# Foreign takeovers drive UK M&A values to highest level since 2022 despite falling deal volume



Takeovers of British firms have surged to their highest levels in nearly three years, driven predominantly by foreign investment. According to the latest data from the Office for National Statistics, inward mergers and acquisitions (M&A) reached a remarkable £19 billion in the first quarter of the year, signalling a significant upswing compared to previous periods. This figure is nearly four times higher than the last quarter of 2024, underscoring a renewed interest in the UK market as firms look to capitalise on attractive valuations.

Prominent transactions include the £5.8 billion acquisition of packing company DS Smith by US-based International Paper and Carlsberg's £3.3 billion takeover of drinks group Britvic. In contrast, UK companies themselves only managed to attract £9.4 billion through outward M&A, highlighting the stark disparity in investment flows.

Despite the robust monetary values associated with these deals, the total number of inward transactions has shown a decline compared to earlier periods, marking the second-lowest figure in four years. Emma Danks, head of corporate at Taylor Wessing, remarked that buyers are taking a more discerning approach, scrutinising valuation gaps before committing. “While deal volume may have slowed down this quarter, the fundamentals remain strong, with deal values reaching the highest levels since late 2022,” she stated.

The growing interest in UK companies is corroborated by a separate report from Taylor Wessing and Bayes Business School, which outlined that the UK continues to be a highly sought-after destination for M&A, particularly within the technology and energy sectors. While the domestic M&A volume fell to £2.9 billion at the start of this year, following two successive quarterly climbs, this decline further accentuates the trend of cross-border deals becoming more predominant.

However, challenges persist. The Bank of England noted that uncertainty surrounding global trade and regulatory environments has led to a cautious approach from investors, with many postponing plans. Nevertheless, there remains optimism for future increases in deal values, especially after Vodafone announced its intention to merge with Three in a deal valued at £15 billion, contingent on regulatory approval.

Patrick Sarch, head of UK public M&A at White & Case, indicated that UK firms are still perceived as “attractively valued.” With economic conditions gradually improving, there is a consensus among industry experts that the appetite for UK assets will persist, driven by both domestic and international interest. This growing interest aligns with findings from the London Stock Exchange Group, which reported that 72% of the UK’s total deal value in recent quarters originated from foreign bids.

Despite the promising outlook, regulatory scrutiny remains a significant aspect of the landscape. For instance, the UK competition watchdog has raised concerns regarding the proposed £16.5 billion merger of Vodafone and CK Hutchison's Three UK, suggesting potential negative impacts on customer pricing and services. This scrutiny illustrates the delicate balance that regulators must strike between fostering a competitive market and allowing business consolidation.

While the road ahead appears bumpy due to geopolitical tensions and the evolving economic situation, analysts remain hopeful. They believe that as inflation rates stabilise and economic confidence returns, stronger M&A activity could resume, bolstered by both international interest and the resilience of domestic companies.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.cityam.com/foreign-companies-drive-19bn-ma-surge-as-uk-firms-attractively-valued/), [[4]](https://www.ft.com/content/32f835ac-05ab-48d1-8f56-11abf1e51122)
* Paragraph 2 – [[1]](https://www.cityam.com/foreign-companies-drive-19bn-ma-surge-as-uk-firms-attractively-valued/), [[2]](https://www.ft.com/content/6f37df79-e665-4c3e-802f-50a1bcf10ff7), [[5]](https://www.ons.gov.uk/businessindustryandtrade/changestobusiness/mergersandacquisitions/bulletins/mergersandacquisitionsinvolvingukcompanies/octobertodecember2023)
* Paragraph 3 – [[3]](https://www.ft.com/content/0ca42964-0f22-4db8-b25b-c4dd9f16dc6d), [[6]](https://www.business-sale.com/insights/industry-insights/foreign-takeovers-once-again-driving-uk-deals-226984)
* Paragraph 4 – [[1]](https://www.cityam.com/foreign-companies-drive-19bn-ma-surge-as-uk-firms-attractively-valued/), [[7]](https://www.theguardian.com/business/2023/dec/28/uk-mergers-and-acquisitions-fall-33-to-hit-lowest-level-since-2009)

