

Mergers and Acquisitions Involving UK Companies, Q3 2011



Coverage: **International**

Date: **06 December 2011**

Geographical Area: **UK and GB**

Theme: **Business and Energy**

Key Findings

- The values of inward, outward and domestic acquisitions all decreased in quarter three 2011 compared with the previous quarter.
- Expenditure on acquisitions in the UK by foreign companies decreased to £3.7 billion in quarter three 2011 from £9.2 billion in quarter two. This is the lowest quarterly value for inward acquisitions reported since quarter two 2010.
- The value of acquisitions abroad by UK companies fell to £5.8 billion in quarter three 2011 from £10.7 billion in the previous quarter.
- Expenditure on acquisitions in the UK by UK companies decreased to £1.1 billion in quarter three 2011 from £3.2 billion in quarter two. This is the lowest quarterly value for domestic acquisitions reported since quarter two 2009.

Summary

This statistical bulletin provides estimates on the value and number of mergers, acquisitions and disposals involving UK companies with values of £1.0 million or more. Only transactions that result in a change of ultimate control of the target company are included. In the text that follows, figures relating to mergers are included within acquisitions. The quarterly figures are often dominated by a small number of very large transactions, which may mask the underlying trends.

The value of inward acquisitions (acquisitions in the UK by foreign companies) fell to £3.7 billion in quarter three 2011 from £9.2 billion in quarter two. The number of inward acquisitions also fell, from 66 to 45.

The value of outward acquisitions (acquisitions abroad by UK companies) also fell, to £5.8 billion in quarter three 2011 from £10.7 billion the previous quarter. This is a decrease of 46 per cent, and a

fall of 72 per cent from the quarter one value of £20.6 billion. The number of outward acquisitions also fell, from 63 reported in quarter two to 42 in quarter three.

The value of domestic acquisitions (acquisitions in the UK by other UK companies) decreased to £1.1 billion in quarter three 2011 from £3.2 billion in quarter two. This is the lowest quarterly value for domestic acquisitions reported since quarter two 2009. The number of domestic acquisitions also fell, from 92 transactions reported in quarter two to 63 in quarter three.

Number and value of mergers and acquisitions involving UK companies

Values in £ billion

	Acquisitions abroad by UK companies ¹		Acquisitions in the UK by foreign companies ¹		Acquisitions in the UK by UK companies ¹	
	Number	Value	Number	Value	Number	Value
2009	118	10.1	112	32.0	286	12.2
2010	199	12.4	212	36.6	325	12.6
2010 Q2	49	2.3	48	2.8	95	2.0
2010 Q3	54	5.3	59	12.4	80	2.9
2010 Q4	66	3.8	51	7.0	83	6.3
2011 Q1r	61	20.6	46	5.5	70	1.4
2011 Q2r	63	10.7	66	9.2	92	3.2
2011 Q3p	42	5.8	45	3.7	63	1.1

Table notes:

1. See background notes 4, 5 and 6
2. r=revised, p=provisional

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Transactions in the UK by foreign companies

