



## Revised proposal and extension of PUSU deadline

Released : 04/06/2018 07:00

RNS Number : 1145Q  
Virgin Money Holdings (UK) PLC  
04 June 2018

THE INFORMATION CONTAINED WITHIN THIS ANNOUNCEMENT IS DEEMED BY CYBG PLC AND VIRGIN MONEY HOLDINGS (UK) PLC TO CONSTITUTE INSIDE INFORMATION AS STIPULATED UNDER THE MARKET ABUSE REGULATION NO 596/2014. UPON THE PUBLICATION OF THIS ANNOUNCEMENT VIA REGULATORY INFORMATION SERVICE, THIS INSIDE INFORMATION IS NOW CONSIDERED TO BE IN THE PUBLIC DOMAIN.

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF SUCH JURISDICTION.

THIS ANNOUNCEMENT IS NOT AN ANNOUNCEMENT OF A FIRM INTENTION TO MAKE AN OFFER UNDER RULE 2.7 OF THE CITY CODE ON TAKEOVERS AND MERGERS (THE "CODE") AND THERE CAN BE NO CERTAINTY THAT AN OFFER WILL BE MADE.

FOR IMMEDIATE RELEASE

3 June 2018

### **Revised Proposal from CYBG PLC ("CYBG") for Virgin Money Holdings (UK) plc ("Virgin Money") and extension of PUSU deadline to 18 June 2018**

The Boards of Virgin Money and CYBG confirm that CYBG has made a revised proposal to Virgin Money (the "Revised Proposal") and the two companies are in discussions regarding an all-share combination (the "Proposed Combination") to create a new national competitor in UK banking.

Under the terms of the Revised Proposal, CYBG would acquire the entire issued and to be issued ordinary share capital of Virgin Money on the basis of an exchange ratio of 1.2125 new CYBG shares for each Virgin Money share, which implies that Virgin Money shareholders would own approximately 38%<sup>1</sup> of the combined group. Virgin Money shareholders would also be entitled to retain any dividend declared and paid in respect of the interim period ending 30 June 2018, subject to the reservations set out below in this announcement.

In determining that it would enter into discussions with CYBG, the Board of Virgin Money noted the improvement in the terms of the proposal (a seven per cent. increase in the exchange ratio as compared to the announcement on 7 May 2018), and, in particular, the potential for accelerated value creation through an upfront premium, coupled with the opportunity to participate in the continuing progress of the combined group, including sharing the substantial synergy potential resulting from the Proposed Combination, and benefitting from growth opportunities available to a national full-service competitor in the UK banking market.

Discussions are ongoing regarding other terms and conditions of the Proposed Combination and reciprocal due diligence is being conducted. Separate discussions and due diligence are also ongoing between CYBG and Virgin Enterprises Limited in respect of the license of the Virgin Money Brand to the combined group, which is a pre-condition to the Proposed Combination as set out below in this announcement.

#### **Compelling Strategic Rationale**

The Boards of CYBG and Virgin Money believe that the Proposed Combination would create the UK's first true national banking competitor, offering both personal and SME customers an enhanced alternative to the large incumbent banks. The Proposed Combination would provide a powerful full-service banking offer for around six million personal and business customers, bringing together the complementary strengths of CYBG and Virgin Money.

With this further strengthened customer franchise and national reach, the Boards of CYBG and Virgin Money believe the Proposed Combination would deliver increased value for shareholders and wider benefits to other stakeholders.

The Boards of CYBG and Virgin Money recognise that the Proposed Combination would offer the potential for significant synergies.

It is expected that cost synergies would principally arise from:

- Removing duplication across the combined group;
- Optimising IT spend and removing duplication of investment spend;
- Rationalising CYBG's and Virgin Money's operations; and
- Increasing efficiencies in central procurement and third party outsourcing costs.

In addition to these potential efficiency benefits, there is potential for further value to be created through the realisation of revenue synergies arising across an enhanced customer base and product range, as well as funding synergies that are expected to be available to the combined group in the future.

This announcement does not amount to a firm intention to make an offer under Rule 2.7 of the Code. The full terms and conditions of any offer, if made, and a quantification of the potential efficiency benefits will be set out in any announcement of a firm intention to make an offer. There can be no certainty that any transaction will occur, even if the pre-conditions referred to below are satisfied or waived.

#### **PUSU Extension**

CYBG's announcement of 7 May 2018 stated that, in accordance with Rule 2.6(a) of the Code, by no later than 5.00 p.m. on 4 June 2018, it was required either to announce a firm intention to make an offer for Virgin Money or to announce that it does not intend to make an offer.

With the consent of the Panel on Takeovers and Mergers (the "Takeover Panel"), the Board of Virgin Money has agreed to an extension of the relevant deadline under Rule 2.6(c) of the Code to enable the ongoing diligence and discussions to be concluded. Accordingly, by no later than 5.00 p.m. (London time) on 18 June 2018, CYBG will be required either to announce a firm intention to make an offer for Virgin Money in accordance with Rule 2.7 of the Code or to announce that it does not intend to make an offer, in which case such announcement will be treated as a statement to which Rule 2.8 of the Code applies. This deadline may be extended further with the consent of the Takeover Panel, at Virgin Money's request, in accordance with Rule 2.6(c) of the Code.

