

July 2017, Issue 64

M&A activity in June 2017 struggled to build upon any recent favorable indicators. Globally, total deal volume by dollar value decreased from May 2017 volume by 3.5% to \$263.00 billion, and the number of deals decreased by 5.8% to 3,116. The market's downward trend was more pronounced in the U.S., where total deal volume by dollar value decreased over the same period by 8.1% to \$94.44 billion, and the number of deals decreased by 21.7% to 662.

Strategic vs. Sponsor Activity

Sponsor-related activity, both globally and in the U.S., slipped from its strong performance in May, decreasing in total dollar value by 3.5% to \$78.32 billion and 26.8% to \$40.31 billion, respectively, and in number of deals by 27.3% to 269 and 42.3% to 94, respectively. Global strategic activity experienced similar declines, with deal volume as measured by dollar value decreasing by 3.5% to \$184.68 billion and number of deals decreasing by 3.1% to 2,847. Although the number of U.S. strategic deals decreased by 16.7% to 568, total dollar value increased by 13.5% to \$54.13 billion. [Figure 1](#) and Annex [Figures 1A-4A](#).

Crossborder Activity

Global crossborder activity decreased both in total dollar value (by 20.0% to \$75.29 billion) and in number of deals (by 3.2% to 757). In the U.S., although inbound activity decreased both in total dollar value (by 44.8% to \$12.32 billion) and in number of deals (by 6.8% to 123), outbound activity increased in total dollar value by 95.8% to \$13.16 billion and number of deals by 34.0% to 138. [Figure 1](#) and Annex [Figures 5A-7A](#).

In U.S. outbound activity, Germany led by total dollar value in June 2017 (\$6.79 billion), while Canada held onto its lead in number of deals (27). Germany overtook the U.K.'s briefly-held position as the 12-month leader in outbound deal volume (\$58.08 billion), although the U.K. maintained its 12-month lead in number of deals (312). As for U.S. inbound activity, Canada was the leading country of origin by total dollar value for June (\$3.00 billion), while the U.K. maintained its 12-month lead (\$105.26 billion). Canada was the leading country for inbound number of deals, both in June (31) and over the last 12 months (409). [Figure 3](#).

U.S. Deals by Industry

Retail was the most active target industry in the U.S. by dollar value (\$19.51 billion, driven primarily by Amazon.com, Inc.'s pending acquisition of Whole Foods Market, Inc. for \$13.43 billion). Computers & Electronics remained the most active target industry in the U.S. by number of deals in June (169), and maintained its position as the most active target industry for the last 12 months, as measured by both dollar value (\$216.24 billion) and number of deals (2,550). [Figures 2](#) and [5](#).

U.S. Public Mergers

Turning to U.S. public merger terms, average target break fees and reverse break fees neared their 12-month averages, and were 3.4% and 5.7%, respectively, for the month of June 2017. [Figures 6](#) and [7](#). The use of cash consideration in June (75.0%) was above the 12-month average (62.9%). [Figure 9](#). The incidence of tender offers as a percentage of U.S. public mergers (18.8%) was below the 12-month average (21.5%). [Figure 11](#). Finally, hostile offers were reported in 5.6% of U.S. public mergers in May 2017 (as compared to the 12-month average of 9.4%). [Figure 12](#).

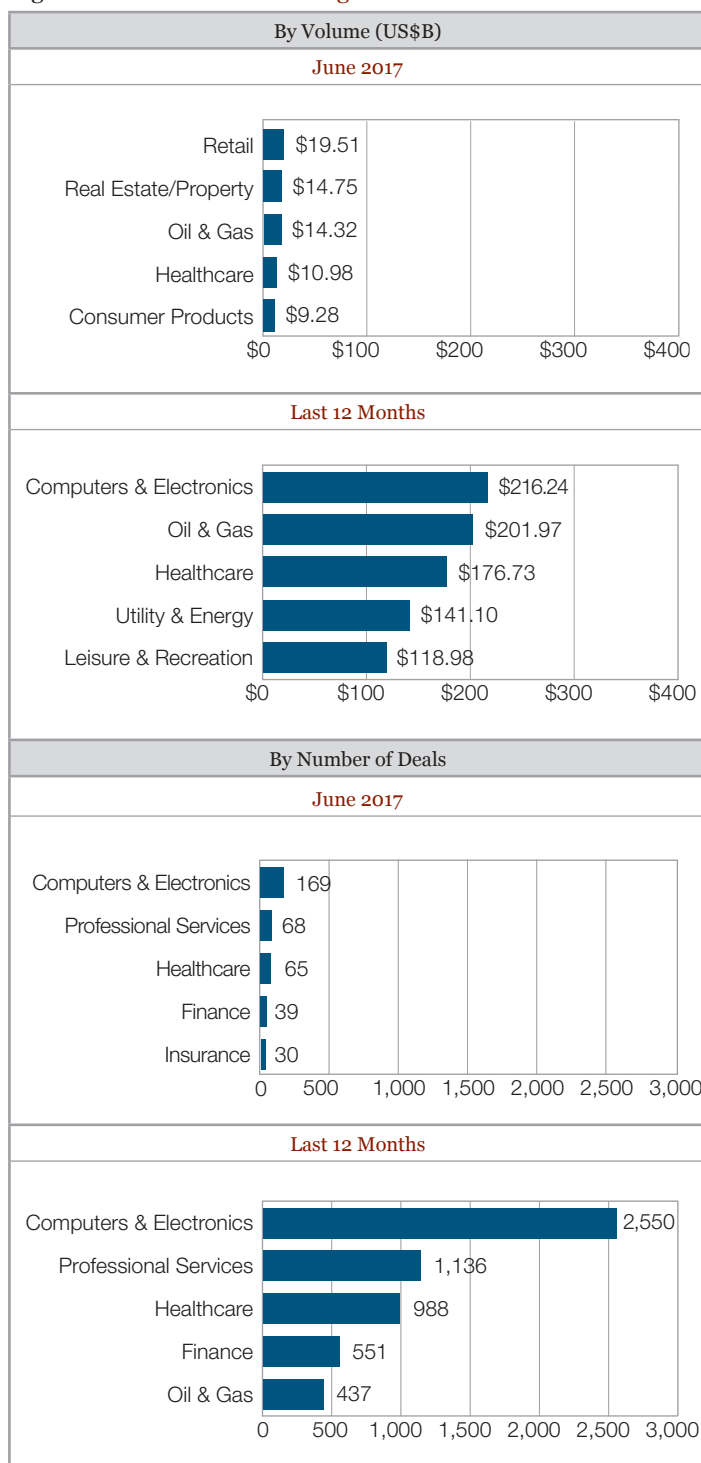
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M&A Activity