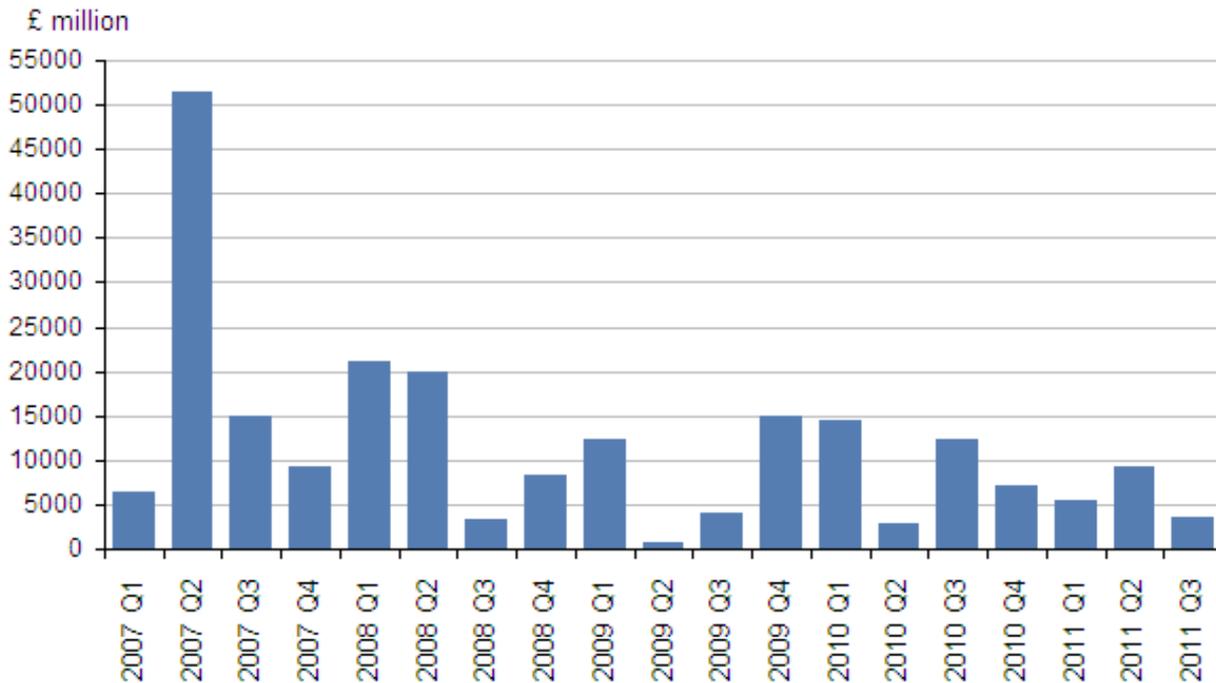
Number and value of transactions ([Table 1 \(35.5 Kb Excel sheet\)](#))

Expenditure on acquisitions in the UK by foreign companies fell to £3.7 billion in quarter three 2011 from £9.2 billion in quarter two. This is a decrease of 60 per cent, and is the lowest quarterly value for inward acquisitions reported since quarter two 2010. Overall the level of inward investment remains historically low as illustrated in figures 1 and 2 below. The significant decrease in the value of acquisitions compared with quarter two reflects both a decrease in the number of deals and fewer transactions with relatively high values.

The largest inward transaction by value in quarter three was the acquisition of RAC Ltd by The Carlyle Group of the USA for a press reported value of about £1.0 billion. Additional significant transactions included the acquisition of J.Choo Ltd by John.A.Benckiser SE of Austria, the acquisition of Holidaybreak Plc by Cox and Kings Ltd of India and the acquisition of Chaucer Holdings Plc, by The Hannover Insurance Group Inc of the USA.

Figure 1: Expenditure on acquisitions in the UK by foreign companies

Quarter one 2007 - quarter three 2011



Source: Mergers & Acquisitions, Investment in UK Companies by Foreign Companies, Deferred Payment Investment/Disinvestment in UK Companies by Foreign Companies - Office for National Statistics

