

Article

# Mergers and acquisitions involving UK companies, annual overview: 2018

Commentary outlining provisional statistics on mergers and acquisitions (M&A) involving UK companies for 2018.



Contact:  
Andrew Jowett  
MA@ons.gov.uk  
+44 (0)1633 455357

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## Table of contents

1. [Main points](#)
2. [Introduction](#)
3. [The values of inward and domestic acquisitions increased in 2018](#)
4. [One M&A deal accounted for just over two-fifths of the total value of inward acquisitions in 2018](#)
5. [The value of outward M&A deals in 2018 was comparable with the totals for 2012 to 2016](#)
6. [M&A deals often take months or years to complete](#)
7. [Conclusion](#)
8. [Acknowledgments](#)

# 1 . Main points

- The value of inward mergers and acquisitions (M&A) increased from £35.2 billion in 2017 to £71.1 billion in 2018, due mainly to Comcast Corporation's acquisition of Sky PLC for just over £30 billion.
- By contrast, the value of outward acquisitions fell from £77.5 billion in 2017 to £22.7 billion in 2018 after there were no very-high-value deals (above £10 billion) in 2018 compared with two in 2017.
- Removing the deals valued above £10 billion indicates that the underlying values of outward and inward acquisitions have followed flat trends since 2012 and 2009 respectively.
- The value of domestic M&A (£26.5 billion) was higher than that of outward acquisitions (£22.7 billion) in 2018; the last occurrence was in 2016 and before that in 2010.
- M&A deals can take a long time to complete between an announcement and completed deal, making it difficult to link changes in M&A trends with economic events.

## 2 . Introduction

The Office for National Statistics (ONS) collects data on mergers and acquisitions (M&A) involving UK companies. Statistics 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 2018, 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) 2018 estimates, which may be revised in June 2019 in light of new information.

The ONS adopted a new method for calculating M&A statistics in January 2018. This approach uses a private data source – Bureau van Dijk's Zephyr database – to identify deals involving UK companies. M&A surveys are sent to those deals identified with a value of £100 million or more; information from Bureau van Dijk along with estimation or imputation methods are used for deals below that value. Therefore, a structural break may exist for 2018 compared with the number and value of M&A transactions in years up to 2017.

## 3 . The values of inward and domestic acquisitions increased in 2018

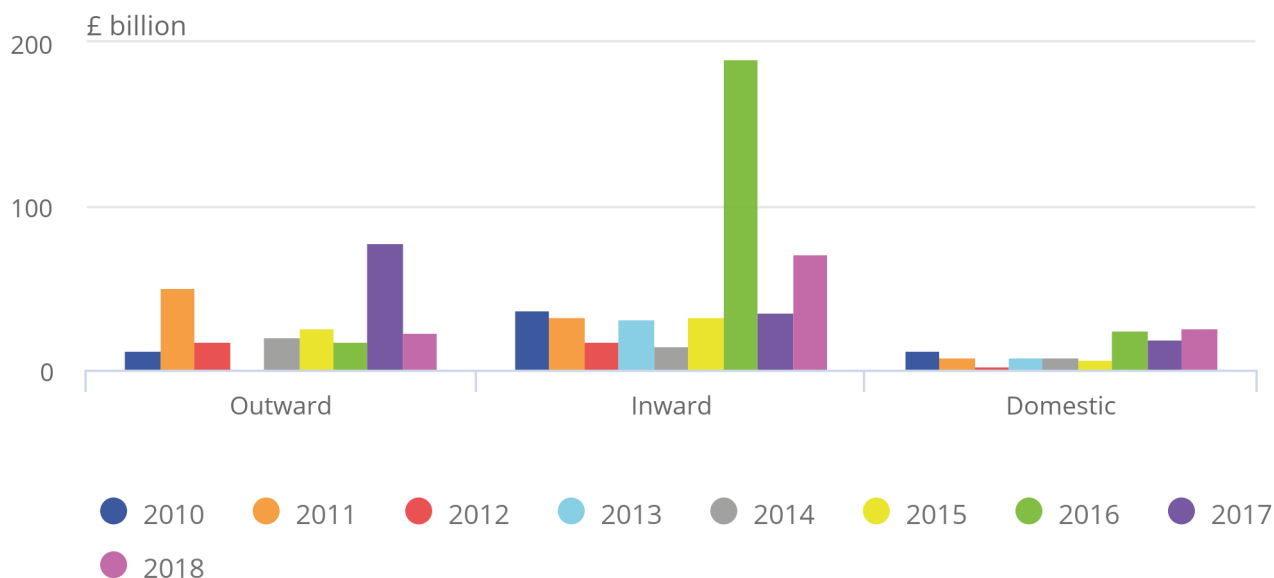
Inward mergers and acquisitions (M&A) – foreign companies acquiring UK-based companies – increased notably in 2018 from 2017.

