

Excerpt from the

2019

MERGERSTAT® REVIEW

U.S. EDITION

2019
MERGERSTAT® REVIEW
U.S. EDITION

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2019 MERGERSTAT® REVIEW—U.S. Edition

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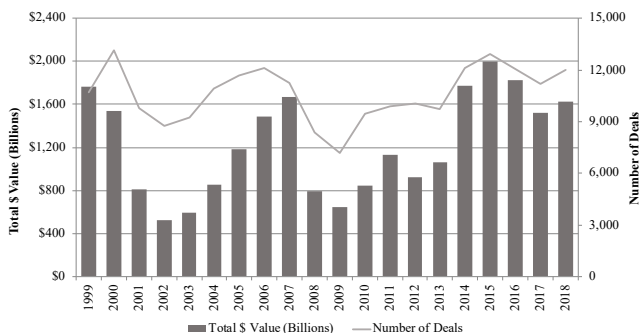
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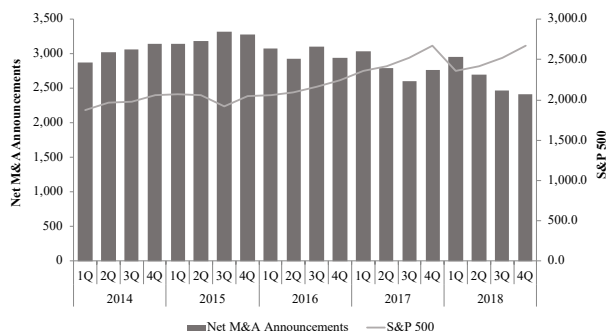


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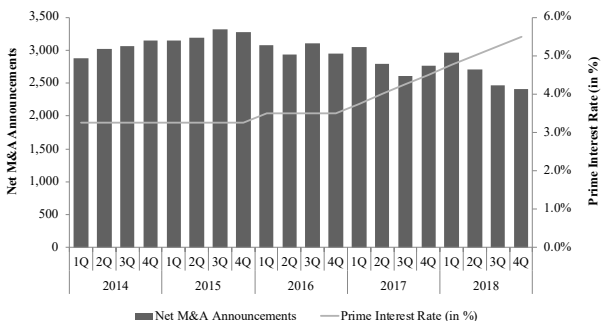


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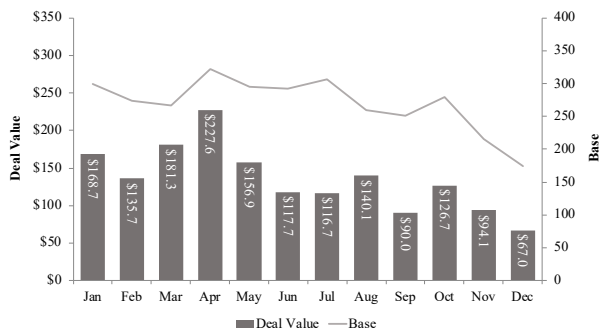


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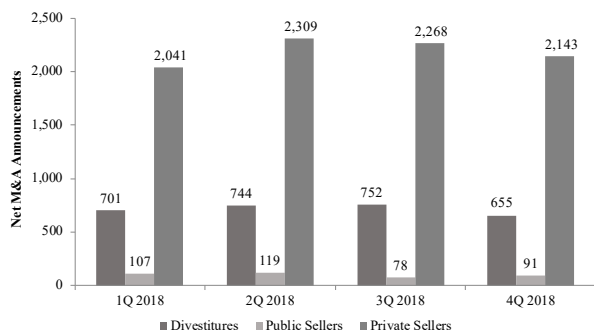


