

## Weekly Recap

10/15/2018 – 10/21/2018

*"I intend to do everything in my power to stop this proposed DVMT merger... It is better to have peace than war, but be assured, I still enjoy a good fight for the right reasons, and in the current situation, I do not see peace arriving quickly."*

- Carl Icahn, Chairman of Icahn Enterprises ([Carl Icahn](#))

### MARKET SUMMARY

- On Monday, indexes slipped in line with the previous week but rose sharply Tuesday after strong quarterly results. This was followed by another drop over Wednesday's Fed minutes that showed officials' belief that the economy is strong enough to absorb additional rate increases. Geopolitical tensions between Saudi Arabia and the US were another factor. ([WSJ](#), [CNBC](#))
- Treasuries have hit multiyear highs – turbulence in equities might reflect an asset allocation rotation. ([WSJ](#))
- Leveraged loans continue to be attractive for investors that don't mind credit risk – the market has grown to \$1.5TN surpassing HY. Despite senior secured ranking and floating rates, potential risks include the lack of liquidity, cov-lite status, and low credit quality. Buying is equivalent to betting that there is another year or two before the U.S. economy turns.
  - Michael Terwilliger, PM at Resource, is positioning his 40 Act fund to potentially buy assets at fire-sale prices when liquidity affects credit funds selling into falling markets. His unconstrained fund can invest wherever and lever up by as much as 30%. ([CNBC](#))

### DEALS & CORPORATE ACTIONS

#### October 15, 2018

- Carl Icahn is the latest shareholder (after Elliott, BlackRock, and P. Schoenfeld) to publicly denounce Dell and Silver Lake's plan to buyout DVMT tracking stock and take Dell public again. They believe the deal undervalues the shares. ([WSJ](#))
- Carlyle Group has announced its agreement to acquire 100% of Apollo Aviation Group in efforts to expand its Global Credit capabilities. Carlyle's credit division has \$36BN AUM vs. Apollo's \$183BN and Blackstone GSO's \$123BN. ([Carlyle](#))

#### October 16, 2018

- Lyft has tapped JPM, CS, and Jefferies to underwrite its 1H19 IPO, valued at \$15.1B. GS and MS delivered valuation proposals to competitor Uber, valuing it around \$120B for its 2H19 IPO. Per its agreement with SoftBank, Uber must IPO by 2019 or allow investors (\$100MM or held for five years) to sell their stakes, damaging its ability to control Uber's IPO price. ([WSJ](#))
- S&P and Moody's reported that China's local government financing vehicles have accrued between \$4.5-6.0TN in hidden off-balance sheet debt. High sub sovereign debt could be too big to bail out without printing money which could compound the deceleration in Chinese economic growth. ([FT](#))

#### October 17, 2018

- A bank group led by BofA lost money in a \$405MM leveraged buyout for Permira Holdings. Investors were put off by Triton's declining valuation figures, its poor credit profile, and the surge in loan issuance over the summer despite the relatively light leverage and higher return. Total debt load was reduced by \$10MM, and \$100MM of the first-lien term loan was privately placed as second-lien, strengthening the more senior portion. ([Bloomberg](#))
- Banks, including IPO arrangers, have committed to a \$9BN loan for SoftBank; five of its funds' holdings are being held as collateral. SoftBank's IPO is expected raise around \$27BN for its mobile arm. ([Bloomberg](#))
- Campbell Soup family has refused to support Dan Loeb and relative George Strawbridge's efforts to oust the board. They also stand against selling the business and are opting to divest Campbell's international and fresh food units instead. ([CNBC](#))
- Tilman Fertitta, owner of Golden Nugget casinos and Houston Rockets, has approached Caesars about a potential merger which would allow him to reduce his personal debt. Tough conditions in the gaming market has brought down shares 28% this year; this might be welcome by Apollo, TPG, and other distressed investors who took part in the buyout, bankruptcy, or restructuring. ([Bloomberg](#))

#### October 18, 2018

- Dan Loeb published a bizarre, four minute anti-Campbell video aimed at persuading shareholders to take his side. ([CNBC](#))
- Endocyte, a biotech company, has announced it would sell itself to Novartis for \$2.1BN cash, specifically for their prostate cancer treatment. Endocyte acquired rights to this drug by paying \$12MM of upfront cash, equity grant and future cash incentive payments in October 2017. This represents a 175x per year payout. ([WSJ](#))

#### October 19, 2018

- New York state officials are considering blocking parts of the CVS Aetna merger. The state's Dept. of Financial Services and lobbyists are calling for written evidence that the merged company would deliver on promises for lower prices. Connecticut approved the deal 10/17/18; New York is set to reach a decision after 10/25/18. ([Fortune](#))

#### October 20, 2018

#### October 21, 2018

- Fiat Chrysler is set to announce the sale of Magneti Marelli to a KKR portfolio company, Calsonic Kansei, on Monday. The combination will create one of the largest manufacturers of components with \$17BN pro-forma revenues. Secular trends such as electric and self-driving technologies are causing structural changes in automotive sector. ([FT](#))

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#### Notable Trends

- Companies are beginning to talk about Chinese demand slowing. China's credit growth was the biggest driver of weakness in its stocks this week. ([WSJ](#))
- Joe Zidle is forecasting a secular bear market for bonds. His thesis is that oversupply in treasuries due to budget deficit combined with quantitative tightening, geopolitical tensions with largest debtors (China and Japan), and inflation could prove harmful. ([Blackstone](#))
- Increased volatility has increased equity trading – on track for the highest stock trading revenues for banks since 2009. In Europe, MiFID II regulations are forcing clients to consolidate bankers, pushing them to cut the number of brokers used. ([FT](#))

CSSG's Weekly Recap is a resource that provides links to news that our analysts found interesting during the week. While not proprietary in nature, we find that publishing these reports helps hold ourselves accountable and aware of the economic climate.

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