

SKILLSOFT PUBLIC LIMITED CO
Form DEFA14A
March 18, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under § 240.14a-12

SkillSoft Public Limited Company

(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(3) Filing Party:

(4) Date Filed:

This filing consists of slides presented by SkillSoft PLC to RiskMetrics Group on March 18, 2010 regarding the proposed acquisition of SkillSoft PLC by SSI Investments III Limited.

Presentation to RiskMetrics Group
March 2010

Presentation Overview & Team
Presentation Overview & Team
SkillSoft Overview
Recommendation & Core Rationale
Transaction Overview, Terms & Process
Summary
Presentation Team
Chuck Moran

SkillSoft President & CEO

Bill Boyce

Lead Director

Jim Krzywicki

Director / Member of

Independent Committee

Slide

2

|

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Presentation

Board of Directors & Independent Committee

Chuck Moran

President & CEO,

Chairman of the Board

Has served as Director since October 1998

Currently serves as CEO, Screendragon

Former President & CEO, Open Learning Exchange

James S. Krzywicki

Director

Founded SkillSoft Corporation in 1998

Formerly served as President & CEO of NETg

From

1993

1994,

served

as

CFO

and

COO

at

Softdesk

Name

Background

Independent Committee

(1)

Dr. Ferdinand von Prondzynski

Director

William F. Meagher, Jr.

Director

P. Howard Edelstein

Director

William J. Boyce

Lead Director

Has served as Director since November 2001

Currently serves as President of Dublin City University

Currently serves as Director Knockdrin Estates and several private companies

Has served as Director since March 2004

Former Managing Partner, Arthur Andersen

Currently serves as director of Mac-Gray Corporation

Has served as Director since September 2002

Formerly served as EIR with Warburg Pincus and CEO, NYFIX

Currently serves as director of Alacra and Ness Technologies

Has served as Director since March 2009

Former Founder, Highland Capital Partners

Former private investor and Vice President, Affiliated Publications

Independent Committee

(1)

The SkillSoft Board delegated to the Independent Committee the authority to approve or disapprove and recommend to the Board approval or disapproval of the proposed acquisition of SkillSoft by the Investor Group, and resolved that the Board shall not approve the proposed acquisition by the Investor Group without the prior approval of such acquisition by the Independent Committee

Slide 3

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SkillSoft Overview

Slide 4

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(1) IDC, Worldwide and U.S. Corporate eLearning 2009-2013 Forecast, August 2009.

(2) On a constant-currency basis.

Company overview

SkillSoft

PLC (NASDAQ: SKIL) is a leading SaaS provider of on-demand eLearning and performance support

solutions for global enterprises, government, education and small to medium-sized businesses
SkillSoft
occupies a unique position in the eLearning industry through the pairing of its extensive content
offering with its flexible technology

SkillSoft's
content library includes more than 30,000 titles in 19 languages and covers a wide spectrum of enterprise learning
needs with courses, simulations, online books, videos and 24x7 online mentoring

SkillSoft
maintains a worldwide presence with products sold in 58 countries

Industry dynamics

Growth
expectations
for
the
U.S.

Corporate
eLearning
market
have
declined
due
to
several
factors
including

Global economic conditions

Trends related to the recessionary environment, such as a more discretionary view on training, budget pressure and pricing
sensitivity

IDC
has
reduced
its
U.S.
Corporate
eLearning
market
growth
rate
expectations
through
2012
by
over
50%
(1)
SkillSoft's

recent performance

As

a

result

of

the

challenging

operating

environment

during

fiscal

2010,

SkillSoft's

revenue,

backlog

and

order

intake declined by 4%, 3%

(2)

and 6%, respectively, in fiscal 2010

Recommendation | Core Rationale
Best available strategic alternative for SkillSoft shareholders

Prior
discussions
with
potential
merger

partners
/
acquirors
did
not yield results

Other strategic alternatives, which were thoroughly reviewed by the Board, included greater risks and uncertainty
Challenging market environment and financial trends

Growth expectations for the eLearning market have declined

Increasing competition within SkillSoft's market place

SkillSoft's success at reducing operating costs make peer outperformance more difficult going forward
Premium valuation

26% premium to the average closing price over one-year period ended February 11, 2010

49% premium to the average closing price over the five-year period ended February 11, 2010
Addresses shareholder concerns regarding illiquidity of SkillSoft securities

Shareholder base highly concentrated with top 10 holders owning over 60% of shares at time of announcement

