

Article

# UK Mergers and Acquisitions activity in context: 2016

Commentary outlining provisional statistics on mergers and acquisitions (M&A) involving UK companies for 2016.



Contact:  
Sami Hamroush  
sami.hamroush@ons.gov.uk

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# 1 . Main points

- The value of mergers and acquisitions in the UK by foreign companies (inward M&A) reached a record high during 2016 of £187.4 billion, which was dominated by a small number of very-high-value deals.
- Removing these very-high-value deals from the total value of inward M&A in 2016 brings this activity in-line with other annual totals since 2009.
- The value of M&A of UK companies by other UK companies (domestic M&A) also grew in 2016, reaching £23.9 billion – the highest value since 2008.
- The value of M&A of UK companies abroad (outward M&A) was £16.7 billion in 2016, which is a 35% decrease on the value recorded for 2015.
- The numbers of both inward and domestic M&A deals were the highest recorded since 2011, while the number of outward deals was comparable with other annual totals since 2012.

## 2 . Introduction

The Office for National Statistics (ONS) collects data on mergers and acquisitions (M&A) involving UK companies. These are published for transactions above £1 million that result in a change of majority share ownership (at least 50.1% of ordinary shares) upon completion of the deal. M&A can be classified into:

- outward: acquisitions by UK companies abroad
- inward: acquisitions in the UK by foreign companies
- domestic: acquisitions of the UK by other UK-based companies

This article provides a brief overview of the number and value of UK M&A activity in 2016, before providing a context in which to view these results. Information on quarterly M&A activity can be found in the [latest statistical bulletin](#).

Statistics used in this short article include provisional Quarter 4 (October to December) 2016 estimates, which may be revised in June 2017 in light of new information. It is worth noting that the M&A process involves a number of stages, therefore completed deals reported in official statistics often reflect corporate decisions made many months in advance. Caution is advised when linking high levels of M&A activity to economic conditions and events, including the outcome of the EU referendum. A case study for an acquisition completed in 2016 can be found in the Annex.

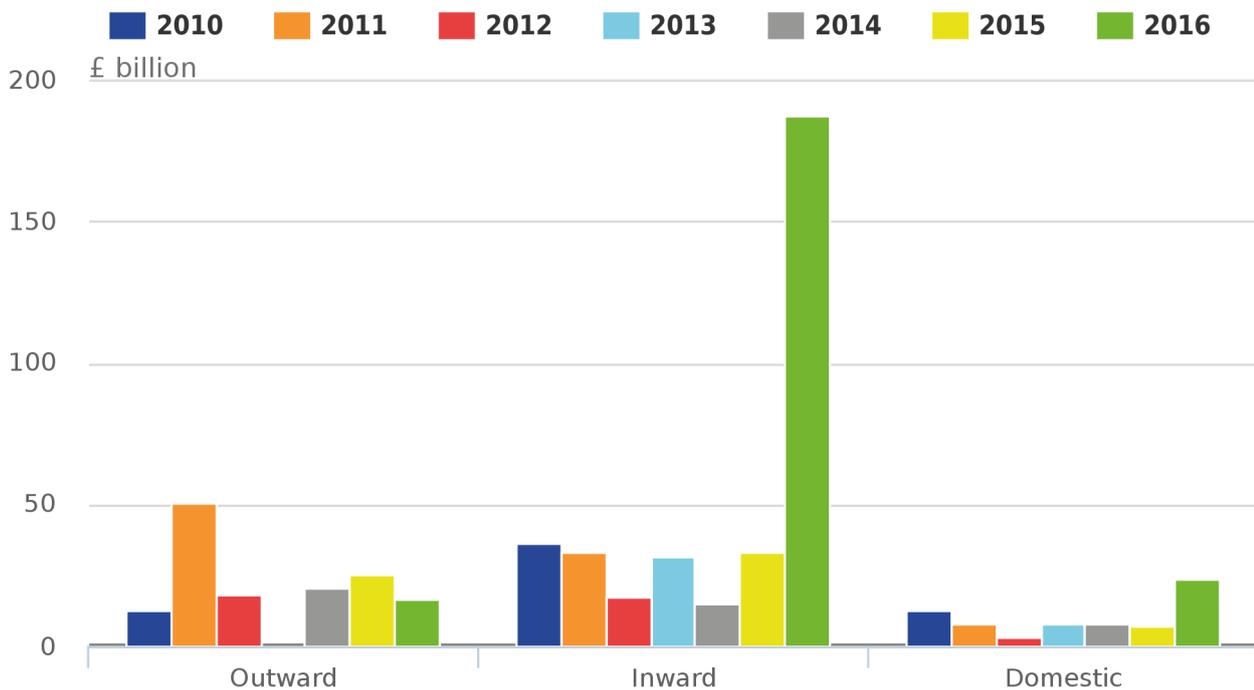
## 3 . The value of inward M&A activity is the highest on record

