

ENGULF & DEVOURTM



Sterling Cooper Inc.

Newsletter March-2026

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Greetings, Sterling Cooper Inc. clients and partners. As we navigate March 2026, the US M&A landscape is defined by the high-stakes warfare surrounding the Paramount-Warner Bros. Discovery-Netflix bidding contest. Our analysis confirms that this pursuit of the ultimate content sovereign represents a decisive shift toward high-value, structural acquisitions as major players move to consolidate the streaming ecosystem, prioritizing total library control and asset quality over mere subscriber volume.

SECTION A

Strategic Dispatch: The Sovereign of Cinema—Navigating the Paramount-Warner-Netflix Bidding Warfare



Market Intelligence: The Paramount–Warner Bros. Discovery Consolidation

I. The Free Market Process: Creative Destruction in the Digital Age

The media industry is currently experiencing a profound structural shift where legacy linear models are being systematically dismantled by tech-native streaming platforms. This is the preeminent case study in "creative destruction."

For Sterling Cooper Inc., the takeaway is clear: dominance is ephemeral. Since the inaugural **Fortune 500** list in 1955, only **49 companies (less than 10%)** remain on the list today. The rest have been acquired, merged, or rendered obsolete by the very market forces currently reshaping Hollywood. WBD, despite its 2022 formation via a Reverse Morris Trust, found itself "too small to survive" by late 2025, leading to the \$110.9 billion bidding war finalized this week.

II. M&A as a Change Agent: Motives and Catalysts

M&A acts as a change agent by reacting to "external shocks"—in this case, the rapid erosion of the cable bundle. The motivations for this deal are fastidious:

1. **Operating Economies (Synergies):** Paramount Skydance anticipates **\$6 billion in synergies**, driven by migrating the combined company to a single enterprise resource planning (ERP) system and consolidating streaming technology stacks.
2. **Strategic Realignment:** Netflix's initial bid was a "cherry-pick" strategy, seeking only the Warner film studios and the Max platform while spinning off the "decaying" linear assets (CNN, HBO, etc.). Conversely, Paramount's winning bid keeps the entity intact to achieve "critical mass."

III. The Corporate Takeover Market: Tactics and Bidding Strategy

The warfare observed over the last ninety days provides a masterclass in bidding strategy.

- **Tactical Maneuvers:**WBD initially entered a merger agreement with Netflix in December 2025. Paramount responded with a **hostile tender offer** directly to shareholders, bypassing a recalcitrant board.
- **The Superior Proposal:** Paramount utilized a "Superior Proposal" tactic, offering \$31.00 per share in cash—a significant premium over Netflix's complex cash-and-stock range.
- **Bidding Decision Tree:** A tactical decision tree for such a deal requires balancing the "Execution Risk" (regulatory hurdles) against the "Synergy Value." Paramount's decision to pursue the *entire* entity rather than a spin-off was the decisive factor in winning board approval.

IV. Structuring the Deal: Legal Form and Payment Considerations

As counsel to Sterling Cooper Inc., we emphasize the legal rigor of this deal's structure:

- **Acquisition Vehicle:** Paramount Skydance is utilizing a fully-financed all-cash tender offer to provide "deal certainty."
- **Legal Form of the Entity:**WBD's original plan involved spinning off its linear networks into a new publicly traded company, **Discovery Global**. However, the Paramount deal absorbs WBD in its entirety, fundamentally changing the legal ownership of assets like CNN and HBO.
- **Managing the Price Gap (Collar Arrangements & Ticking Fees):** * **Ticking Fees:** To protect shareholders during the long regulatory wait, the deal includes a **\$0.25 per share "ticking fee"** for each quarter the deal remains unclosed after September 30, 2026. This incentivizes the buyer to move assiduously through the sign-to-close process.
 - **Collar Arrangements:** While Paramount chose cash, players using stock consideration should utilize **Fixed or Variable Collars** to preserve value against market volatility during the 12-18 month regulatory review.

V. Antitrust and State Regulations: The California Move

The primary hurdle remains Section 7 of the Clayton Act. Beyond federal oversight, players must account for **California's AB 2426**, effective January 1, 2025. This law mandates transparency regarding "digital goods."

- **Impact:** For a merged Paramount-WBD, this means every "buy" button on their platforms must explicitly disclose that the consumer is purchasing a *revocable license*, not unrestricted ownership. Failure to comply invites civil penalties under California's False Advertising Law, adding a layer of compliance risk to the post-merger integration.

VI. Post-Closing Organization and Risk

The post-closing organization will see David Ellison as Chairman and CEO. The challenge remains the **Post-Merger Share Price** performance; historical data from the Fortune 500 suggests that the "winner's curse" often strikes firms that over-leverage to win a bidding war. With **\$54 billion in debt commitments**, the combined Paramount-WBD must realize its \$6 billion synergy target immediately to avoid becoming another statistic in the cycle of creative destruction.

Strategic Recommendation by Sterling Cooper Inc.: In a bidding war, cash is king, but certainty is the crown. The use of ticking fees and the avoidance of complex spin-offs (the Netflix "cherry-picking" error) are why Paramount stands as the victor today.

Netflix Walks From \$83B Warner Bros Deal as Paramount Outbids

NFLX vs. PSKY — WARNER BROS. DEAL OFFERS COMPARISON ¹		
Bidder	NETFLIX	
Equating EV	\$82.7B	\$108.4B
EV/Revenue	~2.2x	~2.9x
EV/Adj. EBITDA	~8.9x	~11.7x
Unaffected Share Price Premium ²	121%	139%
Consideration Structure	84% cash / 16% shares	100% cash

(1) Calculated based on LTM
(2) As of Sep 10, 2025



I. The Strategic Withdrawal: Why Netflix Bowed Out

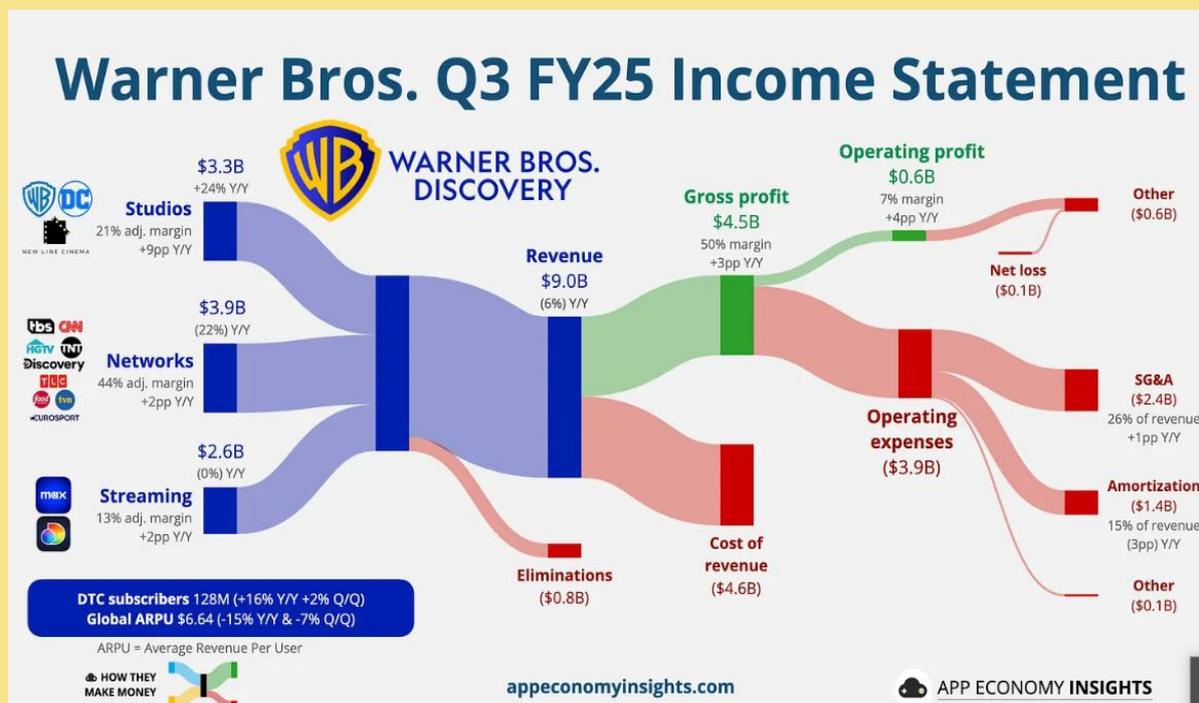
In a move that underscored the rigorous **financial discipline** of the Los Gatos-based giant, Netflix officially declined to match Paramount's sweetened bid for Warner Bros. Discovery ("WBD") on February 26, 2026. Management signaled that while WBD's assets were a "nice to have," the transaction was no longer "financially attractive" at the \$111 billion enterprise valuation demanded by the market. By walking away, Netflix avoided a potential "**winner's curse**"—overpaying for assets during a cyclical peak—and instead secured a **\$2.8 billion breakup fee**, effectively weaponizing its rival's desperation to bolster its own balance sheet.

