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Pinewood Group PLC - PWS Possible Recommended Cash Offer
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Pinewood Group PLC
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This is an announcement of a possible offer under Rule 2.4 of the City Code on Takeovers and Mergers (the "Code"). This announcement is not an announcement of a firm intention to make an offer under Rule 2.7 of the Code and there can be no certainty that an offer will be made, even if the pre-condition in this announcement is satisfied

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

POSSIBLE RECOMMENDED CASH OFFER

Introduction

On 10 February 2016, Pinewood Group plc ("Pinewood" or the "Company") announced that it had appointed Rothschild to assist with a strategic review of Pinewood's capital base and structure. The background to the strategic review was that the Company's shareholder register has been tightly held for a number of years, which has stifled liquidity in the Company's shares and prevented the Company from obtaining a main market listing. The Board also recognised the requirement for a future funding strategy to be in place in order to build on Pinewood's successes to date.

The Pinewood Board is pleased to confirm the progress of this strategic review process and announces that it has reached agreement with Venus Grafton Sarl ("Venus Grafton"), an indirect wholly-owned subsidiary of PW Real Estate Fund III LP ("PW Fund III"), on the key terms of a possible cash offer for Pinewood by Venus Grafton or one of its direct or indirect wholly-owned subsidiaries ("Bidco") (the "Possible Offer") which, if made, the Pinewood Board intends to recommend to Pinewood shareholders (subject to reaching agreement on standard terms and conditions customary for a firm offer of this nature).

Bidco has completed due diligence on the Company and the Possible Offer is pre-conditional only on Bidco completing its financing arrangements, which involves finalising and documenting credit committee approved proposals from financing parties, which Bidco anticipates will take up to 4 weeks to conclude. The significant majority of the cash consideration payable by Bidco under the Possible Offer will be provided by PW Fund III, with the balance from the third party finance parties. This pre-condition regarding Bidco's financing is not waivable.

Bidco has received hard irrevocable undertakings in respect of a total of 37,750,653 shares in Pinewood, representing, in aggregate approximately 65.76 per cent. of the share capital of Pinewood in issue on 27 July 2016. The Irrevocable Undertakings will cease to be binding if (i) Bidco does not release a firm offer announcement at the Possible Offer Price on or before 25 August 2016; and (ii) following release of a firm offer in the circumstances set out in the Appendix.

It is currently the intention of Bidco that any offer, if made, would be implemented by way of a scheme of arrangement (the "Scheme").

The Terms of the Possible Offer

Under the terms of the Possible Offer, each Pinewood shareholder will be entitled to receive 563.2 pence per share in cash for each Pinewood share held, comprising:

- 560 pence in cash for each Pinewood share (the "Possible Offer Price"); plus
- the final dividend of 3.2 pence per Pinewood share announced in the final results announcement for the year ended 31 March 2016, dated 11 July 2016 (the "Agreed Dividend") which will be paid on 3 October 2016 to holders of Pinewood shares whose names are on the register at the close of business on 2 September 2016.

This values the entire issued and to be issued share capital of Pinewood at £323.3 million and represents:

- a premium of 31.0 per cent. to the undisturbed average closing price of 430 pence for the 20 business days ending 9 February 2016, the date prior to the announcement of the strategic review
- a premium of 50.2 per cent. to the 375 pence price of the share placing which completed on 17 April 2015

Irrevocable Undertakings

In accordance with Rule 2.11 of the Code, Bidco announces that, with the consent of the Pinewood Board, the two largest shareholders of Pinewood, Goodweather Investment Mgt. Ltd and Warren James Holdings Ltd, which hold 22,443,396 and 14,983,990 shares in the share capital of the Company, respectively, (being 39.09 per cent. and 26.10 per cent. of the entire issued capital of the Company, respectively) and each of those members of the Pinewood Board who hold shares in Pinewood (323,267 shares in aggregate, representing 0.56 per cent. of the entire issued share capital of the Company), have entered into hard irrevocable undertakings in favour of Bidco in respect of their entire respective shareholdings to vote in favour of or accept any firm offer announced under Rule 2.7 of the Code and which is made by Bidco provided that such offer does not represent a diminution in value of the Possible Offer Price plus the Agreed Dividend (the "Irrevocable Undertakings").

