

June 2017, Issue 63

M&A activity showed mixed results in May 2017, with similar trends to April's figures, both in terms of deal volume and number of deals. Globally, total deal volume, as measured by dollar value, increased by 6.9% to \$274.05 billion and the number of deals increased by 7.9% to 3,145. In the U.S., although the number of deals increased by 9.4% to 816, a decrease in average deal size led to a 6.0% decrease in total deal volume to \$102.13 billion.

Strategic vs. Sponsor Activity

Sponsor-related activity rebounded in May (with all metrics nearing or marking their 12-month high), but strategic activity had mixed results. Globally, strategic deal volume decreased by 7.7% to \$189.27 billion, while the number of deals increased by 6.7% to 2,780. In the U.S., strategic deal volume decreased by 45.9% to \$47.16 billion, while the number of deals increased by 7.7% to 656. Sponsor-related activity, both globally and in the U.S., saw significant increases in deal volume (by 65.3% to \$84.77 billion and 156.6% to \$54.97 billion, respectively) and in number of deals (by 18.1% to 365 and 16.8% to 160, respectively). [Figure 1](#) and Annex [Figures 1A-4A](#).

Crossborder Activity

Crossborder activity increased globally by both deal volume (by 22.4% to \$92.73 billion) and number of deals (by 8.3% to 746). In the U.S., outbound activity decreased by both deal volume (by 10.2% to \$6.46 billion) and number of deals (by 14.2% to 97). U.S. inbound activity similarly decreased by both deal volume (by 20.1% to \$21.76 billion) and number of deals (by 0.8% to 126). [Figure 1](#) and Annex [Figures 5A-7A](#).

In U.S. outbound activity, the Netherlands claimed the lead for May in deal volume (\$3.29 billion) and Canada held onto its lead in number of deals (16). The U.K. overtook the Netherlands' briefly-held position as the 12-month leader in outbound deal volume (\$55.45 billion), and maintained its 12-month lead in number of deals (322). As for U.S. inbound activity, Switzerland was the leading country of origin in deal volume for May (\$10.30 billion, driven primarily by Clariant AG's pending \$6.59 billion acquisition of Huntsman Corp.), while the U.K. maintained its 12-month lead (\$103.11 billion). Canada was the leading country for inbound number of deals, both in May (28) and over the last 12 months (420). [Figures 3](#) and [5](#).

U.S. Deals by Industry

Healthcare was the most active target industry in the U.S. by deal volume (\$24.33 billion). Computers & Electronics remained the most active target industry in the U.S., with 259 deals in May, and maintained its position as the most active target industry for the last 12 months, as measured by both volume (\$271.73 billion) and number of deals (2,604). [Figure 2](#).

U.S. Public Mergers

With respect to U.S. public merger terms, average target break fees were 3.3% in May (near the 12-month average of 3.5%), while average reverse break fees edged closer to the 12-month average (4.9%, as compared to 5.4%). [Figures 6](#) and [7](#). The use of cash consideration in May (44.4%) was below the 12-month average (62.4%). [Figure 9](#). The incidence of tender offers as a percentage of U.S. public mergers (16.7%) was also below the 12-month average (24.3%). [Figure 11](#). Finally, hostile offers were reported in 5.3% of U.S. public mergers in May 2017 (as compared to the 12-month average of 11.1%). [Figure 12](#).

