Sky under the influence

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The Competition and Markets Authority (CMA) has provisionally found Rupert Murdoch's £11.7bn takeover bid for **Sky (SKY)** is not in the public interest. The CMA said it had investigated the proposed deal (already approved by EU regulators) by 21st Century Fox on grounds of media plurality and commitment to broadcasting standards.

The CMA has found that Fox taking full control of Sky is not in the public interest due to media plurality issues, rather than a lack of a genuine commitment to meeting broadcasting standards in the UK. The watchdog said that if the deal had come to fruition, it would have given the Murdoch Family Trust "too much control" over UK news providers, "and therefore too much influence over public opinion and the political agenda".

The CMA didn't reject the merger outright, but three possible scenarios have been outlined: prohibition of the deal, a possible spin-off or divestment of Sky News (a solution proposed at the time of Murdoch's last bid for Sky in 2011), or initiatives that would insulate Sky News' editorial and news coverage decisions from the Murdoch family's influence.

The regulator's findings will generate further speculation over the future of Sky News. In its submission to the CMA, made as part of the investigation, Sky told the watchdog it should not assume Sky News would continue broadcasting if the takeover were to be blocked. The CMA's decision comes a matter of weeks after 21st Century Fox agreed to sell most of the empire to Walt Disney Co for $52bn, which means that the question of plurality is likely to be irrelevant this time next year, as Disney has no news media interests in the UK.

Selling Sky News might not prove to be a straightforward affair. The channel is essentially loss-making, so it's far from certain whether it would be a viable standalone proposition, a point not lost on the regulators at the CMA. Another idea being floated is a recommendation to the Culture Secretary that the deal is blocked unless the Disney-Fox transaction goes through on roughly the same terms to the ones currently envisaged. Left-leaning pundits have lauded the CMA's decision as delivering a bloody nose to the Murdoch empire, but given the proposed Disney tie-up it's essentially a moot point; that particular boat sailed in the mid-1980s.

TAKEOVERS

Target	Bidder	Terms	Value	Bid timetable
GKN Engineering	Melrose Manufacturing	*	£7.4bn	tba

*81p cash per share and 1.49 new Melrose shares. Following an original informal approach earlier in the year and subsequent meetings with institutional holders, Melrose turned hostile on 16 January with a cash and scrip combination which values GKN at 430p a share, a 32 per cent premium to the target's closing price on the day before the offer was first touted. However, the turnaround specialist has had its offer rejected by GKN's management who have their own plans to shake up the struggling business, including splitting up its aerospace and automotive divisions. GKN's shares have risen above the offer price as investors speculate about the likelihood of a bidding war. **Await documents**.

Target	Bidder	Terms	Value	Bid timetable
Booker Wholesale	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 received approval from the Competition and Markets Authority (CMA) and is expected to complete in early 2018, subject to shareholder approval. **Await documents**.

Target	Bidder	Terms	Value	Bid timetable
Intu Properties Retail property	Hammerson Retail property	*	£3.4bn	tba

*0.475 new Hammerson shares. A downturn in consumer spending has created a difficult environment for retail property companies and neither Intu nor Hammerson has had a particularly pleasant year. The latter – which is a much larger company – has therefore taken its opportunity to bulk up its portfolio with an all-share offer that values Intu's shares at 253.9p. The bid may be a 28 per cent premium to the share price on the day prior to the announcement being made, but it is only a 9 per cent premium to Intu's average share price for the six months to 5 December. Nevertheless, Intu's management has recommended the offer. **Await documents**.

Target	Bidder	Terms	Value	Bid timetable
Ladbrokes Coral Gambling	GVC Gambling	*	£3.9bn	tba

*32.7p in cash, 0.141 new GVC shares and a contingent value right (CVR) entitlement of up to a further 42.8p. At the third time of asking, management at Ladbrokes has agreed to the terms of the deal which values the company's shares at a 21 per cent premium to the closing price on the day before the offer was first announced. Mergers have been coming in thick and fast in the gambling industry amid regulatory changes for fixed-odds betting terminals, the outcome of which will determine the value of the deal's CVRs. Should the maximum stake allowed to be gambled on the machines be reduced to £2, the loan notes would have no value. If the stake is cut to £20 then the CVR is worth 30.3p, or 40.4p for a £30 stake and 42.8p for £50. **Await documents**.

Target	Bidder	Terms	Value	Bid timetable
Lonmin Mining	Sibanye Stillwater Mining	*	£285m	tba

*0.967 new Sibanye-Stillwater shares. South African precious metals miner Sibanye Stillwater has offered Lonmin's investors a ray of hope after a difficult year that has been characterised by stretched bank covenants, fraught labour relations and a bleak outlook for platinum. Sibanye's all-share takeover therefore comes as a bit of a surprise, particularly as they have valued the shares at a 100p – a 41 per cent premium to the group's 30-day average. That said, taken from the closing price of both company's shares on 13 December, the offer values Lonmin's shares at 86p – factor in the fall in Sibanye stock that greeted this news, and it comes in closer to 81p. We suggested selling Lonmin in March 2017 and continue to recommend that investors would be best off out of the company. We would therefore urge existing shareholders to close out their positions – long or short – rather than take on Sibanye shares.

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

To add further complications to this, already highly divisive, takeover, 21st Century Fox (one branch of the Murdoch media empire) has received a takeover offer from US entertainment giant, Disney, which values the group's media assets – including its current 39 per cent stake in Sky – at $52bn (£39bn). What this will do to the proposed Sky takeover is still unknown, although Disney's management has said that it hopes the proposed takeover will gain approval and complete by June 2018. However, the Competition and Markets Authority has provisionally blocked the tie-up, maintaining that 21st Century Fox's bid to take control of Sky was not in the public interest due to concerns about media plurality. **Await documents**.

Target	Bidder	Terms	Value	Bid timetable
SQS Software Quality Systems Software	Weilchensee Bidco	825p cash per share	£281m	22/01

The proposed combination between SQS Software Quality Systems and the newly incorporated German company Weilchensee (acquired by Assystem Technologies for the purpose of making the respective offer) has received clearance from both the German competition authorities and UK anti-trust regulators. The offer entitles SQS investors to 825p in cash for each share, a premium of 54 per cent to the closing price of 527.5p on the day before the offer was first made. **Accept**.

Target	Bidder	Terms	Value	Bid timetable
Styles & Wood Property management	Central Square Bidco	465p cash per share	£42.5m	12/02

Recent weakness in the share price of property management group Styles & Wood has given bidco Central Square the opportunity to make an offer. The all-cash offer – which has been recommended by management – values the target's shares at a 24 per cent premium to the closing price on the day before the offer was first made. **Accept**.