

Defence giant Cobham ups offer in dogfight for UK military tech specialist Ultra

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S-owned Cobham today edged closer to clinching a £2.6 billion deal to acquire Ultra Electronics as a takeover battle for one of Britain's top defence firms intensified.

The board of Ultra, a FTSE250 manufacturer of fighter jet and missile components, said it was "minded to recommend" a raised cash offer of £35 per share from Cobham, which first approached it last month with an initial offer of £28.


An acquisition from Cobham, a UK-based defence and aerospace group which was itself bought for £4 billion by Boston private equity giant Advent International last year, will exacerbate concerns about a rash of private equity-backed takeovers of UK listed companies.

Critics have warned that Britain risks losing many of its most promising companies to foreign buyers, amid fears over the impact on national security and the loss of technology and expertise overseas.

Advent's £4 billion purchase of Cobham was opposed by the founder's family and other executives who argued it was against UK interests and urged the government to block it.

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Both Ultra, which employs 4500 people, and Cobham are suppliers of components for the F-35 and Eurofighter Typhoon fighter jets which will be used on board the Royal Navy's two new aircraft carriers.

Ultra Electronics also specialises in equipment used in naval systems such as sonar while Cobham's air-to-air refuelling technology is widely used by the airforces of several western nations.

In a statement, London-based Ultra said the offer, which represents a 42% premium on its previous closing share price, was "at a value the Board would be minded to recommend to Ultra shareholders" and it was now seeking guarantees from Cobham to smooth the way for a deal.

"Cobham has indicated to the board that it is minded to offer the UK government appropriate undertakings in respect of national security. Accordingly, the board will engage in discussions with Cobham to explore the Proposal in further detail."

The deal comes after a string of controversial takeovers of UK listed companies, including supermarkets group Morrisons, which is being acquired by a group led by US private equity firm Fortress.

US technology giant Nvidia is also seeking to acquire UK microchip developer Arm Holdings.

Advent said last month the combination of Cobham and Ultra

would create a “global defence electronics champion” supplying specialist equipment to the armed forces of the US, UK and others.

An Advent spokesman said: “Cobham has performed strongly under Advent, despite the pandemic, with 6 per cent like-for-like revenue growth in 2020.

“More than \$350 million has been spent on research and development and strategic investments.

“The business is now more focused on hi-tech electronics and has won significant contracts in commercial satellites, government space programs and next generation defence electronics.”