

Foreign Ownership and Ownership changes in the Combined Authority

Introduction

Foreign ownership can be a mixed blessing. On the one hand, it can provide new finance, technology, IP and talent along with access to new markets. On the other hand, it can lead to local talent, employment opportunities and exports being repatriated outside the UK, particularly when the parent company faces tough times. For example, Takeda Pharmaceuticals acquired the Cambridge University spinout Paradigm Therapeutics in 2007, built up the number of employees from 60 to 150 by 2016; and then refocused its R&D activities to Japan and the US, closing the Cambridge operation. In addition, research shows that the acquisition process itself can be prone to failure when companies fail to recognise the difficulty of absorption and culture change.

Cambridge has grown several global businesses over the last twenty years, many of which have been acquired. Given the decline in the UK manufacturing sector over the last thirty years many have been sold to foreign companies. For example, Geneva Technology was founded in 1989 and sold for \$700m to Convergys in 2001, Cambridge Antibody Technologies was founded in 1989, floated in 1997 and then sold to AstraZeneca for £0.7bn in 2006 (AZ subsequently bought Medimmune and merged it with CAT retaining the Medimmune name); Domino Printing Sciences was founded in 1978, floated in 1985 and sold to Brother Industries for £1bn in 2015; Autonomy was founded in 1996, listed in 1998 and sold to HP for \$11bn in 2011; CSR was founded in 1998, floated in 2004 and sold to Qualcomm for \$2.4bn in 2015 (in 2012 CSR had sold its handset technology division to Samsung for \$310m); and ARM was founded in 1990, floated in 1998 and sold to Softbank Group for \$31bn in 2016. The experience with these has been mixed and for others the jury is still out.

The region continues to grow global businesses. In the IT sector: Aveva Group (formed out of the UK government funded CADcentre in 1994) has a market value of £3,690m; Frontier Developments, a gaming company founded in 1994 has a market value of £659m (a Chinese company has taken a 10% stake, which might presage a takeover bid similar to the Chinese acquisition of Jagex, another gaming company, for £250m); and Quixant, founded in 2005 and which produces products for gaming machines, has a market value of £295m. In the manufacturing sector: Hilton Food Group in Peterborough was founded in 1994 to provide meat packaging for Tesco and now has a market value of £740m; and Xaar, another inkjet printing spinout from Cambridge Consultants (along with Domino) was formed in 1990 and now has a market value of £255m.

The life sciences sector is particularly productive in South Cambridgeshire, both in founding new businesses and in attracting new business to the life sciences cluster. GW Pharmaceuticals, which develops cannabis-based products for treatments, was founded in 1998 and has a current market value of £4,480m. Abcam, which provides researchers with antibodies, the latest tools and technologies to advance their research, was founded in 1998 and has a current market value of £2,520m. Horizon Discovery, a gene editing company, was founded in 2007 and has a current market value of £250m. One of the goals of the government's life sciences strategy is that the 'UK creates four UK companies valued at >£20 billion market cap in the next ten years' (Life Sciences Industrial Strategy – A report to the Government from the life sciences sector, Office for Life Sciences, August 2017). Cambridge has a key role in fulfilling this objective, but will they remain UK companies?

Therefore, we argue that it is important to monitor foreign ownership of our local businesses and to understand what it takes to encourage foreign owners to stay and make further investment into the region.

Current foreign ownership in the six districts

This note examines ownership over the past two years of companies based in the Combined Authority. The vast majority of companies are independent and owned by one, or more, British shareholders, but the picture looks quite different in terms of shares of employment and turnover. We classify both these independents and companies that are owned by a UK registered company as not foreign owned. The foreign owned companies are placed into three groups: US owned, French, German, or Italian owned and other foreign owned companies.