The provisional estimate of inward acquisitions in 2018 is £71.1 billion compared with £35.2 billion in 2017, as shown in Figure 1. This is due mainly to Comcast Corporation's acquisition of Sky PLC for just over £30 billion, whereas there were no such deals in 2017.

The value of inward acquisitions was also much lower than that recorded in 2016 (of £190.0 billion) in which there were four very-high-value deals in that year.

**Figure 1: Value of mergers and acquisitions involving UK companies, 2010 to 2018, £ billion**

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Source: Office for National Statistics - Mergers and Acquisitions Survey

**Notes:**

1. Outward M&A statistics for 2013 are suppressed to mitigate disclosure.
2. A new method for compiling M&A statistics was introduced from Quarter 1 (January to March) 2018, which may lead to a structural break in all M&A statistical time series.

By contrast to inward activity, the value of outward M&A deals – acquisitions of UK-based companies abroad – fell considerably in the latest year. Total outward acquisitions were £22.7 billion in 2018 compared with £77.5 billion in 2017. This mainly reflects two very-high-value deals that completed in 2017 whereas there were no such deals in 2018. This made the value of outward acquisitions in 2018 comparable with those in other years between 2012 and 2016.

The recent trend in domestic M&A – UK companies acquiring other UK companies – saw a distinct increase in the total value of those acquisitions, from £6.9 billion in 2015 to £24.7 billion in 2016. This elevated value of domestic M&A deals continued into 2017 (£18.8 billion) and 2018 (£26.5 billion); the previous highest value for domestic acquisitions was in 2008 of £36.5 billion.

Furthermore, the value of domestic M&A transactions was £3.8 billion higher than that of outward M&A in 2018. This is only the third year since 2010 that this occurred<sup>1</sup>; the others being 2016 (by £7.4 billion) and 2010 (by £0.2 billion).

**Notes for: The values of inward and domestic acquisitions increased in 2018**

1. This comparison excludes 2013 where values for outward M&A deals have been suppressed to mitigate disclosure.

## 4 . One M&A deal accounted for just over two-fifths of the total value of inward acquisitions in 2018

The value of inward mergers and acquisitions (M&A) in 2018 increased considerably on the value for 2017. This is due mainly to one very-high-value acquisition that completed in 2018 when Comcast Corporation of the US acquired Sky PLC of the UK for just over £30 billion (Figure 2). More details on the stages to the Comcast-Sky deal can be found in Section 6.

**Figure 2: The value of inward mergers and acquisitions involving UK companies, 2000 to 2018, and the values of inward transactions above £10 billion in 2016 and 2018 with the remainder**

Figure 2: The value of inward mergers and acquisitions involving UK companies, 2000 to 2018, and the values of inward transactions above £10 billion in 2016 and 2018 with the remainder



Source: Office for National Statistics - Mergers and Acquisitions Survey

Notes:

1. A new method for compiling M&A statistics was introduced from Quarter 1 (January to March) 2018, which may lead to a structural break in all M&A statistical time series.

Excluding the deals with a value above £10 billion shows that the annual values of inward M&A have been broadly constant since 2009, with the exception of 2012 and 2014. Excluding those years, the values of inward acquisitions have varied between £31.8 billion and £40.9 billion, whereas between 2005 and 2008 the annual totals were above £40 billion.

The remainder for 2018 shows a slight increase on the total value of inward deals in 2017, although some of that may be due to the changes in our methods from the start of 2018. The value of the remainder was also consistent with the flat trend in inward acquisitions since 2009.

