



D.R. Horton buying Vidler?

Just a week has gone by since one of our businesses announced that they were being bought out. Now Vidler is saying the same.

The buyer is the largest homebuilder in the United States, D.R. Horton.

<https://www.businesswire.com/news/home/20220413006096/en/D.R.-Horton-Inc.-Announces-Agreement-to-Acquire-Vidler-Water-Resources-Inc.>

Their motivation to acquire Vidler is most likely to secure water supplies needed in construction as well as satisfy water reserve regulatory requirements when building homes.

In short, Arizona requires construction projects with more than six houses to prove 100 years of water reserves.

<https://thecounter.org/arizonas-future-water-shock/>

The acquisition price is set for USD 15.75. For D.R. Horton, I think they're getting a steal deal. Frankly, I don't know what Vidler's management was thinking when they "accepted" this deal.

The USD 15.75 price in the official announcement was also about 8% *below* what Vidler was trading for on the day.

As outlined in the original report, I was looking for a conservative, fair price of around USD 25. And there was potential to ride it to USD 50.

A 25% return in 8 months is good, but a 2x or 4x sounds a lot better.

What to do now



As with any buyout or merger announcement, nothing is final until your shares are acquired. So there's a chance D.R. Horton and/or Vidler rescinds or modifies the deal. This leaves us with the following possible outcomes:

- The acquisition happens at the announced price of USD 15.75.
- Not enough Vidler shareholders accept the deal at USD 15.75 and D.R. Horton comes back with a higher bid, and then that gets accepted.
- A higher unsolicited bid from another company appears. This may set off a bidding war where we can hopefully accept a fair price.
- The deal falls through and no further bids are established. D.R. Horton pulls out, and Vidler continues as a public company.

If we get taken out at USD 15.75, then we leave with a nice 25% gain.

If we get a higher bid, then it obviously pays to hold and accept a higher price.

If the deal falls through, Vidler has more upside to realize and we should be happy to hold like we have been doing before any unsolicited bid was considered. I'm not sure if Vidler's share price will drop if the buyout fails (as is usually the case with failed buyouts) because it was already trading above the proposed acquisition price. If anything, D.R. Horton put a floor on Vidler's share price and signaled to the market how important water is. If the buyout falls through, the only thing that may harm the share price in the short term is it getting dragged down with the falling market.

In all four scenarios, there are no dire consequences for not selling, so I think the best course of action is to hold and see where things go.



Disclaimer

Fundamentals First and any affiliates are not liable for any harm caused by the information presented in this report. This report is for informational purposes only and is not a recommendation to buy, sell, or underwrite any securities. The author does not make investment recommendations.

Any information and data throughout this report is obtained from sources the author believes reliable, but the author does not guarantee the timeliness or accuracy of the information and data. Opinions of the author represent opinions at the time of publication. Nothing on fundamentalsfirstinvesting.com or this report should be interpreted to state or imply that past results are an indication of future performance.

Links/hyperlinks to other sites presented in this report are for the convenience of the reader. Fundamentals First assumes no responsibility for the content of any links/hyperlinks. Inherent risks exist in any internet site and software. You acknowledge you understand these risks before using any links/hyperlinks.

Fundamentals First is not compensated by any of the securities discussed in this report. The author is invested in some of the investment ideas discussed on fundamentalsfirstinvesting.com and in this report. The author can buy or sell shares at any time for any reason and has no obligation to update readers about any purchases or sales of his investments.

Articles and reports only accessible to paid subscribers published on fundamentalsfirstinvesting.com are prohibited to be copied, distributed or reproduced in whole or in part. These articles and reports are strictly personal to its recipients and should not be passed to any third party.

COPYRIGHT © Chris James, fundamentalsfirstinvesting.com