

November 2017, Issue 68

In U.S. and global M&A activity for October 2017, deal volume increased by total dollar value, while the total number of deals decreased in some cases to or nearing 12-month lows. In the U.S., deal volume increased by 23.4% to \$112.34 billion, while the number of deals decreased by 12.8% to 810. Globally, deal volume increased by 1.8% to \$298.33 billion, and the number of deals decreased by 13.7% to 3,053.

Strategic vs. Sponsor Activity

In the U.S., strategic deal volume increased by 5.3% to \$84.45 billion, and the number of deals decreased by 18.8% to 618. Globally, strategic deal volume increased by 3.2% to \$236.74 billion, and the number of strategic deals decreased by 15.1% to 2,684. Trends in sponsor-related activity diverged in the U.S and globally. In the U.S., sponsor-related deal volume and number of deals increased by 156.4% to \$27.89 billion and 14.3% to 192 (a 12-month high), respectively. Globally, sponsor-related deal volume decreased by 3.1% to \$61.59 billion and the number of deals decreased by 2.6% to 369. [Figure 1](#) and Annex [Figures 1A-4A](#).

Crossborder Activity

Global crossborder activity in October 2017 followed similar trends to the overall market, while U.S. inbound and outbound activity fell in both deal volume and number. Globally, crossborder deal volume increased by 10.5% to \$105.62 billion, and the number of deals decreased by 13.7% to 674, a 12-month low. In the U.S., inbound deal volume decreased by 21.8% to \$12.40 billion, and the number of inbound deals decreased by 14.4% to 125. Outbound U.S. deal volume decreased by 44.4% to \$8.43 billion, and the number of U.S. outbound deals decreased by 12.3% to 121. [Figure 1](#) and Annex [Figures 5A-7A](#).

In U.S. inbound activity, China was the leading country of origin for October 2017, with \$3.25 billion in deal volume, propelled by Jining Ruyi Investment Co.'s \$2.00 billion acquisition of Invista BV and Nanjing Xinjiekou Department Store's \$905 million acquisition of Dendreon Pharmaceuticals. Canada took the lead for U.S. inbound activity by dollar value over the last 12 months, with \$43.70 billion in volume, and remained the leading country of origin by number of U.S. inbound deals in October (31) and over the last 12 months (414). As for U.S. outbound activity, Canada also led in October deal volume (\$1.75 billion), driven by Schlumberger and Torxen's proposed \$1.00 billion acquisition of the Palliser Block of oil and gas assets from Cenovus Energy, and Germany retained its lead in outbound deal volume over the last 12 months (\$55.88 billion). The U.K. was again the leader in the number of U.S. outbound deals in October (21) and over the last 12 months (300). Kosmos Energy and Trident Energy's proposed acquisition of an interest in oil and gas assets, valued at \$650 million, resulted in Equatorial Guinea joining the top five countries of destination for outbound U.S. crossborder transactions for the first time since the inception of this publication. [Figure 3](#).

U.S. Deals by Industry

Computers & Electronics was the most active target industry by dollar value in October 2017 (\$41.05 billion), driven by Emerson Electric's proposed acquisition of Rockwell Automation, valued at \$28.95 billion. Computers & Electronics also remained the most active target industry by number of deals in October (260) and over the last 12 months (2,830) and moved ahead of Oil & Gas to become the most active target industry by deal volume over the last 12 months, with \$188.70 billion. [Figures 2](#) and [5](#).

U.S. Public Mergers

As for U.S. public merger deal terms in October 2017, average target break fees returned to the 12-month average of 3.5%. While average reverse break fees increased to 4.7%, this level still remains below the 12-month average of 5.6%. [Figures 6](#) and [7](#). The use of cash consideration in October 2017 decreased to 66.7%, above the 12-month average of 60.9%. [Figure 9](#). The incidence of tender offers as a percentage of U.S. public mergers was 8.3%, which is below the 12-month average of 20.1%. [Figure 11](#). Finally, the incidence of hostile offers in October 2017 was at 14.3%, above the 12-month average of 10.0%. [Figure 12](#).