Accordingly, Bidco has received hard irrevocable undertakings in respect of a total of 37,750,653 shares in Pinewood, representing, in aggregate approximately 65.76 per cent. of the share capital of Pinewood in issue on 27 July 2016.

Each of the Irrevocable Undertakings remains binding in the event of a higher, or any other, bid or offer for Pinewood.

The Irrevocable Undertakings will cease to be binding if, among other things:

- (i) Bidco does not release a firm offer announcement at the Possible Offer Price on or before 25 August 2016; or
- (ii) the Scheme lapses or is withdrawn, provided that and notwithstanding the foregoing, if Bidco determines at or before, or within one business day after, the time the Scheme lapses or is withdrawn to implement the Transaction by way of contractual offer, the Irrevocable Undertakings will cease to be binding when the contractual offer lapses.

Further details regarding the Irrevocable Undertakings are set out in the Appendix to this announcement.

Pre-condition to the announcement of a firm offer

The announcement of a firm intention to make an offer under Rule 2.7 of the Code (a "Firm Offer") on the terms of the Possible Offer set out above is pre-conditional only on Bidco completing its financing arrangements, which involves finalising and documenting credit committee approved proposals from third party financing parties. The significant majority of the cash consideration payable by Bidco under the Possible Offer will be provided by PW Fund III, with the balance from the third party finance parties. This pre-condition regarding Bidco's financing is not waivable.

Intention to recommend

Whilst the Pinewood Board continues to believe in the prospects for the business as a standalone company, the Board also recognises that the Possible Offer represents an attractive valuation and premium to the undisturbed share price. The Possible Offer also provides all shareholders with an opportunity to realise their investment which is not otherwise available to them given the relatively illiquid market for Company's shares on AIM.

Accordingly, the Pinewood Board intends to recommend unanimously any Firm Offer from Bidco which is made on the same terms as the Possible Offer, subject to reaching agreement on standard terms and conditions customary for a Firm Offer of this nature. As the Pinewood Group includes an FCA-authorized subsidiary, Pinewood Film Advisors Limited, any acquisition will be conditional upon FCA consent to any change of control of Pinewood Film Advisors Limited for the purposes of the controllers regime under Part XII of the Financial Services and Markets Act 2000 (as amended).

Background to the Possible Offer and transaction rationale

On 10 February 2016 Pinewood announced that it had appointed Rothschild to assist with a strategic review of Pinewood's capital base and structure. The background to the strategic review was that the Company's shareholder register has been tightly held for a number of years, which has stifled liquidity in the Company's shares and prevented the Company from obtaining a main market listing. The Board also recognised the requirement for a future funding strategy to be in place in order to build on Pinewood's successes to date.

As part of the strategic review process, the Company engaged in discussions with a wide range of interested parties, some of whom, including Bidco, put forward proposals to acquire the Company.

Bidco has now completed due diligence on the Company and their proposal is one which the Pinewood Board believes should be recommended to Pinewood shareholders, if made into a Firm Offer.

Background on Bidco

Venus Grafton Sarl is a company incorporated for the purposes of the Possible Offer and is owned indirectly by PW Real Estate Fund III LP, which is the successor fund to two prior funds (together, the "Funds"). Aermont Capital LLP (formerly PW Real Assets LLP) ("Aermont") serves as investment advisor to each of the Funds. Aermont is a London-based independent asset management business.

The Funds invest in real estate and real estate related opportunities in the UK and Europe, focusing on long-term value creation projects for assets and businesses. Collectively, the Funds have received equity commitments of around EUR 4 billion made by investors who include prominent public and private pension plans and other institutions in Europe, the United States, Asia and the Middle East.

Aermont and the Funds have contributed their operational expertise, market insights and financial capital to support the enhancement and growth of a number of established operating companies by working closely with management to successfully implement a variety of major strategic initiatives. Aermont believes Venus Grafton Sarl is well-positioned to support the Company, as an independent and iconic British business, by working with its management to further enhance its position as a global leader in the operation and provision of professional production space and related services.

Additional Information

Note that if any dividend or other distribution is authorised, declared, made or paid in respect of Pinewood shares on or after the date of this announcement and prior to closing of the Offer other than the Agreed Dividend, or in excess of the Agreed Dividend, Bidco reserves the right (without prejudice to any rights it may have under the conditions of any offer for Pinewood) to reduce the Possible Offer Value by the amount of such dividend or other distribution or by the excess above the Agreed Dividend. Any exercise by Bidco of its rights referred to in this paragraph shall, for the avoidance of doubt, not be regarded as constituting any revision or variation of such offer, the Possible Offer or the Possible Offer Value; If the Offer closes prior to the Record Date for the Agreed Dividend, the Offer Price shall be increased by the amount of the Agreed Dividend.

