

ENGULF & DEVOURTM



Sterling Cooper Inc.

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U.S. Mergers & Acquisitions Monthly Review: 2025 September Outlook

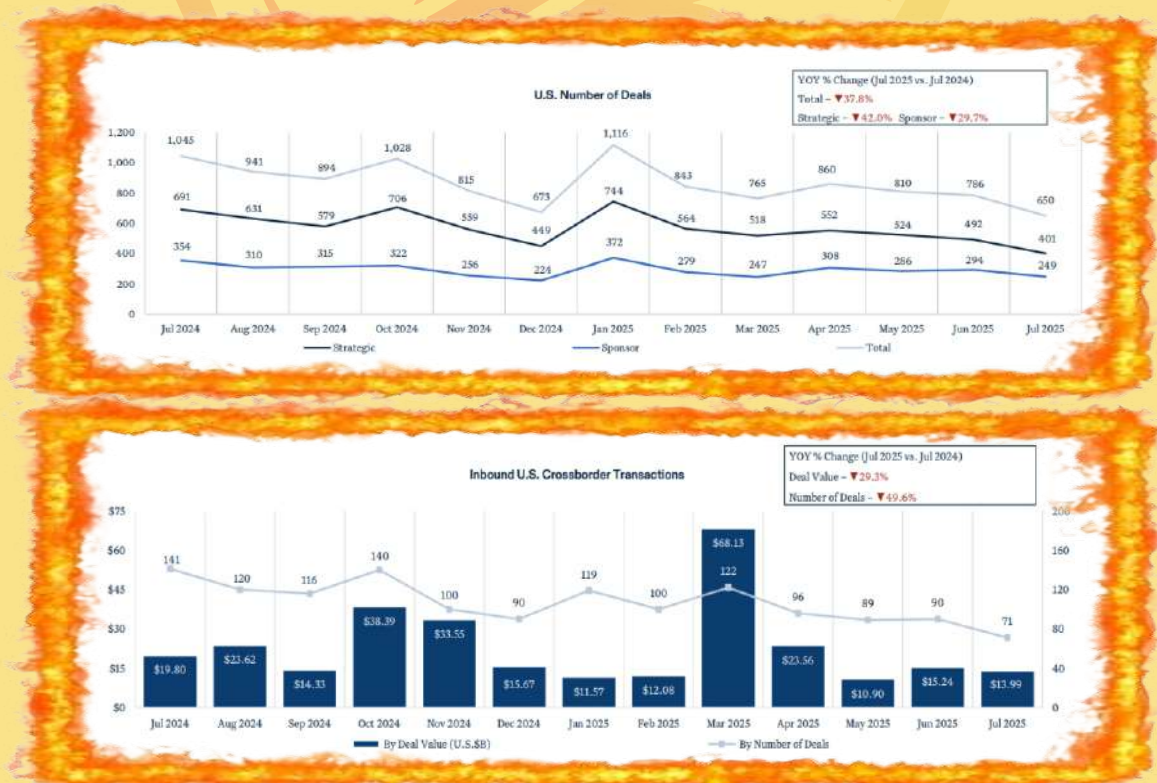
Greetings, Sterling Cooper Inc. clients and partners

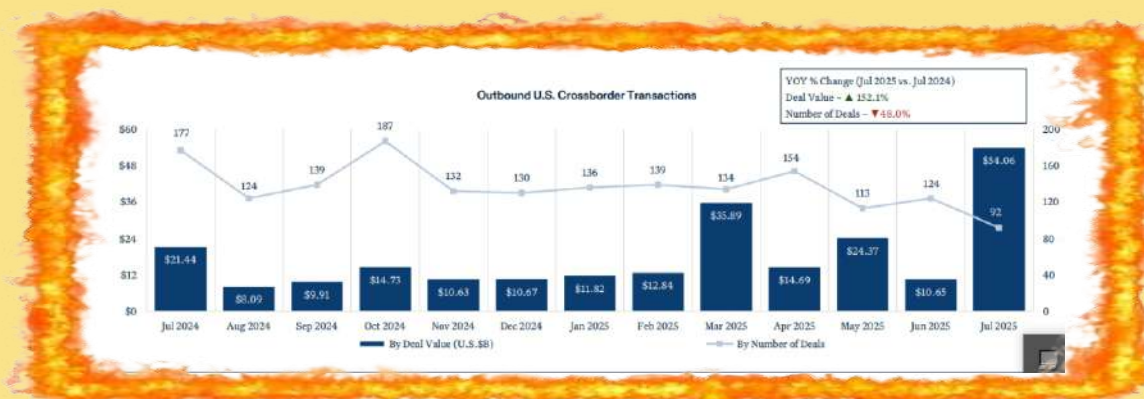
Welcome to the September 2025 edition of the Sterling Cooper Inc. M&A Newsletter. This month's issue provides a comprehensive analysis of the mergers and acquisitions landscape for August 2025, from the 1st to the 31st.

Based on our analysis of the data, the M&A market in August was defined by a surge in strategic deal values, offsetting a decline in sponsor activity. We will dissect this trend, examining both **friendly and hostile transactions** that shaped the market. While the overall number of deals was down, the value of transactions surged, highlighting a market focused on large-scale, strategic consolidation. We'll delve into the key data points, including leading industries and cross-border trends, to provide you with a full picture of the month's activity.

M&A at a Glance

Based on our analysis of the data, the M&A market in August was defined by a surge in strategic deal values, offsetting a decline in sponsor activity. We will dissect this trend, examining both friendly and hostile transactions that shaped the market. While the overall number of deals was down, the value of transactions surged, highlighting a market focused on large-scale, strategic consolidation. We'll delve into the key data points, including leading industries and cross-border trends, to provide you with a full picture of the month's activity.