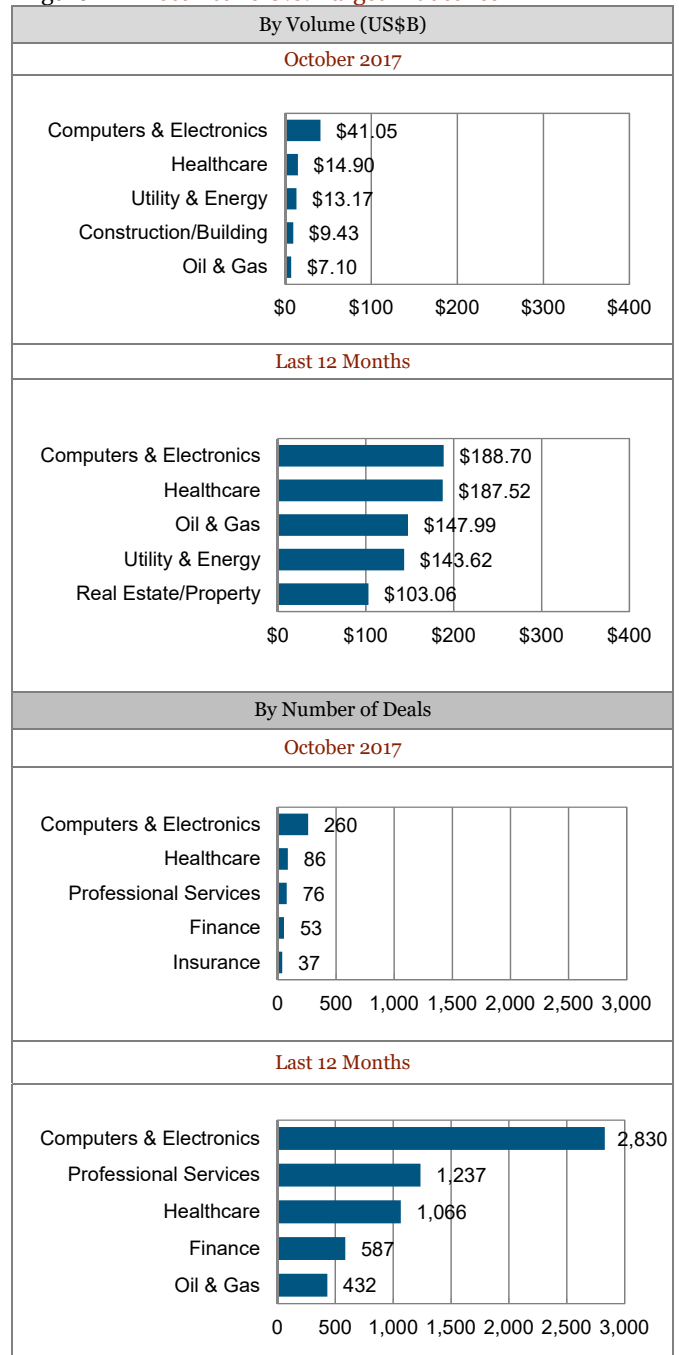
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M&A Activity

Figure 1

October 2017	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	298.33	5.39	112.34	21.28
No. of deals	3,053	(486)	810	(119)
Avg. value of deals (US\$mil)	195.8	34.3	386.1	137.9
Strategic Transactions				
Volume (US\$B)	236.74	7.35	84.45	4.26
No. of deals	2,684	(476)	618	(143)
Avg. value of deals (US\$mil)	168.0	33.3	332.5	94.5
Sponsor-Related Transactions				
Volume (US\$B)	61.59	(1.96)	27.89	17.02
No. of deals	369	(10)	192	24
Avg. value of deals (US\$mil)	535.6	(37.0)	753.9	391.3
Crossborder Transactions¹				
Volume (US\$B)	105.62	10.06	Inbound 12.40 Outbound 8.43	Inbound (3.45) Outbound (6.74)
No. of deals	674	(107)	Inbound 125 Outbound 121	Inbound (21) Outbound (17)
