

Mergers and Acquisitions Involving UK Companies, Q1 2012



Coverage: **International**

Date: **06 June 2012**

Geographical Area: **UK and GB**

Theme: **Business and Energy**

Key Findings

- The values of inward, outward and domestic acquisitions all decreased in quarter one 2012 compared with the previous quarter. Overall the value of mergers and acquisitions involving UK companies remains low.
- Expenditure on acquisitions abroad by UK companies (outward acquisitions) fell from £12.6 billion in quarter four 2011 to £0.7 billion in quarter one 2012. This is the lowest quarterly level for acquisitions since the series began in quarter one 1987.
- The value of acquisitions in the UK by foreign companies (inward acquisitions) fell from £12.4 billion in quarter four 2011 to £3.9 billion in the first quarter of 2012, the lowest value reported since quarter two 2010 when the value was £2.8 billion.
- Domestic acquisitions (acquisitions in the UK by other UK companies) fell from £1.8 billion in quarter four 2011 to £1.1 billion in quarter one 2012, the lowest value since 2009 (£0.7 billion).
- The net value of cross border transactions reported for quarter one 2012 is minus £5.3 billion. This indicates that foreign companies invested in UK companies (inward investment) to a greater extent than UK companies had invested abroad (outward investment).

Summary

This statistical bulletin provides estimates of the value and numbers of mergers, acquisitions and disposals involving UK companies with values of £1.0 million or greater. 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. This series is volatile because the quarterly figures are often dominated by a small number of very large transactions. The values of transactions involving UK companies are published on a current price basis.

The value of outward acquisitions (acquisitions abroad by UK companies) fell by 94 per cent from £12.6 billion in quarter four 2011 to £0.7 billion in quarter one 2012. The number of outward acquisitions also dropped from 64 transactions to 16 in quarter one 2012.

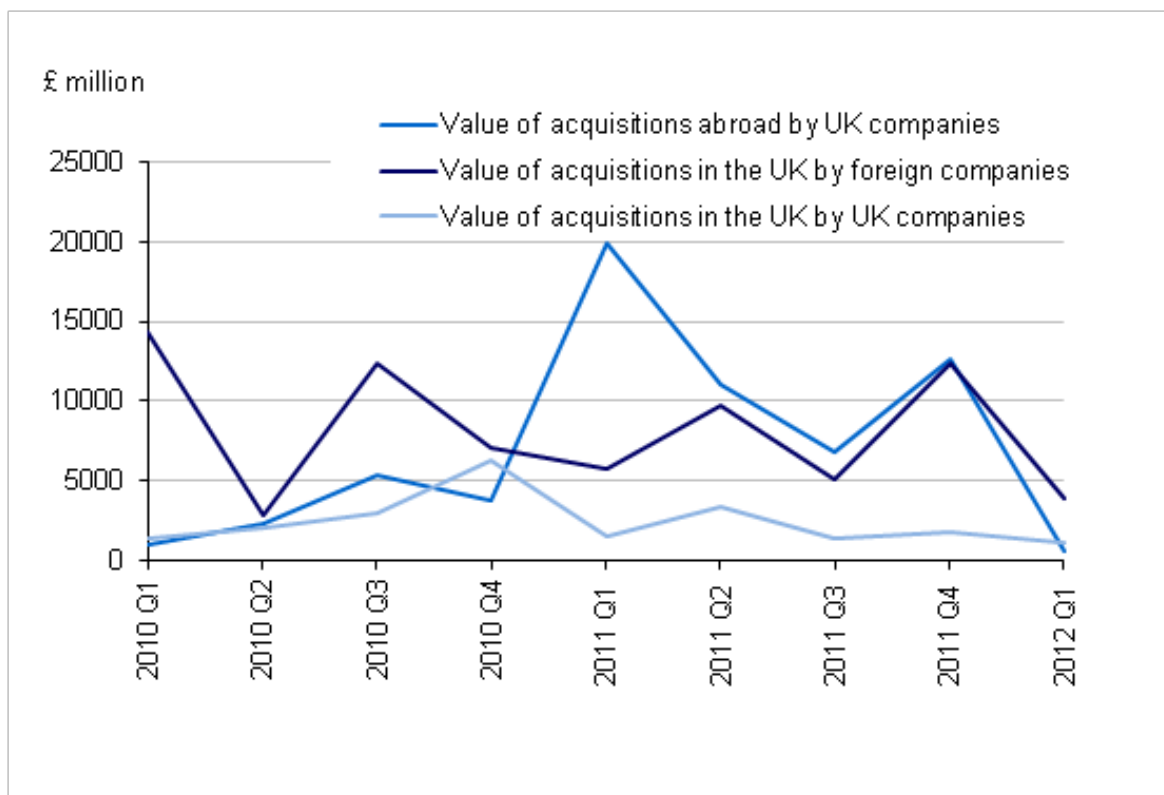
Expenditure on inward acquisitions (acquisitions in the UK by foreign companies) decreased by 68 per cent from £12.4 billion in quarter four 2011 to £3.9 billion in the first quarter of 2012 with the number of inward acquisitions also decreasing from 47 transactions to 37.

