

Deal of the Week: British American Tobacco to Buy Reynolds American for \$49B

Announcement Date	<ul style="list-style-type: none"> January 17, 2017 	
Acquirer	<ul style="list-style-type: none"> British American Tobacco plc (NYSE: BTI) 	
Acquirer Description	<ul style="list-style-type: none"> Engages in the production and sale of tobacco products Incorporated in 1902 and headquartered in London, United Kingdom 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$109.3 billion EV: \$127.3 billion LTM Revenue: \$16.3 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$6.4 billion LTM EV / Revenue: 7.8x LTM EV / EBITDA: 19.9x
Target Company	<ul style="list-style-type: none"> Reynolds American Inc. (NYSE: RAI) 	
Target Description	<ul style="list-style-type: none"> Manufactures and sells cigarettes and other tobacco products in the United States Founded in 2004 and headquartered in Winston-Salem, North Carolina 	
Target Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$82.5 billion EV: \$93.5 billion LTM Revenue: \$12.4 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$5.6 billion LTM EV / Revenue: 7.6x LTM EV / EBITDA: 16.7x
Acquirer Advisors	<ul style="list-style-type: none"> Centerview Partners, Deutsche Bank and UBS 	
Target Advisors	<ul style="list-style-type: none"> Goldman Sachs, JPMorgan Chase and Lazard 	
Price / Consideration	<ul style="list-style-type: none"> \$49 billion 	<ul style="list-style-type: none"> Cash and stock
Rationale	<ul style="list-style-type: none"> The purchase would create the world's largest publicly traded tobacco business, based on net sales, and it would combine companies with brands that include Camel, Lucky Strike, Newport and Pall Mall "It will create a stronger, global tobacco and N.G.P. business with direct access for our products across the most attractive markets in the world," Nicandro Durante, the British American Tobacco chief executive, said in a news release. "We believe this will drive continued, sustainable profit growth and returns for shareholders long into the future." The company added that it expected \$400 million in annual savings by the third year after the deal is completed 	
Deal Points	<ul style="list-style-type: none"> British American Tobacco, which already owned 42.2% of Reynolds, will pay \$29.44 in cash and 0.5260 shares for each Reynolds share, a 26% premium over the price of the stock on Oct. 20, the day before British American Tobacco's first offer was made public The deal values the whole of Reynolds at around \$86 billion British American Tobacco said it had agreed on a \$25 billion facility with a consortium of banks The agreement is subject to a \$1 billion breakup fee 	
Of Note	<ul style="list-style-type: none"> The agreement came nearly three months after British American Tobacco first offered to buy the 57.8% of Reynolds American that it did not own, at the time offering about \$47 billion 	