

Article

# UK Mergers and Acquisitions activity in context: 2017

Commentary outlining provisional statistics on mergers and acquisitions (M&A) involving UK companies for 2017.



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# 1 . Main points

- There was a notable increase in the value of outward mergers and acquisitions (M&A), from £17.3 billion in 2016 to £76.6 billion in 2017 and a sizeable fall in the value of inward M&A, from £190.0 billion to £35.3 billion over the same period.
- The value of outward M&A deals reached a 17-year high in 2017; the increase mainly reflects two very-high-value transactions that completed in 2017: Reckitt Benckiser acquired Mead Johnson Inc. and British American Tobacco acquired Reynolds American Inc.
- The notable fall in the value of inward M&A in 2017 follows the record high level reached in 2016, which was dominated by a small number of very-high-value transactions (each above £10 billion); in 2017, there were no inward M&A transactions worth over £10 billion.

## 2 . Introduction

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 in the UK by other UK-based companies

This article provides a brief overview of the number and value of UK M&A activity in 2017, 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 (Oct to Dec) 2017 estimates, which may be revised in June 2018 in light of new information.

## 3 . The value of outward M&A activity is the highest since 2000

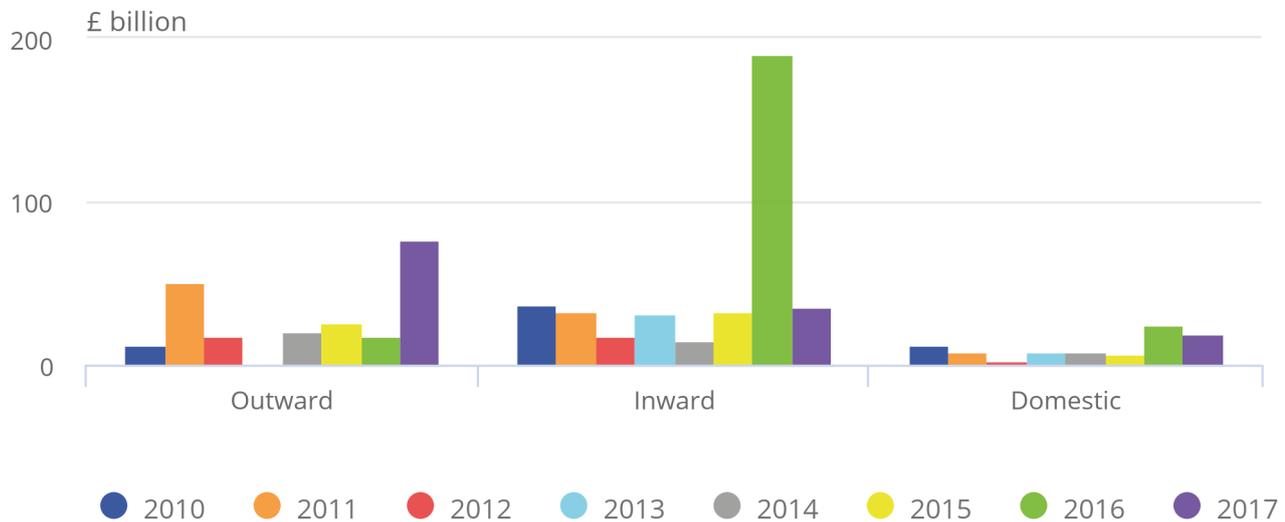
The value of outward mergers and acquisitions (M&A) (that is, UK companies acquiring foreign companies) reached £76.6 billion in 2017, compared with £17.3 billion reported in 2016. This is the highest recorded value since 2000, when the value for outward M&A reached £181.3 billion. Approximately 93% of the value of UK companies' outward acquisitions was in the Americas, which was affected by a few very-high-value deals in the US.

Inward M&A (acquisitions of UK companies by foreign companies) fell from its record high of £190.0 billion in 2016, to £35.3 billion in 2017. This brings the value of inward M&A in 2017 to a similar level to that reported in 2015. The value of acquisitions in the UK by European companies in 2017 was equivalent to 42.7%, which was similar to the proportion of UK companies from the Americas (42.6%).

The value of domestic M&A (UK companies acquired by other UK companies) fell from £24.7 billion to £18.6 billion between 2016 and 2017. Despite this, the value of domestic M&A activity remained above the annual totals recorded between 2009 and 2015.