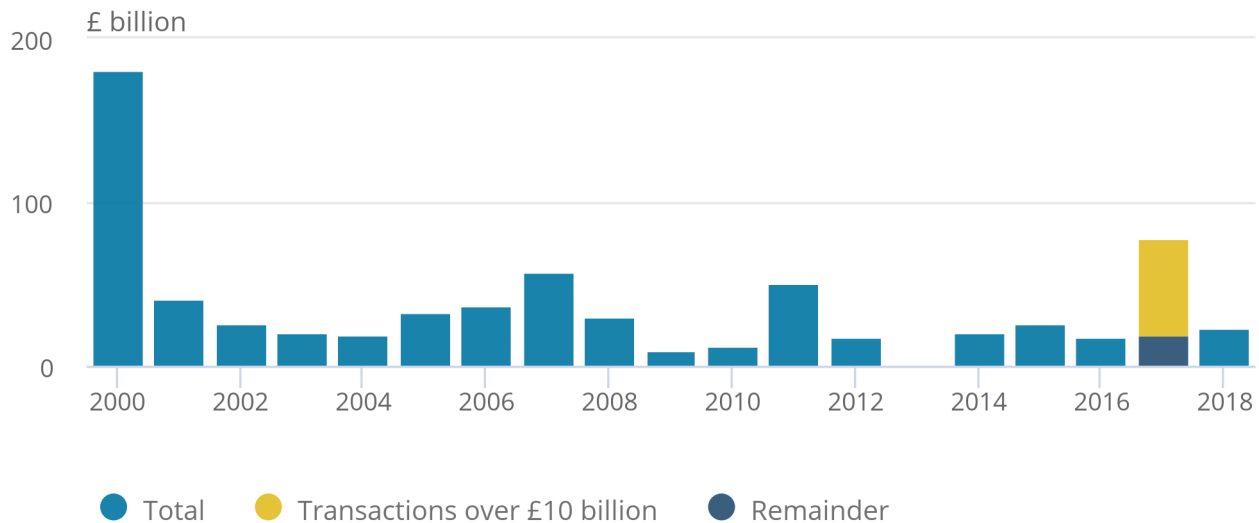
## **5 . The value of outward M&A deals in 2018 was comparable with the totals for 2012 to 2016**

The values of outward mergers and acquisitions (M&A) have fluctuated between 2001 and 2016. The values averaged £28.0 billion per year (excluding 2013) and have been below that value in every year since 2012.

There were peaks in values for outward M&A in 2007 and 2011; the latest peak was then in 2017 as shown in Figure 3. The value of M&A in 2017 was affected by two very-high-value deals that completed in that year: Reckitt Benckiser acquired Mead Johnson Inc. and British American Tobacco acquired Reynolds American Inc. More information on these deals can be found in [UK mergers and acquisitions activity in context, 2017](#)<sup>1</sup>.

**Figure 3: The value of outward mergers and acquisitions involving UK companies, 2000 to 2018, and the value of outward transactions above £10 billion in 2017 with the remainder**

Figure 3: The value of outward mergers and acquisitions involving UK companies, 2000 to 2018, and the value of outward transactions above £10 billion in 2017 with the remainder



**Source: Office for National Statistics - Mergers and Acquisitions Survey**

**Notes:**

1. Outward M&A statistics for 2013 are suppressed to mitigate disclosure.
2. A new method for compiling M&A statistics was introduced from Quarter 1 (January to March) 2018, which may lead to a structural break in all M&A statistical time series.

Removing the two very-high-value M&A deals from the 2017 total of outward M&A leaves a remainder of £19.2 billion. This was broadly comparable with the values reported for total outward M&A in all years for which statistics are available between 2012 and 2016.

The provisional total value of outward M&A deals in 2018 was slightly higher than the remainder in 2017. Even though there could be some impact from the change in compiling M&A statistics from the start of 2018, it still suggests that the total value of outward acquisitions has remained relatively stable into 2018 as well.

Furthermore, the value of the remainder of outward M&A deals in 2017 was only £0.4 billion higher than the total for domestic M&A deals (of £18.8 billion) in that year. Even without the two very-high-value outward acquisitions that completed in 2017, the outward value would have still been higher than that of domestic M&A, which was not the case in 2016 or 2018.

**Notes for: The value of outward M&A deals in 2018 was comparable with the totals for 2012 to 2016**

1. Some of the values in the 2017 article may have been revised since its publication in March 2018.

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

Our [previous articles](#) in this series have also provided details on the time it took for some of the very-high-value mergers and acquisitions (M&A) to complete.