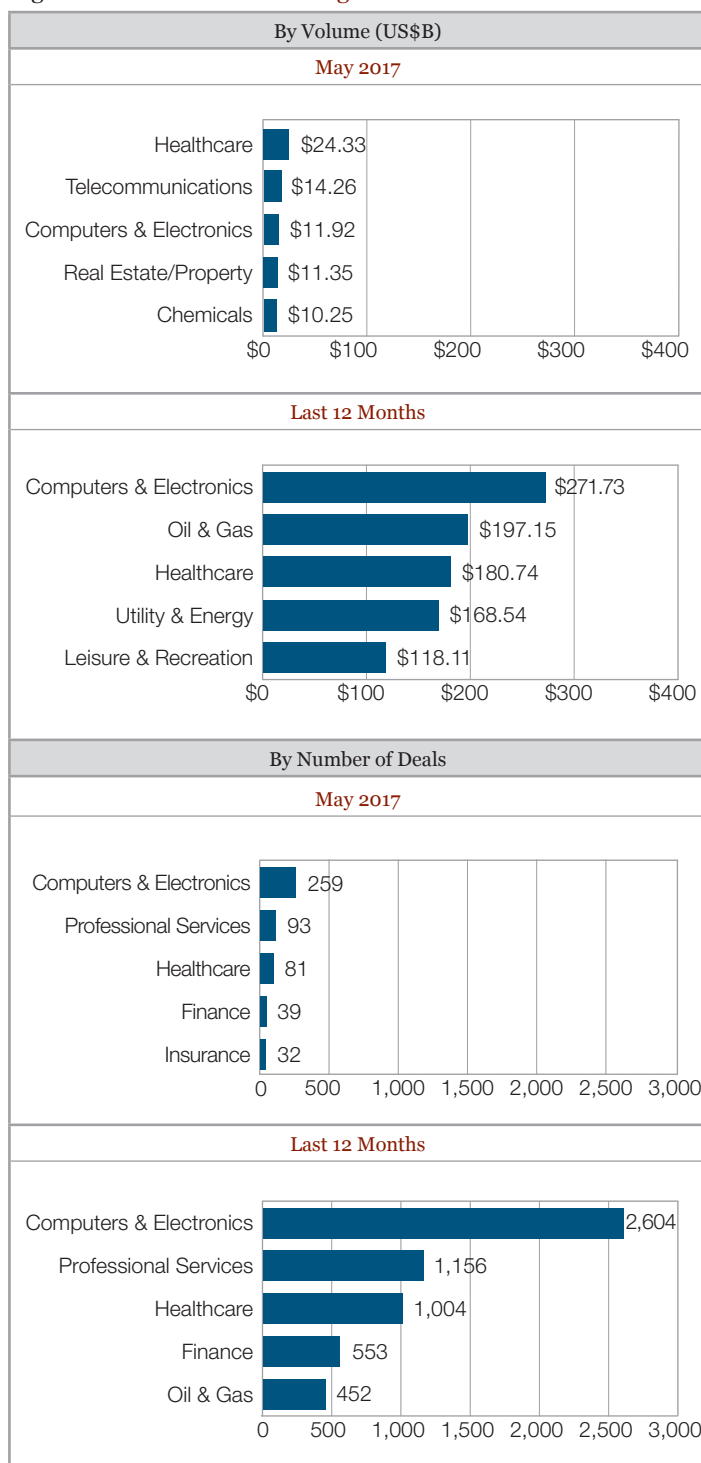
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M&A Activity

Figure 1

May 2017	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	274.05	17.62	102.13	(6.50)
No. of deals	3,145	230	816	70
Avg. value of deals (US\$mil)	181.0	(1.5)	357.1	(127.9)
Avg. deal multiple ¹	11.4x	(0.9)	12.7x	(1.2)
Strategic Transactions				
Volume (US\$B)	189.27	(15.87)	47.16	(40.05)
No. of deals	2,780	174	656	47
Avg. value of deals (US\$mil)	135.7	(22.6)	194.1	(246.4)
Avg. deal multiple ¹	10.7x	(1.6)	10.9x	(2.5)
Sponsor-Related Transactions				
Volume (US\$B)	84.77	33.49	54.97	33.55
No. of deals	365	56	160	23
Avg. value of deals (US\$mil)	712.4	241.9	1,278.4	454.5
Avg. deal multiple ¹	13.0x	0.6	14.5x	(1.2)
Crossborder Transactions²				
Volume (US\$B)	92.73	16.98	Inbound 21.76 Outbound 6.46	Inbound (5.48) Outbound (0.73)
No. of deals	746	57	Inbound 126 Outbound 97	Inbound (1) Outbound (16)
Avg. value of deals (US\$mil)	263.4	22.2	Inbound 334.7 Outbound 258.5	Inbound (169.7) Outbound 26.4
Avg. deal multiple ¹	10.7x	(1.8)	Inbound 10.6x Outbound 10.7x	Inbound (3.2) Outbound (1.9)

Figures 1-3 were compiled using data from Dealogic, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Figures 4 and 5 were compiled using data from FactSet MergerMetrics, and are limited to mergers involving public U.S. targets announced during the period indicated and valued at \$100 million or higher regardless of whether a definitive merger agreement was reached and filed or withdrawn. All data is as of June 10, 2017 unless otherwise specified. "Last 12 Months" data is for the period from June 2016 to May 2017 inclusive. Data obtained from Dealogic and FactSet MergerMetrics has not been reviewed for accuracy by Paul, Weiss.

Figure 2 - Most Active U.S. Target Industries³

¹ Ratio of enterprise value to EBITDA, trailing 12 months. This statistic is calculated using a smaller subset of deals for which this data is available.

² Global crossborder transactions are those where the acquirer and the target have different nationalities. Nationality is based on where a company has either its headquarters or a majority of its operations.

U.S. crossborder transactions are those transactions where the acquirer and the target have different nationalities and either the acquirer ("Outbound") or the target ("Inbound") has a U.S. nationality.

³ Industries categories are determined and named by Dealogic.

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Figure 3 - Top 5 Countries of Origin or Destination for U.S. Crossborder Transactions

⁴ Each of China and the United Kingdom was the country of origin for 14 transactions in May 2017.⁵ Each of China and Mexico was the country of destination for four transactions in May 2017.

