



Kistos PLC - Proposed Combination - Revised Terms
Monday, July 25, 2022 06:35:06 AM (GMT)

RNS Number : 5783T
Kistos PLC
25 July 2022

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN WHOLE OR IN PART IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF THAT JURISDICTION.

THIS IS AN ANNOUNCEMENT OF A POSSIBLE OFFER FALLING UNDER RULE 2.4 OF THE UNITED KINGDOM ("UK") CITY CODE ON TAKEOVERS AND MERGERS (THE "TAKEOVER CODE") AND DOES NOT CONSTITUTE AN ANNOUNCEMENT OF A FIRM INTENTION TO MAKE AN OFFER UNDER RULE 2.7 OF THE TAKEOVER CODE. THERE CAN BE NO CERTAINTY THAT ANY OFFER WILL BE MADE.

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF REGULATION 2014/596/EU, WHICH IS PART OF UK DOMESTIC LAW PURSUANT TO THE MARKET ABUSE (AMENDMENT) (EU EXIT) REGULATIONS (SI 2019/310) ("UK MAR").

FOR IMMEDIATE RELEASE
25 July 2022

Proposed Combination of Kistos plc with Serica Energy plc - Revised Combination Terms

Kistos plc ("Kistos") is today announcing an update to the proposed combination with Serica Energy plc ("Serica") (the "Proposed Combination"), first announced on 12 July 2022 (the "First Possible Offer Announcement").

The Board of Kistos confirms that on 22 July 2022 it wrote to the Board of Serica setting out an update to the Proposed Combination, with Kistos revising the combination terms for the entire issued and to be issued share capital of Serica (the "Revised Combination Terms"), as set out below.

The Board of Serica rejected the Revised Combination Terms, with no rationale given nor engagement with the Board of Kistos. The Board of Kistos, therefore, in the interest of continued transparency has decided to announce these Revised Combination Terms.

The Proposed Combination comprises a possible cash and share-for-share exchange offer by Kistos for Serica. Under the Revised Combination Terms, Kistos would offer for each Serica share:

- 0.4000 new Kistos shares; plus
- cash of 213 pence, comprising:
 - o a distribution of capital to Serica shareholders via a cash payment of 67 pence per share; and
 - o cash consideration equivalent to 146 pence per Serica share.

Based on the closing price of 530 penceⁱ per Kistos share on 22 July 2022 (the "Latest Practicable Date"), **the Revised Combination Terms give an offer value of 425 pence per Serica share**, representing a premium of:

- 19% to the closing price of 357 pence^[i] per Serica share on the Latest Practicable Date;
- 39% to the closing price of 305 penceⁱ per Serica share on 11 July 2022, being the last business day before the First Possible Offer Announcement; and
- 35% to the six-month volume weighted average price of 315 penceⁱ per Serica share on the Latest Practicable Date.

The Revised Combination Terms represent an 11% increase to the headline offer value as set out in the First Possible Offer Announcement^[ii].

Under the Revised Combination Terms, Serica shareholders would own approximately 58% of the issued share capital of the combined business (the "Combined Company"), in addition to receiving a significant cash component.

The Revised Combination Terms represent a reduced level of leverage in the Combined Company by approximately £93 million relative to the terms presented in the First Possible Offer Announcement, reflecting feedback from both the Board of Serica and Serica's shareholders.

In addition, the Board of Kistos also believes that the Proposed Combination would allow Serica shareholders to gain direct unhedged exposure to the stronger continental European gas market through Kistos' Dutch gas assets. Over the three months prior to the Latest Practicable Date, Dutch Title Transfer Facility ("**TTF**")^[iii] prices have traded at an average premium of above 50% over British National Balancing Point ("**NBP**")^[iv] prices and as at the Latest Practicable Date TTF prices have a stronger forward outlook than NBP, with the expected 2023 forward curve trading at a c.7% premium over NBP^[v].

Governance

In contrast to the proposal by the Board of Serica on 1 July 2022, Kistos also set out a framework for the governance of the Combined Company which included a Board to reflect a balanced contribution from each of Kistos and Serica and a proposal on the roles of Chairman and CEO.