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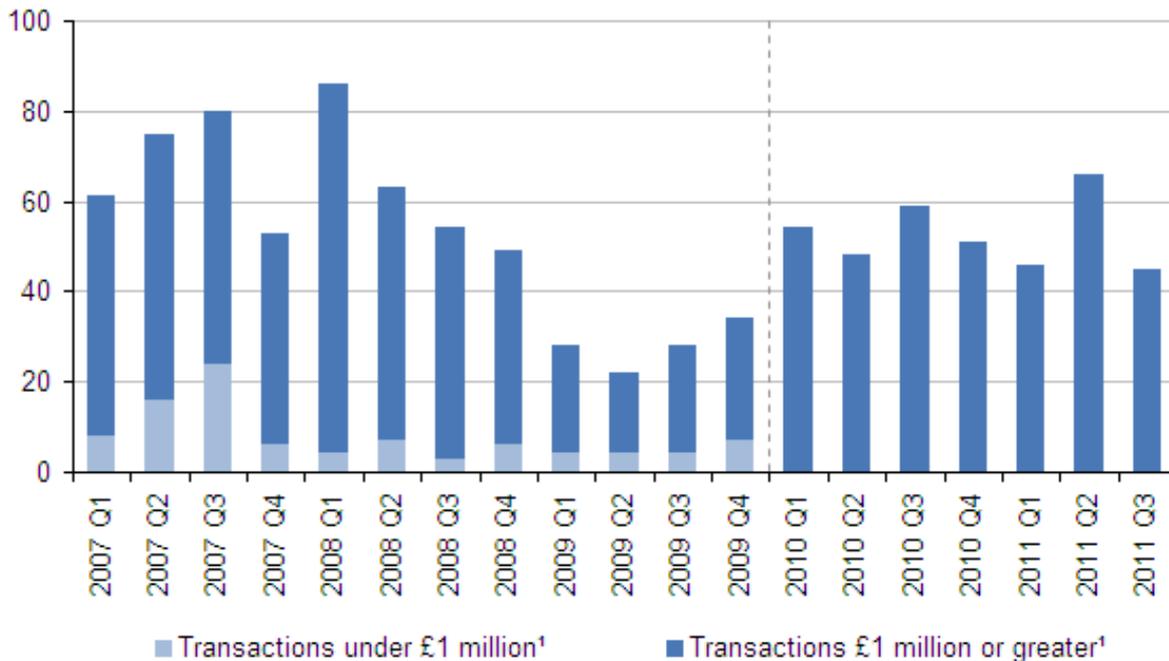
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There were 45 acquisitions, with values over £1.0 million, of UK companies by foreign companies in quarter three 2011 compared with 66 the previous quarter.

Figure 2: Number of acquisitions in the UK by foreign companies

Quarter one 2007 - quarter three 2011



Source: Mergers & Acquisitions, Investment in UK Companies by Foreign Companies, Deferred Payment Investment/Disinvestment in UK Companies by Foreign Companies - Office for National Statistics

Notes:

- At quarter one 2010 the deal identification threshold was raised from £0.1 million to £1.0 million. There is therefore a discontinuity in the number of transactions reported, as shown in the chart above.

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There were seven disposals of UK companies by foreign companies in quarter three 2011 with a total value of £0.6 billion, a decrease of about 90 per cent from quarter two.

The largest inward disposal by value in quarter three was the disposal by Towerbrook Capital Partners LP of the Cayman Islands of its stake in J.Choo Ltd.

Transactions abroad by UK companies

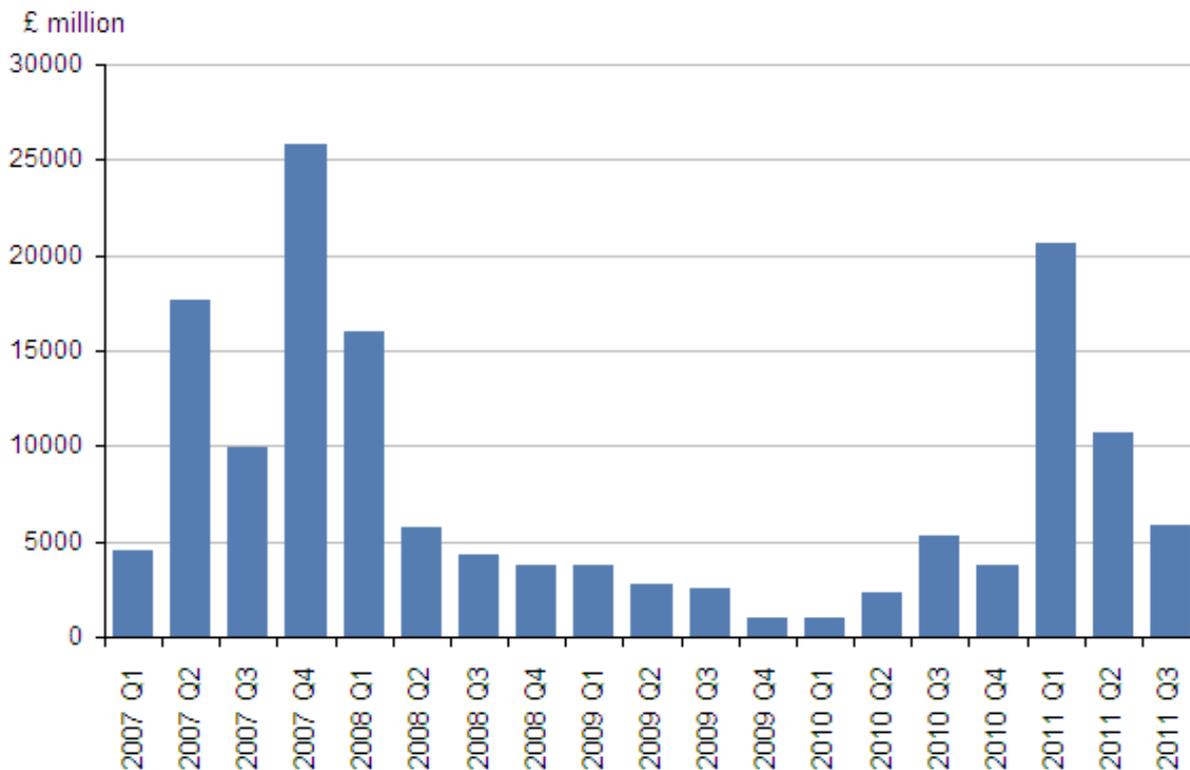
Number and value of transactions ([Table 1 \(35.5 Kb Excel sheet\)](#))

