

# A VIEW FROM THE UK

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Legal Briefings

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## M&A deal highlights in the UK in 2018

- Comcast's acquisition of Sky
- Marsh & McLennan's offer for Jardine Lloyd Thompson Group
- Melrose's acquisition of GKN
- Takeda's offer for Shire

As we entered 2018, there were concerns that politics and Brexit would dampen the optimism seen in an extremely strong performance in Q4 2017. Such concerns were unfounded.

M&A activity in 2018 continued to be strong in the UK, with the market seeing a good number of mega-deals. It is no surprise at all that these approaches came from international buyers, notably the US where the weakness of the pound continued to attract bidders to UK targets. Private equity continued to be an important contributor to M&A, both directly and indirectly, with its regular participation in auction processes keeping pricing full.

However, there was a noticeable lack of activity in the UK on the part of some of the largest private equity houses. In terms of sectors, the hottest sector was TMT but the banking sector saw consolidation amongst the challenger banks and pharma remained active. Infrastructure also remained highly active, largely impervious to geopolitical headwinds, with the exception of UK water.

*"UK M&A activity was surprisingly strong in 2018 as buyers adjusted to the 'new normal' and forged ahead with strategic acquisitions, despite Brexit and wider economic and geopolitical issues."*

## **SO WHAT ARE THE PROSPECTS FOR THE UK M&A MARKET FOR 2019?**

Continued uncertainty over Brexit, together with the associated possibility of an economic slowdown, may continue to have a negative effect on UK equity markets, which are an important reference point for corporate valuations and an important source of acquisition currency for corporates. If the downturn in equity markets is prolonged, it should start to give rise to a rebasing of sellers' pricing expectations (none too soon, some will argue).

However, the conditions for continued M&A activity are in place. Corporates with strong balance sheets seeking rationalisation and growth, private equity houses with dry powder to invest and the availability of cheap debt - as well as corporates keen to counter the threat of disruption in their business, including as a result of Brexit - should all fuel activity in 2019 for both acquisitions and corporate venturing. End-of-cycle factors should be expected to persist, offering no relief from investor pressure to sharpen strategic focus and off-load non-core assets.

## Top acquirer nations of UK targets by deal value in 2018



Source: Thomson Reuters





# KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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