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- Increased Cash Offer for KCOM
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FOR IMMEDIATE RELEASE

8 July 2019

INCREASED CASH OFFER

for

KCOM GROUP PUBLIC LIMITED COMPANY (KCOM)

by

HUMBER BIDCO LIMITED (BIDCO)

a wholly-owned indirect subsidiary of Universities Superannuation Scheme Limited (USSL) (acting in its capacity as sole corporate trustee of Universities Superannuation Scheme (USS))

to be implemented by means of a scheme of arrangement under Part 26 of the Companies Act 2006 (the Scheme)

1. Introduction

On 24 April 2019, the boards of KCOM and Bidco announced that they had reached agreement on the terms of a recommended cash acquisition by Bidco, a wholly-owned indirect subsidiary of USSL, for the entire issued and to be issued ordinary share capital of KCOM for 97 pence for each KCOM Share (the **Original Offer**) (the **Original Offer Announcement**). On 9 May 2019, the scheme document relating to the Acquisition (the **Original Scheme Document**) was published and posted (or otherwise made available) to KCOM Shareholders (other than KCOM Shareholders in certain Restricted Jurisdictions) and, for information purposes only, to persons with information rights.

On 3 June 2019, the boards of MEIF 6 Fibre Limited (**MEIF 6 Fibre**), a wholly-owned indirect subsidiary of Macquarie European Infrastructure Fund 6 SCSp (an investment fund managed by Macquarie Infrastructure and Real Assets (Europe) Limited), and KCOM announced that they had reached an agreement on the terms of a recommended cash acquisition by MEIF 6 Fibre for 108 pence for each KCOM Share (the **MEIF Announcement**). The MEIF Announcement stated that, in light of the

proposal by MEIF 6 Fibre, the KCOM Directors had withdrawn their recommendation of the offer by Bidco and proposed to adjourn the Court Meeting and the General Meeting convened for 5 June 2019.

On 4 July 2019, the Panel ruled upon the terms of the Auction Process, and each of Bidco, MEIF 6 Fibre and KCOM accepted the ruling. The Panel announced the terms of the Auction Process on the same day.

In accordance with the terms of the Auction Process, Bidco hereby announces the terms of the Increased Offer.

2. Terms of the Increased Offer

The Increased Offer will be made subject to the conditions and on the terms contained in the Revised Scheme Document, which (save as set out in that document) will incorporate the terms and conditions contained in the Original Scheme Document by cross-reference. The Increased Offer will be made on the following basis:

for each KCOM Share	108.5 pence in cash
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The Increased Offer values the entire issued and to be issued ordinary share capital of KCOM at approximately £566 million. The bases and sources of certain financial information contained in this announcement are set out in Appendix 1.

Under the Increased Offer, fractions of pence will be paid to KCOM Scheme Shareholders and cash entitlements will be rounded up to the nearest penny.

If any dividend or other distribution is declared or paid in respect of KCOM Shares on or after the date of this announcement, Bidco will reduce the Increased Offer price by the amount of such dividend or other distribution for each KCOM Share, in which case eligible KCOM Shareholders will be entitled to receive and retain such dividend or other distribution.

It is intended that the Increased Offer will be effected by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act. In accordance with Rule 32.1 of the Takeover Code, Bidco anticipates that the Revised Scheme Document containing such details of the Increased Offer as are required by the Panel will be published by KCOM in due course.

3. Amendment to Equity Commitment Letter

Bidco further announces that the Equity Commitment Letter, a summary of which was included in paragraph 6 of Appendix 3 (Additional Information) to the Original Scheme Document, has been amended for the purpose of implementing the Increased Offer. Copies of the amended Equity Commitment Letter will be available on USSL's website at www.ussl.co.uk and KCOM's website at www.kcomplc.com.

Arma Partners and Gleacher Shacklock, financial advisers to Bidco, are each satisfied that sufficient cash resources are available to Bidco to enable it to satisfy, in full, the cash consideration payable to KCOM Shareholders by Bidco under the terms of the Increased Offer.

4. Conditions

The Increased Offer will be made subject to the conditions and on the terms contained in the Revised Scheme Document, which (save as set out in that document) will incorporate by cross-reference the terms and conditions contained in the Original Scheme Document. Bidco notes that, as announced on 26 June 2019, the FCA provided written confirmation on 4 June 2019 that it has determined unconditionally to approve the Acquisition.