The value of domestic acquisitions (acquisitions in the UK by other UK companies) fell by 39 per cent, from £1.8 billion in quarter four 2011 to £1.1 billion in quarter one 2012. The number of transactions also fell from 106 to 56.

Overall the values and numbers of mergers and acquisitions involving UK companies all decreased in quarter one 2012. This is likely to be affected by concerns over the Eurozone debt and concerns about economic growth.

Figure 1: Value of acquisitions involving UK companies

Quarter one 2010 - quarter one 2012



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

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Table A: Number and value of mergers and acquisitions involving UK companies

	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
	Values in £ billion					
2010	199	12.4	212	36.6	325	12.6
2011r	286	50.2	237	33.0	373	8.1
2010 Q1	30	1.0	54	14.4	67	1.4
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	70	19.8	54	5.8	76	1.5
2011 Q2r	75	11.0	68	9.7	94	3.3
2011 Q3r	77	6.8	68	5.1	97	1.5
2011 Q4r	64	12.6	47	12.4	106	1.8
2012 Q1p	16	0.7	37	3.9	56	1.1

Table source: Office for National Statistics**Table notes:**

1. See background notes 4, 5 and 6

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Transactions abroad by UK companies

Value and number of transactions [\(Table 1\)](#) [\(260 Kb Excel sheet\)](#)

This section illustrates the value and number of acquisitions abroad by UK companies over the last five years.

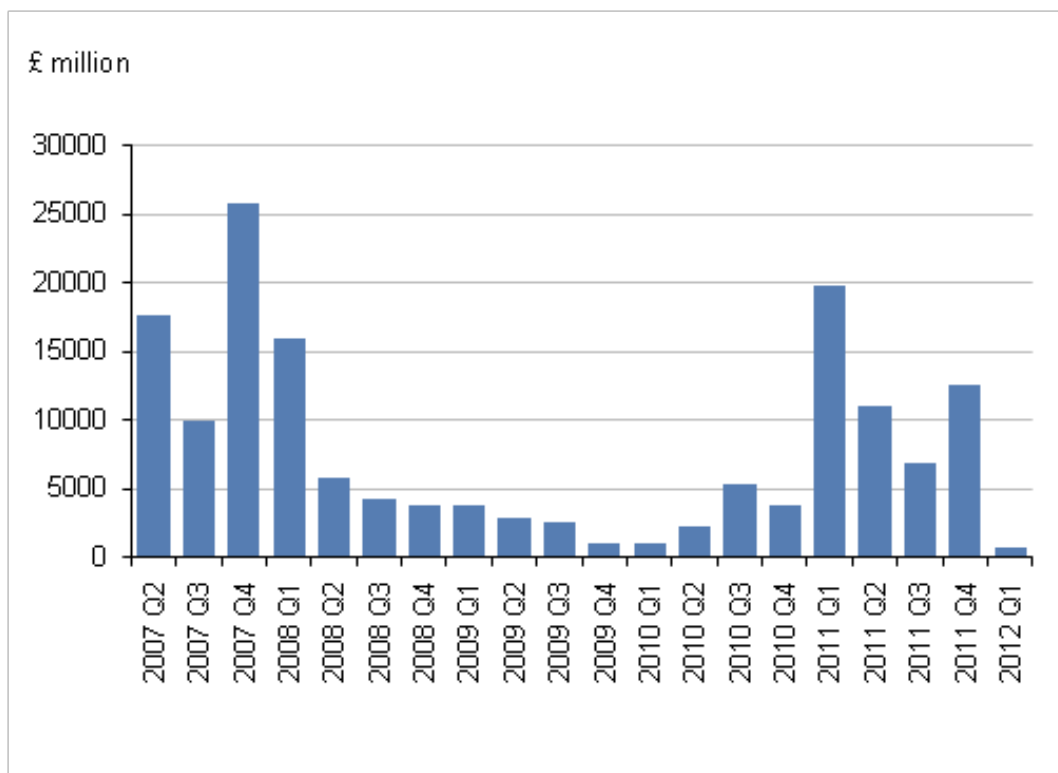
The value of acquisitions abroad by UK companies (Figure 3) fell substantially between quarter four 2011 and quarter one 2012 to a new low (£ 0.7 billion), a decrease of 94 per cent. This is down from £12.6 billion in quarter four 2011 and £19.8 billion in quarter one 2011. The reason for the relatively low value of acquisitions abroad by UK companies is unclear although concerns relating to the Eurozone sovereign debt crisis and confidence in economic growth are likely to have played their part.

