

Mergermarket M&A deal database inclusion and league table criteria

Effective: 01 January 2012



1. Inclusion Overview

1.1 Database coverage

The Mergermarket database includes Mergers and Acquisitions (M&A) where there is a transfer in ownership of an economic interest in an ongoing business concern.

Deal coverage is global and covers M&A deals announced from 01 January 2001. Asia-Pacific minority stakes outlined in point 1.3 are tracked from 01 January 2006.

The database also includes M&A deals announced from 01 January 1998 to 31 December 2000 where the bidder, target or seller is European or a subsidiary of a European company, with a minimum deal value of GBP 10 million.

1.2 Deal size

Transactions with a deal value greater than or equal to USD 5 million are included, except for some minority stake acquisitions where a higher threshold applies (see point 1.3). If the consideration is undisclosed, deals are included on the basis of a reported or estimated deal value greater than or equal to USD 5 million.

If the deal value is not disclosed and cannot be confirmed to be greater than or equal to USD 5 million, the deal is included if the target's turnover/revenue is greater than or equal to USD 10 million.

If neither the deal value nor the target revenue is disclosed, Mergermarket will use other indicators to determine inclusion, including but not limited to:

- Number of employees of the target company – typically 100 employees is used as a base, though this number will vary depending on geography;
- Assets under management exceeding USD 200 million for asset management firms;
- Value of assets/deposits exceeding USD 50 million for banks.

1.3 Stake acquisitions

Where the stake acquired is greater than or equal to 30% of the entire share capital, or 10% where the target is based in Asia-Pacific, and the deal value is at least USD 5 million, the deal will be included.

Where the stake acquired is less than 30%, or 10% where the target is based in Asia-Pacific, the deal will only be included if the deal value is at least:

- USD 100 million provided there is also evidence of an advisory mandate;
- USD 500 million in the absence of evidence of an advisory mandate.

1.4 Timing of inclusion

Deals qualify for inclusion from the date of announcement of:

- the signing of a definitive/binding agreement if the deal is private; or
- a formal offer for a publicly listed company, where the offer is made to the shareholders of the target company.

Hostile and contested bids in the public arena are included provided the offers are formally announced.

Offers for Dutch publicly traded companies are included from the date of a section 5 announcement. Offers for Japanese publicly traded companies are included from the date of the announcement of the full terms of the offer.

Indicative offers, letters of intent, memorandums of understanding, heads of agreement and non-binding agreements are not covered. Rumoured deals are also excluded.

1.5 Deal types included

- Acquisitions of part or the whole of another entity. Stake acquisitions in accordance with the rules set out under point 1.3;
- Acquisitions/divestments of business units, companies, divisions and trading assets of another entity;
- Mergers;
- De-mergers and spin-offs, where the shares of a subsidiary are distributed to the parent company shareholders and the subsidiary becomes a listed company. Partial de-mergers and partial spin-offs are also included. The announcement date of such transactions is based on when the board of directors of the parent company approves the deal;
- Auctions – only the winning bid, where a binding agreement is in place, is recorded;
- Joint ventures, where two or more companies pool together existing assets to form a new entity;
- Reverse takeovers;
- Debt-for-equity swaps;
- Acquisitions of or offers for preferred shares, provided the shares form part of the economic interest in the target company;
- Property transactions where a property company, with the exception of a property holdco, is acquired or merged with another entity;
- Privatisations.

1.6 Deal types excluded

- Joint ventures where the only asset contributed is cash;
- Property/real estate transactions restricted to land, buildings, portfolios or sale and leaseback agreements;
- Equity carve-outs;
- Transactions involving undeveloped oil and gas fields and undeveloped mines*;
- Acquisitions of brands, rights and/or licenses (including Government-awarded telecom spectrum licenses);
- Acquisitions of individual assets (i.e. dry bulk vessel) and asset portfolios;
- On-sales/subsequent sales/back-to-back transactions which are inter-conditional;
- Share buybacks in the form of open market purchases or tender offers;
- Equity placements where shareholders' interests in total remain the same;
- Internal restructurings where the effective change of control does not meet inclusion criteria;
- Acquisition of options and warrants;
- Dual listing collapses.

