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In this update, we consider key statistics, trends, developments and highlights regarding UK public M&A transactions governed by the UK Takeover Code that were announced during the first half (H1) of 2023.

## Key Statistics and Trends

### H1 2023 vs. 2022

Key Statistics	H1 2023 (1/1/23 - 30/6/23)	H2 2022 (1/7/22 - 31/12/22)	H1 2022 (1/1/22 - 30/6/22)
<b>Firm Offers</b>	27	20	28
<b>Schemes vs. Offers</b>	20 schemes (74%) vs. 7 offers (26%)	17 schemes (85%) vs. 3 offers (15%)	21 schemes (75%) vs. 7 offers (25%)
<b>Avg. Deal Value</b>	£451 million	£1.1 billion	£683 million
<b>Avg. Share Premium*</b>	62.83%**	46.3%***	41.6%****

\* Against the target company's closing share price on the last practicable day before a firm offer announcement or commencement of the offer period.

\*\* Excluding three offers that did not include a premium figure against the target company's closing share price on the last practicable day before a firm offer announcement or commencement of the offer period, and one offer which included a 3.6% discount.

\*\*\* Excluding two offers that did not include a premium figure against the target company's closing share price on the last practicable day before a firm offer announcement or commencement of the offer period.

\*\*\*\* Excluding four offers that did not include a premium figure against the target company's closing share price on the last practicable day before a firm offer announcement or commencement of the offer period, and one offer which included a 0.8% discount.

The volume of public M&A deals rebounded in H1 2023. With 27 firm offers announced, deal volume was in line with that in H1 2022 and an increase from the 20 firm offers announced in the second half (H2) of 2022. However, the average deal value in H1 2023 dropped by 34% compared to H1 2022 and 59% compared to H2 2022, as inflation and interest rates continued to rise and led to materially increased costs and decreased financing availability.

Globally, in H1 2023 there was considerable turmoil in the banking sector not seen since the 2008 financial crisis. This included the collapse of Silicon Valley Bank, Signature Bank and First National Bank in the US and the rescue by UBS of Credit Suisse in Switzerland. The banking crisis likely reduced the availability of financing for larger transactions.

The average share premium increased to 62.83% in H1 2023 (65.38% average share premium as compared to the three-month average share price prior to the commencement of the offer period<sup>1</sup>), indicating that stakeholders believed that share prices in the United Kingdom undervalued publicly traded companies. The FTSE 250, down 3% in H1 2023, underperformed the S&P 500 and STOXX 600.

Reluctance by target boards to engage with potential buyers at current market valuations impacted Apollo Global Management's unsuccessful approach to THG PLC. This approach followed Apollo's separate unsuccessful approach to John Wood Group PLC, which required five increased-bid proposals to encourage management to engage.

The most popular offer structure continued to be a scheme of arrangement, accounting for 74% of the offers announced in H1 2023.

<sup>1</sup> Excluding nine offers that did not include a premium figure against the target company's three-month average share price prior to the announcement of the commencement of the offer period, and including one offer that listed a premium figure against the target company's 60-day average share price prior to the announcement of the start of the offer period.

# UK Public M&A Update – H1 2023

Deal Value	H1 2023 (1/1/23-30/6/23)	H2 2022 (1/7/22-31/12/22)	H1 2022 (1/1/22-30/6/22)
£0- £250 million	17 (63%)	10 (50%)	11 (39.3%)
£251 million- £500 million	6 (22.2%)	1 (5%)	4 (14.3%)
£501 million-£1 billion	1 (3.7%)	3 (15%)	6 (21.4%)
Above £1 billion	3 (11.1%)	6 (30%)	7 (25%)

In H1 2023, the trend towards lower-value transactions continued, and only three deals (or 11.1%) were valued at above £1 billion versus six and seven in H2 2022 and H1 2021, respectively. The number of offers with a deal value of up to £250 million increased significantly, to 17, in H1 2023 versus 11 during H1 2022. This trend is likely to continue into H2 2023, with good opportunities for further consolidation of midmarket companies by strategic corporate bidders.

Lower deal values in public transactions reflected a decrease in wider UK M&A activity; M&A with any UK involvement in H1 2023 reduced by 51%, to \$111.8 billion, according to financial data provider Refinitiv. The value of global M&A transactions also dropped by 38% in H1 2023. The *Financial Times* noted that it was the slowest start to the year in a decade and that the drop

in transaction values is evidenced by the large drop in investment bankers' advisory fees, which decreased by 35% in H1 2023 in comparison with H1 2022.

