

GIBSON DUNN

# UK Public M&A: The Month in a Minute

October Review

**'Shareholder activism was flavour of the month - while numerous P2P bidders continue to look and talk, rather than walk'**

- AIM traded glasses maker **Inspects Group** became the latest target to catch the eye of multiple suitors: H2 Equity Partners, Safilo Group and a consortium comprising Risk Capital Partners and Ian Livingston.
- Discussions between **JTC** and its potential bidders, Permira and Warburg Pincus, continue. Both are now working to the same PUSU deadline: they have until 7 November to put up or shut up.
- BasePoint Capital has also been given additional time to finalise its financing for FTSE 250 constituent, **International Personal Finance**, which the IPF board “would be minded to recommend unanimously” if ultimately made. BasePoint has until 19 November to announce a firm offer or walk away.
- Interest in the real estate and logistics sectors continues following the take private of Warehouse Reit earlier in the year, with Blackstone announcing it was in the early stages of considering a possible cash offer for **Big Yellow Group**, which sent BYG's shares up 22%.

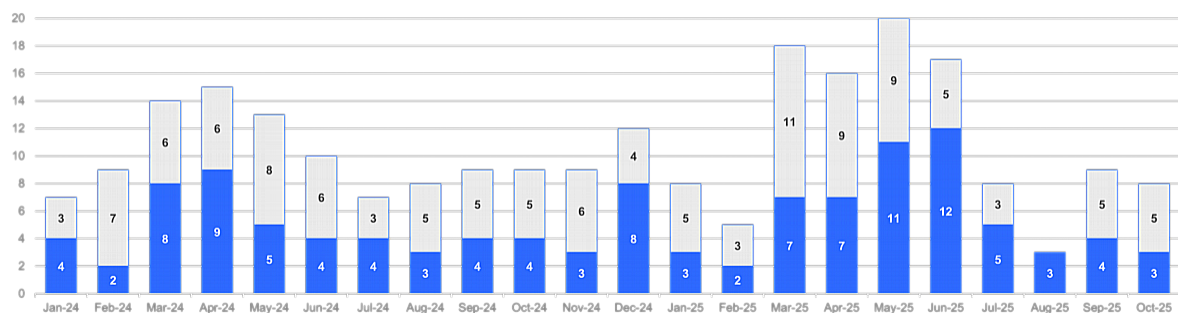
The three firm offers in October all came from overseas bidders:

- TXSV-listed Sintana Energy Inc. announced a recommended all share offer for **Challenger Energy Group**. The bid is supported by irrevocables representing a healthy 34% and, to help win over shareholders, Sintana intends to seek a dual listing on AIM.
- Six Swiss listed Cicor Technologies has also offered foreign scrip as part of its recommended cash and share offer for **TT Electronics**. 16.5% shareholder DBAY Advisors was quick off the block to say that they did not intend to vote in favour - notwithstanding the healthy 64.6% premium. This statement triggered the sensors of TT which disclosed it had received three unsolicited proposals from DBAY in the last three months.
- Long Path Opportunities Fund announced a recommended all cash offer for software and data solutions provider **Idox** having been a “supportive and patient shareholder” for the last seven years. The Long Path funds currently hold approximately 12% of Idox and the offer values Idox at approximately £340 million.

