

August 2017, Issue 65

Global and U.S. M&A activity in July 2017 increased in total deal value, despite a decline in the number of deals. Globally, total deal volume by dollar value increased by 14.6% to \$303.85 billion, while the number of deals decreased by 8.9% to 3,029. Similarly, in the U.S., total deal volume by dollar value increased by 13.1% to \$108.99 billion, while the number of deals decreased by 9.6% to a 12-month low of 644.

Strategic vs. Sponsor Activity

Strategic activity drove the market, with strategic deal volume, as measured by dollar value, increasing by 14.8% to \$213.90 billion globally and by 39.6% to \$78.11 billion in the U.S., despite declines in the number of deals by 10.4% to 2,730 globally and by 13.3% to 530 in the U.S. [Figure 1](#) and Annex [Figures 1A-4A](#). Sponsor-related activity was mixed in July 2017. Such deal volume, as measured by dollar value, increased globally (by 14.0% to \$89.96 billion) and decreased in the U.S. (by 23.6% to \$30.89 billion), whereas the number of deals increased both globally and in the U.S. (by 7.6% to 299 and by 12.9% to 114, respectively).

Crossborder Activity

Crossborder activity mirrored overall market trends. Global crossborder activity increased in total dollar value (by 47.4% to \$113.59 billion) and decreased in number of deals (by 2.4% to 802). In the U.S., inbound and outbound activity increased in total dollar value (by 47.2% to \$19.63 billion and by 81.4% to \$24.44 billion, respectively) and decreased in number of deals (by 17.4% to 109 and by 22.0% to 117, respectively). [Figure 1](#) and Annex [Figures 5A-7A](#).

In U.S. outbound activity for July, the United Kingdom was the most active country in both total dollar value (\$15.05 billion) and number of deals (28). The U.K. regained its position as the leader in outbound activity over the last 12 months, as measured by total dollar value (\$65.44 billion), and remained the leader in number of deals (322) over the same period. As for U.S. inbound activity by dollar value, Canada was the lead country of origin for the month of July (\$8.34 billion), with the U.K. retaining the lead over the last 12 months (\$106.54 billion). Canada and Japan tied as the lead countries of origin for the number of inbound U.S. deals in July (20 each), while Canada leads in number of inbound U.S. deals over the last 12 months (399). [Figure 3](#).

U.S. Deals by Industry

Telecommunications was the most active target industry in the U.S. by dollar value in July (\$24.83 billion), followed closely by Utility & Energy (\$24.57 billion). Computers & Electronics remained the most active target industry in the U.S. by number of deals in July (170) and over the last 12 months (2,576). Notably, Oil & Gas (\$195.44 billion over the last 12 months) displaced Computers & Electronics (\$184.89 billion over the same period) as the most active target industry in the U.S., as measured by dollar value, marking a shift in this metric from August 2016, when Computers & Electronics peaked at \$379.24 billion. [Figures 2](#) and [5](#).

U.S. Public Mergers

Turning to U.S. public merger terms in July 2017, average target and reverse break fees remained near their 12-month averages, and were 3.4% and 6.0%, respectively. [Figures 6](#) and [7](#). The use of cash consideration in July 2017 (65.0%) was near its 12-month average (61.9%). [Figure 9](#). The incidence of tender offers as a percentage of U.S. public mergers (30.0%) was above the 12-month average (20.6%). [Figure 11](#). Finally, hostile offers in July 2017 remained lower than the 12-month average (4.8% and 9.0%, respectively). [Figure 12](#).

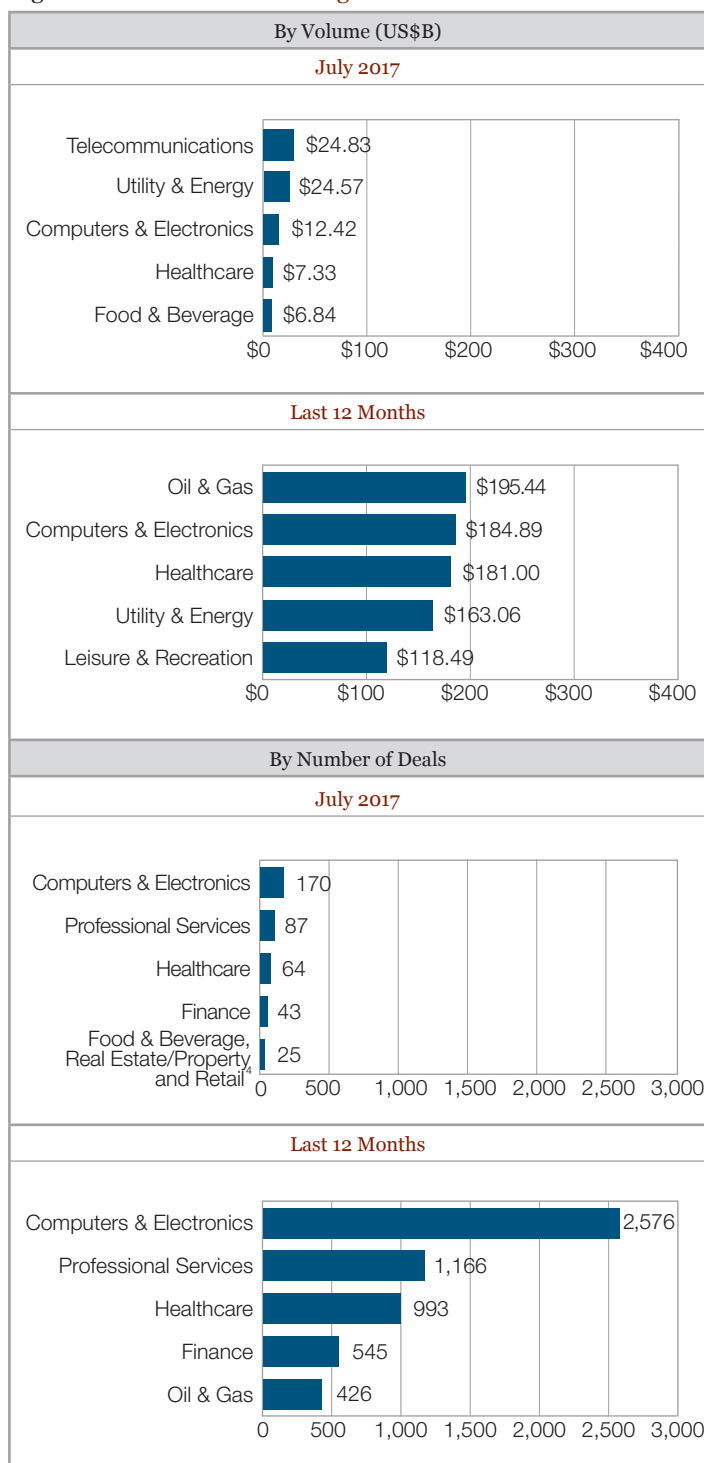
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M&A Activity

