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Brexit: Investing in UK Plc

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At a glance:

- Clear opportunity for overseas buyers but UK takeover process isn't easy
- Taking over a UK plc is significantly tougher than five years ago
- There's competitive advantages to overseas businesses with readily-available funds

With the fall in the value of sterling and decreasing company valuations post Brexit, many are expecting UK plc to become targets for overseas buyers.

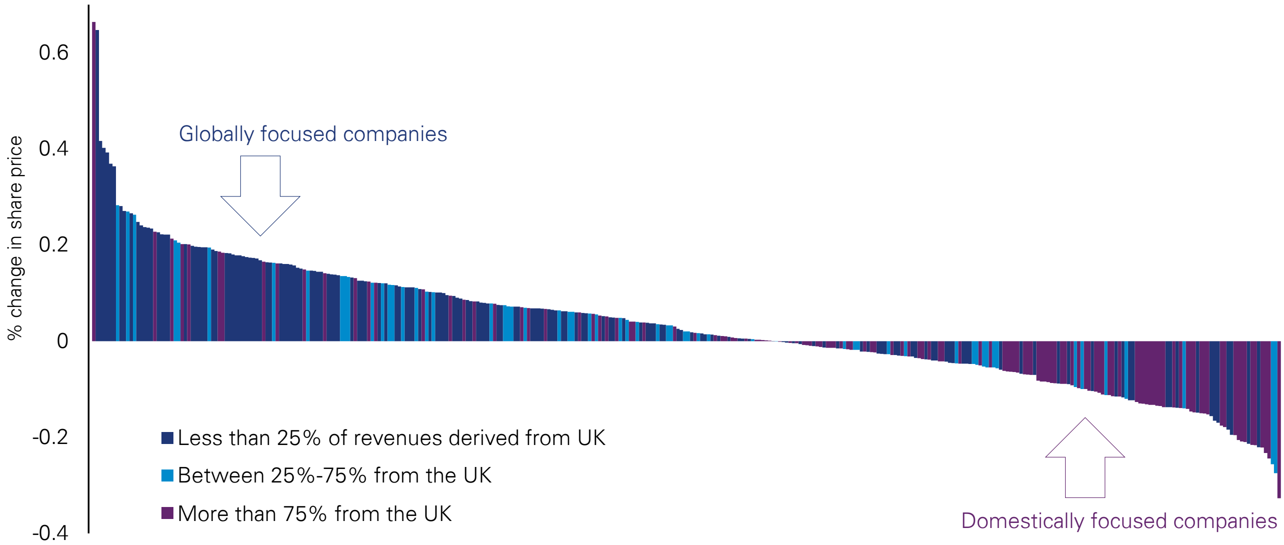
Strong British companies now trade at significantly lower valuations, even though the fundamental qualities that make that company and its products attractive to consumers, like strong brands or unique technology, have not changed.

Companies on the FTSE350 index with a mostly UK-focused business have suffered particularly. The opportunity for overseas buyers is clear, however converting that opportunity is not always straightforward. The UK takeover process is unique and bidders need to be well prepared and aware of the complexities in the rules.

Over the past few years, the number of takeovers of publicly-listed firms has steadily risen, and though domestic deals and purchases from North America predominate, in recent years Japanese buyers have moved in. The £24 billion takeover of ARM Holdings Plc by Japan's Softbank was a highly significant transaction just after the Brexit vote.

So how difficult is it to take over a UK plc? All are subject to the 'Takeover Code' and regulated by the UK Takeover Panel, and that code has changed significantly, and in my opinion, got tougher in the past five years. Companies need to pay extra attention to what they do in the

Performance of FTSE350 from 23 June to 30 August



lead-up to deal. The panel's has also extended its remit to oversight of the post-deal space. For example, the panel now have the power to make sure a company has to honour any undertaking it makes before a deal, about life afterwards such as not closing a factory or laying off staff. So what companies say in the run-up to an offer is particularly important.

It can feel like the rules are onerous at first glance, but at their heart their central objective is to make sure all shareholders are treated fairly in takeover bids. Tough rules also provide a competitive advantage for some by discouraging others that might not have readily-available funds for example.

The underlying fundamentals for British companies remain in place. We expect to see many more approaches for UK plcs in the coming months as suitors capitalise on lower share prices and sterling's weakness.

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