
High-profile dealmakers acquire Fidelity & Guaranty Life

By Editorial Staff Thu, May 25, 2017

Harbinger Group sells indexed annuity issuer FGL to Chinh Chu and William P. Foley II.

The directors of CF Corporation and Fidelity & Guaranty Life, a provider of fixed indexed annuities and life insurance in the U.S., have approved a merger agreement under which CF Corp. will acquire FGL for \$31.10 per share in cash, or about \$1.835 billion, and assume \$405 million of FGL's existing debt.

The price implies a value of 1.1 times adjusted book value as of March 31, 2017. The investor group includes billionaire dealmaker Chinh E. Chu and William P. Foley II of CF Corp, Blackstone funds (where Chu spent 25 years) and Fidelity National Financial (where Foley is chairman). Blackstone and Fidelity National will fund the transaction with about \$900 million in common and preferred equity.

FGL has about \$28 billion of GAAP total assets and about \$1.6 billion of adjusted book value and FGL's sales have grown by about 10% annually from 2012 to 2016, according to a release this week.

Chris Littlefield will continue to lead FGL as president and CEO. FGL will remain headquartered in Des Moines, Iowa, and will continue operations from Baltimore, Maryland, and Lincoln, Nebraska. Messrs. Chu and Foley will serve as executive chairmen of the board.

The transaction will be financed with \$1.2 billion from CF Corp.'s IPO and forward purchase agreements, and more than \$700 million in additional new common and preferred equity. Funds advised by Blackstone Tactical Opportunities, funds advised by GSO Capital Partners LP (the credit division of Blackstone) and FNF have provided "a full backstop funding commitment to ensure certainty of funding," the release said.

FGL will enter into an investment management agreement with affiliates of Blackstone. Chu and Foley will offer input to the asset management function led by Blackstone.

In connection with the transaction, CF Corp. will acquire certain reinsurance companies from HRG Group, Inc., FGL's largest shareholder. HRG was formerly Harbinger Group, Inc.

The transaction is expected to close in the fourth quarter of 2017, subject to the approval of the shareholders of CF Corp. and FGL, and receipt of required regulatory approvals and other customary closing conditions. Certain investors that own approximately 18% of CF Corp.'s common shares have entered into voting agreements to support the transaction.

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