**Figure 1: Value of mergers and acquisitions involving the UK, 2010 to 2017**

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Source: Office for National Statistics

Notes:

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

## 4 . The value of outward M&A in 2017 was dominated by a few very large deals

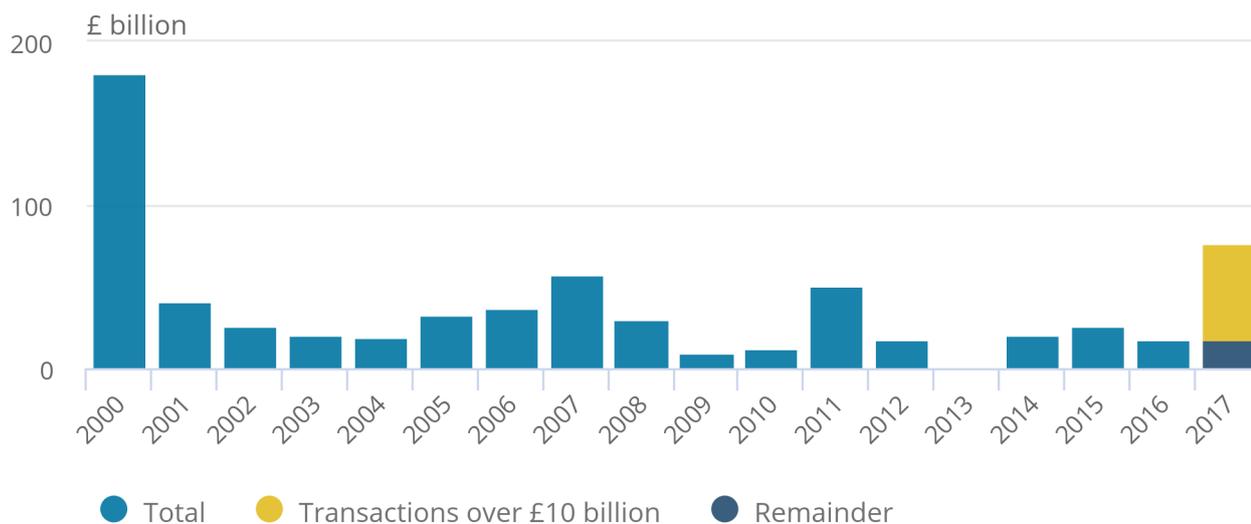
Headline mergers and acquisitions (M&A) statistics are often dominated by a few very-high-value deals that can have a substantial impact on the total value. These deals help to explain much of the increase seen in the value of outward M&A in 2017. While the number of outward M&A deals showed an increase, with 150 deals completed in 2017 compared with 141 deals in 2016, it was the value of these deals that led to the large increase in the overall value of outward M&A. This increased from an average value per deal of £122.6 million in 2016 to £510.7 million in 2017.

The large increase in the average value per transaction mainly reflects two very-high-value deals that were completed in 2017, which accounted for over 75% of the total value of outward M&A activity. There were no deals of comparable value completed in 2016. These two deals were British American Tobacco acquiring Reynolds American Inc. of the US and Reckitt Benckiser acquiring Mead Johnson Inc. also of the US. This shows that while the number of outward M&A deals increased in 2017 from 2016, these two very-high-value deals were the main reason behind the higher overall value recorded.

Removing the two largest outward M&A transactions brings the value of the remaining outward M&A to £18.3 billion. The value of the remaining outward M&A transactions is in line with values recorded in recent years and shows a slight increase compared with the total value recorded in 2016 (£17.3 billion).

**Figure 2: The value of outward mergers and acquisitions involving UK companies, 2000 to 2016, and the value of outward transactions above £10 billion in 2017 with the remainder**

Figure 2: The value of outward mergers and acquisitions involving UK companies, 2000 to 2016, and the value of outward transactions above £10 billion in 2017 with the remainder



Source: Office for National Statistics

Notes:

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

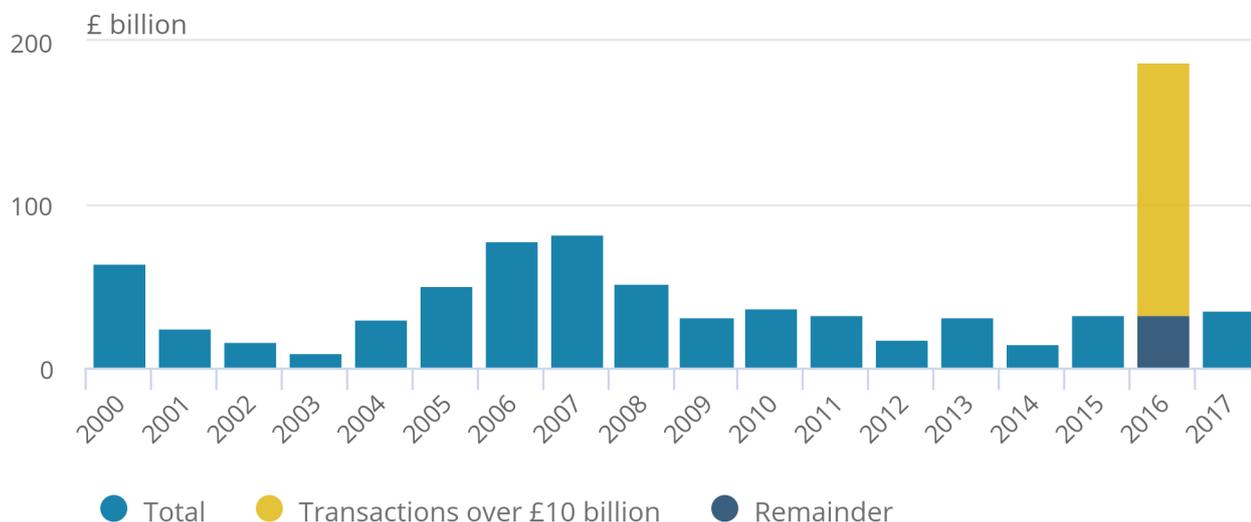
## 5 . The value of inward M&A deals in 2017 was similar to those recorded between 2009 and 2015

The value of inward mergers and acquisitions (M&A) deals saw a notable fall in the year to 2017, falling from £190.0 billion to £35.3 billion. A closer investigation of the inward deals completed in 2016 shows that the overall value was dominated by four very-high-value deals (each above £10 billion), which accounted for over 80% of the total value. By contrast, 2017 contained no deals above £10 billion. The absence of any very-high-value deals in 2017 helps to explain the 81.4% fall in the value of inward M&A activity in 2017.

While the total value of inward M&A deals fell in 2017, the number increased from 226 in 2016 to 254 in 2017. Furthermore, the value of inward M&A deals in 2017 is higher than values recorded between 2011 and 2015, and shows a small increase when compared with the value of 2016 deals excluding those exceeding £10 billion, as can be seen in Figure 3.

**Figure 3: The value of inward mergers and acquisitions involving UK companies, 2000 to 2017, and the value of inward transactions above £10 billion in 2016 with the remainder**

Figure 3: The value of inward mergers and acquisitions involving UK companies, 2000 to 2017, and the value of inward transactions above £10 billion in 2016 with the remainder



Source: Office for National Statistics

## 6 . M&A deals often take months or years to complete

It is worth noting that businesses undertaking mergers and acquisitions (M&A) transactions must go through many stages before a deal is completed. This includes negotiations over price, awaiting reviews from regulatory bodies, raising funds, and gaining approval from shareholders.

As such, the values and number of completed M&A deals reported in official statistics often reflect corporate decisions made many months in advance. Caution is therefore advised when interpreting M&A activity, especially when trying to relate movements to economic or political conditions and events, including the outcome of the EU referendum.

To illustrate this point, provided in this section are timelines recorded for three large M&A deals: the acquisitions of Mead Johnson Inc. and Reynolds American Inc. in 2017, which contributed to the value of outward M&A deals reaching a 17-year high; and the acquisition of SABMiller PLC in 2016, which contributed to the record value of inward M&A in 2016.

Reckitt Benckiser's acquisition of Mead Johnson Inc. was relatively quick to complete, taking around four months (Table 1). The British American Tobacco-Reynolds American Inc. deal started in 2016 (Table 2) and took nine months to complete. The 2016 inward acquisition of SABMiller PLC took a lot longer than both of these outward deals. Table 3 shows that it was first rumoured in 2013, implying that the deal took up to three years to complete.