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M&A Activity (Continued)

Figure 4 - Average Value of Announced U.S. Public Mergers (in US\$mil)

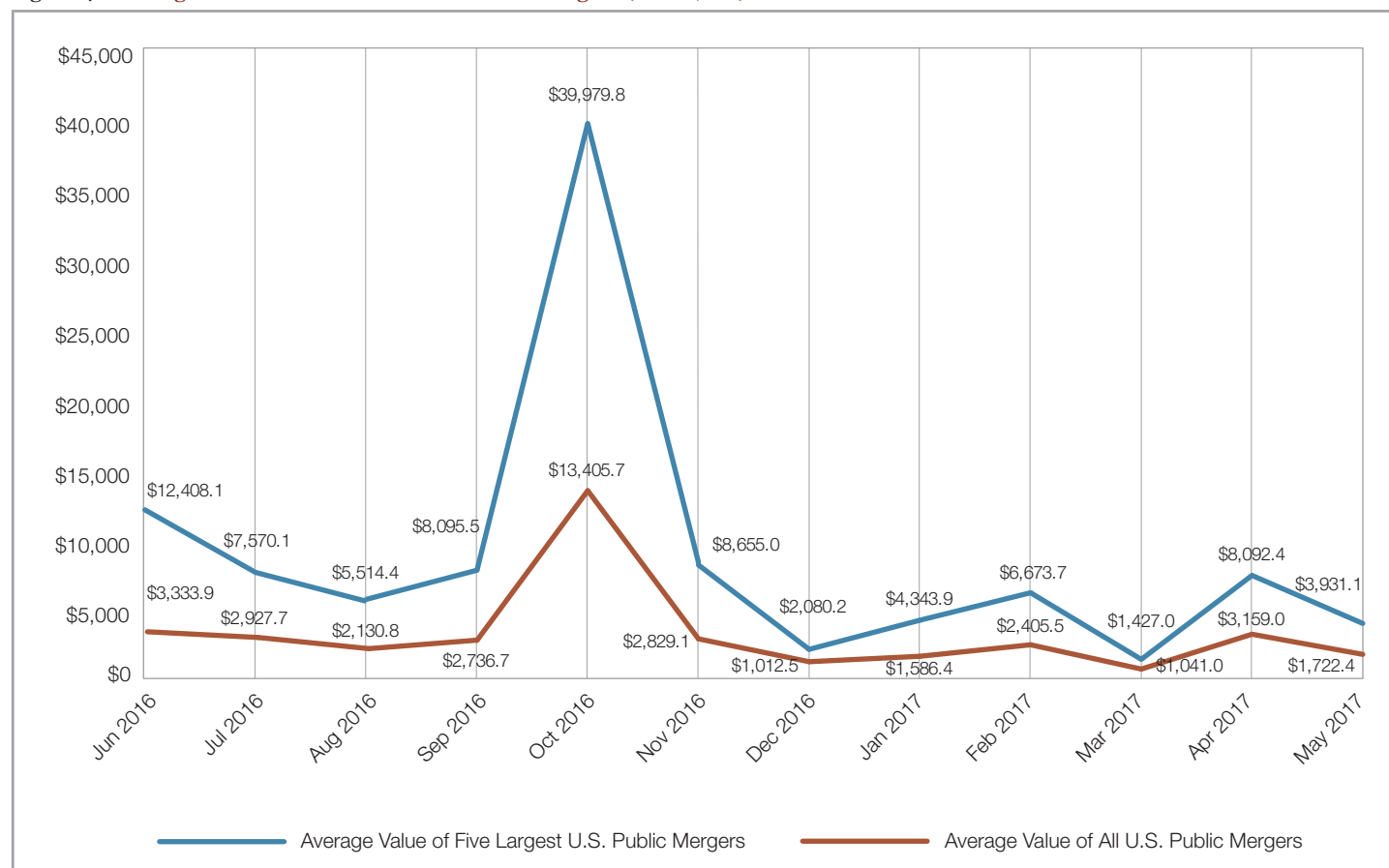
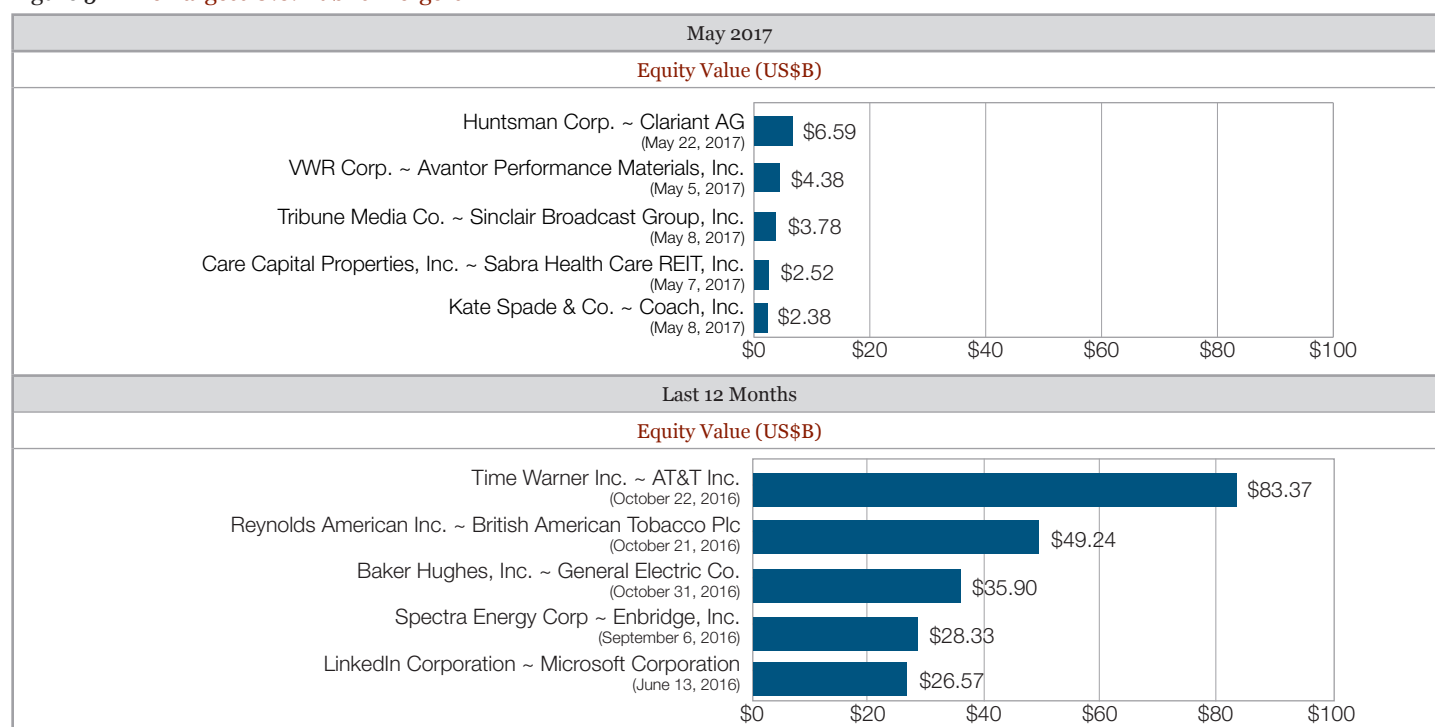