Figure 1

June 2017	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	263.00	(9.52)	94.44	(8.36)
No. of deals	3,116	(192)	662	(183)
Avg. value of deals (US\$mil)	163.9	(9.6)	379.3	29.6
Avg. deal multiple ¹	11.1x	(0.3)	13.9x	1.3
Strategic Transactions				
Volume (US\$B)	184.68	(6.71)	54.13	6.43
No. of deals	2,847	(91)	568	(114)
Avg. value of deals (US\$mil)	122.5	(9.5)	251.8	60.2
Avg. deal multiple ¹	10.5x	(0.4)	12.9x	2.0
Sponsor-Related Transactions				
Volume (US\$B)	78.32	(2.81)	40.31	(14.79)
No. of deals	269	(101)	94	(69)
Avg. value of deals (US\$mil)	807.5	136.9	1,185.7	(38.8)
Avg. deal multiple ¹	13.7x	1.0	15.6x	1.1
Crossborder Transactions²				
Volume (US\$B)	75.29	(18.88)	Inbound 12.32 Outbound 13.16	Inbound (10.00) Outbound 6.44
No. of deals	757	(25)	Inbound 123 Outbound 138	Inbound (9) Outbound 35
Avg. value of deals (US\$mil)	204.1	(52.6)	Inbound 198.8 Outbound 258.0	Inbound (129.5) Outbound 9.1
Avg. deal multiple ¹	9.8x	(1.0)	Inbound 16.9x Outbound 8.6x	Inbound 6.3 Outbound (2.1)

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 July 10, 2017 unless otherwise specified. "Last 12 Months" data is for the period from July 2016 to June 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.

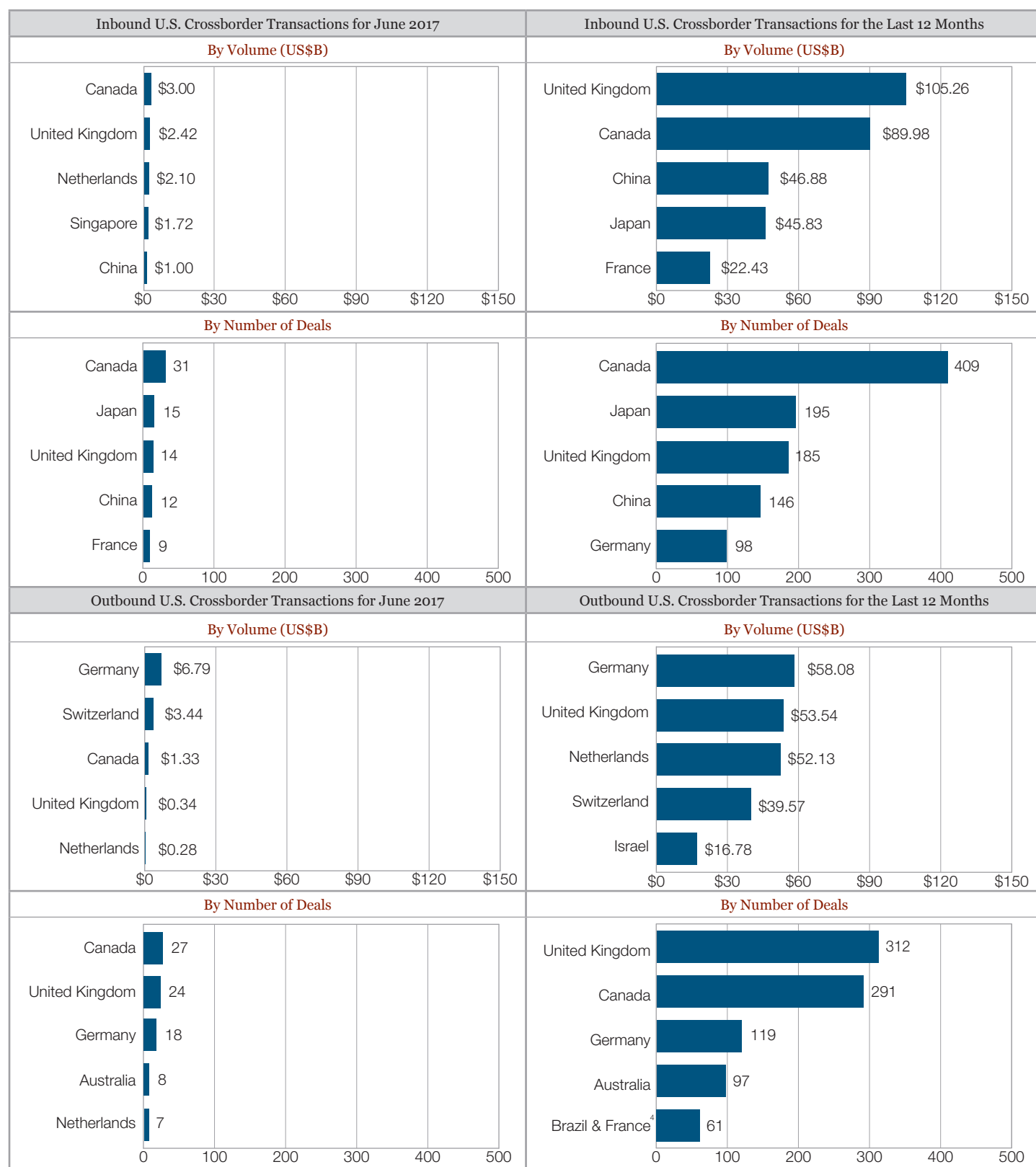
³ U.S. crossborder transactions are those transactions where the acquirer and the target have different nationalities and either the acquirer ("Outbound") or the target ("Inbound") has a U.S. nationality.