Next Steps

Kistos continues to urge Serica shareholders to encourage the Board of Serica to engage in constructive discussions with the Board of Kistos regarding the Proposed Combination.

Important Takeover Code notes

As stated on 12 July 2022 in the First Possible Offer Announcement, in accordance with Rule 2.6(a) of the Takeover Code, Kistos must, by not later than 5.00 p.m. (London time) on 9 August 2022, either announce a firm intention to make an offer for Serica in accordance with Rule 2.7 of the Takeover Code (a "Kistos Firm Offer") or announce that it does not intend to make an offer for Serica, in which case the announcement will be treated as a statement to which Rule 2.8 of the Takeover Code applies. This deadline will be extended only with the consent of Serica and the Panel on Takeovers and Mergers (the "Panel") in accordance with Rule 2.6(c) of the Takeover Code.

Pursuant to Rule 2.5 of the Takeover Code, Kistos reserves the right to:

1. Vary the form and/or mix of the consideration for the Proposed Combination at its discretion; and
2. Make an offer at any time at a lower value or on less favourable terms:
 - a. with the recommendation or consent of the Board of Serica;
 - b. if Serica announces, declares or pays any dividend or any other distribution to shareholders (in which case Kistos will have the right to make an equivalent reduction to the Revised Combination Terms);
 - c. if a third party announces a firm intention to make an offer for Serica on less favourable terms than the Revised Combination Terms; or
 - d. following the announcement by Serica of a Rule 9 waiver pursuant to the Takeover Code or a reverse takeover (as defined in the Takeover Code).

A further announcement will be made as appropriate. There can be no certainty that a Kistos Firm Offer will be made.

Kistos confirms that this announcement is not being made with the consent of Serica.

Other information

For the purposes of UK MAR, the person responsible for arranging release of this Announcement on behalf of Kistos is Andrew Austin, Executive Chairman.

Terms used but not defined in this announcement shall have the meanings given in the First Possible Offer Announcement.

Enquiries

Kistos plc

Andrew Austin, Executive Chairman

c/o Camarco Tel: +44 (0) 20 3757 4983

BofA Securities (Financial Adviser)

Julian Mylchreest

Geoff Iles

Tom Milner

Ben Winstanley (Corporate Broking)

Tel: +44 (0) 20 7628 1000

Panmure Gordon (Nomad, Joint Corporate Broker)

Richard Morecombe

John Prior

James Sinclair-Ford

Tel: +44 (0) 20 7886 2500

Berenberg (Joint Corporate Broker)

Emily Morris

Jack Botros

Tel: +44 (0) 20 3207 7800

Camarco (Public Relations Adviser)

Billy Clegg

Georgia Edmonds

Tel: +44 (0) 20 3757 4983

Hawthorn Advisors (Public Relations Adviser)

Henry Lerwill

Simon Woods

Tel: +44 (0) 203 745 4960

Orrick, Herrington & Sutcliffe (UK) LLP is acting as legal adviser to Kistos in connection with the Proposed Combination.

Important information

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

The distribution of this announcement in jurisdictions outside the UK 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 the restrictions may constitute a violation of the securities law of any such jurisdiction.

Merrill Lynch International ("BofA Securities"), which is authorised by the Prudential Regulation Authority ("PRA") and regulated by the FCA and the PRA in the UK, is acting as financial adviser exclusively for Kistos and for no one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than Kistos for providing the protections afforded to its clients or for providing advice in relation to the matters referred to in this announcement. Neither BofA Securities, 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 BofA Securities in connection with this announcement, any statement contained herein or otherwise.

Panmure Gordon (UK) Limited ("Panmure Gordon"), which is authorised and regulated by the FCA in the UK, is acting as nominated adviser and joint corporate broker exclusively for Kistos and no one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than Kistos for providing the protections afforded to its clients or for providing advice in relation to matters referred to in this announcement. Neither Panmure Gordon, 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 Panmure Gordon in connection with this announcement, any statement contained herein or otherwise.