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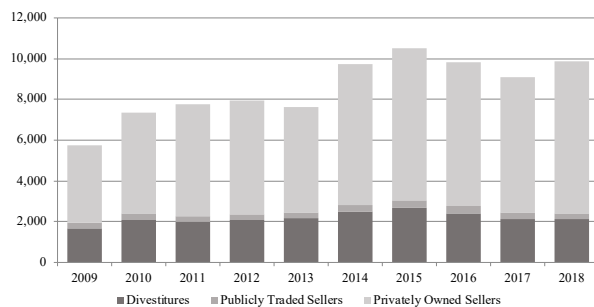
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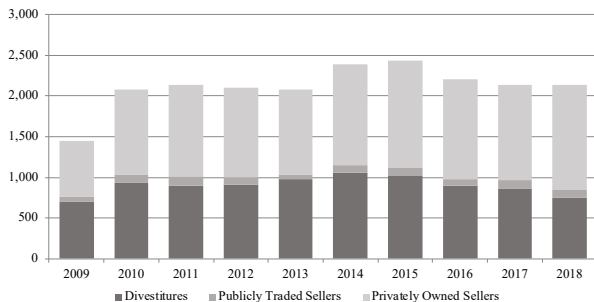
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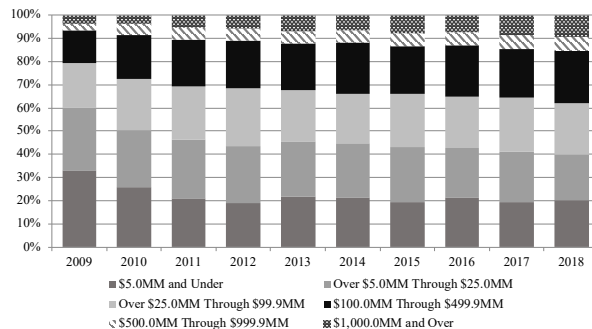
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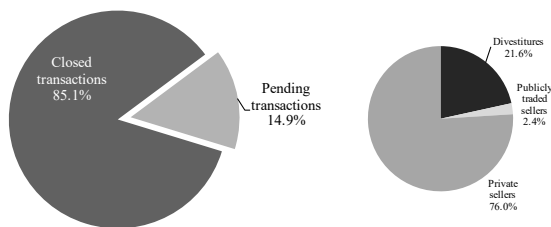
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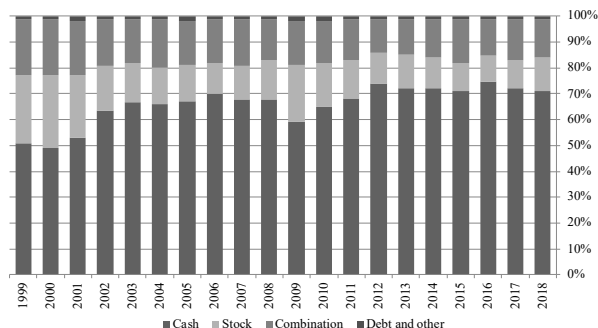
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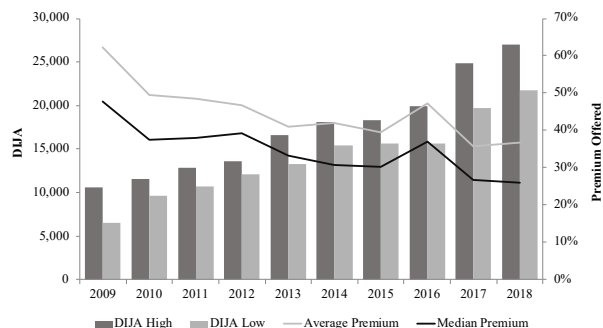
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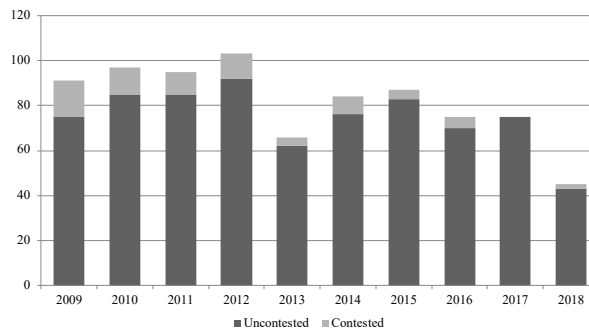