The number of acquisitions abroad by UK companies decreased in quarter one 2012 from the previous quarter (Figure 4). There were 64 acquisitions of foreign companies by UK companies with values over £1.0 million in quarter four 2011, compared with 16 acquisitions in quarter one 2012.

The number and value of disposals abroad by UK companies decreased in quarter one 2012. There were 21 disposals reported in quarter four 2011 with a value of £4.1 billion, compared with three disposals reported in quarter one 2012 with a total value of £2.1 billion, a decrease of 49 per cent. The most significant transaction in quarter one 2012 was the disposal by Old Mutual Plc of Skandia Insurance Company Ltd of Sweden for a press reported value of £2.1 billion.

Figure 2: Expenditure on acquisitions abroad by UK companies

Quarter two 2007 - quarter one 2012



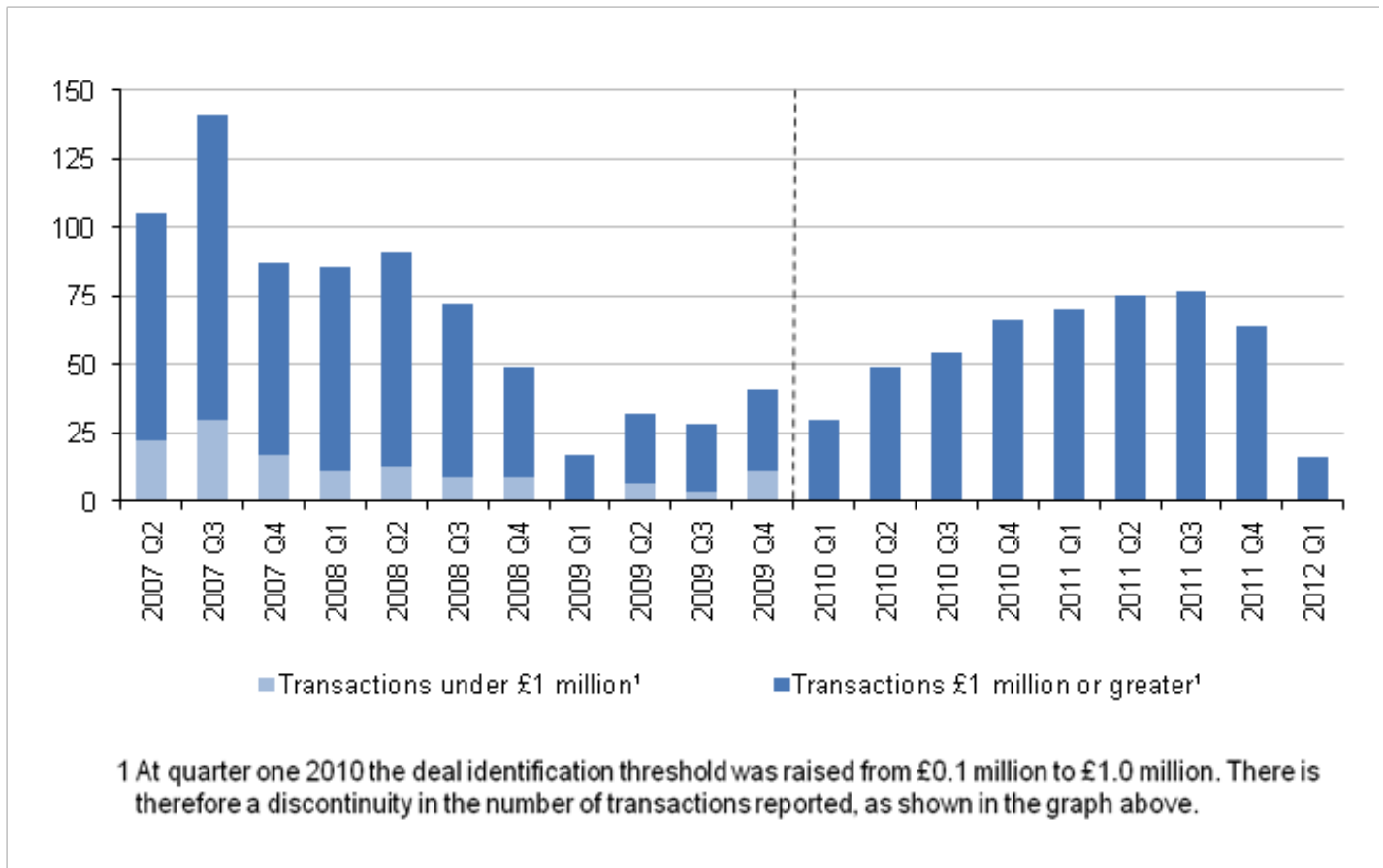
Source: Mergers & Acquisitions, Investment in Foreign Companies by UK Companies, Deferred Payment Investment/Disinvestment in Foreign Companies by UK Companies - Office for National Statistics

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Figure 3: Number of acquisitions abroad by UK companies

Quarter two 2007 - quarter one 2012



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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Transactions in the UK by foreign companies

Value and number of transactions([Table 1](#)) ([260 Kb Excel sheet](#))

This section illustrates the value and number of acquisitions in the UK by foreign companies over the last five years.

