



Kenvue (NYSE: KVUE) — PASSED (we looked, we said no)

Methodology version: v1.2 (2026-06-02) · Decision: **PASS — not taken** · Reference price at pass: **\$17.35** (2026-06-02) · Source funnel: thematic / spin-off

We keep our rejects on purpose. If we only filed the ideas we ran with, our track record would be survivorship-biased — flattering by deletion. So this note records *why* we passed and the price we passed at, and sets a test we can score later: were we right to say no?

Why it was on the longlist

Kenvue is the consumer-health business spun out of Johnson & Johnson in 2023 — household brands like **Tylenol, Listerine, Neutrogena, Aveeno and Band-Aid**. On the face of it the setup was attractive: a portfolio of durable brands, trading around **22 times earnings**, with the activist investor **Starboard** having taken a stake and won board seats — a classic "good assets + a catalyst to fix underperformance" idea.

What we found when we did the work

The thesis we'd have written no longer exists, for three concrete reasons:

- 1. It is now a pending takeover, not an open-ended investment.** On **3 November 2025 Kimberly-Clark agreed to buy Kenvue** for about **\$48.7bn — \$3.50 in cash plus 0.14625 Kimberly-Clark shares** per Kenvue share, worth about **\$21.01 at announcement (a 46% premium)**. Once a company is being acquired on fixed terms, owning it is no longer a bet on the business — it's a bet on **the deal closing**.
- 2. The market clearly doubts the deal.** Kenvue trades at **\$17.35 — well below the ~\$21 deal terms** (the gap has widened as Kimberly-Clark's own shares fell on a poorly-received deal). A spread that wide says the market assigns real probability to the deal changing or breaking.
- 3. A live, binary legal overhang.** Kenvue faces the **Texas acetaminophen-autism lawsuit** (filed by the state AG in October 2025; a judge **refused to dismiss it in February 2026**) — a politically charged claim that, regardless of scientific merit, is exactly the kind of tail risk that can derail a deal or impair value. Underlying trading was also weak — **organic sales fell about 4% through 2025**.

Why we passed

What's left is a **merger-arbitrage situation**: you buy at \$17.35 hoping to collect the spread to a ~\$21 deal that may or may not complete, while carrying binary litigation and antitrust risk. That is a legitimate activity — but it is a **different discipline** (deal arbitrage), with a **bounded upside and a crater for a downside**, and it is **not** what our product is: a long-only book of quality businesses bought with a margin of safety, suitable for a UK retail investor. This is not a judgement that Kenvue's *brands* are bad — they're fine. It's that the **situation** doesn't fit our lens.

The test — were we right to pass? (score this later)

Tracking from the **\$17.35** reference, against the deal and the litigation:

- **We were RIGHT to pass if:** the deal **breaks** (antitrust or the litigation) and Kenvue falls meaningfully below \$17.35 toward a weak standalone value; **or** it completes at roughly today's level, meaning there was little reward for the deal-break risk we'd have borne.
- **We were WRONG to pass if:** the deal **closes smoothly** and Kimberly-Clark's shares recover, so the consideration lands well above \$17.35 (toward ~\$21) — i.e. it was clean merger-arb money we declined.
- **What to watch:** Kenvue's price, Kimberly-Clark's share price (it sets the stock portion), the regulatory/antitrust clock, and the acetaminophen litigation's progress.

Sources: *Kimberly-Clark-Kenvue merger announcement and terms* (3 Nov 2025, \$3.50 cash + 0.14625 KMB shares, ~\$21.01/share, ~\$48.7bn EV, 46% premium); *Texas v. J&J/Kenvue acetaminophen complaint* (Oct 2025) and the *February 2026 ruling denying dismissal*; *Kenvue 2025 quarterly results* (organic sales ~-4%); market price for Kenvue (\$17.35, 2026-06-02).