³ Industries categories are determined and named by Dealogic.

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M&A Activity (Continued)

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



⁴ Each of Brazil and France was the country of destination for 61 transactions in the last 12 months.

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M&A Activity (Continued)

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

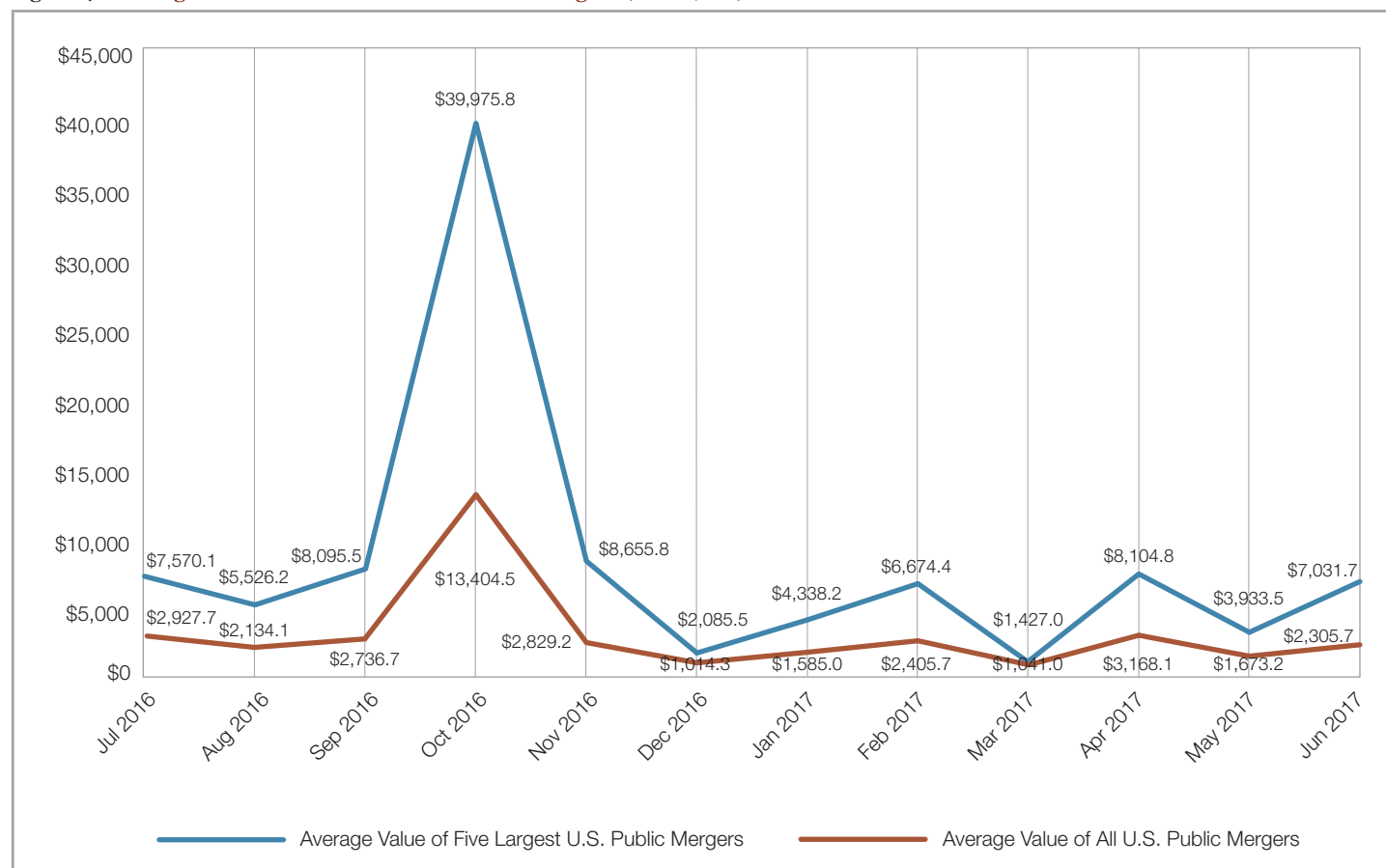
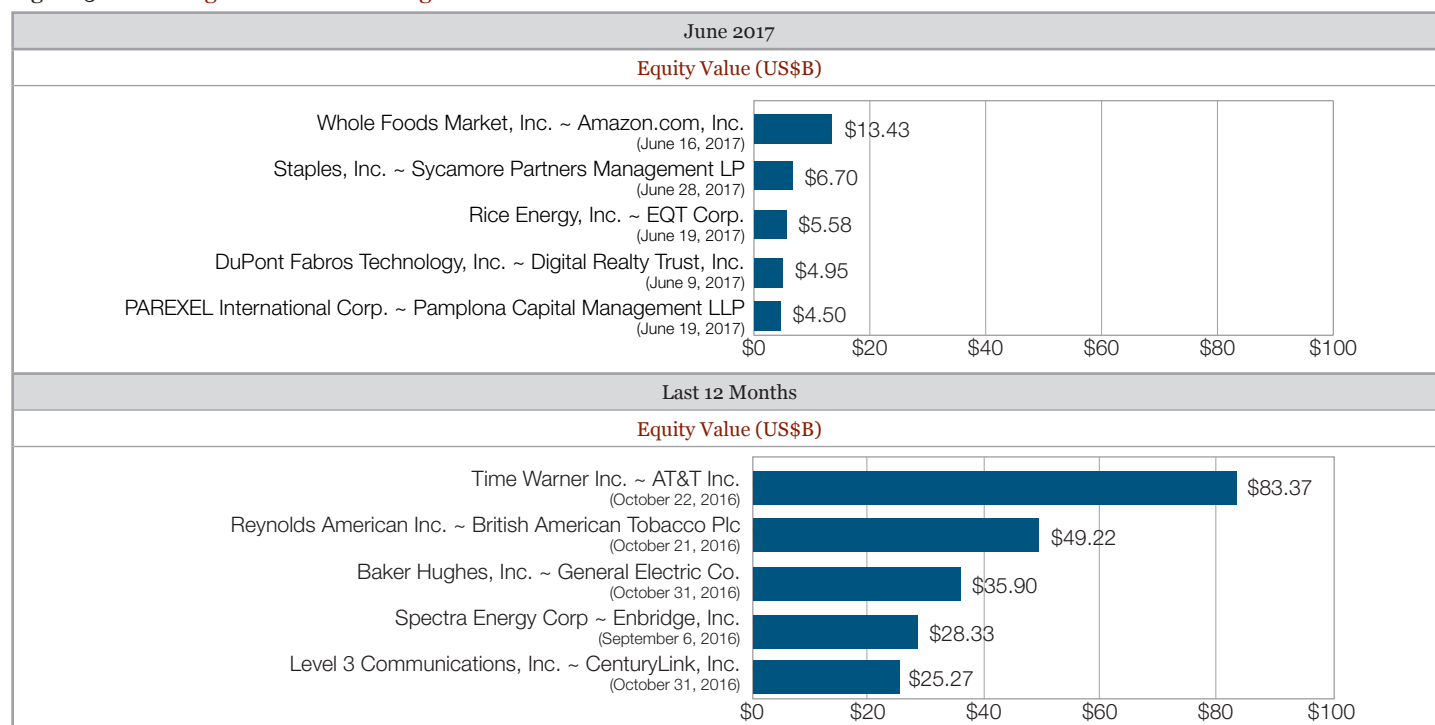


