



# Acquisitions in Scotland 2003-19

## Key findings

This updates previous research which used the Zephyr Mergers & Acquisitions database to set out the shape and extent of Scotland's acquisitions from 2003. The previous research reports 'The role of acquisition in company growth' (2014) and 'Acquisitions in Scotland 2003-17' (2018) are available online at [EvaluationsOnline.org.uk](http://EvaluationsOnline.org.uk)

**Inward acquisition** refers to an acquisition of a Scottish company by a company outside of Scotland

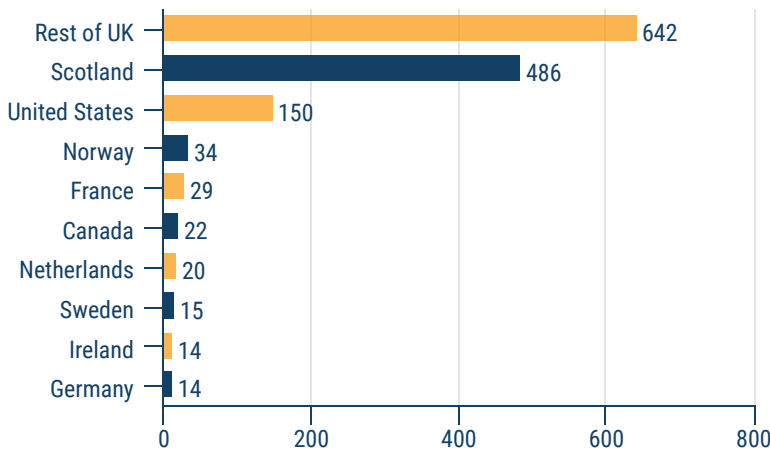
**Outward acquisition** refers to the acquisition by a Scottish company of a company outside of Scotland

**Intra-acquisition** refers to the acquisition by a Scottish company of another Scottish company

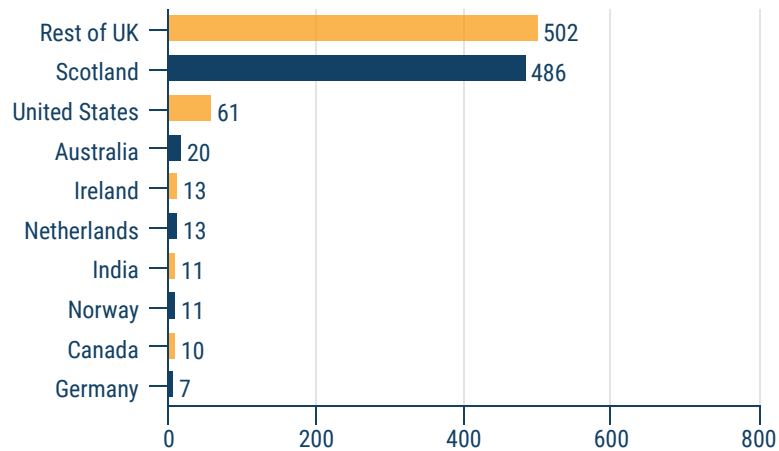
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Like most nations, Scotland's activity is guided by geographic proximity and cultural ties (predominantly language). The rest of the UK (overwhelmingly London) and the United States feature heavily in all nations' acquisition activity.

**Top 10 home nations of companies acquiring Scottish companies 2003-19**



**Top 10 home nations of companies acquired by Scottish companies 2003-19**



2

Five groupings and industries are responsible for the majority of acquisitions across each of the three types. Combined, these five account for over 80% of all Scottish acquisition activity.



Non SE sector



Technology & Engineering



Financial & Business Services



Energy (including renewables)