Avg. value of deals (US\$mil)	333.2	59.4	Inbound 182.3 Outbound 191.5	Inbound (47.3) Outbound (153.3)

Figure 2 – Most Active U.S. Target Industries²



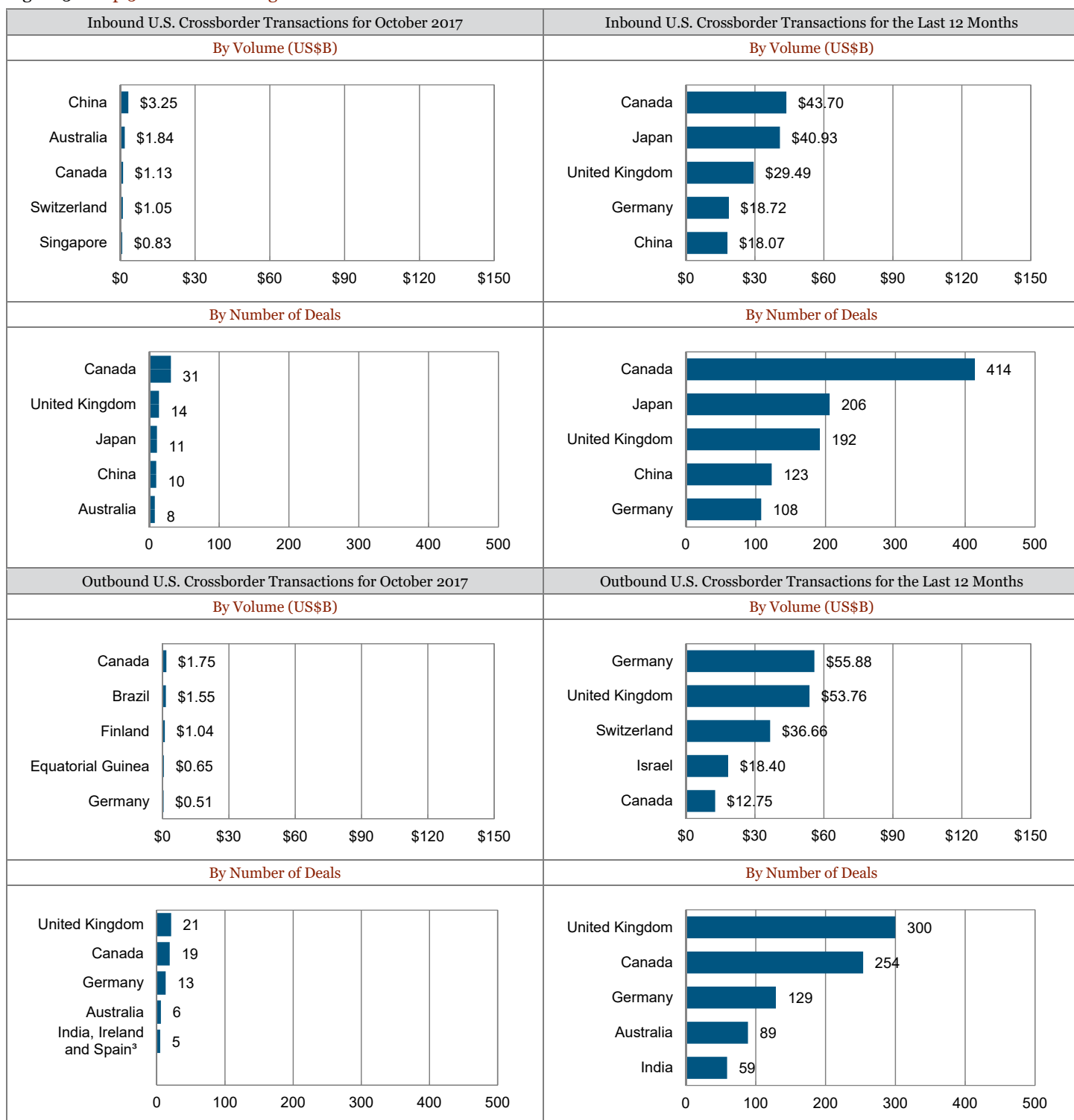
Figures 1-3 were compiled using data from Dealogic, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Figures 4 and 5 were compiled using data from FactSet MergerMetrics, and are limited to mergers involving public U.S. targets announced during 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 November 10, 2017 unless otherwise specified. "Last 12 Months" data is for the period from November 2016 to October 2017 inclusive. Data obtained from Dealogic and FactSet MergerMetrics has not been reviewed for accuracy by Paul, Weiss.

