TAKEOVERS

TAKEOVERS IN DEPTH

Takeovers involving UK-domiciled companies are overseen by the Takeover Panel. The first step is often 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.

Once the terms of a bid have been formally announced, the next step is the dispatch of the offer document. This event is what starts the 'bid clock' and normally happens within 28 days of a bid announcement. The 'bid timetable' column in our tables details how long the clock has been 'ticking'.

If the bid is hostile, a defence document must be published within 14 days.

Day 21 is usually the first closing date, while day 39 is the last day on which a target company may publish price-sensitive information, and day 46 is the last day on which a bidder may revise its terms.

If a rival bidder emerges, the 'clock' is reset when the second bidder posts its offer document.

A takeover offer effectively succeeds when all its conditions are met, and this usually happens by day 60.

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.

Under these, the target effectively cancels its share capital by agreement with its own shareholders, and issues new shares to the bidder.

Schemes of arrangement are controversial, because they can proceed even if only a minority of shareholders vote in favour of them.

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Target	Bidder	Terms	Value	Bid timetable
Faroe Petroleum Oil & gas	**DNO ASA** Oil & gas	152p cash per share	£608m	2/01/19

DNO ASA has made a hostile takeover bid for fellow oil & gas company Faroe Petroleum. DNO was keen to emphasise that the offer represents a premium of 45 per cent to Faroe's share price on 3 April, the last business day before DNO started building its stake. But Faroe management believes the offer "substantially undervalues" the company, and represents a premium of just 1 per cent to Faroe's volume weighted average price over the past three months. BMO Capital Markets said the bid was "opportunistic" given recent oil price weakness, and fails to recognise the substantial project de-risking over the next few years. Faroe's non-executive chairman John Bentley urged shareholders to take no action on the offer. **Reject**.

Target	Bidder	Terms	Value	Bid timetable
Bioquell Healthcare equipment	**Ecolab** Technology & services	590p cash per share	£140.51m	tba

US-listed Ecolab, a water, hygiene and energy technologies and services specialist, has made a cash offer for contamination equipment maker Bioquell. The 590p a share offer represents a 40.5 per cent premium to Bioquell's closing share price on 29 November, the day before the offer was announced, or a 23.1 per cent premium to the three-month volume weighted average. Ecolab stated that the acquisition of Bioquell will align with its mission is to make pharmaceutical and healthcare facilities "cleaner, safer and healthier for patients and workers". Bioquell directors intend to recommend unanimously that shareholders vote in favour of the offer at the general meeting in April. **Await documents**.

Target	Bidder	Terms	Value	Bid timetable
BTG Pharmaceuticals	**Boston Scientific** Biotechnology	840p cash per share	£3.3bn	tba

Bravo Bidco, a newly incorporated entity wholly owned by New-York-listed medical solutions group Boston Scientific, has made an offer to buy biotechnology and pharmaceuticals group BTG. The proposed deal presents shareholders with a 36.6 per cent premium to the 615p BTG closing price the day prior to announcement, or a 51 per cent premium based on the BTG 90 trading day volume-weighted average share price. Boston Scientific's offer has already received approval from shareholders representing about a third of the share capital. While the board intends to unanimously recommend the offer at a general meeting, a full timetable of the scheme will be circulated to shareholders on 1 February. **Await documents**.

Target	Bidder	Terms	Value	Bid timetable
Communisis Support services	**OSG** Bidco	71p cash per share	£154m	28/11

US payments solutions provider OSG has created a bidco to acquire UK digital services group Communisis. Shareholders at the target company are being offered cash at a 40 per cent premium to the closing price on the day before the bid was first made. The fintech sector is in the midst of a major period of consolidation, with over 140 M&A transactions in the first half of 2018 alone. Management at OSG think this acquisition is "an important step in building one of the largest and most competitive outsourced customer communications platforms". The bidder requires 75 per cent of acceptances from Communisis's shareholders, with the meeting set to take place on 28 November. As of the end of October, 40 per cent of shareholders had approved the deal. **Accept**.

Target	Bidder	Terms	Value	Bid timetable
Jardine Lloyd Thompson Insurance	**MMC Treasury** Bidco	1,915p cash per share	£4.3bn	7/11

MMC Treasury – a subsidiary of insurer Marsh & McLennan – has made an all-cash offer that values its peer, JLT, at a 34 per cent premium to the share price on the day before the offer was made. JLT's executive directors stand to benefit from the reward arrangements and so have been unable to recommend the offer, but have said they "strongly support" the acquisition. Current chief executive Dominic Burke will become vice president of MMC on completion of the deal. **Accept**.

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

*0.967 new Sibanye Stillwater shares. Mining group Lonmin has managed to keep its balance sheet in the black, meaning – nearly a year after it was approached for a merger by its South African peer – shareholders will get a vote on the deal. In a third-quarter trading statement, the target's management said Lonmin's cash position had risen to $173m thanks to the $14.7m sale of its 50 per cent stake in Zimbabwe-based Petrozim. We recommended selling Lonmin's shares in March 2017 and continue to urge existing shareholders to close out their positions rather than take on Sibanye Stillwater's shares. The deal has now been approved by South African authorities and shareholder meetings will be scheduled "as soon as practicable". **Sell**.

Target	Bidder	Terms	Value	Bid timetable
Shire Pharmaceuticals	**Takeda** Pharmaceuticals	*	£46bn	4/01/19

*$30.33 cash per share and either 0.839 new Takeda shares or 1.678 Takeda ADS. Based on current exchange rates and Takeda's share price, this deal values Shire's shares at roughly £50 – a 9 per cent premium to the current share price. But we don't think the combined group looks particularly attractive – the two companies have very few synergies and will have an uncomfortably high level of debt. This week, Takeda announced plans to sell its over-the-counter business in Europe as a way to cut that debt. The Japanese Fair Trade Commission and the European Commission have both approved the deal, although the latter reportedly previously been concerned by the overlap in the two groups' inflammatory bowel disease portfolios. **Sell**.

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