Related Incentive:** With the Coronavirus pandemic dramatically increasing the demand for food delivery services, platforms such as DoorDash had to become more efficient in order to survive. The recent pandemic therefore has set a precedent for innovation in the delivery service industry. Needless to say, another glaring byproduct has been an increased concern with the spread of germs. The absence of human contact in Chowbotics food preparation eliminates the common fear of illnesses spreading.
2. **Keeping Up With the Recent Consolidation:** As illustrated by Uber's acquisition of Postmates, the food delivery industry has been experiencing increased consolidation. While the weakest players are getting devoured, the strongest players are becoming exponentially stronger. In order to compete with the rapidly expanding giants at the forefront of the industry, it is vital for a company to expand. This acquisition reflects an effort at such expansion.
3. **DoorDash Entering New Markets:** DoorDash's acquisition of Chowbotics denotes efforts to expand into new markets. Many college campuses, hospitals, and supermarkets have incorporated Chowbotics robots into their facilities. With this recent deal, DoorDash can expand its revenue source from solely delivery to more in-person offerings as well. The automated nature of Chowbotics' products may stimulate an increase in revenue without any offset from increased staff.
4. **Prevailing over Competition:** With Chowbotics robots at their disposal, restaurants can offer a broader range of foods without dramatically increasing their spending. By offering restaurants this potential source of revenue growth, DoorDash is providing another incentive for restaurants to choose DoorDash over their competitors.

IPO: Poshmark

Type of Deal: IPO

Industry: Consumer & Retail

Day of IPO: January 14, 2021

Stock Price: Poshmark was listed on the Nasdaq Global Select Market under the symbol "POSH." They priced its IPO at $42 per share. (Stock Price of POSH as of 3/03/21: US $55.23)

Advisors: Morgan Stanley & Co LLC, Goldman Sachs & Co LLC, and Barclays Capital Inc. led the offering.

About Poshmark: Poshmark is a social marketplace for buying and selling fashion. It enables buyers and sellers to share their closets and boutiques. They promote new and secondhand styles while combining retail shopping with ecommerce. They have over 70 million registered users across the US and Canada and continue to grow. Poshmark was founded in 2011 by Manish Chandra. In November of 2018 they announced that they raised $87.5 and had a valuation of $600 million.

Opening day: Poshmark priced its IPO at $42 per share, which gave it an initial valuation of more than $3 billion. The stock began trading at $97.50. The shares ended the day up more than 141%.

Growth: In 2017, the company expected to sell shares between $35 and $39 and in its last round of funding it was valued at nearly $600 million. Poshmark has clearly proven itself since 2017, and the financials from the opening day of the IPO confirm their growth and the market's confidence in the company.

Competition: eBay and Etsy are some competitors with platforms connecting buyers and sellers. In recent years, there have been more and more competitors in this space as 'thrifting' has become more popular and trendy. Poshmark CEO Chandra said that the company tries to differentiate itself through its "social commerce" aspect. This means buyers and sellers can chat about the items being exchanged on the site.

COVID-19: Poshmark mentioned that the pandemic positively impacted their company. With stay at home orders in effect, Poshmark benefitted from shoppers' inability to access retail stores in person. In Poshmark's IPO prospectus they stated their reasoning for going public was to capitalize on the influx of stuck-at-home shoppers as a result of the Coronavirus.

Market Updates

Brief Market Updates:

- **Bonds:** A wave of selling during the past two weeks drove the yield on the benchmark 10-year Treasury note to above 1.6%, its highest level since the pandemic began and up from 0.7% in October. This is a sign that investors are bullish about a quicker rebound due to improving expectations for a vaccine- and stimulus-fueled economic recovery.
- **Equity:** The rise in bond yields diminished the appetite for growth stocks. Shares in companies like Amazon, Microsoft, and Tesla are becoming less attractive while "value" stocks like utilities are gaining more favor. Steep losses in technology shares dragged down the S&P 500 (currently 3% below its all-time high) but the Dow industrials hit a record high.
- **Cryptocurrency:** Bitcoin continued its dramatic rise over the previous two weeks, reaching its highest price ever at $58,354 on Feb 21st. However, as of Feb 28th, the cryptocurrency has tumbled to $43,000. Concerns that rising U.S. Treasury bond yields might prompt the Federal Reserve to tighten monetary policy to keep inflation from rising out of control had prompted a sell-off in risky assets such as bitcoin.
- **Economy:** Retail sales rose 5.3% last month, the first positive reading in three months and the largest bump in seven. Unemployment claims fell to a three-month low last week but are still riding high at 730,000 new applications.

Market Event/Trend:

Has the time for renewable energy finally come?