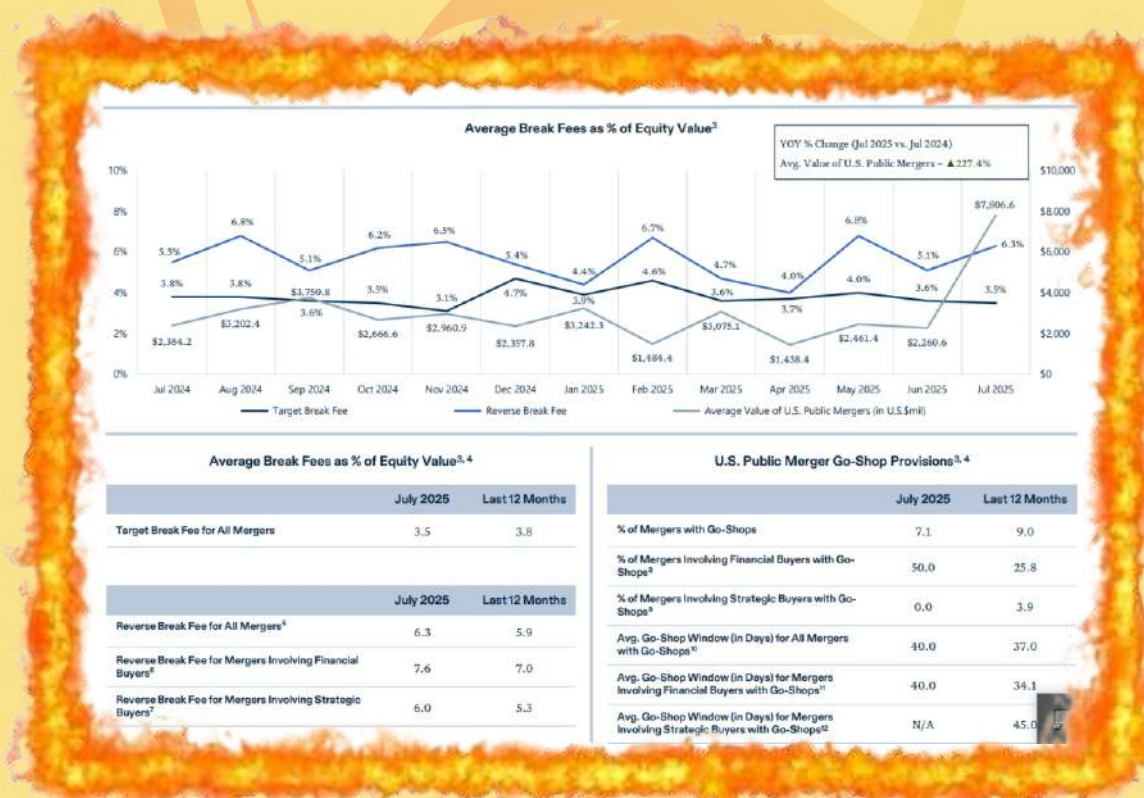


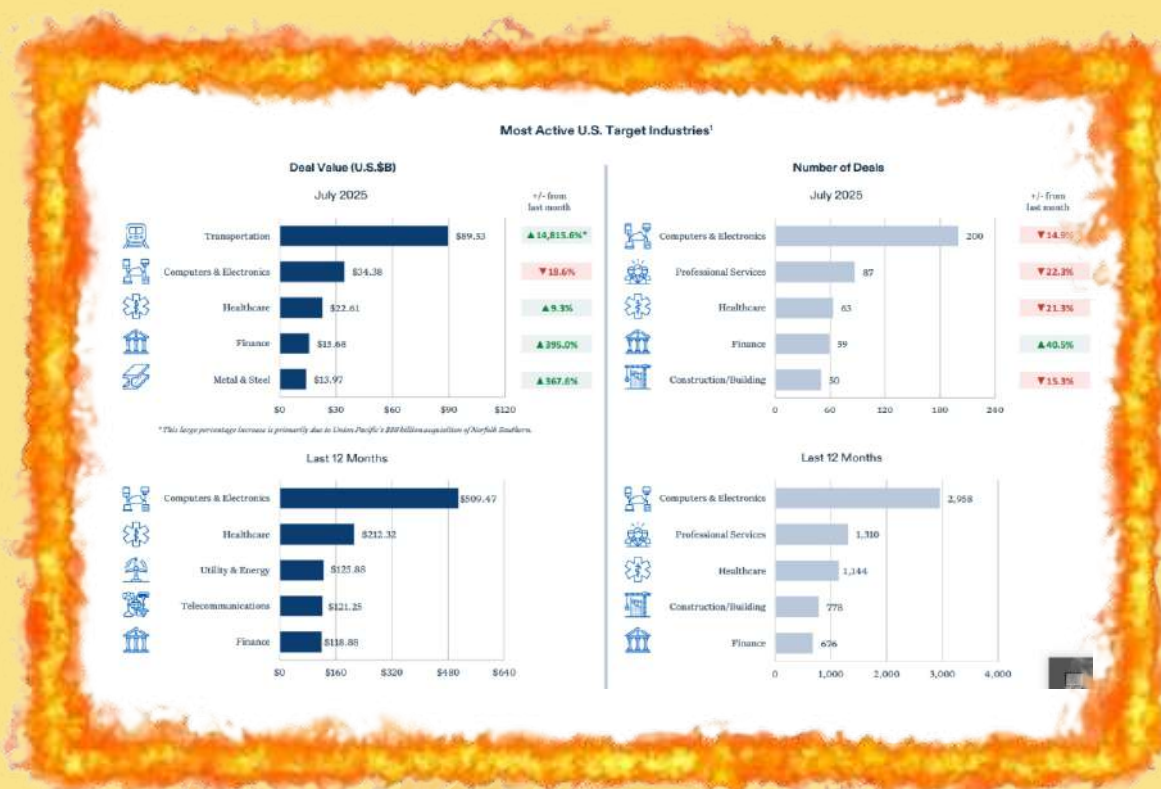
- **Deal Values vs. Deal Counts:** Both U.S. and global M&A deal values increased significantly in July 2025 compared to June, while the number of deals (deal counts) decreased. This indicates a market with fewer but much larger transactions.
- **Strategic vs. Sponsor Activity:** The increase in total deal value was driven by a substantial rise in **strategic deals**, which more than compensated for a decline in sponsor (e.g., private equity) activity.
- **U.S. Market**
- **Largest Deals:** The U.S. market was dominated by a few massive, high-value transactions. The largest deal was **Union Pacific's \$88 billion acquisition of Norfolk Southern** in the transportation sector.

Leading Sectors:

- **Transportation** led the U.S. market by deal value.
- **Computers & Electronics** led by deal count, despite a decline in activity from the previous month.

Cross-Border Activity





- **U.S. Outbound:** U.S. outbound deal value increased significantly in July, largely due to a single major transaction: **Palo Alto Networks' \$24 billion acquisition of CyberArk Software**. This deal resulted in Israel becoming the leading country for U.S. outbound deal value.
- **U.S. Inbound:** U.S. inbound deal activity decreased in both value and count. The leading countries for inbound deals in July were **Luxembourg** by value and the **United Kingdom** by deal count.
- **Transaction Specifics**
- **Hostile Deals:** The data indicates that there were **no hostile or unsolicited offers** among U.S. public deals announced in July.
- **Reverse Break Fees:** The average reverse break fee for U.S. public deals announced in July was **6.3%**, which is above the last 12-month average of 5.9%.

U.S. M&A Totals

- **Deal Value:** Increased by 79.1% to \$219.9 billion.
- **Deal Count:** Decreased by 17.3% to 650 deals.
- Strategic deal value was up 121.4%, while sponsor deal value was down 41.9%.

Leading U.S. Industries (July 2025)

- **By Value:** **Transportation** led with a deal value of \$89.5 billion, a massive 14,815.6% increase from the prior month. This was followed by Computers & Electronics.
- **By Deal Count:** **Computers & Electronics** led with 200 deals, followed by Professional Services and Healthcare.

U.S. Cross-Border Activity

- **Outbound:** Deal value increased significantly by 407.8% to \$54.1 billion, while the deal count fell by 25.8%.
- **Inbound:** Both deal value and deal count decreased.



- **Leading Countries:**
- **Inbound:** Luxembourg (\$3.1B) by value; United Kingdom (13 deals) by count.
- **Outbound:** Israel (\$24.5B) by value; United Kingdom (20 deals) by count.

Deal-Specific Metrics

Hostile Offers: There were **no hostile or unsolicited offers** announced in July.

Break Fees:

- The average **reverse break fee** was 6.3%, above the last 12-month average of 5.9%.
- The average **target break fee** was 3.5%, below the last 12-month average of 3.8%.

Go-Shop Provisions:

- The use of go-shops in mergers was down, at 7.1% of deals compared to the LTM average of 9.0%.
- Go-shops were only used by **financial buyers**, accounting for 50% of their deals, compared to 0% for strategic buyers.

