**Week in Review** **Goldman Sachs Group**

# Corporate week in review, November 24

1MDB scandal, Boston Scientific, StanChart, chipmakers, Tencent and Alibaba

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A round-up of some of the week's most significant corporate events and news stories.

## Goldman Sachs's Lloyd Blankfein met 1MDB's Jho Low in 2012




Goldman's role in the 1MDB scandal has come under increasing scrutiny since US prosecutors charged two former managing directors © Reuters

The fallout over Goldman Sachs' involvement in the vast 1MDB fraud deepened this week, after the bank said its former chief executive met with the man at the heart of the scandal on a second occasion.

Lloyd Blankfein, now chairman of Goldman, met with Jho Low in December 2012 at the bank's New York headquarters during a meeting with the chief executive of Aabar, an Abu Dhabi investment fund, according to a spokesperson for the bank.

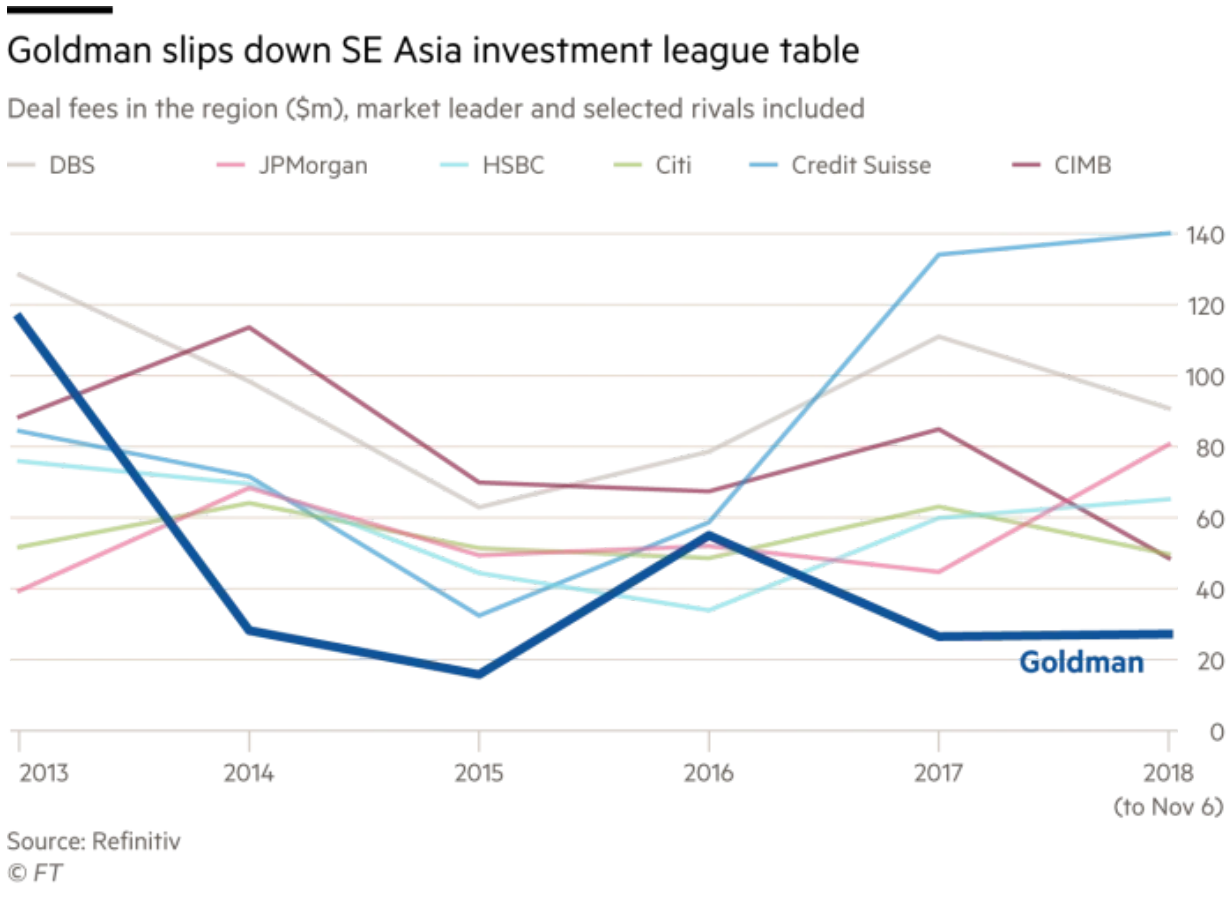
The revelation that the bank's most powerful executive met with Mr Low on at least two occasions could hamper the bank's efforts to distance itself from the Malaysian financier, who has been charged by US prosecutors of masterminding the $2.7bn money laundering and bribery scandal.

