

Takeover bids: What they are and how to proceed

- ✓ Pay careful attention to the calendar set for the takeover bid. Take note especially of the **acceptance period for the offer, which must be of not less than fifteen calendar days and not more than seventy.**
- ✓ **Acceptance orders may be revoked at any point before the last day of the acceptance term** as indicated in the offer document.
- ✓ When a company is being targeted with more than one offer, shareholders can **hand in multiple acceptance orders**, provided they state their order of preference and this information is passed on to all competing bidders.
- ✓ **Mandatory sale/purchase of shares (squeeze-out/sell-out).** This situation may arise in takeover bids for 100% of a company's shares, when some shareholders (no more than 10% of capital) have opted not to sell at the end of the acceptance period, and the bid has been accepted by at least 90% of the securities addressed. In these cases, the bidder can oblige remaining shareholders to sell up at the corresponding offer price (a squeeze-out). Likewise, shareholders in this situation can oblige the bidder to buy their shares at the same price.
- ✓ The offer document will tell you whether the bidder plans to exercise this squeeze-out right. If it is the investors who require the bidder to buy their shares, note that they will have to bear the associated sale and settlement costs.
- ✓ In any event, the maximum term for a squeeze-out (by the bidder) or sell-out (by the shareholder) is set at three months counting from the end of the acceptance period.

- ✓ In **takeover bids aimed at withdrawing the company from stock exchange trading**, investors opting to conserve their shares should be aware of all the implications of the changed situation: loss of liquidity, fewer reporting obligations on the part of the company, etc.



The aim of this factsheet is to inform the general public about different aspects of the securities markets. Its text is for information purposes only and, as such, cannot constitute a support for subsequent legal interpretations, which must rely exclusively on the prevailing regulations.

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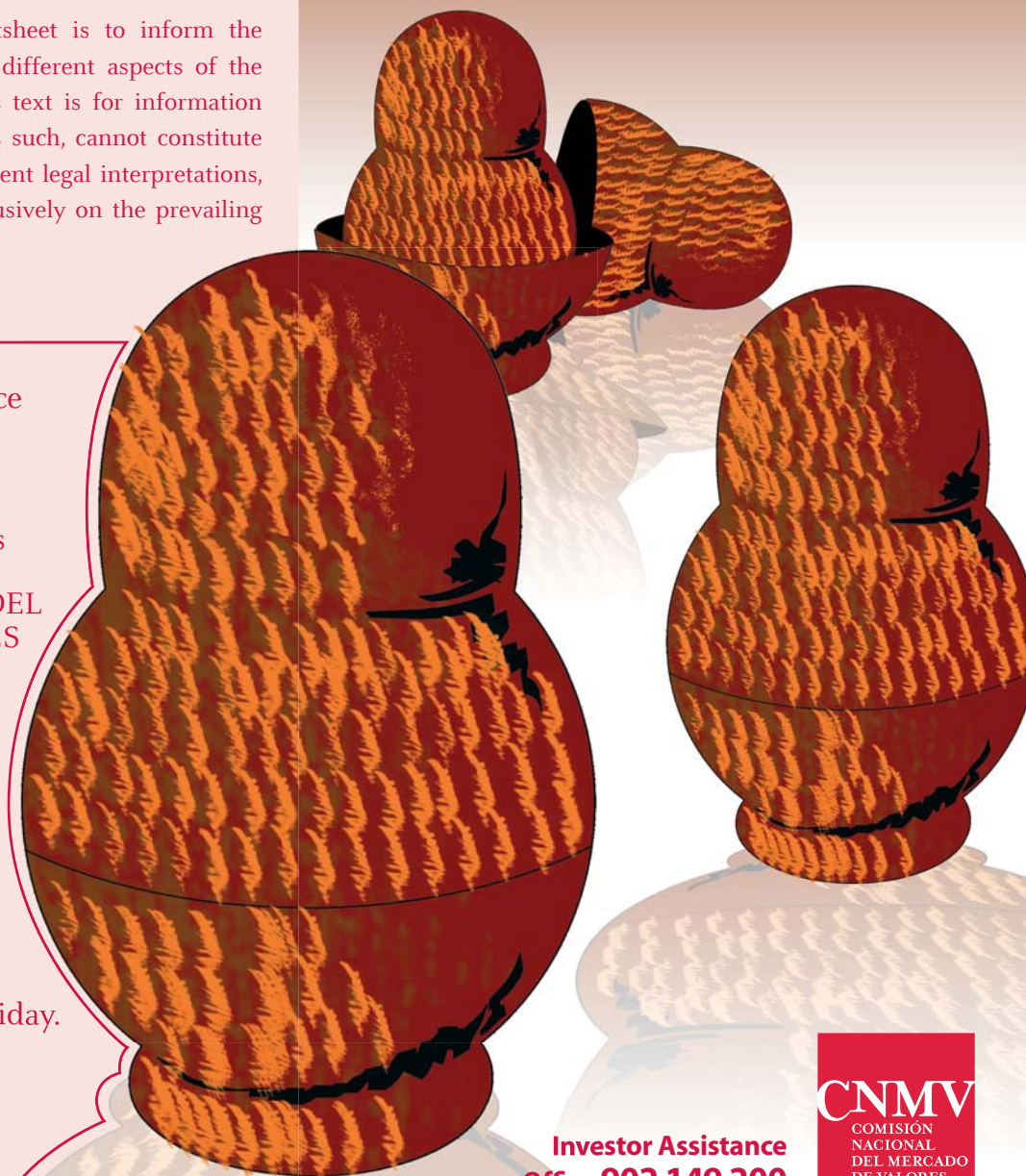
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What is a takeover bid?