5. Irrevocable undertakings

Bidco has not received any irrevocable undertakings or letters of intent since the announcement of the Original Offer. The irrevocable undertakings and letter of intent set out in the Original Offer Announcement are no longer binding, in light of the MEIF Announcement.

6. Extension of lapsing dates

Under the terms of the Original Scheme Document, the Acquisition will lapse if:

- (i) the Court Meeting and the General Meeting are not held by 27 June 2019 (the **Shareholder Meeting Lapsing Date**) (or such later date as may be agreed between Bidco and KCOM and, in the case of the Court Meeting, as the Court may allow); and
- (ii) the Court Hearing to approve the Scheme is not held by 2 July 2019 (the **Hearing Lapsing Date**) (or such later date as may be agreed between Bidco and KCOM and as the Court may allow).

As announced on 26 June 2019, Bidco and KCOM have agreed to:

- (i) extend the Shareholder Meeting Lapsing Date from 11.59 p.m. on 27 June 2019 to 14 August 2019 (or such later date as may be agreed between Bidco and KCOM); and
- (ii) extend the Hearing Lapsing Date from 11.59 p.m. on 2 July 2019 to 23 August 2019 (or such later date as may be agreed between Bidco and KCOM).

7. Compliance with Rule 2.7 of the Takeover Code

Except as set out above, Bidco confirms that there have been no changes to the information contained in the Original Scheme Document, in connection with the following requirements of Rule 2.7 of the Takeover Code:

- (i) terms of the Increased Offer (contained in Part I, Paragraph 2, Part II, Paragraph 2 and Part II, Paragraph 10 of the Original Scheme Document);
- (ii) identity of the offeror (i.e. Bidco) (contained in Part I, Paragraph 5 of the Original Scheme Document);
- (iii) conditions or pre-conditions to which the Increased Offer is subject (contained in Appendix 1 to the Original Scheme Document);
- (iv) intentions of Bidco with regard to the business, employees and pension schemes of KCOM (contained in Part I, Paragraph 6 of the Original Scheme Document);
- (v) details of any arrangements to which Bidco is a party which relate to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Increased Offer and the consequences of its doing so (contained in Paragraph 13.1 of Appendix 3 to the Original Scheme Document);
- (vi) details of any relevant securities of KCOM in which Bidco or any party acting in concert with it has an interest or any person acting in concert with it has a right to subscribe (contained in Paragraph 3.3 of Appendix 3 to the Original Scheme Document);
- (vii) details of irrevocable undertakings or letters of intent procured by Bidco or any person acting in concert with it (contained in Part I, Paragraph 9, Part II, Paragraph 4 and Paragraph 8 of Appendix 3 to the Original Scheme Document);
- (viii) details of any relevant securities of KCOM which Bidco or any person acting in concert with it has borrowed or lent (contained in Paragraph 3.3 of Appendix 3 to the Original Scheme Document);
- (ix) details of any dealing arrangements of the kind referred to in Note 11 on the definition of acting in concert to which Bidco or any party acting in concert with it is a party (contained in Paragraph 3.3 of Appendix 3 to the Original Scheme Document);
- (x) any offer-related arrangements (contained in Part II, Paragraph 13 of the Original Scheme Document); and

- (xi) address of USSL's website on which documents are published (contained in Paragraph 14 of Appendix 3 to the Original Scheme Document).

The Original Scheme Document will remain available, subject to certain restrictions relating to persons resident in certain jurisdictions, on USSL's website at www.ussl.co.uk and KCOM's website at www.kcomplc.com. The contents of USSL's and Bidco's websites are not incorporated into and do not form part of this announcement.

Terms and expressions in this announcement shall, unless defined in Appendix 2, have the same meanings as given to them in the Original Scheme Document.

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Important notices

*Arma Partners LLP (**Arma Partners**), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for USSL and Bidco and for no one else in connection with the Acquisition and/or any other matter set out in this announcement and will not be responsible to anyone other than USSL and Bidco for providing the protections afforded to clients of Arma Partners or for providing advice in connection with the Acquisition, the contents of this announcement or any other matter referred to herein.*

*Gleacher Shacklock LLP (**Gleacher Shacklock**), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for USSL and Bidco and no one else in connection with the Acquisition and/or any other matters set out in this announcement and will not be responsible to anyone other than USSL and Bidco for providing the protections afforded to clients of Gleacher Shacklock or for providing advice in connection with the Acquisition, the contents of this announcement or any other matter referred to herein*

Further information

This announcement is for information purposes only and is not intended to, and does not, constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Acquisition or otherwise.

