

Headlines

Marry Barra has been the Chairman and CEO of General Motors since 2014, a first for any major automaker. Now, GM will be the first global automaker to have both a female CEO and CFO. Dhivya Suryadevara will assume CFO in September after being Vice President of Corporate Finance, responsible for GM’s Investment and M&A undertakings.

Howard Schultz, the forthright founder of Starbucks, is stepping down as Executive Chairman at the end of June, amidst rumors he will be making a run for president in 2020. He was an early champion of progressive leadership, social impact and philanthropic efforts. Schultz was the CEO of Starbucks from 1986-2000 and again from 2008-2017, overseeing a 21,000% share increase since the company’s initial public offering in 1992.

WeWork – The \$35B Tech Valued Unicorn

The global network of workspaces, WeWork, has a strategic vision to become the second most valuable U.S. startup behind Uber. WeWork is expected to reach a sky high valuation of \$35B, after its upcoming round of equity funding in 2018. WeWork is currently valued at \$20B.

In April, WeWork raised \$702mm in high-yield junk bonds at a rate of 7.8%. Since its inception in 2010, WeWork has completed 13 funding rounds totaling \$8.6B and plans to go public in 2019.

WeWork is dependent on raising capital to fuel its massive growth. In order to raise its junk bonds, the startup utilizes ‘community adjusted EBITDA,’ a non-GAAP measure that paints the picture of a steadily performing company while ignoring the costs of growth and sales.

Despite revenues doubling between 2016 and 2017, from \$436mm to \$886mm, losses still mounted by 117.2% to \$934mm. However, WeWork projects revenues will almost triple in 2018 to \$2.3B; a steep forecast considering Q1 revenues were \$342mm.

As of March 2018, WeWork had 220,000 members and 251,000 desks across 234 locations in 73 cities, an impressive 87.6% occupancy rate.

Market Snapshot as of June 18, 2018

As of June 18 th	June 18 th	YTD% Δ	LTM % Δ
S&P 500	\$2,771.86	3.75%	14.38%
Gold	\$1,279.28	(2.91)%	0.79%
U.S. Crude Oil	\$65.80	10.47%	39.80%
10 Yr. T-Note	2.92%	46 bps	73 bps

M&A Focus – A New Wave of Vertical Mergers

AT&T received federal clearance to buy Time Warner in an \$85B deal, prompting a new wave of activity between tech and telecom companies looking to expand through media acquisitions. With plans to close the deal this month, AT&T and Time Warner together would become the second largest media company valued at \$282.4B, behind Amazon’s \$817.1B market value.

The U.S. Justice Department initially blocked the merger in 2016, claiming it would hurt innovation, impede competitors and lead to increased cable prices for consumers.

Now that it has been approved, the deal will combine Time Warner’s entertainment channels with AT&T’s distribution hub, creating a potential media ecosystem that, according to AT&T, will eventually lead to lower consumer prices due to targeted advertising.

Investment Banking Terms:

Terminal Value (TV) – A cumulative value that captures all future cash flows of a business beyond the explicit forecast period when assuming a stable growth rate. These cash flows must be discounted to the present value at a discount rate representing the cost of capital.

Securities Industry Essentials (SIE) Exam – The SIE, available beginning October 1, 2018, is part one-of-two of a new FINRA introductory level exam for prospective securities industry professionals.

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