



## PANEL BULLETIN 7

### OFFEROR INTENTION STATEMENTS

[Rule 2.7\(c\)\(viii\)](#) (together with [Note 1 on Rule 2.7](#)) and [Rule 24.2](#) of the Takeover Code require an offeror to set out in, respectively, the announcement of a firm intention to make an offer and the offer document its intentions with regard to the business, employees and pension scheme(s) of the offeree company. **Rule 24.2** provides as follows:

**"24.2 INTENTIONS OF THE OFFEROR WITH REGARD TO THE BUSINESS, EMPLOYEES AND PENSION SCHEME(S)**

**(a) In the offer document, the offeror must explain the long-term commercial justification for the offer and must state:**

**(i) its intentions with regard to the future business of the offeree company, including its intentions for any research and development functions of the offeree company;**

**(ii) its intentions with regard to the continued employment of the employees and management of the offeree company and of its subsidiaries, including any material change in the conditions of employment or in the balance of the skills and functions of the employees and management;**

**(iii) its strategic plans for the offeree company, and their likely repercussions on employment and on the locations of the offeree company's places of business, including on the location of the offeree company's headquarters and headquarters functions;**

**(iv) its intentions with regard to employer contributions into the offeree company's pension scheme(s) (including with regard to current arrangements for the funding of any scheme deficit), the accrual of benefits for existing members, and the admission of new members;**

**(v) its intentions with regard to any redeployment of the fixed assets of the offeree company; and**

**(vi) its intentions with regard to the maintenance of any existing trading facilities for the relevant securities of the offeree company.**

**(b) If the offeror has no intention to make any changes in relation to the matters described under (a) above, or if it considers that its strategic plans for the offeree company will have no repercussions on employment or the location of the offeree company's places of business, it must make a statement to that effect.**

**(c) Where the offeror is a company, and insofar as it is affected by the offer, the offeror must also state its intentions with regard to its future business and comply with (a)(ii) and (iii) with regard to itself.”.**

**Rule 19.6(a)** provides as follows in relation to such **post-offer intention statements**:

**“19.6 POST-OFFER INTENTION STATEMENTS**

**(a) Any post-offer intention statement made by a party to an offer must be:**

- (i) an accurate statement of that party’s intention at the time that it is made; and**
- (ii) made on reasonable grounds.”.**

The disclosure by an offeror of its intentions allows shareholders in the offeree company to take that information into account in order to reach a properly informed decision on the takeover bid. In addition, such disclosures:

- (a) assist the board of the offeree company to meet its obligation under **Rule 25.2(a)** to give its opinion on the offer, including views on the offeror’s plans for the company and its employees; and
- (b) facilitate the giving of informed opinions under **Rule 25.9** by the offeree company’s employee representatives and pension scheme trustees.

On occasion, the Panel Executive hears arguments that, for example:

- (a) because an offeror is not certain about expected synergies (which may relate to employees and/or the locations of the offeree company’s places of business), this means that the offeror has not formulated any intentions;
- (b) while some headcount reduction is envisaged, the offeror need not disclose the detail of that intention or, where the offeror considers that the reduction will not be material, need not disclose any intention in relation to the continued employment of employees;
- (c) the offeror’s only intention for the 12 months after an offer has completed is to conduct a strategic review, and that it will only formulate its intentions with regards to the offeree company’s business after that review has concluded; or
- (d) the offeror’s post-offer intention statements satisfy the relevant requirements of the Code because they are in a “standard form” or because they are similar to statements made by another offeror in relation to a different offeree company.

None of these arguments, in the view of the Executive, provides an acceptable basis for formulating statements of intention.

The Executive notes that, in paragraph 2.17 of **RS 2017/2**, the Code Committee stated as follows:

“The Code Committee believes that an offeror will have a business rationale for seeking to acquire the offeree company and intentions as to what it will do (or not do) in the 12 months following completion of the acquisition. The Code Committee considers that any statement made by an offeror under Rule 24.2(a) (or ... [Rule 2.7(c)(viii)]) should be specific and bespoke, appropriately reflecting the offeror’s unique business rationale and intentions.”.

In addition, the Executive agrees with the view expressed by the Code Committee in paragraph 2.19 of RS 2017/2:

“The Code Committee understands that, on occasion, an offeror may wish to state that it will undertake a review of the offeree company’s business following completion of the offer. The Code Committee considers that a statement by an offeror that it intends to undertake such a review will not, of itself, satisfy the requirements of Rule 24.2 (or ... [Rule 2.7(c)(viii)]). The Code Committee considers that, in such circumstances, the offeror should disclose what the review is likely to cover and its expectations in relation to the review.”.

In summary, the Executive expects that an offeror will almost always have developed specific intentions in relation to the matters set out in **Note 1(a) on Rule 2.7** and **Rule 24.2(a)**. Any such intentions must be stated in both the firm offer announcement in accordance with **Rule 2.7(c)(viii)** and in the offer document in accordance with **Rule 24.2(a)**. If, exceptionally, an offeror has no intention to make any changes in relation to the matters set out in **Note 1(a) on Rule 2.7** and **Rule 24.2(a)**, it is required to make a negative statement to that effect in accordance with **Note 1(b) on Rule 2.7** and **Rule 24.2(b)**.

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*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.*