A takeover bid is a transaction in which one or several individuals or companies approach all the **shareholders of a listed firm** in order to buy their shares, or other securities convertible to shares, for a determined price or consideration. The consideration offered is usually cash but could also be shares or a combination of both (cash plus shares).



Types of takeover bids

Takeover bids come under different names depending on their purpose and characteristics:

Mandatory/Voluntary takeover bids: current legislation envisages certain situations where a takeover bid is compulsory (change of control, delisting and capital reductions). Mandatory bids address 100% of the company's shares. They must specify an equitable price and refrain from imposing any conditions. Voluntary bids face no legal restrictions regarding their price or the shares included, and the bidder can set the conditions it chooses.

Control bids offer the shareholders of the target company the chance to sell their shares at an equitable price once the bidder has acquired control.

A **competing bid** is an offer lodged for shares being targeted by another takeover bid still open for acceptance. This kind of bidding is subject to particular requirements.

Delisting offers are intended to withdraw a company from stock exchange trading, and the price offered must invariably be in cash.

Takeover bids are termed “**friendly**” if they are presented with the support of the significant shareholders or Board of Directors of the offeree company. In the absence of such an agreement, the transaction is called a “**hostile bid**”, though this does not presuppose that it is not a good deal for shareholders.



How to get informed about a takeover bid

Although this kind of operation tends to get ample media coverage, it is always wise to consult the official documents on file with the CNMV:

- ✓ **The offer document.** The most comprehensive information available, containing all the investor needs to know to reach an informed judgement on the bid: the securities addressed, the consideration on offer, the expenses for the shareholder should he accept, the conditions to which the bid is subject, the bidder's intentions for the company, acceptance and settlement procedures, etc.
- ✓ **The bid announcement.** Setting out the salient points in summarised form.



The report of the Board of Directors of the offeree company. Expressly stating whether some agreement is in place between the offeree and the bidding company, what they as a board think of the bid, and what directors intend to do individually with their own shares.

Besides these documents, which are a vital resource for any shareholder, it is important to keep track of **significant events** intervening between the announcement of the bid and its final settlement.

This information can be found in the following places:



✓ The websites of both the offeree and the bidding company (if it is listed on a Spanish stock exchange).



✓ The CNMV (www.cnmv.es).



✓ The registered offices of the bidding company.

Investors can also visit the CNMV's Investor Assistance Office where staff will be glad to help them with their enquiries about the operation.



Key points to consider



✓ **Accepting a takeover bid is always voluntary.** Whatever the press coverage may imply at times, it is the investor who has the last word about whether or not to sell his shares. **In no event will rejecting a bid exclude you from ownership.**



✓ If you decide to accept you must say so explicitly, presenting an order to this effect to the custodian holding your shares.