Figure 1

July 2017	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	303.85	38.67	108.99	12.59
No. of deals	3,029	(297)	644	(68)
Avg. value of deals (US\$mil)	207.4	49.5	491.0	123.0
Avg. deal multiple ¹	12.1x	0.9	13.8x	0.5
Strategic Transactions				
Volume (US\$B)	213.90	27.63	78.11	22.15
No. of deals	2,730	(318)	530	(81)
Avg. value of deals (US\$mil)	157.6	39.7	408.9	163.5
Avg. deal multiple ¹	12.0x	1.4	14.2x	2.0
Sponsor-Related Transactions				
Volume (US\$B)	89.96	11.04	30.89	(9.56)
No. of deals	299	21	114	13
Avg. value of deals (US\$mil)	832.9	35.8	996.4	(193.3)
Avg. deal multiple ¹	12.7x	(1.6)	13.2x	(2.3)
Crossborder Transactions²				
Volume (US\$B)	113.59	36.54	Inbound 19.63 Outbound 24.44	Inbound 6.29 Outbound 10.97
No. of deals	802	(20)	Inbound 109 Outbound 117	Inbound (23) Outbound (33)
Avg. value of deals (US\$mil)	297.3	100.3	Inbound 356.9 Outbound 421.4	Inbound 148.4 Outbound 180.8
Avg. deal multiple ¹	11.7x	1.9	Inbound 12.8x Outbound 11.0x	Inbound (4.1) Outbound 2.4

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

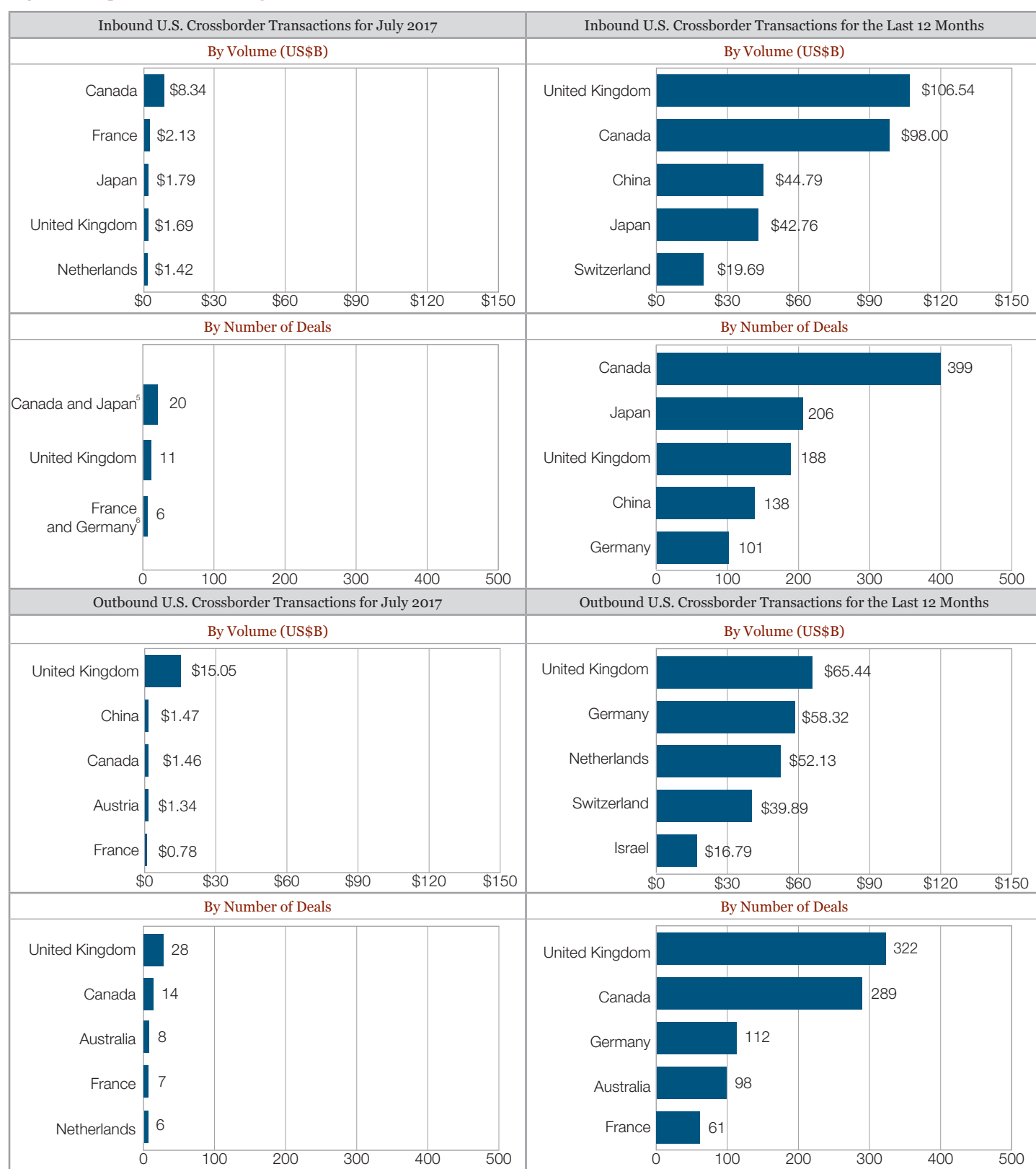
U.S. crossborder transactions are those transactions where the acquirer and the target have different nationalities and either the acquirer ("Outbound") or the target ("Inbound") has a U.S. nationality.