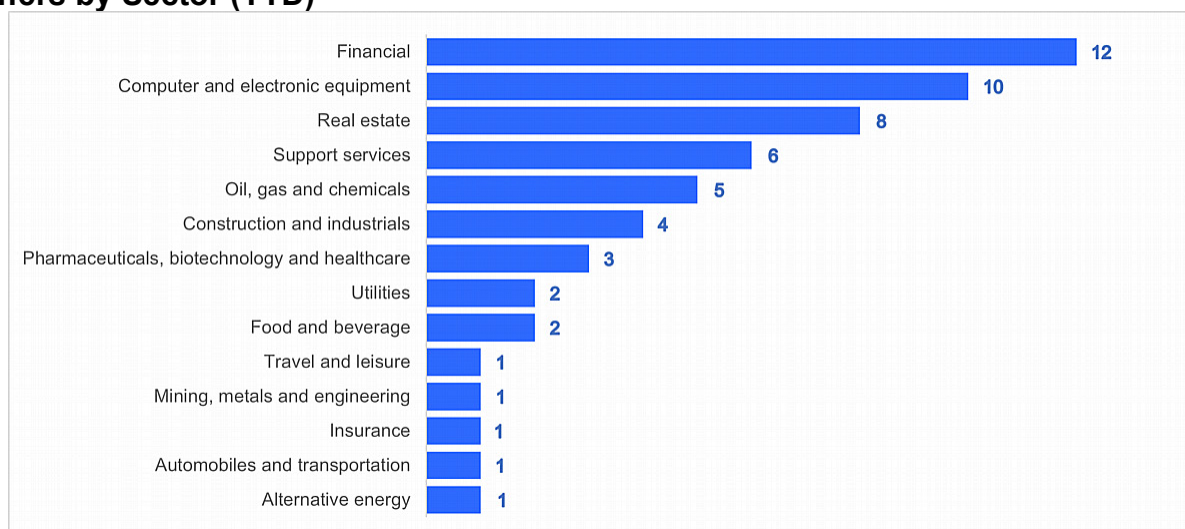


## The October Data

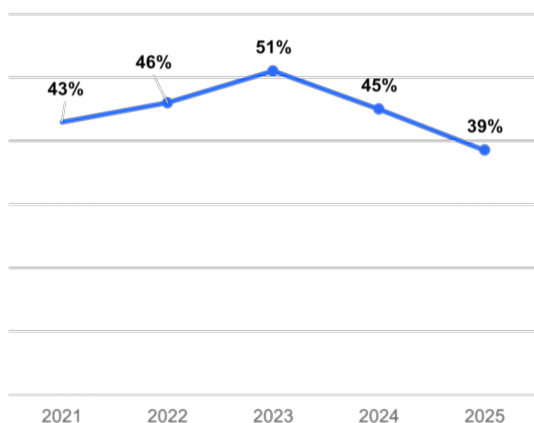
### Offers Announced



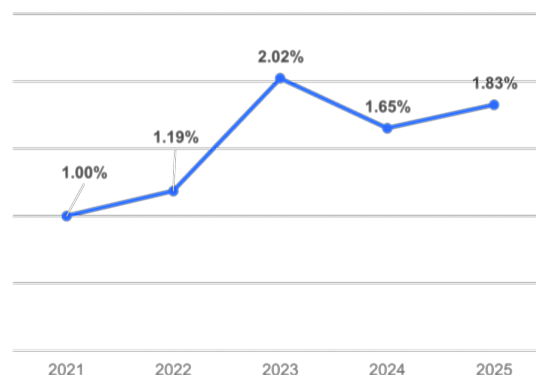
## Offers by Sector (YTD)



## Bid Premia



## Financial Advisor Fees (% deal value)



## What's Happened

### Natara's increased offer not sweet enough for Treatt's shareholders

In our September edition, we trailed that natural ingredients producer Döhler had acquired a 10% holding in Treatt. Despite Natara raising its bid by 11.5% to 290 pence and declaring its offer final, Döhler continued to build an impressive 28% blocking stake. As a result, Treatt's board found itself in the uncommon position of having its shareholders vote down their recommendation and reject the offer at

Treant's shareholders' meeting on Monday 3 November. The success of Döhler's strategy highlights the challenges in fending off determined interlopers in circumstances where the original bidder is either unwilling or unable to switch to a contractual takeover bid with a lower minimum acceptance condition. It is made all the harder when an interloper stake builds to such a significant extent, as was the case here, that it can block any attempt to delist the target.

### **Canadian professional services firm, WSP Global, picks off Ricardo**

Another company which saw stake-building activity earlier in the year was Ricardo. AIM-traded Science Group built a 20% stake and requisitioned a general meeting to oust Ricardo's Chair. While Ricardo was grappling with activists, WSP made several indicative proposals to Ricardo. These culminated in WSP announcing a recommended cash offer for Ricardo and simultaneously entering into a share purchase agreement to acquire Science Group's stake at the offer price ahead of the Scheme. The WSP offer was final from the outset. The Science Group shares did not form part of the Scheme, but it was still well supported by irrevocables in respect of more than 45% of Ricardo's shares. With these in hand - even though WSP could not vote the shares - the Scheme was decisively approved by shareholders.

### **Magnum demerger temporarily on ice**

The demerger of Unilever's ice cream business, to be known as The Magnum Ice Cream Company N.V., was expected to complete on 8 November with shares in Magnum to commence trading on the NYSE, the LSE and Euronext Amsterdam on Monday 10 November. The general meeting to approve a simultaneous consolidation of Unilever's shares went through smoothly on 21 October. The consolidation was being undertaken, as is common following a demerger, to counteract anticipated movements in Unilever's share price resulting from the demerger. However, the on-going US Government shutdown has thrown a spanner in the works: the SEC has been unable to declare effective the US registration statement required for Magnum shares to be listed on NYSE. Unilever still expects the demerger to be implemented this year.



## Looking Ahead

### Predictions for November:

**The focus this month is on Inspeks Group:** Inspeks, which designs, manufactures and distributes eyewear frames, saw a major investor, Downing, attempt to requisition a shareholder meeting in the spring to remove then Executive Chair – founder Robin Totterman. Pressure has mounted on Inspeks this autumn following an announcement on 23 October that it had received indicative and unsolicited proposals from H2 Equity Partners and from a consortium comprising Risk Capital Partners and Ian Livingston. Each of these notably (and not surprisingly given the founder's stake) included an unlisted securities alternative, continuing the recent trend for paper alternatives.

At the same time, Inspeks also announced it had received a proposal from fellow eyewear manufacturer, Safilo Group, to acquire parts of its business. First Seagull – which holds a 5.5% interest in Inspeks - has been quick to express its view that the Inspeks board should prioritise a 'sum of the parts' divestment and that it would not hesitate to requisition an EGM "to ensure that the necessary steps are taken by this Board or, if required, a refreshed Board". The situation is complicated by the fact that founder Robin Totterman remains the largest shareholder with over 18% and, earlier in the year, Luke Johnson (of Risk Capital Partners) built a 5.9% stake.