Figure 5 - Five Largest U.S. Public Mergers



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M&A Activity (Continued)

M&A Terms

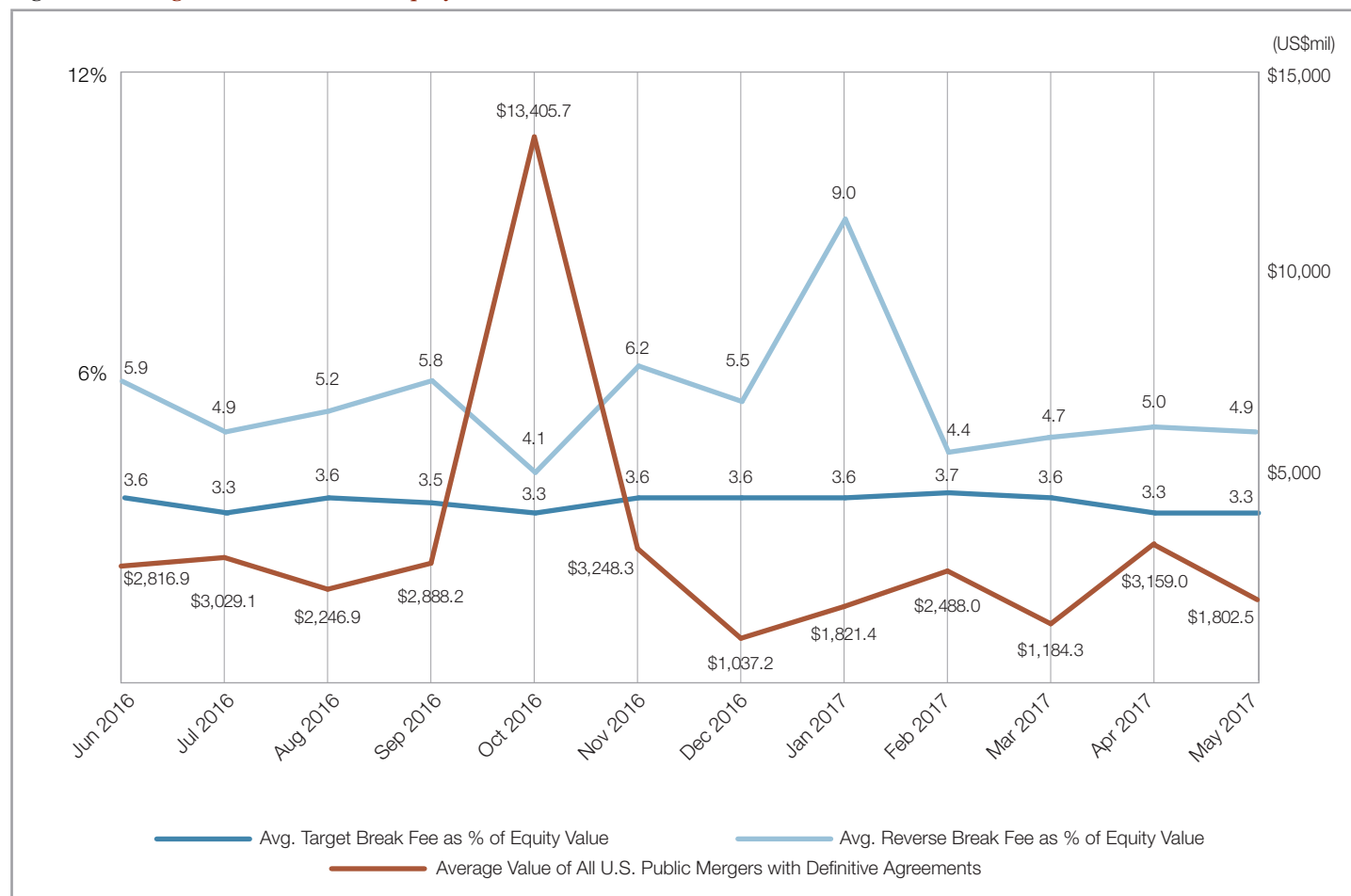
Figure 6 - Average Break Fees as % of Equity Value⁶