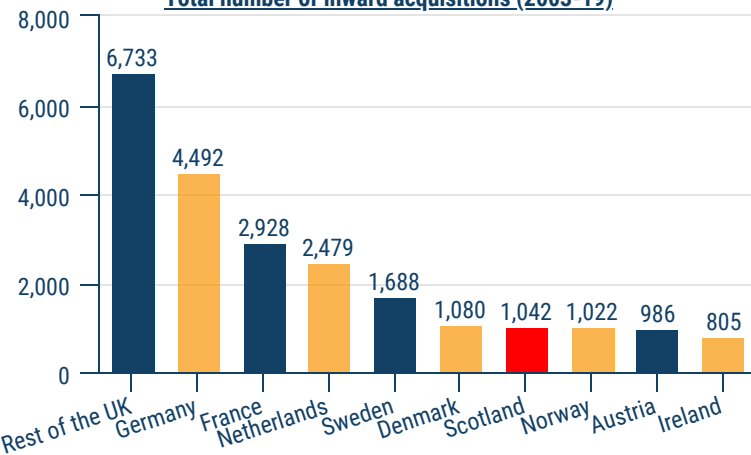


Food & Drink

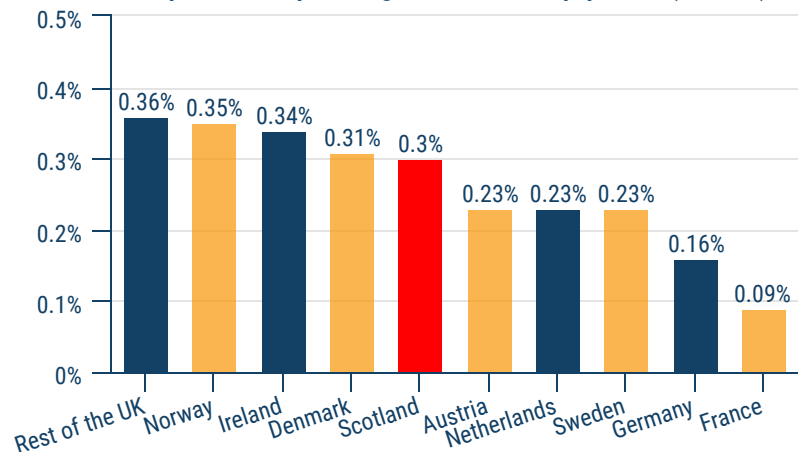
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There is little difference in inward acquisition levels and frequency between Scotland and other nations. Scotland has one of the lower overall total number of companies acquired, and is mid-ranking for this as a percentage of the business base.

**Total number of inward acquisitions (2003-19)**



**Inward acquisition as a percentage of the business population (2003-19)**

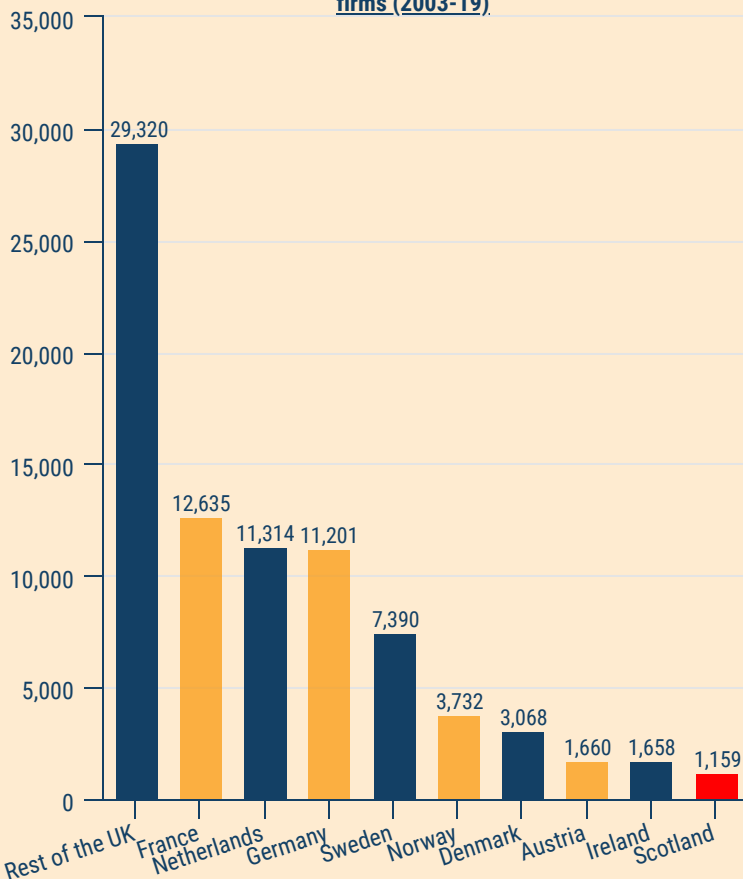


This highlights that levels of inward acquisition in Scotland are no higher than anywhere else, nor is it a particular issue seen more in Scotland than elsewhere.

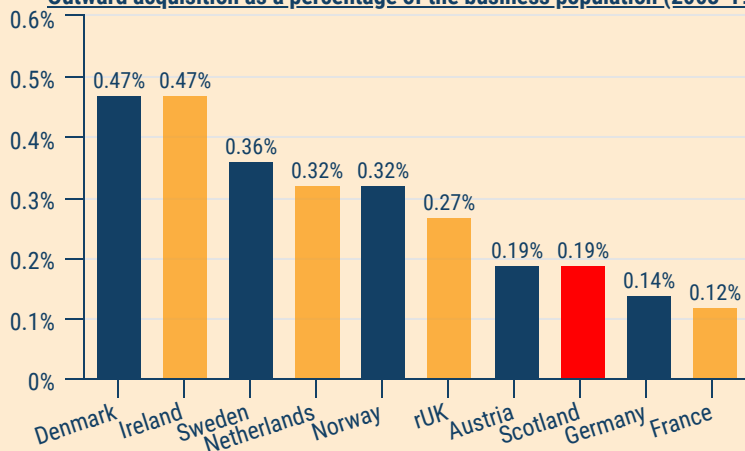
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However, Scotland has the lowest number of acquisitions made, one of the lowest outward acquisition rates and the lowest rate of intra acquisition.

