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Navient Turns Down $3.2 Billion Takeover Bid

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Navient Corp, the second largest student loan services provider, rejected the takeover bid of $12.5 a share with total worth of about $3.2 billion from Canyon Capital and Platinum Equity in a board vote on February 18.

The takeover offer was a 6.6% premium over Navient's closing price on Friday of $11.73 a share. This price, however, was substantially lower than the $14-$15 informal price Canyon had given Navient in the past. Navient also said the offer "substantially undervalue[d] the company" and did not take into account the bidders' approach to pending litigations against Navient or the financing information of the proposed acquisition. Particularly, upon a change of control, Navient's $10 billion debt would become due but the bidders did not seem to "have a plan."

The pending litigations facing Navient were brought by Federal Consumer Financial Protection Bureau and five states including Illinois, Washington, California, Pennsylvania, and Mississippi over its services of student loans.

CFPB initiated the lawsuit against Navient just two days before President Trump's inauguration, alleging that the company harmed the interests of borrowers by "failing to steer them toward the loan repayment options" more affordable for them. As a result of Navient's tactics, almost $4 billion additional interest charges were incurred to borrowers.

The five states filed similar lawsuits against Navient for alleged misallocation of payments and misleading borrowers into more expensive repayment plans. These pending litigations may take years to go through discovery, trial and possible appeals, which may mean a huge burden of legal fees and media pressure on Navient.

After Navient's turndown of the takeover bid, Canyon Capital "has withdrawn its expression of interest" to acquire Navient according to the Schedule 13D/A filed by Canyon Capital on February 20 as an update of the acquisition. Instead, it plans to nominate four candidates for the election of independent board directors at the 2019 annual meeting.