SECTION A Equity Carve-Outs

B. Riley Securities Hits \$60.9 Million in Q2 Revenue, Highlighting Post-Carve-Out Momentum

B. RILEY SECURITIES PROVIDES POST CARVE OUT BUSINESS UPDATE AND FINANCIAL HIGHLIGHTS

B | RILEY *Securities*

In a significant corporate restructuring, B. Riley Securities Holdings, Inc. has successfully completed its first full quarter as an independent entity following a March 2025 carve-out from its former parent, B. Riley Financial. The financial results released on August 7, 2025, showcase a new chapter for the company, which is now operating with a debt-free balance sheet and a renewed focus on its core strengths as a middle-market investment bank. The firm's performance demonstrates a strong recovery and a clear path forward, leveraging strategic hires and booming market trends to drive growth.



Q1: What is the nature of this transaction, and what was its primary objective?

This transaction is an **equity carve-out**, a form of divestiture where a parent company sells a minority stake in a subsidiary through an IPO, while retaining control.



The primary objective of the carve-out for B. Riley Securities (BRS) was to **create an independent, debt-free entity** that could refocus on its core strengths and attract investment based on its own financial health and performance. This move effectively separated BRS from the complexities and debt of its former parent, B. Riley Financial.

Q2: What was the financial performance of B. Riley Securities in its first full quarter as an independent entity?

In its first full quarter ended June 30, 2025, B. Riley Securities reported total revenue of **\$60.9 million** and a GAAP net income of **\$12.5 million**. This marks a significant turnaround, as company leadership noted they had a challenging first quarter and have since delivered "month-over-month improvement" into the third quarter. The firm also reported a strong liquidity position with **\$94.5 million** in cash and securities.

Q3: How has B. Riley Securities demonstrated a refocusing on its core business?

The firm has strategically refocused on its strengths as a mid-market merchant bank. This has been executed through key actions, including **hiring seven senior strategic leaders** to strengthen practice areas and expand sector coverage in industries like Real Estate, Healthcare, and Digital Assets. This move signals a commitment to bolstering its core teams and expertise to recapture momentum in its primary business lines.

Q4: What role has the AI boom played in B. Riley Securities' recent performance?

The AI boom has been a significant driver of client activity and revenue for the firm. The company noted that it has helped clients raise over **\$8 billion** for AI-driven investments over the past year, a trend that continued to be a key driver in the second quarter. The strong demand for capital in the AI sector has directly fueled BRS's investment banking revenue, showcasing the firm's ability to capitalize on emerging technology trends.

Q5: What does the debt-free status and dividend payout suggest about the company's financial health?

Operating with a debt-free balance sheet and over \$94 million in cash and securities indicates a robust financial position and high degree of liquidity. The board's approval of a one-time dividend of approximately **\$0.22 per share** further signals management's confidence in its near-term prospects and ability to return capital to shareholders. This financial flexibility provides a solid foundation for both operational growth and potential future investments.





Q6: How does this carve-out fit into the broader strategic actions of its former parent, B. Riley Financial?

The BRS carve-out is part of a larger strategic realignment for B. Riley Financial, which has also been divesting other non-core assets to manage its debt. In other recent news, B. Riley Financial announced the sale of its advisory services business, GlassRatner, for **\$117.8 million**, and reduced its outstanding debt through a privately negotiated bond exchange. This pattern of divestitures shows that the parent company is also streamlining its own operations to strengthen its balance sheet and focus on core competencies.

Conclusion

The B. Riley Securities carve-out serves as a compelling case study for the value-creating potential of strategic divestitures. By separating a strong, cash-generating business from a more complex parent company, B. Riley Securities has instantly established itself as a well-capitalized, debt-free, and agile player in the middle-market investment banking space. The key lesson here is that a **strategic unbundling can unlock hidden value** by giving a business the autonomy and financial clarity it needs to succeed. It allows management to focus on its core strengths and provides investors with a direct stake in a clearer, more focussed growth story.

SECTION B

HOSTILE TENDERS, PROXY FIGHTS & CONTESTED ACQUISITIONS

1. Special Alert: The TaskUs LBO – A Test Case for Shareholder Activism in Take-Private Deals

Blackstone

The proposed management buyout (MBO) of TaskUs Inc. by an investment consortium led by Blackstone and the company's co-founders is facing a significant challenge. Institutional Shareholder Services (ISS), the influential proxy advisory firm, has recommended that minority shareholders reject the \$16.50 per share bid, deeming the offer inadequate. This follows public opposition from major shareholders, including Murchinson and Think Investments, who argue the proposed price substantially undervalues the company, particularly in light of its recent operational out-performance and growth in AI-related services. With the shareholder vote on September 10, this contested transaction has become a critical test case for how a target board's duties are weighed against minority shareholder rights and valuation realities in the take-private context.



Q&A: Navigating a Contested Management Buyout

Q: In a management buyout (MBO) where a Special Committee is formed to represent minority shareholders, what are the primary conflicts of interest, and how does the ISS recommendation highlight the board's fiduciary duty?

A: The primary conflict of interest in an MBO arises because the acquiring group, which includes management and/or founders, possesses a deep informational advantage and an incentive to acquire the company at the lowest possible price. The Special Committee's role is to mitigate this by independently negotiating on behalf of the minority. The ISS recommendation underscores that the committee's fiduciary duty is not merely to negotiate, but to ensure the final price maximizes value for unaffiliated shareholders, regardless of any premium to the unaffected share price. ISS's view that the offer is inadequate, even if at a premium, suggests the committee may have failed to robustly challenge the buyer group's valuation and process, opening the door for a proxy fight.

Q: The ISS report notes that TaskUs' stock closed above the offer price. From a deal structuring and valuation perspective, what does this market signal imply about the offer's viability, and what actions might the acquirer consider to close this valuation gap?

Blackstone | TaskUs

TaskUs to be Taken Private by Co-Founders and Blackstone for \$1.62 Billion

Transaction Terms: An affiliate of Blackstone, TaskUs Co-Founder and CEO Bryce Maddock, and TaskUs Co-Founder and President Jasper Weir, will acquire all the outstanding shares of Class A common stock they do not already own for \$16.50 per share in an all-cash transaction.

Deal Size: \$1.62 B	Premium: 14.74%	Expected Closing Date: 12/31/25
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A: When a target's stock trades above the offer price in a take-private deal, it is a clear market signal of arbitrage — investors believe the transaction is either undervalued or that a higher offer is likely to emerge. This creates significant uncertainty and a high probability of deal failure. To close this valuation gap and secure shareholder approval, the acquiring consortium has limited options. They could increase the offer price, or, less likely, they could add a contingent value right (CVR) or "earnout" component tied to future performance, although this is complex in a take-private context. Given the public opposition and the looming vote, a price increase is the most direct and common strategy to satisfy the majority-of-the-minority vote condition.

Q: Think Investments' presentation references the WNS – Capgemini deal as a more relevant precedent. How does the selection of comparable transactions in a fairness opinion impact its credibility, and what are the strategic and legal risks of using a "cherry-picked" data set?

