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Macerich Rejects Unsolicited $16 Billion Bid From Simon Property

By Molly Pon, J.D. Candidate 2017 | March 19, 2015

Macerich Co., the third-largest mall owner in the U.S. by market value, rejected an unsolicited mall takeover bid from its rival and the largest U.S. mall owner Simon Property Group, Inc. on Tuesday.

Simon's bid offered to buy Macerich at $91 a share as 50 percent cash and 50 percent Simon stock. At the time of Simon's original statement on March 9, the bid would have been valued at $22.4 billion, including the assumption of about $6.4 million of debt.

In rejecting the offer, Arthur Coppola, Macerich's chairman and CEO, cited undervaluation of Macerich's "portfolio of unique and irreplaceable assets and positive growth prospects." Coppola has said that Macerich is confident that continued focus on "portfolio transformation, productivity enhancement and development" will provide growth and greater value to stockholders than Simon's unsolicited bid.

The Macerich board has also expressed concern over Simon's choice to partner with General Growth Properties Inc. As part of the proposal, Simon agreed to sell certain Macerich assets to General Growth. In its rejection, Macerich explained that the deal "raises serious antitrust concerns as it is a concerted effort by the two largest companies in the industry to acquire the number three company."

It is in response to these apprehensions that Macerich felt it necessary to adopt takeover defenses. Such measures include the staggering of election of directors, making it more difficult to oust the board, and the adoption of a "poison pill" defense, which expands the number of shares, raising the price Simon would have to pay for control of the company. Macerich has acknowledged that such defenses are "vital" to "protect stockholder value and prevent the accumulation of stock by any group that might seek to enforce the sale of the company."

Simon fired back to Macerich's strongly worded rejection with a harsh letter of its own, condemning the company's actions. David Simon, Simon's chairman and CEO, attacked Macerich's defensive tactics saying that the board "has sent shareholders a clear message that it will do everything in its power to block a value-creating transaction and prevent them from having a voice in matters critical to the value of their investment." Simon went on to criticize Macerich's overly optimistic view of its future:

"Shareholders should closely examine Macerich's history of delivering on its forecasts, which pales in comparison to Simon's long track record of delivering industry-leading results that have outpaced Macerich in virtually every operating and financial category. We are confident Macerich shareholders will realize more value through a combination with Simon than they could on a standalone basis."

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The aggressive rejection and governance changes by Macerich appeared to have come as a surprise to Simon, who will now decide whether to come back with a higher offer, take its offer directly to shareholders in a hostile takeover, or drop the offer altogether.

For Simon, the acquisition of Macerich would be an opportunity to expand its presence in Arizona and on the West Coast and pursue its expansion into high-quality malls. In recent years, while lower level malls have been struggling, the value of upscale U.S. shopping malls has surged to record levels. With the upsurge of online shopping, it is becoming more difficult to shoulder the expense of developing new properties. As a result, developers are increasingly looking to deals with competitors to provide growth. Simon will likely continue to pursue Macerich as it presents a rare chance to acquire a portfolio high-quality malls, which don't often come up for sale.