³ Industries categories are determined and named by Dealogic.

⁴ Each of Food & Beverage, Real Estate/Property and Retail was the target industry for 25 transactions in July 2017.

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

⁵ Each of Canada and Japan was the country of origin for 20 transactions in July 2017.⁶ Each of France and Germany was the country of origin for six transactions in July 2017.

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M&A Activity (Continued)

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

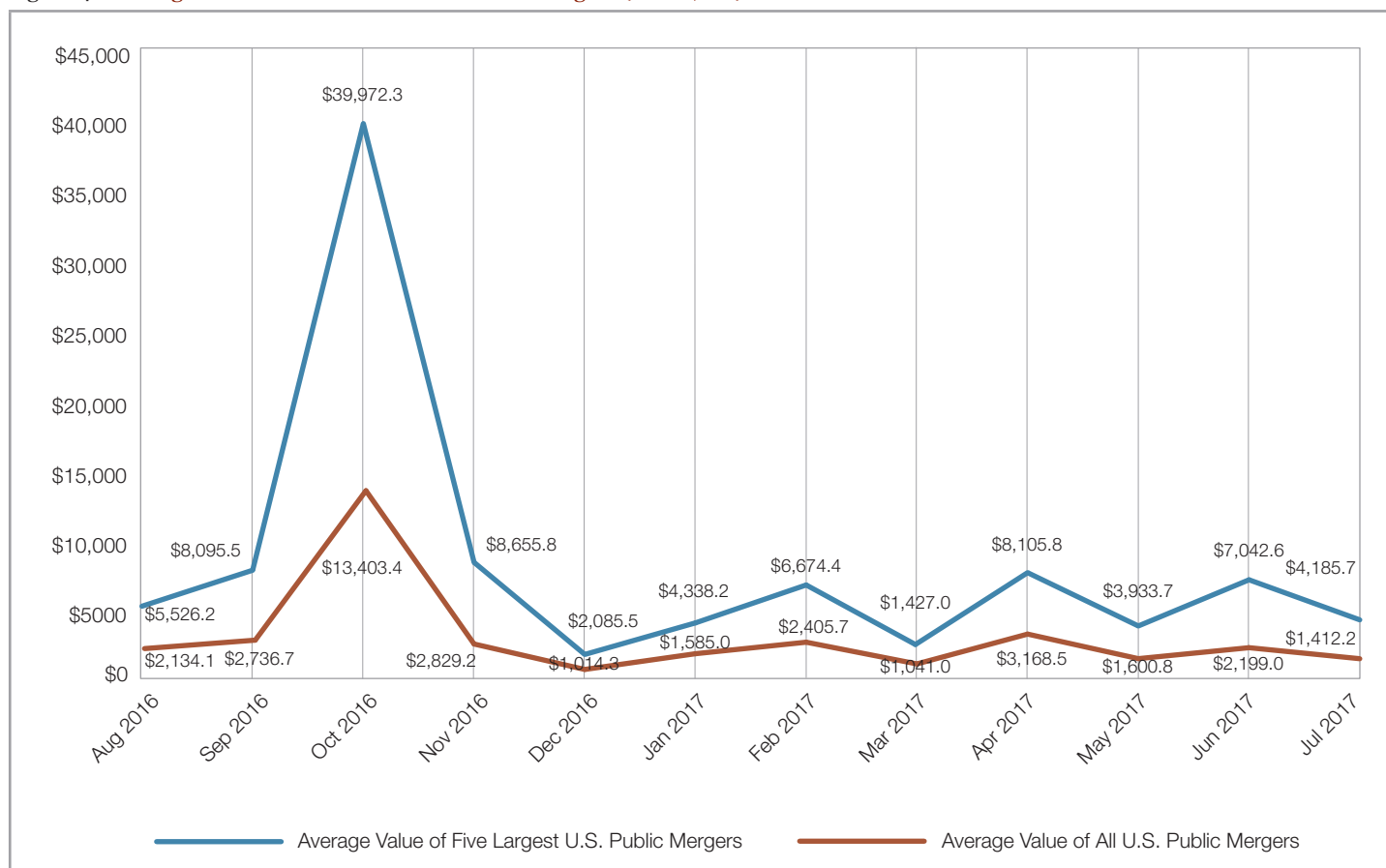
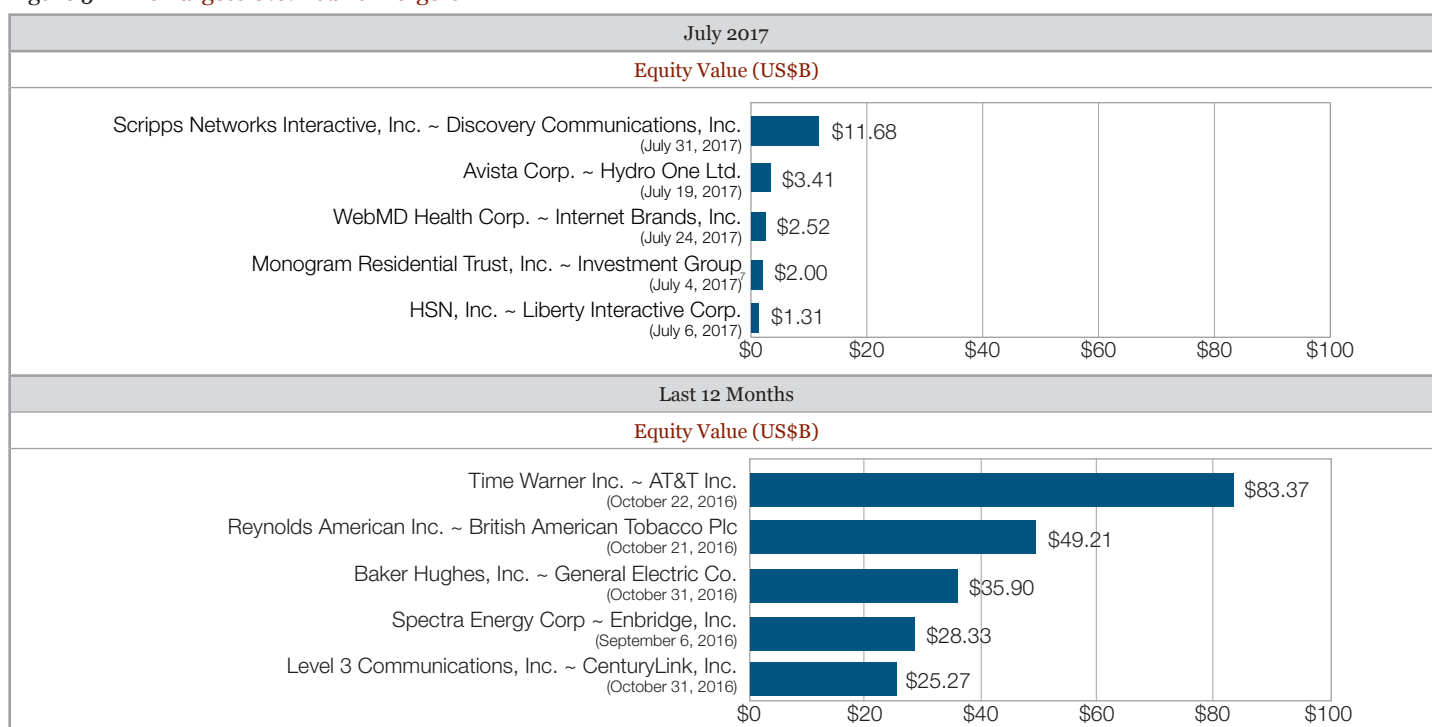