Expenditure on acquisitions in the UK by foreign companies (inward investment) fell between quarter four 2011 and quarter one 2012 to a value of £3.9 billion (Figure 5), a decrease of 69 per cent. This is down from £12.4 billion in quarter four 2011 and £5.8 billion in quarter one 2011.

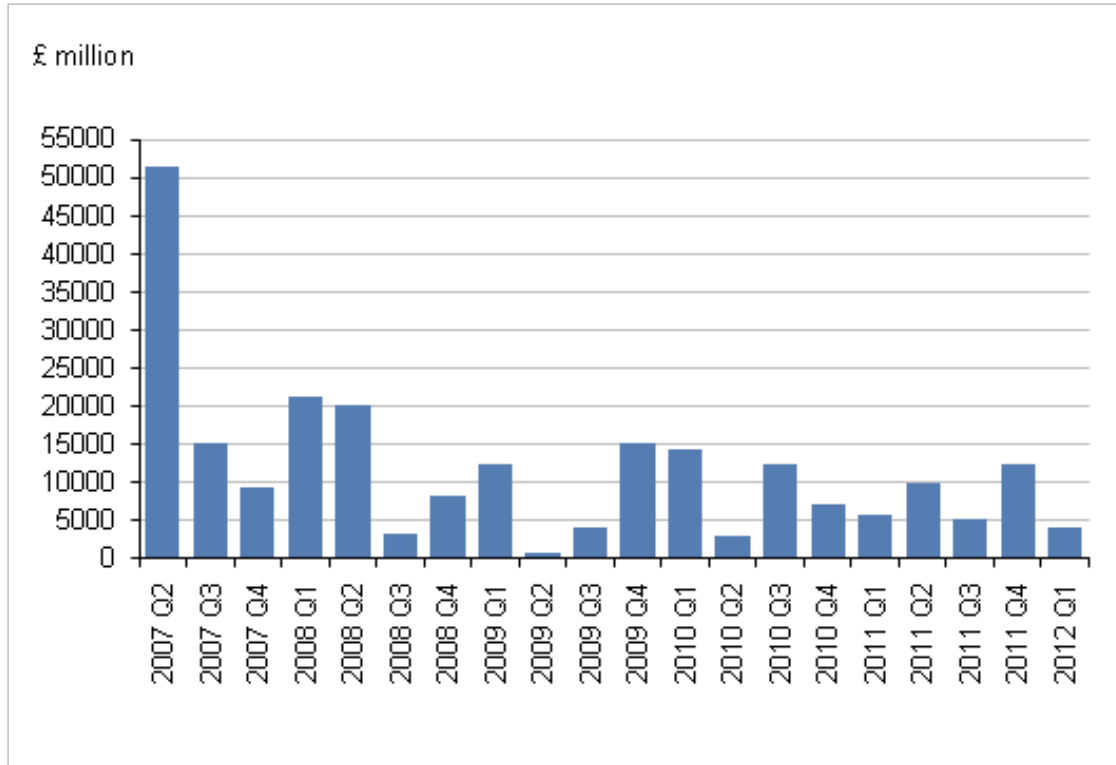
The number of inward acquisitions in quarter one 2012 also fell from the previous quarter (Figure 6). There were 47 acquisitions of UK companies by foreign companies with values over £1.0 million in quarter four 2011, compared with 37 in quarter one 2012.

The most significant inward transaction in quarter one 2012 was the acquisition by Virgin Group Holdings Ltd (British Virgin Islands) of Northern Rock Plc. A further significant transaction was the acquisition of Kalahari Minerals Plc by China Guangdong Nuclear Power Holdings Corporation.

The number and value of disposals of UK companies by foreign companies decreased in quarter one 2012. There were 22 disposals reported in quarter four 2011 with a value of £2.8 billion. By comparison, there were five disposals of UK companies by foreign companies in quarter one 2012 with a total value of £54 million (98 per cent decrease), the lowest value of inward disposals reported since quarter two 2009. This partly reflects the weak economic and financial situation and limited market for M&A activity in 2012 Q1.

