

Mergerstat®/BVR Control Premium Study™ and Mergerstat® Review are two distinct services

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Originally published in the April 2002 issue of the *Business Valuation Update™*
and updated in March 2010.

One of the questions I am asked frequently is, “What is the difference between *Mergerstat®/BVR Control Premium Study™* (*Control Premium Study*) and *Mergerstat® Review?*” This column addresses that question and highlights some of the differences between the two products.

Individual transactions versus aggregates

As a broad generality, the *Control Premium Study* (an online searchable database) focuses more on in-depth individual transactions, while the *Mergerstat® Review* (a book, published yearly in print format) focuses more on aggregate averages and trends. The *Control Premium Study* comes with complimentary access to a quarterly publication which is approximately 100 pages in length and provides analysis, industry premiums, and more (available in PDF format under the “Subscriber Services” section of the *Mergerstat®/BVR Control Premium Study™* page at BVMarketData.com).

Public companies versus private

The *Control Premium Study* includes only public companies. (Private companies have no trading price over which a control premium can be computed.) *Mergerstat® Review* also includes private companies and divisions of public companies. In 2009, for example, there were only 292 publicly traded security buyout announcements out of 6,796 total announcements. For 2009, however, *Mergerstat® Review* reported P/E multiples for 98 public companies and for only 22 private companies (excludes negative P/E multiples and P/E multiples larger than 100).

The *Control Premium Study* includes only completed deals. *Mergerstat® Review* includes announced deals that have not yet closed.

Deals and data

In the *Control Premium Study* (the online database), all transactions can be accessed back through 1998, and data for any individual transaction can be printed out (see the last page of this article for a sample transaction report). Also, all the transaction details can easily be exported into Excel. The database is searchable by SIC code, transaction date, revenue size, deal size, and many other criteria.

Financial information and multiples

The *Control Premium Study* has the following financial information for each individual company:

- Sales
- Net income
- Book value of equity
- EBIT
- EBITDA

Of the above, *Mergerstat® Review* includes only sales.

The *Control Premium Study* has both the market in which the stock traded before the acquisition and its ticker symbol, which *Mergerstat® Review* does not.

Both services have the following valuation multiples:

- Equity price to earnings
- Equity price to book value of equity.

Invested capital multiples versus averages

The *Control Premium Study* has the following valuation multiples for each transaction while *Mergerstat® Review* gives only average multiples for industry groups:

- TIC (total invested capital, including the value of equity implied by the purchase price) to EBITDA multiple
- TIC to EBIT multiple
- Equity price to revenue

Transaction codes and SIC codes

The *Control Premium Study* has the following transaction codes so the user can search by transaction purpose, which *Mergerstat® Review* does not:

- V - Vertical acquisition/merger
- H - Horizontal acquisition/merger
- S - Strategic acquisition/merger
- C - Conglomerate acquisition/merger
- F - Financial acquisition

Both services have the form in which the consideration was paid, that is, cash, stock, debt, or some combination of these. The *Control Premium Study* has both buyers' and sellers' business descriptions and SIC codes. *Mergerstat® Review* has only the sellers' business descriptions and SIC codes.

Control premiums over five past dates

The *Control Premium Study* calculates five control premiums for each acquisition. The *Control Premium Study* includes the percentage paid over the public market trading price:

- 1 day prior to announcement
- 1 week prior to announcement
- 1 month prior to announcement
- 2 months prior to announcement
- “*Mergerstat® Unaffected Price*” (the price when the stock was judged to be unaffected by rumors of acquisition). It is selected by Mergerstat after analyzing each transaction.

The average premiums in the *Control Premium Study*—overall and by industry—are calculated on the *Mergerstat® Unaffected Price*.

Mergerstat® Review calculates the control premium on the price five days before the announcement.

***Mergerstat® Review* has wealth of information**

Mergerstat® Review has a wealth of aggregate information, including many charts and tables. While there are a few pieces of data in common, most of the data is different. *Mergerstat® Review* is divided into six parts, each with many subsections. The six sections are:

- Statistical analysis
- Industry analysis
- Geographical analysis
- Current year rosters
- Historical review
- Transactions by SIC

Mergerstat® / BVR Control Premium Study™

Transaction Report

Prepared: 4/1/2010 10:23:35 AM (PST)

Transaction Details							
		Acquiror			Target		
SIC		7999 Amusement and Recreation Services, NEC			2731 Books: Publishing, or Publishing and Printing		
NAICS		--No description--			--No description--		
Name		The Walt Disney Co.			Marvel Entertainment, Inc.		
Business Description		Owns and operates amusement parks, hotels, television stations and radio broadcasting stations			Engages in publishing and film production services		
Stock Exchange		NYSE			NYSE		
Nation		United States			United States		
Premiums					Discount		
2 Month	1 Month	1 Week	1 Day	MergerStat Control Premium	Implied Minority Discount		
0.519	0.366	0.412	0.399	0.366	0.268		
Target Stock Prices (per share) (Home Currency)							
CUSIP	Target Stock Ticker	Unaffected Price	Announce Day Price	1 Day Price	1 Week Price	1 Month Price	2 Month Price
57383T103	MVL	39.560	48.370	38.650	38.270	39.560	35.590
Sale Details				Target Financial Data (\$mil-US)			
Date Announced		8/31/2009	LTM Net Sales				719.981
Date Effective		12/31/2009	LTM EBITDA				533.924
Deal Value (\$mil-US)		\$4,243.36	LTM EBIT				323.404
Deal Currency		U.S. Dollar	LTM Net Income				192.790
% of Shares Acquired		100.0	BV Target Common Equity				108.607
% of Shares Held at Date Announced		N/A	Target Invested Capital				4,216.161
% of Shares Held after Acquisition		100.0	Book Value Per Share				2.001
Purchase Price Per Share (\$'s-US)		\$54.06	Common Shares Outstanding (000's)				77.998
Common Shares Acquired (mil)		78.501	Operating Profit Margin				0.449
Deal Exchange Rate		1.000	Net Profit Margin				0.268
Purchase Price/Share (Home currency)		54.06					
Consideration		C,S					
Attitude							
Form		Acq					
Transaction Purpose		Strategic					
			Target Pricing Multiples				
			Implied MVE (\$mil-US)				4,216.161
			Price/Sales				5.856
			Price/Income				21.869
			Price/Book Value				
			Target Invested Capital/EBIT				13.037
			Target Invested Capital/EBITDA				7.897

N/A = Not Available

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