Figure 5 - Five Largest U.S. Public Mergers



⁷ Members of the investment group reported by FactSet MergerMetrics are Ivanhoe Cambridge, Inc., GIC Pte Ltd., APG Asset Management NV and Greystar Real Estate Partners LLC.

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M&A Activity (Continued)

M&A Terms

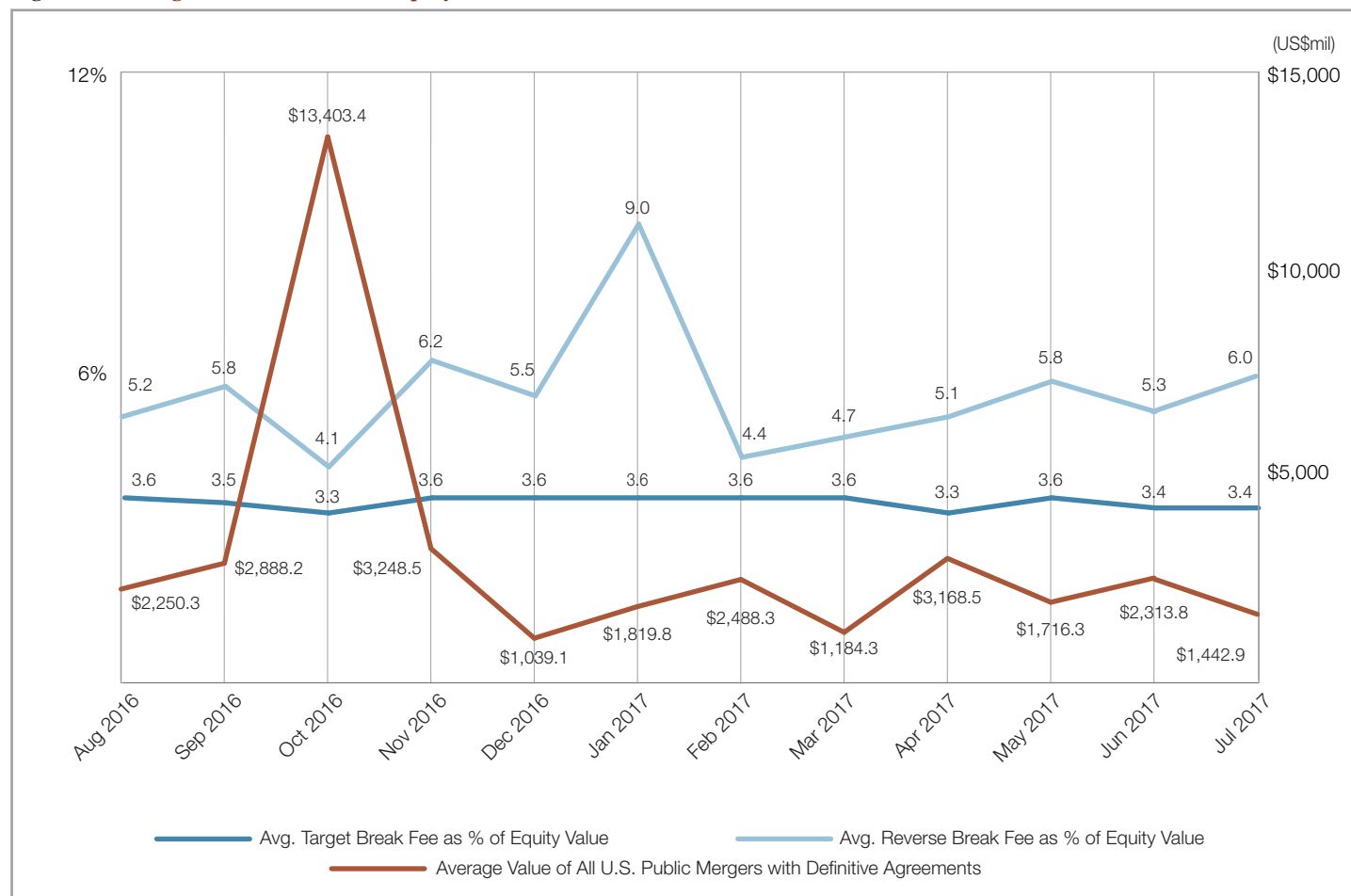
Figure 6 - Average Break Fees as % of Equity Value⁸