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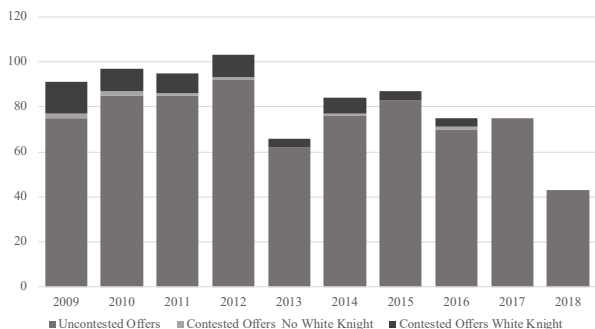


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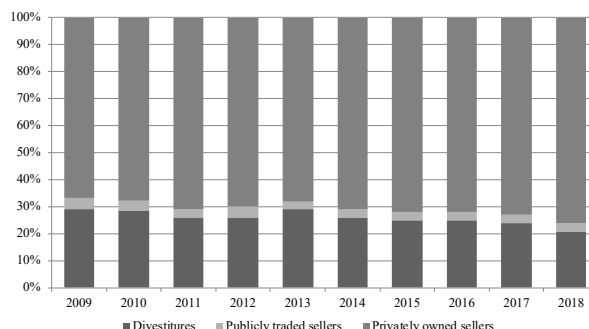


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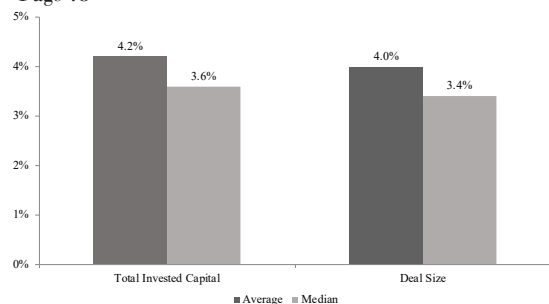


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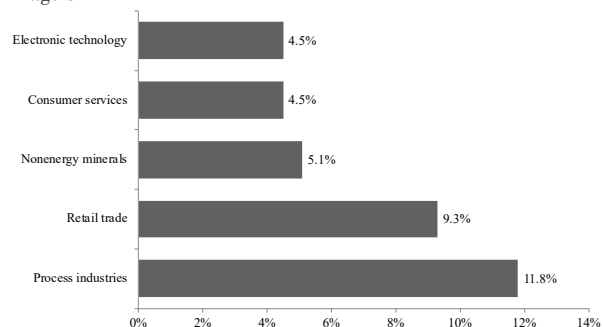


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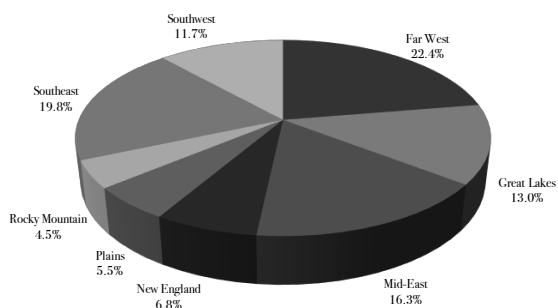


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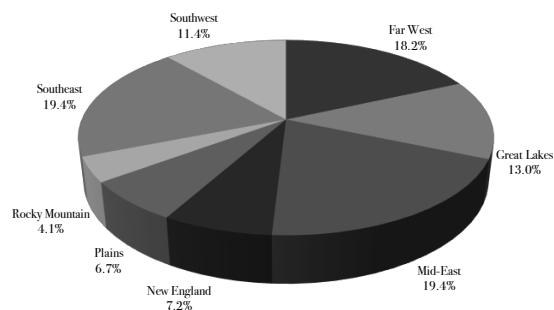
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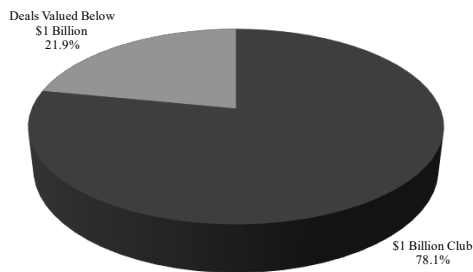
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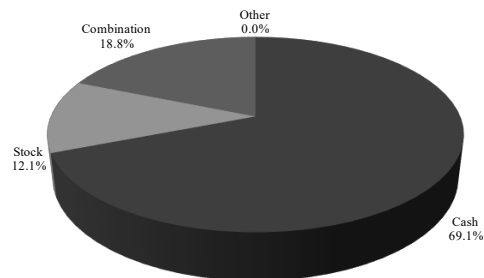
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ACKNOWLEDGMENTS

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Kenneth Woo

LETTER FROM THE EDITOR

Dear Reader,

Thank you for purchasing the 2019 *Mergerstat Review—U.S. Edition*. We are pleased to provide you with this important annual publication, which offers comprehensive statistics on publicly announced mergers, acquisitions, and divestitures involving operating entities.

