Mr Speaker

Speaker's Office House of Commons London SW1A 0AA

PRIVATE NOTICE QUESTION

Barry Field MP

To ask the Secretary of State for Trade and Industry if he will be referring the bid for Sealink Isle of Wight Ferries to the M.M.C.

1st November 1989

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PRIVATE NOTICE QUESTION - BARRY FIELD MP

SEALINK - ISLE OF WIGHT FERRIES

BRIEFING FOR THE SPEAKER

1. On 26 May 1989, Temple Holdings Ltd, a Bermuda registered company launched in the US a hostile bid for the remainder of the entire issued share capital of Sea Containers Ltd not already owned by Stena AB. Stena, together with Tiphook plc, formed Temple for the purposes of this acquisition, after acquiring a 6.2 per cent holding in Sea Containers.

2. On 7 September 1989, the Secretary of State for Trade and Industry announced his decision , in accordance with the advice of the Director General of Fair Trading not to refer Temple's bid for Sea Containers.

3. The Times of 1 November reported that Sea Containers Ltd plan a financial restructuring involving selling off the group's 100,000 dry cargo containers, its entire fleet of 13 container ships, the Isle of Wight ferry services, eight redundant ferries, the ports of Harwick and Heysham, all but one of its hotels and its 40 per cent stake in the Orient Express. This would leave Sea Containers concentrating on its profitable and repidly-growing businesses - Sealink Ferries, Hoverspeed hovercraft services, container-leasing operations, most if its ports and its land bank.

4. In the event of a bid for Sealink Isle of Wight Ferries, it would fall to the Director General of Fair Trading to consider whether it was a merger qualifying for investigation.

Wednesday, November 1, 1989

FINANCIAL TIMES

Sea Containers plans disposal of assets

By Andrew Hill

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SEA CONTAINERS is to sell a large chunk of its assets, including most of its leisure interests and some of its Sealink ferry and port interests in the UK, to fund a $490m (£306.2m) buy-in of more than half its shares and fight off a hostile $1.02bn bid.

The group is to offer its own stockholders $70 a share, in an attempt to defeat the $63-a-share bid from Stena, a private Swedish ferry operator, and Tiphook, the UK container rental company. The bid has been running since the end of May.

If successful, the Sea Containers offer – for 7m of the group's 13.8m outstanding shares, which will be cancelled – would leave control of the company in the hands of its directors, management and subsidiaries, which would retain at least 53 per cent of the remaining equity.

Shareholders who keep their stock, or have their acceptances scaled down, will receive a bonus preferred share, with a stated value of $25 and a dividend rate of $3.75, for each common share retained. Sea Containers is indicating projected earnings per share of $13 in 1991 and $16 in 1992.

Among the assets earmarked for sale are Sea Containers' standard dry cargo containers; eight redundant ferries and two large overnight ferries, which will be leased back. Sealink's Isle of Wight ferry service will also go, and the port facilities at Harwich and Heysham will be sold.

In addition, the group will dispose of its property portfolio, but retain its development land bank. Most of its leisure industry investments will be sold – principally, the 42 per cent stake in Orient-Express Hotels.

Yesterday's statement said the sales would be conditional on shareholder approval at Sea Containers' forthcoming annual general meeting, a date for which will be announced shortly.

The tender offer would begin, said Sea Containers, if the courts in Bermuda, where the company is registered, lifted an order restricting dealings in the group's shares.

THE TIMES

SeaCon in $1.1br[illegible] ass[illegible]

By Jo[illegible]
City [illegible]tor

Sea Containers, the shipping to ferries group, is to sell the Isle of Wight ferry services, and the ports of Harwich and Heysham as part of a $1.1 billion (£696 million) package of asset disposals.

The company would use the proceeds to mount a tender offer to buy back roughly half its listed shares.

The moves are part of a programme promised by the Bermuda-based group as a refinancing package designed to fight off the takeover bids from Stena and Tiphook, the Swedish container group.

Mr James Sherwood, Sea Containers president, said the programme would allow both long and short-term investors to achieve higher value than the $63 bid from the Stena-Tiphook consortium.

THE INDEPENDENT

Defeat could benefit Tiphook

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SEA CONTAINERS' restructuring proposals to fight off the unwelcome $63 a share offer from Tiphook-Stena may prove to be something of a blessing in disguise for Tiphook shareholders. If the asset disposal and partial tender offer proposal proves popular it should oblige Tiphook and its Swedish partner to retire gracefully from the fray.

For while Tiphook's opportunistic involvement in the bid appeared to have attractions, it represented such a big leap in the company's development that it threatened to pose integration and financing problems which, if mismanaged, could have had worrying consequences for the container company's prospects.

Tiphook is already heavily geared and this would have increased with the Sea Containers acquisition. The company estimates that gearing would rise from 3.7 times to 4 times although some estimates have put the figures much higher. An already fragile interest cover would have also deteriorated.

Considering the nature of Tiphook's business the common wisdom is that a high level of debt is acceptable. That may be so but in a climate of rising interest rates it is a wisdom which ought to be scrutinised more closely. For the current year Tiphook has capped the bulk of its exposure to rising base rates. But as those caps begin to unwind the impact on the company's profit and loss account could be quite damaging.