Figure 7 - Average Break Fees as % of Equity Value

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

	July 2017	Last 12 Months
Reverse Break Fee for All Mergers	6.0	5.6
Reverse Break Fee for Mergers Involving Financial Buyers ⁹	6.9	6.7
Reverse Break Fee for Mergers Involving Strategic Buyers	5.7	5.2

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

	July 2017	Last 12 Months
% of Mergers with Go-Shops	10.0	9.8
% of Mergers Involving Financial Buyers with Go-Shops ¹⁰	0.0	36.4
% of Mergers Involving Strategic Buyers with Go-Shops	11.8	4.3
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ¹¹	33.5	34.9
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ¹²	N/A	35.9
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ¹³	33.5	33.1

⁸ Based on the highest target break fees and reverse break fees payable in a particular deal.

⁹ Two transactions in July 2017 involving a financial buyer had a reverse break fee.

¹⁰ Three transactions in July 2017 involved a financial buyer.

¹¹ Two transactions in July 2017 had a go-shop provision.

¹² No transactions in July 2017 involving a financial buyer had a go-shop provision.

¹³ Two transactions in July 2017 involving a strategic buyer had a go-shop provision.

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M&A Activity (Continued)

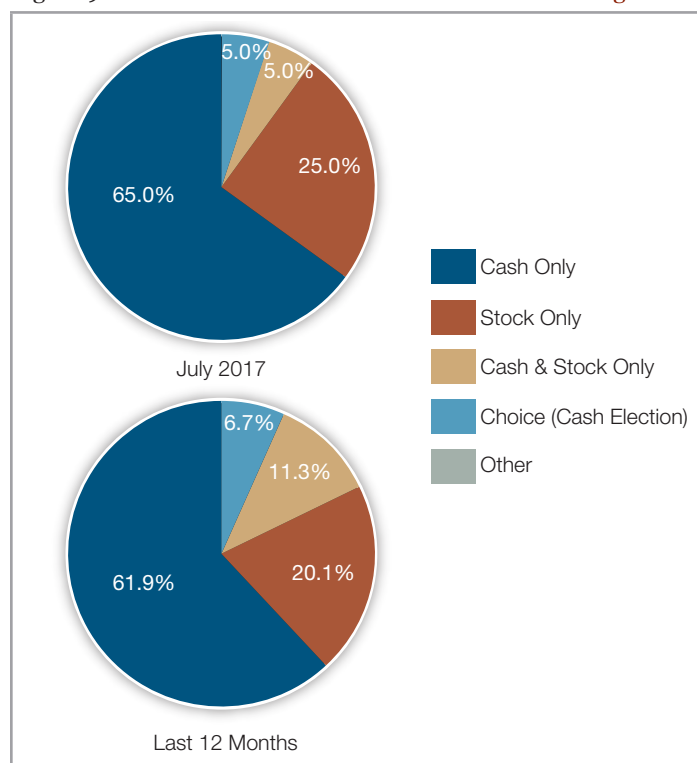
Figure 9 - Form of Consideration as % of U.S. Public Mergers¹⁴

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

July 2017	83.3
Last 12 Months	90.2

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

July 2017	30.0
Last 12 Months	20.6

Figure 12 - Hostile/Unsolicited Offers as % of U.S. Public Mergers¹⁵

July 2017	4.8
Last 12 Months	9.0

¹⁴ Due to rounding, percentages may not add up to 100%.¹⁵ 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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This publication is not intended to provide legal advice, and no legal or business decisions should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:



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M&A Activity – 12-Month Trends