Figure 7 - Average Break Fees as % of Equity Value

	May 2017	Last 12 Months
Target Break Fee for All Mergers	3.3	3.5

	May 2017	Last 12 Months
Reverse Break Fee for All Mergers	4.9	5.4
Reverse Break Fee for Mergers Involving Financial Buyers ⁷	6.7	6.5
Reverse Break Fee for Mergers Involving Strategic Buyers	4.7	5.1

Figures 6-12 were compiled using data from FactSet MergerMetrics, and are limited to select mergers involving public U.S. targets announced during the period indicated, valued at \$100 million or higher and for which a definitive merger agreement was reached and filed (unless otherwise indicated). Data obtained from FactSet MergerMetrics has not been reviewed for accuracy by Paul, Weiss.

Figure 8 - U.S. Public Merger Go-Shop Provisions

	May 2017	Last 12 Months
% of Mergers with Go-Shops	11.1	10.6
% of Mergers Involving Financial Buyers with Go-Shops ⁸	0.0	42.9
% of Mergers Involving Strategic Buyers with Go-Shops	12.5	5.0
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ⁹	47.5	35.6
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ¹⁰	N/A	34.3
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ¹¹	47.5	37.5

⁶ Based on the highest target break fees and reverse break fees payable in a particular deal.

⁷ One transaction in May 2017 involving a financial buyer had a reverse break fee.

⁸ Two transactions in May 2017 involved a financial buyer.

⁹ Two transactions in May 2017 had a go-shop provision.

¹⁰ Zero transactions in May 2017 involving a financial buyer had a go-shop provision.

¹¹ Two transactions in May 2017 involving a strategic buyer had a go-shop provision.

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M&A Activity (Continued)

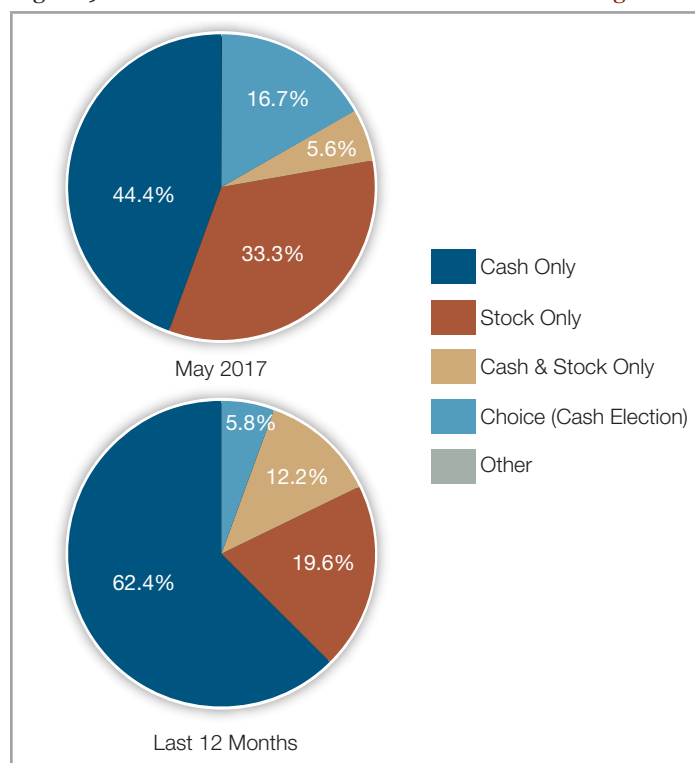
Figure 9 - Form of Consideration as % of U.S. Public Mergers¹²

Figure 10 - % of Partial and All Stock Deals That Have a Fixed Exchange Ratio

May 2017	85.7
Last 12 Months	91.7

Figure 11 - Tender Offers as % of U.S. Public Mergers

May 2017	16.7
Last 12 Months	24.3

Figure 12 - Hostile/Unsolicited Offers as % of U.S. Public Mergers¹³

May 2017	5.3
Last 12 Months	11.1

¹² Due to rounding, percentages may not add up to 100%.