We have identified the global ultimate owner of companies in the Combined Authority in 2015-16 and 2016-17 and have classified the companies into the above ownership groups. Table 1 summarises the outcome and shows a drift upwards in foreign ownership over the past year. It also shows that knowledge intensive (KI) companies are much more likely to be foreign owned than other (Non-KI) companies. In general, the concentration of foreign ownership is greater when measured by turnover than in employment terms. We can also observe a wide variation across the six districts with Peterborough having 67% of KI employment and 82% of KI turnover in foreign owned companies. Cambridge has 75% of KI turnover in foreign owned companies. On the other hand, Fenland has 5% of KI employment and 3% of KI turnover in foreign owned companies; and, unlike the other districts, has higher foreign ownership in the non-KI sector.

Table 2 looks in more detail at the Combined Authority as a whole in 2016/17 and classifies the companies into the two British and three foreign ownership groups. Not surprisingly, the US owned firms dominate the picture and are much larger on average. US owned firms have 21% of KI employment compared with 20% for other foreign owned firms; and the concentration is higher in terms of KI turnover, 33% for US and 26% for other foreign owned firms. Each foreign ownership group has a much lower share of non-KI employment and turnover.

Table 1 Foreign ownership of companies in the Combined Authority 2015/16 and 2016/17

	2015-16			2016-17		
	KI	Non-KI	All Companies	KI	Non-KI	All Companies
Cambridge						
Employment	40%	12%	22%	39%	11%	22%
Turnover	72%	21%	46%	75%	18%	50%
South Cambridgeshire						
Employment	29%	11%	20%	33%	12%	21%
Turnover	33%	12%	21%	38%	21%	28%
East Cambridgeshire						
Employment	25%	9%	11%	24%	8%	10%
Turnover	27%	14%	16%	34%	12%	15%
Huntingdonshire						
Employment	47%	15%	21%	45%	14%	19%
Turnover	48%	21%	25%	49%	19%	23%
Peterborough						
Employment	69%	16%	26%	67%	15%	25%
Turnover	83%	12%	31%	82%	11%	31%
Eenland						
Employment	3%	6%	6%	5%	7%	7%
Turnover	2%	17%	16%	3%	18%	17%
COMBINED AUTHORITY						
Employment	40%	13%	20%	41%	12%	20%
Turnover	55%	16%	27%	59%	17%	30%

Table 2 Corporate ownership structure of companies in the Combined Authority

COMBINED AUTHORITY 2016/17										
Ownership type	Knowledge intensive companies					Non-knowledge intensive companies				
	No of companies	Employment	%	Turnover £,000	%	No of companies	Employment	%	Turnover £,000	%
Independent	3,977	31,630	51%	4,883,378	35%	18,904	125,837	72%	17,058,620	54%
British parent	127	5,188	8%	819,196	6%	501	27,010	16%	9,085,174	29%
United States parent	77	12,779	21%	4,625,205	33%	83	8,596	5%	2,013,329	6%
French, German, Italian parent	59	2,546	4%	535,472	4%	105	1,549	1%	630,825	2%
Other overseas parent	187	10,181	16%	2,997,844	22%	541	11,030	6%	2,612,731	8%
All ownership types	4,427	62,324	100%	13,861,095	100%	20,134	174,022	100%	31,400,678	100%

Tables 3-8 present the same information for the six districts that comprise the Combined Authority. Full information for each district can be found in the workbook Ownership tables.xlsx.

Cambridge

Table 3 confirms the high percentage of KI turnover, 75%, emanating from companies that are Cambridge based yet foreign owned, whilst this figure is only 17.6% for non-KI sectors. The largest foreign owned company in Cambridge is Arm Holdings now owned by the Japanese company Softbank Group. Other firms that started in Cambridge are: Cambridge Silicon Radio, now Qualcomm Technologies, with a US parent Qualcomm Inc.; and Booking.com – the US company Priceline acquired a Cambridge company, Active Hotels, in 2004 for \$161m and then subsequently bought Booking.com in 2006 and merged the companies. Other US companies that have invested in the Cambridge area are Microsoft, Amazon, Google and Apple, but these are not included in the

tables presented in this note because we classify them as Cambridge active rather than Cambridge based. Also excluded are the non-corporate research organisations that have been set up by foreign companies within the University of Cambridge such as the Hitachi Cambridge Laboratory (see CBR Database Methodology May 2018).