A: The integrity of a fairness opinion is contingent on the relevance and rigor of its valuation methodologies, particularly the selection of comparable transactions. Omitting a highly germane precedent, such as WNS – Capgemini, can materially skew the valuation analysis. A fairness opinion that relies on a "cherry-picked" data set of lower-multiple deals risks being seen as biased, designed to justify a predetermined price rather than to provide an objective assessment of fair value. Strategically, this exposes the Special Committee to accusations of breach of fiduciary duty and provides a powerful narrative for activist shareholders to rally against the transaction. From a legal standpoint, it increases the risk of litigation and challenges to the board's decision-making process.



Q: What are the primary mechanisms available to activist shareholders like Murchinson and Think Investments to oppose a take-private deal, and how does the shareholder opposition here differ from a typical proxy contest?

A: Activist shareholders can oppose a take-private deal through public campaigns, issuing detailed presentations, and engaging directly with other institutional investors. Their primary mechanism is to lobby for a "no" vote, as this deal requires approval from a majority of the minority shareholders. This opposition differs from a typical proxy contest, which often seeks to replace directors or force a change in corporate strategy. Here, the activists' objective is singular: to stop the transaction at the current price, forcing the acquirer to either raise its offer or abandon the deal. The public nature of their opposition puts immense pressure on both the Special Committee and the buyer group.

CRAVATH

TaskUs's Take-Private Acquisition by its Co-Founders and Blackstone

Q: Given the company's growth in AI services, as highlighted by Think Investments, how does the emergence of new growth vectors complicate valuation in a take-private deal, and what is the strategic value that the founding management and Blackstone aim to capture by privatizing the company now?

A: New growth vectors, such as AI services, complicate valuation because their future cash flows are often difficult to predict and highly sensitive to assumptions. Public market valuations may not fully reflect this nascent growth potential, creating a window for acquirers. By privatizing TaskUs now, Blackstone and the founders aim to capture the long-term value creation from these high-growth segments without the pressure of quarterly reporting and public market scrutiny. The move allows them to invest aggressively in the AI business, potentially taking on short-term losses to secure a dominant market position, with the long-term goal of realizing a much higher return upon an eventual re-IPO or sale. This dynamic underscores a key strategic motivation in LBOs: leveraging an information asymmetry to capture value not yet reflected in the public market price.

Conclusion

The Blackstone-TaskUs deal serves as a powerful case study demonstrating the critical role of **minority shareholder rights and independent oversight** in take-private transactions. The core lesson is that a premium to the pre-announcement share price is not, by itself, a sufficient measure of fair value. Instead, the process and price must reflect a company's fundamental and future value, especially when a deal is contested by activists.


In this instance, the rejection by both proxy advisors and activist investors highlights several key lessons:



- **Process Matters as Much as Price:** The case demonstrates that a flawed or "cherry-picked" valuation process will be challenged. A Special Committee's reliance on a fairness opinion that omits key, relevant precedents undermines its credibility and fiduciary duty.
- **The Market as a Judge:** When a stock trades above the offer price post-announcement, it's a clear market signal that the offer is too low. The market is effectively betting on a higher bid or a failed deal, forcing the acquirer's hand.
- **Contingent Value is Real Value:** The transaction's failure to account for TaskUs's rapid growth in high-value segments, particularly AI, shows that future growth vectors must be robustly valued and factored into the offer. Founders and private equity firms often try to capture this upside for themselves, but in a contested deal, they are forced to share it with shareholders.

Ultimately, the deal underscores that even in a seemingly straightforward take-private, a well-coordinated defense and a compelling argument for higher value can successfully challenge a powerful acquirer and force a more equitable outcome for all shareholders.

3. The Contested Consummation: Unpacking a Proxy Battle in the Canadian Oil Patch



Strathcona Resources To Reject Cenovus Offer On MEG Energy, Intends To Increase Stake Further

The consolidation trend in the Canadian energy sector has culminated in a complex and highly visible M&A contest, placing a spotlight on the rights and influence of minority shareholders. While the definitive arrangement between Cenovus Energy and MEG Energy was unanimously approved by both boards, it now faces a direct challenge from rejected suitor Strathcona Resources. This unfolding drama, which pivots on a contested vote and the strategic acquisition of a larger minority stake, illustrates the intricate legal and financial maneuvers that can complicate even a board-approved transaction, underscoring the critical role of shareholder democracy in value realization.



A Deeper Dive into the Transaction

Q1: This deal has been referred to as both "hostile" and "contested." How would a legal professional parse this distinction?

A: Initially, Strathcona's bid for MEG was a classic **hostile offer** because it was unsolicited and made directly to shareholders without the MEG board's support. However, the current situation has evolved into a **contested deal**. The Cenovus-MEG transaction is a friendly, board-approved acquisition. Strathcona's current action is a proxy fight—an organized opposition to a board-recommended transaction. By actively seeking to block the deal, Strathcona has turned a friendly agreement into a battle for shareholder votes.



Q2: What was the purpose of MEG Energy's strategic review after Strathcona's initial bid?

A: Following Strathcona's hostile offer, MEG's board rejected the bid and launched a strategic review. This action was a direct response to the threat and a way for the board to fulfill its fiduciary duty to its shareholders. The review's purpose was to evaluate all available options to maximize shareholder value, which ultimately led to the board-approved deal with Cenovus, which it deemed superior.

Q3: What are the key tactical plays for each party heading into the shareholder vote?

A: Strathcona's primary tactical maneuver is its **blocking stake**. By raising its ownership to 14.2%, it significantly raises the threshold for Cenovus and MEG to secure the necessary two-thirds majority vote. Cenovus, in turn, is under immense pressure and may be compelled to increase its offer price to ensure shareholder approval. MEG's board will continue to advocate for its recommended deal, urging shareholders to vote in favor.



Q4: How does this situation highlight the power of a minority shareholder stake?

A: The situation underscores the immense influence a minority shareholder can wield. By acquiring a 14.2% stake, Strathcona has positioned itself with a powerful **blocking vote**. This illustrates that a determined party, even after an initial rejection, can leverage its ownership to exert significant influence and potentially reshape a deal's final terms by forcing the acquirer to sweeten the offer.



Q5: What are the potential outcomes of the shareholder vote for the Cenovus-MEG transaction?

A: The possible outcomes are multifaceted. The Cenovus deal may fail to secure the two-thirds approval, forcing the MEG board to either renegotiate with Cenovus or consider other options, including a standalone strategy. Alternatively, Cenovus could sweeten its offer to win over the necessary votes, or Strathcona could withdraw its opposition, having successfully leveraged its position to extract greater value for all shareholders. The deal's fate now rests with the voting shareholders.



TSX : SCR

Conclusion

The Strathcona-MEG-Cenovus saga offers a compelling case study in the dynamics of modern M&A. While Strathcona's initial hostile bid was rejected, it successfully prompted MEG's board to launch a strategic review that ultimately secured a superior, board-approved offer from Cenovus. This outcome, however, has not deterred the original bidder, which has transformed the friendly agreement into a contested transaction. By strategically increasing its minority stake, Strathcona has positioned itself with a powerful blocking vote, illustrating that even after an initial rejection, a determined party can leverage **shareholder democracy** to exert influence and potentially reshape a deal's final terms. This situation reinforces the notion that M&A outcomes are a complex interplay of tactical maneuvers, board diligence, and shareholder power, far beyond the initial offer price.

