

December 2017, Issue 69

In U.S. and global M&A activity for November 2017, total deal volume by dollar value increased to a 12-month high, while the total number of deals decreased to a 12-month low. In the U.S., deal volume increased by 179.0% to \$236.40 billion while the number of deals decreased by 15.6% to 712. Globally, deal volume increased by 43.7% to \$390.00 billion while the number of deals decreased by 12.9% to 2,839. These large increases in deal volume were, however, driven by one transaction in particular, Broadcom Ltd.'s \$130 billion (including assumed debt) unsolicited offer for Qualcomm, Inc. If we excluded this one proposal, U.S. deal volume would have increased by a more modest \$106.12 billion (or 25.2%), and global deal volume would have declined by \$259.72 billion (or 4.3%), from October to November.

Strategic vs. Sponsor Activity

In the U.S., strategic deal volume increased by 263.0% to \$204.90 billion, and the number of deals decreased by 17.2% to 539. Globally, strategic deal volume increased by 61.5% to \$338.69 billion and the number of strategic deals decreased by 13.7% to 2,491. Again, if we exclude the Broadcom/Qualcomm proposal, U.S. strategic deal volume would have increased by only 32.2% to \$74.62 billion, and global strategic deal volume would have declined by 0.6% to \$208.41 billion [Figure 1](#) and Annex [Figures 1A–4A](#). Sponsor-related activity decreased across all measures except for an increase in U.S. sponsor-related deal volume. In the U.S., sponsor-related deal volume increased by 11.4% to \$31.51 billion, and the number of deals decreased by 10.4% to 173. Globally, sponsor-related deal volume decreased by 16.9% to \$51.31 billion and the number of deals decreased by 7.2% to 348.

Crossborder Activity¹

Crossborder activity in November 2017 decreased across all measures, except for a substantial increase in U.S. inbound deal volume. Globally, crossborder deal volume decreased by 24.3% to \$79.44 billion, and the number of deals decreased by 12.7% to 630. In the U.S., inbound deal volume increased by 281.1% to \$49.39 billion and the number of U.S. inbound deals decreased by 6.2% to 122 transactions. Outbound U.S. deal volume decreased by 35.6% to \$5.50 billion, and the number of U.S. outbound deals decreased by 33.6% to 87. [Figure 1](#) and Annex [Figures 5A–7A](#).

In U.S. inbound activity, Canada was the leading country of origin for November 2017, with \$29.25 billion in deal volume, propelled by the announced acquisition of GGP, Inc. for \$27.83 billion by Brookfield Property Partners LP. Canada retained the lead for U.S. inbound activity by dollar value over the last 12 months, with \$69.99 billion in volume, and remained the leading country of origin by number of U.S. inbound deals in November (32) and over the last 12 months (408). India was the largest target for U.S. outbound activity in November by deal volume (\$1.22 billion), driven by American Tower Corp.'s announced acquisitions of both Vodafone India Ltd for \$587.51 million and Idea Cellular Infrastructure Services Ltd for \$610.40 million. Germany retained its lead in outbound deal volume over the last 12 months (\$56.36 billion). Canada took the lead in the number of U.S. outbound deals in November (19) while the United Kingdom retained its trailing 12 month lead (284). [Figure 3](#).

U.S. Deals by Industry

Computers & Electronics remained the most active target industry by dollar value in November 2017 (\$148.14 billion), driven by the \$130 billion Broadcom/Qualcomm for proposal and the \$6.69 billion acquisition of Cavium, Inc. by Marvell Technology Group Ltd.. Computer & Electronics also remained the most active target industry by number of deals in November (186) and over the last 12 months (2,817) and the most active target industry by deal volume over the last 12 months (\$287.39 billion). [Figures 2](#) and [5](#).

U.S. Public Mergers

As for U.S. public merger deal terms in November 2017, average target break fees decreased to below the 12-month average of 3.5% to 3.1%. Average reverse break fees decreased to 4.0%, below the 12-month average of 5.5%. [Figures 6](#) and [7](#). The use of cash consideration in November 2017 decreased to 50.0%, below its 12-month average of 60.3%. [Figure 9](#). The incidence of tender offers as a percentage of U.S. public mergers was 16.7%, below the 12-month average of 20.7%. [Figure 11](#). Finally, the incidence of hostile offers in November 2017 was 25.0%, above the 12-month average of 11.2%. [Figure 12](#).