Table 3 Corporate ownership structure of companies in the Combined Authority - Cambridge

2016/17	Knowledge intensive companies					Non-knowledge intensive companies				
	No of companies	Employment	%	Turnover £,000	%	No of companies	Employment	%	Turnover £,000	%
Ownership type										
Independent	859	8,170	57%	922,886	23%	2,818	18,820	79%	2,256,538	74%
British parent	33	643	4%	68,175	2%	86	2,259	10%	265,270	9%
United States parent	31	1,730	12%	1,410,758	35%	16	1,562	7%	195,087	6%
French, German, Italian parent	17	399	3%	131,383	3%	23	139	1%	27,163	1%
Other overseas parent	69	3,471	24%	1,496,146	37%	93	959	4%	316,775	10%
All ownership types	1,009	14,413	100%	4,029,348	100%	3,036	23,739	100%	3,060,833	100%

South Cambridgeshire

21% of employment and 28% of turnover of companies based in South Cambridgeshire comes from foreign-owned companies, but 33% of employment and 38% of turnover of KI companies is in foreign hands. Domino Printing Sciences, a spinout from Cambridge Consultants, was sold to the Japanese company, Brother Industries, for £1bn in 2015 and Sepura was sold to the Chinese company, Hytera Communications, for \$92m in 2017. A US owned company, Hexcel Composites, entered by the acquisition in 1996 of the composites division of the US company Ciba-Geigy (which had been in the area since 1935). Other

large foreign-owned companies are PPD Global and Dow AgroSciences, both US owned. Other foreign companies that have invested in the South Cambridgeshire area are Sony (US), IBM (US), DHL (German) and Gilead Sciences (US), but these are not included in the tables presented in this note because we classify them as active rather than based in South Cambs.

Table 4 Corporate ownership structure of companies in the Combined Authority – South Cambridgeshire

2016/17 Ownership type	Knowledge intensive companies					Non-knowledge intensive companies				
	No of companies	Employment	%	Turnover £,000	%	No of companies	Employment	%	Turnover £,000	%
Independent	1,238	14,818	58%	2,685,495	53%	4,409	21,632	68%	3,274,218	43%
British parent	41	2,375	9%	441,477	9%	110	6,364	20%	2,729,607	36%
United States parent	26	3,382	13%	873,318	17%	16	1,694	5%	724,195	9%
French, German, Italian parent	26	1,121	4%	185,666	4%	25	297	1%	113,004	1%
Other overseas parent	68	3,824	15%	837,998	17%	76	1,760	6%	792,831	10%
All ownership types	1,399	25,520	100%	5,023,954	100%	4,636	31,747	100%	7,633,854	100%

East Cambridgeshire

East Cambridgeshire has the second lowest degree of foreign-ownership in the Combined Authority with 10% of employment and 15% of turnover. The only large foreign-owned KI company is JDR Enterprises which is Luxembourg owned. It has recently gone into voluntary liquidation. The largest non-KI companies are Faerch Plast, a Danish company which entered the area in 2015 by the acquisition of Anson Packaging; Elliott Group, which is Luxembourg owned; and Life Fitness, a US company. Other companies that have invested in the East Cambridgeshire area are Office Holdings (South African), Chubb Fire

& Security (US) and Fugro Geoservices (Dutch), but these are not included in the tables presented in this note because we classify them as active rather than based in East Cambs.