II. The Bidding Delta: Assessing the Consideration

The valuation gap between the two titans was narrow in price but vast in structure:

- **The Netflix Bid:** Valued at approximately **\$83 billion** (\$27.75 per share), Netflix's proposal was a "surgical acquisition." It sought only WBD's **studio and streaming assets**, contingent upon WBD spinning off its linear networks into a standalone "stub" entity, Discovery Global.
- **The Paramount Victory:** Paramount Skydance utilized a "scorched earth" strategy, submitting a **\$110.9 billion** (\$31.00 per share) all-cash offer for the **entirety of the corporation**. This "whole-company" approach removed the execution risk of a complex spin-off, making it a "Superior Proposal" in the eyes of the WBD Board.

III. Asset Allocation: What was at Stake?



Netflix's target was purely high-octane IP. Had the deal closed, Netflix would have integrated the **Warner Bros. Pictures** library and **HBO/Max** into its ecosystem, gaining control over the *DC Universe*, *Harry Potter*, and *Game of Thrones*.

However, Netflix remains a "pure-play" streaming sovereign. It historically prefers **organic growth**—building its own franchises like *Stranger Things*—over the cultural and technical friction of **integration risk**. Management's pivot to a record **\$20 billion content budget for 2026** confirms that Netflix believes it can manufacture more value through original production than through the cumbersome digestion of a century-old studio.

IV. The Paramount Prize: Strategic Gains and Synergies

By winning the "War of 2026," Paramount Skydance creates a media hegemon. The combined entity gains:

1. **Operating Economies:** Anticipated annual **cost synergies of \$6 billion** via the integration of the Max and Paramount+ technology stacks.
2. **Market Power:** A combined film library of over **15,000 titles**, granting unprecedented leverage in carriage negotiations and global distribution.
3. **Horizontal Integration:** The merger combines two of the "Big Five" studios, a move that provides the scale necessary to compete with the balance sheets of Apple and Amazon.

V. The Regulatory Gauntlet: Federal and State Hurdles

The transaction now enters a protracted **12-to-18-month regulatory review**. The Department of Justice (DOJ) will scrutinize the deal under the **2023 Merger Guidelines**, focusing on the concentration of national news (CNN and CBS) and the reduction of major film studios.

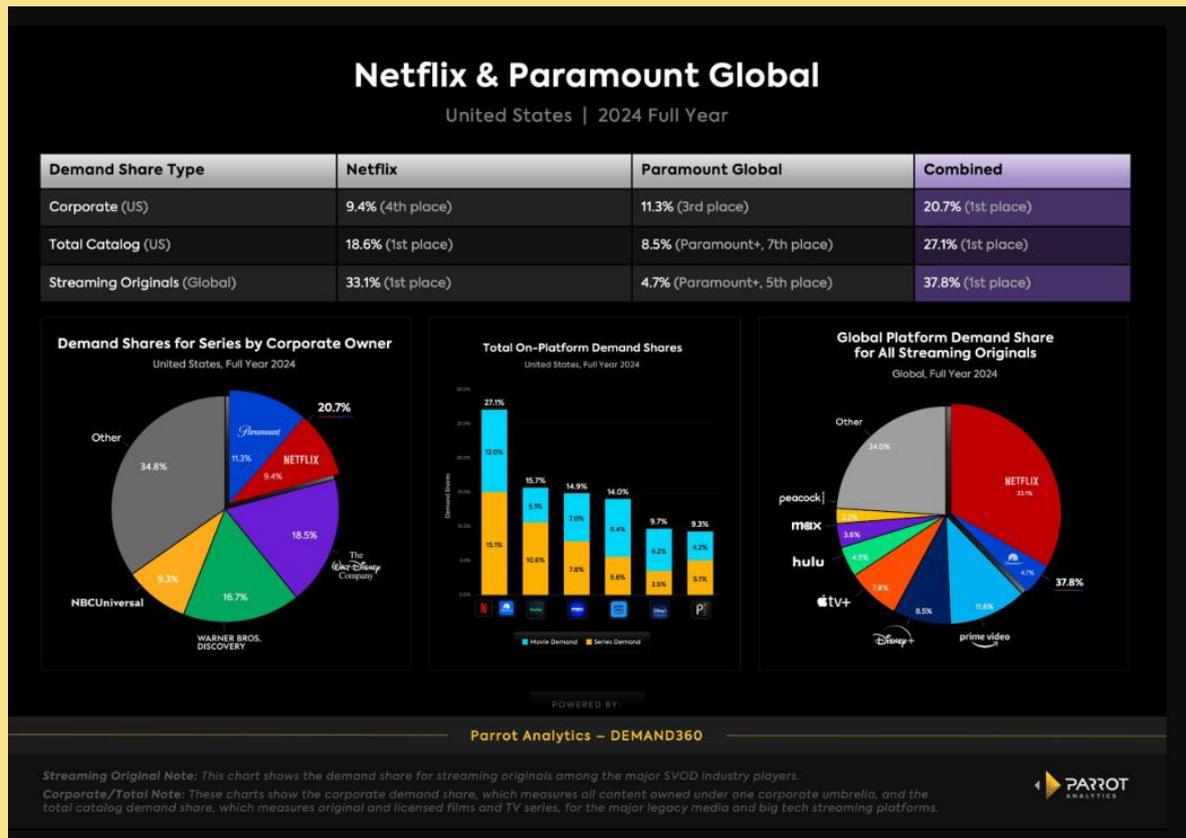
Crucially, **California's AB 2426** adds a localized layer of complexity. This law mandates that the merged entity must provide explicit disclosures regarding "digital goods"—clarifying to consumers that they are purchasing licenses, not ownership. Furthermore, Paramount has committed to a **\$7 billion regulatory termination fee**, a "reverse breakup fee" that signals absolute confidence in clearing these hurdles.