Earlier in the week, an Abu Dhabi sovereign wealth fund sued Goldman over the scandal, accusing the US bank of bribing its officials during a "massive global conspiracy".

The International Petroleum Investment Company, a former partner of the 1MDB fund, filed a lawsuit in New York seeking unspecified punitive damages from Goldman and individuals, including Tim Leissner, a former partner at the bank who has pleaded guilty to conspiracy charges over the affair.

The long-running 1MDB scandal, in which high-ranking Malaysian officials including former prime minister Najib Razak have been accused of helping loot $4.5bn from the government fund, has spread beyond the country's borders, ensnaring officials and executives around the globe. Mr Najib, who was charged this year, has denied all accusations.

Goldman's role has come under increasing scrutiny since US prosecutors charged two former Goldman managing directors — Mr Leissner and Roger Ng — for their alleged involvement in the scheme and claimed one current Goldman partner was a co-conspirator.



# Boston Scientific to buy rattlesnake bite drug group BTG



BTG has reduced its reliance on an expensive rattlesnake bite antidote that faces increased competition

BTG agreed to be acquired by US medical devices company Boston Scientific for £3.3bn in cash amid a flurry of takeovers in the UK healthcare sector.

The deal will see Boston Scientific pick up the jumble of healthcare products owned by BTG, which has spent the past few years reducing its reliance on an expensive rattlesnake bite antidote that faces increased competition.

It also comes after executive pay criticism against Dame Louise Makin, BTG's chief executive, over future stock awards and bonus arrangements put in place for the company's former finance director. Last month, BTG chairman Garry Watts announced his intention to retire by the end of the year.

Michael Mahoney, chairman and chief executive of Boston Scientific, said the deal would help enhance his company's presence in categories including oncology and heart disease. The US group said it expected to realise annual synergies of $175m by the end of 2021, predominantly by eliminating costs.

Dame Louise, who took over BTG in 2004, said the cultural and strategic fit with Boston Scientific gave her confidence in the merger. Under her leadership, the company transformed itself from a ragbag of intellectual property rights into a healthcare group that operates in interventional medicine, pharmaceuticals and licensing.

Analysts at Panmure Gordon said BTG was the eighth company in the British healthcare sector to be acquired in the past 18 months. It attributed the activity to depressed valuations in the UK compared to global competitors.

Boston Scientific is to pay 840p for each BTG share, a premium of 36.6 per cent to its closing price of 615p on Monday. The offer also represents a 51 per cent premium to BTG's volume-weighed average share price over the past 90 trading days, as volatility from the company's shaky performance has affected its shares.

BTG was created in 1981 by the merger of the National Research & Development Council and the National Enterprise Board. The NR&DC was created in 1948 to help commercialise government patents, which included hovercraft and defence technology, drug treatments and medical devices.

BTG said it considered the offer — which values BTG at roughly £3.3bn but may be reduced if it pays any dividend or other distribution before the deal is completed — to be "fair and reasonable". The company's directors plan to unanimously recommend to shareholders they vote in favour of the takeover.