Figure 4: Expenditure on acquisitions in the UK by foreign companies

Quarter two 2007 - quarter one 2012



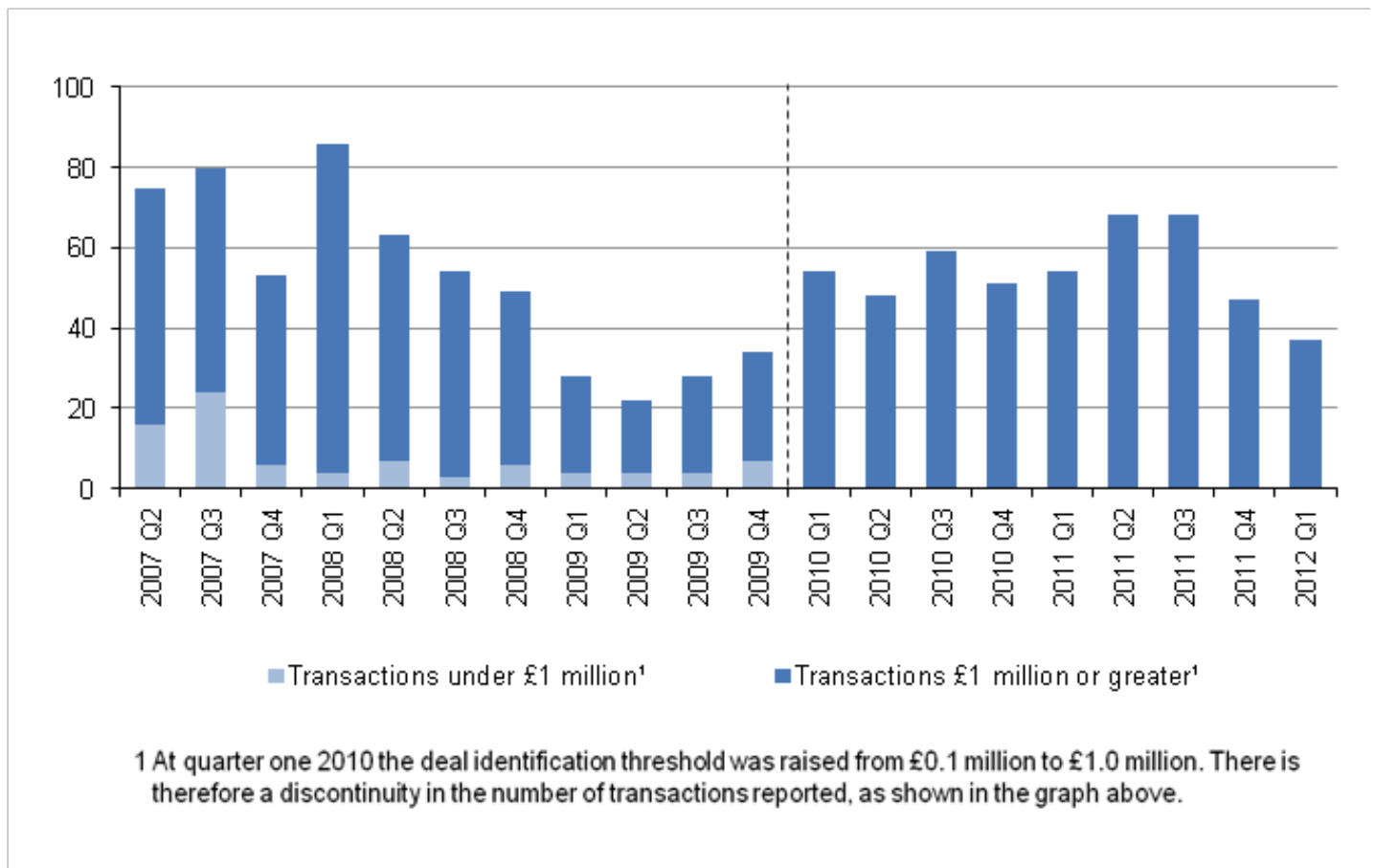
Source: Mergers & Acquisitions, Investment in UK Companies by Foreign Companies, Deferred Payment Investment/Disinvestment in UK Companies by Foreign Companies - Office for National Statistics

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Figure 5: Number of acquisitions in the UK by foreign companies

Quarter two 2007 - quarter one 2012



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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Transactions in the UK by UK companies**Value and number of transactions ([Table 8](#)) ([260 Kb Excel sheet](#))**

This section illustrates the value and number of acquisitions in the UK by UK companies over the last five years.