Strategic Recommendation for Sterling Cooper Inc.: Netflix's withdrawal is a masterclass in **capital allocation**. While Paramount has secured the "crown jewels," they have done so by assuming nearly **\$90 billion in total debt**. We advise clients to monitor the **post-merger share price** of the new Paramount-WBD entity closely; the weight of

the interest payments may eventually force the very asset divestitures Netflix was originally seeking at a discount.

SECTION B: HOSTILE BIDS AND THE DEFENSIVE ARSENAL

1. Inside M&A: Paramount Pays Netflix \$2.8 Billion Breakup Fee After Warner Bros.



The Great Consolidation: A Strategic Post-Mortem □ □

The auction of Warner Bros. Discovery serves as a watershed moment for the American media landscape, illustrating the tension between the "New Guard" (Netflix) and the "Legacy Consolidation" (Paramount Skydance). By February 2026, the market shifted from a friendly agreement between WBD and Netflix to a hostile, competitive bidding war triggered by David Ellison's Paramount Skydance. The battle eventually culminated in a **\$111 billion** victory for Paramount, but only after Netflix executed a rare, disciplined withdrawal that provides profound lessons in capital allocation and the M&A "ticking fee" mechanism.

Question	Answer
<p>Q1: On what basis did Netflix justify its decision to walk away from a "signed deal" for WBD's studio and streaming assets?</p>	<p>Netflix applied a rigorous financial discipline filter, identifying the transition from a "strategic fit" to a "value-destructive overpayment." While the \$83 billion initial bid was accretive, matching Paramount's \$31+ per share offer would have required Netflix to assume excessive debt and face revenue cannibalization. As co-CEO Ted Sarandos noted, Netflix opted to avoid the "Winner's Curse"—a phenomenon where the victor in a bidding war pays so much that the target's future cash flows cannot justify the premium.</p>
<p>Q2: What was the mechanical difference between the Netflix "Cherry-Picking" strategy and the Paramount "Whole-Entity" bid?</p>	<p>The bids were fundamentally different in scope and risk. Netflix proposed a "Carve-Out" acquisition, seeking only the high-margin Warner film studios and HBO Max, while requiring WBD to spin off its "declining" linear networks (CNN, TBS) into a new entity, Discovery Global. Conversely, Paramount Skydance submitted a "Whole-Company" proposal, acquiring the entire corporate structure. This eliminated the execution risk of a spin-off, providing the WBD board with "Deal Certainty," which often outweighs a slightly higher per-share price in contested auctions.</p>
<p>Q3: How does the "Ticking Fee" included in the Paramount-WBD agreement protect shareholder value during the regulatory window?</p>	<p>To bridge the gap between signing and closing, the deal includes a \$0.25 per share "ticking fee" for every quarter the deal remains unclosed after September 30, 2026. This is a sophisticated risk-allocation tool; it compensates shareholders for the "time value of money" and incentivizes the buyer to aggressively pursue regulatory clearances. If the DOJ or FTC delays the deal for 18 months, the fee acts as a progressive price increase, shifting the cost of regulatory friction from the seller (WBD) to the buyer (Paramount).</p>
<p>Q4: Why does Netflix consistently prefer "Organic Growth" over the "Inorganic Consolidation" pursued by Paramount?</p>	<p>Netflix's retreat confirms its preference for a "Greenfield Strategy"—investing its \$20 billion content budget into its own IP production rather than acquiring legacy studios burdened by high debt and union-heavy cost structures. By walking away, Netflix avoids the massive Integration Risk associated with merging different corporate cultures and technology stacks, betting that its 280 million global subscribers are better served by fresh original content than by an expensive, debt-laden library.</p>

Q5: What are the primary "External Shocks" and regulatory hurdles that could trigger the \$7 billion Reverse Termination Fee?

The merger creates a horizontal behemoth that triggers **Section 7 of the Clayton Act** scrutiny. The primary concern for the DOJ is the **concentration of National News** (CNN vs. CBS News) and the reduction of major film studios from five to four. Paramount's agreement to a **\$7 billion Reverse Termination Fee** serves as a "high-conviction" signal; it essentially guarantees WBD a massive cash windfall if the deal is blocked, significantly reducing the "risk premium" for WBD shareholders.

Conclusion: The Discipline of the Sovereign

The resolution of the Paramount-WBD-Netflix warfare demonstrates that in high-level M&A, the "winner" is not always the party that signs the deal. Paramount Skydance has secured a historic content library and realized a "Big Five" studio consolidation, but it has done so by assuming nearly **\$90 billion in total debt** and committing to a complex integration of legacy assets.

Netflix, conversely, exits the arena with a **\$2.8 billion breakup fee** and its balance sheet intact, proving that **tactful withdrawal** can be as strategically potent as an acquisition. For corporate players at Sterling Cooper Inc., the lesson is clear: Use ticking fees and reverse termination fees to manage the "gap" between signing and closing, but never let the adrenaline of a bidding war override the cold mathematics of shareholder value. The "curse" of Warner Bros. mergers has historically been over-leverage; time will tell if Paramount's \$111 billion bet breaks the cycle or repeats it.

2. Inside M&A: The Rhythm of Activism—Irenic's Billion-Dollar Harmony for Reservoir



Introduction: The Contested Pursuit of Value □ □

The unsolicited \$1.2 billion bid for **Reservoir Media** by **Irenic Capital Management** on February 27, 2026, represents a classic "Escalation Clause" in activist investing. When a public company's market valuation fails to reflect the intrinsic worth of its underlying assets—in this case, a massive catalog including **Joni Mitchell** and **Sheryl Crow**—activist shareholders often move from "suggesting" change to "becoming" the change.

By submitting a bid at **\$10 to \$11 per share**, Irenic is attempting to capture the **Control Premium** that the public markets have historically denied Reservoir since its 2021 SPAC debut. This maneuver forces the board into a "binary" decision-making process: prove that a standalone strategy can yield higher returns, or surrender the "Crown Jewels" to a private buyer.

ACTIVIST FUNDS WITH A POSITION IN RESERVOIR MEDIA, INC.							
Activist Investor	Symbol	Company	Initiation	Stake	Objective	Source	
- Irenic Capital Management	RSVR	Reservoir Media, Inc.	09/30/2024	9.20%	Potential Deal Strategic Review	Announcement 13D Filing	

Shares Held: 6.06M % Change: 8.10%

Hedge fund Irenic Capital Management, which owns 8.1% of Reservoir Media (RSVR), said in a 13D filing that the company's shares are substantially undervalued. It urged the company to undertake a full strategic review of all alternatives to maximize shareholder value and to form a special committee of the Board to oversee such a review process.

Update(s):

February 3, 2026: Irenic Capital, which owns a 9.2% in Reservoir Media (RSVR), said it is supportive of the management but believes that the securities of the company are undervalued and represent an attractive investment opportunity, especially in light of management's expertise.