1 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.

2 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



³ Each of India, Ireland and Spain was the country of destination for five transactions in October 2017.

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

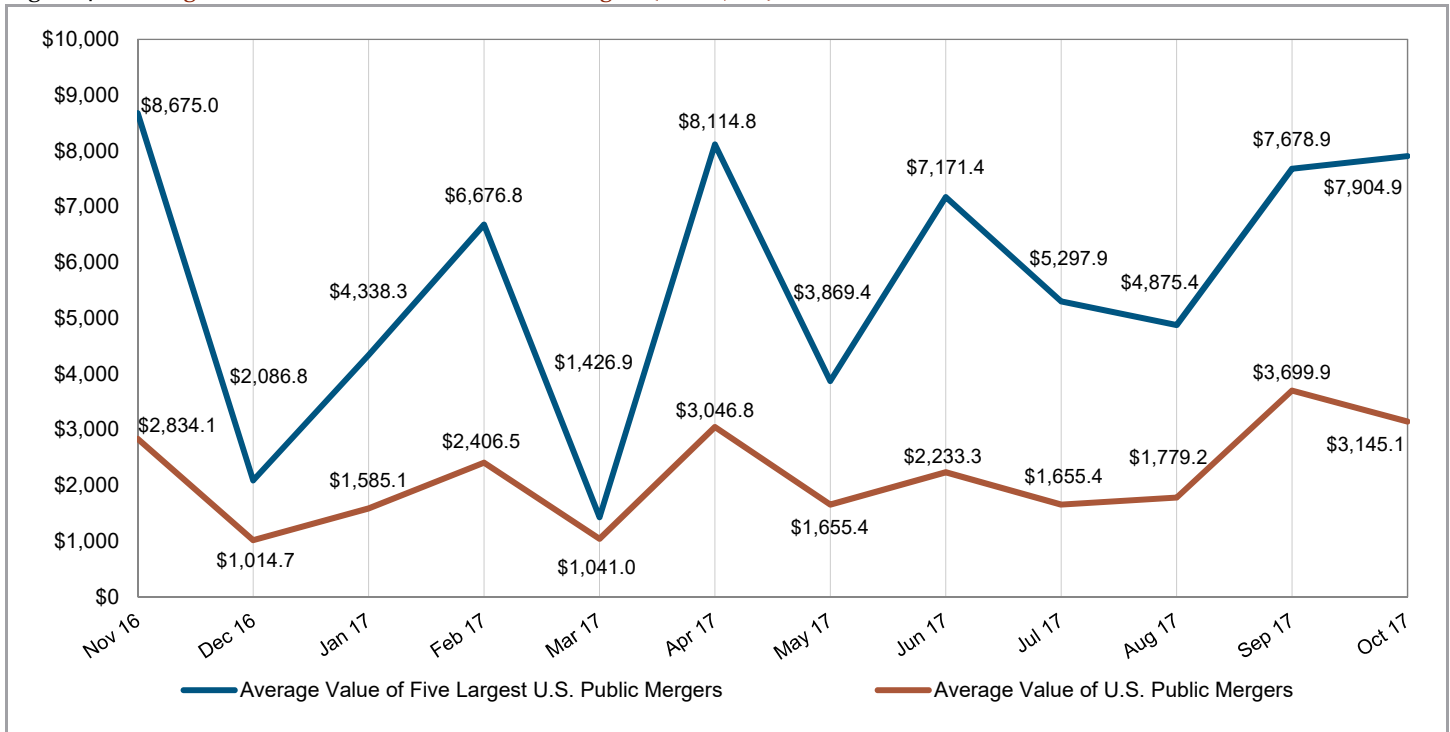
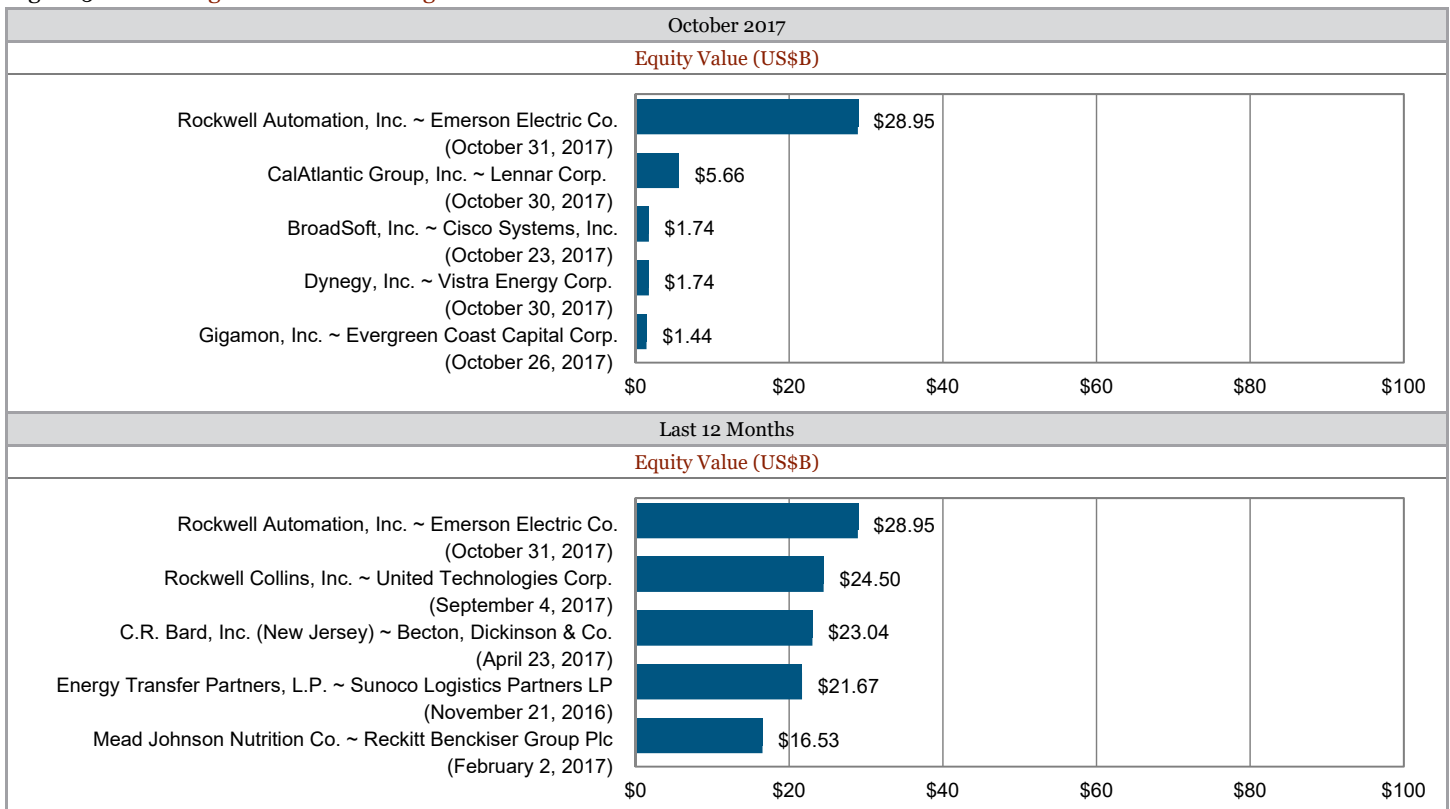