Figure 5 - Five Largest U.S. Public Mergers



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M&A Activity (Continued)

M&A Terms

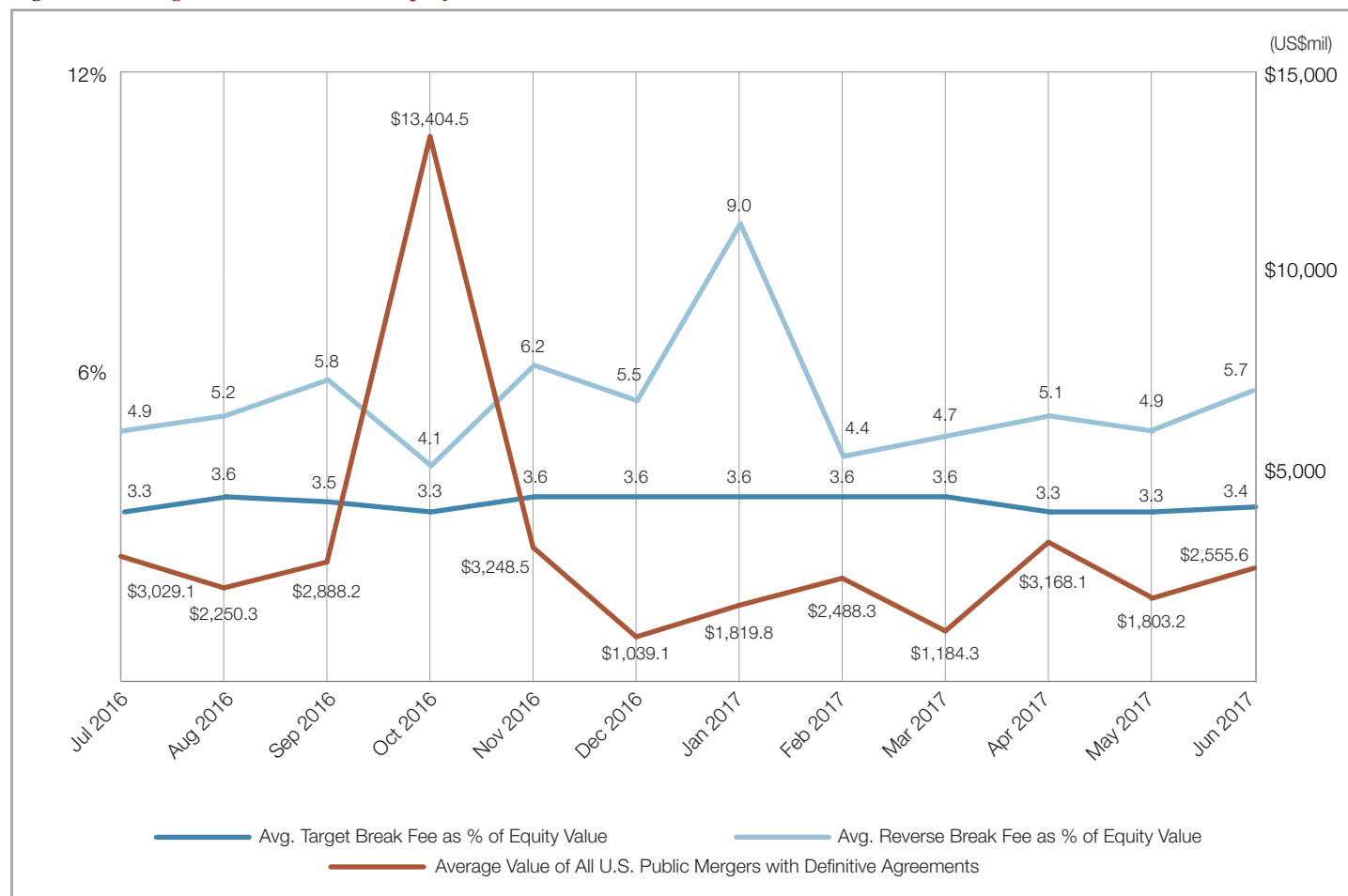
Figure 6 - Average Break Fees as % of Equity Value⁵