Very low trading volume prevented shareholders from liquidating position without putting "selling pressure" on the stock price for an extended period of time
Transaction terms & process structured to maximize value for shareholders

Transaction effected via Irish Takeover Rules, which are structured to maximize value for shareholders

Active
Go-Shop
provision
allowed
the
company
to
proactively
solicit
higher
proposals

-
not common practice in Ireland

Modest expense reimbursement agreement

Slide 5

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Transaction

Overview

Go-Shop provision

Transaction must be approved by *75%* of the votes cast by shareholders

Transaction subject to approval by the Irish High Court

Of

the

45

parties
contacted
during
the
Go-Shop
period,
only
1

party
submitted an indicative proposal,
which was preliminary and conditional and was subsequently withdrawn
Post March 6, SkillSoft can only react to unsolicited inbound inquiries by third parties

Vote requirement

Recommendation

Transaction

Timing

March 12

Documents posted to shareholders

March 29

Voting deadline for ADS shareholders

April 4

Voting deadline for Ordinary shareholders

May 4

High Court

hearing expected to be held to sanction the Scheme

May 14

Expected to close on or around May 14

Slide 6

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SSI investments III Limited, a company formed by funds sponsored by Berkshire Partners
LLC, Advent International Corporation and Bain Capital, LLC (the Investor Group), and
SkillSoft have agreed the terms for a recommended acquisition of SkillSoft for \$10.80 in cash
for each ordinary share or ADS

SkillSoft's Board of Directors and a committee of independent directors unanimously
recommend SkillSoft shareholders vote in favor of the acquisition

Transaction Agreement included a 22-day Go-Shop period which commenced February 12
wherein SkillSoft had the ability to proactively solicit third party proposals (until March 6)

April 6

Court meeting and EGM to obtain shareholder approvals

Transaction

Terms & Process

Successful negotiation with the Investor Group

Investor Group increased price to \$10.80 from \$10.50 through multiple rounds of negotiation

Addition of Go-Shop provision, the period of which was successfully lengthened through negotiations

Successfully
eliminated
matching
right
as
originally
proposed
by
the
Investor
Group
Transaction certainty

Cash consideration providing certainty of value for Shareholders

Absence of any financing condition to the Investor Group's obligation to consummate the acquisition
Minimal break-up fee

Expenses-reimbursement payment limited to 1% of total value of entire issued share capital of SkillSoft
Go-Shop provision

Ability to affirmatively solicit acquisition proposals from third parties during the 22-day period following announcement

Following the expiration of the Go-Shop period on March 6, SkillSoft has the right to furnish information to and conduct negotiations with third parties that make an unsolicited acquisition proposal
Management participation in the transaction

SkillSoft management proactively did not participate in discussions with the Investor Group around employee contracts or equity participation

Management avoided the perception of allegiance with the Investor Group and wanted the Go-Shop process to be impartial

Transaction terms & process structured to maximize value for shareholders

Slide 7

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Transaction

Terms and

Process | Go-Shop

Credit Suisse contacted 45 parties between February 12 and March

6 (including private equity firms

& operating companies) that SkillSoft believed might have an interest in acquiring the business

Based on feedback from these parties, Credit Suisse sent 15 parties a Go-Shop process instruction letter and a form of Confidentiality Agreement

SkillSoft entered into Confidentiality Agreements with 10 parties and subsequently granted each of them access to the data room containing the documents made available to the Investor Group - all of those parties conducted some level of due diligence on SkillSoft

SkillSoft received an indicative conditional preliminary proposal from one party to acquire all of the outstanding shares of SkillSoft at a price per share in excess of \$10.80

This proposal was preliminary in nature and subject to certain conditions. Subsequent to submitting this proposal and after further work relating to those conditions, the third party informed SkillSoft that it would not be submitting a more formal or unconditional offer and withdrew its preliminary proposal

Summary of Go-Shop solicitation

Slide 8
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Summary
Best available strategic alternative for SkillSoft shareholders

Prior
discussions
with
potential

merger
partners
/
acquirors
did
not
yield
results

Other strategic alternatives considered by the Board included greater risks

Certainty of value: cash offer of US\$10.80 per ADS

Addresses shareholder concerns regarding illiquidity of SkillSoft securities

No alternative offer after extensive Go-Shop process

Challenging market environment and financial trends within SkillSoft's business

Growth expectations for the eLearning market have declined

Increasing competition within SkillSoft's market place

SkillSoft's success at reducing operating costs make peer outperformance more difficult going forward
Premium valuation