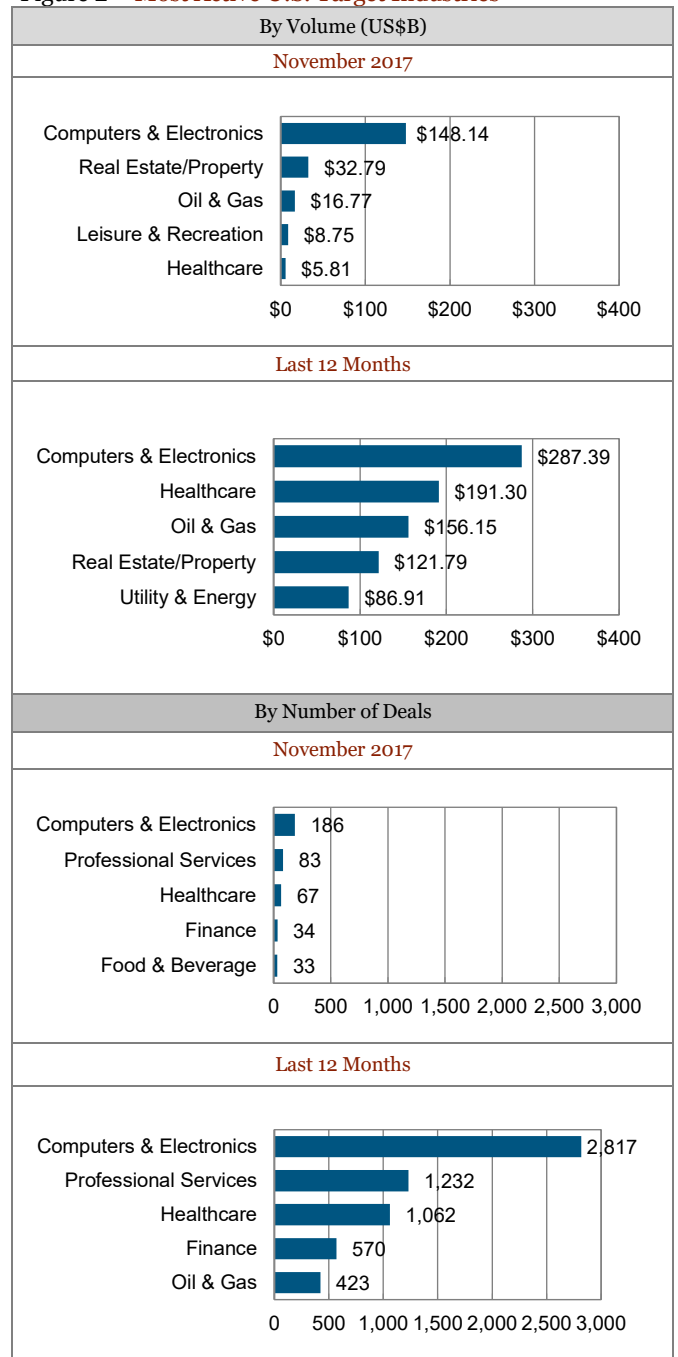
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M&A Activity

Figure 1

November 2017	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	390.00	118.56	236.40	151.67
No. of deals	2,839	(421)	712	(132)
Avg. value of deals (US\$mil)	258.1	88.7	923.4	639.1
Strategic Transactions				
Volume (US\$B)	338.69	129.02	204.90	148.45
No. of deals	2,491	(394)	539	(112)
Avg. value of deals (US\$mil)	243.1	102.1	980.4	763.3
Sponsor-Related Transactions				
Volume (US\$B)	51.31	(10.46)	31.51	3.22
No. of deals	348	(27)	173	(20)
Avg. value of deals (US\$mil)	434.9	(102.3)	670.3	(74.0)
Crossborder Transactions¹				
Volume (US\$B)	79.44	(25.44)	Inbound 49.39 Outbound 5.50	Inbound 36.43 Outbound (3.04)
No. of deals	630	(92)	Inbound 122 Outbound 87	Inbound (8) Outbound (44)
Avg. value of deals (US\$mil)	263.0	(52.9)	Inbound 771.8 Outbound 157.2	Inbound 589.2 Outbound (28.4)