Figure 5 – Five Largest U.S. Public Mergers



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M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁴

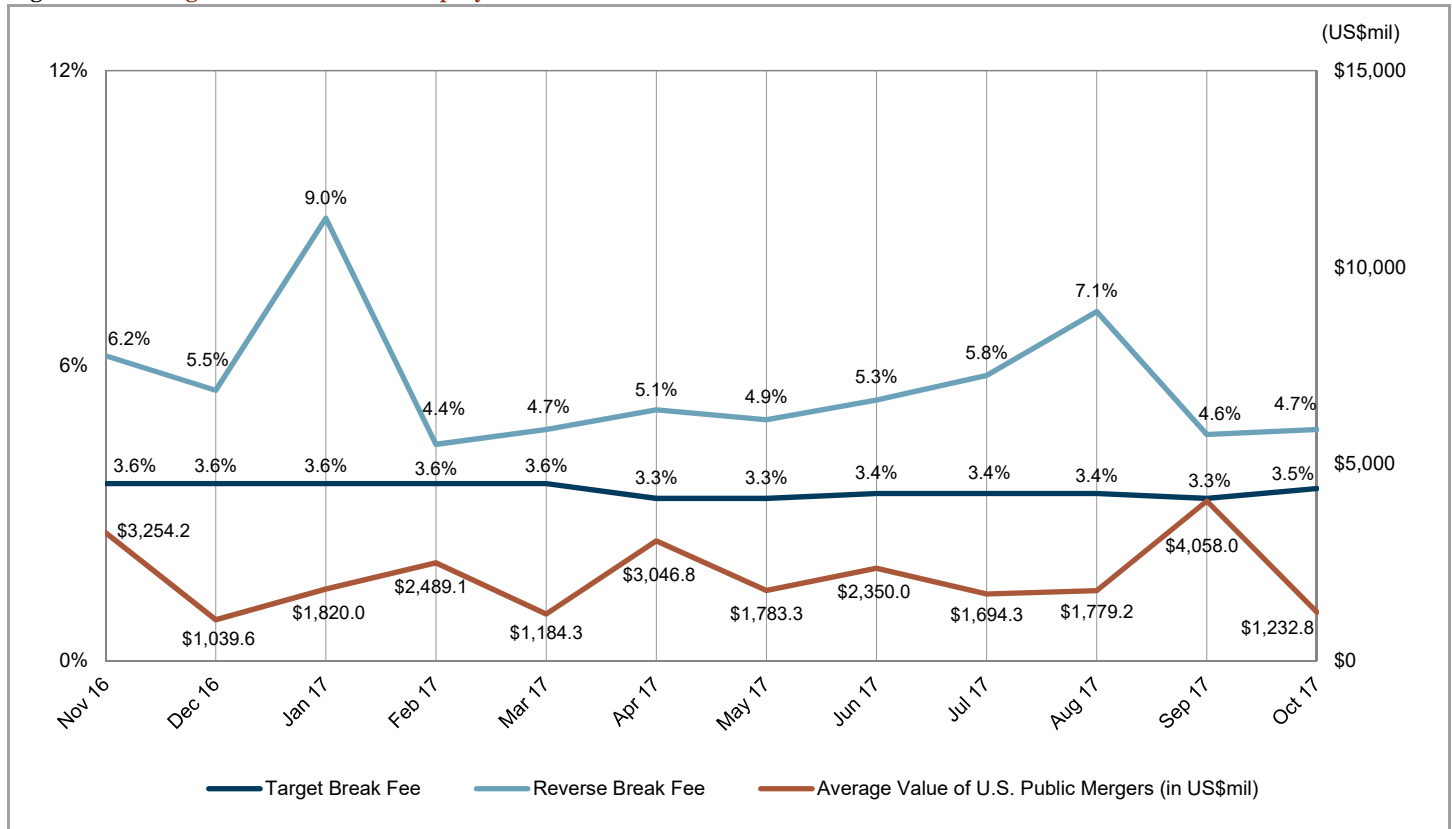


Figure 7 – Average Break Fees as % of Equity Value

	October 2017	Last 12 Months
Target Break Fee for All Mergers	3.5	3.5

	October 2017	Last 12 Months
Reverse Break Fee for All Mergers	4.7	5.6
Reverse Break Fee for Mergers Involving Financial Buyers ⁵	5.9	6.6
Reverse Break Fee for Mergers Involving Strategic Buyers	4.3	5.3

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.

⁴ Based on the highest target break fees and reverse break fees payable in a particular deal.
⁵ Two transactions in October 2017 involving a financial buyer had a reverse break fee.
⁶ Three transactions in October 2017 involved a financial buyer.
⁷ One transaction in October 2017 had a go-shop provision.
⁸ No transactions in October 2017 involving a financial buyer had a go-shop provision.
⁹ One transaction in October 2017 involving a strategic buyer had a go-shop provision.

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

	October 2017	Last 12 Months
% of Mergers with Go-Shops	8.3	8.2
% of Mergers Involving Financial Buyers with Go-Shops ⁶	0.0	22.6
% of Mergers Involving Strategic Buyers with Go-Shops	11.1	5.2
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ⁷	30.0	34.5
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ⁸	N/A	39.3
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ⁹	30.0	30.3

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

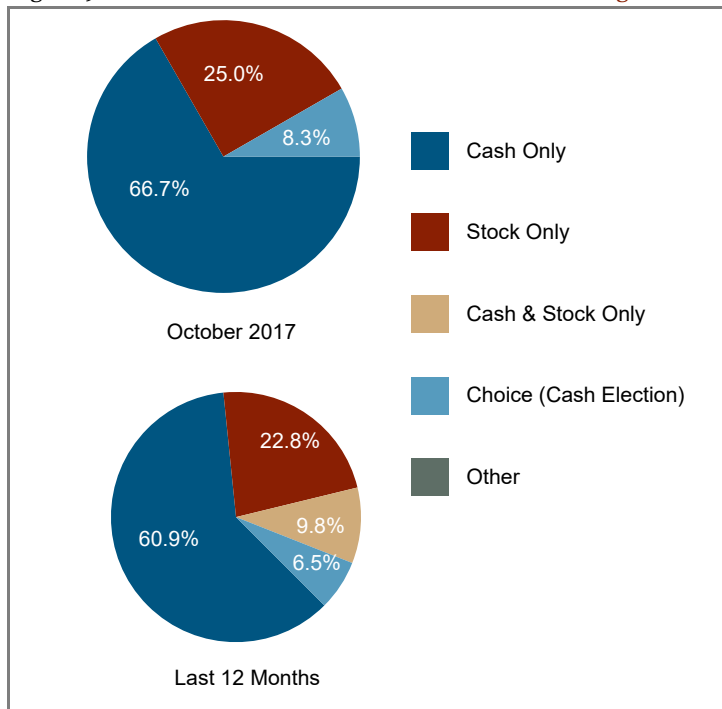


Figure 10 – % of Partial and All Stock Deals That Have a Fixed Exchange Ratio

October 2017 ¹¹	100.0
Last 12 Months	90.0

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

October 2017	8.3
Last 12 Months	20.1

Figure 12 – Hostile/Unsolicited Offers as % of U.S. Public Mergers¹²

October 2017	14.3
Last 12 Months	10.0

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

¹¹ There were only three partial or all stock transactions in October 2017.