Joh. Berenberg, Gossler & Co. KG, London Branch ("Berenberg"), which is authorised and regulated by the German Federal Financial Supervisory Authority subject to limited regulation by the FCA in the UK, is acting as joint corporate broker exclusively for Kistos and no one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than Kistos for providing the protections afforded to its clients or for providing advice in relation to matters referred to in this announcement. Neither Berenberg, 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 Berenberg in connection with this announcement, any statement contained herein or otherwise.

About Kistos

Kistos plc was established to acquire and manage companies in the energy sector engaging in the energy transition trend. The Company has acquired Tulip Oil Netherlands B.V., which has a portfolio of assets, including profitable, highly cash generative natural gas production, plus appraisal and exploration opportunities. In addition, Kistos acquired a 20% interest in the Greater Laggan Area (GLA) from TotalEnergies in July 2022. The GLA includes four producing fields and a development project.

Kistos is a low carbon intensity gas producer. The Q10-A gas field in the Dutch North Sea (60% operated working interest) has recorded a Scope 1 carbon emissions intensity of 13g CO₂e/boe since inception. This compares to an industry average of 22kg CO₂/boe for gas extracted from the UK continental shelf. The Q10-A normally unmanned installation is located approximately 20 km from the Dutch shore. It is powered sustainably via wind and solar power and is remotely operated, limiting offshore visits, which are conducted by boat.

Rule 2.4 information

In accordance with Rule 2.4(c)(iii) of the Takeover Code, Kistos confirms that it is not aware of any dealings in Serica shares that would require a minimum level, or particular form, of consideration that it would be obliged to offer under Rule 6 or Rule 11 of the Takeover Code (as appropriate).

Rule 2.9 information

In accordance with Rule 2.9 of the Takeover Code, Kistos confirms that, as at close of business on 22 July 2022 (being the business day prior to the date of this announcement), its issued share capital consisted of 82,863,743 ordinary shares of nominal value 10 pence each in the capital of Kistos which carry voting rights of one vote per share and admitted to trading on AIM, the market of that name operated by the London Stock Exchange with International Securities Identification Number (ISIN) GB00BLF7NX68.

Disclosure requirements of the Takeover Code

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert

with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Website publication

In accordance with Rule 26.1 of the Takeover Code, a copy of this announcement will be made available, subject to certain restrictions relating to persons resident in restricted jurisdictions, on Kistos' website (www.kistosplc.com) by no later than noon (London time) on the business day following this announcement. The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

[i] Source: Bloomberg as of 22 July 2022

[ii] Increase in headline offer value per the Revised Combination Terms as at the Latest Practicable Date (22 July 2022) compared with the headline offer value as set out in the First Possible Offer Announcement (data as of 11 July 2022).

[iii] The Title Transfer Facility ("TTF") represents a virtual market in the Netherlands for virtual trading of futures, physical and exchange trades of natural gas. The Dutch TTF is an important trading place where parties can exchange gas each other, and its tariffs have become important reference for the rest of Europe

[iv] The National Balancing Point ("NBP") represents a virtual point of delivery within the National Transmission System of the United Kingdom at which the balancing of deliveries into and out of the National Transmission System is deemed to take place under the Uniform Network Code. The UK NBP gas market is Europe's longest-established spot-traded natural gas market, and its price is widely used as an indicator for Europe's wholesale gas market

[v] Source: FactSet as of 22 July 2022

Note: Daily TTF and NBP historical spot prices trading on EEX converted in €/MWh using daily average GBP/EUR exchange rate. Forward spread based on TTF and NBP forward contracts trading on ICE Endex ("NDEX") and ICE Futures Europe ("IFEU") respectively. Forward premium calculated as the average of the 2023 TTF monthly contracts divided by the average of the 2023 NBP monthly contracts

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@lse.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

OUPGLGDRBXDDGDU

Languages: English

Primary Identifiers: KIST-GB

Related Identifiers: KIST-GB, SQZ-GB

Subjects: Mergers and acquisitions (general), Company Announcements and Releases, Corporate Actions, Filings, Mergers and Acquisitions