Question	Answer
Q1: What "External Shock" catalyzed Irenic Capital's decision to move from a 9.2% stake to a full takeover bid?	The catalyst was a persistent Valuation Gap . Despite Reservoir's 11% YoY growth in EBITDA and high-profile acquisitions (Miles Davis, Gladys Knight), the stock traded significantly below its peer group multiples. Irenic, led by Elliott Management alumnus Adam Katz, identified this as a "Value Trap." The unsolicited bid acts as a Price Discovery mechanism, forcing the market—and the board—to acknowledge a floor price of \$1.2 billion.
Q2: How does the "Family Control" structure of Reservoir (Wesbild Inc.) act as a definitive anti-takeover barrier?	Reservoir possesses a concentrated ownership structure that functions similarly to a Dual-Class Block . Wesbild Inc. , controlled by the father of CEO Golnar Khosrowshahi, holds 44% of the equity. In M&A terms, this creates an "Insurmountable Control Block." Irenic cannot successfully execute a hostile tender offer without the consent of this inside group, making the deal "friendly by necessity" if it is to proceed at all.

<p>Q3: On what basis is Irenic exploring "Private Credit" financing for a song-catalog-backed acquisition?</p>	<p>Irenic is utilizing Asset-Based Lending (ABL) specifically tailored for Intellectual Property. Unlike traditional industrial firms, a music publisher's value lies in its Predictable Cash Flows from streaming royalties (Spotify/YouTube). By leveraging the catalog as collateral, Irenic can secure debt from private credit firms to fund the cash portion of the bid, essentially using Reservoir's own future royalty checks to pay for its current acquisition.</p>
<p>Q4: What role does "Revlon Duties" play if the Reservoir Board decides to explore other "Strategic Alternatives"?</p>	<p>Once a board decides to sell the company or responds to a bid that contemplates a change of control, their fiduciary duty shifts from "protecting the corporate entity" to "obtaining the highest value for shareholders" (known as Revlon Duties). If the Reservoir Board engages with Irenic, they are legally compelled to run a "fair auction," potentially inviting rival bids from giants like Sony Music or Blackstone to ensure the \$11 per share price is truly the "Best and Final."</p>
<p>Q5: Why did Irenic's bid cause a "15-20% Surge" in share price despite the offer being unsolicited?</p>	<p>This is the "Speculation Premium." The market is pricing in two probabilities: 1) that Reservoir is now "in play" and will be sold to the highest bidder, and 2) that Irenic's \$10–\$11 range is a "low-ball" starting point. In the Takeover Market, the first bid is rarely the final price; investors are betting that a bidding war or a negotiated settlement will push the final consideration closer to \$12 or \$13.</p>

Conclusion: The Strategic Imperative of Scale

The Irenic/Reservoir contest underscores a broader trend in American M&A: the **Financialization of Culture**. Independent music publishers are no longer just creative houses; they are high-yield infrastructure assets. For **Sterling Cooper Inc.** clients, the lesson is clear—even a "female-founded, family-backed" company is not immune to the cold math of activist hedge funds if the stock price lags behind the asset value.

Whether Irenic succeeds depends on their ability to flip the 44% Wesbild stake or convince the Khosrowshahi family that the "SPAC experiment" has reached its natural conclusion. Ultimately, the \$2.8 billion flowing into music IP globally suggests that if Irenic doesn't buy Reservoir, another private equity titan eventually will.

This analysis explains the underlying cash-flow mechanics of music catalogs that justify Irenic's \$1.2 billion valuation, focusing on the stability of streaming royalties in a volatile market.

3. Inside M&A: The Obesity Hegemony—Novo Nordisk’s Hostile Interception of the Pfizer-Metsera Pact



Introduction: The Contested Pursuit of Incretin Sovereignty ☐☐

The October 2025 bidding warfare for **Metsera** represents a seminal moment in biopharmaceutical consolidation, pitting the "Old Guard" of New York (Pfizer) against the reigning "Obesity Sovereign" of Denmark (Novo Nordisk). What began as a \$4.9 billion friendly acquisition by Pfizer has devolved into a high-stakes **"Three-Point Arbitrage"** involving unsolicited bids, federal antitrust litigation, and the tactical deployment of **Contingent Value Rights (CVRs)**.

With Novo Nordisk’s superior \$10 billion proposal, the transaction has shifted from a routine pipeline refresh to a textbook study of the **"Winner's Curse"** and the **"Superior Proposal"** out-clause. As the global obesity market hurtles toward a projected ****\$150 billion valuation****, this contest underscores a strategic imperative: for legacy pharmas, overpaying for differentiated GLP-1 assets is no longer a choice—it is a survival mechanism against the encroaching patent cliff of the early 2030s.

Question	Answer
Q1: What mechanical function does the "Superior Proposal" clause serve in the existing Pfizer-Metsera definitive agreement?	The "Superior Proposal" clause is a Fiduciary Out that allows Metsera’s board to entertain unsolicited bids if they reasonably expect them to lead to a transaction more favorable to shareholders. By declaring Novo’s \$77.75 per share offer superior, the board triggered a mandatory "Match Period" (initially four business days), forcing Pfizer to either improve its financial consideration or risk the termination of the merger agreement upon payment of the \$190 million

	breakup fee.
Q2: On what basis does Pfizer's federal antitrust suit allege that Novo Nordisk's bid is "Reckless and Unprecedented"?	Pfizer is invoking the " Monopolization " and " Exclusionary Conduct " doctrines of the Sherman Act. The argument posits that Novo Nordisk, which already controls a dominant market share via Wegovy and Ozempic, is engaging in a " Preemptive Strike "—not to develop Metsera's assets, but to suppress a nascent American competitor. This legal maneuver aims to increase the Regulatory Risk of the Novo bid, potentially disqualifying it as a "superior" proposal due to the low probability of achieving Hart-Scott-Rodino (HSR) clearance.
Q3: How do the Contingent Value Rights (CVRs) in both bids attempt to resolve "Information Asymmetry" regarding clinical outcomes?	CVRs function as a Price-Adjustment Mechanism that bridges the valuation gap between the buyer and seller. In this contest, Novo's offer includes \$2.5 billion in milestone-based payouts , while Pfizer offered \$2.37 billion . By shifting a portion of the consideration to the "back-end," the bidders protect themselves against the failure of Metsera's experimental once-monthly injectable, while providing shareholders a "participation right" in the asset's future success.
Q4: Why does the Delaware Court of Chancery's involvement represent a critical "Procedural Hurdle" for the unsolicited bid?	Pfizer's litigation in Delaware seeks a Preliminary Injunction to block Metsera from terminating the merger. The court must determine if Novo's bid is "illusory"—meaning it cannot be completed because of antitrust roadblocks. If the court finds that the regulatory path for Novo is too speculative, it may rule that the bid does not constitute a "Superior Proposal" under the strict definitions of the Merger Agreement , effectively "locking up" the deal for Pfizer.
Q5: What is the significance of the \$190 million Breakup Fee and Novo's offer to assume this liability?	The Termination Fee is designed to compensate the initial bidder (Pfizer) for the time and expense of the transaction. By offering to pay this fee on Metsera's behalf, Novo Nordisk is performing a " Cash-Collateralized Indemnification. " This removes the financial friction for Metsera's board, allowing them to pivot to the higher offer without depleting the target company's cash reserves, thereby accelerating the path to a "Superior" transaction.

Conclusion: The Strategic Imperative of Vertical Dominance

The Metsera bidding war demonstrates that in the modern M&A landscape, a **Definitive Agreement** is merely a "hunting license" for competitors. Novo Nordisk's aggressive

intervention, despite its own dominant position, reveals a fear of "**Category Disruption**"—the possibility that Metsera's once-monthly dosing could render Novo's weekly injections obsolete.

