After Cineplex (TSX:CGX), Here Are 2 More Potential Buyout Targets

Description

Cineplex shareholders woke up to a wonderful surprise yesterday morning. A British entertainment giant announced that it is buying the company for $2.8 billion — a massive 41% higher than the market value of the entire company at the end of last week.

Major buyouts like these have become more frequent, as large institutions, wealthy investors, and corporate rivals attempt to deploy their immense resources in bolstering their operations. Cineplex's acquisition is a strategic move by a foreign rival. However, there are plenty of other reasons for a company to be acquired.

While it is impossible to predict such major corporate actions, here are two stocks I believe are well positioned for either a strategic acquisition or an institutional buyout in the near future that could unlock immense value for current shareholders.

Shopify

Shopify's (TSX:SHOP)(NYSE:SHOP) market is no stranger to acquisitions. Technology giants south of the border have hundreds of billions in cash and plenty of reasons to take over smaller rivals to bolster their market dominance.

In Shopify's case, I believe the one-million strong merchant network on its platform serves as a key asset that may be attractive to either the largest e-commerce company on the planet, **Amazon**
, or one of its key competitors, like **Walmart**. In fact, Walmart's acquisition of Indian e-commerce giant Flipkart serves as a template for a similar Shopify purchase.

The stock already jumped 7% last week when CNBC's Jim Cramer speculated that companies want to acquire Shopify but its management won't sell. So, this is no longer a far-fetched idea for the investment community.

However, the company's valuation could be the biggest concern here. Flipkart was acquired for US$16 billion last year. Shopify, meanwhile, is currently worth US$45.6 billion (CAD$60 billion). So, any potential acquirer will need deep pockets and an insatiable appetite for risk.

Indigo Books

On the other end of the innovative spectrum is book retailer **Indigo Books** (TSX:IDG). Indigo isn't likely to be acquired by any tech giant looking to enter the gradually diminishing market for physical book retailers. However, it could be an attractive purchase for an activist investor or hedge fund.

Earlier this year, hedge fund Elliott Management paid $475.8 million for failing book retailer **Barnes & Noble.** The deal was closed at a 42% premium to the company's market value. However, the price was still substantially lower than Barnes & Noble's tangible book value.

Now, the hedge fund is bringing in a new management team to turn the company around and unlock value. If successful, the deal could serve as a template for a potential acquisition of Indigo Books.

Indigo also trades at a discount to book value, 45%, at the time of writing, so it could serve as an attractive turnaround story. However, the company's founder, Heather Reisman, is one of Canada's most experienced entrepreneurs. If her turnaround strategy works out, the company may not need a buyout to unlock value for shareholders.

Foolish takeaway

It's nearly impossible to predict a corporate buyout, but these two stocks seems like ideal candidates based on their valuations and strategic advantages.

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