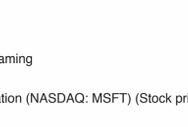


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BOW Finance Newsletter

March 18th, 2021
Issue IX

M&A: Microsoft Acquires ZeniMax Media
Written by: Lily Brown



Type of Deal: M&A

Industry: Technology and gaming

Acquirer: Microsoft Corporation (NASDAQ: MSFT) (Stock price of MSFT as of 3/12/21: US \$235.75)

Target: ZeniMax Media

Time Announced: September 21, 2020

Time Closed: March 9, 2021

Purchase Price: US \$7.5 billion

Industry Overview: Microsoft Corporation is a Redmond, Washington based multinational technology company. Microsoft is best known for its software products, particularly Microsoft Windows, Microsoft Office, and Internet Explorer. Microsoft is also known for its hardware gaming product, Xbox. Microsoft is a technology powerhouse with a market capitalization of US \$1.778 trillion.

ZeniMax Media is an American video game holding company that is the parent company of Bethesda Softworks. ZeniMax Media is Microsoft's biggest gaming acquisition.

Acquisition Rationale:

1. Knockdown the competition: Microsoft has long been accused of lagging behind Sony when dealing with major first-party releases as Sony's Playstation has constantly outsold the Xbox at a two-to-one margin. The Xbox and Playstation have long been rival gaming systems. With such a large acquisition, Microsoft is showing its dedication to strengthening its gaming studios and video game offerings. The acquisition will hopefully inspire consumers to play ZeniMax's games on the Xbox with the Xbox Game Pass system rather than on Sony's Playstation.
2. Strengthen gaming position: As a result of the acquisition, Microsoft now has access to 23 gaming studio teams and plans to bring Bethesda's future games onto the Game Pass software. With more games available, gamers will be choosing a console with more variety, which is a major decision factor when purchasing gaming hardware. Therefore, Microsoft's Xbox is likely to see a spike in sales following the ZeniMax acquisition. Microsoft's failed bid for video app TikTok's assets, may have dissuaded consumers from Microsoft's products, so the close of the ZeniMax acquisition comes at a time to increase consumer faith in Microsoft.
3. Consumer-based revenue growth: More people are staying and gaming at home due to the COVID-19 pandemic. Demand for new and exciting games has surged from gamers stuck at home, so a whole new line of products for Microsoft will only strengthen their consumer base and will entice new gamers to choose Microsoft products to use Bethesda's games. Following the acquisition, Bethesda-produced Fallout and Doom will now be a part of Microsoft's gaming line. Microsoft believes this deal will help directly increase their consumer usage, therefore increasing overall revenue.

<https://www.reuters.com/article/us-zenimax-media-m-a-microsoft/microsoft-doubles-down-on-gaming-with-7-5-billion-deal-for-doom-owner-zenimax-idUSKCN26C1XH>

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IPO: Deliveroo
Written by: Kendall Dees



Type of Deal: IPO

Industry: Food Delivery and technology

Day of IPO filing: March 8, 2021, IPO expected early April 2021

Stock Price: Deliveroo will be listed on the London Stock Exchange (LSE)

Advisors: Goldman Sachs and JP Morgan will be leading the IPO

About Deliveroo: Deliveroo is a British food delivery company started in 2013

Valuation: Deliveroo is backed by Amazon, Durable Capital Partners, Fidelity, T. Rowe Price, General Catalyst, Index Ventures and Accel as investors. In 2019, Amazon secured a 16% stake in the company by investing US \$575 million in the group. This year, after raising US \$180 million in fresh funding, the company has an approximate US \$7 billion valuation. In 2017, the company was valued at US \$2 billion.

Growth: In January, the company announced that it plans to expand into 100 new towns and cities in the UK in 2021. The recent funding push will allow Deliveroo to continue to expand their services and potentially enter the high-growth grocery delivery space. Additionally, the company is reportedly looking to grow their delivery-only kitchen sites and access new markets.

