



Market Update

October 26th, 2023

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Executive Committee Members

- **Morgan Stanley IB Revenue Drops to Lowest Level Since 2012**
 - Morgan Stanley's IB revenue decreased 27% in Q3, causing the stock to drop by over 6%
 - Since 2021, deal flow has slowed due to geopolitical risk, interest rates, and recession fears
 - The inability of the bank to bring in new customers, especially in wealth management, has worried investors over the company's future as Ted Pick takes over as CEO within the year
- **U.S. Retail Sales Rose 0.7% in September, 0.4% Above Expected**
 - Core retail sales, which exclude volatile spending on automobiles, gas, and food services, increased 0.6% month-over-month compared to consensus analyst expectations of 0.2%
 - Retail sales show continued strength in consumer spending despite elevated borrowing costs, higher gas prices, and the resumption of student loan interest accruals in September
 - Consumer resilience raises the possibility of further rate hikes by the Fed before year-end
- **Greece's Credit is Rated Above Junk for the First Time Since 2010**
 - In 2010, Greece was pushed into a financial crisis after poor reforms by the government nearly caused a financial collapse and forced massive international intervention until 2018
 - On Friday, Standard & Poor's became the first major rating agency to upgrade Greece to BBB- from BB+, citing the country's reduced debt, GDP growth, and political stability
 - The upgrade is expected to significantly boost market confidence in the Greek economy

- **Rite Aid Seeks Chapter 11 Bankruptcy Protection**
 - Rite Aid is a U.S. drugstore company valued at \$3bn pre-bankruptcy
 - Last week, the company reached a restructuring agreement with creditors to obtain \$3.5bn of financing to help its nearly \$4bn in debt and support it through the Chapter 11 process
 - Due to bankruptcy, Rite Aid no longer complies with the listing standards of the NYSE
- **The Bankruptcy is Caused by Ongoing Opioid-Related Litigation**
 - The Department of Justice alleged Rite Aid filed illegal prescriptions for opioid painkillers
 - Rite Aid paid \$30mm for an opioid lawsuit in the Court of West Virginia last year, and is expected to incur billions more to settle more than 1,000 federal, state, and local lawsuits
 - Rite Aid joins a group of U.S. pharmacy companies who have been dealing with opioid litigation, as competitors CVS and Walgreens both paid \$5bn for opioid lawsuits last year
- **Rite Aid Continues its Profitability-Focused Restructuring Plan**
 - Since 2017, Rite Aid has posted nearly \$3bn in losses and expects \$680mm more this year
 - Rite Aid plans to close 154 underperforming stores across the country and divest its Elixir Solutions segment to MedImpact Healthcare, a health benefits company, for debt paydown
 - Jefferey Stein, Founder and MD of Stein Advisors which focuses on distressed debt and special situations, was made CEO and CRO (Chief Restructuring Officer) of the company

RITE AID

DEAL OF THE WEEK: BUNGE ACQUIRES VITERRA

- **Bunge Limited to Acquire Viterra Incorporated in a \$18.0bn Deal**
 - Bunge Limited is an agribusiness and food company specializing in plant-based oils and fats
 - Viterra Inc. is Canada's largest marketer and handler of grains, oilseeds, pulses, and cotton
 - The transaction is funded with \$6.2bn in stock, \$2.0bn in cash, and \$9.8bn in assumed debt, but Bunge also plans to repurchase \$2.0bn of its stock to enhance the deal's EPS accretion
- **Viterra Aims to Evolve to Withstand Commodity Market Cycles**
 - Complementary asset footprints will allow Viterra to originate crops from more geographies
 - The integration with Bunge will allow Viterra to lower its overexposure to the grains market
 - Bunge expects supply chain consolidation to create \$250mm of pre-tax synergies in 3 years
- **Bunge Positions Itself for Grain and Biofuel Market Dominance**
 - Last year, COVID-19, the war in Ukraine, and poor weather led to abnormally large profits
 - This takeover would be the largest grain trading merger in over a decade, creating a new agricultural giant to rival the current industry leaders, Archer-Daniels-Midland and Cargill
 - The merger's size will likely enable Bunge to decrease payments to farmers and raise prices on agricultural inputs for consumers, inviting regulatory scrutiny from multiple countries

The logo for Bunge, featuring the word "BUNGE" in a blue, sans-serif font. Above the letter "U" is a stylized icon consisting of three horizontal lines of varying lengths, resembling a grain stalk or a stack of grain.The logo for Viterra, featuring the word "VITERRA" in a bold, green, sans-serif font. To the right of "VITERRA" is the text "THE AGRICULTURE NETWORK" in a smaller, black, sans-serif font, arranged in two lines.

THE FINANCE SOCIETY

UP NEXT: VALUATION 201