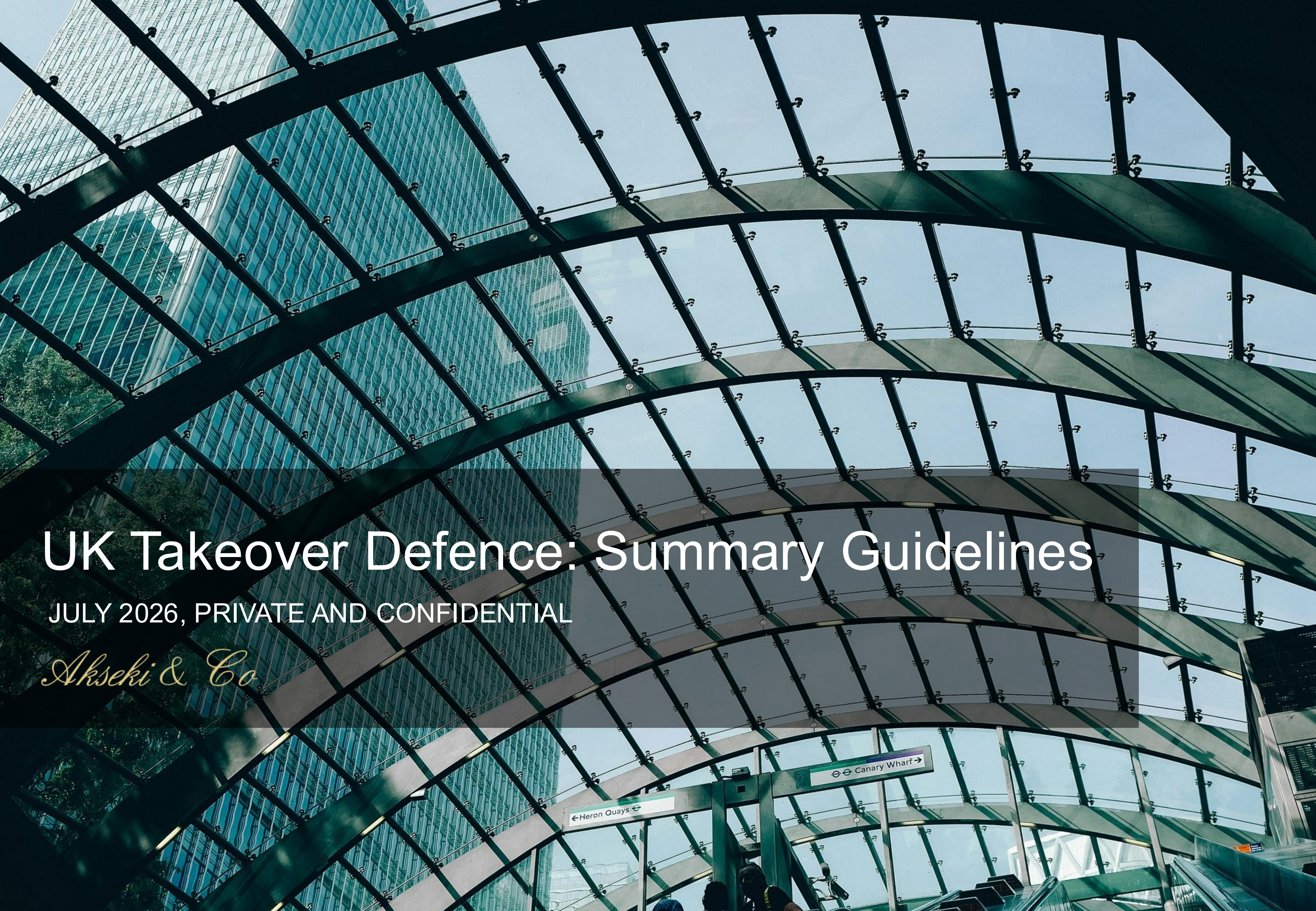

UK Takeover Defence: Summary Guidelines

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Executive Summary

Takeover defence in the UK is built around disciplined process control, valuation credibility, shareholder engagement and execution-risk pressure.

For an offeree board, the immediate objective is to maintain control of the narrative while complying with the Takeover Code:

- Obtain independent advice,
- Test the bidder's proposal against standalone value and alternatives,
- Consult key shareholders,
- Use the Code timetable to force clarity.

Core Defence Levers

1. *Valuation Discipline*
2. *Shareholder Mobilisation*
3. *Process Control*
4. *Certainty Pressure*

The board's practical objective is either to move the bidder to a clearly recommendable offer or to create the conditions for a superior outcome, including continued independence, a strategic review or a competing proposal.