Expenditure on acquisitions abroad by UK companies fell to £5.8 billion in quarter three 2011 from £10.7 billion the previous quarter. This is a decrease of 46 per cent, and a fall of 72 per cent from the quarter one value of £20.6 billion, as illustrated in figure 3. As with inward acquisitions, the decrease reflects both a lower number of reported deals and the presence in quarter one and quarter two of a small number of transactions with very large values.

Significant outward transactions by value in quarter three 2011 include the acquisition by Vodafone Group Plc, of a controlling stake in Vodafone Essar Ltd of India, for a press-reported value of £2.6 billion and the acquisition by Diageo Plc of Mey Icki Sanayi Ve Ticaret of Turkey.

Figure 3: Expenditure on acquisitions abroad by UK companies

Quarter one 2007 - quarter three 2011



Source: Mergers & Acquisitions, Investment in Foreign Companies by UK Companies, Deferred Payment Investment/Disinvestment in Foreign Companies by UK Companies - Office for National Statistics

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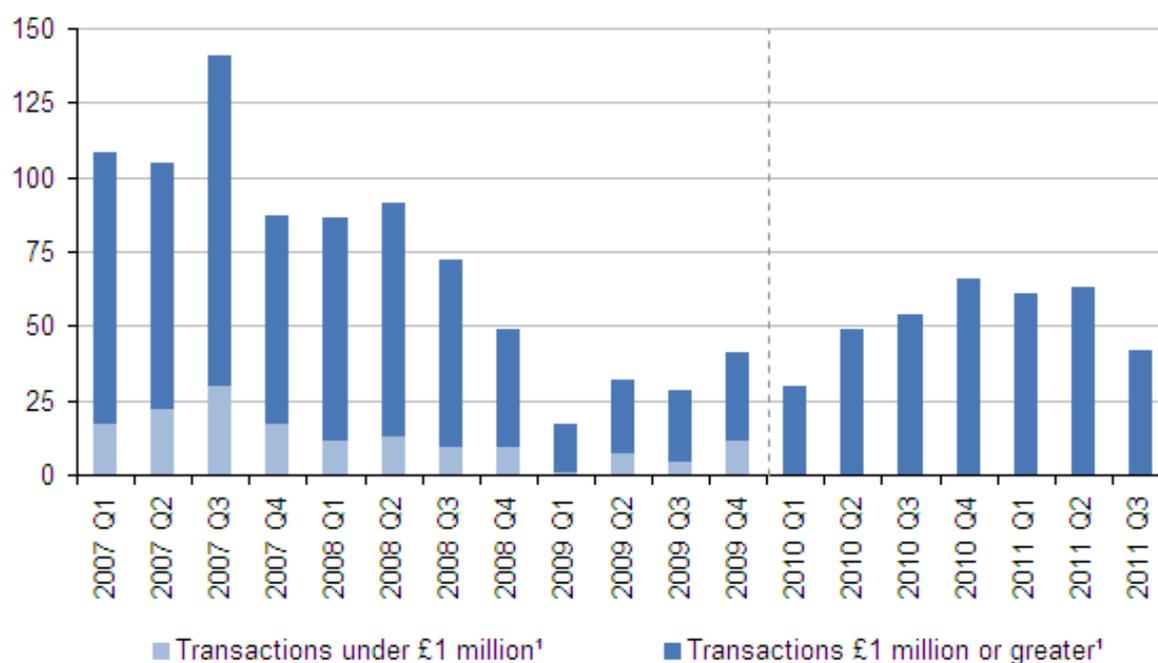
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As mentioned above, the number of acquisitions also decreased from the previous quarter. There were 42 acquisitions of foreign companies by UK companies with values over £1.0 million in quarter three 2011 compared with 63 in the previous quarter.