¹³ This data includes both announced transactions for which a definitive merger agreement was reached and filed and those for which a definitive merger agreement was never reached and filed (including withdrawn transactions).

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M&A Activity – 12-Month Trends

Figure 1A - U.S. Deal Volume (US\$B)

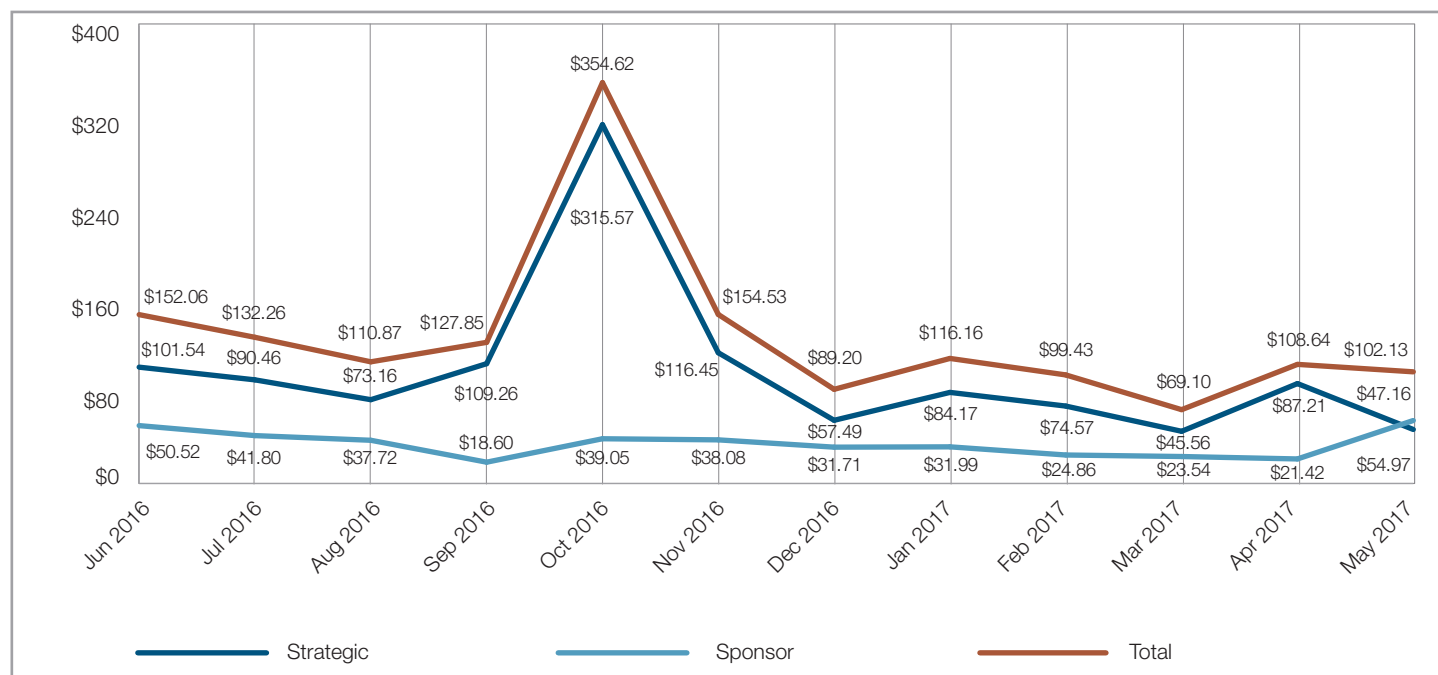


Figure 2A - Global Deal Volume (US\$B)



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Figure 3A - U.S. Number of Deals

