TAKEOVERS

RIGHTS ISSUES

DS Smith (SMDS)

Announced	18/06/18
Ex-rights	10/07/18
Last payment	24/07/18
Total amount raised	£1bn
Terms	3:11
Issue price	350p
Market price	531p
Nil paid price	tba
Adjustment factor	tba

Packaging giant DS Smith is hoping to raise £1bn via a three-for-11 rights issue to help fund its €1.9bn (£1.66bn) acquisition of Spanish rival Europac. The deal is the latest in DS Smith's aggressive acquisition strategy and is expected to enhance its supply chain – good news considering the volatility in paper prices in recent years. The new shares are being listed at a 31 per cent discount to the theoretical ex-rights price of 550p and will make up 21 per cent of the enlarged share capital. **Take up.**

Phoenix (PHNX)

Announced	23/02/18
Ex-rights	21/06/18
Last payment	9/07/18
Total amount raised	£950m
Terms	7:15
Issue price	518p
Market price	780p
Nil paid price	780p
Adjustment factor	0.89

Phoenix is proposing to fund part of the cash portion of its acquisition of Standard Life Aberdeen's assurance business with £950m raised via a rights issue. The remaining £1bn of the cash part of the deal will be provided by new debt facilities and £250m of the group's own cash. The group has finally released the documents which reveal the new shares will be listed at a 25 per cent discount to the theoretical price when the shares go ex-rights on 21 June. **Take up.**

ITE (ITE)

Announced	15/05/18
Ex-rights	26/06/18
Last payment	10/07/18
Total amount raised	£265m
Terms	7:4
Issue price	56.2p
Market price	143p
Nil paid price	tba
Adjustment factor	tba

Events group ITE wants to become a global leader. To help it on that quest, management has decided to buy seven shows from peer Ascential for £300m. This will be funded by a £265m rights issue and a £50m extension to the debt facilities. As well as bringing in new revenues, the acquisition will allow for event replication in new territories. Management plans to announce more information about the fundraising in early June. **Take up.**

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Target	Bidder	Terms	Value	Bid timetable
Artilium Software	Pareteum Software	*	£78m	tba

*0.1016 new Parateum shares and 1.9p cash per share. Shares in UK software service group Artilium have already benefited from the group's partnership with its US peer Parateum. Even prior to the announcement of the takeover, the share price had doubled since the two companies joined forces in October 2017. This cash-and-shares offer is an 18 per cent premium to the closing price on the day before the takeover was first touted and will leave Artilium's shareholders with 25 per cent of the enlarged company. **Await documents**.

Target	Bidder	Terms	Value	Bid timetable
Virgin Money Banking	CYBG Banking	*	£1.7bn	tba

*1.2125 new CYBG shares. Since CYBG revised the terms of its original all-share bid, Virgin Money's shareholders will be entitled to 1.2125 new company shares, giving them a 38 per cent stake in the combined group. Valuing each Virgin Money share at 371p – based on CYBG's 306p closing price on 15 June – the offer represents a 19 per cent premium to Virgin Money's share price the day prior to a potential offer initially being mooted. In addition, CYBG will pay a £12m annual royalty fee to use the Virgin brand across all its retail branches. Eventually, the SME customers will also be brought under the Virgin brand as well and the Clysedale and Yorkshire Banking brand will cease to exist. CYBG has bagged itself a bargain with this deal which has already received 35 per cent acceptances from Virgin's shareholders. Virgin should also benefit from the scale that will come from the merger. **Await documents**.

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

*0.967 new Sibanye Stillwater shares. Sibanye's chief executive has warned that its shareholders will only approve this takeover if Lonmin is still in a cash position by the time they get a vote. Judging by recent half-year results from the South African-based platinum miner, that's looking less likely. Lonmin's net cash deteriorated to $17m (£12.9m) in the six months to March 2018. Analysts at Liberum recently published a note forecasting that Lonmin's current rate of cash burn will push it into a net debt position before the end of the year. Still, the deal has received approval from the South African Reserve Bank. We suggested selling Lonmin in March 2017 and continue to urge existing shareholders to close out their positions rather than take on Sibanye Stillwater's shares, which have shed 40 per cent of their value since the deal was announced.

Target	Bidder	Terms	Value	Bid timetable
Shire Pharmaceuticals	Takeda Pharmaceuticals	*	£46bn	tba

*$30.33 cash per share and either 0.839 new Takeda shares or 1.678 Takeda ADS. Market commentators are worried that Shire's shareholders will not realise the full benefits of the group's impressive drugs pipeline if it is combined with Takeda. Management has also been accused of over-stretching with the $32bn acquisition of Baxalta in 2016 and now, with the massive burden of debt weighing the share price down, is jumping ship. Takeda's share price is also falling as investors worry about Shire's debt position, meaning the cash-and-equity offer now values Shire's shares at £48.26, a 38 per cent premium to the closing price on the day before the offer was first rumoured. Further concerns have been raised this week following criticism of the deal from a small but vocal group of Takeda's shareholders, who are said to have links with some of the founding family members of Takeda. The group, which only currently accounts for around 1 per cent of the shareholder base, described the proposed transaction as the "height of madness" primarily due to the amount of debt Takeda will have to take on to fund the deal. With the premium coming down alongside Takeda's share price, the liklihood of a rival bid dwindling and the outlook for the combined company looking poor, we think Shire's investors are best off selling out now.

Target	Bidder	Terms	Value	Bid timetable
Sky Media	Comcast Media	1,255p cash per share	£22bn	tba

US media giant Comcast has trumped 21st Century Fox's bid with an all-cash offer of its own. Fox has responded by saying it remains committed to pursuing its offer for the 61 per cent of Sky it does not currently own. Now Fox and its potential new owner, Walt Disney, have agreed to certain concessions involving Sky News – including retaining its editorial independance and keeping it in London for at least 15 years – the UK government has been more willing to give regulatory approval. Comcast's bid has already been given the green light. The multi-layered deal is also awaiting the outcome of the Disney/Comcast fight for Fox. The latter has trumped Disney with an all-cash offer, although Disney has indicated willingness to add cash to its all-share offer in a bid to sweeten shareholders. Amid all the complication, Sky's shares continue to trade well above Comcast's offer as shareholders anticipate further developments in the bidding war. **Await documents**.

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