*Prior to 01 January 2010 all transactions involving oil and gas/mining assets were excluded unless the asset was already operational/producing.

2. Value Methodology

2.1 Deal value

Deal value is taken as the sum of the consideration paid by the acquirer for the equity stake in the target plus the value of the net debt in the target, where applicable.

Net debt is defined as short-term and long-term debt minus cash and cash equivalents.

Inclusion of net debt in the deal value will depend on the stake acquired or the target company type:

- If the acquirer is acquiring a stake that will result in an ownership in the target company of less than 50%, then the deal value is the value of the acquired stake only;
- If the acquirer is acquiring a stake that will result in an ownership in the target company that exceeds 50%, and debt will be consolidated as a result of the purchase, then the deal value is the sum of the value of the acquired stake plus the target company net debt (where the net debt is not pro-rated);
- Net debt is not added, regardless of stake acquired, where the target is a bank, insurance company, or financing company.

Where the deal is ongoing (i.e. it has not completed, lapsed or been withdrawn), the equity value of the deal is taken as the value at the announcement date. If the offer is later revised, the equity value of the deal will be adjusted accordingly.

Should the equity stake acquired upon completion of the deal differ from the stake intended at announcement, the deal value will be adjusted accordingly after completion.

Earn-outs or future additional payments based on the target achieving certain financial milestones are included provided the time horizon of the earn-out is within two years of the completion of the transaction.

Deal values for offers where the target company is public are based on the outstanding share capital of the target company at the announcement date.

2.2 Treatment of specific deal types and considerations

- **Stock/share considerations**

Valuation is based on the acquirer's closing share price on the last trading day prior to announcement. Should the terms be revised, the equity value of the deal will be updated using the acquirer's closing share price on the last trading day prior to the announcement of the revised offer. Where the target is private and its outstanding share capital is not available, and the acquirer is public, the deal value is based on the number of shares issued by the acquirer and the acquirer's closing share price on the last trading day prior to announcement.

- **Mergers**

Valuation is based on the value of the target company, identified as:

- the company with the smaller equity stake in the merged entity;
- the company with the smaller market capitalisation prior to announcement (where terms are not disclosed);
- the company for which an offer is being made.

The target in a merger of equals is identified by reference to the smaller of the two market capitalisations prior to announcement or to the smaller of the two revenue figures.

Valuation is not based on the combined value of the merged entity.

- **Three-way mergers**

Three-way mergers are recorded as two separate transactions, four-way mergers as three separate transactions and so forth. The acquirer in each transaction is identified by reference to the largest equity stake in the merged entity. The transactions must be announced on the same day and be inter-conditional.

- **De-mergers and spin-offs**

These are typically recorded with an undisclosed deal value upon announcement. A deal value is added upon completion of the deal and is based on the number of shares distributed to the parent company shareholders and the opening share price (closing price where opening share price is not available) of the new company on the first day of trading. Valuation of partial de-mergers/spin-offs where the subsidiary is already listed is based on the closing share price of the subsidiary on the last trading day prior to announcement.

- **Joint ventures**

Valuation is based on the value of the contributed assets, provided the valuation of the assets is representative of the equity valuation of the new entity. The deal value is identified by reference to the smaller equity stake in the new entity. If the value of the contributed assets is not disclosed, no deal value will be recorded.

- **Debt-for-equity swaps**

Valuation is based on the value of the equity issued in exchange for the debt instrument(s). If the acquirer's stake in the restructured company exceeds 50%, net debt post-restructuring will be included in the deal value. The deal value will be treated as undisclosed if the value of the equity of the company post-restructuring cannot be determined.

- **Mandatory offers**

Valuation is based on the assumption of full acceptance of the offer. The deal value will be amended upon completion of the offer and will be based on the number of shares tendered and acquired. If the mandatory offer is preceded by a qualifying stake acquisition (see point 1.3):

- One deal is recorded should the implied price per share equal the offer price per share for the mandatory offer;
- Two separate deals are recorded should the implied price per share differ from the offer price per share for the mandatory offer.