#### **Reservations**

The Revised Proposal does not impose any obligation on CYBG to make an offer, nor does it evidence a firm intention to make an offer within the meaning of the Code. CYBG does not, therefore, regard it as forming the basis for an announcement pursuant to Rule 2.2(a) of the Code.

CYBG also reserves the right:

- to make an offer at any time on reduced terms than 1.2125 new CYBG shares for each Virgin Money share:
  - with the agreement or recommendation of the Board of Virgin Money;
  - if a third party announces a firm intention to make an offer for Virgin Money pursuant to Rule 2.7 of the Code, which, at that date is valued at a lower price than the value of 1.2125 new CYBG shares for each Virgin Money share;
  - if Virgin Money announces, declares or pays any dividend or any other distribution to shareholders, in which case CYBG reserves the right to make an equivalent reduction in its offer terms. This will not be invoked in respect of a dividend of up to 2.3 pence per Virgin Money share in the event that such a dividend is declared and paid in respect of the interim period ending 30 June 2018; or
  - following announcement by Virgin Money of a whitewash transaction pursuant to the Code; and
- to introduce other forms of consideration and/or vary the mix or composition of consideration of any offer.

Any firm offer in accordance with Rule 2.7 of the Code will be subject to, amongst other things, satisfactory completion of due diligence, the recommendation of Virgin Money's Board of Directors and reaching agreement with Virgin Enterprises Limited in relation to the Virgin Money brand in the context of the combined group. CYBG reserves the right to waive any or all of these pre-conditions in whole or in part.

Any firm offer would also be subject to customary terms and conditions for a transaction governed by the Code and the UK listing rules, including regulatory and CYBG shareholder approval.

Further announcements will be made in due course as appropriate.

In accordance with Rule 26.1 of the Code, a copy of this announcement will be available (subject to certain restrictions relating to persons resident in restricted jurisdictions) on CYBG's website at <https://www.cybg.com/cybg-update/> and on Virgin Money's website at [www.virginmoney.com](http://www.virginmoney.com). The content of this website is not incorporated into, and does not form part of, this announcement.

1 Based on the issuance of 548,141,670 new CYBG shares for Virgin Money's 452,075,604 ordinary shares on a fully diluted basis (including 445,442,008 Virgin Money ordinary shares currently in issue (as at 1 June 2018) and a maximum of 6,633,596 Virgin Money ordinary shares which may be issued on or after the date of this announcement on the exercise of options or vesting of awards under Virgin Money's share schemes (based on outstanding options and awards as at 1 June 2018 less 1,950,734 shares held by Virgin Money's Employee Benefit Trust, Wealth Nominees Limited as at 17 May 2018)), giving a pro forma share count for the combined group of 1,433,332,646. The actual number of Virgin Money ordinary shares issued under Virgin Money's share schemes should the Proposed Combination proceed is expected to be lower once performance conditions and any time pro rating have been applied.

#### **CYBG ENQUIRIES:**

#### **Investors and Analysts**

Andrew Downey, Head of Investor Relations  
Owen Price, Senior Manager Investor Relations

+44 7823 443150  
+44 7484 908949

#### **Media (UK)**

Anthony Thompson, Head of Corporate Affairs  
Press Office

+44 7484 046 241 / [anthony.thompson@cybg.com](mailto:anthony.thompson@cybg.com)  
+44 800 066 5998 / [press.office@cybg.com](mailto:press.office@cybg.com)

**Powerscourt**

Victoria Palmer-Moore

+44 20 7250 1446 / +44 7725 565 545 / [vpm@powerscourt-group.com](mailto:vpm@powerscourt-group.com)

Justin Griffiths

+44 7899 967 719 / [justin.griffiths@powerscourt-group.com](mailto:justin.griffiths@powerscourt-group.com)

**Citadel Magnus (Media Australia)**

James Strong

+61 448 881 174 / [jstrong@citadelmagnus.com](mailto:jstrong@citadelmagnus.com)

**Morgan Stanley & Co. International plc**

+44 20 7425 8000

William Chalmers

Shirav Patel

**Deutsche Bank AG, London Branch**

+44 20 7545 8000

Tadhg Flood

James Arculus

**VIRGIN MONEY ENQUIRIES:**

**Investors and Analysts**

Adam Key

+44 20 7111 1311 / [adam.key@virginmoney.com](mailto:adam.key@virginmoney.com)

**Virgin Money Press Office**

+44 191 279 4676

Scott Mowbray / Simon Hall

**Goldman Sachs International**

+44 20 7774 1000

Anthony Gutman

John Brennan

Nimesh Khuroya

James A Kelly (Corporate Broking)

**Citi (Corporate Broker)**

+44 20 7986 4000

Robert Redshaw (Corporate Broking)

**FTI Consulting**

John Waples

+44 7717 814 520

Mitch Barltrop

+44 7807 296 032

**Important Notice**

This announcement is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, whether pursuant to this announcement or otherwise.