1. Brookfield-Colonial Pipeline: Navigating Contested Deals and Strategic Divestitures



BIC
MAGAZINE

BROOKFIELD TO ACQUIRE COLONIAL PIPELINE FOR \$9B

Brookfield



The M&A landscape is shaped by two parallel narratives: strategic acquisitions of scarce assets, such as the Brookfield-Colonial Pipeline deal, and contested transactions driven by shareholder power, as seen in the Strathcona-MEG-Cenovus battle. Together, they reveal a new playbook where valuation, governance, and strategy are tested by sophisticated maneuvers, offering key lessons for practitioners and investors.

Q1: What is the primary driver behind the surge in strategic deal values, even as overall deal volume has declined?

The recent surge in strategic deal values, as seen in July's market data, is primarily driven by the deployment of capital into **high-conviction, large-scale acquisitions**. This trend signals a market focused on consolidation rather than breadth. Strategic buyers, unlike financial sponsors, are motivated by operational synergies and long-term value creation, making them willing to pay a premium for assets that are either unique, irreplaceable, or possess significant market share. This explains why sectors like Transportation, with its keystone infrastructure, are drawing such disproportionate deal values.





Q2: How does a multi-party auction for an asset like the Colonial Pipeline differ from a conventional bilateral acquisition?

A multi-party auction for an asset owned by a **consortium of sellers** creates a dynamic distinct from a traditional bilateral deal. In this structure, the sellers collectively invite multiple potential buyers to bid, thereby fostering competition and ensuring the highest possible price. The process is designed to maximize value for all parties involved and provides a transparent mechanism for each co-owner to fulfill its fiduciary duty. It contrasts with a bilateral negotiation, where terms are agreed upon between a single buyer and a single seller, potentially limiting the price discovery.

Q3: What strategic advantage does Brookfield gain by acquiring an existing pipeline versus building a new one?

Brookfield's acquisition of the Colonial Pipeline provides a critical strategic advantage in an era of significant regulatory and political headwinds. Building new pipelines in the U.S. faces prohibitive permitting challenges and public opposition. By acquiring an established, operational asset, Brookfield bypasses these **regulatory headwinds** and secures an essential piece of infrastructure that is virtually impossible to replicate. This scarcity creates a formidable barrier to entry for competitors and guarantees a stable revenue stream, justifying the substantial premium paid.



COLONIAL PIPELINE CO.

Q4: How did Strathcona's initial hostile bid for MEG Energy pave the way for a superior, friendly deal from Cenovus?

Strathcona's initial unsolicited offer, a classic **hostile bid**, was instrumental in triggering MEG Energy's strategic review. While the offer itself was rejected by MEG's board due to an insufficient premium, it forced the board to actively seek a superior alternative to fulfill its fiduciary duty to shareholders. This proactive search led directly to the board-approved cash-and-stock deal from Cenovus, which offered a significantly higher premium, demonstrating how an initial hostile action can serve as a catalyst for a more favorable outcome.

Q5: What is the tactical significance of Strathcona's decision to increase its minority stake and oppose the Cenovus deal?

Strathcona's decision to increase its ownership to a 14.2% stake and vote against the Cenovus transaction transforms the deal into a **contested one**. This maneuver creates a powerful **blocking stake**, as the Cenovus deal requires a two-thirds majority for shareholder approval. By raising its ownership, Strathcona makes it significantly more difficult for Cenovus and MEG to secure the necessary votes, giving Strathcona immense leverage. This tactic forces the acquirer to either sweeten its offer or risk the deal's collapse, putting pressure on all parties to navigate a complex proxy fight.

Q6: What does the absence of hostile or unsolicited offers in the broader July M&A data suggest about the current deal-making environment?

The broader M&A data for July, which shows no hostile or unsolicited public offers, suggests a highly selective and cautious deal-making environment. This trend indicates that acquirers, faced with elevated valuations and market uncertainty, are preferring to pursue deals through friendly, board-endorsed channels. The data points to a market where buyers are focusing on a clear strategic rationale and securing the full support of the target's board and management from the outset, rather than attempting to force a transaction on unwilling parties.



Conclusion

The confluence of these deals provides invaluable lessons for all market participants. Firstly, the **fiduciary duty** of a board is not a passive responsibility; it is a proactive mandate to ensure shareholders receive maximum value, even if this means entertaining and ultimately rejecting a hostile bid in favor of a superior alternative. Secondly, the power of a **blocking stake** in a contested transaction cannot be overstated. A determined minority shareholder can alter the entire course of a deal, underscoring the importance of a clear and convincing value proposition for all investors. Finally, the market is demonstrating a clear preference for irreplaceable, high-quality assets, validating the strategic premium paid for them. These lessons confirm that today's M&A environment demands a deep understanding of not just valuation metrics, but also of corporate governance, strategic negotiation, and the complex interplay of shareholder interests.

1. The Perils of Proxy Fights: A Case Study in Shareholder Activism

The termination of the proxy contest at Allied Gaming & Entertainment (AGAE) by activist investor Knighted Pastures serves as a potent case study in the high-stakes and often litigious world of shareholder activism.



While proxy fights are a tool for investors to hold management accountable, this situation demonstrates how they can become protracted legal battles that exhaust resources and ultimately fail to achieve their objectives. The outcome reveals the significant legal and financial obstacles that dissidents face, even when they have legitimate grievances. The following analysis explores the key concepts and lessons from this contested event.



Q1: What is a proxy contest, and how does it relate to shareholder activism?

A proxy contest, or proxy fight, is a direct challenge to a company's incumbent management or board of directors. It is a key tool used by activist investors who are dissatisfied with a company's strategy, governance, or financial performance. Instead of launching a hostile takeover (which involves an attempt to buy the company), the activist seeks to gain control or influence by soliciting proxy votes from other shareholders to support a slate of alternative director nominees. In essence, it's a battle to win the hearts and minds of the company's owners to effect change from within the boardroom.



Q2: What was the specific objective of Knighted Pastures in initiating this proxy contest?

Knighted Pastures' objective was to force a change in corporate governance at Allied Gaming & Entertainment. As stated in the provided article, the activist had previously succeeded in two lawsuits to block share issuances it deemed to be on "unfair terms." By nominating six candidates for the board, Knighted Pastures sought to secure a majority or a significant presence that would enable it to enact more fundamental changes to the company's direction and unlock what it perceived as latent shareholder value.

Q3: Why was the proxy contest ultimately terminated by the activist?

The proxy contest was terminated due to a preliminary injunction from a U.S. District Court. The court's order, based on allegations that Knighted Pastures was part of an undisclosed "group" with other shareholders, legally prevented a vote on the director nominees. According to Knighted Pastures' managing member, Roy Choi, the legal costs and the indefinite delay caused by the lawsuit made continuing the fight "untenable," leading to its withdrawal. This demonstrates how a company can use legal defenses to effectively derail an activist campaign, even if the allegations are contested.

Q4: How did the company's legal action act as a defense mechanism against the activist campaign?

The company's lawsuit against Knighted Pastures was a classic defense mechanism, designed to create legal and financial obstacles for the activist. By alleging that Knighted Pastures had violated Section 13(d) of the Securities Exchange Act, the company forced the activist to spend significant resources on litigation rather than on a public campaign. The preliminary injunction, in particular, was a highly effective tactical maneuver, as it froze the proxy contest indefinitely and demonstrated to other shareholders that the dissident group was facing serious legal challenges.

Q5: The article mentions ISS recommendations. What role do proxy advisory firms play in these fights?