One bonus for Tiphook if it loses out on Sea Containers is that it will keep part of the rights issue proceeds raised to finance the deal. That will help reduce debt. It is assistance the company and its shareholders may well be grateful for.

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THE TIMES

SECTION

WEDNESDAY NOVEMBER 1 1989

Sea Containers launches $1bn assets sal

By Stephen Leather

he shipping chief Mr James herwood last night unveiled a massive financial restructuring which he hopes will keep his Sea Containers group out of the clutches of an Anglo-Swedish consortium.

Mr Sherwood plans to sell off the group's 100,000 or so dry cargo containers, its entire fleet of 13 container ships, the Isle of Wight ferry services, eight redundant ferries, the ports of Harwich and Heysham, all but one of its hotels and its 40 per cent stake in the Orient Express. He hopes to raise $1.1 billion (£696 million) from the sales, which will generate a cash surplus of about $620 million. Sea Containers will use $500 million of the money to fund a tender offer to buy up 7 million of its own shares at $70 a share.

The deal will leave Sea Containers concentrating on its profitable and rapidly-growing businesses – Sealink Ferries, Hoverspeed hovercraft service, container-leasing operations, most of its ports and its land bank.

Sea Containers shares returned from suspension at $62 in New York last night, below the $63 a share cash on offer from Temple Holdings, which is jointly owned by Stena, the Swedish shipping concern, and its English partner, Tiphook.

Mr Adam Leiberman, an analyst with Stuart-James Co in New York, said: "I think the bottom line is excellent news. Jim Sherwood has finally come through. It looks like he has it all planned this time."

But he added: "I think Stena wants the company and will pay more than $70 a share, and we are going to get another dogfight."

Sea Containers has about 13.8 million shares in issue. About 3.6 million are in the hands of directors, management, and subsidiary companies, and they will not sell any of their shares.

If 7 million shares are actually tendered, the company believes earnings per share will be about $13 in 1991 and $16 the following year. Using a p/e ratio of eight, that would value Sea Container shares at $104 in 1991.

Shareholders who hang on to their shares will receive a dividend of one preferred share valued at $25, which will be listed on the New York Stock Exchange, and a dividend rate of $3.75 per share.

Mr Sherwood said that both short-term and long-term investors will be better off with the new deal rather than accepting the Temple takeover bid.

"The half of the company's current business that is to be retained is profitable and growing," he said.

Because of this and the reduction of share capital, earnings per common share are expected to rise dramatically in 1991 and subsequent years.

"We and our advisers are firmly convinced that the company is worth significantly more than Temple's offer and we intend, through this programme, to prove the point."

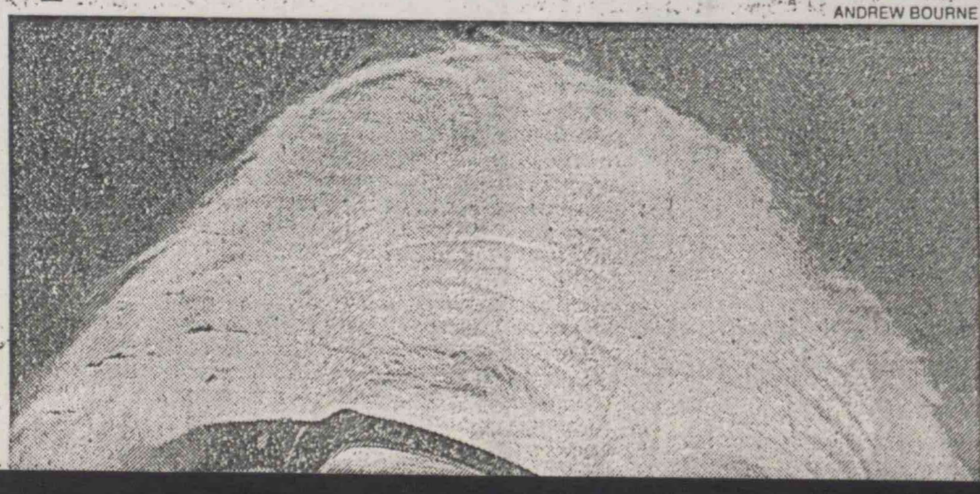
Included in the sale are the Sealink ferry routes from mouth and Lymington to of Wight, said to be am most profitable in the worl

The hotels owned by S tainers include the Ciprian in Venice, the Mount N Cape Town, and the Cop Hotel in Rio de Janeiro, B

Mr Sherwood says he keep only one hotel wit group – he does not say but it is thought likely hotels will be bought by a c in which he has an inter Containers also plans to minority stake in whichev pany buys the hotels.

Price roars up 122p on prospect of bid war with Ford

Ridley wrecks GM's 800p Jaguar offer



ANDREW BOURNE

£208m M&S li gloom high str

By John Bel City Editor

Marks and Spencer the trend of gloomy n high street retailers w per cent rise in interi to £208.7 million.

The figures and a c statement from Lord the M&S chairman, w