Table 1 presents an indicative timeline for the stages of Comcast Corporation's acquisition of Sky PLC in 2018. Comcast's part of the deal took around six months to complete in October 2018 from the formal offer to acquire Sky in April 2018. However, this was preceded by initial interest from other companies in acquiring Sky as early as December 2014. Twenty-First Century Fox also made an offer to buy the remaining shareholdings of Sky in December 2016. Therefore, while Comcast's acquisition was relatively short, interest and offers to acquire Sky started nearly four years prior to deal completion. This makes it hard to link M&A deals with economic events since there can be many months between when a deal is announced and then completed.

Table 1: Stages in the acquisition of Sky PLC (UK) by Comcast Corporation (US) – completed in Quarter 4 (October to December) 2018

<b>Date</b>	<b>Description</b>
December 2014	First reports of interest in acquiring Sky PLC from Vodafone Group PLC.
April 2015	Vivendi SA also rumoured to be considering the acquisition of Sky PLC.
December 2016	Twenty-First Century Fox – a 39% shareholder in Sky PLC – made an offer to acquire the remaining 61% stake.  The Sky PLC Board recommends the offer.
April 2017	European Commission approves Twenty-First Century Fox's deal to acquire the remaining shares in Sky PLC.
September 2017	UK Secretary of State for Culture Media and Sport refers the proposed Fox-Sky deal to the Competition and Markets Authority (CMA) due to media plurality concerns.
December 2017	The Walt Disney Company enters discussions with Twenty-First Century Fox to acquire some of Fox's movie, TV studio and international assets, including shareholdings in Sky PLC.  The European Commission confirms its approval for the deal, along with approval from regulatory bodies in Germany, Italy, Ireland and Austria.
January 2018	CMA provisionally concludes that Twenty-First Century Fox's acquisition of Sky PLC is not in the public interest, opening a period of consultation to May 2018.
February 2018	Comcast Corporation of the US submits a rival takeover proposal for Sky PLC.
April 2018	Comcast Corporation submits a formal offer to acquire Sky PLC.
June 2018	Comcast Corporation's offer for Sky PLC receives regulatory and Parliamentary approval in the UK.  The European Commission also approves the deal.
July 2018	Twenty-First Century Fox receives regulatory approval in the UK for a revised offer to acquire Sky PLC, which includes Disney becoming a shareholder in Sky PLC.
September 2018	Shareholders in Sky PLC hold an auction of the company.  Comcast Corporation, through Comcast Bidco Ltd. made a higher bid than Twenty-First Century Fox, and the Sky shareholders recommend the Comcast bid.  Comcast acquires a 29.1% shareholding in Sky PLC, and continues to bid for the remaining shares.  Twenty-First Century Fox no longer pursuing its bid for Sky PLC and will sell its shareholding in the company to Comcast.
09 October 2018	Comcast Corporation completes the unconditional acquisition of Twenty-First Century Fox's 39% shareholding in Sky PLC, thereby gaining majority ownership of Sky.

Source: Source: Bureau Van Dijk and Office for National Statistics

## 7 . Conclusion

Today we published annual statistics on the value of mergers and acquisitions (M&A) involving UK companies. This showed that there were once again some big changes in the total values of outward and inward deals.



The value of outward acquisitions fell considerably in 2018 from 2017, which partly reflects no deals with values above £10 billion completing in that year whereas there were two deals in 2017. Likewise, after no inward M&A with a value above £10 billion in 2017, there was one deal that completed in 2018. There were also four of these inward deals included within the 2016 results.

This has created some distinct peaks in the values of inward and outward acquisitions in 2016, 2017 and 2018 across these series, yet looking at the remainder of deals suggests that the values of other M&A transactions have been relatively constant, even allowing for any impacts from changing the method for compiling M&A statistics from the start of 2018.

This was also a year in which the total value of domestic acquisitions was higher than that of outward acquisitions. This was the third year since 2010 (not counting 2013) where this had occurred, with the previous being 2016. Removing the very-high-value outward deals in 2017 implied that the value of the remaining outward deals was only slightly higher than the total value of domestic deals.

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

## **8 . Acknowledgments**

Author: Andrew Jowett, Office for National Statistics.

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