Table 5 Corporate ownership structure of companies in the Combined Authority – East Cambridgeshire

2016/17 Ownership type	Knowledge intensive companies					Non-knowledge intensive companies				
	No of companies	Employment	%	Turnover £,000	%	No of companies	Employment	%	Turnover £,000	%
Independent	314	1,425	58%	176,830	48%	1,964	19,047	90%	2,610,204	84%
British parent	10	461	19%	66,737	18%	38	412	2%	109,696	4%
United States parent	-	-	0%	-	0%	7	154	1%	44,677	1%
French, German, Italian parent	5	9	0%	1,202	0%	10	25	0%	3,558	0%
Other overseas parent	11	577	23%	125,237	34%	47	1,503	7%	331,300	11%
All ownership types	340	2,472	100%	370,006	100%	2,066	21,141	100%	3,099,435	100%

Huntingdonshire

In the KI sectors, 45% of corporate employment and 49% of turnover is foreign-owned. The key US-owned companies are Envigo CRS (formerly Huntingdon Life Sciences), Linx Printing Technologies (purchased for an undisclosed sum in 2007 by Danaher) and Mistras Group (which has been in the area since 1983). The other large foreign-owned KI companies are Bosch Rexroth (German) and Nokia Solutions and Networks (Finnish). Foreign ownership in the non-KI sector is lower (14% of employment and 19% of turnover), but nevertheless large in absolute terms. The key US companies are Lifepus Europe, R R Donnelly and Sealed Air. Other large foreign owned companies based in Huntingdonshire are R3 Polygon (Luxembourg), Kitchen Range Foods (Australian), and Acushnet Europe (South Korean). Other foreign companies that have invested in the Huntingdonshire area are ABB (ASEA Brown Boveri) a Swedish-

Swiss multinational, Skanska UK (Swedish), BAM Nuttall (Dutch) and TUI UK (German) but these are treated as active, but not based, in Huntingdonshire and not included in the tables in this note.

Table 6 Corporate ownership structure of companies in the Combined Authority – Huntingdonshire

2016/17 Ownership type	Knowledge intensive companies					Non-knowledge intensive companies				
	No of companies	Employment	%	Turnover £,000	%	No of companies	Employment	%	Turnover £,000	%
Independent	863	3,861	46%	543,447	43%	4,493	27,692	68%	4,523,705	60%
British parent	24	753	9%	105,726	8%	115	7,388	18%	1,626,602	21%
United States parent	10	1,892	23%	252,638	20%	25	3,198	8%	646,851	9%
French, German, Italian parent	4	811	10%	180,909	14%	21	168	0%	313,076	4%
Other overseas parent	10	1,086	13%	195,634	15%	85	2,234	5%	476,525	6%
All ownership types	911	8,403	100%	1,278,354	100%	4,739	40,680	100%	7,586,759	100%

Peterborough

Table 7 shows the highest degree of foreign ownership of KI businesses of any of the districts with 67% of employment and 82% of turnover in foreign hands. The largest homegrown company is Perkins Engines which was founded in Peterborough in 1932 and acquired by the US company, Caterpillar, for £1,325m in 1998. Bauer Consumer Media entered with the acquisition of the magazine and radio division of EMAP for £1.1bn in 2007. The other large, foreign owned companies, Whirlpool UK Appliances, Haskoningdhv UK, Coloplast, Diligenta, Ideal Shopping Direct and Dart Products Europe were all established in the area without acquisition. Other foreign companies that have invested in the Peterborough area are Amazon (US), Cummins (US), Signet

Trading (US), DPD Group (German) and IKEA (Swedish), but these are not included in the tables presented in this note because we classify them as Peterborough active rather than Peterborough based.

Table 7 Corporate ownership structure of companies in the Combined Authority – Peterborough

2016/17 Ownership type	Knowledge intensive companies					Non-knowledge intensive companies				
	No of companies	Employment	%	Turnover £,000	%	No of companies	Employment	%	Turnover £,000	%
Independent	506	2,706	25%	425,451	14%	3,527	28,906	64%	2,866,799	36%
British parent	17	811	8%	123,676	4%	104	9,874	22%	4,274,250	53%
United States parent	10	5,775	54%	2,088,491	69%	17	1,970	4%	399,924	5%
French, German, Italian parent	7	206	2%	36,312	1%	17	784	2%	161,513	2%
Other overseas parent	16	1,184	11%	338,638	11%	200	3,941	9%	353,820	4%
All ownership types	556	10,682	100%	3,012,568	100%	3,865	45,475	100%	8,056,307	100%

