

## Deal of the Week: Apollo to Buy ADT for \$6.9B

Announcement Date	<ul style="list-style-type: none"> <li>February 16, 2016</li> </ul>	
Acquirer	<ul style="list-style-type: none"> <li>Apollo Global Management, LLC (NYSE: APO)</li> </ul>	
Acquirer Description	<ul style="list-style-type: none"> <li>Publicly owned private equity firm</li> <li>Seeks to make investments in the range of \$200 million to \$1.5 billion</li> <li>Founded in 1990 and headquartered in New York, NY</li> </ul>	
Acquirer Financial Statistics	<ul style="list-style-type: none"> <li>Mkt Cap: \$2.6 billion</li> <li>EV: \$3.7 billion</li> <li>LTM Revenue: \$1.0 billion</li> </ul>	<ul style="list-style-type: none"> <li>LTM EBITDA: N/A</li> <li>LTM EV / Revenue: 3.6x</li> <li>LTM EV / EBITDA: N/A</li> </ul>
Target Company	<ul style="list-style-type: none"> <li>The ADT Corporation (NYSE: ADT)</li> </ul>	
Target Description	<ul style="list-style-type: none"> <li>Provides monitored security, interactive home and business automation, and related monitoring services in the US and Canada</li> <li>Founded in 1874 and headquartered in Boca Raton, Florida</li> </ul>	
Target Financial Statistics	<ul style="list-style-type: none"> <li>Mkt Cap: \$6.6 billion</li> <li>EV: \$11.9 billion</li> <li>LTM Revenue: \$3.6 billion</li> </ul>	<ul style="list-style-type: none"> <li>LTM EBITDA: \$1.8 billion</li> <li>LTM EV / Revenue: 3.3x</li> <li>LTM EV / EBITDA: 6.5x</li> </ul>
Target Advisors	<ul style="list-style-type: none"> <li>Goldman Sachs and Bank of America</li> </ul>	
Price / Consideration	<ul style="list-style-type: none"> <li>Price: \$6.9 billion</li> </ul>	<ul style="list-style-type: none"> <li>Consideration: Cash</li> </ul>
Rationale	<ul style="list-style-type: none"> <li>Electronic security companies are attractive to private equity firms due to their high contractual recurring revenue</li> <li>One catalyst for the offer by Apollo was the drop in ADT's stock price after the company reported earnings for the first quarter of the 2016 fiscal year that showed a decline in free cash flow before special items</li> <li>Apollo intends to merge ADT with Protection 1 and ASG Security, two other security companies that the firm agreed to purchase last May, although they will all operate under the ADT name. The combined company would create pro forma annual revenue surpassing \$4.2B</li> </ul>	
Deal Points	<ul style="list-style-type: none"> <li>ADT agreed to be acquired by Apollo for \$42 a share, or a 56% premium over ADT's closing price on Feb. 12</li> <li>Funds managed by Apollo and its co-investors will provide \$4.5 billion</li> <li>The deal will also be financed by \$1.6 billion through new first lien loans and \$3.1 billion in second lien loans, as well as \$750 million in preferred securities through the investment arm of Koch Industries</li> <li>Barclays, Citigroup, Deutsche Bank and Royal Bank of Canada are providing the financing</li> <li>The deal, which is expected to close by June, includes a 40-day "go-shop" period, allowing ADT to seek a better offer</li> </ul>	
Of Note	<ul style="list-style-type: none"> <li>Timothy J. Whall, president and chief executive of Protection 1, will lead the combined business</li> <li>Only 10 LBO's have occurred so far this year, with none before ADT surpassing \$1.5 billion in value, according to data compiled by Dealogic</li> </ul>	