For the practitioners at **Sterling Cooper Inc.**, the lesson is fastidious: **Deal Certainty** is often as valuable as price. While Novo offers more "headline" cash, Pfizer's lower bid carries a significantly higher probability of regulatory approval. Ultimately, the resolution of this conflict will set the precedent for how the Department of Justice views "Killer Acquisitions" in the high-growth obesity sector. Whether Pfizer can hold its ground or Novo pays the premium, the real winner is the Metsera shareholder, who has seen a **133% premium** emerge from the wreckage of a contested auction.

4. Inside M&A: The Registry Renaissance—ISC's Billion-Dollar Strategic Crucible



Introduction: The Contested Pursuit of Value □□

In the landscape of Canadian mid-market M&A, few assets command the defensive resilience of government-contracted digital infrastructure. The ongoing strategic review

of Regina-based **Information Services Corporation (ISC)** serves as a masterclass in how activist intervention can catalyze a competitive auction for "mission-critical" assets. Initially ignited by a "coercive" mini-tender offer from **Plantro Ltd.**, the situation has evolved into a sophisticated multibillion-dollar contest.

With four non-binding bids reaching up to **C\$1 billion**, ISC finds itself at a structural crossroads: balancing the fiduciary mandate to maximize shareholder value against the unique geopolitical constraints of its "Golden Share" governance and a 30-year Master Service Agreement (MSA) with the Province of Saskatchewan.

Question	Answer
<p>Q1: What financial maneuvering did Plantro Ltd. employ to force ISC into its current strategic review?</p>	<p>Plantro executed a "Creeping Tender" strategy via an unsolicited "mini-tender" for 15% of Class A shares at \$27.25. By structured the bid to bypass formal takeover rules, Plantro sought to gain effective board influence without paying a traditional Control Premium. This "external shock" compelled the ISC Board to form a Special Committee and launch a formal Strategic Review to preempt further hostile encroachment and surface "fair value" through a transparent auction.</p>
<p>Q2: How does the "Golden Share" held by Crown Investments Corporation (CIC) function as a definitive anti-takeover defense?</p>	<p>The Government of Saskatchewan's Class B Golden Share acts as a permanent structural barrier. It mandates that ISC's head office remain in Regina and ensures provincial oversight of critical registry data. For infrastructure investors like OMERS or QIC, this creates a "Control Gap"; while they may acquire 100% of the equity, they cannot unilaterally alter the firm's geographic or operational tethering to the province, effectively capping the scope of post-merger integration.</p>
<p>Q3: What is the mechanical function of the "Ticking Fee" in the proposed C\$1 billion valuation?</p>	<p>To mitigate Regulatory Risk—particularly the long-tail provincial approvals required—the deal structure includes a \$0.25 per share "ticking fee" for each quarter the transaction remains unclosed past September 2026. This mechanism shifts the cost of "Deal Drift" from the seller (WBD/ISC) to the buyer. It preserves shareholder value against inflation and opportunity cost during the protracted period required to satisfy the "public interest" mandates of the Saskatchewan government.</p>

<p>Q4: Why are infrastructure investors and pension funds the most likely "Strategic Suitors" for a registry operator?</p>	<p>ISC is a classic "Core Infrastructure" asset. Its exclusive MSA, extended in 2023 to 2053, provides thirty years of predictable, inflation-linked cash flows. For funds like Northleaf or IMCO, the primary motivation is Yield Stability rather than aggressive growth. The asset-light nature of a digital registry, combined with high barriers to entry (the "Moat" of exclusive government contracts), makes it an ideal hedge against market volatility.</p>
<p>Q5: On what basis does the Board justify seeking \$60 per share despite an initial \$58 high-water mark?</p>	<p>The Board is leveraging Operating Economies and recent performance. With 2025 revenues projected up to \$267 million and a goal to double EBITDA by 2028, the Special Committee is arguing that \$58 reflects only the "Current State" and ignores the "Synergy Value" of ISC's international expansion. By pushing for \$60+, they are attempting to capture the future value of the newly extended 30-year MSA, forcing bidders to pay for the "Terminal Value" of the contract today.</p>

Conclusion: The Strategic Imperative of Governance

The ISC bidding warfare demonstrates that for essential service providers, M&A is rarely a purely financial exercise. The involvement of an activist like **Matthew Proud** served as the necessary catalyst to break "management inertia," but the ultimate resolution remains bound by the legal form of the entity and its provincial obligations.

For the corporate players at **Sterling Cooper Inc.**, the takeaway is fastidious: even in a "friendly" auction, the use of **Ticking Fees** and **Special Committees** is vital to bridging the value gap. Ultimately, ISC's success in securing a billion-dollar valuation rests on its ability to prove that its digital "pipelines" are as indispensable as physical utilities, justifying the premium multiples usually reserved for the highest-tier infrastructure assets.

SECTION C

FRIENDLY MERGERS & CONSOLIDATIONS

1. Inside M&A: The Architectural Logic of the xAI-SpaceX Transaction □ □

The proposed acquisition of **xAI** by **SpaceX** represents a sophisticated **intra-ecosystem consolidation**. In the nomenclature of corporate restructuring, this transaction is classified as a **friendly negotiated acquisition**, characterized by a high degree of board-level alignment and shared ultimate beneficial ownership.



INV3STING

SPACEX ACQUIRES XAI, VALUING SPACEX AT \$1T AND XAI AT \$250B

Introduction: The Synergy of Shared Sovereignty

In a hostile environment, the bidder bypasses the target's board to appeal directly to shareholders. Here, however, we observe the opposite: a transaction rooted in **strategic alignment** and vertical integration. Because Elon Musk maintains controlling interests and executive leadership in both entities, the acquisition is less a "conquest" and more a **reallocation of resources** designed to consolidate AI-driven navigational and autonomous capabilities within the SpaceX aerospace stack.

Question	Answer
<p>Q1: What mechanical indicators categorize the SpaceX-xAI deal as "friendly" rather than "hostile"?</p>	<p>The primary indicator is the Board Cooperation and the absence of a "tender offer" to bypass management. In this deal, the acquisition is a byproduct of mutual consent and shared strategic vision. Unlike a hostile bid, there are no anti-takeover defenses (e.g., Poison Pills or Staggered Boards) deployed by xAI. The transaction is a negotiated purchase where the seller's leadership is effectively synonymous with the buyer's, eliminating the friction typical of unsolicited bids.</p>
<p>Q2: On what basis does this transaction resolve the "Information Asymmetry" typically found in M&A?</p>	<p>In most M&A, the buyer suffers from a lack of internal data about the target. Here, the shared executive leadership ensures near-perfect information. This minimizes the need for protracted Due Diligence and reduces the "risk premium" associated with unknown liabilities. The transaction functions as a "friendly" absorption because the "friendly" parties already possess total transparency into xAI's valuation and technical roadmap.</p>
<p>Q3: How does the "Conflict of Interest" or "Self-Dealing" risk affect the legal form of this friendly acquisition?</p>	<p>Because of the overlapping ownership, this deal must satisfy the Entire Fairness Standard to protect minority investors. While the deal is "friendly" between the entities, it is fastidiously scrutinized by legal counsel to ensure that the valuation is not an arbitrary wealth transfer. To maintain the "pristine" nature of the deal, the boards often utilize Special Committees of independent directors to approve the price, ensuring the friendly nature of the deal survives shareholder litigation.</p>
<p>Q4: What is the primary "Operating Economy" or synergy motivating this SpaceX-xAI consolidation?</p>	<p>This is a Vertical Integration maneuver. SpaceX requires high-compute AI for its Starship and Starlink constellations. Rather than licensing xAI's "Grok" or vision models as a third-party vendor, the acquisition transforms a variable cost into a fixed, owned asset. This In-Sourcing strategy is a classic motivation for friendly M&A, where the objective is to capture the full value chain of "intelligence" necessary for autonomous space flight.</p>

Conclusion: The Strategic Imperative of Integration

The SpaceX acquisition of xAI is a definitive example of a **friendly strategic consolidation**. By removing the barriers between the AI "brain" and the aerospace "body," the transaction avoids the destructive warfare of a hostile takeover. While the shared leadership simplifies the bidding process, the complexity lies in the **fiduciary duty** to ensure the valuation remains defensible. Ultimately, this deal is not about

overcoming a target's resistance, but about accelerating a technological convergence under a unified corporate banner.