Commenting on the Possible Offer, Ivan Dunleavy, Chief Executive of Pinewood, said:

"Pinewood has grown in recent years into a global operation which sits at the forefront of the UK's creative industries. We believe that we have found the right partner for the business and one that shares our long-term vision for the future of the Group.

Pinewood's continuing commitment to the UK's creative industries remains as strong as ever. Staff and customers can be assured that in this new strategic partnership our priority will be to not only maintain, but build on the world class provision of services."

Commenting on the Possible Offer, Leon Bressler, Managing Partner of Aermont, said:

"Pinewood is an iconic brand at the heart of the global creative industries.

The transformation of the business in recent years has been considerable and it is clear that there are more ambitions to be realised. We are excited about the potential to support the business as an independent company.

Aermont has a strong track record in operating companies with a real estate component. We look forward to working with Pinewood's management team to deliver their compelling strategy for future growth, both in the UK and internationally."

This announcement does not constitute an offer or impose any obligation on Bidco to make an offer, nor does it evidence a firm intention to make an offer within the meaning of the Code.

This announcement has been made with the consent of Venus Grafton Sarl.

A further announcement will be made when appropriate.

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N.M. Rothschild & Sons Limited ("Rothschild"), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively for Pinewood Group plc and for no one else in connection with the subject matter of this announcement and will not be responsible to anyone other than Pinewood Group plc for providing the protections afforded to its clients or for providing advice in connection with the subject matter of this announcement.

PwC, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for Bidco and for no-one else in connection with the matters referred to in this announcement and will not be responsible to any person other than Bidco for providing the protections afforded to clients of PwC, nor for providing advice in relation to the matters referred to herein. Neither PwC nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of PwC in connection with the matters referred to in this announcement, or otherwise.

A copy of this announcement will be available at www.pinewoodgroup.com/investor-relations/regulatory-news. The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

Disclosure requirements of the Code

Under Rule 8.3(a) of the Code, any person who is interested in 1% 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 (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) 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 Code, any person who is, or becomes, interested in 1% 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, 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 (London time) 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 Takeover 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.

APPENDIX

IRREVOCABLE UNDERTAKINGS

The following Pinewood shareholders have, on the basis set out below, given irrevocable undertakings (the "Shareholder Irrevocables") to Bidco to vote in favour of or, as the case may be, accept an offer made by Bidco provided that such offer does not represent a diminution in value of the Offer Price plus the Agreed Dividend.

Name of Shareholder	Number of Pinewood Shares in respect of which undertaking is given	Percentage of existing issued share capital of Pinewood
Goodweather Investment Mgt. Ltd	22,443,396	39.09
Warren James Holdings Ltd	14,983,990	26.10
Total	37,427,386	65.19

The following Pinewood Directors have also, on the basis set out below given irrevocable undertakings to Bidco to vote in favour of, or as the case may be, accept an offer made by Bidco provided that such offer does not represent a diminution in value of the Offer Price plus the Agreed Dividend.

Name of Director or connected person	Number of Pinewood Shares in respect of which undertaking is given	Percentage of existing issued share capital of Pinewood
Lord Grade of Yarmouth	17,500	0.03%
Ivan Dunleavy	177,884	0.31%
Nicholas Smith	89,131	0.16%
Andrew Smith	19,376	0.03%
Christopher Naisby	19,376	0.03%
Total	323,267	0.56%