- **Estimated values**

Estimated values are considered as deal values in the following scenarios:

- Stake acquisitions in publicly traded companies where the terms are not disclosed are valued based on the closing share price of the target company on the last trading day prior to announcement;
- Where the target is a private company, estimated values may be sourced from a reliable third party.

Analyst-estimated values are not considered.

3. Adviser Credits and League Table Guidelines

3.1 Roles tracked

Financial, legal and PR advisers, as well as accountants, brokers and consultants, are tracked on all deals where applicable.

Financial advisory credit is awarded to financial advisers and providers of fairness opinions. Roles excluded include financing arranger/provider, broker and providers of advice related to financial due diligence only (which will be credited as accountant).

Legal advisory credit is awarded to legal advisers, legal advisers to the financial adviser (except for deals announced before 2001) and legal advisers to the debt providers.

- Legal advisers covering specific areas such as competition, tax, employment, intellectual property, environment, property and financing and those covering only the local jurisdictional aspects of a multinational deal will be credited with the deal value of the deal if their related fee income exceeds USD 100,000.
- Legal advisers to the debt providers are not included in the general league tables of legal advisers.

PR advisory credit is awarded to providers of financial communication services. These services include but are not limited to media relations, investor relations, shareholder identification and corporate communications.

- Where multiple PR advisers are present on the same side of a deal, or where a PR firm covers only the local jurisdictional aspects of a multinational deal, credit will be awarded if their related fee income exceeds USD 50,000 for that mandate alone. League table credits are not awarded on the basis of annual retainers.

3.2 Adviser credits

- Advisers receive credit for advising any of the principals (bidder, target or seller) or the parent companies of the principals on a transaction. Advice to the target's board of directors or special committee qualifies.
- An adviser to a principal is credited with the full deal value of the transaction. Where there is more than one adviser, each is credited with the full deal value of the transaction.
- Where an adviser is advising only a majority shareholder ($\geq 50\%$ ownership) in the bidder, target or seller, value credit is pro-rated to the size of the stake of the party advised if i) there is more than one adviser advising the principal on the same side of the deal; or ii) there is a separate adviser advising other shareholders on the same side of the deal.
- Where an adviser is advising only a minority shareholder ($<50\%$ ownership) in the bidder, target or seller, value credit is pro-rated to the size of the stake of the party advised.
- Where an adviser is advising a member of a consortium, credit is provided if the client is an equity provider and is pro rated to the amount of equity provided. If the equity provided is not known, equal pro rated credits are assumed.
- Where an adviser is advising the target in the case of contested offers, deal value credit is given on the highest offer value only. If one offer leads to completion, deal value credit will be assigned to the successful bid.
- Where an adviser advises both the buy side and the sell side of a transaction, deal value credit will be recorded twice if two separate teams can be identified and independent engagement letters provided.

3.3 Geography and industry allocations

Geography on a transaction is defined by the dominant geography of the bidder, target or seller. The dominant geography is the location of the headquarters of the underlying company.

Where the bidder or seller is a subsidiary, and parent companies with different geographies are listed as related parties, geography allocation is based on where the advice is given.

Where the bidder is a consortium or a group of investors, dominant bidder geography is determined by the headquarters of the lead investor or the party with the largest equity stake.

Where a transaction involves the sale of multiple companies or assets with different geographies, dominant target geography is based on the geography where most revenue is derived. If this cannot be determined, the geography in which the majority of the companies/assets are based is used.

Industry on a transaction is defined by the dominant industry of the target company only.

3.4 Adviser consolidations

Each adviser's credits are consolidated under a single name, which may be the parent advisory company, the investment banking division of the parent company, or another entity that is agreed with Mergermarket.

Where an advisory firm is acquired or merged with another advisory firm, league table credits are assigned to the surviving entity post completion of the deal. Transactions prior to the completion of the deal will retain the separate advisory credits (which may be consolidated manually for published Mergermarket league tables).

Umbrella advisory entities will be used for league table credits instead of individual firms where written confirmation from the individual and umbrella entities has been provided to Mergermarket.