26% premium to the average closing price over one-year period ended February 11, 2010

49% premium to the average closing price over the five-year period ended February 11, 2010

Slide 9

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SkillSoft

Board unanimously recommends

shareholders vote in favor of the acquisition

Q&A
Slide 10
| RiskMetrics Presentation

Appendix
Slide 11
| RiskMetrics Presentation

Best
Available Strategic Alternative
Prior discussions
with
potential
merger
partners
/

acquirors
did
not
yield
results

Over the past several years, efforts undertaken by SkillSoft to determine whether any party was interested in acquiring the Company did not yield any definitive acquisition proposal other than the one from the Investor Group

Other strategic alternatives considered by the Board included greater risks

Each of the strategies evaluated involved risks and uncertain likelihood of success, and involved execution challenges as well as the potential to disrupt SkillSoft's existing business plan and prospects

Continuing to operate the business with a view to maximizing profitability, while a viable alternative, was likely to impair SkillSoft's growth profile

Each of the growth strategies considered required significant content, platform or headcount investments

These investments are typically expensed through the P&L, which would have depressed SkillSoft's future profitability

This could potentially have a negative impact on the trading price of SkillSoft ADSs in the short term due to the natural delay that occurs between when incremental investments are made and subsequent revenue growth might be realized. Those growth strategies that offered the greatest potential for a long-term positive impact on the trading price of SkillSoft ADSs involved increased levels of execution risk, long-term horizons, and lacked reasonable certainty in their ability to yield meaningful increases in the value of SkillSoft ADSs relative to the underlying risk.

Slide 12

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Premium valuation
Historical stock price performance
14-Feb-05
29-Jul-05
11-Jan-06
26-Jun-06
8-Dec-06
23-May-07

5-Nov-07
18-Apr-08
1-Oct-08
16-Mar-09
28-Aug-09
11-Feb-10

\$0
\$3
\$6
\$9
\$12
0
500
1,000
1,500
2,000
2,500
3,000
3,500
4,000
4,500
5,000

Source:

FactSet.

Offer price: \$10.80

\$10.80 offer premium / (discount) to

Period

Price

Prem/(disc)

Unaffected

\$9.76

11%

12-month average

8.56

26%

5-year average

7.25

49%

Note: Prices as of February 11, 2010.

March

9,

2009

February

11,

2010

SkillSoft:

98%

NASDAQ:

72%

Slide 13

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As a result of the challenging operating environment during fiscal 2010, SkillSoft's revenue, deferred revenue, bookings and backlog for FY2010 were all down from FY2009. Additionally, SkillSoft's

preliminary
operating plan for FY2011
anticipates that FY2011 will be a
more challenging year than is
reflected in the mean estimates of
securities analysts published with
Institutional Brokers
Estimate
System (I/B/E/S)
Challenging market environment and financial trends
Slide
14
|
RiskMetrics
Presentation
(\$MM)
SKIL historical operating performance
FY 2008
FY 2009
FY 2010
Revenues
Total Revenues (actuals)
\$281
\$329
\$315
Total Revenues (actuals)
17%
(4%)
Backlog
Non-cancelable revenue backlog
\$255
\$239
\$239
Non-cancelable revenue backlog (constant currency)
247
246
239
Non-cancelable revenue backlog (constant currency)
(0%)
(3%)
Deferred Revenue
Deferred Revenue (as reported)
\$219
\$202
\$200
Deferred Revenue (constant currency)
212
208
200
Deferred Revenue (constant currency)

(2%)

(4%)

Metrics

Combined Dollar Renewal Rate

102%

97%

93%

Order Intake

(6%)

Note: Constant currency reported at 1/31/10 FX rates.

Illiquidity of SkillSoft securities
SkillSoft's
stock
is
thinly
traded
and

illiquid,
which
is
largely
a
result
of significant
shareholder concentration
Given the shareholder concentration and
illiquid technical trading, a large shareholder
would likely depress the market price if they
decided to liquidate their position

of trading days
required to
liquidate position
assuming
maximum daily
sale of 20% of 1-
month avg. daily
trading volume
Slide

15

|

RiskMetrics
Presentation
Institutions

(1)

Outstanding

% of

Holder

shares

O/S

(2)

Columbia Wanger

Asset Management Lp

21,025,250

22.2%

Wells Capital Management, Inc.

8,076,510

8.5%

Capital World Investors

5,850,000

6.2%

Fred Alger Management, Inc.

