



## PANEL BULLETIN 2

### MANAGEMENT BUY-OUTS OR SIMILAR TRANSACTIONS

A number of provisions of the Takeover Code refer to management buy-outs or similar transactions, including:

- (a) **Note 1 on Rule 3.1**, which emphasises the importance of the board of the offeree company receiving independent financial advice in such transactions;
- (b) **Note 3 on Rule 21.3** and **Rule 21.4**, which govern the flow of certain information in the course of an offer;
- (c) **Note 5 on Rule 25.2**, which concerns conflicts of interest of certain directors of the offeree company in the context of the board's recommendation to shareholders; and
- (d) **Notes 3 and 4 on Rule 28.1**, which highlight the application of the rules regarding profit forecasts in such transactions.

There is no prescribed definition of a management buy-out or similar transaction. However, it is important that offeree company shareholders are able to rely on there being a level playing field between different types of offeror, on the board having appropriate access to information as set out in **Rules 21.3** and **21.4**, and on the independence of those members of the board who are providing the opinion required by **Rule 25.2**.

Financial advisers are therefore reminded of the importance of consulting the Panel Executive at an early stage in any situation where a transaction could be regarded as a management buy-out or similar transaction in order to agree the application of the relevant Rules.

11 October 2021

*Panel Bulletins are published by the Panel Executive from time to time to remind practitioners and market participants of the operation of specific provisions of the Takeover Code in the light of issues of which the Executive becomes aware. Panel Bulletins do not entail any changes to the interpretation or application of the Code.*