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

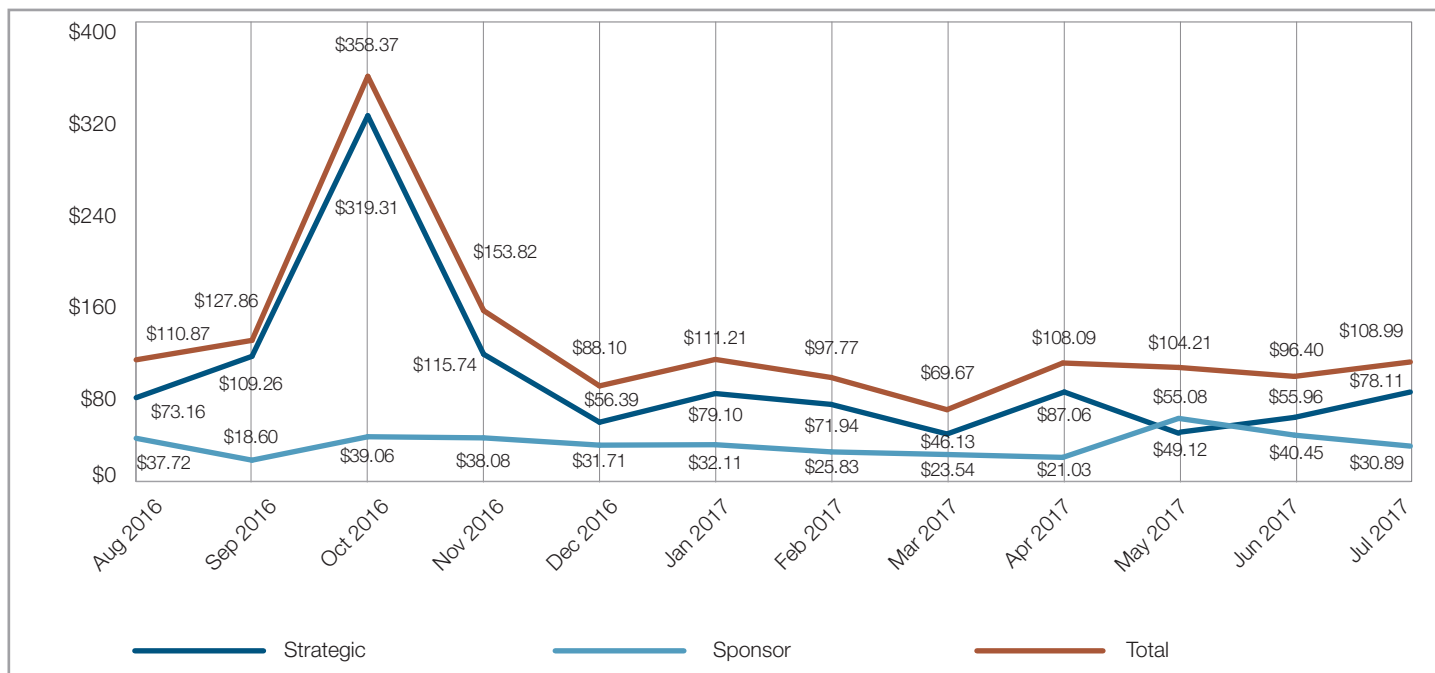
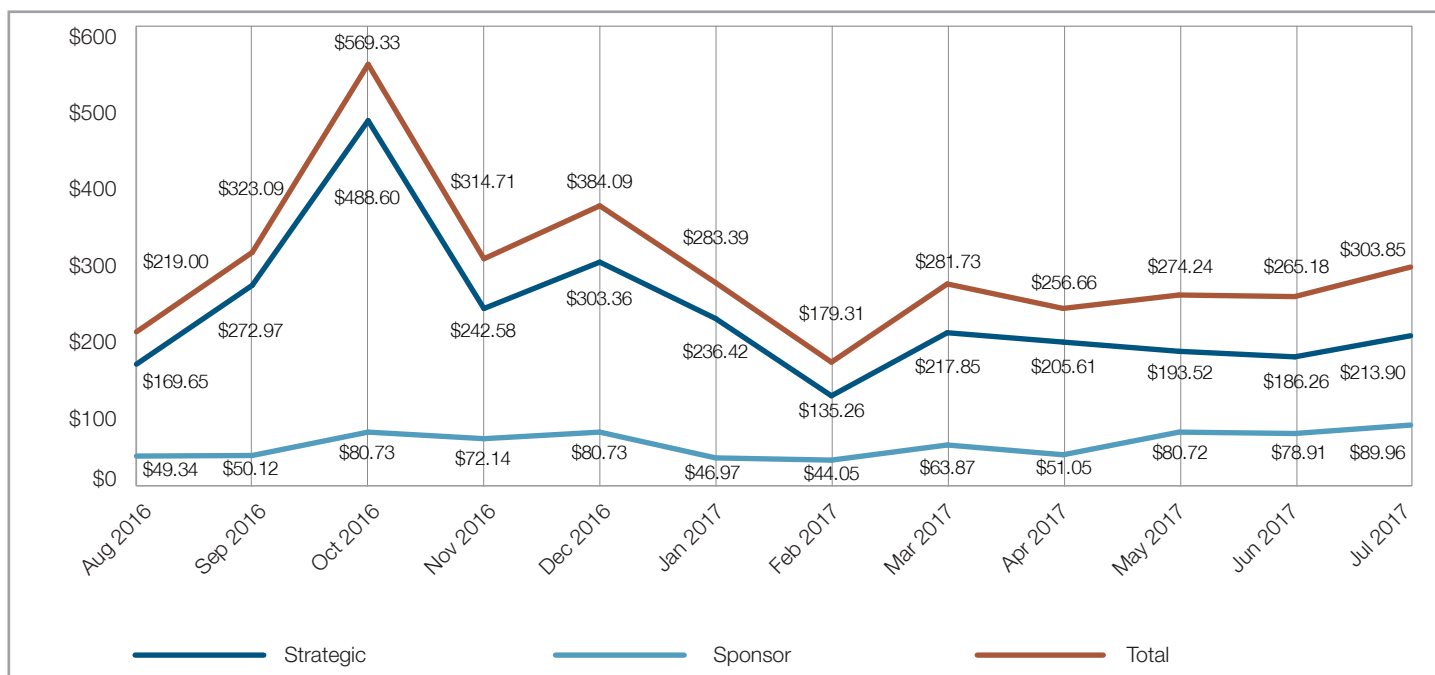


Figure 2A - Global Deal Volume (US\$B)



