Power drain France's EDF suffers as smaller groups offload their customers back to its price-capped energy plans ➔ PAGE 11

Companies & Markets

Amgen agrees to buy Horizon Therapeutics for $28.3bn

- US biotech wins race for drug pipeline
- Deal points to potential M&A rebound

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Amgen has agreed to buy Horizon Therapeutics for $28.3bn, including debt, after the US biotech won a three-way race to secure a new pipeline of drugs for treating rare autoimmune and inflammatory diseases.

The deal is the largest pharmaceutical transaction since AstraZeneca bought Alexion for $39bn last year and might signal a rebound in mergers and acquisitions following a dip in activity this year, according to analysts.

Horizon shareholders will receive $116.50 a share in cash, a premium of nearly 50 per cent to the share price late last month when it emerged that the company was in sale talks. Shares in Amgen fell about 1 per cent to $274.88 after the news while Horizon shares surged 15 per cent to $111.94.

> 'The resetting of biotech valuations will provide the backdrop for an active year'

The agreement gives Amgen access to Horizon's pipeline of drugs for rare autoimmune and inflammatory diseases. These include its blockbuster treatment for thyroid eye disease, Tepezza, as well as drugs for chronic gout and neuromyelitis optica — a disease affecting the central nervous system. They had also attracted interest from Johnson & Johnson and Sanofi.

The deal comes at a time when the valuation of biotech stocks has dropped sharply, making acquisition targets in the sector more attractive to large pharmaceutical companies.

Analysts said they expected the pace of dealmaking to increase in 2023, as cash rich companies in the sector sought to replenish drug pipelines facing loss of exclusivity owing to patent cliffs in the latter half of the decade.

"Ample corporate cash, the need to continue to invest to address medium-term pipeline gaps, and the resetting of biotech valuations will provide the backdrop for an active year," said PwC in a report published last week.

PwC forecasts pharma and life sciences deals totalling $225bn to $275bn in 2023, compared with $137.8bn in 2022 — a figure that does not include the value of the Amgen deal. The value of dealmaking in the sector in 2022 fell 49 per cent, when compared with the previous year, said PwC.

Robert Bradway, chair and chief executive of Amgen, said the acquisition of Horizon was a compelling opportunity for the company, which would expand the sale of its products in overseas markets, including China. "The potential new medicines in Horizon's pipeline strongly complement our own R&D portfolio," he said.

Analysts were cautious about the price of the proposed transaction by Amgen, which has secured a $28.5bn bridging loan for the deal.

Evan Seigerman, analyst at BMO Capital Markets, said Horizon was a good acquisition candidate but Amgen would have to increase its leverage to greater than three times earnings before interest, tax, depreciation and amortisation to complete the deal. "Horizon deal uses up most of, if not all of Amgen's near-term dry powder [for deals]," said Seigerman, adding that the acquisition would add upwards of $17bn to the company's existing debt of about $39bn.

Umer Raffat, analyst at Evercore, said he was not a fan of the acquisition, the largest deal ever proposed by Amgen. "I struggle to see upside for Amgen given the valuation being paid," he said.

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Deep pockets Dalio joins 'Titanic' director to back maker of submarines for the ultra-rich

Alien worlds: Triton's submarines give access to a little-explored wonderland — for a price — Oscar Espinosa

ORTENCA ALIAJ — NEW YORK

Ray Dalio and Hollywood filmmaker James Cameron have bought a stake in a submarine maker that allows the ultra-wealthy to explore the remotest parts of the planet.

The billionaire founder of Bridgewater Associates, the world's largest hedge fund, is now part-owner of Triton Submarines, a US company that specialises in submersibles for the super-rich.

"If you're just going on a yacht in some fancy place, that's one thing," Dalio told the Financial Times. "If instead you're on a yacht and you can go down and explore, first of all the trip is going to be better and also it encourages exploration."

Dalio declined to disclose the financial details of the deal but said he now owned the company with Cameron and Triton co-founder Patrick Lahey.

Triton was founded in 2007 by Lahey and Bruce Jones to manufacture submersibles for yacht owners. The prices for their vessels start at about $2.5mn and go up to $40mn. Their models range in capacity from one to 66 people, with the ability to dive from between 100 metres to full ocean depth.

"There's been a seismic shift in yachting," Lahey said. "Yachts aren't all about opulence and, you know, sipping gin and tonics on the fantail. They're about where these craft can take us and the experiences you can have with them. And that's why submersibles become the thing to have."

Triton, which was used by David Attenborough in the filming of the second series of *Blue Planet* to dive on the Great Barrier Reef, produces four or five vehicles a year and has a waiting list of buyers.

Dalio in October gave up control of Bridgewater, the hedge fund he founded in 1975, putting an end to a drawn-out transition of power. He is still an investor, board member and mentor in the fund.

The 73-year-old has long been an advocate for ocean research. Inspired by French marine explorer Jacques Cousteau, Dalio has spent millions of dollars on the Ocean-Xplorer, a high-tech vessel tailored for research and documenting the ocean.

Cameron, best known for films such as *Titanic* and *Avatar*, is an executive producer of a forthcoming ocean exploration show by National Geographic and Disney that was filmed aboard the OceanXplorer.

Dalio is bucking a trend among businessmen, which has seen the likes of Jeff Bezos and Elon Musk engaged in a billionaire space race. "Ocean exploration seems to me much more exciting and important than space exploration," he said. "You're not going to see any aliens in outer space but you will see aliens underneath."

Thoma Bravo extends spree with $8bn Coupa buyout

ANTOINE GARA — NEW YORK

Thoma Bravo is buying business software provider Coupa Software for $8bn as the US buyout firm steps up a deal spree to take advantage of falling technology valuations.

