

Deal of the Week: TD Ameritrade to Buy Scottrade for \$4B

Announcement Date	<ul style="list-style-type: none"> October 24, 2016 	
Acquirer	<ul style="list-style-type: none"> TD Ameritrade Holding Corporation (NASDAQ: AMTD) 	
Acquirer Description	<ul style="list-style-type: none"> Provides securities brokerage services and related technology-based financial services to retail investors, traders, and independent registered investment advisors (RIAs) in the United States Operates as a subsidiary of The Toronto-Dominion Bank Incorporated in 1971 and headquartered in Omaha, Nebraska 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$18.7 billion EV: \$12.0 billion LTM Revenue: \$3.3 billion 	<ul style="list-style-type: none"> LTM EBITDA: NM LTM EV / Revenue: 3.7x LTM EV / EBITDA: NM
Target Company	<ul style="list-style-type: none"> Scottrade 	
Target Description	<ul style="list-style-type: none"> Privately owned American discount brokerage firm that operates both online and at retail locations Founded in 1980 and headquartered in St. Louis, Missouri 	
Acquirer Advisors	<ul style="list-style-type: none"> Barclays (TD Ameritrade), Citigroup (Toronto-Dominion Bank) 	
Target Advisor	<ul style="list-style-type: none"> Goldman Sachs 	
Price / Consideration	<ul style="list-style-type: none"> \$4 billion 	<ul style="list-style-type: none"> Cash and stock
Rationale	<ul style="list-style-type: none"> Amid the current market uncertainty, index funds and other so-called passive investments have gained favor, limiting interest in owning individual stocks. TD Ameritrade said on Monday that its average client trades per day declined 7% in the three months through September. This weak trading environment is driving broad industry consolidation The deal with Scottrade would give TD Ameritrade \$944 billion in client assets and 10 million accounts. TD Ameritrade would also more than quadruple the size of its branch network “This combination will allow us to leverage our strengths and increase our scale, further accelerate our asset gathering capabilities and introduce our award-winning lineup of trading tools, products and education services to millions of new investors,” Tim Hockey, the TD Ameritrade chief executive, said TD Ameritrade said it expected annual cost savings of \$450 million with another \$300 million of potential savings in the longer term 	
Deal Points	<ul style="list-style-type: none"> The deal is expected to take place in two parts, with Toronto-Dominion Bank, one of TD Ameritrade’s largest shareholders, first acquiring Scottrade’s banking business for \$1.3 billion in cash. Then, TD Ameritrade would acquire Scottrade for \$2.7 billion, comprising \$1 billion in new common equity and \$1.7 billion in cash 	
Of Note	<ul style="list-style-type: none"> E*Trade Financial Corp, another discount broker, said in July that it would buy online brokerage OptionsHouse for \$725 million, while Ally Financial Inc purchased TradeKing Group for about \$275 million a month earlier 	