

Deal of the Week: Amazon to Buy Whole Foods for \$13.4B

Announcement Date	<ul style="list-style-type: none"> • June 16, 2017 	
Acquirer	<ul style="list-style-type: none"> • Amazon.com, Inc. (NASDAQ: AMZN) 	
Acquirer Description	<ul style="list-style-type: none"> • Amazon.com, Inc. engages in the retail sale of consumer products and subscriptions in North America and internationally. It operates through the North America, International, and Amazon Web Services (AWS) segments • Founded in 1994 and headquartered in Seattle, Washington 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> • Mkt Cap: \$478.6 billion • EV: \$464.8 billion • LTM Revenue: \$142.6 billion 	<ul style="list-style-type: none"> • LTM EBITDA: \$12.2 billion • LTM EV / Revenue: 3.3x • LTM EV / EBITDA: NM
Target Company	<ul style="list-style-type: none"> • Whole Foods Market, Inc. (NASDAQ: WFM) 	
Target Description	<ul style="list-style-type: none"> • Operates natural and organic foods supermarkets • Founded in 1978 and headquartered in Austin, Texas 	
Target Financial Statistics	<ul style="list-style-type: none"> • Mkt Cap: \$13.8 billion • EV: \$14.0 billion • LTM Revenue: \$15.9 billion 	<ul style="list-style-type: none"> • LTM EBITDA: \$1.3 billion • LTM EV / Revenue: 0.9x • LTM EV / EBITDA: 11.1x
Acquirer Advisor	<ul style="list-style-type: none"> • Goldman Sachs 	
Target Advisor	<ul style="list-style-type: none"> • Evercore Partners 	
Price / Consideration	<ul style="list-style-type: none"> • \$13.4 billion 	<ul style="list-style-type: none"> • Cash
Rationale	<ul style="list-style-type: none"> • The addition of Whole Foods takes Amazon's physical presence to a new level as the grocery chain includes more than 460 stores in the United States, Canada and Britain • Amazon has been on a multiyear offensive to open warehouses closer to customers so it can deliver orders in as little as two hours, and Whole Foods stores will further narrow Amazon's physical proximity to its shoppers • After almost a decade selling groceries online, Amazon has failed to make a major dent on its own as consumers have shown a stubborn urge to buy items like fruits, vegetables and meat in person • Buying Whole Foods also represents a major escalation in Amazon's long-running battle with Walmart, the largest grocery retailer in the United States, which has been struggling to play catch-up in internet shopping • For Whole Foods, the deal represents a chance to fend off pressure from activist investors frustrated by a sluggish stock price as it has faced fierce competition from Costco, Safeway and Walmart, which have begun offering organic produce and kitchen staples, forcing Whole Foods to slash prices 	
Deal Points	<ul style="list-style-type: none"> • Amazon agreed to pay \$42 a share in cash, a 27% premium to the stock price at Thursday's close • Goldman and Bank of America provided bridge financing to Amazon 	
Of Note	<ul style="list-style-type: none"> • John Mackey, Whole Foods' co-founder, will continue to run the business, a victory after a fight with activist investor Jana Partners that threatened to drive him from power. Amazon and Whole Foods weren't always seen as obvious partners, but Mackey has been under pressure to find an acquirer after Jana disclosed an 8.3% stake and began pushing for a buyout • If the deal goes through, Amazon and Whole Foods will still only account for about 3.5% of grocery spending in the United States, making it the country's fifth-largest grocery retailer, according to Cowen & Company 	