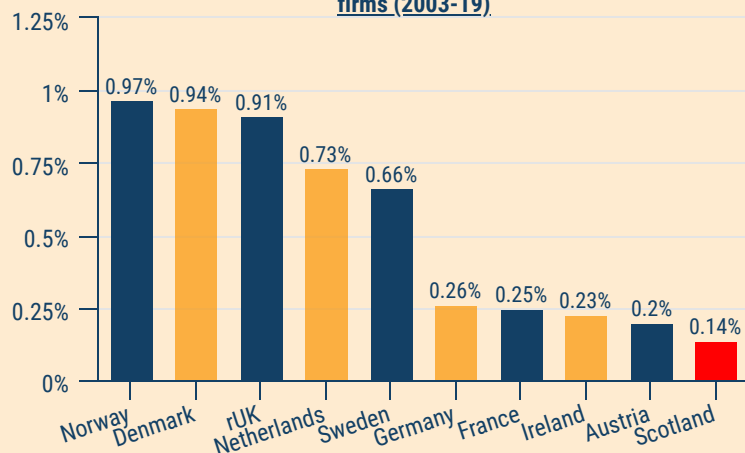
Total number of acquisitions (outward and intra) made by nations firms (2003-19)



Outward acquisition as a percentage of the business population (2003-19)



Total number of acquisitions (outward and intra) made by nations firms (2003-19)



5

Scotland has the **best** performance when it comes to keeping companies acquired by firms from another nation, active following the acquisition (inward).

Scotland has a better overall rate of companies making acquisitions remaining active (outward). But in comparison to other nations, it is one of the **worst** performers.

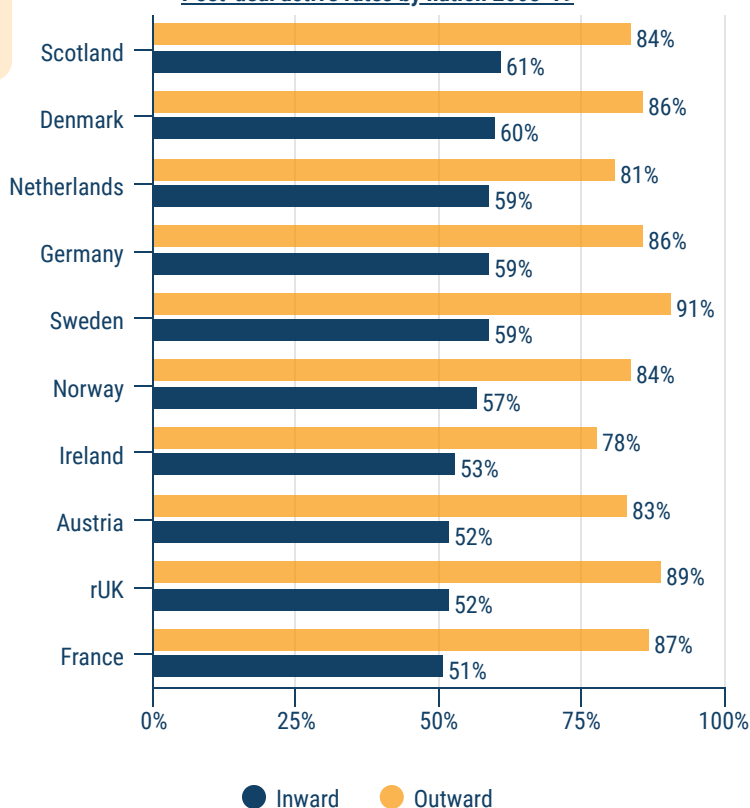
This suggests the challenge is less about preventing inward acquisition and more focus could be given to stimulating and supporting outward acquisition.

Yet a disproportionate amount of attention continues to be paid to inward acquisition.

The reason for this may be that Scotland has the largest 'deficit' in its acquisition activity. Despite having a lower rate of inward and outward acquisition than several comparable nations Scotland has the largest 'gap'.

This comes about, not because of a large inward acquisition rate, but a considerably lower outward acquisition rate.