Figure 2 – Most Active U.S. Target Industries²



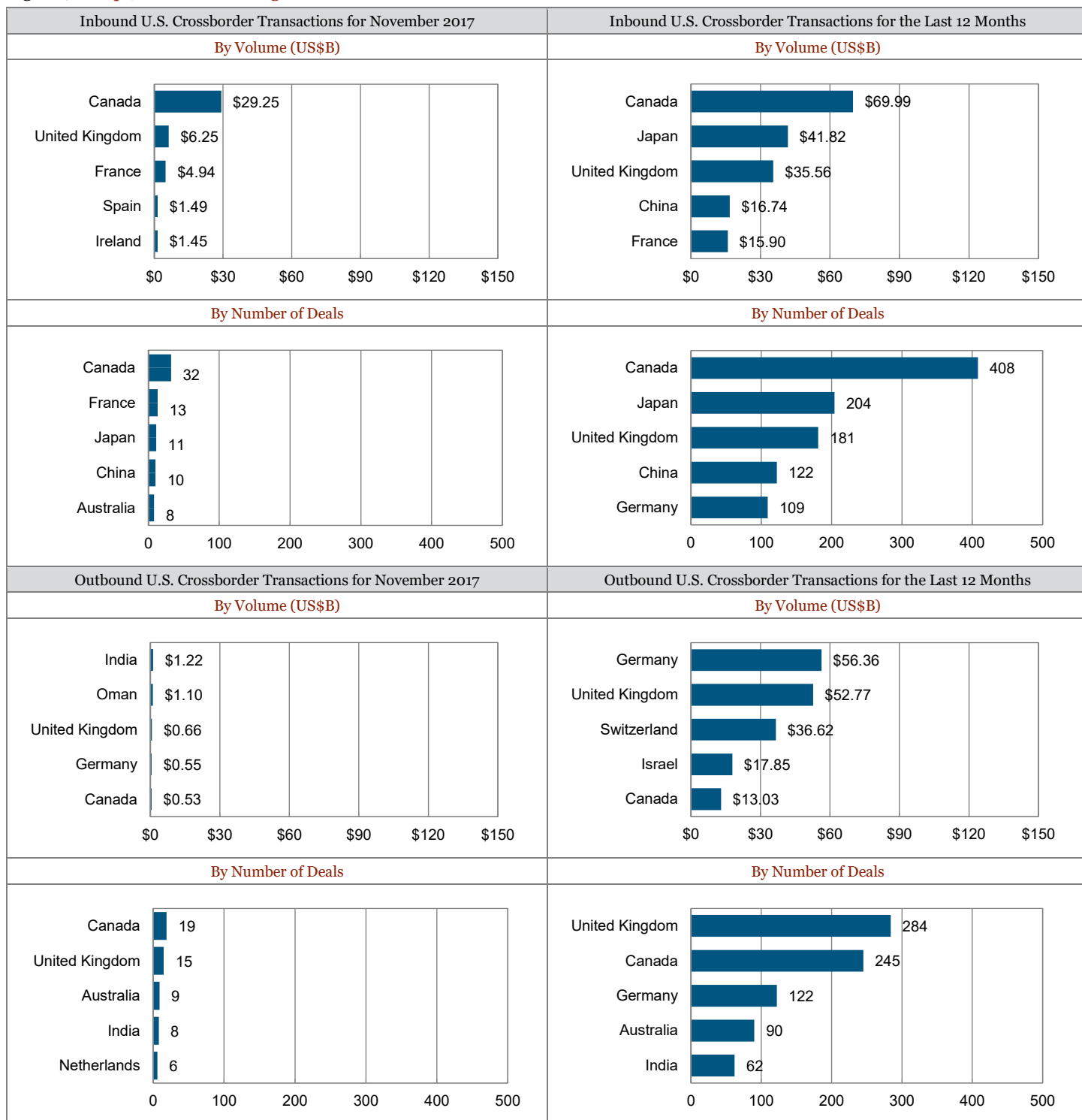
Figures 1-3 were compiled using data from Dealogic, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Figures 4 and 5 were compiled using data from FactSet MergerMetrics, and are limited to mergers involving public U.S. targets announced during 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 December 11, 2017 unless otherwise specified. "Last 12 Months" data is for the period from December 2016 to November 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. Broadcom Ltd.'s unsolicited offer for Qualcomm, Inc. is excluded from Figures 1 and 3's statistics for crossborder transactions per Dealogic definitions. Dealogic does not categorize this proposal as a crossborder transaction because it considers Broadcom to be a U.S. entity, notwithstanding its incorporation in Singapore, based on factors including the locations of its employees, management and "long-lived" assets.