UK Takeover Code Highlights: General Principles

Equal Treatment	▪ All holders of the securities of a target company of the same class must be afforded **equivalent treatment**.
Sufficient Time to Reach Decision	▪ The holders of the securities of a target company must have **sufficient time and information to enable them to reach a properly informed decision** on the bid; where it advises the holders of securities, the board of the target company must give its views on the effects of implementation of the bid on employment, conditions of employment and the locations of the company's places of business.
Interests of the Company as a Whole	▪ **The board of a target company must act in the interests of the company as a whole** and must not deny the holders of securities the opportunity to decide on the merits of the bid.
No False Markets	▪ **False markets must not be created** in the securities of the target company, of the bidder or of any other company concerned by the bid in such a way that the rise or fall of the prices of the securities becomes artificial and the normal functioning of the markets is distorted.
Fully Financed Bids	▪ **A bidder must announce a bid only after ensuring that it can fulfil in full any cash consideration**, if such is offered, and after taking all reasonable measures to secure the implementation of any other type of consideration.
Timely Response	▪ **A target company must not be hindered in the conduct of its affairs** for longer than is reasonable by a bid for its securities.

Target's Board Reaction: Code Framework

The board's latitude is shaped principally by five features of the Code:

Rule	What it does	Board implication
Rule 21.1	Restricts actions that could frustrate an offer or deny shareholders the chance to decide on its merits	No poison-pill equivalent: restricted defensive actions generally require shareholder approval or Panel consent. The Panel will normally consent in specified circumstances, including where the offeror consents or the action arises from a qualifying pre-existing obligation.
Rule 21.2	Restricts offer-related arrangements	Standard break fees and broader deal protection are usually unavailable, except in narrow cases.
Rule 3	Requires competent independent advice	The board must obtain competent independent financial advice; adviser independence, director conflicts and governance arrangements should be addressed at the outset.
Rule 25.2	Board opinion and recommendation	Any public position must be reasoned, defensible and internally consistent with what shareholders are being told.
Rule 2.6	Tactical use of timetable	Identified bidder must announce firm offer within 28 days or walk away.

Source: The Takeover Panel.

Target’s Board Reaction: Expected Action Timeline

Following receipt of a credible approach, the target’s board will typically organise its response rapidly.

Approach Received

First 48 Hours	Days 3-7
▪ Confirm response committee, conflicts, insider list and advisers. ▪ Inform and consult the Takeover Panel on disclosure and timing issues. ▪ Set the initial valuation line and whether diligence will be granted. ▪ Map top holders and prepare the rejection/Q&A script.	▪ Test whether the bidder can move to a recommendable package on price and certainty. ▪ Decide whether to widen the field through alternatives, sale process or review. ▪ Keep the public line consistent with what the register is hearing privately. ▪ Respond promptly if rumour, speculation or an untoward share-price movement may trigger an announcement under Rule 2.2; public identification of the bidder will normally start the Rule 2.6 timetable.

Source: The Takeover Panel.

Target’s Board Reaction: UK Takeover Defence Toolkit

Board objective: either move the bidder to a clearly recommendable proposal or create conditions in which a superior outcome emerges.

1

Valuation narrative

Explain why the proposal undervalues the company and anchor the debate in trading, plan value and strategic options.

Immediate public rejection of low-ball offers: Usually, first move is a firm statement that the proposal materially or fundamentally undervalues the company, coupled with a reasoned standalone case and a “take no action” message.

2

Register strategy

Engage key holders early, subject to confidentiality, market-abuse and Code disclosure requirements. For a concentrated shareholder register, a relatively small number of institutions may materially influence the outcome.

Mobilisation of key shareholders: For a smaller listed company, the real battleground is usually a short list of institutions. The board will try to understand acceptable price, likely voting behaviour and appetite for independence versus sale.

3

Deal process

Use PUSU pressure, diligence gating, and — if useful — a formal sale process, private sale process or strategic review.

Running or threatening a competitive process: If a sale may be likely, the board can protect value by broadening the field with formal sale process, private sale process, strategic review or targeted outreach to credible alternatives.

4

Certainty pressure

Force the bidder to prove financing, regulatory deliverability, timetable realism and management and employee implications.

Making bidders pay for execution risk: Boards can insist on a high-quality package on financing, regulatory path, management retention, pensions, employees and timing before giving access or moving toward recommendation.

Source: The Takeover Panel: market practice: Akseki & Co analysis.

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