Bidco reserves the right to elect, with the consent of the Panel and subject to the terms of the Co-operation Agreement, to implement the Acquisition by way of a Takeover Offer. In such event, the Takeover Offer will be implemented on substantially the same terms, so far as applicable, as those which would apply to the Scheme, subject to the Takeover Code and to any appropriate amendments to reflect the change in method of implementing the Acquisition.

Overseas Shareholders

The release, publication or distribution of this announcement in jurisdictions other than the United Kingdom and the ability of KCOM Shareholders who are not resident in the United Kingdom to participate in the Acquisition may be restricted by laws and/or regulations in those jurisdictions and therefore any persons who are not resident in the United Kingdom or who are subject to the laws of any jurisdiction other than the United Kingdom (including Restricted Jurisdictions) should inform themselves about, and observe, any applicable legal or regulatory requirements. Any failure to comply with applicable legal or regulatory requirements of any jurisdiction may constitute a violation of securities laws in that jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Acquisition disclaim any responsibility or liability for the violation of such restrictions by any person.

Unless otherwise determined by Bidco or required by the Takeover Code, and permitted by applicable law and regulation, the Acquisition will not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Acquisition by use of the mails or any other means or instrumentality (including, without limitation, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, or from within, a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction.

The Acquisition will be subject to the applicable requirements of English law, the Takeover Code, the Panel, the London Stock Exchange and the FCA.

Copies of this announcement and any formal documentation relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction or any jurisdiction where to do so would constitute a violation of the laws of such jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction. Doing so may render invalid any related purported vote in respect of acceptance of the Acquisition.

If the Acquisition is implemented by way of a Takeover Offer (unless otherwise permitted by applicable law and regulation), the Takeover Offer may not be made, directly or indirectly, in or into or by use of the mails or any other means or instrumentality (including, without limitation, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Takeover Offer will not be capable of acceptance by any such use, means, instrumentality or facilities or from within any Restricted Jurisdiction.

Additional information for US investors in KCOM

KCOM Shareholders in the United States should note that the Acquisition relates to the securities of a UK company and is proposed to be implemented pursuant to a scheme of arrangement provided for under English company law. A transaction implemented by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Securities Exchange Act of 1934, as amended. Accordingly, the Acquisition will be subject to UK procedural and disclosure requirements and practices applicable to a scheme of arrangement involving a target company in England, which are different from the disclosure requirements of the US tender offer and proxy solicitation rules. The financial information included in the documentation relating to the Acquisition has been or will have been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US. If Bidco exercises its right, in the circumstances provided for in this announcement, to implement the Acquisition by way of a Takeover Offer, such Takeover Offer will be made in compliance with applicable US tender offer regulations.

US holders of KCOM shares should be aware that the receipt of cash pursuant to the Acquisition may have tax consequences in the United States. Holders of KCOM shares are advised to consult their own tax advisors to determine the particular tax consequences to them of the Acquisition.

Neither the US Securities and Exchange Commission nor any securities commission of any state of the United States has approved the Acquisition, passed upon the

fairness of the Acquisition or the adequacy or accuracy of the information contained in this announcement or other documentation relating to the Acquisition. Any representation to the contrary is a criminal offence in the United States.

It may be difficult for US holders of KCOM Shares to enforce their rights and claims arising out of the US federal securities laws, since Bidco and KCOM are located in countries other than the United States, and some or all of their officers and directors may be residents of countries other than the United States. US holders of KCOM Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

Disclosure requirements of the Takeover Code

Under Rule 8.3(a) of the Takeover Code, any person who is interested in one per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the Offer Period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm on the 10th Business Day following the commencement of the Offer Period and, if appropriate, by no later than 3.30 pm on the 10th Business Day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in one per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm on the Business Day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the Offer Period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Forward-looking statements

