

Case study: Centrica's takeover of Venture

17 March: Centrica acquires 22% in Venture from 3i, Schroders and Aberdeen Asset Mgmt, at 725p/s before publicly announcing considering a cash offer for Venture.

17 June: The Takeover Panel issues the “**put up or shut up**” order following a request from Venture “in the interests of the company and its shareholders that the period of protracted uncertainty is brought to an end”. The order set a **deadline of July 13** either to bid for Venture or be prevented from bidding for **six months**.

10 July: Centrica acquires additional 5.4% equity plus convertible bonds from 3i at 845p/s to increase share in Venture to 29.9%

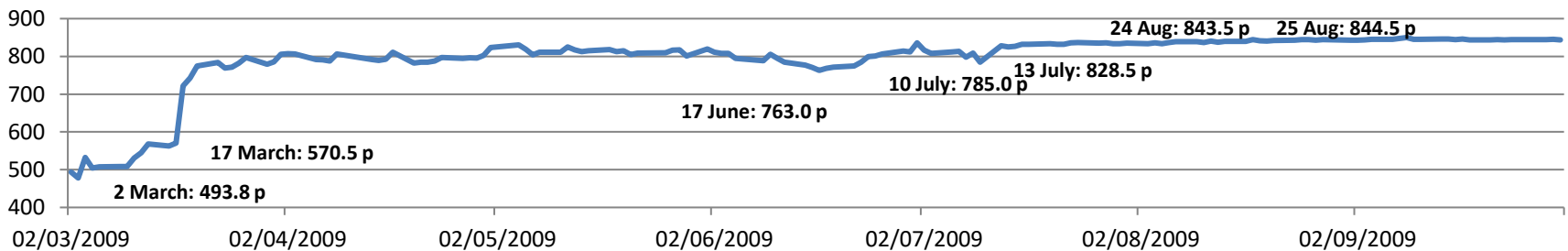
13 July: Centrica makes a hostile **Public Offer** for Venture at the same price 845 p/s, as a “**Final Cash Offer**”

- Venture rejects the offer within hours of the offer publicly announced. The Offer represented a premium of ca. 45.7% to the closing price of 580.0 pence on 17 March 2009, the last trading day before offer commencement, and 87.6 % premium. to the closing price of 450.5 pence on 13 January, the last trading day prior to market and press speculation about a potential offer for Venture by Centrica.
- Centrica notes that Rule 5 of the Takeovers Code restricts the acquisition of 30% or more of the voting rights, unless it receives offeree board’s recommendation for the acquisition or certain other conditions specified under Rule 5.2 (c) are met.
- *Because Centrica has made a final offer, it cannot raise the price unless a competitive situation arises, and a rival bid was unlikely because of the stake that Centrica has already built in Venture.*

13 July: Larry Kinch founder and ArLight Capital Partners LLC (5.4 %) state that any bid under 1,000 p is unacceptable. Laidlaw, CEO of Centrica states: “We really like the Venture team. We think they’ll work well with Centrica.”

24 August: Centrica buys additional ca. 17 % of Venture for 845 p/s, 1.5p above traded price, and the same price it has offered for all outstanding Venture stock, reaching 48.4 % of Venture, and announces that adding in acceptances it has received from other holders, it has **58.7 %** of shares in support of the offer.

25 August: Venture admitted defeat in its defense against a hostile GBP 1.3 billion takeover bid from Centrica and recommended that all shareholders accept the offer. The offer becomes wholly unconditional on 28 August when share purchases were due to be settled.



By securing the 22% stake from Schroders, 3i and Aberdeen Asset Mgmt in March, and putting in a Final Cash Offer early on, Centrica judged correctly that a majority of Venture shareholders would not hold out for a higher price. Moreover, the early *Final Offer* limited the timeframe for the acceptance, also reducing the likelihood of the emergence of a “white knight”. As a result, the final price paid was at a discount to the average price paid per BOE of comparable *agreed* deals that year. However, on fundamentals, we still believe that Centrica overpaid for Venture.