Proxy advisory firms, such as Institutional Shareholder Services (ISS), play a critical role in shaping the outcome of proxy contests. They issue independent recommendations on how shareholders should vote on board nominees and other proposals. Institutional investors, who often hold significant voting power, frequently rely on these recommendations to inform their decisions. The article notes that ISS had a nuanced position, recommending a vote for only one of the six activist nominees, which likely influenced the broader shareholder base and complicated Knighted Pastures' efforts to secure a majority.

Q6: What does the termination of this contest teach us about the financial and strategic risks for activist investors?

This case illustrates that proxy contests, while a powerful tool, are not without significant risks for activist investors. The financial burden can be immense, as they are often responsible for their own legal and public relations costs. Furthermore, as seen here, a well-defended company can use legal and regulatory tactics to delay or terminate a contest, effectively nullifying the activist's investment in the campaign. The decision by Knighted Pastures to step back and donate its shares shows that even a successful campaign in court does not guarantee a win in the boardroom.



Conclusion

The Allied Gaming proxy contest offers several critical lessons for both companies and investors. For companies, the case underscores the importance of a robust corporate governance framework and a prepared legal defense to fend off unwarranted challenges. It also demonstrates how a company's legal team can be a powerful asset in a proxy contest. For activist investors, the primary takeaway is that while proxy fights can be an effective means of driving change, they are also a high-risk, high-cost undertaking. The ultimate success of a campaign may not hinge solely on the merits of the activist's proposals, but on their ability to withstand legal challenges, rally broad shareholder support, and persevere in the face of concerted opposition from management. This is a crucial lesson that the activist investors at Knighted Pastures learned firsthand.

SECTION C

FRIENDLY ACQUISITIONS, STRATEGIC ALLIANCES & JOINT COLLABORATIONS

Friendly Takeover



1. Amphenol-CommScope: A Strategic Divestiture and the Rise of AI-Driven M&A



Amphenol Corporation's acquisition of CommScope's Connectivity and Cable Solutions (CCS) business for \$10.5 billion is a major strategic event in the telecommunications and data center industries. This all-cash deal is not a simple acquisition; it represents a targeted divestiture for CommScope, which is restructuring to pay down debt, and a high-stakes bet for Amphenol on the future of AI infrastructure. The transaction highlights the growing value of connectivity assets, particularly in the fast-growing data center and broadband markets.

Q1: What is the primary strategic motivation for Amphenol in making its largest-ever acquisition of CommScope's CCS business?

Amphenol's primary motivation is to **significantly expand its presence in the high-growth IT datacom and communications markets**, particularly in the rapidly expanding sector of **AI and data center applications**. The CCS business provides critical fiber optic interconnect products that are highly complementary to Amphenol's existing portfolio. This acquisition allows Amphenol to acquire significant new capabilities, talent, and customers in a single, large-scale transaction.



Q2: From CommScope's perspective, what is the strategic rationale behind divesting its largest and most profitable business unit?

CommScope's rationale for this divestiture is to **drastically reduce its substantial debt load**. The company has been plagued by debt, and the sale of its largest and most valuable business unit will generate a significant amount of cash. CommScope plans to use the net proceeds, estimated at about \$10 billion, to pay off its debt, redeem preferred equity, and then distribute excess cash to shareholders. This is a classic example of a company selling a core asset to strengthen its balance sheet and focus on its remaining, more profitable business segments.



Amphenol
COMMSCOPE®
now meets next

Q3: How does the AI boom directly influence the value and timing of this particular M&A transaction?

The current boom in AI and data center development is a key driver of this deal. The CCS business's product portfolio, which includes **fiber optic interconnect solutions for AI applications**, makes it an incredibly valuable asset. The demand for high-speed, high-capacity infrastructure to support AI computing and data storage is immense. This deal's timing and valuation are directly influenced by the need for companies like Amphenol to acquire established capabilities in this high-growth market, rather than building them from scratch.

Q4: What will CommScope's business look like after this divestiture, and what are the potential risks of its new strategy?

After shedding its CCS business, CommScope will become a much smaller and more focused company, concentrating on its Access Network Solutions (ANS) and Ruckus businesses. While this new, leaner structure is intended to improve financial stability and growth, it also carries risks. The company will be more exposed to market fluctuations in a narrower set of businesses and will face increased **customer concentration risk**. CommScope's future success will depend entirely on its ability to execute on its new strategy and grow its remaining segments.

Q5: The deal is all-cash. What does this financing structure imply about Amphenol's financial health and its confidence in the transaction?

An all-cash deal of this size demonstrates **strong financial health and high confidence** in the transaction's value and strategic fit. Amphenol plans to finance the acquisition using a combination of cash on hand and new debt. An all-cash offer eliminates shareholder dilution for Amphenol and provides a clean, certain outcome for CommScope, which is attractive given its need for capital. This structure suggests that Amphenol's management and its advisors are certain of the acquisition's ability to generate immediate value and be **accretive to earnings**.



Q6: This is Amphenol's second acquisition of a CommScope business unit in a little over a year. What does this pattern of serial acquisitions suggest about Amphenol's long-term corporate strategy?

This is a clear indicator of Amphenol's long-term **growth-by-acquisition strategy**. The company has a history of making a series of targeted, strategic acquisitions to expand its product offerings, gain market share, and diversify its portfolio. The fact that it has now acquired two distinct business units from the same company in a relatively short period shows a very focused and opportunistic approach to consolidation. This pattern suggests that Amphenol will continue to be a dominant consolidator in the electronic components and connectivity sector, acquiring key capabilities to stay ahead of technological trends.

1. A Private Equity Giant's AI Bet: Blackstone's Acquisition of Enverus

Blackstone's acquisition of Enverus for \$6.5 billion is not just another private equity transaction; it's a strategic move that highlights the growing importance of data and technology in the energy sector. This deal signals a strong conviction in two major market themes: the demand for real-time data to navigate the energy transition and the immense potential of **generative AI** in a traditionally analog industry.

Blackstone  ENVERUS

**BLACKSTONE TO
ACQUIRE ENVERUS**

Q1: What is Enverus, and why is it a key asset for a firm like Blackstone?

Enverus is a leading energy data and analytics platform. It's a Software-as-a-Service (SaaS) company that provides real-time data, insights, and analytics to over 8,000 customers across the entire energy ecosystem, from exploration and production to renewables. For Blackstone, a private equity firm with a significant presence in energy and infrastructure, Enverus is a highly valuable asset because it is the **"brain" of the energy sector**. Acquiring it gives Blackstone deep insight into market trends, asset performance, and capital flows, enhancing its ability to make data-driven investment decisions.



Q2: How does this deal reflect the broader trend of private equity firms shifting toward data-rich industries?

This transaction is a prime example of private equity's growing appetite for **data-driven companies**. Historically, private equity has focused on traditional assets like infrastructure or physical businesses. However, as data becomes a more critical and valuable commodity, firms like Blackstone are actively seeking to acquire companies that provide a competitive advantage through proprietary data and analytics. The acquisition of Enverus, from other private equity firms, is a **"sponsor-to-sponsor" transaction**, which has become a hot trend in the M&A market, as it allows firms to scale high-growth assets.

KIRKLAND & ELLIS

Kirkland Advises Enverus on Acquisition by Blackstone

Q3: The deal's valuation is significantly higher than its previous acquisition in 2021. What drove this increase?

