

# UK Mortgages Ltd

## Strategic Update

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) NO. 596/2014.

22 July 2020

### **UK MORTGAGES LIMITED**

*(a closed-ended investment company incorporated in Guernsey with registration number 60440)*

*LEI 549300388LT7VTHCIT59*

### **Strategic Update**

Further to the announcement of 14 July 2020, the Board of UK Mortgages Limited (the "Company" or "UKML") has completed its additional analysis of the benefits of the Oat Hill No.2 securitisation (the "Securitisation") and is pleased to announce the following strategic update.

#### **Background**

The Company's shareholders ("Shareholders") granted approval in August 2019 for proposals including revised investment and share buyback policies. As signalled at that time, the first opportunity to enact the revised share buyback policy was the refinancing of the Oat Hill transaction anticipated at the end of May 2020.

The Oat Hill transaction was not called at its first refinancing call date of 27 May 2020 due to the Covid-19 pandemic, but the Securitisation was successfully launched and priced just six weeks later on 10 July 2020. The Securitisation was issued on terms which will release a significant amount of capital and therefore allow the Company to return to its previously stated proposal of using excess capital to enable share buybacks whilst the Company's share price continues to trade at a discount to the NAV per share.

Additionally, in April 2020 in anticipation of the take-up of the government's Covid-19 mortgage payment holiday scheme, the Company reassessed its dividend policy and reduced quarterly payments to 0.375p while noting that it was expected that the previous level of 1.125p per quarter would be restored when the period of market dislocation had passed. The Board, having been advised that the first cohort of mortgage payment holidays is now coming to an end and indications are that significant numbers of borrowers are recommencing payments, is pleased to confirm that the Company is able to reinstate its prior dividend policy.

#### **Share Buyback Programme**

The Securitisation was issued on terms which will release a significant amount of capital, allowing the Company to be able to commence buying back shares once the transaction settles at the end of August 2020 (the "Settlement Date").

The Company announces that with effect from the Settlement Date it expects to initiate a share buyback programme to purchase up to the maximum of 14.99% of the Company's issued shares, being the maximum number of shares currently authorised by Shareholders, if a discount of greater than 5% persists to the Company's then prevailing NAV per share.

#### **Dividend Policy**

In light of the portfolio performance observed as the UK lockdown begins to ease and the successful Securitisation, the Board announces that it intends to restore the Company's dividend to its target level of 4.5p annually per share, which

represents a dividend yield of 7.0% based on the closing share price on 20 July 2020.

The Board therefore currently intends to declare:

- an additional interim dividend in respect of the Company's year ended 30 June 2020 of 1.5p per share; and
- four quarterly dividends of 1.125p per share in respect of the Company's current financial year to 30 June 2021.

Payment details will be announced in due course.

### **Possible Offer**

On 20 July 2020, the Board noted the announcement of the same day by M&G Investment Management Ltd ("MAGIM") (the "Possible Offer Announcement"), in its capacity as manager of M&G Speciality Finance Fund (GBP) SCSp (the "Fund"), regarding the possible cash offer by the Fund for the entire issued and to be issued share capital of the Company (the "Possible Offer").

The Company confirms that on 15 July 2020 it received an unsolicited and conditional proposal from MAGIM in relation to a possible cash offer at 67 pence per UKML share. Under the proposal, Shareholders would be entitled to receive and retain the 0.375 pence per share dividend for the fourth quarter of the Company's financial year ended 30 June 2020 (the "Fourth Interim Dividend"). MAGIM stated in the Possible Offer Announcement that any formal offer for UKML under the Takeover Code would be conditional on, amongst other things, satisfactory completion of diligence and the unanimous and unqualified recommendation by the UKML Board of Directors. MAGIM reserves the right to waive any or all of these pre-conditions to a firm offer, in whole or in part. MAGIM further reserves the right to announce an offer at a price below 67 pence per UKML share in the event that (a) the Board of UKML agrees and recommends an offer at the reduced price; (b) a third party announces a firm intention to make an offer for UKML; (c) UKML announces, declares or pays a dividend or any other distribution or return of capital to its shareholders (other than the Fourth Interim Dividend) after the Possible Offer Announcement (in which case MAGIM reserves the right to reduce the offer price by an amount up to the amount of such dividend, distribution or return of capital); or (d) UKML announces a whitewash transaction pursuant to the Takeover Code. Given today's announcement of the Company's intention to declare an additional interim dividend of 1.5p per UKML share, the Company draws the attention of Shareholders to the aforementioned reservation (c), where MAGIM has reserved the right to reduce the offer price by an amount of any dividend distribution or return of capital.