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Figure 3A - U.S. Number of Deals

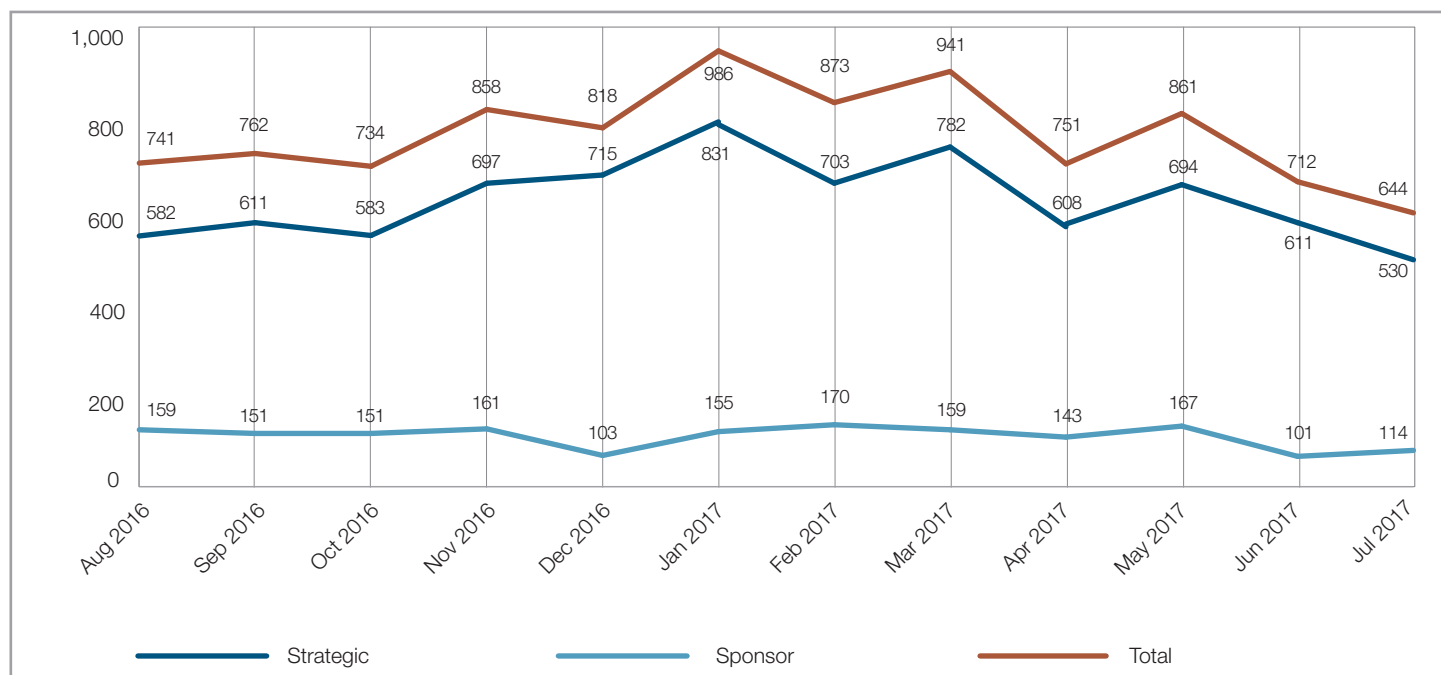
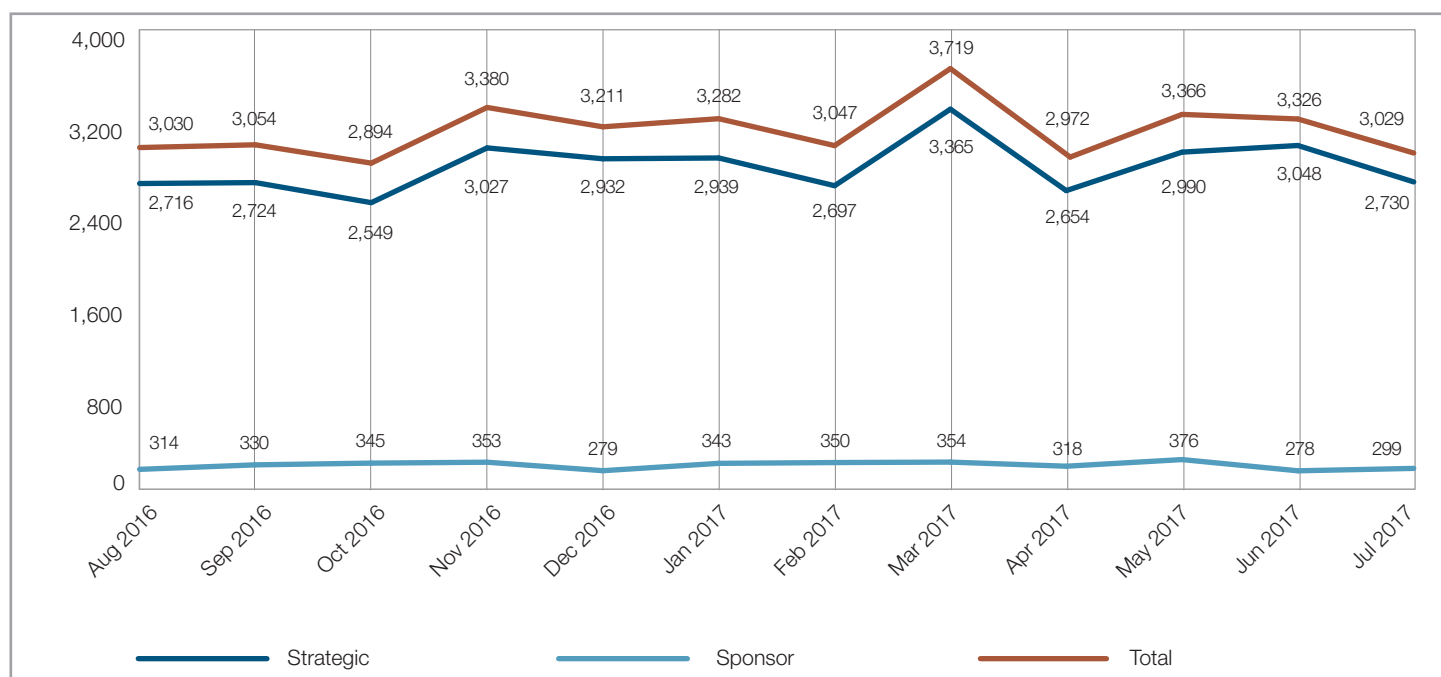


