

M&A Alert: Three Big Deals Make Waves

Description

It's only Thursday, and thus far there have been three significant merger and acquisitions announcements this week. The action started on Monday when **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) announced it was selling its majority stake in **TD Ameritrade** ([NASDAQ:AMTD](#)) to **Charles Schwab's** ([NYSE:SCHW](#)) in its \$26 billion dollar takeover of Ameritrade.

Also on Monday, **Kirkland Lake Gold** (TSX:KL)(NYSE:KL) announced that it was acquiring **Detour Gold** (TSX:DGC) in an all-stock deal. Then on Tuesday, **Alimentation Couche-Tard** (TSX:ATD.B) made a US\$5.8 billion dollar takeover bid for Australia's Caltex.

What does this mean for your investments? Let's take a look.

A celebrated deal

TD bank's deal to dispose of its TD Ameritrade stake has been [praised by the markets](#). You'd be hard-pressed to find an analyst who has spoken negatively in the wake of the deal. Once the deal closes, Toronto-Dominion will hold a 13.4% stake in one the leading U.S. discount brokerages.

Amid a commission war, it was a smart move for the company. As opposed to competing in a highly competitive space with deteriorating margins, TD chose to align itself with a fellow competitor.

In doing so, it helped create a behemoth of a company with over \$5 trillion in assets and 24 million customers. Schwab is expected to achieve \$4 billion in synergies once TD Ameritrade is fully integrated.

The move is expected to be accretive to TD Bank's earnings per share, and by all accounts was a great move. The general consensus is that TD will eventually dispose of its stake in Schwab as it expands its U.S. retail presence through future acquisitions.

A questionable deal

Analysts were not so kind to Kirkland Gold, however. The company is considered one of the [best in class](#) and its performance in recent years has been second to none. Unfortunately, the deal left investors with scratching their heads.

On the day following the transaction, three analysts downgraded the company and reduced their price targets. Although it has had a decent year, Detour Gold has a history of operational issues.

The deal is expected to lower Kirkland's Lake's impressive margins and materially increase Kirkland Lake's all-in sustaining costs (AISC) — a key profitability metric. In comparing the latest quarterly results, Detour's AISC is almost double that of Kirkland Lake's.

The cost of adding an additional 600,000 ounces of gold to production came at a hefty price. In the couple days following the announcement, Kirkland Gold's share price fell by almost 20%.

A usual deal

For its part, Alimentation Couche-Tard's Australian takeover is more of the same. The company is a serial acquirer and has been making big splashes in the markets for years.

Couche-Tard has become one of the world's biggest convenience store operators, going head to head with 7-Eleven Holdings.

The deal to acquire Caltex is ambitious and would be the largest acquisition in the company's history. To put it into perspective, it is much more expensive than the \$US4.4 billion acquisition of CST Brands, which remains Couche-Tard's largest to date.

It is important to note however, that this is a non-binding offer. Caltex has already rejected a lower bid from Couche-Tard and there is no guarantee that it will accept the latest offer.

Alimentation Couche-Tard has a goal to double in size over the next five years, and acquisitions are a big part of this strategy. Should Caltex shareholders vote and agree to the deal, the company will be well on its way to achieving this ambitious goal.

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