Figure 4: Number of acquisitions abroad by UK companies

Quarter one 2007 - quarter three 2011



Source: Mergers & Acquisitions, Investment in Foreign Companies by UK Companies, Deferred Payment Investment/Disinvestment in Foreign Companies by UK Companies - Office for National Statistics

Notes:

- At quarter one 2010 the deal identification threshold was raised from £0.1 million to £1.0 million. There is therefore a discontinuity in the number of transactions reported, as shown in the chart above.

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There were 11 disposals of foreign companies by UK companies in quarter three 2011 with a total value of £2.9 billion, down slightly from the value of £3.1 billion reported in quarter two. One significant transaction in quarter three was the disposal by AstraZeneca Plc of AstraTech AB of Sweden for a press reported value of £1.1 billion.

Significant transactions abroad by UK companies

	Value in £ million
AstraZeneca Plc disposing of AstraTech AB	-1103
BP Plc disposing of Arco Aluminium Inc	-416
Serco Group Plc acquiring Intelenet Global Services Private Ltd	335
GKN Plc acquiring Getrag Driveline Products	295
CSR Plc acquiring Zoran Corporation	281
Rexam Plc disposing of Closures Business	-218
Rio Tinto Plc disposing of Luzenac Europe SAS	-211

Table notes:

1. See background notes 2, 3, and 4

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Transactions in the UK by UK companies

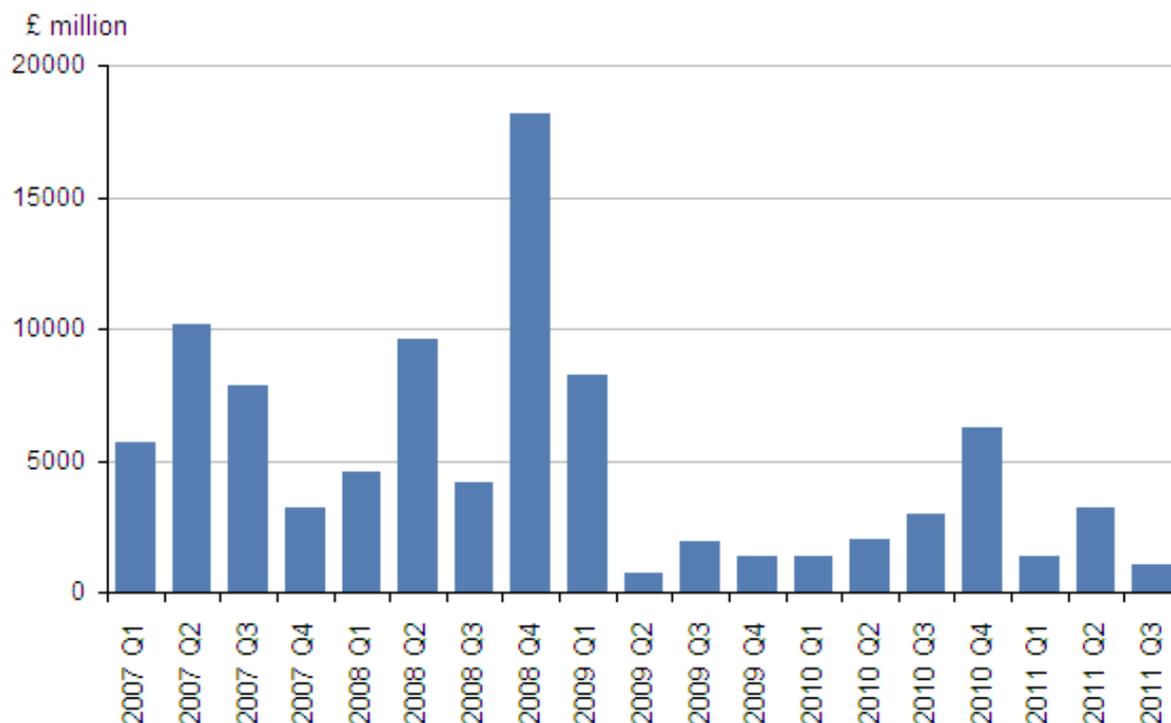
Number and value of transactions ([Table 8 \(33.5 Kb Excel sheet\)](#))