Figure 4A - Global Number of Deals



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Figure 5A - Inbound U.S. Crossborder Transactions

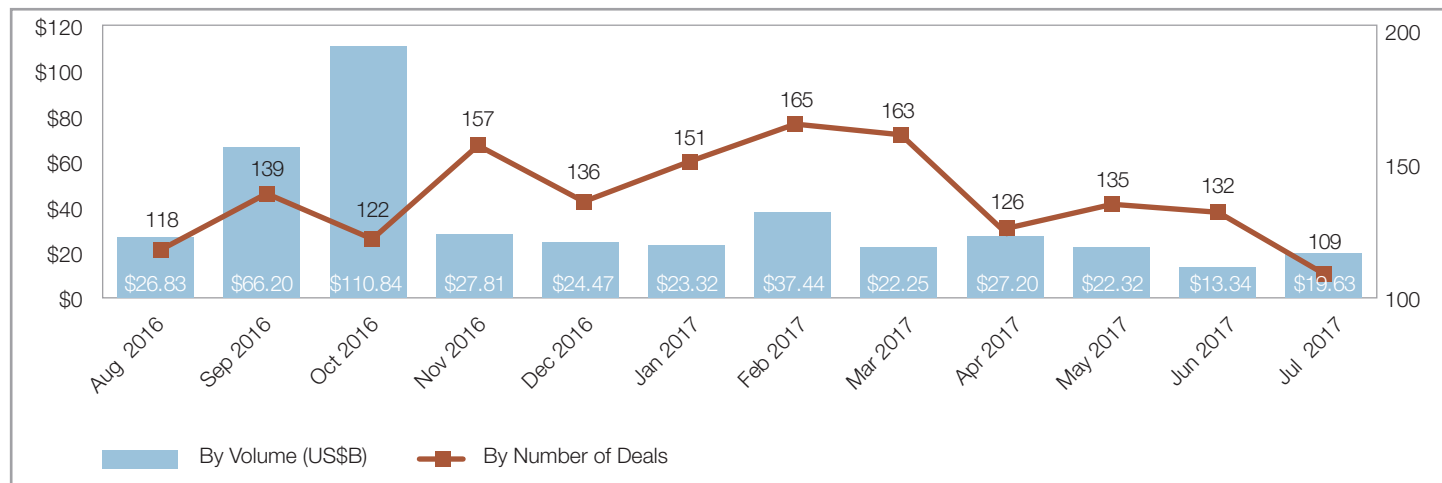


Figure 6A - Outbound U.S. Crossborder Transactions

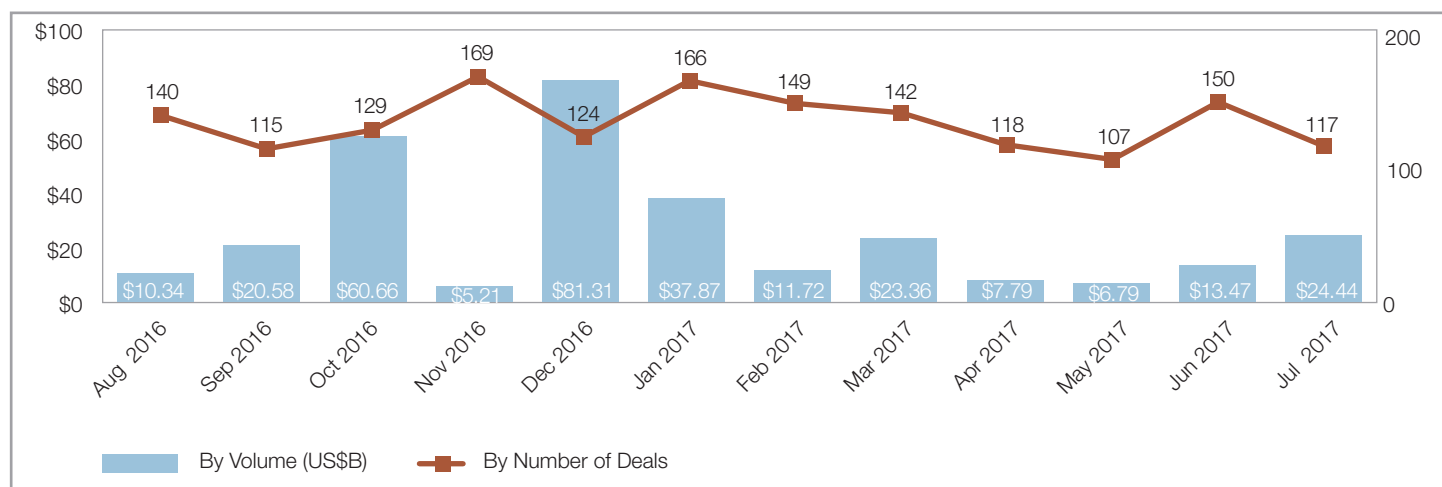


Figure 7A - Global Crossborder Transactions