Figure 7 - Average Break Fees as % of Equity Value

	June 2017	Last 12 Months
Target Break Fee for All Mergers	3.4	3.5

	June 2017	Last 12 Months
Reverse Break Fee for All Mergers	5.7	5.4
Reverse Break Fee for Mergers Involving Financial Buyers	6.2	6.4
Reverse Break Fee for Mergers Involving Strategic Buyers ⁶	4.8	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

	June 2017	Last 12 Months
% of Mergers with Go-Shops	0.0	9.1
% of Mergers Involving Financial Buyers with Go-Shops	0.0	38.7
% of Mergers Involving Strategic Buyers with Go-Shops	0.0	3.2
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ⁷	N/A	35.1
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ⁸	N/A	35.9
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ⁹	N/A	33.0

⁵ Based on the highest target break fees and reverse break fees payable in a particular deal.

⁶ Three transactions in June 2017 involving a strategic buyer had a reverse break fee.

⁷ Zero transactions in June 2017 had a go-shop provision.

⁸ Zero transactions in June 2017 involving a financial buyer had a go-shop provision.

⁹ Zero transactions in June 2017 involving a strategic buyer had a go-shop provision.

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M&A Activity (Continued)

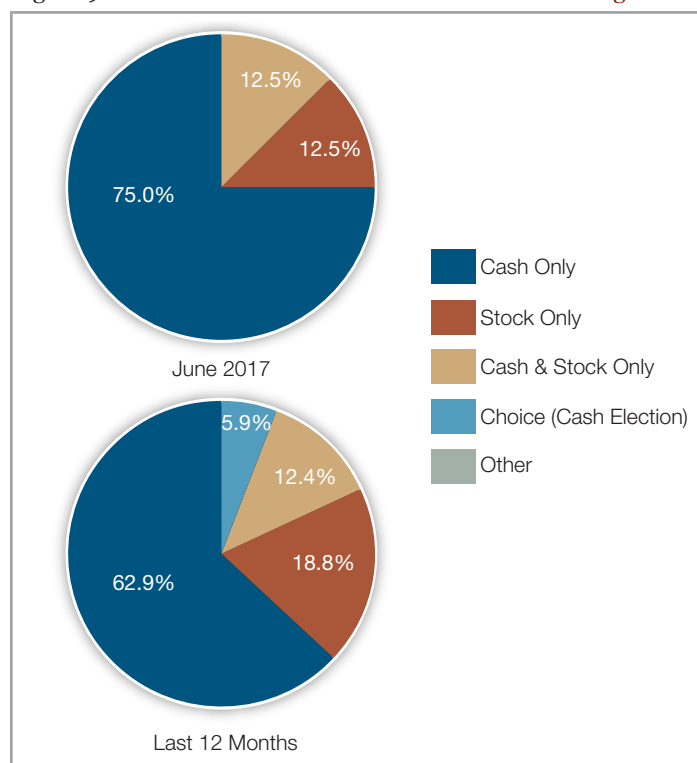
Figure 9 - Form of Consideration as % of U.S. Public Mergers¹⁰

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

June 2017	100.0
Last 12 Months	91.4

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

June 2017	18.8
Last 12 Months	21.5

Figure 12 - Hostile/Unsolicited Offers as % of U.S. Public Mergers¹¹

June 2017	5.6
Last 12 Months	9.4

¹⁰ Due to rounding, percentages may not add up to 100%.¹¹ 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)

