

The Telegraph

American bidder gatecrashes Capita's deal to buy Xchanging

Computer Sciences Corporation is now in the lead to take over the insurance services group but one rival bidder is still in the running



Xchanging sponsored the Oxford and Cambridge boat race until 2012 Photo: Getty Images



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By Marion Dakers, Financial Services Editor

6:00PM GMT 09 Dec 2015

The board of Xchanging has jilted Capita after a rival suitor made a late takeover offer that values the insurance support services firm at £480m.

Xchanging, which has struggled to diversify but has become the centre of a takeover battle over the past three months, said it is now supporting Computer Sciences Corporation's (CSC) 190p-per-share offer.

However, the deal could be interrupted again by Ebix, a third potential bidder that was last night granted more time by the Takeover Panel to finalise its own offer.

The change of allegiance to CSC ends more than a month of work between the Xchanging board and that of Capita on its 160p bid, which had gained support from almost 25pc of Xchanging's investors.

CSC, meanwhile, has won more support and secured the backing of shareholders that represent 47pc of the company's stock, including the institutional investors Odey, Artemis, Fidelity and Threadneedle.

Virginia-based CSC has made its offer on the final day allowed under Takeover Panel rules, which require suitors to make a firm offer or walk away within four weeks of publicly announcing their interest.

Ebix, a fellow American software company, must now formalise its proposed 175p-per-share approach within 53 days of CSC posting its offer document. However, CSC has objected to its competitor getting more time, and has asked for a hearing with the Takeover Panel.

Capita last night confirmed that it did not plan to increase its bid, leaving it on the sidelines unless CSC decides to withdraw.

"Capita continues to believe in the strategic logic and potential benefits of its Offer for Xchanging. However, Capita assesses many acquisition and organic investment opportunities and applies strict financial discipline to these assessments," the company said.

A number of CSC's supporters have reserved the right to withdraw their support for the bid if a rival offers them at least 10pc more.



Xchanging has numerous clients in the Lloyd's of London insurance market Photo: David Rose

"CSC leads clients on their digital transformation journeys. Xchanging's capabilities and experience in the commercial insurance market would complement CSC's global insurance presence in software, outsourcing and service," said J Michael Lawrie, president and CEO of CSC.

Like Capita, CSC hopes to integrate Xchanging's insurance software and other support services into its own business. Xchanging's new Xuber platform has been adopted by several large London insurers to handle everything from policy sales to data analytics.

The company has spent several years pivoting from its core outsourcing services such as payroll into more high-tech areas. However, problems in its new procurement management arm triggered a drop in revenues and profits that wiped more than 20pc from its share price in July.

Ken Lever, Xchanging's chief executive since 2011, plans to step down at the end of the year. Craig Wilson from HP Enterprise Services has been lined up as his replacement.

Shares in Xchanging rose more than 10pc to 194.25, its highest closing price since 2010.



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