

COMMERCE

Starwood intends to terminate merger agreement with Marriott

March 18, 2016



St. Regis New York exterior

By STAFF REPORTS

Starwood Hotels & Resorts has determined that the unsolicited proposal from the Consortium of companies interested in its brand is superior to the terms of its current agreement with Marriott International.

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On March 10, Starwood received an unsolicited non-binding proposal from a consortium of companies interested in buying out all of the hospitality company's outstanding stock, which has put a wrench in its plans for a merger with Marriott that would create the world's largest hotel company ([see story](#)). Under its agreement with Marriott, Starwood was given to 11:59 p.m. EST on March 17 to determine which offer would be best suited for its brand ([see story](#)).

Updated relationship status

Under the terms of the Consortium's proposal, led by China's Anbang Insurance Group, which also bought Waldorf Astoria New York in 2014, the Consortium would acquire all outstanding shares of common stock of Starwood for \$78 per share in cash, an increase from the original offer of \$76 presented on March 10.

Also, Starwood stockholders would receive Interval Leisure Group (ILG) common stock from an announced spin-off of its vacation ownership brand, Vistana Signature Experiences. The merger is valued at approximately \$5.67 per Starwood share.

This brings Starwood's current stock value to \$83.67 per share, a proposal that Starwood's Board believes that proposal from the Consortium "provides a high degree of closing certainty." Under the agreement with Marriott, Starwood's stock would be valued at approximately \$71 per share.



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On March 18, Starwood notified Marriott of the binding proposal, stating that the Consortium has presented a "superior proposal" for acquisition. Due to this, Starwood intends on terminating the Marriott merger agreement to enter into a stronger agreement with the Consortium.

Marriott still has a chance to revise and renegotiate its offer until 11:59 p.m. EST on March 28 and create its own superior proposal. Starwood cannot accept the Consortium's binding agreement until after Marriott's negotiation period has concluded later this month.

If Starwood backs out of its agreement, it will owe Marriott a \$400 million cash termination fee.

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