2. Inside M&A: The Multi-Disciplinary Roll-Up—CBI Health's Aggressive Aggregation Strategy

Introduction: The Consolidation of Community Clinical Care □□

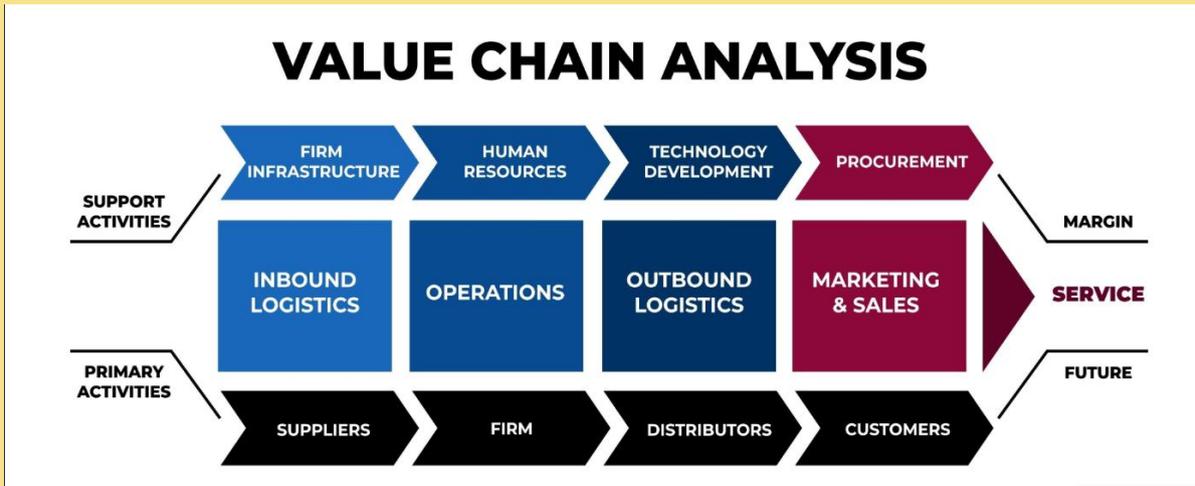


The early 2026 acquisitions by **CBI Health**, specifically the landmark absorption of Calgary-based **Momentum Health** and **Evidence Sport & Spine**, signal a profound shift in the Canadian healthcare landscape toward **Horizontal Integration**. By executing a relentless "Roll-Up" strategy—incorporating specialized clinics in Alberta, British Columbia, and Ontario—CBI Health is moving to institutionalize what has historically been a fragmented cottage industry of boutique physiotherapy and rehabilitation providers.

This strategic expansion, underpinned by the long-term capital of **OMERS Private Equity**, is not merely a play for geographic scale; it is a sophisticated **Portfolio Optimization** maneuver. The concurrent divestiture of its home care division to **Extendicare** for "meaningful capital" illustrates a refined focus on high-margin, clinic-based rehabilitation. In the language of the anvil, CBI is transforming from a broad healthcare generalist into a specialized titan of musculoskeletal and sport-medicine intervention.

Question	Answer
<p>Q1: What is the mechanical function of a "Roll-Up Strategy" within the context of the CBI Health/Momentum Health transaction?</p>	<p>A Roll-Up Strategy involves the systematic acquisition of numerous small, fragmented businesses (clinics) to create a single, larger entity that benefits from Economies of Scale. By acquiring Momentum Health and Evidence Sport & Spine, CBI Health reduces per-unit administrative overhead and centralizes functions such as HR, billing, and regulatory compliance. This allows the combined entity to achieve a higher EBITDA Multiple upon eventual exit or recapitalization than the clinics could achieve individually.</p>
<p>Q2: How does the "Divestiture-to-Acquisition" pivot reflect a master-class in Capital Allocation?</p>	<p>The sale of the home care business to Extendicare serves as a Strategic Carve-Out. By shedding a labor-intensive, lower-margin division, CBI Health generates a liquidity event that provides the "dry powder" necessary to fund high-growth clinical acquisitions like Royal City Physio. This is a textbook example of Asset Re-Deployment, shifting capital from mature, lower-return segments into specialized, "high-moat" disciplines like interventional pain and regenerative therapies.</p>
<p>Q3: On what basis does "Clinical Alignment" function as a form of non-financial Due Diligence in these transactions?</p>	<p>In healthcare M&A, the primary asset is Human Capital (the clinicians). CBI's focus on "value alignment" with founders like Karen Nichol (Royal City Physio) acts as an informal Retention Mechanism. Ensuring that the "Patient-Centered" culture remains intact mitigates the risk of Professional Attrition, where key therapists depart post-closing, leading to a "hollowing out" of the acquired firm's goodwill and patient base.</p>

<p>Q4: What is the significance of the "Regulatory Compliance and Employment" mandate handled by MLT Aikins?</p>	<p>In a cross-jurisdictional roll-up (Alberta, BC, Ontario), the buyer faces a Compliance Mosaic. Each province has distinct health-profession acts and employment standards. Legal counsel must ensure that the "Roll-Up" does not trigger Successor Liability—where the buyer becomes responsible for the previous owner’s labor disputes or regulatory breaches. Managing these legal "tripwires" is essential to preserving the Enterprise Value of the target clinics.</p>
<p>Q5: Why is the "Synergy Value" in the Calgary acquisition (Momentum Health) particularly high from a market-share perspective?</p>	<p>The acquisition targets all four quadrants of the Calgary market simultaneously. This creates Market Density, which provides CBI Health with significant leverage when negotiating Payer Contracts (with insurance providers and government bodies). By controlling the dominant share of specialized sport-medicine access in a major urban hub, CBI can command premium rates and drive internal referrals across its 12 integrated medical disciplines.</p>



Conclusion: The Strategic Imperative of Specialized Scaling

The 2025–2026 expansion of CBI Health proves that in the Canadian mid-market, **Scale is the ultimate hedge against rising operational costs**. By transitioning its home care business to Extendicare and doubling down on "Elite Sport Performance" and "Acute Rehabilitation," CBI Health is effectively "tidying up" its balance sheet for its parent, OMERS.

For the practitioners at **Sterling Cooper Inc.**, the takeaway is trenchant: **Horizontal Consolidation** is most effective when paired with a ruthless exit from non-core segments. CBI Health has successfully demonstrated that by aggregating high-quality, local clinical brands under a national resource umbrella, a firm can maintain "compassionate care"

while achieving the financial velocity of a top-tier institutional player. The "Benchmark for Excellence" touted by Pete Cobban is not just about clinical outcomes—it is about the superior math of the roll-up.