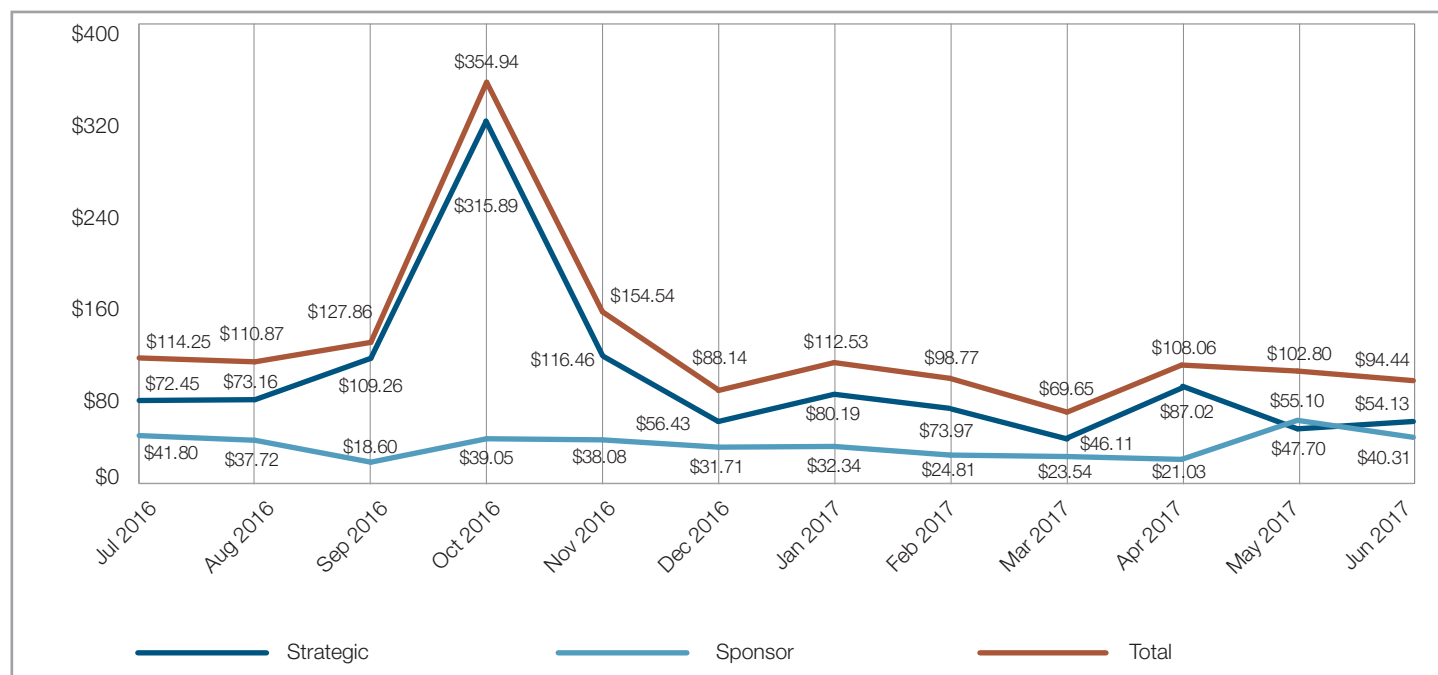
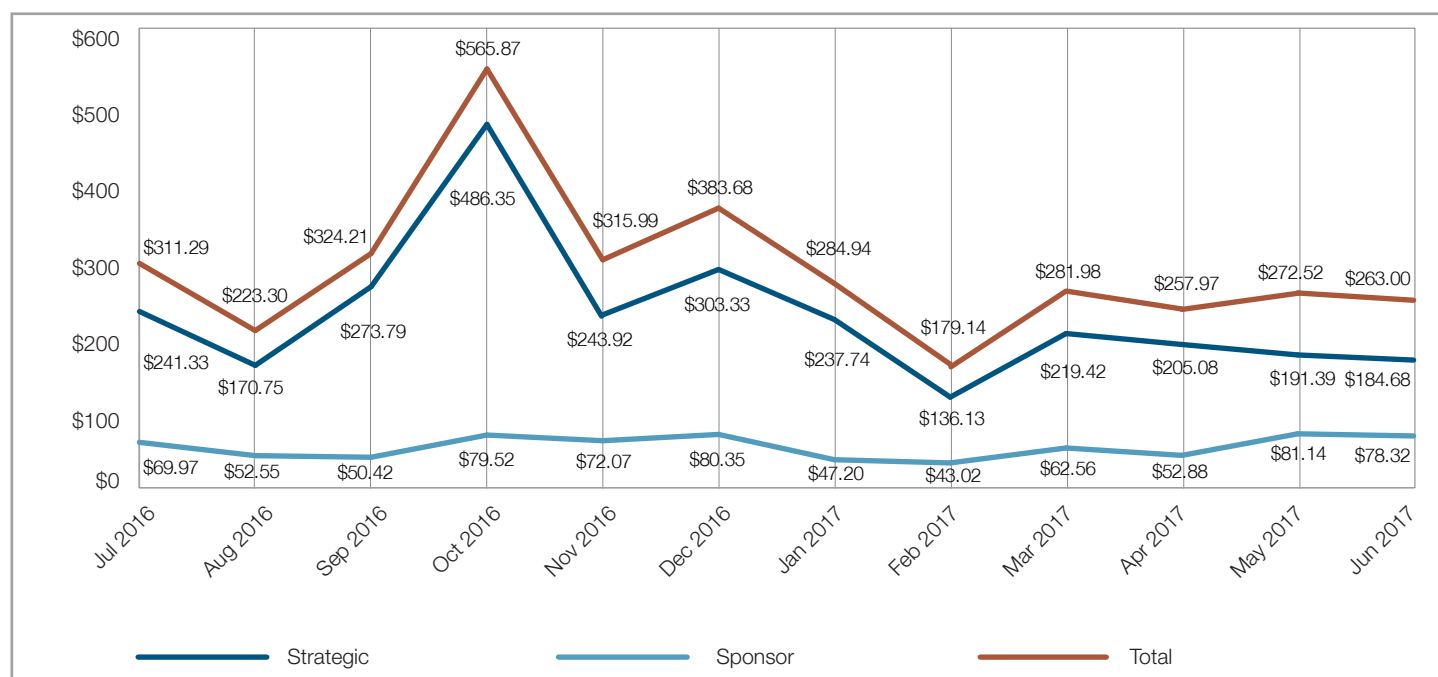


Figure 2A - Global Deal Volume (US\$B)



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Figure 3A - U.S. Number of Deals

