

Deal of the Week: Sycamore Partners to Buy Staples for \$6.9B

Announcement Date	<ul style="list-style-type: none"> June 28, 2017 	
Acquirer	<ul style="list-style-type: none"> Sycamore Partners 	
Acquirer Description	<ul style="list-style-type: none"> Private equity firm specializing in retail and consumer investments Owns Talbots, the Limited and Hot Topic More than \$3.5 billion in capital under management Headquartered in New York, NY 	
Target Company	<ul style="list-style-type: none"> Staples, Inc. (NASDAQ: SPLS) 	
Target Description	<ul style="list-style-type: none"> Operates office products superstores, offering a range of office supplies, business technology products, facility and breakroom supplies, computers and mobility products, and office furniture Founded in 1985 and headquartered in Framingham, Massachusetts 	
Target Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$6.6 billion EV: \$6.3 billion LTM Revenue: \$18.0 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$1.3 billion LTM EV / Revenue: 0.4x LTM EV / EBITDA: 5.0x
Acquirer Advisors	<ul style="list-style-type: none"> Bank of America and Deutsche Bank 	
Target Advisors	<ul style="list-style-type: none"> Barclays and Morgan Stanley 	
Price / Consideration	<ul style="list-style-type: none"> \$6.9 billion 	<ul style="list-style-type: none"> Cash
Rationale	<ul style="list-style-type: none"> Sycamore is known for seeking retail brands and trying to turn them around, though Staples has been striving to shed its retail image. By 2020, the company expects to get only 20% of revenue from retail locations, down from about 40% now. The rest will be generated by delivery and online sales. "The Sycamore Partners team shares Staples' entrepreneurial spirit and long-term vision," Staples CEO Shira Goodman said in the statement. "This transaction will enable us to drive greater value for our customers and immense opportunity for our business." Staples's board and management decided to sell the company after shareholders had essentially lost faith in the business. Shares of the company were trading near \$7 earlier this year, having fallen sharply from about \$18 a share just two and a half years ago Staples only has about \$1 billion in debt, which means Sycamore, which will borrow much of the money it needs to fund its buyout, will not have to overload the company with a crushing debt burden If Sycamore follows a traditional private equity playbook, it is expected to have an easy time squeezing out costs, streamlining operations and issuing special dividends that enrich the firm and its limited partners 	
Deal Points	<ul style="list-style-type: none"> Sycamore's offer of \$10.25 a share represents a 20% premium over the company's stock price in early April, before initial reports of a deal to sell the company lifted shares A consortium of banks including UBS, Bank of America Merrill Lynch, Deutsche Bank, Credit Suisse, Royal Bank of Canada, Jefferies, Wells Fargo Bank and Fifth Third Bank are providing financing 	
Of Note	<ul style="list-style-type: none"> Staples had sought to remain competitive in the online world by merging with another chain, Office Depot, but that deal was blocked by a federal judge, and the companies abandoned their effort last year This deal is the largest buyout of the year in the United States 	