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Contributing Editor  
Kenneth Woo
Dear Mergerstat Review Subscriber,

Thank you for purchasing the 2018 Mergerstat Review! We are pleased to announce some changes to this year’s edition. These changes were implemented after BVR was given full access to the dynamic FactSet Mergers M&A data feed for publishing purposes. As a result, we were able to update 20 years of M&A data that captures new and updated transaction data that were collected after the publishing date of prior editions. The 2018 Mergerstat Review is the first edition to feature these historical updates. BVR is publishing M&A data that are more transparently accurate and overall better reflect prior years’ M&A activity.

Included below are descriptions of the changes made to this year’s publication.

- Historical updates were completed to 20 years of M&A data. These updates include aggregate volume and value totals, as well as the respective pricing multiples associated with the year’s data.

- FactSet has retired the 50-category Mergerstat industry classifications in favor of its 20-category industry sectors. For FactSet Mergers database subscribers, it means they are now aligned with FactSet’s database screening taxonomy when searching for transactions either in the Mergerstat Review or the online database. For those who do not subscribe to FactSet Mergers, an SIC-to-FactSet-sector mapping is provided.

- Foreign seller ownership roles are more clearly defined. In prior editions, seller ownership roles were classified as either public, private, divestiture, and foreign. The Mergerstat Review now breaks down the seller ownership into the two groups:
  
  a. Domestic transactions: public, private, and divestiture; and

  b. Foreign transactions: public, private, and divestiture.

- Deal pricing has been changed from base equity price to transaction value. The switch was done to better reflect the debt associated with the purchase. The “transaction value” accounts for the base equity price plus the same net debt value used in the calculation of enterprise value, but with the following conditions:
  
  a. The transaction is a 100% acquisition; and

  b. The acquired company is not a bank, insurance company, or finance company. These companies will continue to use the base equity price as the purchase price.

This change solves the issue in valuing financial institutions when deposits and other debt-related securities are not valid forms of debt in accounting for enterprise value, a pricing method that overstated values of financial targets. Enterprise value also accounted for debt in the purchase of minority stake transactions, which overstates the cost to the purchaser when debt isn’t likely assumed.
So the default is now as follows:

a. Minority or majority stake purchase: Transaction value = base equity; and

b. Full acquisition in a nonfinancial industry: Transaction value = base equity + net debt.

- Transaction premiums still feature the premium paid for the targets’ share prices five days prior to the announcement, but the Mergerstat Review now has four new tables that focus on premiums paid over the targets’ enterprise values.

For your convenience, the 2018 Mergerstat Review features a revised table of contents page that provides you with the same ease of use as in prior editions. While most of the tables and charts remain the same, the table of contents references the tables and charts from the prior year’s publication so you can find the exact same table in the 2018 Mergerstat Review, if the table or chart number changed.

On a personal note, having published the Mergerstat Review for the past 15-plus years, I’ve received a lot of feedback from our subscribers, and, based on your feedback, we’ve been able to implement some of your suggestions into this year’s edition. BVR thanks you again for purchasing the 2018 Mergerstat Review.

Sincerely,

Kenneth Woo
Economics and Data Editor
INTRODUCTION

FactSet Mergerstat compiles statistics on publicly announced mergers, acquisitions and divestitures involving operating entities. FactSet Mergerstat has tracked these statistics and published its findings for over 45 years. Prior to 1981, W.T. Grimm published quarterly reports in a newsletter format and, beginning in 1981, introduced the hardcover annual volume. The 2017 edition marks the 36th publication of Mergerstat® Review. Transaction information is gathered throughout each day using a variety of electronic and print sources. The Mergerstat® Review includes formal transfers of ownership of at least 5% of a company’s equity and where at least one of the parties is a U.S. entity. When a transaction involves less than 100% of an entity, the percentage bought is stated after the seller’s name. When REM accompanies this percentage, the buyer already owns a portion of the selling entity and this transaction will lead to 100% ownership. Data is collected for publicly traded, privately owned and foreign companies.

WHO SHOULD READ THIS BOOK?

These statistics are useful to a wide variety of readers—foremost, anyone buying or selling an operating company or anyone valuing a company. Or, anyone who is serious about investments or investing. The book provides insight into trends in prices, methods of payment, premiums and other critical information. For students at the undergraduate, graduate and post-graduate levels, this book serves as a foundation for research and an essential reference tool. For professors of finance, economics and business, these statistics give “real world” examples of theoretical postulates.

Chief financial officers, chief executive officers, strategic planners, accountants, valuation professionals and attorneys will find this book useful. The statistics reveal which industries are most active and what their respective premium and TIC/EBITDA, TIC/EBIT, and P/E averages are compared to the market as a whole.