## Investments fuel a third of profits at Tencent and Alibaba




The Chinese tech conglomerates Tencent and Alibaba focus on assets that bring synergies and expand their ecosystems © FT montage; Bloomberg

Alibaba and Tencent's main business may be shopping and gaming, but their latest earnings reports show they are also giving investment managers a run for their money.

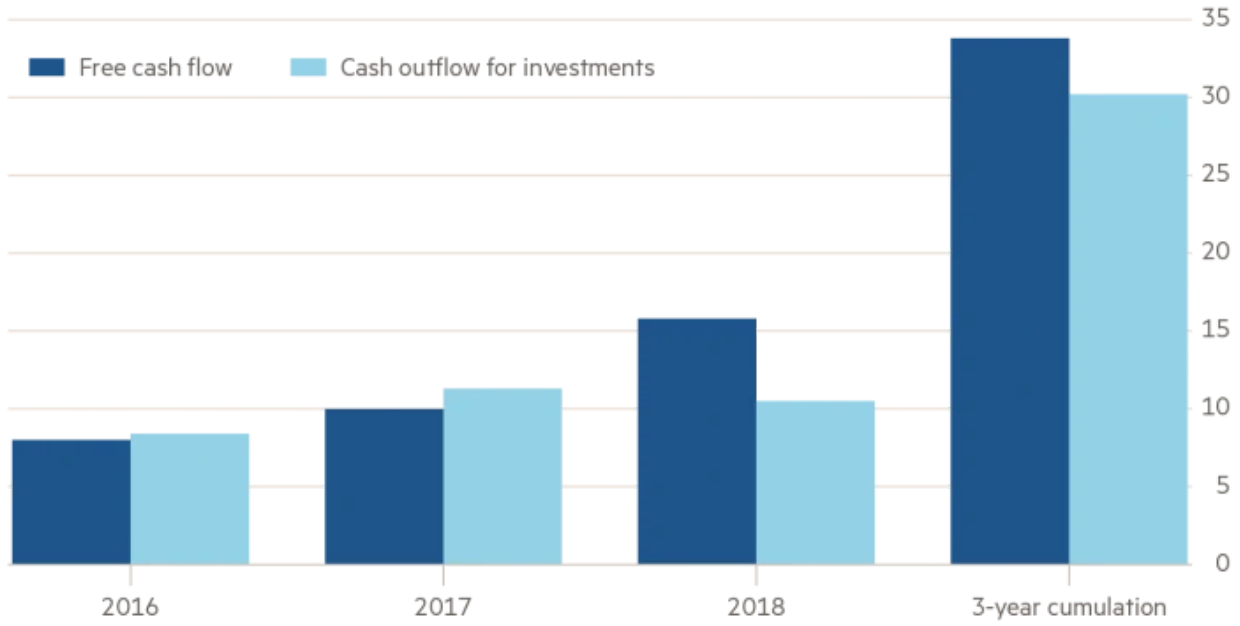
The Chinese tech duo's substantial investment portfolios generated roughly one-third of their pre-tax income in the quarter to the end of September. Tencent declared net other gains of Rmb8.8bn ($1.27bn) while Alibaba noted Rmb6.6bn ($951m) of net interest and investment income.

By comparison, Tencent made 7 per cent of its profits from investments in 2016 and 22 per cent in 2017. For Alibaba the share was 14 per cent in 2017 and 30 per cent in the year to March, though some investments may have been booked under different categories in the accounts.

The investment gains in the latest quarter were an important buffer for Tencent in particular, as it weathered falling revenues in its gaming division.

## Have cash, will spend

Alibaba's free cash flow v cash outflow for investments (Fiscal years, $bn)




Source: company
© FT

# Buyback plan marks shift in direction for StanChart




Analysts and investors believe Standard Chartered would be able to afford a buyback of at least £1bn © Bloomberg

Standard Chartered is drawing up plans to buy back shares for the first time in a generation as management tries to revive the emerging markets bank's flagging share price.

