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Ant Financial (B)

In January 2017, Ant Financial offered USD 13.25 per share in cash for all of the outstanding shares of MoneyGram, a U.S. money transfer service provider. After Euronet Worldwide, a provider of electronic payment services headquartered in Kansas, made a rival offer of USD 15.20 a share, Ant Financial increased its bid in April 2017 by 36% to USD 18 per share, valuing MoneyGram at USD 1.2 billion. Subsequently, Ant Financial's takeover offer was accepted by MoneyGram.

Founded in 1940 and headquartered in Texas, MoneyGram was an international remittance company providing money transfer services for about 2.4 billion accounts globally, with a geo-graphical coverage of 200 nations, 350,000 locations, as well as prominent partners including Walmart, British Post, Canada Post, and ACE Case Express.[1] The majority of the capital flow at MoneyGram was cross-border, with only 12% constituting intra-country transfers, 38% outbound from the United States, and the remaining half entirely outside of the United States.[2] Recipients did not need a bank account to accept money sent to them. Fees remained one of the key pain points for migrants in the remittance process.[3] The associated charges varied depending on the amount transferred and method selected. For instance, sending USD 1,000 to China from a U.S. bank account entailed a fee of USD 23, while transferring the same amount by credit or debit card would cost USD 48. MoneyGram also adjusted exchange rates for a profit. Depending on the destination of a remittance, the actual exchange rate could exceed the mid-market rate by 5% or more. Delivery speed with MoneyGram varied. Money is typically ready for cash pickup within minutes if paid with a credit or debit card (at a higher cost). MoneyGram's cheaper options took two to four business days to complete.[4]

U.S. regulators were wary of the consequences of MoneyGram's data falling into the hands of a Chinese company.[5] In the process of closing the deal, Ant Financial and MoneyGram sought approval of the CFIUS[a] (Committee on Foreign Investment in the United States) in April 2017.[6] The companies failed to secure approval for the deal within the 75-day period. Another application was made on July 11, 2017,[7] but it fell through again when the second 75-day period drew to a close. Ant Financial was reportedly making the third attempt in September 2017.

[a] CFIUS was an inter-agency committee of the U.S. Government responsible for reviewing the national security implications of foreign investments in U.S. companies or operations.

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Endnotes

[1] "Behind the MoneyGram Bid: Ant Financial's Global Ambitions [in Chinese]," April 19, 2017, http://if.pedaily.cn/news/201704/20170419161298705.shtml, accessed May 2017.

[2] Steven Millward, "Inside Jack Ma's playbook for Ant Financial's global expansion," February 23, 2017, https://www.techinasia.com/ant-financial-playbook-global-expansion, accessed May 2017.

[3] Evan Bakker, "Immigrants are sending billions home each year, and getting that money across borders has turned into a massive, entrenched industry," October 21, 2015, http://www.businessinsider.com/firms-are-benefiting-from-the-growing-remittance-industry-2015-7, accessed September 2017.

[4] "Western Union vs. MoneyGram: Who's cheaper? Faster?" September 19, 2017, https://www.finder.com/western-union-vs-moneygram, accessed September 2017.

[5] Grace Noto, "Ant Financial, MoneyGram Deal Has Hit a (Permanent) RoadBlock," July 13, 2017, https://bankinnovation.net/2017/07/ant-financial-moneygram-deal-has-hit-a-permanent-roadblock/, accessed September 2017.

[6] "Ant Financial bought MoneyGram with USD 1.2 billion [in Chinese]," April 17, 2017, http://www.guancha.cn/economy/2017_04_17_403987.shtml, accessed September 2017.

[7] "Ant Financial to reapply for the MoneyGram acquisition after an unsuccessful application in the first time [in Chinese]," July 12, 2017, http://tech.qq.com/a/20170712/034848.htm, accessed September 2017.