The Board considered the proposal together with its financial adviser, Numis Securities Limited, and unanimously rejected it on 19 July 2020, having concluded that the terms materially undervalue the Company and its prospects. The Board of UKML has received no further proposal since the unanimous rejection and is not in discussions with MAGIM at this time.

The Company notes that in accordance with Rule 2.6(a) of the Takeover Code, MAGIM has until 5.00pm on 17 August 2020, being 28 days after the date of the Possible Offer Announcement, to either announce a firm intention to make an offer for the Company in accordance with Rule 2.7 of the Takeover Code or announce that it does not intend to make an offer for the Company, in which case the announcement will be treated as a statement to which Rule 2.8 of the Takeover Code applies. This deadline will only be extended with the consent of the Company and the Takeover Panel in accordance with Rule 2.6(c) of the Takeover Code.

The Possible Offer Announcement does not amount to an announcement of a firm intention to make an offer under Rule 2.7 of the Takeover Code and there can be no certainty that any offer will be forthcoming. Shareholders are urged to take no action.

This statement is being made by the Company without the prior agreement or approval of MAGIM.

### **Enquiries:**

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## **Sources & Bases of Information**

All prices for UKML shares have been derived from the Daily Official List of the London Stock Exchange and represent the closing price on the relevant date.

## **Further information**

The Company's dividend guidance in this announcement is a target only and not a profit forecast and there can be no assurance that this target will be met.

This announcement is not intended to and does not constitute an offer to buy or the solicitation of an offer to subscribe for or sell or an invitation to purchase or subscribe for any securities or the solicitation of any vote in any jurisdiction. The release, publication or distribution of this announcement in whole or in part, directly or indirectly, in, into or from certain jurisdictions may be restricted by law and therefore persons in such jurisdictions should inform themselves about and observe such restrictions.

Numis Securities Limited ("Numis"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for UK Mortgages Limited 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 UK Mortgages Limited for providing the protections afforded to clients of Numis, nor for providing advice in relation to any matter referred to herein.

## **Forward looking statements**

This announcement, oral statements made regarding the Possible Offer, and other information published by UK Mortgages Limited may contain statements which are, or may be deemed to be, "forward-looking statements". Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of UK Mortgages Limited about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. The forward-looking statements contained in this announcement include statements relating to the expected timing and scope of the possible. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Although UK Mortgages Limited believe that the expectations reflected in such forward-looking statements are reasonable, UK Mortgages Limited can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors. Neither UK Mortgages Limited, nor any of its associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place undue reliance on these forward-looking statements. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the FCA), UK Mortgages Limited is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## **Dealing Disclosure Requirements**

Under Rule 8.3(a) of the 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 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (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 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 pm (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](http://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.

Publication on website and availability of hard copies

A copy of this announcement and the documents required to be published by Rule 26 of the Code will be made available on UK Mortgages Limited's website at [www.twentyfouram.com/funds/uk-mortgages-fund/](http://www.twentyfouram.com/funds/uk-mortgages-fund/) by no later than 12 noon (London time) on the business day following the date of this announcement. For the avoidance of doubt, the contents of the website are not incorporated into and do not form part of this announcement.

In accordance with Rule 30.3 of the Code, a person so entitled may request a hard copy of this Announcement, free of charge, by contacting Numis on +44 (0) 20 7260 1000. For persons who receive a copy of this Announcement in electronic form or via a website notification, a hard copy of this Announcement will not be sent unless so requested. In accordance with Rule 30.3 of the Code, a person so entitled may also request that all future documents, announcements and information be sent to them in relation to the Acquisition should be in hard copy form.

## **MAR**

The information contained within this announcement is deemed by UKML to constitute inside information as stipulated under the Market Abuse Regulation.

Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.