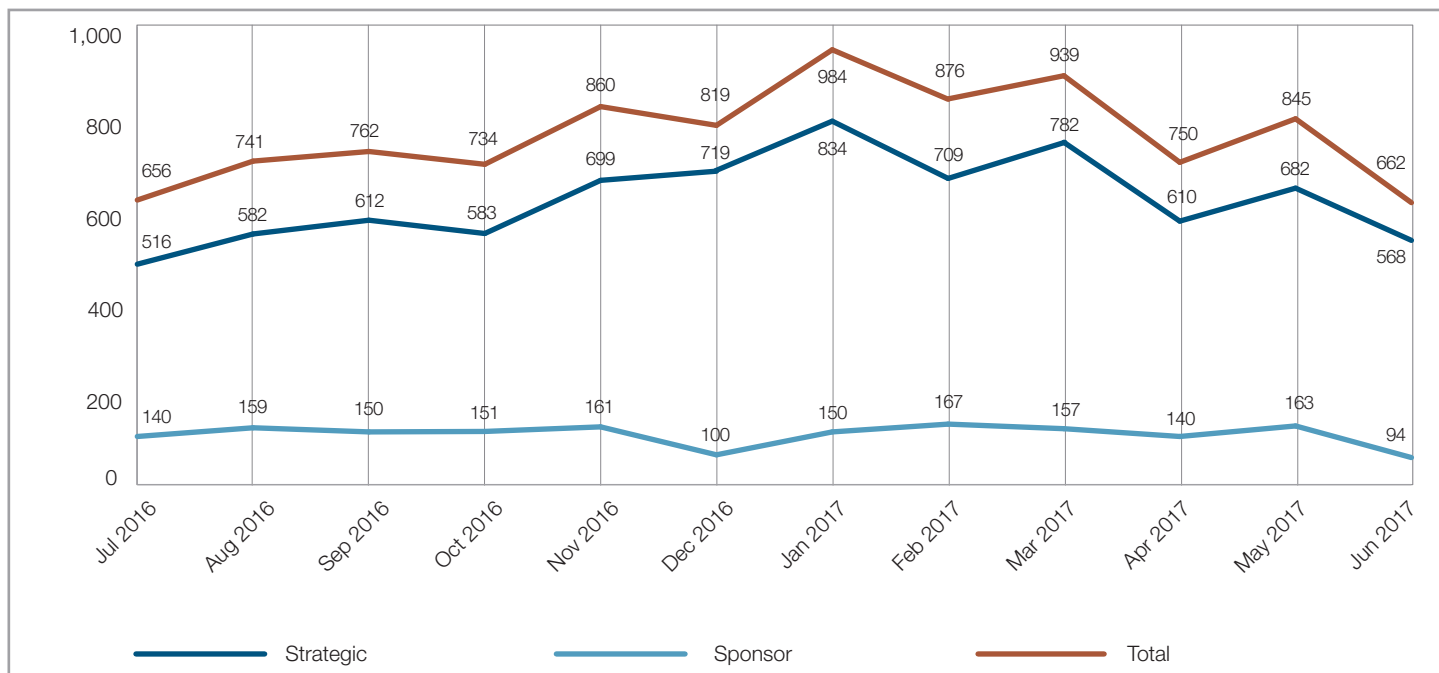


Figure 4A - Global Number of Deals

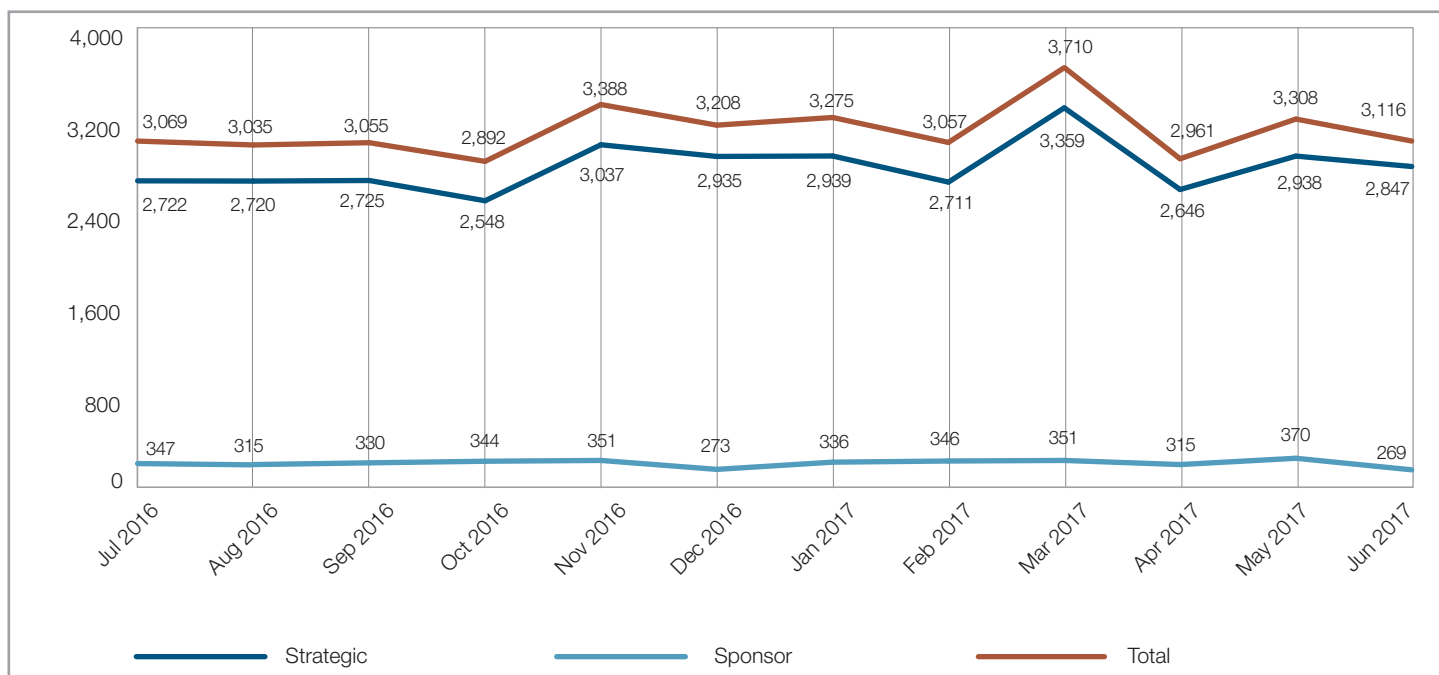


Figure 5A - Inbound U.S. Crossborder Transactions