The value of inward mergers and acquisitions (M&A) rose to £187.4 billion in 2016. This level of activity was the highest recorded since comparable records began in 1987. It was also considerably larger than the 2015 total (£33.3 billion) and the previous highest value recorded in 2007 (£82.1 billion). Approximately 67% of the value of inward M&A was from the European Union (EU), followed by Asia (16.1%) and the USA (15.5%), although these proportions will have been affected by some high-value deals.

The value of domestic M&A stood at £23.9 billion in 2016; a notable increase compared with the £6.9 billion in 2015. This value of domestic M&A activity, which was also boosted by a few high-value deals, is the highest recorded since 2008 (£ 36.5 billion).

In contrast to inward and domestic M&A, outward M&A activity fell to £16.7 billion in 2016 (Figure 1). This was a 35% decrease from 2015 (£25.6 billion) and the lowest value of activity seen since 2010<sup>1</sup> (£12.4 billion). The majority of UK overseas acquisitions were of companies in the Americas (78.3%).

**Figure 1: The value of mergers and acquisitions involving UK companies, 2010 to 2016**



Source: Office for National Statistics

Notes:

1. Outward M&A data for 2013 are suppressed to mitigate disclosure.

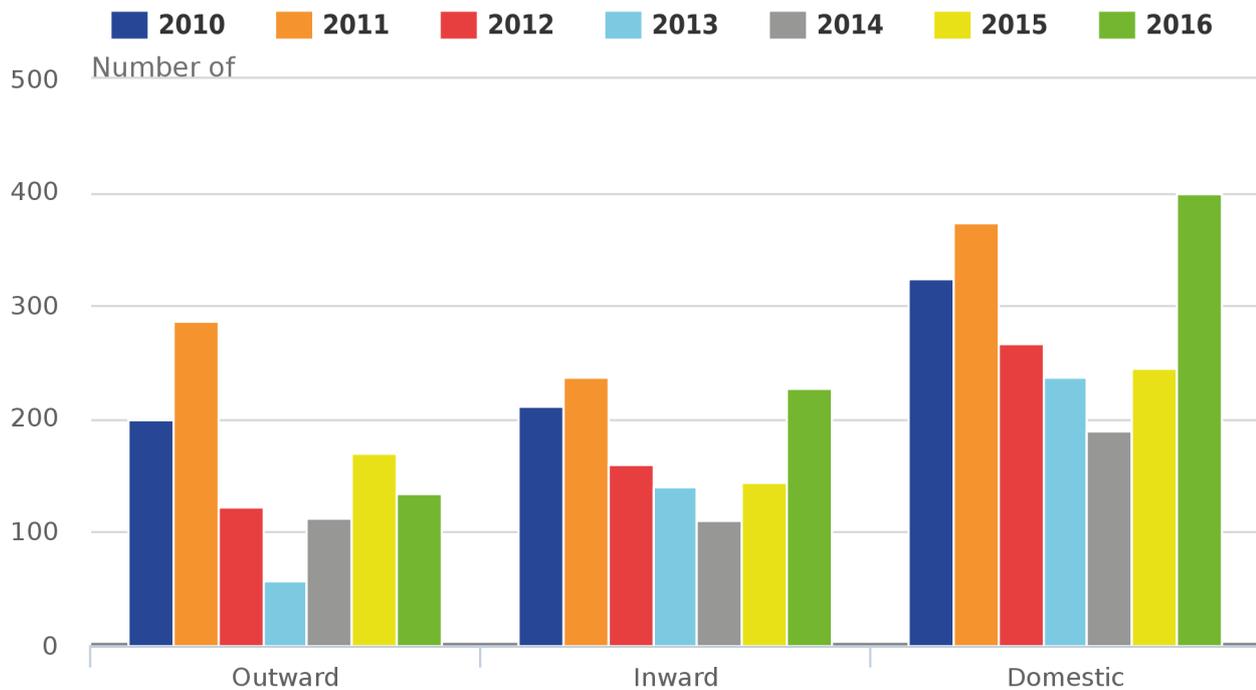
### Notes for: The value of inward M&A activity is the highest on record