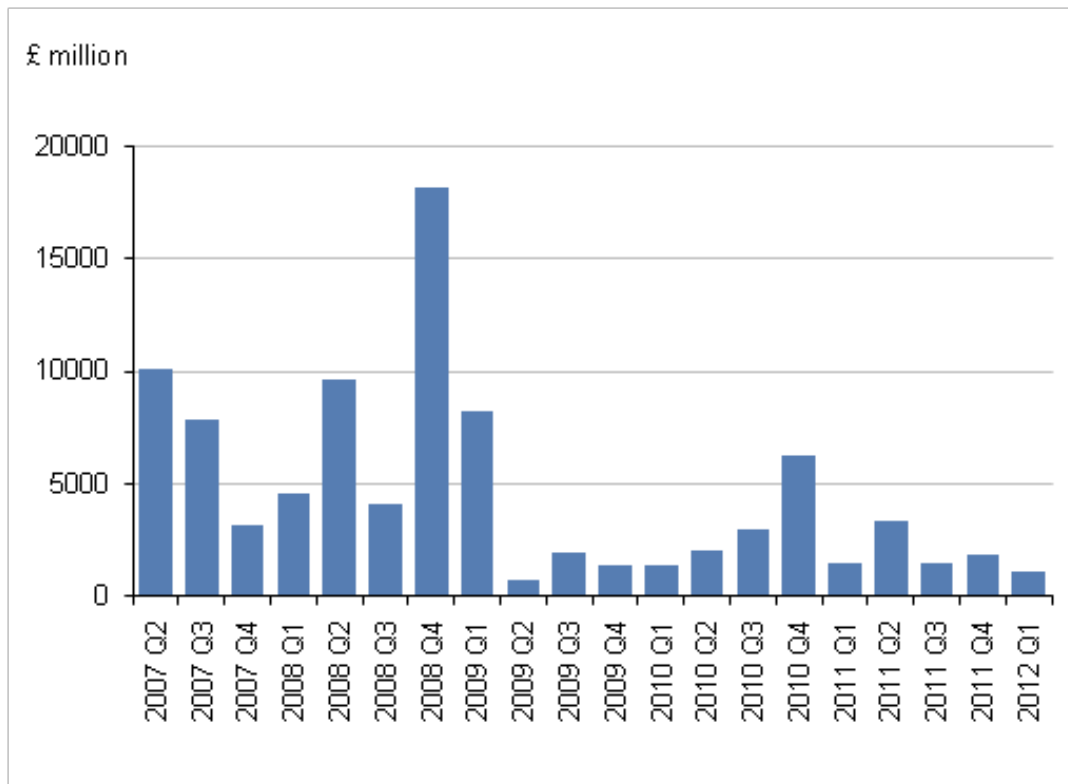
Expenditure on acquisitions in the UK by other UK companies (domestic acquisitions) fell between quarter four 2011 and quarter one 2012 to £1.1 billion, a decrease of 39 per cent. This is down from £1.8 billion in quarter four 2011 and £1.5 billion in quarter one 2011. This is the lowest quarterly value for domestic acquisitions reported since quarter two 2009, as illustrated in Figure 6 below.

The number of domestic acquisitions also fell in quarter one 2012 (Figure 8). There were 106 acquisitions of UK companies by other UK companies with values over £1.0 million in quarter four 2011, compared with 56 acquisitions reported in quarter one 2012. These transactions consisted of 43 acquisitions of independent companies, comprising 76 per cent of the total value of expenditure on acquisitions and 13 transactions by company groups involving their subsidiaries.

The most significant transaction in quarter one 2012 was the acquisition by Premier Oil Plc of Encore Oil Plc, for a press reported value of approximately £0.3 billion.