Expenditure on acquisitions in the UK by UK companies fell to £1.1 billion in quarter three 2011 from £3.2 billion in quarter two. This is the lowest quarterly value for domestic acquisitions reported since quarter two 2009, as illustrated in figure 5.

One significant transaction in quarter three was the acquisition by Lightcatch Ltd of Tote (Successor Company) Ltd for a reported value of £0.3 billion.

Figure 5: Expenditure on acquisitions of UK companies by other UK companies

Quarter one 2007 - quarter three 2011



Source: Mergers & Acquisitions, Investment in UK Companies by Other UK Companies, Deferred Payment Invested in UK Companies by other UK Companies - Office for National Statistics

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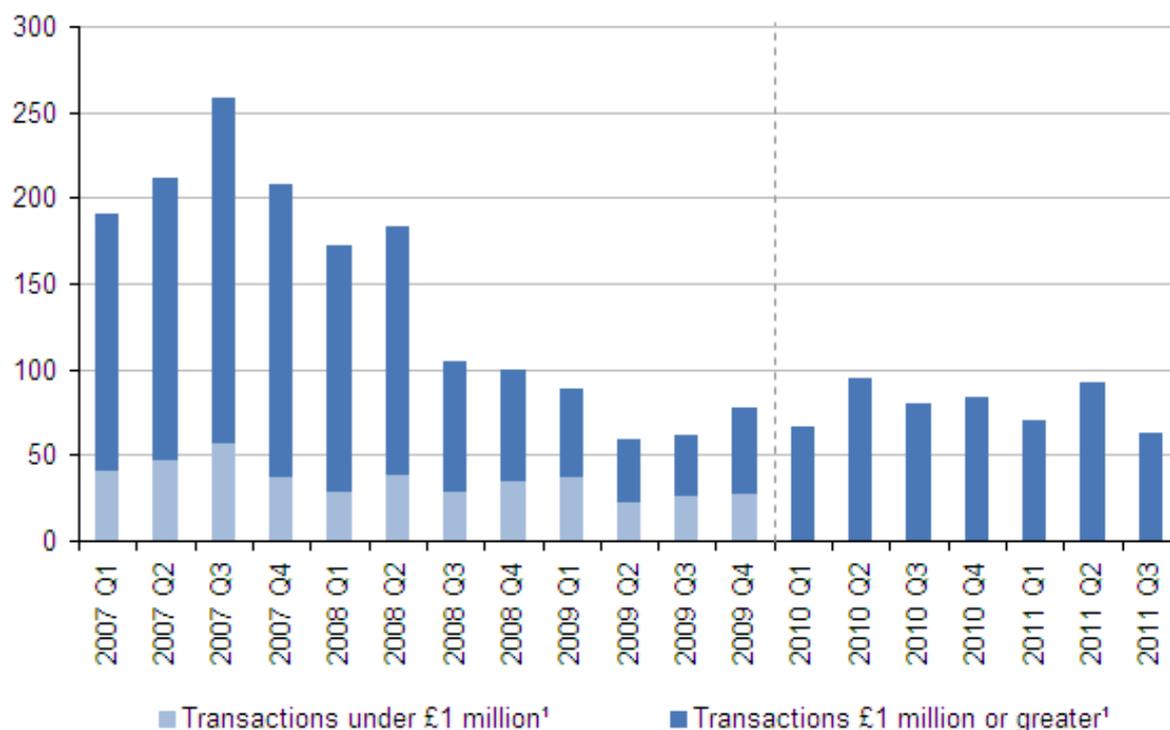
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The number of acquisitions also fell in quarter three 2011. There were 63 acquisitions of UK companies by other UK companies with values over £1.0 million in quarter three 2011, compared with 92 in the previous quarter. These transactions consisted of 43 acquisitions of independent companies, comprising 57 per cent of the total value of expenditure on acquisitions and 20 transactions by company groups involving their subsidiaries.