Enverus's valuation has increased from around \$4.25 billion in 2021 to \$6.5 billion today due to several factors. First, the company has proven itself as a rapidly growing and profitable SaaS platform, which commands a high multiple. Second, its business model has become even more valuable due to the **AI boom**, as its data is essential for training and applying generative AI models to energy problems. The market has placed a high premium on data and analytics platforms, particularly those with a strong foothold in a critical industry like energy.

Q4: How does this acquisition align with Blackstone's investment thesis on the energy transition?

Blackstone has a clear, high-conviction investment theme in the ongoing energy transition and the rise in electricity demand driven by AI. The firm sees **Enverus's advanced analytics** and technology solutions as critical tools for its customers navigating these shifts. By acquiring Enverus, Blackstone isn't just buying an energy company; it's buying a technology platform that can help its entire portfolio of energy assets operate more efficiently, identify new opportunities in renewables, and adapt to the changing market landscape.

Q5: What are the key synergies Blackstone aims to achieve with Enverus?

Blackstone aims to leverage its global reach and deep industry expertise to accelerate Enverus's growth. The synergies are not about cost-cutting, but about revenue growth and strategic expansion. Blackstone's vast network of portfolio companies in energy, infrastructure, and data-rich industries will provide Enverus with new customers and partnership opportunities. Blackstone can also provide capital and expertise to help Enverus scale its platform, including its cutting-edge AI-native technology and market coverage, enabling it to "scale faster, build smarter, and deliver transformational outcomes."



Q6: What does the involvement of multiple private equity firms in this deal say about the current M&A environment?

The fact that this deal involved Blackstone acquiring Enverus from two other private equity firms, Hellman & Friedman and Genstar Capital, is telling. It signals a robust market for **secondary buyouts**, where one private equity firm sells an asset to another. This trend shows that private equity firms are confident in their ability to continue to grow and create value for portfolio companies even after a prior acquisition. It also indicates that private markets are continuing to be a fertile ground for large-scale, high-value transactions.

1. Private Equity Takes Dayforce Private: An AI-Fueled Playbook for Accelerated Growth

In a landmark deal underscoring the shift toward data and AI in the human capital management (HCM) sector, software investment giant **Thoma Bravo** has agreed to acquire Dayforce, Inc. for \$12.3 billion.



The all-cash, take-private transaction—Thoma Bravo's largest to date—reflects a powerful conviction that the public markets were undervaluing Dayforce's AI-driven platform. By taking the company private, Thoma Bravo and a significant minority investor, a subsidiary of the Abu Dhabi Investment Authority (**ADIA**), are betting they can provide the capital, resources, and flexibility needed for Dayforce to deepen its technological lead in a fiercely competitive market.

Q1: What is the significance of Thoma Bravo's "take-private" strategy for Dayforce?

Taking a public company private is a strategic move that provides a company with greater operational flexibility. By delisting from public exchanges, Dayforce will be free from the pressures of quarterly earnings reports and short-term market expectations. This allows its management to **focus on long-term investments** in areas like AI and product innovation without the constant scrutiny of public investors. As Dayforce CEO David Ossip put it, going private gives the company "more space, flexibility and resources to go much deeper" on its AI initiatives.



Q2: What role did the stock's valuation play in this deal?

According to the articles, Dayforce's stock was trading at a significant discount from its 2021 peak, with its shares trading in the mid-\$50s before the deal was announced. Thoma Bravo believed the public markets were not fully appreciating the company's strong fundamentals, including its product differentiation and recurring revenue growth. This perceived **undervaluation** created a clear opportunity for the private equity firm to step in, offering a substantial **32% premium** to Dayforce's unaffected share price, thereby providing immediate value to shareholders.



Q3: How is this deal part of a broader trend in the human capital management industry?

This acquisition is part of a wave of consolidation in the HCM industry, driven by the shift toward AI-powered, single-platform solutions. The provided articles mention similar recent deals, such as Paychex acquiring Paycor and Automatic Data Processing acquiring WorkForce Software. This trend signals that companies are moving away from fragmented, siloed solutions in favor of integrated platforms that can leverage a single data set to provide more comprehensive analytics and AI capabilities.



THOMABRAVO

dayforce

Thoma Bravo to Acquire Dayforce for \$12.3 Billion

Transaction Terms: Dayforce stockholders will receive \$70 per share in cash.

Deal Size: \$12.3B

Premium: 3.86%

Expected Closing Date: 3/31/26

Q4: How does AI factor into the future growth strategy for the company?

AI is at the heart of Dayforce's growth strategy. Dayforce's platform already uses AI to forecast labor demand and predict employee burnout. By going private, the company gains the resources to accelerate its investment in this technology. This will allow it to build more sophisticated AI features and maintain its competitive edge against rivals. Thoma Bravo's investment is a strong vote of confidence in the future of AI-powered HR solutions.

Q5: What is the significance of the Abu Dhabi Investment Authority's (ADIA) involvement?

The involvement of ADIA, a sovereign wealth fund, as a significant minority investor highlights the global confidence in both the transaction and the long-term potential of the HCM and AI sectors. For Thoma Bravo, a partner like ADIA provides not only a source of capital but also a stamp of validation from a globally respected institutional investor. This partnership can also provide Dayforce with strategic connections and resources as it continues to expand internationally.

Q6: What does the financing structure of this deal tell us about the current M&A environment?

The deal is an all-cash transaction, with a significant portion financed by debt commitments from institutions like Goldman Sachs. The fact that the deal is **not subject to a financing condition**—a key detail noted in the press release—indicates high confidence from the lenders. It suggests that despite a challenging macroeconomic environment, top-tier private equity firms can still secure substantial financing packages for strong, profitable, and strategically sound acquisitions. This confirms that the market for high-quality software assets remains robust.

Conclusion

Thoma Bravo's acquisition of Dayforce highlights private equity's growing role in technology, with firms paying premiums for AI-driven market leaders. By taking Dayforce private, Thoma Bravo enables long-term innovation beyond public market pressures, signaling a new phase of AI-fueled growth, consolidation, and strategic shifts in the HCM industry.



1. Private Equity Takes Dayforce Private: An AI-Fueled Playbook for Accelerated Growth

TICKER: \$KDP, \$JDEPF



**KEURIG DR PEPPER TO BUY
DUTCH COFFEE COMPANY
JDE PEET'S FOR \$18 BILLION**

In a major move reshaping the global beverage industry, **Keurig Dr Pepper (KDP)** has agreed to acquire Dutch coffee and tea company **JDE Peet's** for approximately \$18 billion. The all-cash transaction is designed to create a new global coffee powerhouse to rival market leader Nestlé. However, the most notable aspect of the deal is what happens after the acquisition: the combined company will be separated into two independent, publicly traded U.S. entities, effectively unwinding KDP's 2018 merger.

Q1: What is the strategic logic behind this acquisition and subsequent split?

The core strategy is to create two highly focused companies: one centered on coffee and the other on beverages. For KDP, the deal provides a significant boost to its struggling U.S. coffee business by integrating JDE Peet's strong European presence and global brands like Jacobs, L'OR, and Peet's. By spinning off the new **Global Coffee Co.**, both business units can better compete and pursue their own growth strategies without being bundled together. The separation allows investors to directly target their investments toward either a coffee or a beverage-focused business.