It is important to note that, in 2019, BVR is launching an edition for the United Kingdom, which will be titled *Mergerstat Review—U.K. Edition*. Therefore, we have added “U.S. Edition” to the title of this publication to differentiate this book from the U.K. book. It contains the same content as prior editions of *Mergerstat Review*.

Starting with the 2018 edition of *Mergerstat Review*, BVR was, for the first time, given full access to the dynamic FactSet Mergers M&A data feed for publishing purposes. As a result, we updated 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* was the first edition to feature these historical updates, and we have continued with this year’s edition. 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 that were made starting with the 2018 *Mergerstat Review* and continue with the 2019 edition.

- 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 retired the 50-category Mergerstat industry classifications in favor of its 20-category industry sectors. It means that FactSet Mergers database subscribers 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 editions prior to 2018, seller ownership roles were classified as either public, private, divestiture, and foreign. The *Mergerstat Review* now breaks down the seller ownership into 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. We made this change 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, starting with the 2018 *Mergerstat Review*, four new tables focus on premiums paid over the targets' enterprise values.
 - Spinoff transactions were included starting with the 2019 publication. These figures are reflected in the current year and historical aggregate figures and displayed as a transaction when applicable. Spinoff transactions were added in the FactSet Mergers M&A database.

On a personal note, having published the *Mergerstat Review* for the past 16-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. I look forward to hearing your feedback once again. BVR thanks you again for purchasing the 2019 *Mergerstat Review—U.S. Edition*.

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 2019 edition marks the 37th 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 increased from 7,793 in 2017 to 8,761 in 2018. However, total dollar value offered for private businesses decreased from \$378.4 billion to \$339.2 billion while companies disclosing prices decreased from 1,933 to 1,700.

The 448 transactions valued at \$100 million or more totaled \$216.9 billion, accounting for 63.4% of the \$339.2 billion total value of all announced acquisitions of privately owned companies for which a price was announced.

**ACQUISITIONS
OF PRIVATELY
OWNED
COMPANIES
2009-2018**

Table 1-45

	Number of <u>Acquisitions</u>	Percentage of Acquisition <u>Activity</u>	Total Dollar Value Offered (Millions)	Base	<u>Transaction Value</u>	
					<u>\$100.0MM or More</u>	<u>\$1,000.0MM or More</u>
2009	4,483	43%	\$81,087.2	(1,175)	124	10
2010	5,997	57%	\$145,799.8	(1,627)	252	18
2011	6,607	63%	\$285,112.3	(1,665)	298	35
2012	6,688	63%	\$235,703.8	(1,540)	273	44
2013	6,232	59%	\$188,856.1	(1,545)	259	42
2014	8,156	77%	\$362,167.2	(2,002)	400	74
2015	8,792	83%	\$334,861.5	(1,939)	390	63
2016	8,315	79%	\$385,652.9	(1,702)	398	81
2017	7,793	74%	\$378,425.4	(1,933)	461	85
2018	8,761	83%	\$339,182.8	(1,700)	448	73

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

CATEGORY	RECORD	YEAR ATTAINED
Net Merger & Acquisition Announcements*	13,098	2000
Total Dollar Value Offered (\$Billions)	\$2,029.40	2015
\$100 Million+ Deals	1,437	2014
Cash Payments	3,348	2014
Stock Payments	1,362	1999
Divestitures*	4,411	2005
Publicly Traded Sellers	859	1999
Privately Owned Sellers	8,792	2015
Foreign Sellers	2,676	2000
Foreign Buyers*	2,157	2000
Average P/E Offered	28.2	2017
Average Premium	62.3%	2009
Cancelled Transactions	586	2000

* New record in 2018.

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