



## Market Update

October 19<sup>th</sup>, 2023

Jack Saad, Anirudh Reddy  
Executive Committee Members

- **SEC Creates New Short Selling Mandates to Boost Transparency**
  - Money managers with short positions worth 2.5% of a company's shares outstanding or amounting to \$10mm must file an SEC form at the end of every month detailing the trade
  - Hedge fund managers criticized the rule since it increases reporting requirement-related costs, potentially making short-selling less attractive and hindering overall market efficiency
  - Managers also fear that if the SEC continues to increasingly require disclosure of granular information, then it would compromise the anonymity of short sellers and risk squeezes
- **Non-Alcoholic Beer Sales Soar due to Younger Customer Base**
  - Demand stems from customers switching from alcohol due to major risks such as cirrhosis
  - A study carried out by Gallup found that since 2021, there has been a ~10% drop in the number of people between the ages of 18 and 34 who described themselves as “drinkers”
  - Non-alcoholic beer sales are 0.9% of total beer sales and the segment is growing at 30% YoY, making it an opportunity for beer brands to capture significant market share early
- **Beyonce and Taylor Swift Bring Concerts to Movie Theatres**
  - Beyonce has joined Swift in allowing fans to experience their tours in the form of cinema
  - Theatre screens have decreased by 3,000 since 2019 and content is thinning due to strikes
  - The films could indicate a shift in movie theatre strategy into experience-oriented content



- **Disney & Comcast 2019 Agreement Outlines Future Sale**
  - In 2019, after Disney acquired Fox’s assets in a \$71bn deal which included their stake in Hulu, Disney amassed a 67% controlling stake in the streaming platform
  - Comcast refused to sell the remaining 33% of the platform since they saw major secular tailwinds with valuation appreciation of 158% from 2016 and significant subscriber adds
  - However, Comcast executives understood that they would not have operational control over the future of the company, and thus set up a time when Disney could unify ownership
- **Disney & Comcast Begin Hulu’s Appraisal Process**
  - On November 1<sup>st</sup>, both companies have the option to trigger a sale process where Disney would acquire Comcast’s 33% stake in Hulu, giving Disney full control over the platform
  - The two sides set a “hypothetical” floor valuation of \$27.5bn in 2019, and Comcast believes it has appreciated greatly since then, recently calling it a “scarce kingmaker asset”
  - Disney and Comcast hired J.P. Morgan and Morgan Stanley to value their respective stakes
- **Disney Progresses Towards a “One App Experience”**
  - Disney will integrate Hulu’s content onto Disney+, creating a more competitive platform
  - The addition will diversify Disney’s streaming content into more “adult-oriented” programs
  - Hulu’s incorporation is expected to reduce churn, boost subscribers, and attract advertisers

# DEAL OF THE WEEK: EXXON TO MERGE WITH PIONEER

- **Exxon To Acquire Pioneer Natural Resources for \$59.5bn in Stock**
  - Exxon is a global oil & gas producer and distributor with ~17bn barrels in proven reserves
  - Pioneer Natural Resources is a major player in the exploration and production of oil & gas
  - The purchase price of \$253 per share represents a 9% premium to Pioneer's 30-day average share price leading up to the announcement as well as a 6.5x LTM EV/EBITDA multiple
- **Transaction Doubles Exxon's Permian Basin Production Volume**
  - The combined company will have an estimated 16bn barrels of oil resource across the basin
  - Exxon gains pricing power, allowing them to maximize profits during periods of high prices
  - The conglomerate expects to be able to increase output by 700,000 barrels per day by 2027
- **U.S. Shale Production Landscape Expected to See Major Changes**
  - The deal shows a shift in big oil's strategy to boost output through acquiring producers
  - Competitors are rumored to be considering M&A to consolidate shale production further
  - The market expects regulatory scrutiny, as Pioneer shares have not priced in the premium

**ExxonMobil**

**PIONEER**  
NATURAL RESOURCES

# THE FINANCE SOCIETY

UP NEXT: VALUATION 101