4,019,529

4.2%

Westfield Capital Management Co. Lp

3,934,052

4.1%

Bamco, Inc.

3,750,000
4.0%
Timesquare
Capital Management Llc
3,723,250
3.9%
T. Rowe Price Associates, Inc.
3,595,750
3.8%
Cramer Rosenthal Mcglynn
Llc
3,446,950
3.6%
Fidelity Management & Research
2,697,900
2.8%
Cortina Asset Management Llc
1,925,370
2.0%
The Boston Company Asset Management Llc
1,698,436
1.8%
New York State Common Retirement Fund
1,544,052
1.6%
Eagle Asset Management, Inc.
1,470,942
1.6%
Kalmar Investments, Inc.
1,459,740
1.5%
Renaissance Technologies Llc
1,272,220
1.3%
Tygh
Capital Management, Inc.
1,194,180
1.3%
Capital Research Global Investors
1,189,000
1.3%
Essex Investment Management Co. Llc
987,004
1.0%
Dreyfus Investment Advisors, Inc.
936,200
1.0%
Top 20 institutions
73,796,335
77.8%

Remaining institutional holders

10,245,651

10.8%

Total institutional holdings

84,041,986

88.6%

(1) Based on FactSet

holding information for investors prior to acquisition announcement.

(2) Based

on

common

shares

outstanding

per

SkillSoft

10-Q/A

for

the

period

ended

October

31,

2009.

Excludes impact of dilutive securities.

(3) Based on share price of \$9.76 as of February 11, 2010.

(4) Per Bloomberg.

Days trading volume

Shares held relative to

100% of

20% of

Illustrative

Basic

Shares

1-month

1-month

shares

market

held as a

avg. daily

avg. daily

held

value

(3)

% of float

volume

volume

20.0

\$195.2

21.1%

102 Days

510 Days

15.0

146.4

15.8

77

383

10.0

97.6

10.6

51

255

5.0

48.8

5.3

26

128

1.0

9.8

1.1

5

26

(MM, except per share amounts)

Technical trading statistics

1 month

Price as of (2/11/10)

\$9.76

Share volume / day

0.196

Basic shares outstanding

(2)

94.9

Average price

\$10.07

Public float

94.7

\$ volume / day

\$2.0

Basic market value

(2)(3)

\$926.1

% float

0.2%

Float value

(3)

\$923.8

% outstanding

0.2%

Float as % outstanding

(4)

99.8%

Overview of the Investor Group

Founded in 1985

Active private equity
investor, having completed
more than 90 investments

Currently investing from seventh fund, which totals \$3.1 billion

Founded in 1985

Comprised of over 140 professionals in 16 offices around the world

Currently managing a portfolio of over 100 companies

Founded in 1984

Global private investment firm, managing pools of capital including private equity, high yield assets, mezzanine capital, venture capital and public equity

Has made private equity investments and add-on acquisitions in over 300 companies

Funds advised = \$6.5Bn

Funds advised = \$24Bn

Funds advised = ~\$65Bn

Overview

Assets Under

Management

Selected

Notable

Investments

Investor

Group

Slide 16

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Legend

Slide

17

|

RiskMetrics

Presentation

Legal Information

The directors of SkillSoft accept responsibility for the information contained in this document, other than that relating to SSI I

and Bain Capital Partners, LLC and the directors of SSI Investments III Limited and members of their immediate families, reliance on the information contained in this document is based on the belief of the directors of SkillSoft (who have taken all reasonable care to ensure such is the case), the information contained in this document is true and does not omit anything likely to affect the import of such information.

The directors of SSI Investments III Limited accept responsibility for the information contained in this document relating to SSI Investments III Limited, SkillSoft Corporation and Bain Capital Partners, LLC and the directors of SSI Investments III Limited and members of their immediate families. The information contained in this document is based on the knowledge and belief of the directors of SSI Investments III Limited (who have taken all reasonable care to ensure such is the case) and the responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

Credit Suisse Securities (USA) LLC ("Credit Suisse"), which is regulated under the laws of the United States of America, is not responsible to any person other than SkillSoft for providing the protections afforded to clients of Credit Suisse, nor for providing any advice in connection with this transaction or any matter referred to herein. Neither Credit Suisse nor any of its subsidiaries, branches or affiliates owes or owes any duty (whether in contract, in tort, under statute or otherwise) to any person who is not a client of Credit Suisse in connection with this transaction. Morgan Stanley, which is regulated under the laws of the United States of America, is acting as lead financial advisor to SSI Investments III Limited in connection with the Acquisition and will not be responsible to anyone other than SSI Investments and the Investor Group for providing the protections afforded to clients of Morgan Stanley in connection with the Acquisition, the contents of this document or any transaction or arrangement referred to herein. Neither Morgan Stanley nor any of its subsidiaries, branches or affiliates owes or owes any duty (whether in contract, in tort, under statute or otherwise) to any person who is not a client of Morgan Stanley in connection with this transaction, any statement contained herein or otherwise.