Q2: What are the financial details of the acquisition?

KDP will pay JDE Peet's shareholders **31.85 euros (\$37.30)** per share in cash, representing a **33% premium** to JDE Peet's 90-day volume-weighted average stock price. The acquisition is valued at **\$18 billion**, including a 20% premium over JDE Peet's closing price before the announcement. The companies expect to generate **\$400 million in cost synergies** over three years. Upon separation, the new **Global Coffee Co.** is projected to have about **\$16 billion** in annual sales, while the new **Beverage Co.** will have over **\$11 billion**.

Q3: How did the market react to the news?

The market reaction was mixed. **JDE Peet's shares surged by as much as 17.5%** following the announcement, reflecting the significant premium offered. In contrast, **Keurig Dr Pepper's stock fell by 7% to 11%**, suggesting some investor skepticism about the deal's value and complexity, particularly the debt burden and the plan to de-merge.



Q4: Who will lead the new companies?

The leadership has already been designated. KDP's current CFO, **Sudhanshu Priyadarshi**, will lead the new Global Coffee Co. Current KDP CEO **Tim Cofer** will take the helm of the new Beverage Co. JDE Peet's current CEO, Rafael Oliveira, will stay on until the acquisition is complete.



Q5: What is the historical context of the merger and split?

The transaction marks a surprising turn of events for the companies. The deal essentially undoes the 2018 merger of Keurig Green Mountain and Dr Pepper Snapple, which created Keurig Dr Pepper. At the time, analysts questioned the logic of combining a coffee business with a carbonated soft drink business. This new deal acknowledges that a more specialized, focused strategy is now preferred in the competitive food and beverage industry. It also reflects a broader trend of large companies exploring spin-offs and asset sales to unlock value, with Coca-Cola reportedly exploring a sale of Costa Coffee as well.

Conclusion

The Keurig Dr Pepper and JDE Peet's transaction offers a clear lesson in modern corporate strategy: in a complex and competitive market, **unbundling can be a powerful tool for unlocking shareholder value**. By acquiring a key asset and immediately committing to separate its coffee and beverage businesses, KDP is demonstrating a decisive move toward specialization over diversification. This strategy allows the new, focused companies to better adapt to market trends, attract dedicated investors, and streamline their operations. The deal serves as a reminder that an M&A playbook is not just about combining assets but also about strategically realigning them for optimal performance and market positioning.

1. T-Mobile's Rural Expansion: UScellular Acquisition Bolsters 5G Reach in \$4.3 Billion Deal

T-Mobile has finalized its acquisition of UScellular's wireless operations in a deal valued at **\$4.3 billion**, a transaction that closed on August 1, 2025. This strategic move sees T-Mobile absorb UScellular's customers, retail stores, and a significant portion of its wireless spectrum, poised to strengthen T-Mobile's network, particularly in the rural and regional markets where UScellular had a strong presence. The transaction included **\$2.6 billion in cash and the assumption of approximately \$1.7 billion in debt**, representing a pivotal moment for both companies.

T-Mobile to Acquire UScellular

Deal Expected to Close in 2025



Q1: What is the primary strategic motivation for T-Mobile in making this acquisition?

The acquisition is a major play for T-Mobile to expand its high-speed 5G network into rural and regional markets where UScellular had a strong presence. The deal provides access to UScellular's valuable low-band and mid-band spectrum, which is ideal for broad coverage and capacity, complementing T-Mobile's existing 5G buildout. By gaining customers and spectrum in these new areas, T-Mobile strengthens its competitive position against rivals like Verizon and AT&T and accelerates its path to providing nationwide 5G.



Q2: What was UScellular's rationale for this deal, and what is the company's new focus?

UScellular has effectively exited the retail wireless business due to the immense capital required to build and maintain advanced 5G networks. The company's rationale was to unlock value for shareholders and transition its business model. The former UScellular entity, now called **Array Digital Infrastructure**, will focus on its remaining 4,400 wireless towers and its retained spectrum assets. This shift allows the company to become a more focused infrastructure provider, leasing its tower network to T-Mobile and other carriers.

Q3: How will the acquisition impact UScellular's current customers?

UScellular's more than four million customers will be integrated into the T-Mobile network. Initially, customers will be able to keep their existing plans and continue to access support through former UScellular stores, but the long-term plan is a seamless transition to the T-Mobile brand. Customers will benefit from T-Mobile's superior 5G speeds and broader network coverage, particularly in urban areas, which UScellular's network often lacked.



Q4: What was the regulatory perspective on this transaction?

The acquisition was approved by the U.S. Department of Justice (DOJ) and the Federal Communications Commission (FCC) despite some concerns about market consolidation. Regulators ultimately determined that UScellular's declining financial performance and inability to keep up with the high capital costs of modern network investment made the deal a necessary step to ensure continued service quality for rural consumers. The approval also hinged on T-Mobile's commitment to expanding and improving services in areas previously served by UScellular.



Q5: What does this deal signify about the broader telecommunications industry?

This transaction highlights a significant trend of consolidation in the telecommunications industry. The immense capital requirements for 5G network buildouts are creating a competitive environment where scale is paramount. The deal indicates that smaller regional carriers, despite their loyal customer bases, found it increasingly difficult to compete with the "Big Three" national carriers, making these types of strategic acquisitions inevitable.

Q6: What are the potential long-term benefits and risks of this deal?

The long-term benefits include improved 5G coverage and speeds for rural consumers, and a more streamlined business model for the new Array Digital Infrastructure. For T-Mobile, it's a cost-effective way to acquire critical spectrum and a customer base without building infrastructure from scratch. However, the deal also carries risks, including the potential for a smoother-than-expected customer transition and questions from rural carriers about the future of roaming agreements and competition in their local markets.

Conclusion

The T-Mobile-UScellular deal highlights a significant trend of consolidation in the telecommunications industry, driven by the immense capital required to build and maintain advanced 5G networks. For T-Mobile, this acquisition is not just about gaining customers but about **bolstering its long-term network strategy** in a cost-effective way by acquiring critical spectrum and expanding its footprint. The primary lesson here is that **scale and investment are now paramount for survival in the wireless market**. For consumers, the outcome is a double-edged sword: a promise of better network coverage and speed in rural areas, but the potential for reduced competition that could lead to higher prices over time.



Conclusion: A New Era of Strategic Restructuring

The M&A landscape is undergoing a powerful transformation. As the provided data confirms, global dealmaking has surged to a **\$2.6 trillion peak**, not driven by sheer volume but by a focus on larger, more strategic transactions. This trend reflects a renewed sense of confidence and a profound "quest for growth" in corporate boardrooms.

The deals we've covered in this newsletter perfectly illustrate this dynamic. T-Mobile's acquisition of UScellular shows how market leaders are consolidating to expand their footprint and cement their dominance. At the same time, the **Keurig Dr Pepper split-off** and **B. Riley Securities' carve-out** prove that **strategic unbundling** is equally vital. These divestitures are not signs of weakness but deliberate actions to streamline operations, unlock hidden value, and create agile, specialized companies that are better equipped to capitalize on market opportunities like the AI boom.

Ultimately, the lesson for our clients is clear: M&A is no longer a one-dimensional game. Whether through growth-driven acquisitions or value-unlocking separations, a proactive and strategic approach is essential for navigating today's complex market. We look forward to helping you seize these opportunities.