¹² 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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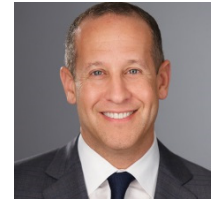
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M&A Activity – 12-Month Trends

Figure 1A – U.S. Deal Volume (US\$B)

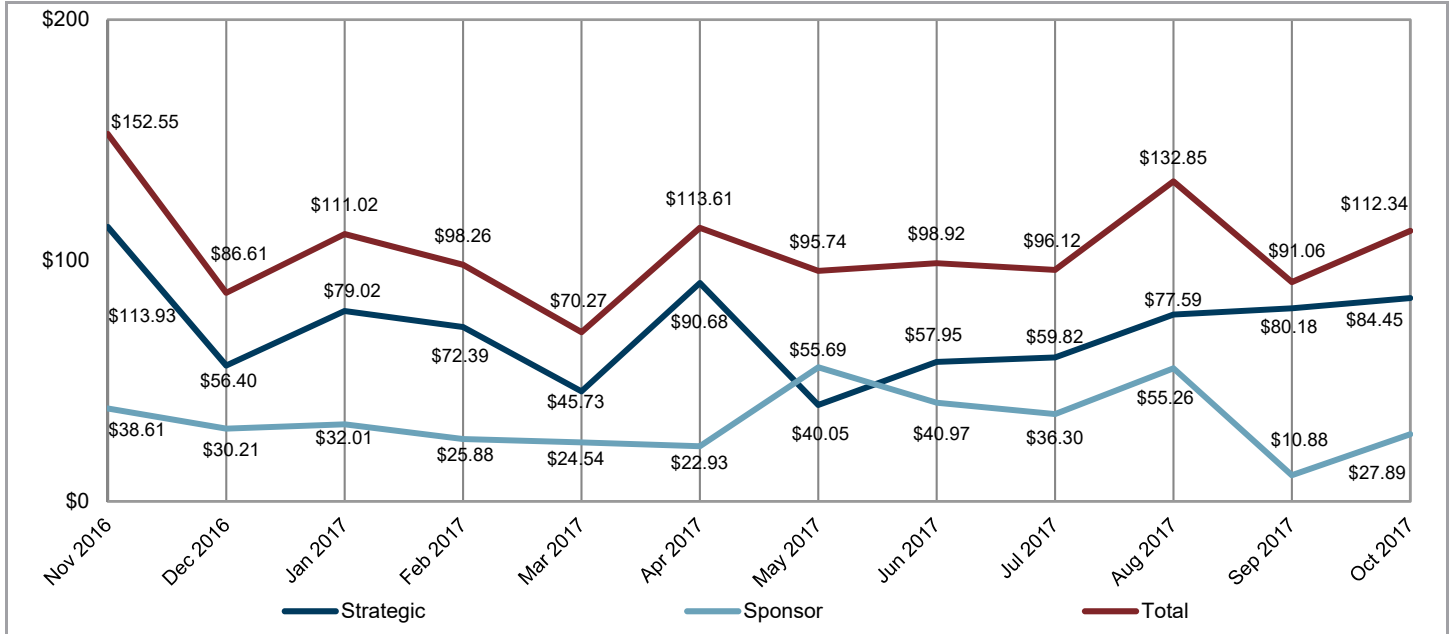
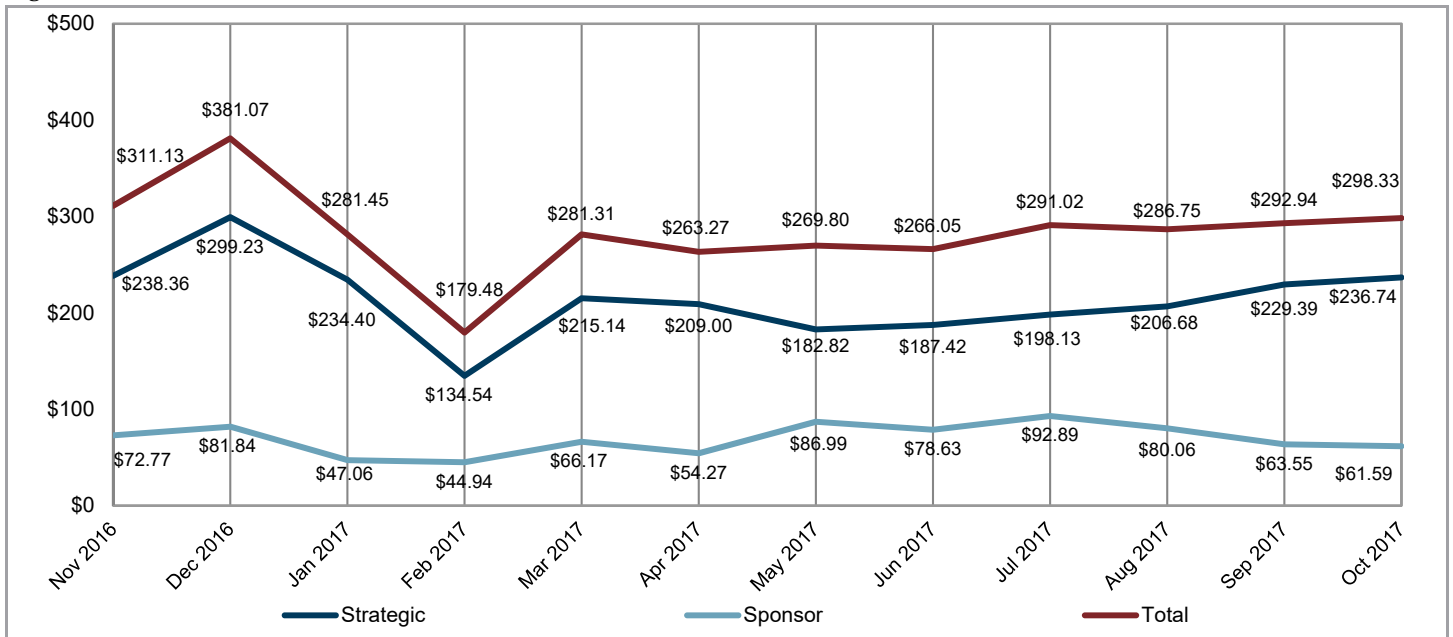