There was an increase in deal values in the second quarter of 2023 following Brookfield's £2.2 billion bid for Network International Holdings and EQT's £4.5 billion bid for Dechra Pharmaceuticals. Both firm offers were announced within seven days of each other at the start of June 2023. Combined with Global Auto Holdings' £465.4 million offer for Lookers plc in June 2023,<sup>2</sup> there are signs that larger M&A deal activity is starting to increase following the lower-value deals which characterised the start of the year.

<sup>2</sup> Skadden advised Global Auto Holdings Limited on this bid.

Industry Sector	H1 2023 (1/1/23-30/6/23)	H2 2022 (1/7/22-31/12/22)	H1 2022 (1/1/22-30/6/22)
Financial	3 (11.1%)	2 (10%)	5 (17.9%)
Oil, Gas and Chemicals	2 (7.4%)	2 (10%)	2 (7.1%)
Pharmaceutical, Biotechnology and Health Care	4 (14.8%)	2 (10%)	1 (3.6%)
Real Estate	4 (14.8%)	-	4 (14.3%)
Retail	3 (11.1%)	1 (5%)	-
Support Services	1 (3.7%)	2 (10%)	4 (14.3%)
Technology (Computer and Electronic Equipment)	3 (11.1%)	3 (15%)	2 (7.1%)
Travel / Leisure	1 (3.7%)	-	3 (10.7%)
Other*	6 (22.2%)	8 (40%)	7 (25%)

Note: Percentages may not total 100 due to rounding.

\* Including the following sectors: media; mining, metals and engineering; construction and industrials; food and beverage; personal, household and leisure goods; utilities; insurance; aerospace and defence.

# UK Public M&A Update – H1 2023

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## Key Developments and Highlights

### Public to Private Transactions

Despite uncertainty in the debt markets in H2 2022, interest from financial sponsors in public companies was relatively strong in H1 2023, with nine public to private (P2Ps) announced — 33% of all firm offers announced during the period. This included financial sponsor bidders in the two largest transactions, each valued at over £2 billion. Some of the other largest potential deals in H1 2023, which ultimately did not result in firm offers, were also led by financial sponsors such as Apollo. Financial sponsors used a mixture of bidco equity subscriptions and debt facilities to finance bids.

### Formal Sale Processes

Although many potential targets demanded high share premium, the trend towards formal sale processes (FSPs) for companies experiencing difficulties in the challenging economic environment continued. Five such processes were announced in H1 2023, which, whilst representing a decrease from the nine announced in H2 2022, was an increase compared to the two announced in H1 2022.

Previous concerns that a publicly announced formal sale process may inhibit the chances of a successful offer may have been allayed following the £249 million firm offer by Prax Exploration & Production PLC for Hurricane Energy plc. Hurricane Energy initiated a formal sale process in November 2022 and announced that it had received multiple expressions of interest before then announcing Prax's recommended cash offer on 16 March 2023.

Purplebricks Group plc also initiated a strategic review including a formal sale process in H1 2023, ultimately leading to the sale of its business to Strike Limited.

### Changes to the Takeover Code

On 20 February 2023, [changes to the presumptions of the definition of "acting in concert"](#) under the Takeover Code took effect. Among other changes and codifications of existing Takeover Panel practice, the threshold for presumed "associated company" concert party status increased from 20% to 30% of the equity share capital, bringing it in line with the "control" threshold applied by the Takeover Code.

[Various additional amendments to the Takeover Code](#) took effect on 22 May 2023. In particular, the Takeover Panel clarified the application of the offer timetable in competitive situations (including for schemes of arrangement), specifically where official authorisations or regulatory clearances are required by one or more bidders.

On 15 May 2023, [the Takeover Panel published consultation paper PCP 2023/1](#) concerning certain proposed codifications, clarifications and amendments to Rule 21 of the Takeover Code covering the restrictions on target boards taking frustrating action and equality of information to competing bidders. The consultation paper includes a new draft practice statement providing guidance on the application and interpretation of the revised frustrating action framework under Rule 21.1. The consultation closes on 21 July 2023, and the Code Committee of the Panel expects to publish its response statement in autumn 2023.