City watchdog urged to intervene in £3bn Playtech bidding war

The Australian gaming group which has struck a £2.1bn deal to buy Playtech has urged the City’s takeover watchdog to seek clarity over the intentions of a group of Asian investors who have amassed a large stake in the London-listed company.

Sky News has learnt that Aristocrat and Playtech have contacted the Takeover Panel to seek a determination that the Asian shareholders, who include the owner of Birmingham City Football Club, are acting as a concert party.

Market-watchers have been puzzled in recent weeks amid heavy stake-building in the Far East at well over the 680p-a-share price that Aristocrat has agreed to pay for Playtech.

Between them, the Asian investors, who also include Karen Lo, a wealthy heiress, are now thought to own more than 20% of Playtech’s shares, and may even have a big enough collective stake to block the Aristocrat deal.

Under the terms of its offer, Playtech needs at least 75pc of voting shareholders to back the Aristocrat bid.

People close to the companies have said they are “mystified” about the Asian investors’ intentions and suggested on Tuesday that they may be interested in acquiring Playtech’s unregulated gambling businesses in Asia.

Aristocrat has already signalled in its offer documents that it will “not operate in, or provide services into, any market that would jeopardise the combined group’s existing licences”.

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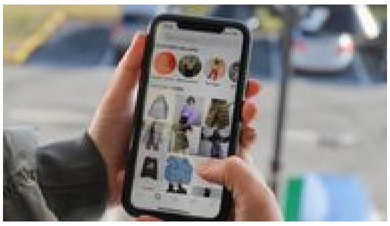

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It added that it would consider the sale or closure of any business or operation that risked doing so.

One person close to the situation expressed concern at the ability of the Takeover Panel to extract sufficient information to enable it to rule whether the Asia-based investors were acting in concert.

Such a ruling which would have implications for their ability to continue building their stake in Playtech, and would trigger a mandatory offer of their own if their combined stake exceeded 29.9pc.

The uncertainty over their potential blocking stake comes weeks after Gopher Investments, which has strong links to Asia-based entrepreneurs, withdrew from the fray after having explored mounting a counterbid.

Earlier this year, Gopher waged a bitter fight to acquire Playtech’s financial trading arm, Finalto, for $250m.

The picture has been further clouded by the emergence of a further potential offer from a group led by the former Formula One team boss Eddie Jordan.

Mr Jordan and his partners at JKO Play have been applying the finishing touches to an offer of about 750p-a-share that they hope will secure a recommendation from Playtech’s board.

Their offer would be structured in cash or with a partial share alternative to allow existing Playtech investors to remain as part-owners of the company.

The latter option is seen as being attractive because of ongoing talks about a merger between Caliente Interactive, an online gambling business predominantly operating in Mexico – and which Playtech holds the right to acquire a big stake in – and Tekkorp Digital, a New York-listed special purpose acquisition company (SPAC).

Under the plans to finance the merger, $250m would be invested in a PIPE – private investment in public equity – by the Spanish language broadcaster Univision and its shareholders, with an additional $190m from other institutional investors.

City sources have said that Caliente is expected to exercise its option over Playtech’s 49% stake, triggering a payment to shareholders in the UK-based company.

That payment would, however, be accelerated as part of a takeover bid for Playtech being formulated by Mr Jordan through the creation of a contingent value right (CVR).

Shares in Playtech, which has a market capitalisation of more than £2.2bn, were trading on Tuesday at around 745p.

Playtech has about £600m of debt, meaning that an offer of about 750p-a-share would give it an enterprise value of about £3bn.

Under the terms of Aristocrat's offer, a number of irrevocable undertakings it has secured from Playtech shareholders would lapse if any rival suitor offered a price at least 10% higher than its bid.

That implies that Mr Jordan would need to bid at least 748p-a-share to secure a board recommendation.

Mr Jordan sold his eponymous F1 team in 2005 and has since been involved in various businesses, as well as becoming a media pundit on the sport.

JKO has a deadline of January 5 to submit a formal offer.

Playtech claims to be the world's largest supplier of online gaming and sports betting software.

The global gambling sector has seen a deluge of major corporate deals this year, including most notably in the UK the takeover of William Hill by Caesars Entertainment, with its British operations subsequently acquired by 888, the London-listed group.

More recently, DraftKings, a US-based gambling giant, abandoned plans to bid for Entain, the owner of Ladbrokes and Coral in the UK.

Spokesmen for Playtech, Aristocrat and JKO all declined to comment.