The buyback plan, which could be announced alongside full-year results at the end of February, represents a significant shift in the direction of the bank, which has raised billions of pounds from investors in the past decade to fund its growth.

The proposal is still in its infancy and is contingent on the size of any fine the bank must pay to settle allegations by US authorities that it breached sanctions against Iran, said several people familiar with the plans.

Given the sensitivity of the negotiations over the penalty, management are reluctant to put a figure on the scale of any potential buyback, said a person briefed on the plans.

However, analysts and investors believe that Standard Chartered would easily be able to afford a buyback of at least £1bn, which could help drive up the company's share price and its return on equity, a key measure of profitability.

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Gary Greenwood, banks analyst at Shore Capital, estimated in a note published this month that the bank was operating with about £3.1bn of surplus capital.

One person briefed on the proposal said that any buyback would represent a "disciplined approach to capital allocation" that would balance shareholder returns with the need to preserve capital for the pursuit of new business.

The person said a buyback would show that management is serious on boosting the company's stock price and improving shareholder returns.

Bill Winters, chief executive of Standard Chartered, has pledged to achieve a return on equity of 10 per cent in the medium term, well above the 6.1 per cent the bank returned in the first nine months of the year.

## China alleges 'massive' evidence of chipmaker violations

Chinese investigators said they found "massive evidence" of anti-competitive behaviour by the world's top three makers of computer memory chips, in a probe that could exacerbate global trade tensions.

Officials in Beijing said a price-fixing investigation into South Korea's Samsung Electronics and SK Hynix and US-based Micron Technology had made "important progress", without offering any specific examples of wrongdoing.

"The anti-monopoly investigation into these three companies has made important progress . . . [It] has yielded massive evidence," said Wu Zhenguo, head of China's anti-monopoly bureau under the State Administration for Market Regulation.

Samsung and SK Hynix declined to comment, while Micron did not respond to a request for comment.

The three companies control as much as 95 per cent of the global market for dynamic random-access memory (DRAM) chips, which are widely used in computers and smartphones.

After steadily falling for most of the past three decades, the price-per-bit of DRAM chips rose 47 per cent in 2017, according to the US research firm IC Insights, and has continued to increase this

year.

The Chinese investigation follows a class-action lawsuit in the US, lodged in April, which alleges that the three companies conspired to inflate DRAM prices. The companies are contesting the case.

## Ineos in talks with ConocoPhillips over North Sea assets

Ineos, the privately owned energy and chemicals group run by Britain's richest man, is in exclusive talks with US oil major ConocoPhillips to acquire its assets in the North Sea.