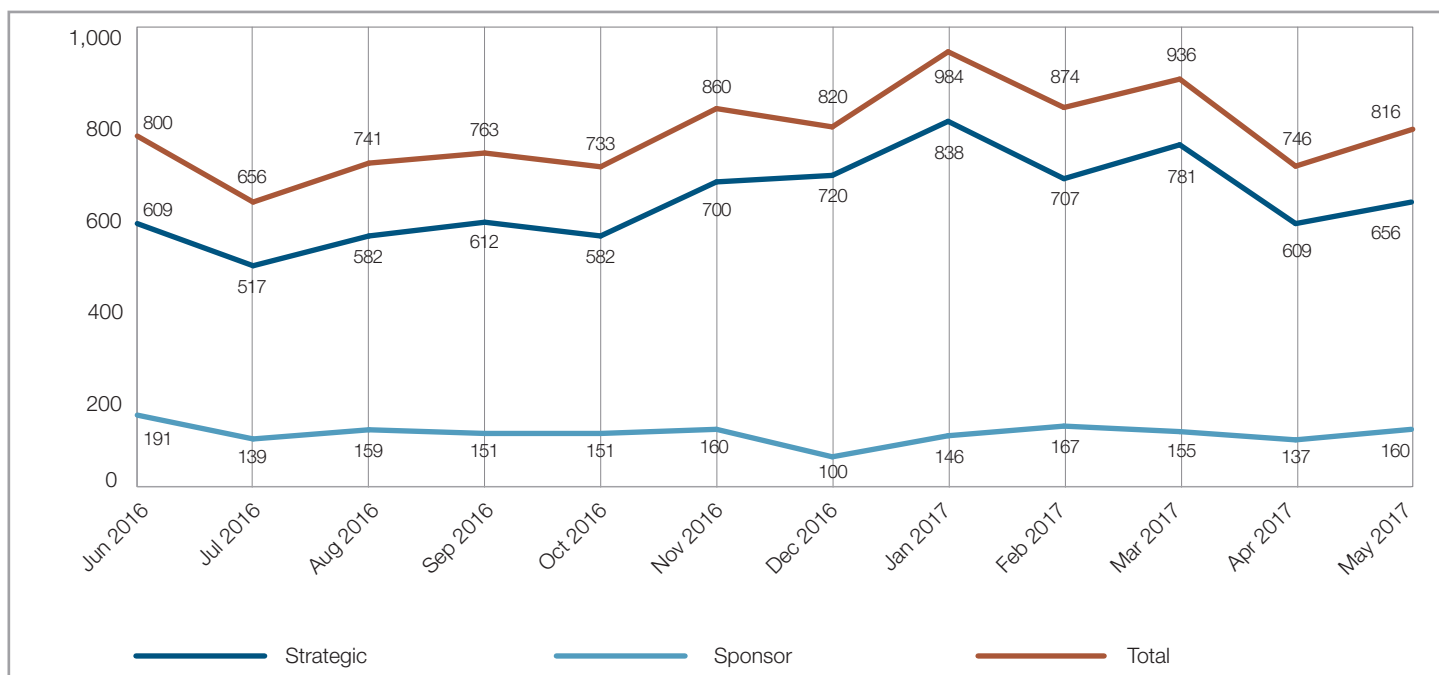


Figure 4A - Global Number of Deals

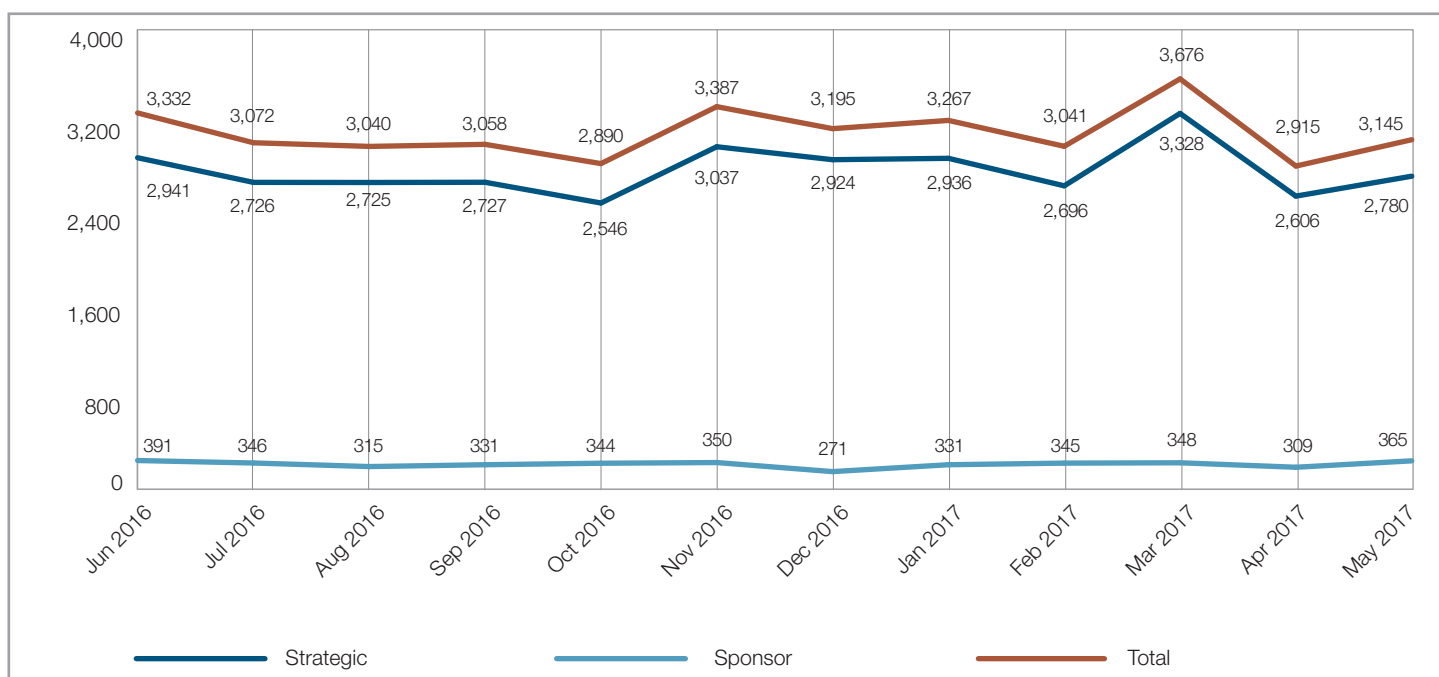


Figure 5A - Inbound U.S. Crossborder Transactions