Competition: Deliveroo's primary competitors include Uber Eats and Just Eat Takeaway. For all of these companies, London is a key market, and they will be competing to secure business in the region. However, support from high profile investors and an increase in funding indicates confidence in Deliveroo's future success.

Changing LSE Regulations: Since the U.K. is planning to change regulations on the LSE, Deliveroo will be able to list with a dual-class share structure. Post-Brexit, investors worried about the status of London as a financial center. However, these reforms are intended to increase the attractiveness of the U.K. for IPOs, and the LSE is on track for a record first quarter.

COVID-19: Despite initial difficulties due to restaurant closures during the pandemic, Deliveroo has experienced an uptick in orders due to the increase in customers ordering food to their homes in COVID-19 conditions.

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Market Updates
Written by: Ivy Zhang

Quick Updates

1. **Stocks**

- The DJIA closed above 33000 for the first time on Wednesday and the S&P 500 also hit an all-time high. The growth comes as the Federal Reserve announced it will hold steady on keeping interest rates at near-zero levels and holding bonds it purchased until its goals for the U.S. economic recovery, maximum employment and 2% inflation target, are maintained.

2. **Bonds & Rates**

- The 10-year rate rose to 1.687% on Wednesday, the highest since January 2020 before the pandemic.

3. **Currencies**

- The dollar fell after the Fed's statement predicted a jump in U.S. economic growth (dollar falls with rising inflation expectations) and most emerging market currencies rose. A U.S. report showing Russian meddling in the 2020 U.S. elections, and risk of sanctions, caused the Russian rouble to fall.

4. **Commodities**

- The International Energy Agency forecast that the demand for gasoline will not return to pre-pandemic levels, fueled by a global shift toward electric vehicles
- Construction materials such as wood and bricks have recently seen price hikes, raising the price of new houses

Putting the Fun in Non-fungible: A Beginner's Guide to NFTs

Non-fungible tokens (NFTs), pieces of digital art carrying a blockchain-stored certificate of authenticity and ownership, have recently become the new obsession of both the financial markets and the art world. A piece by artist Beeple just became the most expensive NFT sold for a record-breaking US \$69 million, a higher price than those of works by Frida Kahlo, Salvador Dali or Paul Gauguin. The sale has positioned Beeple among the top three most valuable living artists. So how do NFTs work, why have they been getting so much attention, and why the crazy prices?

What are NFTs? A fungible item, like dollars or bitcoin, is an asset that can be exchanged for another. A non-fungible item is unique and has its own distinct value, like a classic car or rare baseball card. An NFT combines this idea with cryptocurrency technology* called blockchain to create a unique digital certificate of authenticity tagged to a digital asset, which can be digital art, audio files like music, GIFs, videos, online news articles – anything and everything digital. NFTs confirm an item's ownership by recording the ownership details on a blockchain, a digital record of transactions that is public and stored on computers across the internet, making it impossible to lose, destroy, or challenge the information.

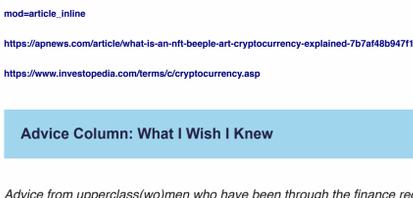
How do NFTs work? Here's a step-by-step guide: An artist will upload a file of their digital work to an NFT auction market or site. A copy of the file is recorded on a blockchain, and when sold, the art along with the NFT, its unique token of ownership, is sent to the buyer's cryptocurrency account. A record of their ownership will be recorded on a blockchain that will store details about the work's creation along with its new owner and any future owners if resold, making it difficult to dispute ownership but easy to transfer the title. Buyers pay with cryptocurrency, with the most popular method of payment being Ethereum. While bitcoin's blockchain was created to store transactions and movements of bitcoin between accounts, ethereum is much broader and more flexible since it can store code for the exchange of non-cryptocurrency items.