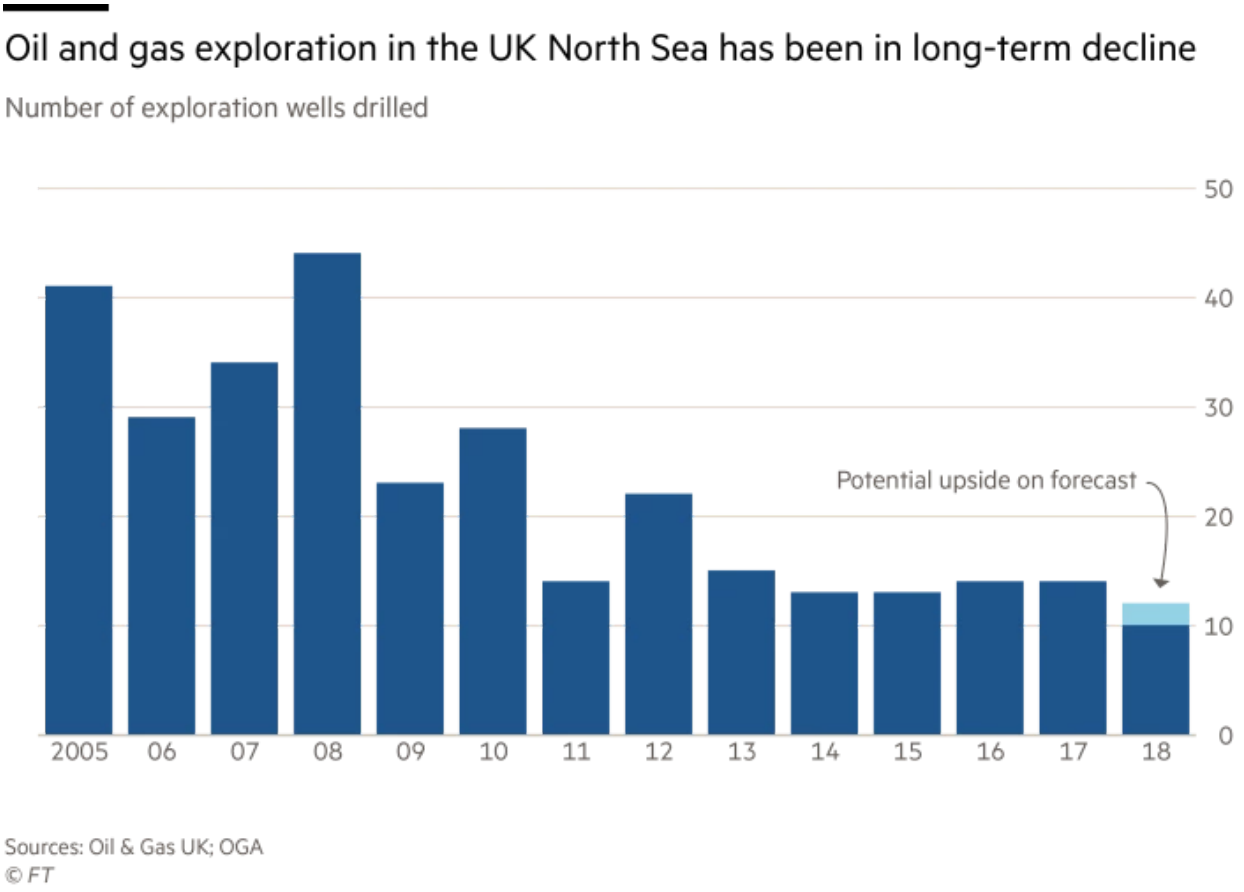
The potential deal, which has a price tag of more than $3bn according to industry sources, could transform Sir Jim Ratcliffe's company into a major operator in North Sea oil and gas production, building on other acquisitions and its ownership of infrastructure, refineries and chemical plants fed by the basin.

People familiar with the sale process said Ineos had paid ConocoPhillips a "substantial" deposit to give it exclusivity over the talks for three months, fearing competition from other buyers including private equity companies that have a growing role in the North Sea.

The ConocoPhillips assets are one of a handful on the block that give companies an opportunity to acquire a substantial North Sea footprint at a time when the energy majors, particularly from the US, have been scaling back in the mature basin to focus on the US shale sector and other prospects.

If a deal is reached it would be the latest audacious move by Sir Jim who has built his business empire by borrowing to fund acquisitions in the last decade. Ineos is Britain's biggest privately owned company with sales of $60bn and earnings before interest, tax and other charges of $7bn last year.

Sir Jim founded the company in 1998 and owns a majority stake in the business. The company has expanded from its petrochemicals roots into an industrial conglomerate with positions in other industries including shale exploration, automotive and fashion. Last week Ineos added the resins business of US-based Ashland Global Holdings in a $1.1bn deal.




## Food companies fail to agree on new nutrition label in Europe




Five of the world's biggest companies were unable to gain consensus around the new portion-based, colour-based scheme

Five of the world's biggest food companies have abandoned trials aimed at developing a new nutrition labelling scheme for Europe, dealing a blow to efforts to help consumers better understand what is in their food.

Coca-Cola, Mondelez, Nestlé, PepsiCo and Unilever have been working together for two years on an "Evolved Nutrition Label", which would have replaced the monochrome labelling system in