- (a) The Irrevocable Undertakings include undertakings:
- (i) to vote, or procure the vote, in favour (or to submit, or procure the submission of, Forms of Proxy voting in favour) of:
 - the Scheme at the Court Meeting; and
 - the resolutions to be proposed at the General Meeting necessary to implement the Scheme; and
 - (ii) if Bidco exercises its right to structure the Possible Offer as a takeover offer as defined in section 974 of the Companies Act (a "Contractual Offer"), to accept, or procure the acceptance of the Contractual Offer.
- (b) The Irrevocable Undertakings will lapse if:
- (i) this announcement has not been released by 12.00 noon London time today; or
 - (ii) the scheme document in respect of the Scheme or offer document in respect of the Contractual Offer has not been posted within the period prescribed by the Code or such later date as may be agreed by the Panel; or
 - (iii) where the Rule 2.7 Announcement indicates that the Offer is to be made by way of a Scheme, the Scheme lapses or is withdrawn or has not become effective by 5.00pm London time on the long stop date which is agreed between Bidco and Pinewood as referred to in the Rule 2.7 Announcement (the "Longstop Date") and at or before the time of such lapse or withdrawal or within 1 business day thereafter, Bidco has not publicly confirmed that it intends to implement a Contractual Offer; or
 - (iv) where the Rule 2.7 Announcement indicates that the Offer is to be made by way of a Contractual Offer, the Contractual Offer lapses or is withdrawn without having become unconditional in all respects and at or before the time of such lapse or withdrawal or within 1 business day thereafter, Bidco has not publicly confirmed that it intends to implement a Scheme; or
 - (v) the Offer has not been completed, either by the Scheme becoming effective, or by the Contractual Offer having become or declared unconditional in all respects, by 5.00pm London time on the date which is 180 days from the date of the Rule 2.7 Announcement; or
 - (vi) Bidco does not release a firm offer announcement at the Possible Offer Price (a "Rule 2.7 Announcement") on or before 5.00pm London time on 25 August 2016; or
 - (vii) after the release of the Rule 2.7 Announcement, the Takeover Panel

consents to Bidco not proceeding with its offer for Pinewood, and Bidco subsequently withdraws the offer.

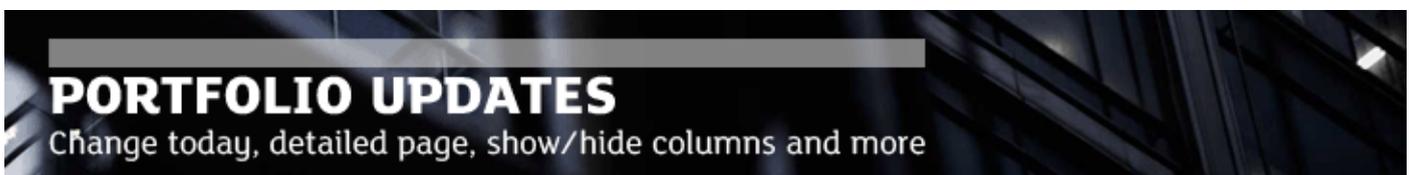
- (d) In the Irrevocable Undertakings, Bidco has:
- (i) undertaken to the givers of the Irrevocable Undertakings to use its reasonable endeavours acting in good faith and in compliance with the Code to progress the Possible Offer as expeditiously as reasonably possible with a view to releasing a firm intention announcement in respect of the Possible Offer as soon as it is reasonably practicable for it to do so in compliance with the requirements of the Code;
 - (ii) warranted to the givers of the Irrevocable Undertakings that, in relation to the Possible Offer, it is acting as principal and not as agent for any other party and that there is no arrangement in place, and it has had no discussions with any party in relation to any possible arrangement, whereby any of the Pinewood shares acquired pursuant to any offer by Bidco for Pinewood will or may be transferred to any other person or whereby any part of the business or assets of Pinewood or of any of its subsidiaries will or may be transferred to any other person; and
 - (iii) undertaken to the givers of the Irrevocable Undertakings that no such arrangement as is referred to in paragraph (ii) above will be entered into, and no such discussions as are referred to in paragraph (ii) above will be held, at any time prior to the release of the Rule 2.7 Announcement.
- (e) Goodweather Investment Mgt. Ltd has agreed in its Irrevocable Undertaking to procure the resignation (at no cost to Pinewood) of any director of Pinewood appointed by it pursuant to the terms of the Relationship Agreement dated 30 March 2015 and made between (1) Pinewood, (2) NPLUS1 Singer Advisory LLP, (3) Peel Holdings (IOM) Limited and (4) Peel Holdings Land and Property Group Limited.
- (f) Warren James Holdings Limited has agreed in its Irrevocable Undertaking to procure the resignation (at no cost to Pinewood) of any director of Pinewood appointed by it pursuant to the terms of the Relationship Agreement dated 30 March 2015 and made between (1) Pinewood, (2) NPLUS1 Singer Advisory LLP, and (3) Warren James Holdings Limited.

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