Figure 2A – Global Deal Volume (US\$B)



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Figure 3A – U.S. Number of Deals

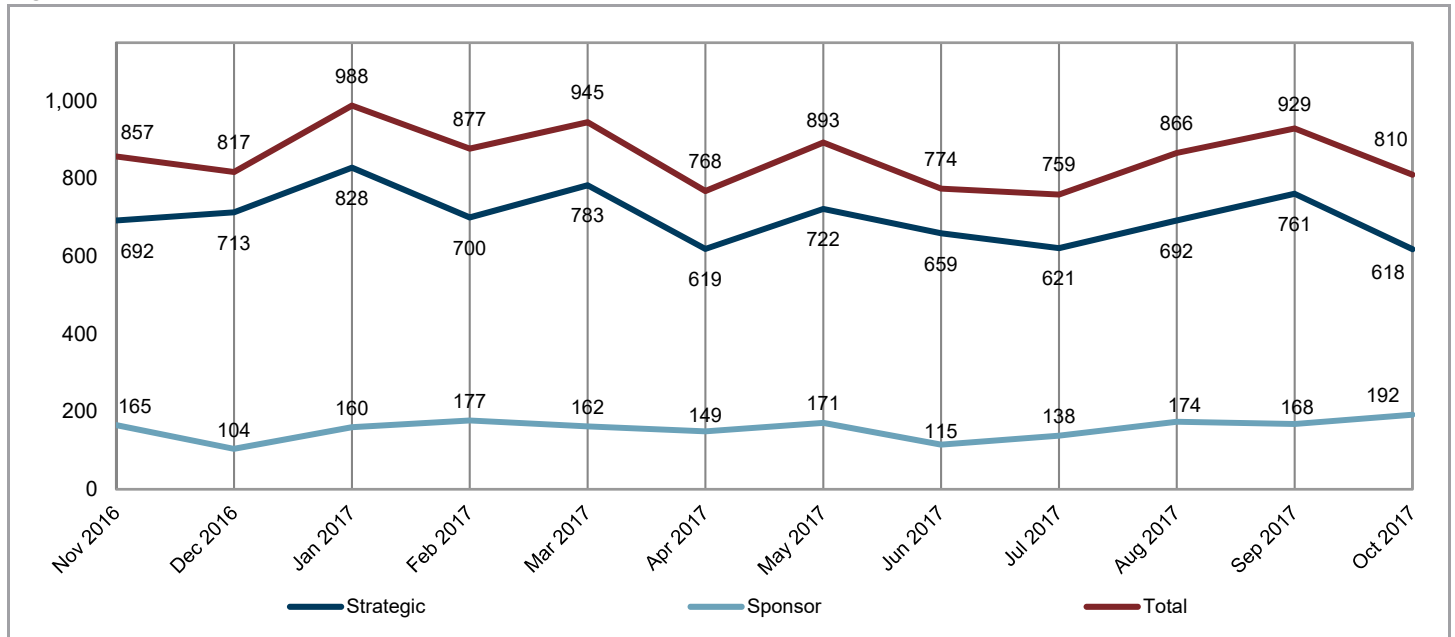
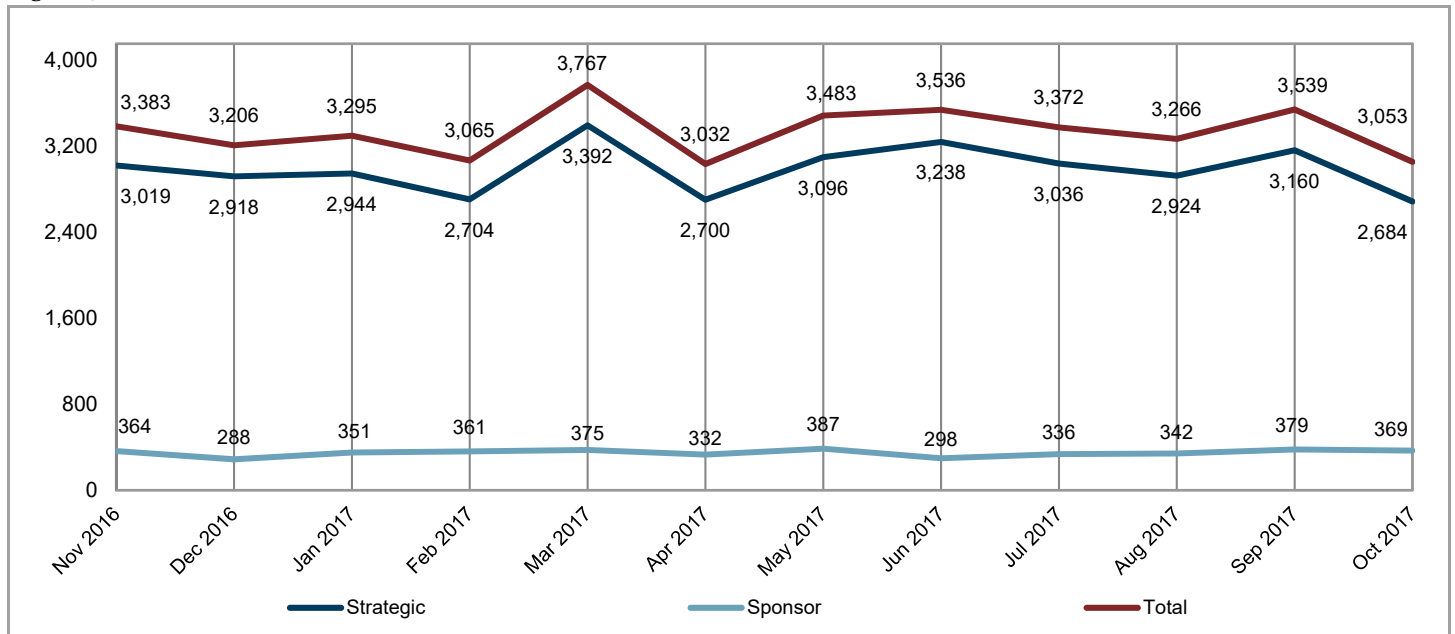