Post-deal active rates by nation 2003-19



6

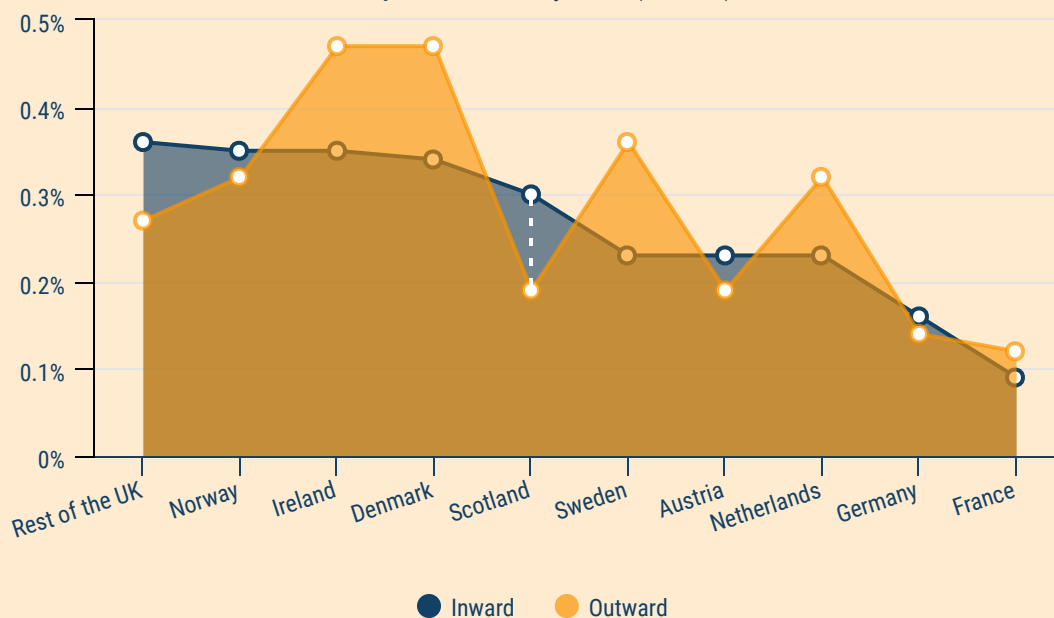
Scotland has the largest acquisitions deficit.

But this is not due to a high inward acquisition rate, rather a significantly lower rate of outward acquisition.

So whilst the concern for many focuses on what can be 'seen' and the rate of inward acquisition, it is the lack of outward acquisition which is arguably a greater concern.

The most pressing issue is the lack of Scottish companies using acquisition as part of their growth strategy.

Acquisition 'deficit' by nation (2003-19)



## 7 So what is the evidence telling us?

We know acquisition is one route through which companies achieve growth, gain quicker access to new international markets, new products, expertise and investment, and that companies in Scotland are - through the highest post-deal active rate of all comparative nations - successfully leveraging acquisition successfully.

But the average performance for inward, and considerably lower outward and intra acquisition performance suggests it is an underutilised route to growth; particularly in acquiring.

Again, if it is a valid and viable route to achieve growth, then perhaps acquisition needs to be seen less as the cause or the problem, but instead a symptom of a bigger issue.

8 The argument that a 'high' rate of foreign acquisition is limiting the growth in the Scottish economy, is simply not borne out by the evidence.

Instead, since acquisition is a growth tool, the rate of acquisition in Scotland reflects the lack of companies who achieve and then sustain growth and/or high-growth.

Of course, it is then valid to argue that if there are fewer growth companies, a smaller number of inward acquisitions could have a disproportionately greater impact than if there were more growth companies.

So is the solution to increase the number of growth companies or limit the number of inward acquisitions?

Particularly given Scotland outperforms all nations for embedding companies to remain post-acquisition, it would be misguided to limit the potential and ambition of the few because of the lack of growth amongst the many.

Scotland has a growth, not acquisition problem; and instead of looking for negatives, acquisition should be seen as one tool to help address the growth challenge.

Evidence has highlighted a series of performance and trends which signifies a wider growth challenge, rather than acquisition limiting it. These include:

- HGF performance amongst the weakest in the UK, and performance is weakening in Scotland faster than elsewhere
- Whilst we are seeing more Scottish Mid-Sized Businesses (MSBs), growth in Scottish MSBs has been outpaced by foreign owned counterparts
- As a result, the average Scottish MSB has become smaller over the last 8 years
- Scotland's start-up rate sits in the third quartile across UK and the rate of growth has declined since 2014
- Scotland has a higher percentage of its business base not achieving 10% growth in one year from 2011-16
- Scottish companies are less likely to achieve then sustain growth or high-growth then elsewhere in the UK
- Scotland's high-growth and faster growth companies are smaller than elsewhere in the UK
- These findings sit within a context of Scotland having a smaller business base per 10,000 population than elsewhere.

The level of both inward and outward acquisition could be seen as a consequence of the growth challenges, rather than a cause.