3. Inside M&A: The SNACKING Sovereignty—ETİ Gıda's C\$201 Million Cross-Border Acquisition of TRUBAR

Introduction: The Contested Pursuit of "Clean-Label" Alpha ☐☐



The completion of the **C\$201 million** acquisition of **TRUBAR Inc.** by an affiliate of Turkey's **ETİ Gıda** on February 6, 2026, represents a pristine example of **Horizontal Integration** via a **Statutory Plan of Arrangement**. This cross-border transaction highlights the insatiable appetite of global Consumer Packaged Goods (CPG) incumbents for "better-for-you" (BFY) brands that possess high-velocity North American distribution.

By utilizing a **Plan of Arrangement** under the *Business Corporations Act* (British Columbia), the parties achieved a court-sanctioned transfer of 100% of the equity, effectively taking TRUBAR private. For ETİ Gıda, the C\$1.64 per share cash consideration represents more than a financial outlay; it is a strategic entry point into the plant-based protein sector, leveraging TRUBAR's "clean-label" IP to refresh a legacy international portfolio.

Question	Answer
<p>Q1: What is the mechanical function of a "Plan of Arrangement" in this Canadian public M&A context?</p>	<p>Unlike a standard tender offer, a Plan of Arrangement is a court-supervised process that allows for a "one-step" acquisition of 100% of a company's shares. Once the Final Order is obtained and the shareholder vote (typically requiring a 2/3 majority) is satisfied, the transaction becomes binding on all securityholders, including dissenters. This provides the purchaser with Closing Certainty and eliminates the risk of "holdout" minority shareholders.</p>
<p>Q2: How did the transaction treat "In-the-Money" Warrants under the implementation of the Plan?</p>	<p>The Arrangement utilized a Cash-Out Mechanism for warrant holders. Warrants were exchanged for a cash payment equal to the "spread"—the amount by which the C\$1.64 Cash Consideration exceeded the warrant's exercise price. Warrants with an exercise price above \$1.64 were effectively cancelled for nil consideration, a standard feature in "take-private" transactions to clean up the Capital Structure prior to delisting.</p>
<p>Q3: What role does "Liability Management" play in cross-border CPG transactions of this scale?</p>	<p>As noted by lead counsel (Norton Rose Fulbright), "unique liability management measures" were implemented. In cross-border M&A, this often involves the use of Representations and Warranties Insurance (RWI) or specific Indemnification Escrows to protect the Turkish parent from undisclosed liabilities or regulatory breaches in North America. These measures bridge the gap between a seller's desire for a "clean break" and a buyer's need for post-closing protection.</p>
<p>Q4: Why is the "Early Warning Disclosure" (Multilateral Instrument 62-104) critical in the transition from public to private?</p>	<p>The Early Warning Report provides transparency regarding the change of control. Immediately prior to the Effective Time, the Purchaser owned 0%; at 12:01 a.m., they assumed control of 109,242,973 shares (100%). This filing is a regulatory requirement that confirms the Triggering Event has occurred, signaling to the TSX Venture Exchange that the security is no longer suitable for public trading and must be Delisted.</p>
<p>Q5: How does this deal illustrate the concept of "Strategic Synergies" for an international buyer like ETİ Gıda?</p>	<p>ETİ Gıda is looking for Market Penetration Synergies. By acquiring a brand already established in North American "club stores" and e-commerce, the Parent avoids the high Customer Acquisition Cost (CAC) of launching a new brand from scratch. Conversely, TRUBAR benefits from the Parent's global supply chain and manufacturing scale, allowing for a rapid reduction in Cost of Goods Sold (COGS) and accelerating international expansion.</p>

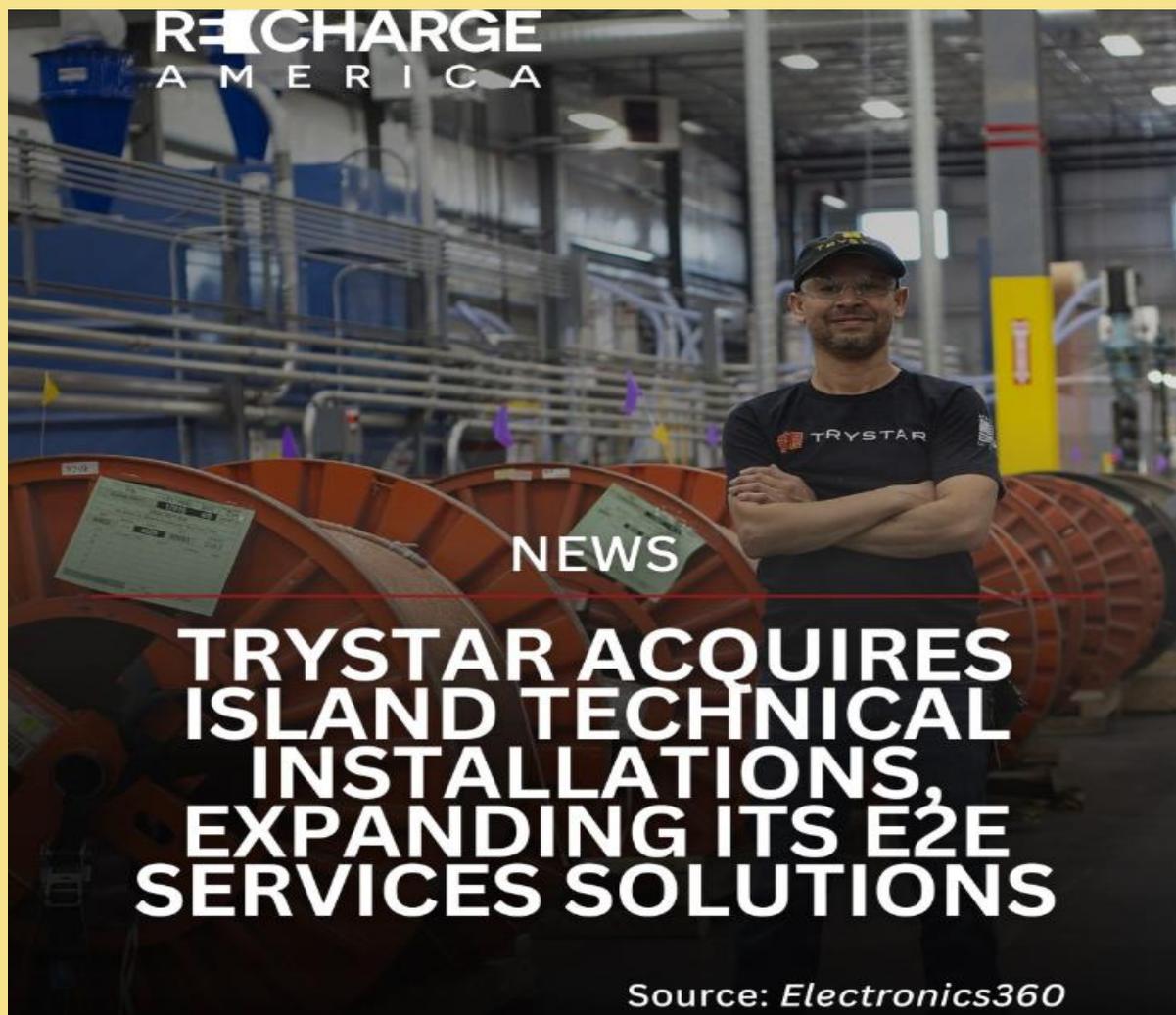
Conclusion: The Strategic Imperative of "Better-for-You" Portfolios

The TRUBAR-ETİ Gıda transaction underscores a fundamental shift in M&A valuation: **Clean Ingredients equal High Multiples**. At C\$201 million, the market has validated the "plant-based" premium. For the practitioners at **Sterling Cooper Inc.**, the takeaway is trenchant—the use of a **Plan of Arrangement** remains the "Gold Standard" for Canadian public exits, providing the structural elegance required to merge a specialized Vancouver-born brand into a multi-billion dollar Turkish CPG powerhouse.