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

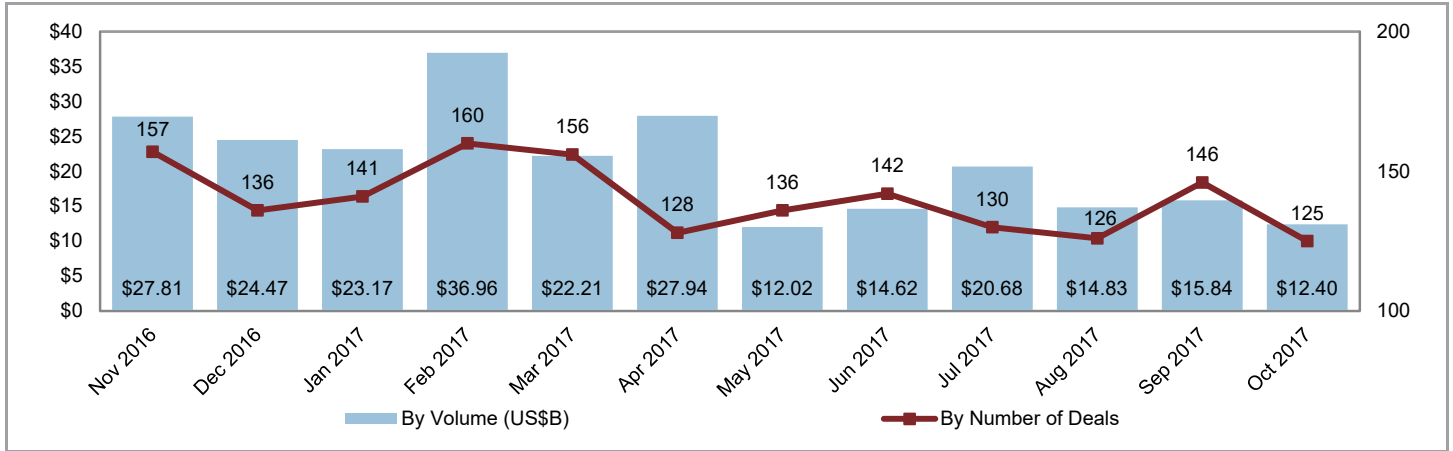


Figure 6A – Outbound U.S. Crossborder Transactions

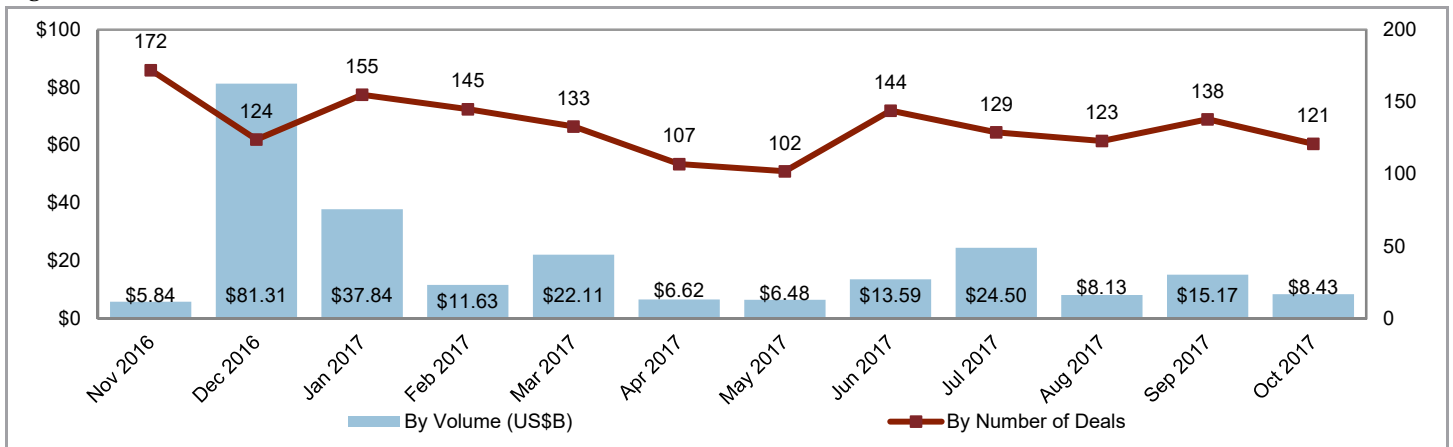


Figure 7A – Global Crossborder Transactions

