

## Exit Go-Ahead Group: Price target exceeded amid takeover

<b>Company:</b>	Go-Ahead Group (GOG LN)	<b>Market Cap:</b>	£692mio
<b>Industry:</b>	Transportation	<b>Net Debt:</b>	£217mio (£400mio incl. net payables, provisions)
<b>Country:</b>	UK, worldwide	<b>Revenue:</b>	£3.6bn
<b>Date:</b>	17 <sup>th</sup> June 2022	<b>Net Income:</b>	£60mio (1.6%)
<b>Dividend:</b>	5%	<b>Free Cash Flow:</b>	£100mio (2.7%)
<b>Entry:</b>	£400mio	<b>Exit:</b>	£661mio

### Takeover target

On 13<sup>th</sup> June Go-Ahead informed markets of being approached by two suitors, the Kelsian Group Limited and a consortium of Kinetic Holding Company and Globalvia Inversiones. The Kelsian Group Limited is an Australian transportation company with global operations, amongst others owners of London Tower Transit bus company, which holds 5% of the London bus market share. Whereas the consortium is a combination of the Australian bus operator Kinetic and the Saudi Arabian infrastructure company Globalvia, which manages mostly highways, tollgate technology and a small set of Spanish railway. Later on 13<sup>th</sup> June Go-Ahead recommended a cash offer of GBP 14.5 per share + GBp 50 dividend per share by the consortium of Kinetic Holding Company and Globalvia Inversiones to shareholders, equivalent to around £647.5mio. This led the market to value Go-Ahead close to the cash offer excluding dividend (to be received in July).

### A bidding war?

The next morning Kelsian Group responded to the recommended offer to its rival bidder, urging Go-Ahead shareholders to take no action at this time. This has led the market to reprice and led to a valuation of around £40mio above the recommended cash offer. At the same time, however, the share price of the Kelsian Group collapsed by over 15% (now nearly -20%). I found it always hard how to approach takeover offers, as it adds a lot of volatility and can also lead to massive downside, if any of the offers fall through. In this case the market valuing the Kelsian Group lower told me to treat the Kelsian Group's response in

recommending shareholders to take no action on the consortium bid with caution. There is also a danger of the regulator or the Transport for London objecting a takeover by the Kelsian Group, as it would boost Go-Ahead's London bus market share to over 28% - far bigger than the 2<sup>nd</sup> largest competitor, Arriva, with 17% market share. The premium valuation to the recommended offer and above my target valuation of £600mio made me sell the shares, locking in a 63.5% profit – in just 6 weeks.

### Global operations of Kelsian Group Limited



Source: Kelsian Group Limited

## Australasia operations of Kinetic



Source: Kinetic

## Global operations of Globalvia

### Chile

- Autopista Costa Arauco
- Autopista del Aconcagua
- Autopista del Itata
- Autopista Vespucio Norte
- Túnel de San Cristóbal

### Ireland

- Globalvia Jons
- M50 Concession
- N6

### USA

- Pocahontas Parkway

### Spain

- Autopista Central Gallega
- Concesiones de Madrid
- M-407
- Metro Barajas
- Metro de Sevilla
- Metros Ligeros de Madrid
- Ruta de los Pantanos
- Tramvia Metropolità
- Tramvia Metropolità del Besòs
- Transportes Ferroviarios de Madrid
- Tranvia de Parla
- AG-55 Autoestradas de Galicia
- AG-57 Autoestradas de Galicia
- AP-15 Audenasa
- AP-66 Aucalsa
- AP-9 Audasa

### Portugal

- Beira Interior
- Transmontana

### Costa Rica

- Ruta 27

Source: Globalvia



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