As TRUBAR delists from the TSXV and OTCQX, the brand enters a new phase of institutionalized growth. The "Milestone Transaction" proves that even in a volatile macro environment, high-quality, recognizable snacking assets remain at the top of the **Strategic Suitor**wishlist.

4. Inside M&A: The Mission-Critical Grid—Blackstone-Backed Trystar Absorbs Island Technical Installations

Introduction: The Competitive Auction for Energy Resiliency □ □



The February 2026 acquisition of **Island Technical Installations Ltd. (ITI)** by **Trystar, LLC**—a portfolio company of private equity titan **Blackstone**—represents a high-conviction play in the rapidly consolidating North American electrical infrastructure sector. Emerging from a "competitive auction" process, the transaction underscores the premium market value currently assigned to fully integrated, custom engineering platforms that service "mission-critical" end markets such as data centers and utilities.

For Trystar, the acquisition is a **Horizontal Product Extension**. By absorbing ITI's specialized low and medium voltage (LV/MV) switchgear capabilities and its established Arlington, Texas production hub, Trystar is effectively "buying" a shortened R&D cycle and immediate capacity in the high-growth U.S. market. For Blackstone, this is a **Platform Add-On** strategy, deploying capital into specialized sub-sectors that benefit from the broader macro-trend of grid modernization and the explosion of power-hungry AI infrastructure.

Question	Answer
<p>Q1: Why did ITI utilize a "Competitive Auction" rather than a negotiated bilateral sale?</p>	<p>An Auction Process is designed to maximize Shareholder Alpha by creating a "scarcity" environment. By engaging multiple prospective suitors (likely including other PE-backed platforms and strategic industrials), ITI's advisors forced bidders to lead with their most aggressive Enterprise Value (EV) and most favorable closing terms. In a market where "mission-critical" manufacturing is in short supply, an auction ensures the seller extracts a premium for its "end-to-end" manufacturing platform.</p>
<p>Q2: What is the strategic significance of the "Pre-Closing Reorganization" mentioned by counsel?</p>	<p>A Pre-Closing Reorganization is often a tax-motivated "Spin-Off" or "Cleanup" maneuver. In cross-border deals (Canada/U.S.), this frequently involves segregating non-core assets or restructuring debt to ensure the buyer acquires a "clean" legal entity. This process is vital for optimizing the Tax-Efficient Acquisition Structure, minimizing capital gains impact for ITI's shareholders while allowing Trystar to benefit from future depreciation/step-up advantages.</p>
<p>Q3: How does the "Scalable Production Model" of ITI function as a primary Value Driver in this deal?</p>	<p>ITI's model is based on Vertical Integration—handling engineering, fabrication, and testing in-house. For an acquirer like Trystar, this reduces Supply Chain Volatility. Instead of relying on third-party vendors for switchgear components, Trystar now controls the entire Value Chain. This integration significantly enhances EBITDA Margins by capturing the "markup" previously lost to external suppliers and allowing for faster turnaround times on custom orders.</p>

<p>Q4: What role does "Service Solutions" play in the post-merger Synergy Capture?</p>	<p>Beyond hardware, ITI provides commissioning, testing, and field services. In the M&A lexicon, this is High-Margin Recurring Revenue. While equipment sales are cyclical, service contracts provide a "tail" of steady cash flow. Trystar's ability to "cross-sell" these field services to its existing North American customer base represents a significant Revenue Synergy that likely factored into the final purchase price.</p>
<p>Q5: How does Blackstone's ownership of Trystar alter the "Deal Dynamics" for a mid-market target like ITI?</p>	<p>Blackstone provides Financial Velocity. As the world's largest alternative asset manager, Blackstone enables its portfolio companies to act as "Consolidators." This backing allows Trystar to execute "bolt-on" acquisitions with speed and certainty, offering sellers like ITI's founders a clear "exit path" backed by institutional-grade capital, while providing the resources to scale production in Texas and British Columbia.</p>

Conclusion: The New Architecture of Power Reliability

The ITI-Trystar merger is a trenchant example of **Industrial Convergence** at the intersection of private equity and energy infrastructure. The deal proves that "exceptional results" (as Jared Atchison noted) are increasingly found in companies that can bridge the gap between custom engineering and mass-scale manufacturing.

For the practitioners at **Sterling Cooper Inc.**, the takeaway is fastidious: In a competitive auction, the winner is often the one who can demonstrate the clearest path to **Integration Synergy**. By combining ITI's medium voltage prowess with Trystar's national reach, the new entity is positioned to dominate the "Back-up Power" landscape. As Blackstone continues to build out the Trystar platform, the market should expect further "tuck-in" acquisitions that strengthen the firm's hold on the mission-critical grid.

Final Thoughts: Integration Velocity and the Premium on Mission-Critical Assets

The transactions and market shifts detailed in this March 2026 newsletter demonstrate a singular, unifying principle: in a high-interest, high-scrutiny environment, M&A success is no longer merely a function of capital deployment—it is a function of **Integration Velocity** and **Strategic Differentiation**.

The obesity drug arms race between Pfizer and Novo Nordisk over Metsera serves as a definitive case study in the "Winner's Curse." It confirms that when dealing with breakthrough therapeutic assets, incumbents must weigh the immediate cost of a hostile interception against the long-term existential risk of falling behind on the patent cycle. The judicial intervention in Delaware further validates that in 2026, a "Superior Proposal" is not defined solely by the headline cash price, but by the legal and regulatory feasibility of bringing that proposal to fruition.

Simultaneously, the consolidation of the Canadian healthcare rehabilitation sector—as seen in CBI Health's roll-up strategy—and the cross-border acquisition of TRUBAR by ETI Gıda, illustrate the "middle-market mandate." We are witnessing a clear bifurcation of the deal economy: while the "Mega-Cap" battles (Paramount-WBD) are defined by debt-load management and regulatory survival, the mid-market is defined by the ruthless aggregation of fragmented, high-margin clinical and CPG brands. The pivot from broad home-care services to specialized, mission-critical clinical rehabilitation is a master-class in asset re-deployment, proving that firms capable of divesting non-core segments to fund "high-moat" acquisitions are outperforming their peers.

As we exit the first quarter of 2026, the market continues to reward the surgical M&A posture that the Sterling Cooper Inc. team champions. The defining deals of the coming months will be executed by firms that treat **Transaction Complexity** as a competitive advantage rather than a hurdle. Whether navigating the complexities of cross-border liability management or the "ticking fee" mechanics of a blockbuster media merger, the path to value creation remains constant: it runs directly through the intersection of deep liquidity, rigorous legal foresight, and the uncompromising pursuit of structural control.

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