TAKEOVERS

TAKEOVERS IN DEPTH

Takeovers involving UK-domiciled companies are overseen by the Takeover Panel. Often, the first step is that a company enters an 'offer period' – that is, it discloses it has received an approach which may result in a bona fide bid. Being in an offer period restricts what a company may do, and typically bars analysts who cover the company from publishing new research.

The next step is usually that the board of the target company recommends a formal offer, in a document that details the terms of the proposed deal, the timetable the bidding process and, in some cases, potential costs and synergies. The offer document is then dispatched to shareholders, normally within 28 days of a bid announcement, which starts the 'bid clock'. The offer document usually details a closing date for investors to vote in favour or against the proposed combination, which tends to fall three weeks after it is dispatched.

If the bid is hostile, a defence document must be published within 14 days of the offer document being dispatched. Target companies may publish price-sensitive information up to 39 days afterward, and a bidder may revise its terms within 46 days. If a rival bidder emerges, the clock is reset when the second bidder posts its offer document.

A takeover offer succeeds when all its conditions are met, which usually happens within 60 days of the offer document's release. If the bidder acquires more than 75 per cent of the shares, it can delist the target. If it acquires more than 90 per cent, it can forcibly acquire the remaining 10 per cent.

Many agreed takeovers are now structured as schemes of arrangement, because they're quicker to complete. However, they are controversial because they can proceed even if only a minority of shareholders vote in favour of them. A scheme involves the target effectively cancelling its share capital by agreement with its own shareholders, and issuing new shares to the bidder. After the closing date passes, shareholders typically meet to approve or reject the bid, then a court hearing is held to sanction the scheme, and finally the company's shares are cancelled.

TAKEOVERS

Target	Bidder	Terms	Value	Closing date
Revolution Bars Restaurants and bars	**Stonegate Pub Company** Restaurants and bars	**203p cash a share**	**£102m**	**tba**

Following Revolution Bars' profit warning in May, Stonegate Pub Company – the owners of bar chains including Slug and Lettuce and Walkabout – leapt on the opportunity to add to its portfolio. This recommended offer is a 63 per cent premium to the target's share price prior to the start of the offer period in July. But Revolution Bars has also received interest from late night entertainment group Deltic. The possibility of a bidding war has sent the target's share price above the offer from Stonegate. **Await documents**.

Target	Bidder	Terms	Value	Closing date
ASA Resource Mining	**Rich Pro Investments** Asset management	**2.1p cash per share**	**£35.5m**	**12/09**

In order to block this offer from Hong Kong-based asset manager RPI, the board of ASA Resources called in administrators and declared the shares were non-transferable while the company is in administration. But RPI – whose offer values the shares at a 65 per cent premium to the closing price on the day before the initial announcement – has informed the administrators of its intention to provide $40m of financing at a 5 per cent interest rate to help the company out of administration. The bidder has also extended the offer deadline to mid-September. **Accept**.

Target	Bidder	Terms	Value	Closing date
Booker Wholesaler	**Tesco** Supermarket	*****	**£3.7bn**	**tba**

*42.6p cash per share and 0.861 new Tesco shares. This recommended offer – a 12 per cent premium to Booker's share price on the day prior to the announcement – has been referred to the Comptition & Markets Authority (CMA). **Await documents**.

Target	Bidder	Terms	Value	Closing date
Cape Oil equipment & services	**Altrad Investment Authority SAS** Construction equipment	**265p cash per share**	**£332m**	**5/09**

The offer, which has the backing of Cape's directors, represents a 46 per cent premium to its closing price on the day prior to the announcement, or a 31.4 per cent premium based on its average closing price (202p) over the previous 12 months. Altrad Bidco has received valid acceptances for 77.1m shares in Cape, representing 63.6 per cent of the issued capital. **Accept**.

Target	Bidder	Terms	Value	Closing date
Jimmy Choo Retail	**Michael Kors** Retail	**230p cash per share**	**£896m**	**14/09**

This all-cash offer values Jimmy Choo's shares at a 37 per cent premium to the share price before the company was put up for sale. The directors have therefore, unsurprisingly, recommended investors accept the offer. **Accept**.

Target	Bidder	Terms	Value	Closing date
Kennedy Wilson Europe Real estate	**Kennedy Wilson Holdings** Real estate	*****	**£1.5bn**	**tba**

*0.667 new Kennedy Wilson (KW) shares for each Kennedy Wilson Europe (KWE) share, or 0.3854 new shares and 300p in cash. The cash-and-shares option implies a share price of 1,145p, up on the original offer of 1,030p. We await the scheme documents before making a judgement on the most attractive option. **Await douments**.

Target	Bidder	Terms	Value	Closing date
Paysafe Financial Technology	**PI UK Bidco** Bidco	**590p cash per share**	**£2.96bn**	**tba**

Since May, digital payments processor Paysafe has been batting away attention from various private equity firms. Now management has recommended an all-cash offer – which values the shares at a 42 per cent premium to the closing price on the day before the takeover was announced – from a bidco created by Blackstone and CVC Capital Partners. **Await documents**.

Target	Bidder	Terms	Value	Closing date
Sky Media	**21st Century Fox** Media	**1,075p cash per share**	**£11.7bn**	**tba**

This recommended offer is being referred by the European Commission on the grounds of media plurality but not commitment to broadcasting. However, more corporate governance concerns were recently flagged after a lawsuit was filed against Fox in the US. **Await documents**.

Target	Bidder	Terms	Value	Closing date
Touchstone Innovations Investment services	**IP Group** Investment services	*****	**£466m**	**15/09**

*2.2178 new IP Group shares in exchange for each Touchstone share. This offer values Touchstone at 304p a share – a 10 per cent premium to the closing price on the day before the announcement. Although it remains below the target's net asset value of 312p a share, the majority of the target's shareholders also own IP Group, and so this looks like a done deal. **Accept**.

Target	Bidder	Terms	Value	Closing date
Worldpay Financial technology	**Vantiv** Financial technology	*****	**£9.3bn**	**tba**

*55p cash per share and 0.0672 new Vantiv shares, excluding a 0.8 half-year dividend and a 4.2 special dividend that will be paid to Worldpay's shareholders on the completion of the merger. This recommended offer values shares at a 33 per cent premium to the closing price on the day before it was announced. The combined group is expected to be one of the largest fintech companies globally with an enterprise value of £22.2bn. **Await documents**.

MORE ONLINE
www.investorschronicle.co.uk/shares/news-and-analysis