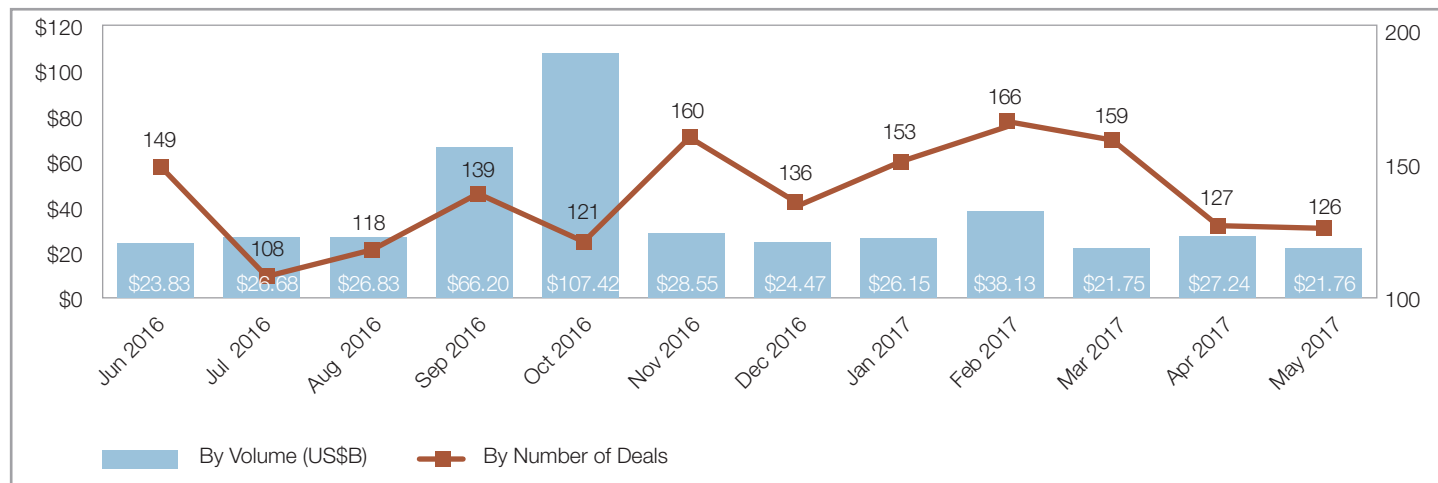


Figure 6A - Outbound U.S. Crossborder Transactions

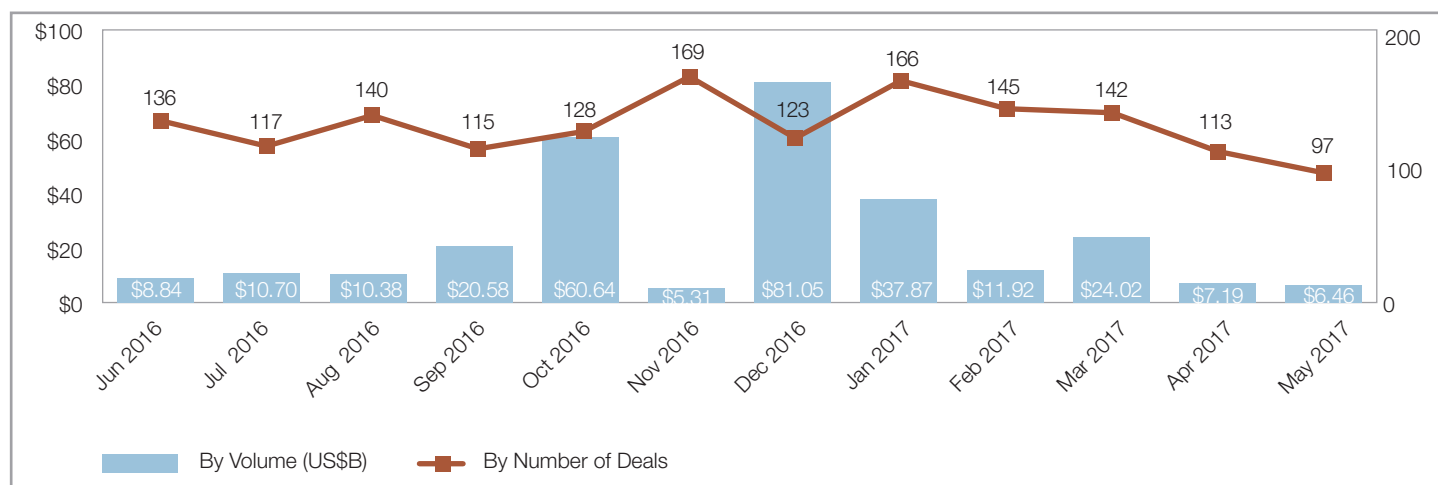


Figure 7A - Global Crossborder Transactions