The release, publication or distribution of this announcement in jurisdictions outside the United Kingdom may be restricted by law and, therefore, persons into whose possession this announcement comes should inform themselves about, and observe, such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities law of any such jurisdiction.

Morgan Stanley & Co. International plc ("Morgan Stanley") which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the UK is acting as financial adviser exclusively for CYBG and no one else in connection with the matters set out in this announcement. In connection with such matters, Morgan Stanley, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in connection with the contents of this announcement or any other matter referred to herein.

Deutsche Bank AG is authorised under German Banking Law (competent authority: European Central Bank) and, in the United Kingdom, by the Prudential Regulation Authority. It is subject to supervision by the European Central Bank and by BaFin, Germany's Federal Financial Supervisory Authority, and is subject to limited regulation in the United Kingdom by the Prudential Regulation Authority and FCA. Details about the extent of its authorisation and regulation by the Prudential Regulation Authority, and regulation by the FCA, are available on request or from [www.db.com/en/content/eu\\_disclosures.htm](http://www.db.com/en/content/eu_disclosures.htm). Deutsche Bank AG, acting through its London branch ("DB London") is acting as financial adviser to CYBG and no other person in connection with this announcement or any of its contents. DB London will not be responsible to any person other than CYBG for providing any of the protections afforded to clients of DB London, nor for providing any advice in relation to the matters set out in this announcement. Neither DB London nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of DB London in connection with the matters set out in this announcement, any statement contained herein or otherwise.

Goldman Sachs International, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting for Virgin Money and no one else in connection with the matters described in this announcement and will not be responsible to anyone other than Virgin Money for providing the protections afforded to clients of Goldman Sachs International, or for giving advice in connection with the matters described in this announcement or any matter referred to herein.

Citigroup Global Markets Limited ("Citi"), which is authorised by the Prudential Regulation Authority and regulated in the UK by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for Virgin Money and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Virgin Money for providing the protections afforded to clients of Citi nor for providing advice in relation to any matter referred to herein.

**Forward looking statements**

The information in this announcement may include forward looking statements, which are based on assumptions, expectations, valuations, targets, estimates, forecasts and projections about future events. These can be identified by the use of words such as 'expects', 'aims', 'targets', 'seeks', 'anticipates', 'plans', 'intends', 'prospects', 'outlooks', 'projects', 'believes', 'estimates', 'potential', 'possible', and similar words or phrases. These forward looking statements are subject to risks, uncertainties and assumptions about CYBG, Virgin Money, the Proposed Combination and the securities, investments and the environment in which CYBG and Virgin Money operate, including, among other things, the development of their respective businesses and strategies, trends in their operating industry, changes to customer behaviours and covenant, macroeconomic and/or geopolitical factors, changes to its board and/ or employee composition, exposures to terrorist activity, IT system failures, cyber-crime, fraud and pension scheme liabilities, changes to law and/or the policies and practices of the BoE, the FCA and/or other regulatory and governmental bodies, inflation, deflation, interest rates, exchange rates, changes in the liquidity, capital, funding and/ or asset position and/or credit ratings, future capital expenditures and acquisitions, the repercussions of the UK's referendum vote to leave the European Union (EU), the UK's exit from the EU (including any change to the UK's currency), Eurozone instability, any referendum on Scottish independence.

In light of these risks, uncertainties and assumptions, the events in the forward looking statements may not occur. Forward looking statements involve inherent risks and uncertainties. Other events not taken into account may occur and may significantly affect the analysis of the forward looking statements. No member of the CYBG or Virgin Money groups or their respective directors, officers, employees, agents, advisers or affiliates gives any assurance that any such projections or estimates will be realised or that actual returns or other results will not be materially lower than those set out in this document and/or discussed at any presentation. All forward looking statements should be viewed as hypothetical. No representation or warranty is made that any forward looking statement will come to pass. No member of the CYBG or Virgin Money groups or their respective directors, officers, employees, agents, advisers or affiliates undertakes any obligation to update or revise any such forward looking statement following the publication of this document nor accepts any responsibility, liability or duty of care whatsoever for (whether in contract, tort or otherwise) or makes any representation or warranty, express or implied, as to the truth, fullness, fairness, merchantability, accuracy, sufficiency or completeness of, the information in this document.

The information, statements and opinions contained in this announcement do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of any offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.

CYBG is registered in England and Wales (company number: 09595911) and as a foreign company in Australia (ARBN 609 948 281) and has its registered office at 20

Merrion Way, Leeds, West Yorkshire LS2 8NZ.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact [rns@lseg.com](mailto:rns@lseg.com) or visit [www.rns.com](http://www.rns.com).

END

OFDKXLFVBVQFFBBQ