Figure 6: Number of acquisitions in the UK by UK companies

Quarter one 2007 - quarter three 2011



Source: Mergers & Acquisitions, Investment in UK Companies by Other UK Companies, Deferred Payment Invested in UK Companies by other UK Companies - Office for National Statistics

Notes:

- At quarter one 2010 the deal identification threshold was raised from £0.1 million to £1.0 million. There is therefore a discontinuity in the number of transactions reported, as shown in the chart above.

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Background notes**1. Basic quality information**

The [Quality and Methodology Information for Mergers and Acquisitions \(M&A\) surveys \(656.3 Kb Pdf\)](#) report describes in detail the intended uses of the statistics presented in this publication, their general quality and the methods used to produce them.

2. Relevance to users

The estimates presented in this statistical bulletin are a primary source for National Accounts (Balance of Payments), and are used by HM Revenue & Customs, European Central Bank and commercial users. The Foreign & Commonwealth Office and Number 10 Downing Street use the information as part of their briefing for major VIP visits to and from the UK. The estimates are also of interest to academics studying cross-border trade and to foreign embassies.

Source of data: The information collected is based on reports in the financial press; specialist magazines; company and financial websites supplemented by special surveys to businesses to determine the form, value and timing of each transaction.

If the information is not yet in the public domain then such transactions may not be reflected in the analysis. Where full information has not yet been received on the details of the acquisition or disposal the value of the transaction indicated in the public domain is used as an interim estimate.

The estimates shown in this release relate solely to mergers and acquisitions undertaken by companies: acquisitions by natural persons are not included.

3. Significant transactions

These tables show the reported figures for a selection of significant transactions that occurred in the quarter, where 'significance' is defined as the absolute value of the deal.

The figures shown are usually the ones available from the financial press or other sources in the public domain although occasionally, with the consent of the company, the value returned to the Office for National Statistics (ONS) is used in the tables instead of the press reported figure. If the company's consent cannot be obtained then the deal is excluded. Occasionally, therefore, a large deal may be missing from the lists so it is best to regard these tables as an indication of the ranking of deals rather than a completely exhaustive listing.

Press reported figures often differ to some extent from those supplied by companies to ONS and it is the latter that are used in compiling statistical aggregates in tables 1-10.

Included in the prices quoted in the tables of significant transactions is the total published price paid for the company excluding any assumed debt where known. Deferred payments are included in the reported price even if the payment is made in a different quarter.

4. Types of transactions covered

Mergers are acquisitions in which all or part of the payment is made in shares, such that the shareholders of the two companies become shareholders of a new, combined company group.

Demergers are disposals where a company group divides into two or more separate companies, in such a way that the shareholders of the restructured companies remain the same, or retain the equivalent value shareholding in one of the newly independent companies. Demergers are included in the statistics within disposals.

Cross border acquisitions denotes transactions where a company in one country acquires, either directly or indirectly, a controlling interest in a company in another country.

Direct transactions are those where a company in one country acquires a controlling interest in a company incorporated in another country.

Indirect transactions are those where a company uses an existing foreign subsidiary to acquire a controlling interest in a company incorporated in another country. The acquiring foreign intermediate company may be located in the same country in which the acquisition is being made or in a different country.

Acquisitions within the UK by UK companies denotes mergers and acquisitions involving only UK registered companies.

Where the acquired company was a subsidiary of another company the transaction is classified as a sale between company groups.

The phrase 'acquisitions in the UK by UK companies' refers to deals where the ultimate ownership remains in the UK. This heading does not cover the total number or value of deals where a UK company is the acquirer. When a foreign company acquires a UK company through one of its existing UK subsidiaries or a UK registered special purpose vehicle, that deal is shown as part of the data under 'acquisitions in the UK by foreign companies'. A special purpose vehicle is a company which is set up for the purposes of the acquisition.