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



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

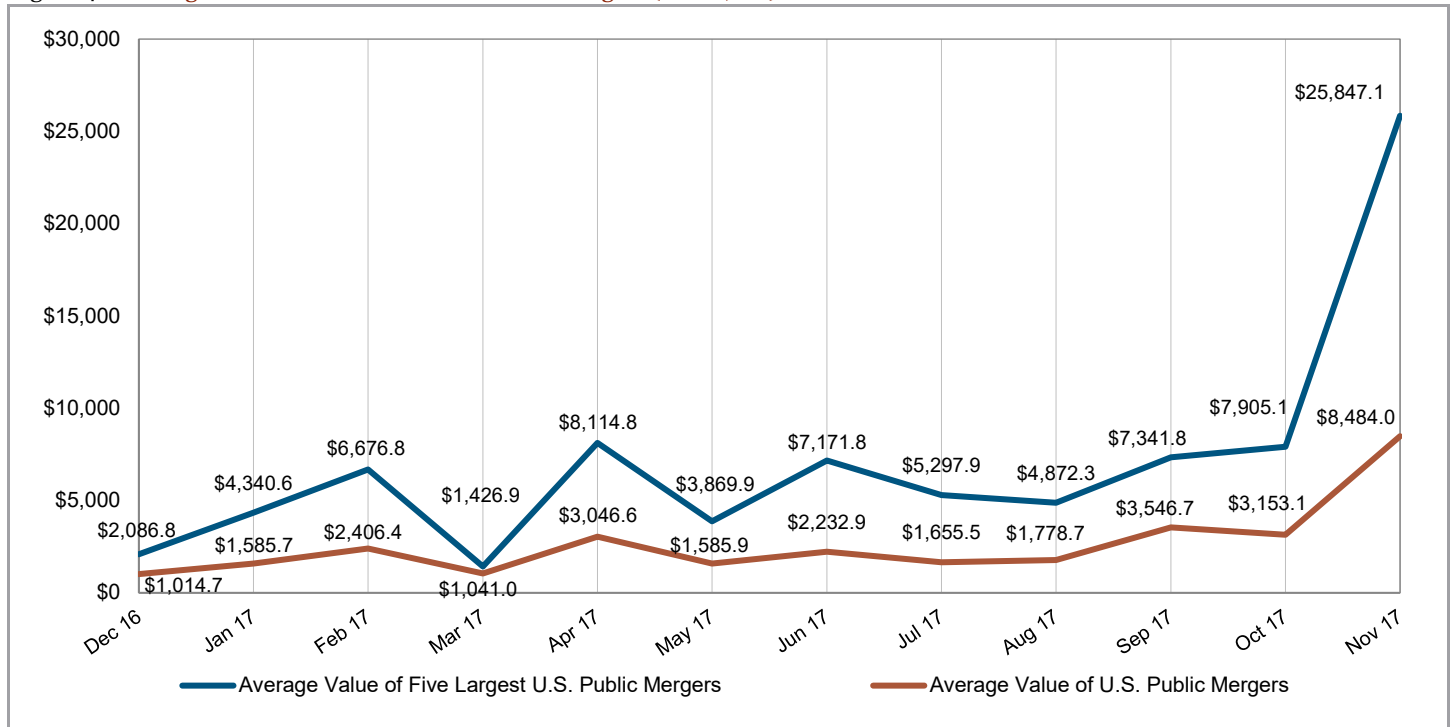