This announcement contains certain forward-looking statements with respect to Bidco and KCOM. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as, without limitation, "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "aim", "will", "may", "hope", "continue", "would", "could" or "should" or other words of similar meaning or the negative thereof. Forward-looking statements include, but are not limited to, statements relating to the following: (a) future capital expenditures, expenses, revenues, economic performance, financial conditions, dividend policy, losses and future prospects, (b) business and management strategies and the expansion and growth of the operations of Bidco or KCOM, and (c) the effects of government regulation on the business of Bidco or KCOM. There are many factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among such factors

are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or disposals. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Except as expressly provided in this document, they have not been reviewed by the auditors of Bidco or KCOM. By their nature, these forward-looking statements involve known and unknown risks, uncertainties because they relate to events and depend on circumstances that will occur in the future. The factors described in the context of such forward-looking statements in this announcement may cause the actual results, performance or achievements of any such person, or industry results and developments, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. No assurance can be given that such expectations will prove to have been correct and persons reading this announcement are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this announcement. Neither Bidco nor KCOM, nor their respective members, directors, officers or employees, advisers or any person acting on their behalf, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur.

None of Bidco, KCOM or their respective members, directors, officers, employees, advisers and any person acting on behalf of one or more of them undertakes any intention or obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. All subsequent oral or written forward-looking statements attributable to Bidco or KCOM or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above.

Neither Bidco nor the KCOM Group, nor any of their respective associates, directors, officers, employees or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur.

Publication on a website

This announcement and the documents required to be published pursuant to Rule 26 of the Takeover Code will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on USSL's website at www.uss.co.uk.

Neither the content of the websites referred to in this announcement nor the content of any website accessible from hyperlinks is incorporated into, or forms part of, this announcement.

Request for hard copies

KCOM Shareholders may, subject to applicable securities laws, request a hard copy of this announcement (and any information incorporated into it by reference to another source) by contacting Link Asset Services on 0371 664 0321 or by submitting a request in writing to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH, with an address to which the hard copy may be sent. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside of the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Acquisition or give any financial, legal or tax advice. KCOM Shareholders may, subject to applicable securities laws, also request that all future documents, announcements and information to be sent in relation to the Acquisition should be in hard copy form.

Information relating to KCOM Shareholders

If you are in any doubt about the contents of this announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

APPENDIX 1

SOURCES OF INFORMATION AND BASES OF CALCULATION

- (a) As at close of business on the Last Practicable Date, KCOM had 516,603,910 ordinary shares in issue.
- (b) The value placed by the Acquisition on the existing issued and to be issued ordinary share capital of KCOM has been calculated on the basis of:
 - (i) 516,603,910 KCOM Shares in issue on the Last Practicable Date; and
 - (ii) Up to 4,688,855 KCOM Shares which may be issued on or after the date of this announcement on the exercise of options or vesting of awards under the KCOM LTIP (taking into account the exercise by KCOM's remuneration committee of applicable discretions).

APPENDIX 2

DEFINITIONS

Unless the context otherwise requires and save to the extent superseded in this announcement, the definitions set out in the Original Scheme Document shall also apply in this announcement, together with the following definitions:

Auction Process	the process to provide an orderly framework for the resolution of the competing offers for KCOM as determined by the Panel in accordance with Rule 32.5 of the Takeover Code
Hearing Lapsing Date	2 July 2019
Increased Offer	the increased offer to be made by Bidco to acquire all of the KCOM Shares on the terms and subject to the conditions set out in this announcement, and to be set out in the Revised Scheme Document including, where the context requires, any subsequent revision, variation, extension or renewal of such offer
Last Practicable Date	5 July 2019
MEIF 6 Fibre	MEIF 6 Fibre Limited
MEIF Announcement	the announcement of an offer made by MEIF 6 Fibre for the entire issued and to be issued ordinary share capital of KCOM at 108 pence per KCOM Share
Shareholder Meeting Lapsing Date	27 June 2019
Original Offer	the offer made by Bidco for the entire issued and to be issued ordinary share capital of KCOM at 97 pence per KCOM Share
Original Offer Announcement	the announcement of an offer made by Bidco for the

entire issued and to be issued ordinary share capital of KCOM at 97 pence per KCOM Share

Original Scheme Document

the formal scheme document that was made available to KCOM Shareholders on 9 May 2019

Revised Scheme Document

the formal scheme document to be sent to KCOM Shareholders in connection with the Increased Offer

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Increased Cash Offer for KCOM - RNS