November could be a busy month for the Inspeks independent directors.

**EasyJet's** shares soared 12% after a report from Italian newspaper, *Corriere Della Sera*, that Swiss headquartered shipping company MSC was considering an offer for Europe's second-largest budget airline. The founder of the FTSE100 airline, Stelios Haji-loannou, remains its biggest single shareholder, with a stake of about 15%. Dan Coatsworth, head of markets at AJ Bell, said that "EasyJet's shares are cheap...and shareholders could be receptive to a bid if the price was right".

The Financial Times reported that **ITV's** shares dropped 8% after Liberty Global, its largest shareholder, sold half its stake in the British broadcaster. The FT said that Liberty's large shareholding meant that it had been talked about as a potential buyer for ITV or as kingmaker in any takeover by one of the groups that have circled ITV in the past.



## P2P Financing

The debt-raising environment for prospective bidders remains largely positive, with pricing in both the syndicated and private credit loan markets continuing to trend downwards. Substantial debt raisings for private acquisitions, including a €2.6 billion loan for GCTR's acquisition of generic pharmaceuticals company Zentiva, were over-subscribed and priced lower than the initial guidance. However, signs appeared in October of a bifurcated market, with the best prices and terms reserved for high quality credits while lenders adopted a more hesitant approach to borrowers in less-favoured industries.

Absorbing the shock of the First Brands collapse in the US, the loan markets have become more cautious, and a prospective deal for specialty chemicals company Nouryon, which was seeking an extension of its existing loans as a bridge to a potential IPO, was pulled after its 8 October commitment deadline. Lenders cited concern about the company's high leverage, but other chemicals borrowers also struggled and it is likely that broader concerns about the sector's exposure to tariffs played a role. While highly-rated software borrower Verisure was able to borrow at Euribor plus 2.25%, Rovensa, a Portuguese chemicals issuer, priced its loan at Euribor plus 5%.

This volatility means that lenders might think twice before entering into the relatively lengthy underwriting commitments necessary to finance P2P acquisitions. However, the issuance of leveraged loans and bonds in 2025 is nevertheless on track for a record year, with lenders' 'dry powder' far exceeding M&A supply, so any public to private deal for a target with a compelling credit story is still likely to be well received by the market.



## Equity Capital Markets

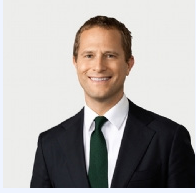
The IPO activity that started in September with **Beauty Tech Group** and **Fermi Inc.** (see our September update), continued into October, with **Princes Group** and **Shawbrook Group** announcing London listings.

**Princes Group**, best known for its eponymous brand of tuna and Napolina tomatoes, priced its London IPO on 31 October at 475p (vs a 475p – 590p price range) implying a market capitalisation of c. £1.1 billion. Admission is due to occur on 5 November. The all primary offer raised £395 million to fund future acquisitions. NewPrinces S.P.A, the 100% owner pre-IPO, and related interests subscribed for £255 million of the offer. NewPrinces S.P.A is known for an expansive acquisition strategy, with the company finalising a deal to takeover Carrefour Italia for EUR 1 billion in 2025.

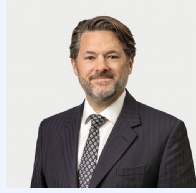
The shares ended the first day of conditional (i.e. pre-Admission) dealings at the offer price, meaning that the underwriter acting as stabilising manager will have been able to purchase shares to stabilise the share price. Such purchases are permitted at or below the offer price. The extent of stabilisation purchases should become clear when it is announced whether the over-allotment option (“OAO”, aka the “greenshoe”) has been exercised, as the OAO exercise will typically decrease by the volume of stabilisation purchases that are made. The OAO is 5% of the offer size vs the usual 15%.

**Shawbrook Group**, the UK digital bank, priced its IPO on 30 October at 370p, in the middle of the 350p – 390p price range, giving it a market capitalisation of c. £1.92 billion. Admission is due to occur on 4 November. Its private equity backers, BC Partners and Pollen Street, partially exited their investment, receiving c. £350m (assuming the OAO is exercised in full), while the company issued c. £50m in new shares and received net proceeds of c. £28m. The listing comes after the PE firms took the bank private in 2017, in a deal valuing the lender at c. £868 million.

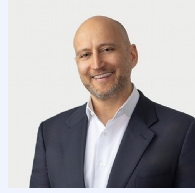




**Will McDonald**  
Partner, Corporate



**Chris Haynes**  
Partner, Corporate



**David Irvine**  
Partner, Finance



**Kavita Davis**  
Partner, Finance



**James Addison**  
Of Counsel, Corporate



**Thomas Barker**  
Of Counsel, Corporate



**Sarah Leiper-Jennings**  
Of Counsel, Corporate



**Pete Usher**  
Associate, Corporate

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