3.5 Published league tables

Mergermarket's published quarterly league table rankings are based on cumulative deal value and number of deals. Deals with undisclosed deal values are included in rankings by number of deals.

League tables of announced deals are based on deals announced during the stated time period and include ongoing deals as well as completed deals. This excludes lapsed and withdrawn deals except in the case of league tables of legal advisers which, unless otherwise stated, are based on the inclusion of lapsed and withdrawn deals.

League tables of completed deals are based on deals that have completed during the stated time period. Completed deals include deals that have been declared unconditional.

Unless otherwise stated, published league tables exclude Asia-Pacific minority stake deals where the stake acquired is under 30% and the deal does not meet the higher threshold requirements for stake acquisitions (see point 1.3).

Where league tables use a currency that differs from the currency used to record the transaction, the deal value will be converted to the specified currency according to the exchange rate at the time of announcement.

4. Submission Guidelines

- Advisers can submit deals for inclusion in the database and claim credit for existing and new deals by contacting the Mergermarket Research team (contact details in section 6).
- The following minimum information must be provided in a submission in the absence of a press release or stock exchange announcement:
 - Date of announcement;
 - Date of completion (if applicable);
 - Target and bidder name, geography and industry;
 - Deal value if disclosed. If the deal value is undisclosed, confirmation of qualifying deal size is required (point 1.2);
 - Deal description;
 - Advisory role and client;
 - Team members (optional).
- Deadlines for end of quarter submissions will be communicated to advisory firms during each quarter. As a guideline, submission deadlines will typically be:
 - **Legal advisers:** 3-4 weeks before the end of the quarter;
 - **Financial advisers:** 2-3 weeks before the end of the quarter;
 - **PR advisers:** last week of the quarter.
- Claims for adviser credits on transactions announced after the submission deadlines and before the end of the quarter are accepted. However, if the deal value is greater than or equal to USD 250 million and if the adviser is not named in a press release or stock exchange announcement, official documentation (such as an engagement letter) must be provided. Mergermarket may also request such documentation for smaller deals where it is considered that these deals will significantly affect league table rankings.
- In order to ensure as comprehensive and as high quality a product as possible, Mergermarket needs to know that all material submitted for inclusion is accurate, that the contributor has all necessary permission to provide the submission, and that use of the material by Mergermarket will not infringe on any right (for example, copyright) of any third party or breach any law or agreement (for example, an obligation of confidentiality). By submitting information, therefore, each contributor is confirming to Mergermarket that all of these statements are correct.

5. Challenge Guidelines

- Advisers may challenge deal inclusion, valuations or adviser credits by contacting the Mergermarket Research team (contact details in section 6).
- Where an adviser's role is challenged, the adviser challenged will be given five business days to provide satisfactory supporting documentation. During the challenge period, the credit will not be removed. If such documentation is not provided within the challenge period, the adviser credit will be removed from the deal. If the documentation is provided at a later date, credit will be re-instated.
- Challenges pertaining to advisory credits or to deal inclusion or valuation must be received at least ten business days before the end of the quarter for any transactions announced prior to the submission deadlines outlined in section 4. Only deals announced after the submission deadlines can be challenged within the last ten days of the quarter.
- Supporting documentation accepted includes a signed engagement letter or a signed client letter on company letterhead. The supporting documentation must clearly indicate the adviser's role on the deal and the date the adviser was retained.

6. Notice

By submitting material each contributor acknowledges and accepts as reasonable that Mergermarket reserves exclusively and in its sole discretion the right to review all submissions, the right to determine at any time whether or not to include and/or withdraw them, the right to determine valuation, database and league table eligibility, and the right to determine the validity of any challenge (including the right to request further information as required). Each contributor acknowledges and accepts as reasonable that Mergermarket limits (to the maximum extent permitted under applicable law) any and all liability arising as a result of Mergermarket's exercise of any and all such rights.

7. Contact Information

For more information regarding Mergermarket's deal inclusion criteria, deal valuations, research methodology and league table credits, or to submit information for inclusion in the Mergermarket database, please contact the Mergermarket Research team:

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