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.cityam.com/foreign-companies-drive-19bn-ma-surge-as-uk-firms-attractively-valued/> - Please view link - unable to able to access data
2. <https://www.ft.com/content/6f37df79-e665-4c3e-802f-50a1bcf10ff7> - Global mergers and acquisitions (M&A) activity experienced a significant revival, with total takeovers reaching $1.3 trillion in the first part of 2024, marking a 23% increase compared to the same period last year. Major deals, such as ConocoPhillips' $22.5 billion acquisition of Marathon Oil and BBVA's €12 billion bid for Sabadell, have been pivotal in this growth. The UK has emerged as a hotspot for M&A, with activity up by 74% annually. Despite this surge, the overall number of deals remains below pre-pandemic levels, and uncertainties like the US election and regulatory challenges continue to impact the market. Buyout investors have also been active, with private equity deals increasing by over 30%, although a gap in valuation expectations between buyers and sellers has led to some failed transactions. The energy and financial sectors present significant opportunities for future deals.
3. <https://www.ft.com/content/0ca42964-0f22-4db8-b25b-c4dd9f16dc6d> - The value of bids for UK companies listed on the London Stock Exchange has reached its highest level since 2018, totaling over $78 billion so far this year. This surge in interest is driven by beaten-up share prices, expectations of stabilized interest rates, and subdued inflation. Notable targets include major firms like Anglo American and Royal Mail's owner, International Distributions Services. The majority of bids have come from overseas buyers, with significant transactions such as Thoma Bravo’s acquisition of Darktrace and International Paper’s purchase of DS Smith. Despite some bids being rejected, such as BHP’s for Anglo American and Daniel Křetínský’s for IDS, interest remains strong due to attractive valuations and pent-up demand. Domestic deals are also on the rise, exemplified by Nationwide Building Society’s acquisition of Virgin Money. However, geopolitical risks and global economic uncertainties continue to pose challenges to deal-making.
4. <https://www.ft.com/content/32f835ac-05ab-48d1-8f56-11abf1e51122> - The UK competition watchdog, the Competition and Markets Authority (CMA), has raised concerns over the proposed £16.5bn merger between Vodafone's domestic business and CK Hutchison's Three UK. The merger, which aims to create the UK's largest mobile operator, could lead to higher bills and reduced services for millions of customers. The CMA has requested changes to the deal before making a final decision by December 7, 2024. The investigation highlighted potential negative impacts on both retail and wholesale customers, including mobile virtual network operators like Sky Mobile and Lebara. Proposed remedies include legal investment commitments monitored by the communications regulator and possibly partial divestiture of mobile network assets to enhance competition. Both Vodafone and Three UK disagree with the provisional findings but are willing to cooperate with the CMA to secure approval. Analysts expect the merger to eventually receive approval despite the regulatory challenges.
5. <https://www.ons.gov.uk/businessindustryandtrade/changestobusiness/mergersandacquisitions/bulletins/mergersandacquisitionsinvolvingukcompanies/octobertodecember2023> - In the fourth quarter of 2023, the total value of inward mergers and acquisitions (M&A) of UK companies by foreign companies rose to £8.6 billion, an increase of £3.3 billion compared with the previous quarter (£5.3 billion) and £2.8 billion more than in Quarter 4 2022 (£5.8 billion). Notable inward acquisitions that completed in Quarter 4 2023 included United Health Group Incorporated of the USA acquiring EMIS Group Ltd of the UK and Danaher Corporation of the USA acquiring Abcam Plc of the UK.
6. <https://www.business-sale.com/insights/industry-insights/foreign-takeovers-once-again-driving-uk-deals-226984> - Crucially, LSEG found that 72 per cent of the UK’s total deal value involved bids in which the buyer was from overseas. This was the highest share recorded for the period in three years, following a 79 per cent surge in inbound investment. Following the general election in July, the renewed sense of political certainty, combined with improved economic conditions, helped to propel inbound activity even further, with the Office for National Statistics (ONS) recording inbound deal value of £7.8 billion during Q3. This was a year-on-year increase of £3 billion, as well as an increase of more than £1 billion compared to Q2 2024. This came despite a decrease in the volume of inbound M&A activity between Q2 and Q3 2024. 2024 continued the trend of US buyers targeting UK assets, with the UK by far the most targeted European country for US buyers and US buyers by far the most active overseas group in the UK market, with CMS recording 266 acquisitions of UK companies involving a US-headquartered buyer during the first half of 2024. Overall, the UK remained a hotbed for global M&A, with a year-end report from LSEG finding that, once again the UK was the third most-targeted country for M&A during 2024, behind only the USA and China. This also meant the UK remained the most active hub in Europe. According to the report, 51 per cent of UK target deals involved an overseas buyer, with inbound dealmaking increasing by 21 per cent compared to 2023.
7. <https://www.theguardian.com/business/2023/dec/28/uk-mergers-and-acquisitions-fall-33-to-hit-lowest-level-since-2009> - The UK’s competition regulator adopted a more aggressive stance this year by attempting to block Microsoft’s acquisition of Activision Blizzard. Photograph: Dado Ruvić/Reuters. UK takeover and tie-up dealmaking shrank by a third this year, hitting its lowest level since 2009, as rising interest rates and concerns over Britain’s economic outlook affected buyers’ appetites. Figures compiled by London Stock Exchange Group’s Deals Intelligence team show that the total value of mergers and acquisitions deals involving UK firms fell by 33% to just $265bn (£207bn) over 2023. That is down from $395bn a year earlier, and marks a significant drop from the post-lockdown rebound that sent UK deal values to $658bn in 2021. The drop reflects double-digit declines in domestic and cross-border deals – down 37% and 49% respectively – with both foreign and local buyers deterred by the UK’s economic prospects. While global dealmaking also cooled this year, the drop was far less dramatic than in the UK – at just 17% to $2.9tn. That is despite a rise in the number of private equity firms buying UK businesses and striking 915 deals, the highest number of buy-ups since records began in 1980. However, the value of those deals was far smaller, at $41bn. That is down 41% compared with 2022, when private equity takeovers were worth $70.5bn. UK firms were the target in $120bn worth of merger and acquisition deals, marking a 45% drop from 2022, while outbound deals – where the UK was buying businesses overseas – rose 12% to $104bn. Overall, the total number of UK deals fell by nearly a fifth, to about 5,500, with the largest being the $6.1bn takeover of Dechra Pharmaceuticals, the UK veterinary pharmaceuticals company, by Swedish buyout group EQT. Businesses have also been concerned about the more aggressive stance taken by the UK’s competition regulator. Even attempts to block deals between US companies, including Microsoft and Call of Duty video game publisher Activision Blizzard, and the software developers Adobe and Figma, have led to accusations that the UK is “closed for business”. However, there may be hope on the horizon for UK dealmaking, which ended the year more strongly than it began. While the value of deals announced during the first quarter of the year fell to the lowest quarterly level since the end of 2009, deals hit their highest quarterly total since mid-2022, in the final three months of the year. “With inflation coming down and rates normalising, it could give CEOs and boards a little more confidence with which to plan their moves in 2024,” Jones said.