Fenland

Fenland since has the lowest proportion of foreign ownership which is essentially only in non-KI businesses. Foreign ownership represents only 3% of turnover in the KI sectors, but 18% in the non-KI sectors. There are only two significant foreign owners and they are both implants into the region from abroad. The companies are MM (UK) and Lamb-Weston/Meijer UK and they are both in food production. Other foreign companies that have invested in the Fenland area are Del Monte (US), McCain Foods (Canadian) and Ceva Logistics (Dutch), but these are not included in the tables presented in this note because we classify them as Fenland active rather than Fenland based.

Table 8 Corporate ownership structure of companies in the Combined Authority – Fenland

2016/17 Ownership type	Knowledge intensive companies					Non-knowledge intensive companies				
	No of companies	Employment	%	Turnover £,000	%	No of companies	Employment	%	Turnover £,000	%
Independent	197	650	78%	129,270	88%	1,693	9,740	87%	1,527,156	78%
British parent	2	145	17%	13,405	9%	39	713	6%	79,749	4%
United States parent	-	-	0%	-	0%	2	18	0%	2,595	0%
French, German, Italian parent	-	-	0%	-	0%	9	136	1%	12,511	1%
Other overseas parent	4	39	5%	4,191	3%	40	633	6%	341,480	17%
All ownership types	203	834	100%	146,866	100%	1,783	11,240	100%	1,963,491	100%

Ownership changes last year

Table 6 examines changes in ownership within the Combined Authority over the latest year of data. The left-hand column shows the ownership category in 2015/16 and the top row shows their ownership category in 2016/17. The diagonal row shows companies that have changed their owners but remained within an ownership category. Overall 210 companies changed their ownership in the past year, just 1% of the company population representing 2% of employment and 3% of turnover. Foreign ownership has increased with 34 of these 210 companies foreign owned at the start of the year and 47 by the end of the year. During the past year it has been Cambridgeshire that has seen the growth in foreign ownership. Notable cases of changed ownership are the sale of Sepura to the Chinese company Hystera for £74m; and Syngenta which changed from Swiss ownership when acquired by ChemChina. Two sales of US owned companies took place: Polatis to the Swiss company Huber + Suhner; and Autonomy Systems which was bought from HP by the UK company

Micro Focus. Finally, two companies that remained British owned despite changing owners; EACS was brought by Streamwire Group; Parametric Investments was bought by Process Sensing Technology for £49m; and AlertMe was bought by Centrica and renamed Centrica Hive.

Table 9 Ownership changes 2015/16 to 2016/17

COMBINED AUTHORITY	Ownership type 2016/17					
	Independent	British parent	United States parent	French, German, Italian parent	Other overseas parent	All ownership types
Ownership type 2015/16						
Independent	1	111	8	3	2	125
Employment 2016/17	9	1,335	118	46	703	2,211
Turnover £,000 2016/17	2,554	455,426	12,745	8,278	94,122	573,125
British parent	20	24	2	1	4	51
Employment 2016/17	187	565	5	22	60	839
Turnover £,000 2016/17	33,391	88,515	1,343	527	13,017	136,793
United States parent	2	0	4	1	1	8
Employment 2016/17	121	0	161	7	132	421
Turnover £,000 2016/17	156,461	0	56,966	6,588	11,370	231,385
French, German, Italian parent	0	1	0	1	0	2
Employment 2016/17	0	49	0	3	0	52
Turnover £,000 2016/17	0	3,833	0	330	0	4,163
Other overseas parent	2	2	3	0	17	24
Employment 2016/17	2	197	55	0	1,191	1,445
Turnover £,000 2016/17	339	24,947	9,204	0	389,996	424,486
All ownership types	25	138	17	6	24	210
Employment 2016/17	319	2,146	339	78	2,086	4,968
Turnover £,000 2016/17	192,745	572,721	80,258	15,723	508,505	1,369,952

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