- To these readers, Mergerstat® Review provides data and analysis. Each year FactSet Mergerstat tracks thousands of transactions and potential transactions. While we attempt to collect complete information on each transaction, this is not possible in many cases, particularly with private companies. Therefore, the reader should use caution in drawing conclusions when the number of data points is low relative to the total number of transactions recorded. Furthermore, while we attempt to point out certain trends, each transaction has specific factors which affect its pricing. Therefore, the reader should examine each transaction on its own merit before drawing any conclusions.
PRIVATELY OWNED SELLERS

The number of announced acquisitions of privately owned companies decreased from 8,162 in 2016 to 7,314 in 2017. However, total dollar value offered for private businesses increased from $373.8 billion to $415.5 billion while companies disclosing prices increased from 1,624 to 1,679.

The 407 transactions valued at $100 million or more totaled $247.5 billion, accounting for 59.6% of the $415.5 billion total value of all announced acquisitions of privately owned companies for which a price was announced.

ACQUISITIONS OF PRIVATELY OWNED COMPANIES 2008-2017
Table 1-45

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Acquisitions</th>
<th>Percentage of Acquisitions</th>
<th>Total Dollar Value Offered (Millions)</th>
<th>Transaction Value $100.0MM or More</th>
<th>Transaction Value $1,000.0MM or More</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>5,744</td>
<td>54%</td>
<td>$114,123.1</td>
<td>209</td>
<td>8</td>
</tr>
<tr>
<td>2009</td>
<td>4,441</td>
<td>42%</td>
<td>$80,671.9</td>
<td>123</td>
<td>10</td>
</tr>
<tr>
<td>2010</td>
<td>5,934</td>
<td>56%</td>
<td>$146,700.6</td>
<td>248</td>
<td>19</td>
</tr>
<tr>
<td>2011</td>
<td>6,558</td>
<td>62%</td>
<td>$279,024.8</td>
<td>291</td>
<td>34</td>
</tr>
<tr>
<td>2012</td>
<td>6,605</td>
<td>63%</td>
<td>$230,041.3</td>
<td>270</td>
<td>43</td>
</tr>
<tr>
<td>2013</td>
<td>6,118</td>
<td>58%</td>
<td>$187,482.9</td>
<td>258</td>
<td>41</td>
</tr>
<tr>
<td>2014</td>
<td>8,024</td>
<td>76%</td>
<td>$356,488.0</td>
<td>392</td>
<td>73</td>
</tr>
<tr>
<td>2015</td>
<td>8,673</td>
<td>82%</td>
<td>$330,294.4</td>
<td>386</td>
<td>61</td>
</tr>
<tr>
<td>2016</td>
<td>8,162</td>
<td>77%</td>
<td>$373,333.0</td>
<td>385</td>
<td>79</td>
</tr>
<tr>
<td>2017</td>
<td>7,314</td>
<td>69%</td>
<td>$415,522.6</td>
<td>407</td>
<td>76</td>
</tr>
</tbody>
</table>

As Table 1-45 indicates, the purchase of privately held companies is a significant component of merger and acquisition activity. The majority of these acquisitions fall into two main situations, which are characterized by the seller’s motivation. Lack of an heir to take over the business is probably the most frequent reason for selling. Nearing retirement, the owner is prompted to sell to achieve the needed liquidity for investment diversification and estate tax purposes. The second most common selling scenario involves a company experiencing the pressures of growth. Increasing demand for the company’s products or services exerts pressure on the firm to become more sophisticated and efficient in its operations. To fulfill these demands, the owner/entrepreneur sells the business to obtain needed financial resources for expansion.
### RECORD HOLDERS

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>RECORD</th>
<th>YEAR ATTAINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Merger and Acquisition Announcements*</td>
<td>13,098</td>
<td>2000</td>
</tr>
<tr>
<td>Total Dollar Value Offered ($Billions)</td>
<td>$2,029.4</td>
<td>2015</td>
</tr>
<tr>
<td>$100 Million+ Deals</td>
<td>1,437</td>
<td>2014</td>
</tr>
<tr>
<td>Cash Payments</td>
<td>3348</td>
<td>2014</td>
</tr>
<tr>
<td>Stock Payments</td>
<td>1362</td>
<td>1999</td>
</tr>
<tr>
<td>Divestitures*</td>
<td>4,411</td>
<td>2005</td>
</tr>
<tr>
<td>Publicly Traded Sellers</td>
<td>859</td>
<td>1999</td>
</tr>
<tr>
<td>Privately Owned Sellers</td>
<td>8,727</td>
<td>2015</td>
</tr>
<tr>
<td>Foreign Sellers</td>
<td>2,676</td>
<td>2000</td>
</tr>
<tr>
<td>Foreign Buyers*</td>
<td>2,157</td>
<td>2000</td>
</tr>
<tr>
<td>Average P/E Offered</td>
<td>28.7</td>
<td>2017</td>
</tr>
<tr>
<td>Average Premium</td>
<td>68%</td>
<td>2009</td>
</tr>
<tr>
<td>Cancelled Transactions</td>
<td>587</td>
<td>2000</td>
</tr>
</tbody>
</table>

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