1. Outward M&A data for 2013 are suppressed to mitigate disclosure.

## 4 . The number of both inward and domestic deals is at their highest since 2011

The number of inward mergers and acquisitions (M&A) rose to 227 in 2016. This was considerably larger than the number recorded in 2015 (145 deals) and more in line with the levels seen in the years running up to the 2008 to 2009 economic downturn. Domestic M&A also reached a 5-year high in 2016 of 400 deals, compared with 245 a year earlier. By contrast, outward M&A fell in 2016 to 135 deals from 170 in 2015 (Figure 2).

**Figure 2: The number of mergers and acquisitions involving UK companies, 2010 to 2016**



Source: Office for National Statistics

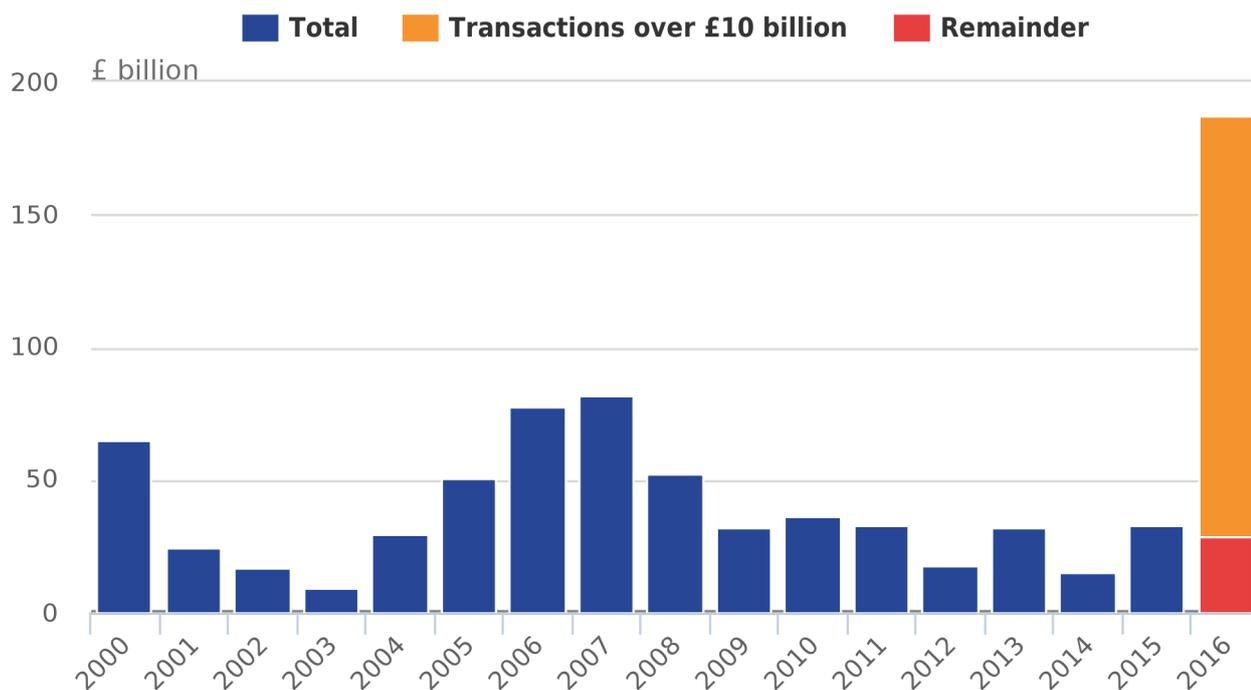
## 5 . The value of inward M&A in 2016 has been affected by a few very large deals