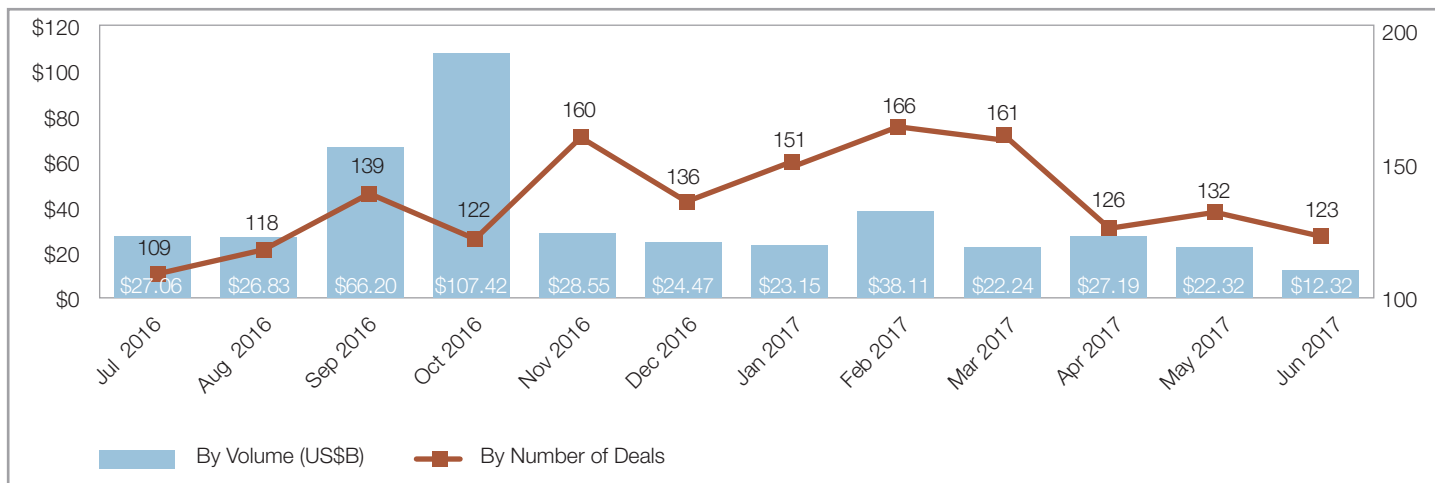


Figure 6A - Outbound U.S. Crossborder Transactions

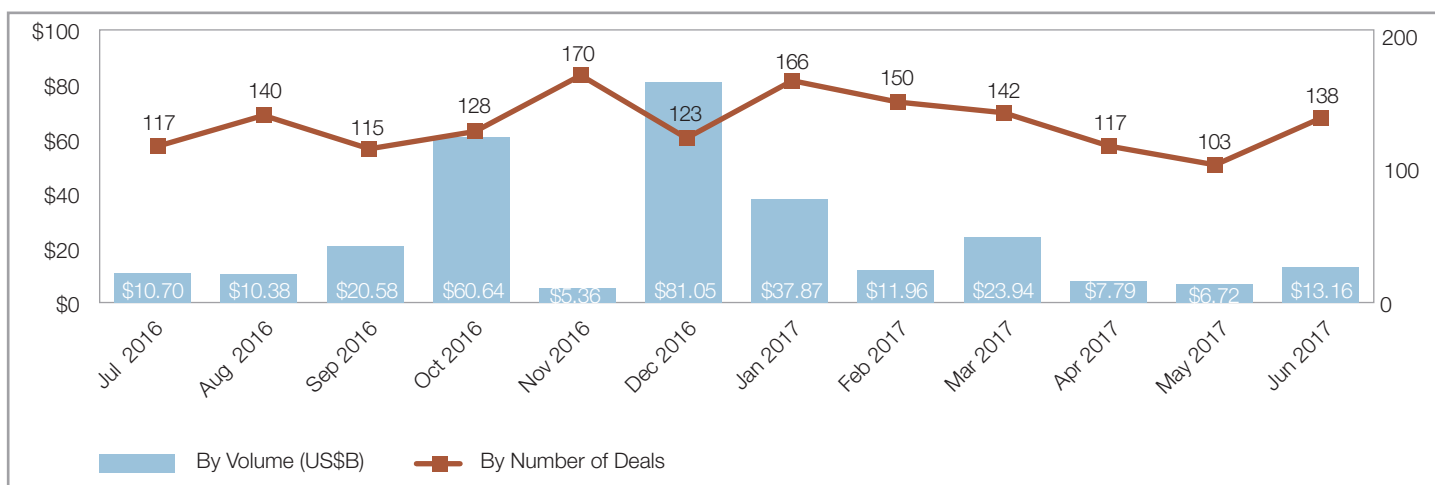


Figure 7A - Global Crossborder Transactions