Figure 6: Expenditure on acquisitions of UK companies by other UK companies

Quarter two 2007 - quarter one 2012



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

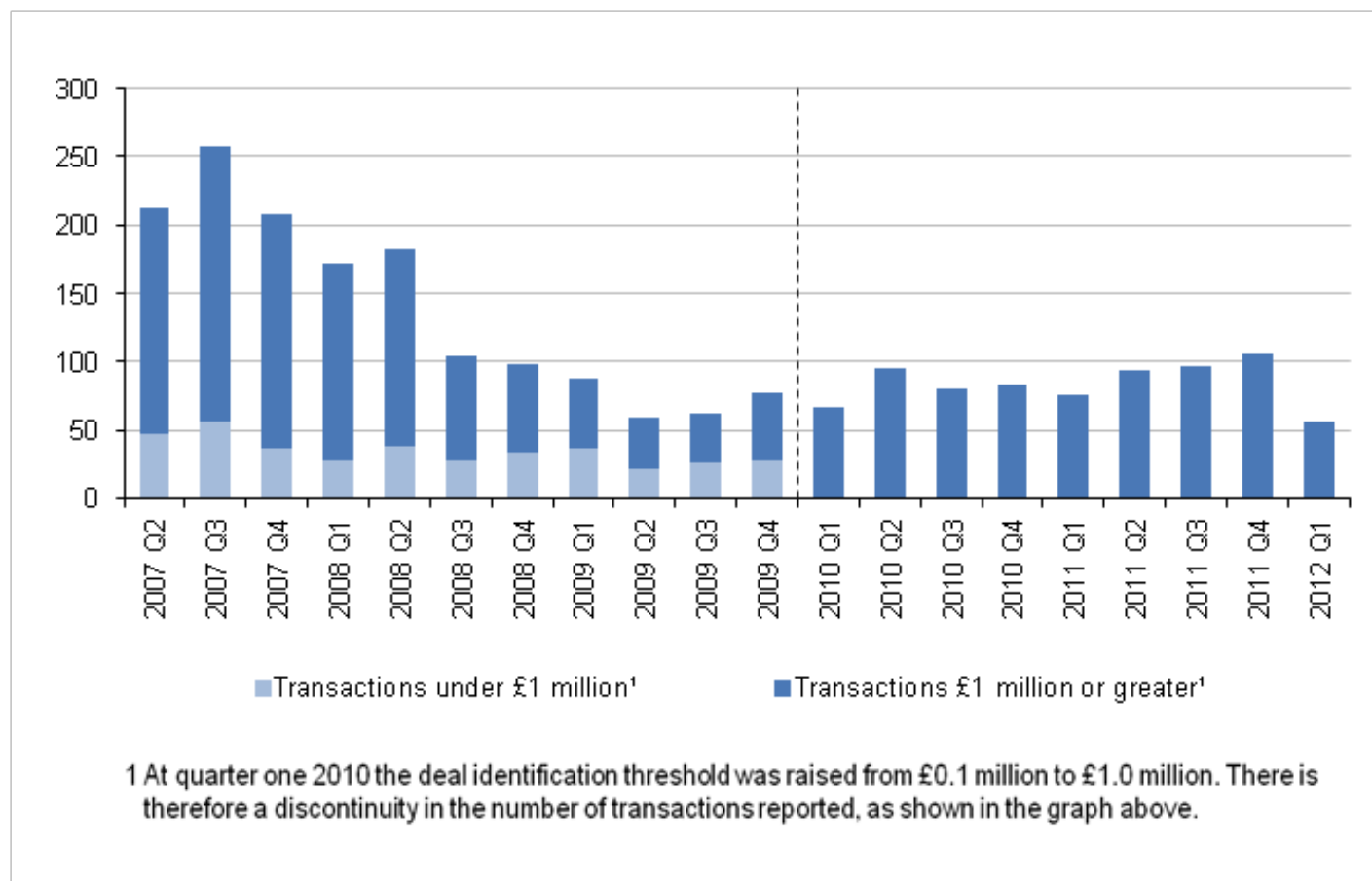
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Figure 7: Number of acquisitions in the UK by UK companies

Quarter two 2007 - quarter one 2012



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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Notes for Transactions in the UK by UK companies

1.

Background notes

1. User engagement

We are constantly aiming to improve this release and its associated commentary. We would welcome any feedback you might have; please contact us via email: fdi@ons.gsi.gov.uk or telephone Ciara Williams-Fletcher on (+44) 01633 456455

2. 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.

3. Relevance to users

The degree to which the statistical outputs meet users' needs.

Within ONS, the mergers and acquisitions data are considered to be essential for producing Balance of Payments and economic accounts statistics. The survey results form important components of the UK Balance of Payments and the National Economic and Financial Accounts and are vital in the measurement of the financial and non-financial business sector accounts.

The Cross-Borders Acquisitions and Mergers survey (M&A) data are used in the compilation of the estimates of Foreign Direct Investment (FDI). These data meet the needs of FDI by collecting data on all acquisitions which lead to a holding in excess of 10 per cent of the issued share capital. These estimates then feed into the UK Balance of Payments and the 'Rest of the World' sector of the financial accounts in the National Accounts, for which there is an EU legal requirement. Individual transaction information is also used to estimate the counterpart in 'portfolio' investment flows for monthly Balance of Payments.

The data collected are also used in updating business structures and country of ownership codes on the Inter-Departmental Business Register (IDBR). The IDBR is a comprehensive list of UK businesses that is used by government for statistical purposes.

Elsewhere in government, examples of departments who use the data include:

- HM Treasury, Economic Analysis Division, where the data is used in preparing briefing and forecasting;
- Department of Business, Innovation and Skills (BIS), where direct investment data is required for ministerial briefing, parliamentary questions and in formulating trade policy;
- UK Trade & Investment, where the information is used for briefing and supplementing information available from the Bureau on the extent to which the UK is successful in attracting inward investment; and
- HM Revenue and Customs, where the data is used to help in forecasting company taxation.

Non-government users include:

- private companies which are interested in analysing country and industry data for trends by foreign firms in the UK and by UK companies abroad, and also for researching corporate finance activity and for the purpose of investment banking;

- UK embassies of foreign countries, which are interested in information on specific countries and companies making acquisitions, and
- private sector economists, journalists and academics who are interested in information on particular industries and particular countries for research purposes and who use the data for periodic statistical comparisons.

Feedback from users has indicated that the information received from the M&A survey has a high degree of relevance across the above user groups, meets the vast majority of user needs, and all information currently collected and published is used. Users have also indicated that the information is very accurate and relatively easy to access.

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.

Global M&A activity is often driven by the availability of credit and company profits, as well as as a sense of confidence in the economic outlook. The majority of large M&A deals involve some element of borrowing or leveraging and therefore when credit markets freeze, as happened in the 2007 global financial crisis and the subsequent Euro area sovereign debt crisis, then M&A activity is curtailed. A poor global credit market and subdued economic outlook would discourage M&A activity.