WilmerHale and William Fry are acting as legal advisors to SkillSoft. Ropes & Gray LLP and Mason Hayes+Curran are acting as legal advisors to SSI Investments III Limited, SkillSoft Corporation and Bain Capital Partners, LLC.

This document does not constitute an offer to purchase, sell, subscribe for or exchange or the solicitation of an offer to purchase or sell securities, and no approval in any jurisdiction pursuant to the Acquisition or otherwise.

Capitalised terms used but not otherwise defined herein shall have the meanings given to such terms in the definitive Proxy Statement. Any response in relation to the Acquisition should be made only on the basis of the information contained in the definitive Proxy Statement. Investors are advised to read carefully the formal documentation in relation to the proposed transaction.

SAFE HARBOUR FORWARD-LOOKING STATEMENTS

This document includes information that constitutes forward-looking statements made pursuant to the safe harbour provision of the Securities Act of 1933. Forward-looking statements in this document regarding the proposed transaction between SSI Investments III Limited and SkillSoft, the expected timetable for completion of the Acquisition, SSI Investments III Limited's and SkillSoft's future expectations, beliefs, goals, plans or prospects constitute forward-looking statements. Any such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those indicated by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, changes in demands or industry standards, adverse economic conditions, loss of key personnel, litigation and other risk factors disclosed in this document and in the quarterly period ended 31 October 2009, as filed with the Securities and Exchange Commission. The forward-looking statements in this document represent the views of SSI Investments III Limited and SkillSoft as of the date of this document. SSI Investments III Limited and SkillSoft's views may change. However, while SSI Investments III Limited and SkillSoft may elect to update these forward-looking statements, they do not specifically disclaim any obligation to do so. These forward-looking statements should not be relied upon as representing SSI Investments III Limited's views as of the date of this document.

Legend (continued)

Slide

18

|

RiskMetrics

Presentation

Dealing Disclosure Requirements

Under the provisions of Rule 8.3 of the Irish Takeover Panel Act, 1997, Takeover Rules 2007, as amended (the Irish Takeover Rules) indirectly) in, one per cent., or more of any class of relevant securities of SkillSoft, all dealings in any relevant securities (as defined in the Irish Takeover Rules) referenced to, any such relevant securities) must be publicly disclosed by not later than 3.30 pm (Dublin time) on the business day following the date on which the offer will continue until the date on which the scheme becomes effective or on which the offer period otherwise ends. If two or more persons, acting jointly or in concert, or acting tacitly, either oral or written, to acquire an interest in relevant securities of SkillSoft, they will be deemed to be a single person for the purposes of the Irish Takeover Rules. Under the provisions of Rule 8.1 of the Irish Takeover Rules, all dealings in relevant securities of SkillSoft by SSI Investments Limited must also be disclosed by no later than 12 noon (Dublin time) on the business day following the date of the relevant transaction. A disclosure table, giving details of the companies in whose relevant securities dealings should be disclosed can be found in the Irish Takeover Panel's website. Interests in securities arise, in summary, when a person has long economic exposure, whether conditional or absolute, to the value of the securities, whether having an interest by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative rights in, securities. Terms in quotation marks are defined in the Irish Takeover Rules, which can also be found on the Irish Takeover Panel's website. If you wish to disclose a dealing under Rule 8, please consult the Panel's website at www.irishtakeoverpanel.ie or contact the Panel on telephone 01 454 4444. The release, publication or distribution of this document in or into certain jurisdictions may be restricted by the laws of those jurisdictions. Documents relating to the Acquisition are not being, and must not be, released, published, mailed or otherwise forwarded, distributed or otherwise made available in jurisdictions where it would be unlawful to do so, including (but not limited to) Canada, South Africa, Australia and Japan. Persons receiving such documents (including custodians) should observe these restrictions. Failure to do so may constitute a violation of the securities laws of any such jurisdiction. The companies involved in the proposed Acquisition disclaim any responsibility or liability for the violations of any such restrictions.