The buyout group, which recently completed a $32.5bn fundraising, has struck several deals this year for publicly listed US tech companies, including IT specialists Anaplan and SailPoint Technologies at the beginning of a steep correction for stocks in the sector earlier this year. It continued buying as tech valuations plunged, striking deals for cyber security companies Ping Identity and ForgeRock in recent months.

The private equity group will pay $81 per share for Coupa, which sells technology for businesses to manage corporate expenses, representing a 77 per cent premium to its trading price before reports of a potential deal emerged. Its shares were up 26.8 per cent to $78.71 in pre-market trading yesterday.

The Abu Dhabi Investment Authority will contribute a "significant minority investment" to the takeover, which is being financed by a group of 19 private lenders led by Sixth Street. The private loan is $2.6bn, according to sources familiar with the matter. Thoma Bravo and Sixth Street declined to comment.

Coupa shares jumped 26.5 per cent to $78.55 in early trading, trimming their decline this year to about 50 per cent, although the company's market capitalisation remains well below its record of more than $27bn in early 2021. Some large shareholders have expressed resistance to selling and valued the company higher than Thoma Bravo's offer.

Last week, hedge fund HMI Capital Management in a letter to Coupa's board of directors valued the company at over $95 per share. HMI did not respond to requests for comment.

Coupa Software defended the price by noting its growth had slowed markedly this year. It also said it led a "robust" sale process, engaging with 11 private equity firms and three potential strategic buyers. It had been in late stage talks with software buyout firm Vista Equity Partners until Thoma Bravo came in with a higher price, according to sources familiar with the matter. Vista declined to comment.

Inclusive of its Coupa Software takeover, Thoma Bravo will have deployed more than half its flagship buyout fund, which recently closed at $24.3bn.

Auguries for a revived Credit Suisse First Boston are mixed

INSIDE BUSINESS
FINANCE

Jonathan Guthrie

Credit Suisse has secured rights to the name "First Boston" in its push to spin off its investment bank. Can the new CS First Boston recapture the glories of the original? Wall Street financier Michael Klein, who will lead the unit, aims to reboot a brand that was once big on Wall Street and in the City of London.

He may not wish to revive the corporate culture. I knew CSFB back in the late 1980s and early 1990s. The atmosphere in the scruffy London office was of acrid aggression, with none of the blokery of BZW or Morgan Stanley's élan. CSFB executives forsook their trading screens for press interviews with martyred expressions. The *eminence grise* of the place complained bitterly when one magazine reported that underlings called him "Alf" behind his back. This stood for Arrogant Little Fucker, supposedly. The banker cornered the red-faced editor. "I am not little!" he raged.

CSFB was a formidable capital markets operator, thanks to First Boston's Wall Street footprint and Credit Suisse's wealthy, secretive European client base. That points to two parallels with CSFB 2.0. First, the business would probably generate the majority of its revenue in the US, while retaining a foothold in Europe. Second, CSFB ancient and modern would have a penchant for supporting leveraged US transactions.

The business took hefty losses as US corporate debt spun out of control at the end of the 1980s. Credit Suisse's US arm stayed true to its junk bond roots, re-emerging as a key financier of buyouts after the financial crisis.

Private equity bosses are currently twiddling their thumbs while wondering who will write down portfolio values most. For this reason, bankers I straw polled on the prospects for the new CSFB mostly said of the timing: "This seems like a dreadful idea."

My feeling is the timing might be very good indeed — if you are Klein. He plans to merge his Wall Street boutique into CSFB, which would keep a substantial stake. The erstwhile Credit Suisse board member has provoked justifiable criticism for identifying the best candidate to split off and run CSFB in his shaving mirror.

> Bankers I straw polled on the prospects for the new CSFB mostly said of the timing: 'This seems like a dreadful idea'

More to the point, the bottom of the market looks like a sensible place to sink financial and personal capital into an independent investment bank. Credit Suisse is expected to contribute risk-weighted assets to the tune of $21bn. It will not be picky on the implicit valuation of these in any transaction to raise external equity. Within the Credit Suisse group, the investment bank is valued at about zero by the market.

The Swiss lender has been drifting chaotically in the wake of the Greensill and Archegos scandals. Its shares trade at 0.2 times tangible book value, an 80 per cent discount to sometime comparator UBS. The latter enjoys a high valuation partly because it scaled back its investment bank years ago. Belatedly, Credit Suisse is doing the same. Not all of Klein's projects have worked out. His Multiplan special purpose acquisition company for healthcare triggered an ugly legal dispute, for example. But he knows plenty of big-name investors who could give the CSFB spin-off higher credibility. About $500mn is already in the bag. More will be needed.

Big US investment groups such as Apollo, Blackstone, KKR or TPG might be interested. A distressed seller is always a lure. It may be possible to frame the CSFB deal as a partial buyout, with an initial public offering or trade sale as a lure a few years down the track.

IPO prospects would help Klein recruit and retain good bankers, substituting sweat equity for big bonuses the business could not afford. Jefferies analyst Flora Bocahut calculates that the ratio of cost to income would need to fall to 85 per cent. In the third quarter, it was an eye-watering 160 per cent.

US-listed independent investment banks are hardly a novelty. They include Evercore, Lazards and Moelis and are typically worth about $4bn on annual revenues of $2bn-$3bn. CSFB might hope to join that group, albeit that, like Jefferies, it would take balance sheet risks.

There are a couple of big obstacles. First, trading would stay within the Swiss bank after primary markets had decamped. That would be an odd division. Second, Credit Suisse might decide after a split that funding a bunch of high-maintenance financiers was not the best use of spare cash. Neither problem is insuperable. But overcoming them would take ingenuity and bloody-mindedness. In that respect, the pugnacious spirit of the old CSFB might prove very useful to the new CSFB, after all.

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