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 data shown in this release relate solely to mergers and acquisitions undertaken by companies: acquisitions by individuals are not included.

All values are published as current prices which are the prices as they were at the time of measurement and not adjusted for inflation.

4. Significant transactions

These tables show the reported figures for a selection of significant transactions which 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, however, the values are included in the aggregate tables. Occasionally, therefore, a large deal may be missing (suppressed) 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 which 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.

5. 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 denote 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: This 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' refer 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'.

6. 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:

a. Own resources

b. Borrowing from banks and other local sources

c. Share, bond and other capital or notes issued abroad

A transaction may be funded by more than one method.

7. Revisions

Data for all four quarters of 2011 have been revised in the light of new information, and so revisions to the data for quarter one, two, three and four have been published in this statistical bulletin. No further revisions to data prior to quarter one 2011 have been made. Therefore time series data for all quarters of 2010 and any previous historic quarterly periods remains unchanged.

Annual data tables for 2011 are produced in conjunction with the quarter four 2011 data. Revisions to the 2011 quarterly and annual figures are re-calculated at quarter one 2012 only.

No revisions to annual data prior to 2011 have been made. Therefore time series data for previous historic annual periods remain unchanged.

Revisions to the aggregates used in M&A principally occur for the following reasons:

Completion of transactions:

On announcement of a proposed transaction an expected completion date is usually given. The publicly reported values will be allocated to the quarter of expected completion. If the transaction is ultimately completed in an earlier or later quarter, the recorded values will be reallocated to the new quarter.

Publicly reported values:

Publicly reported values are initially used to compile the aggregates. These can vary considerably from the values ultimately supplied by the respondents, frequently because the assumption of debt has been included in the publicly reported value. A nominal value is applied if no publicly reported value is available. The final values used to create the aggregates are those supplied by the respondent.

Non-completion of transactions:

On announcement of a proposed transaction the publicly reported value of the transaction is recorded. If the transaction does not subsequently take place the recorded value will be deleted.

Non-share transactions:

On announcement of a proposed transaction it may appear that there will be transactions in the share capital of the companies involved and the publicly reported values will be recorded. If subsequent information contradicts this the recorded values will be amended or deleted.

Control:

On announcement of a proposed transaction it may appear that the transaction will give the purchasing company control of the purchased company, i.e. a share ownership of greater than 50 per cent. If subsequent information contradicts this the recorded values will be amended or deleted.

Revisions from respondents:

Very occasionally respondents revise the values that they have previously supplied to ONS. The revised values are those used to create the aggregates.

Average revisions over the previous five quarters

Values of transactions

Values quoted in £ million	Value in latest period (Quarter one 2012)	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)	662	-105.8	631
Value of outward disposals (CBBT)	2,102	77	77
Value of inward acquisitions (CBCQ)	3,948	199.4	680
Value of inward disposals (CBDB)	54	10	10
Value of domestic acquisitions (DUCM)	1,118	105.4	105.4

Table source: Office for National Statistics

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Average revisions over the previous five quarters

Number of transactions

	Number in latest period (Quarter one 2012)	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)	16	4	4
Number of outward disposals (CBAS)	3	1	1
Number of inward acquisitions (CBAU)	5	13	13
Number of inward disposals (CBAW)	37	2	3
Number of domestic acquisitions (AIHA)	56	7	7

Table source: Office for National Statistics**Download table**
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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 and outward 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.

8. Response rates

Cross-border mergers and acquisitions (CBAM) outwards

Reference period	Quarter 4 2011	Quarter 1 2012
Response rate (%)	78r	73p

Table source: Office for National Statistics

Table notes:

1. r=revised, p=provisional

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Cross-border mergers and acquisitions (CBAM) inwards

Reference period	Quarter 4 2011	Quarter 1 2012
Response rate (%)	80r	73p

Table source: Office for National Statistics

Table notes:

1. r=revised, p=provisional

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Domestic mergers and acquisitions (DAM)

Reference period	Quarter 4 2011	Quarter 1 2012
Response rate (%)	88r	77p

Table source: Office for National Statistics

Table notes:

1. r=revised, p=provisional

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9. 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 3, 5 and 7.

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.

10. Office for National Statistics

The Office for National Statistics (ONS) is the executive office of the [UK Statistics Authority](#), a non-ministerial department which reports directly to Parliament. ONS is the UK government's single largest statistical producer. It compiles information about the UK's society and economy, and provides the evidence-base for policy and decision-making, the allocation of resources, and public accountability. The Director General of ONS reports directly to the National Statistician who is the Authority's Chief Executive and the Head of the Government Statistical Service.

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11. The Government Statistical Service (GSS)

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12. National Statistics

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