While the value of mergers and acquisitions (M&A) can be affected by the total number of deals, this relationship is often distorted by some high-value deals in any given year. These high-value deals are more common for inward M&A and help to explain much of the increase seen in the value of inward M&A in 2016. The average value of inward M&A in 2016 was £825.6 million per deal. This is more than 3-times greater than the average inward value in 2015 (£229.9 million).

The average value of M&A can help indicate whether it is the number or the value of deals that are driving the change in any period. However, it provides little information with regard to the distribution of these transactions – have the values of all deals increased or are a small number of deals dominating the overall value?

In the case of inward M&A in 2016, the record total value can be explained by a small number of very-high-value deals, each valued at £10 billion or more. There were 4 very-high-value inward M&A in 2016, which account for around 85% of the total value. There were no inward M&A with a total value above £10 billion in 2015. Removing the very-high-value deals from the 2016 total brings the value of the remainder below the 2015 total, as shown in Figure 3. It also lowers the average value per transaction to £130.1 million for the remainder in 2016.

**Figure 3: The value of inward mergers and acquisitions involving UK companies, 2000 to 2015, and the value of inward transactions above £10 billion in 2016 with the remainder**



Source: Office for National Statistics

An example of one of the very-high-value deals from 2016 is discussed in more detail in the Annex.

## 6 . Annex: An example of an inward acquisition completed in 2016

There are often time lags between when mergers and acquisitions (M&A) transactions are announced and when they are completed and reported in official statistics.

It is worth noting that M&A reported in official statistics are based on completed deals. These are defined as transactions that are wholly and legally unconditional, approved by shareholders and have overcome any regulatory hurdles. The scale and complexity of M&A transactions often result in a period of delay between when a deal is first announced to when it is finally completed.

The acquisition of SABMiller PLC (UK) by Anheuser-Busch InBev (Belgium) was among the very-high-value inward M&A deals in 2016. Some of the stages in this transaction are outlined in Table 1. The deal was initially announced in October 2015 and had to meet a number of regulatory requirements from competition authorities in the EU, USA, South Africa and China. The deal was finally completed in October 2016 and is now included in the M&A statistical bulletin for Quarter 4 (October to December) 2016.

**Table 1: Stages in the acquisition of SABMiller (UK) by Anheuser-Busch InBev (Belgium)**

Date	Description
13-Oct-15	Formal agreement for the takeover of SABMiller PLC by Anheuser-Busch InBev (AB InBev).
14-Nov-15	“Due diligence” completed.
11-Nov-15	AB InBev shareholders’ agreement.
24-May-16	European Commission authorises merger on condition that AB InBev disposes European beer brands.
20-Jul-16	USA Justice Department approves merger on condition that AB InBev disposes SABMiller PLC’s 58% stake in MillerCoors.
28-Sep-16	SABMiller shareholders approve merger.
10-Oct-16	Molson Coors Brewing Company (USA) acquires 58% of MillerCoors from SABMiller PLC.
10-Oct-16	AB InBev completes acquisition of SABMiller PLC.
12-Oct-16	Asahi Group Holdings (Japan) completes acquisition of European beer brands from AB InBev.

Source: Office for National Statistics

Given the often lengthy lead-time on completed M&A activity, it is difficult to link changes in M&A statistics to economic cycles. Similarly, changes in M&A activity due to events such as the outcome of the UK’s referendum on membership of the European Union in June 2016 could take some time before influencing M&A statistics.

## 7 . Acknowledgments

Authors: Sami Hamroush, Andrew Jowett, Lucas Michaelides and Gill Sanderson.