**Table 1: Stages in the acquisition of Mead Johnson Inc. (US) by Reckitt Benckiser (UK) – reported in Quarter 3 (July to Sept) 2017**

<b>Date</b>	<b>Description</b>
Early Feb 2017	Reports that Reckitt Benckiser PLC is in advanced talks to acquire Mead Johnson Inc.
Mid-Feb 2017	Formal agreement for the takeover of Mead Johnson by Reckitt Benckiser, sanctioned by Mead Johnson's board of directors. The transaction is subject to shareholder and regulatory body conditions.
May 2017	Shareholders from Reckitt Benckiser and Mead Johnson approve the transaction.
Jun 2017	The Ministry of Commerce of the People's Republic of China sanctions the transaction, leading to final regulatory approval.
15 Jun 2017	Reckitt Benckiser successfully completes the acquisition of Mead Johnson, which is delisted from the New York Stock Exchange. Mead Johnson became the Infant Formula and Child Nutrition (IFCN) of Reckitt Benckiser PLC.

Source: Bureau Van Dijk and Office for National Statistics

**Table 2: Stages in the acquisition of Reynolds American Inc. (US) by British American Tobacco (UK) – reported in Quarter 3 (July to Sept) 2017**

<b>Date</b>	<b>Description</b>
Oct 2016	British American Tobacco (BAT) reportedly submits a proposal to purchase 57.8% shares in Reynolds American Inc., which would bring their ownership to 100%.
Nov 2016	Reports claim that Reynolds American rejects the offer, seeking a higher price.
Jan 2017	BAT raises its offer to acquire the remaining percent of shares in Reynolds American. The transaction remains subject to shareholder and anti-trust approvals in the US and Japan.
Mar 2017	The companies receive anti-trust approval from US authorities.
Apr 2017	The transaction receives anti-trust approval from Japanese authorities.
Jun 2017	BAT received approval from the UK Listing Authority to purchase remaining shares in Reynolds American.
Mid-July 2017	Shareholders from BAT and Reynolds American approve the acquisition.
25 Jul 2017	BAT successfully completes the acquisition of Reynolds American.

Source: Bureau Van Dijk and Office for National Statistics

**Table 3: Stages in the acquisition of SABMiller PLC (UK) by Anheuser-Busch InBev (Belgium) – reported in Quarter 4 (Oct to Dec) 2016**

<b>Date</b>	<b>Description</b>
2013	Rumours that Anheuser-Busch (AB) InBev NV may acquire SABMiller plc.
2014	Further rumours that AB InBev is in discussions with undisclosed banks regarding financing its proposed offer to acquire SABMiller.
2015	AB InBev made offers and negotiated a potential takeover of SABMiller, reaching an agreement in principle by the end of 2015.
2015 to early 2016	Regulatory bodies reviewed details of the deal
Mid-2016	Several regulatory bodies in Europe, Asia, Americas (including the US Justice Department) and Africa approve the transaction conditional on the sale of certain brands and shareholdings.
Mid-2016	Revised offer made by AB InBev following concerns raised by some SABMiller shareholders.
Sep 2016	SABMiller shareholders approve merger.
Oct 2016	Molson Coors Brewing Company (USA) acquires 58% of MillerCoors from SABMiller.
Oct 2016	AB InBev completes acquisition of SABMiller.
Oct 2016	Asahi Group Holdings (Japan) completes acquisition of European beer brands from AB InBev.

Source: Bureau Van Dijk and Office for National Statistics

## 7 . Conclusion

Statistics published today provide a preliminary estimate for the level of mergers and acquisitions (M&A) activity in 2017, reporting on both the number and value of transactions. At a headline level, aggregate statistics point to a strong pickup in outward M&A activity, with the value of transactions rising by £59.9 billion to reach a 17-year high (£76.6 billion). In contrast, the value of inward M&A activity experienced a notable fall of £152.1 billion compared with the previous year, reaching £35.3 billion in 2017.

While these movements appear dramatic, this short note highlights that interpretation of changes in M&A activity can be difficult due to the impact a handful of high-value transactions can have on aggregate figures. For instance, the notable rise in the value of outward M&A activity in 2017 is predominantly due to two very-high-value M&A transactions; while a handful of deals led to the 2016 value of inward M&A reaching a record high and the absence of such deals in 2017 led to the overall value falling back to levels seen in previous years.

In addition to this, the fact that M&A transactions can often take months, if not years, to complete makes it challenging to connect movements in M&A statistics to economic or political events.

## 8 . Acknowledgments

Authors: Sami Hamroush, Andrew Jowett, and Hannah Streck.

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