After years of relatively unpredictable growth, renewable energies are getting more investment than ever. Globally, green energy investment accounted for almost **40%** of total investment in the entire energy sector in 2020. Green energy companies have begun to outperform their oil and gas counterparts. There are three main factors driving this trend: the pandemic, an unprecedented political push to reduce carbon emissions, and the falling costs of green energy.

1. First, the coronavirus crisis has shifted investment away from fossil fuels. Oil prices saw a historic drop in Spring 2020 when global lockdowns stopped demand for oil and gas. At the same time, the shares of wind and solar companies more than doubled on an average basis (WSJ). Notably, shares of the Danish company Orsted, the world's biggest offshore wind developer, have risen around 80% in 2020. In November 2020, NextEra Energy, the US's largest renewable energy company, briefly **topped the market valuation of ExxonMobil**, a significant moment for renewable producers. While demand for oil may see a rebound in 2021, it's expected to wane in the coming years. In contrast, demand for renewable energy is forecasted to grow with wider adoption of electric vehicles and as countries around the world work to cut their carbon emissions. Even big oil firms like **BP** and **Total** have been making more commitments to green energy.
2. Second, government commitments to climate initiatives are sending clear signals to investors of a broad-based market shift. The election of Joe Biden certainly gave the industry a boost: During his campaign, Biden outlined a $2 trillion plan to fight climate change and put the US on a path to a 100% clean energy economy by 2050. The US rejoining the Paris Climate Accord would also have a significant impact on clean energy investing and green investing in general, because it would likely spur government regulations and private investments around the world to deliver these promises. Other global powers have also doubled down on clean energy recently: China, the world's biggest polluter, even pledged to **go carbon neutral by 2060**. The EU has also pledged about 30% of its €1.8 trillion (approximately $2.2 trillion) recovery fund to climate initiatives while investing specifically in wind, solar and batteries (WSJ).
3. Last but not least, as investments in renewable energy grow and technology advances, the price of clean energy is dropping. Since 2010, the cost of solar power is down **82%**, and an estimated **90%** of new electricity generated in 2020 came from renewables, which are projected to be the world's main energy source by 2050. The biggest challenge for green energy in the coming years is raising the capital needed to build the infrastructure and industrial machinery for power plants. These overhead costs are often very high at the beginning compared to other technology, but ultimately, operating such a plant is relatively cheap since solar and wind are both free and readily available.

Advice Column: What I Wish I Knew

Advice from upperclass(wo)men who have been through the finance recruitment process:

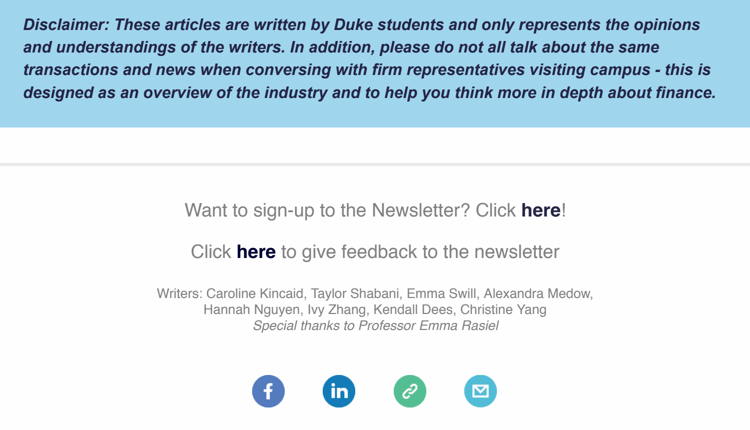
If you are interested in finance but not as drawn to opportunities in S&T and IB, there is a multitude of other finance-related careers you can pursue. Here are only a few examples:

- **Private Equity**
- **Venture Capital**
- **Capital Markets**
- **Hedge Funds**
- **Growth Equity**
- **Asset Management**
- **Real Estate**
- **Risk Management**
- **Equity Research**
- **Corporate Finance**

There are many organizations on campus that specialize in different aspects of finance. Campus groups can be a great opportunity to learn more about a variety of financial careers. Some examples include:

- Duke Impact Investing Group
- Duke Real Estate Club
- Duke Investment Club

One great tip is to consider attending some of the "exit opportunity" events hosted by BOW and other financial organizations on campus. It is possible to jump straight into some post-banking opportunities (for example: private equity).



Disclaimer: These articles are written by Duke students and only represents the opinions and understandings of the writers. In addition, please do not all talk about the same transactions and news when conversing with firm representatives visiting campus - this is designed as an overview of the industry and to help you think more in depth about finance.

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