I don't get it, can't anyone just screenshot online art? Sure, just like anyone can take a photo of the Mona Lisa, but you don't own the original artwork. It's just like when you buy the real Mona Lisa versus buying a cheap print of it; it's not the same value. Much of the insanely high value of NFTs comes from pride and the ability for people to say they own an original work. Call it crazy, but people are willing to pay. Like an artist's signature authenticates a painting, the NFT authenticates digital art, creating property rights, a sense of scarcity, and value for digital work. The NFT ensures the artist who own is officially and perpetually certified and authentic, while copies of the image uploaded elsewhere could disappear in a few years. Since digital work is arguably more accessible and replicable online than objects, some view ownership of digital work more valuable.

Market mania: The NFT market tripled its size in 2020 to US \$250 million, and 2021 transactions have already skyrocketed to US \$400 million. NFT prices have been shocking and reaching levels of traditional art. The Nyan Cat GIF was sold for 300 ETH (US \$600,000), Twitter founder Jack Dorsey just sold his first tweet as an NFT for US \$2.5 million, and a trading-card style video of LeBron James basketball dunk recently sold for over US \$200,000. Elon Musk's wife Grimes sold digital art and video clips for US \$6 million last month, and the Kings of Leon released their latest album as an NFT collector's item for US \$50 earlier this month. While not every NFT has a crazy price tag, artists everywhere are getting on board. For them, NFTs are attractive because they offer flexibility to alter contracts, higher royalties, and monetization in a digital world where a lot of content on the internet is free.

Beeple, the Star of the Show: Christie's auction house was the first big auction house to sell a purely digit NFT, Everyday – The First 5000 Days by Beeple. A cryptocurrency investor in Singapore, who goes by Metakovan and has spent the past few years compiling the world's biggest collection of NFTs worth US \$120 million total, bought the digital collage for a record US \$69 million paying all of it with the cryptocurrency ether. Beeple, whose work focuses on society's obsessions and fears of technology, was little known until 2020, although he has collaborated with Louis Vuitton, Nike, and Coca-Cola in the past. His last highest-earning piece, a 10-second video sold for US \$6 million, but this artwork propelled him into the spotlight as the new face of the NFT world. For this piece, he created and published a piece of digital art every day for 13 years since May 2007 and compiled his works into one collage of 5,000 images. According to Metakovan's spokesperson, the element of Beeple's persistence is key to the piece's value, as not many people dedicate themselves to a cause every day for 13 years. It is the third-most expensive work from a living artist ever sold at auction—behind only a US \$90.3 million 2018 Hockney painting and a US \$91.1 million Jeff Koons' 2019 rabbit sculpture.

***Cryptocurrency:** virtual currency secured by code, making it impossible to counterfeit. Many cryptocurrencies store data of transactions on a decentralized network of many computers rather than being controlled (and potentially manipulated) by one central bank like all regular currencies are.



Beeple, Everyday – The First 5000 Days NFT

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Advice Column: What I Wish I Knew

Advice from upperclass(wo)men who have been through the finance recruitment process:

As we potentially head into another summer of virtual networking, we asked fellow BOW members what advice they have for making the most of a virtual internship:

1. Ask your analyst how they prefer to communicate. If face-to-face is best, schedule Zoom calls. If they prefer email, consider sending morning email recaps of your progress. If your analyst prefers phone calls, schedule regular phone calls with them.
2. Don't be afraid to network! Networking is still important even during the internship, and the virtual format makes it much easier to set up networking calls with higher-ups
3. Investing in a monitor, PC keyboard (if you have a mac), and ring light (to channel your influencer-self), are incredibly helpful in setting up your virtual workspace and simulating a professional environment
4. Make sure to take breaks, especially periodically throughout the day - it is very easy to forget to take breaks, especially when you're in the comfort of your home. With that said, it's super important for your mental health that you get some fresh air and take moments away from the screen



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