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## **January 24th 2018 – UBM and Informa potential “merger” news.**

*An analysis by Steve Monnington of the potentially ground breaking outline offer by Informa which would see the combined group replace Reed Exhibitions as the world’s largest exhibition organiser.*

Exhibition sector news has been dominated over the last week by the announcement that Informa and UBM are in talks which would see Informa acquire UBM for a mixture of shares and cash. The announcement, made on Tuesday last week, was forced on the two exhibition giants by a sudden and unexplained upwards movement in UBM’s share price.

On Wednesday morning both companies announced the terms of the deal suggesting that an agreement had been well advanced but that they were not quite ready for an announcement so were somewhat on the back foot. Ironically UBM EMEA held their 2017 company-wide kick off meetings – leadership conference, training, awards and party - for the 2 days immediately following the announcement.

The shareholders were also unprepared for this. Given that the terms of the deal put a premium of 30% on UBM’s share price it was unsurprising that UBM’s shares initially surged by 20% from 750p at the start of the week to 900p and it held its price, closing the week at 894p. On the other hand Informa’s price dropped by 8.5% before briefly rallying and closing the week 6.4% down. Both prices seem to have now settled around this level as investors wait for more information.

According to some analysts, Informa shareholders were unhappy at the 30% premium although, given that part of the deal was to be funded in Informa shares, the drop in share price has reduced the premium a little. UBM shareholders were also grumbling despite the premium. There is only a 15% crossover in shareholders and many UBM shareholders don’t want Informa shares otherwise they would already be holding them.

Analysts have calculated that the deal value represented a 14x multiple of UBM’s 2018 prospective EBITDA before the Informa price drop but is now at 13x. In my article elsewhere in this month’s edition I talk about how Private Equity firms have been pushing up multiples, and the high premium to UBM’s share price is presumably to

discourage PE from mounting a counter-bid (although several PE firms have been running the numbers since the announcement). It will be more difficult for PE to justify an increase in the current offer because of the lack of synergies available to them (it has been suggested that £50m of cost savings have to be found in the current transaction) but we can't rule anything out at this stage.

It will be a while before this all shakes down. The companies have until February 13th to formalize the offer and, if it proceeds, full shareholder approval is required which will involve investor roadshows. If the deal proceeds it will be because the fit of the two companies broadly works – Informa are underweight in Asia, UBM in the Middle East – but if it falls over (and there is a lot of press speculation that it may do so) it will be because shareholders don't like the metrics of the deal.