

Worldpay Takeover May be First of Many as US Firms go Brexit Bargain Hunting

What follows is the first fruits of our recently announced agreement with Proactiveinvestors.

by Renae Dyer

ITV, Burberry and GlaxoSmithKline could face potential bids from international rivals as a weaker pound stokes interest in a number of UK-based firms.

US-based Vantiv Inc.'s acquisition of **Worldpay** Group plc could mark one of many UK takeovers this year as the pound's Brexit-driven slump gives prospective buyers a reason to take advantage of deals.

Worldpay, Britain's largest payments processor, announced yesterday that it had agreed to accept a 385p per share offer, or £7.6bn, from the US rival.

Shares in **Worldpay** tumbled on the news as city analysts had expected the company to fetch up to 500p a share in bids. **Worldpay's** shares traded at 320p on Monday so it was a small premium for Vantiv to pay.



Vantiv will also benefit from a favourable exchange rate with the pound having tumbled against the dollar since the UK voted to leave the European Union last year. Sterling has fallen to US\$1.29 today from US\$1.50 just after polling stations closed at the EU referendum on 23 June.

Vantiv is not the only US firm that has been Brexit bargain hunting this year.

Unilever, Sky and Imagination Technologies fire starting gun for M&A frenzy

Rupert Murdoch's **21st Century Fox Inc** has made a US\$15.2bn offer to buy UK broadcaster Sky plc with the deal currently under review by competition authorities.

In February, consumer goods giant **Unilever plc** rejected a US\$143bn takeover approach from **Kraft Heinz Co.** Unilever said the US\$50 a share cash and stock offer "fundamentally undervalues" the company.

Imagination Technologies Group plc put itself up for sale last month after a royalties dispute with **Apple Inc** dented the chip maker's revenues. **Apple** has been touted as a potential bidder along with **Intel Corporation** and **Qualcomm Inc.**

Post-referendum bids have also been made for **Brammer plc** (LON:BRAM), **Premier Farnell plc**, **e2v Technologies plc**, **Poundland** and **Berendsen**.

With the pound showing no sign of picking up as Brexit uncertainty continues to weigh, many analysts expect to see a wave of mergers and acquisitions this year.

ITV and Burberry potential takeover targets, says AJ Bell

AJ Bell said the weaker pound is stoking interest in a number of UK-based assets and believes FTSE 100 companies **ITV plc** and **Burberry Group plc** could become takeover targets in coming months.

“ITV has an unrivalled position in the UK free-to-air broadcast arena with its ability to attract mass market audience and blossoming content catalogue,” **AJ Bell** said.

“The 9.9% stake held by **Liberty Global**, the US-based owner of **Virgin Media**, means talk of a bid will never be far away and fears over a post-Brexit advertising slowdown has knocked the shares.”

On Burberry, **AJ Bell** noted that the luxury fashion retailer has already fended off an approach from US-based rival **Coach**. The investment and stockbroker firm said an offer for Burberry would come as no surprise given its iconic brand, fat profit margins and the wave of consolidation sweeping the luxury goods sector.

“However, the shares has gone up since last year and shareholders are probably going to be willing to give new chief executive Marco Gobetti some time to stamp his authority on the company,” it added.

AJ Bell also suggested FTSE 250-listed companies as potential takeover targets, including software group, Aveva, and precision instrument makers **Spectris plc** and **Renishaw plc**.



Burberry shareholders await anxiously to see if the recent (and rather costly) changes in the top echelon will help resume sales momentum.

GSK and Just Eat could face bids

GlaxoSmithKline has become vulnerable to a takeover as the pharmaceutical company comes under threat from generic versions of its drugs.

Star fund manager Neil Woodford sold his entire stake in GSK in May after holding shares for more than 15 years, citing the company’s refusal to consider a break-up and worries about the sustainability of its dividend.

The fund manager’s main concern was that US biotech firm, Gilead, was currently conducting trials for a generic version of HIV drug Triumeq, which is under the banner of GSK’s ViiV healthcare business. “Some investors remain hopeful of recovery but I am now less optimistic,” Woodford said at the time.

Meanwhile, online takeaway delivery firm, **Just Eat**, has been on an acquisition spending spree and its recent expansion could make it an attractive takeover for an US firm.

Just Eat plans to buy UK rival Hungryhouse from German parent company Delivery Hero for £200mln. The deal is undergoing an investigation by competition regulators over concerns the merger will lead to worse terms for restaurants that use the online sites to target customers. A final decision on the probe is expected towards the end of October.

In December the group announced the acquisition of Canadian firm SkipTheDishes in a deal worth

C\$110mln. It has also bought the British assets of food delivery startup Takeaway.com and acquired Spain's La Nevera Roja, Italy's PizzaBo/hellofood Italy, Brazil's hellofood Brazil, and Mexico's hellofoodMexico.

Imperial Brands faces bid speculation

In April, speculation was rife that Japan Tobacco might be eyeing up **Imperial Brands** plc, formerly Imperial Tobacco, for a possible bid as it plays catch up to its larger international competitors.

The rumour mill started after **British American Tobacco plc** agreed a US\$49.4bn deal to take full control of Reynolds American Inc. (NYSE:RAI) in March, creating a giant rivalling **Philip Morris International** Inc., and leaving Japan Tobacco a distant third.

Eamonn Ferry, an analyst at Exane BNP Paribas, has put a 70% probability on a Japan Tobacco-led bid for Imperial this year, Bloomberg reported when the BATS deal was confirmed.

Amazon's acquisition of Whole Foods creates interest in Ocado

More recently, analysts have suggested online grocer **Ocado** Group plc could attract prospective buyers as competition in the sector heats up following Amazon.com Inc's announcement of a US\$13.7bn takeover of **Whole Foods Market Inc.** last month.

Neil Wilson, senior market analyst at ETX Capital, said: "Amazon's snaffling of Whole Foods increases chances of **Ocado** being bought."

Ocado said yesterday that it has seen a pick-up in enquires from US supermarkets interested in possible partnerships after Amazon's acquisition of Whole Foods had made them consider the growing competition they face.

Adding to its appeal for potential investors, Ocado also said it expected the international deal it secured last month to be the first of many. The deal is with an as yet unnamed European retailer to use Ocado's smart platform and marked the company's first overseas partnership.

In the UK, Ocado has deals to facilitate the online businesses of garden retailer Dobbies and supermarket WM Morrison Supermarkets plc.

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