5. **Financing**

This statistical bulletin provides details of the application of funds to effect mergers and acquisitions and the proceeds raised from disinvestments and demergers.

For indirect foreign transactions there is the added complication of considering the movements of funds either as capital injection or in the form of loans between parent companies and their foreign subsidiaries making the acquisition. Occasionally, the foreign subsidiary obtains the funds required partly or entirely outside the UK from sources such as:

- Own resources.
- Borrowing from banks and other local sources.
- Share, bond and other capital or notes issued abroad.

A transaction may be funded by more than one method.

6. **Accuracy**

Data for quarters one and two 2011 have been revised in the light of new information, so revisions to the quarter one and two data have been published in this statistical bulletin.

The annual data for 2010 was finalised in the quarter one 2011 statistical bulletin and will not be revised further. Revisions to the 2011 quarterly figures will be re-calculated at each quarterly release until quarter one 2012.

Principle reasons for revisions are outlined in the Summary Quality Report linked in section 1 of the background notes.

Average Revisions over the previous five quarters

Number of transactions

	Value in latest period (Quarter three 2011)	Average revision over the last five quarters (bias)	Average over the last five quarters without regard to sign (average absolute revision)
Number of outward acquisitions (CBAQ)	42	18	18
Number of outward disposals (CBAS)	11	7	7
Number of inward acquisitions (CBAU)	45	13	13
Number of inward disposals (CBAW)	7	4	4
Number of domestic acquisitions (AIHA)	63	24	24

Table source: Office for National Statistics

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Average Revisions over the previous five quarters

Values of transactions

Values quoted in £ million				
	Value in latest period (Quarter three 2011)	Average revision over the last five quarters (bias)	Average over the last five quarters without regard to sign (average absolute revision)	
Value of outward acquisitions (CBBi)	5826	856	410	
Value of outward disposals (CBBT)	2893	454	1026	
Value of inward acquisitions (CBCQ)	3656	-410	186	
Value of inward disposals (CBDB)	571	113	189	
Value of domestic acquisitions (DUCM)	1051	830	830	

Table source: Office for National Statistics

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A statistical test is applied to the average revisions to find out if there is bias in the estimates. The revisions are considered to be biased if the mean revision is significantly different from zero. These tests highlight that the revisions were statistically significant for the number of inward, outward and domestic acquisitions and the number of inward disposals. For the other variables, these tests were not statistically significant for any of the key variables, implying that any observed bias was due to chance.

This reflects the fact that the primary reason for revisions to the numbers of transactions is the identification of further deals after the statistics are initially released. However, these additional

transactions typically have relatively small values, so do not tend to lead to similar upward revisions to the statistics on the value of transactions.

7. Response Rates

Cross-border mergers and acquisitions (CBAM) inwards

Statistics of sample size - latest survey conducted

Reference period	Quarter 2 2011	Quarter 3 2011
Response rate (%)	85r	74p

Table source: Office for National Statistics

Table notes:

1. r=revised, p=provisional

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Cross-border mergers and acquisitions (CBAM) outwards

Statistics of sample size - latest survey conducted

Reference period	Quarter 2 2011	Quarter 3 2011
Response rate (%)	70r	82p

Table source: Office for National Statistics

Table notes:

1. r=revised, p=provisional

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Domestic mergers and acquisitions (DAM)

Statistics of sample size - last survey conducted

Reference period	Quarter 2 2011	Quarter 3 2011
Response rate (%)	88r	81p

Table source: Office for National Statistics

Table notes:

1. r=revised, p=provisional

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8. Notes to tables

The deal identification threshold has been increased at quarter one 2010 to a value of £1.0 million from a previous value of £0.1 million. As a consequence there is a discontinuity in the number of deals reported from quarter one 2010 onwards compared with previous periods. The size of this discontinuity is highlighted in figures 2, 4 and 6.

Symbols used in the tables are:

.. Figure suppressed to avoid disclosure of information relating to individual enterprises.

– Nil or less than half the final digit shown.

The sum of constituent items in tables may not always agree exactly with the totals shown due to rounding.

9. Office for National Statistics

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10. The Government Statistical Service (GSS)

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