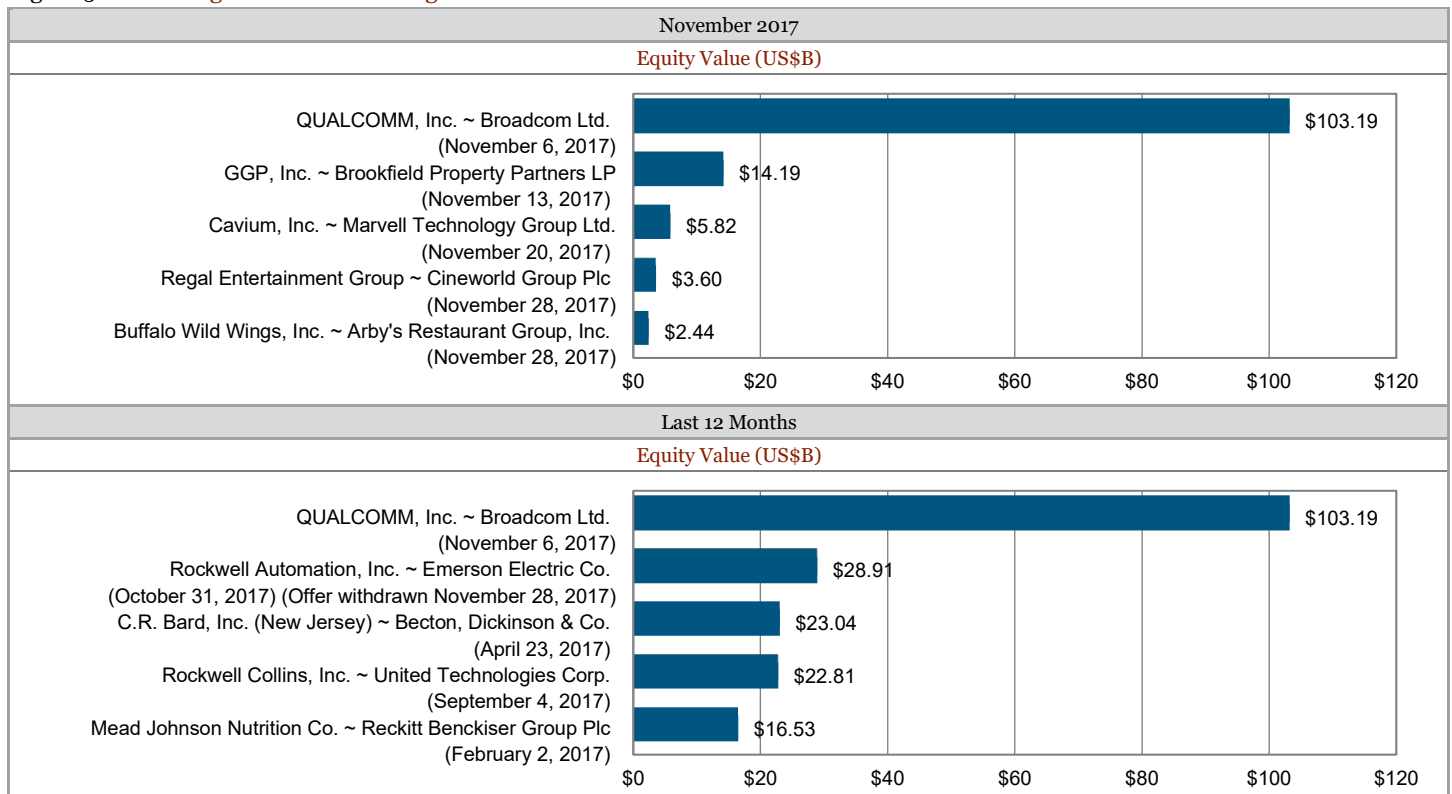


Figure 5 – Five Largest U.S. Public Mergers



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M&A Terms

Figure 6 – Average Break Fees as % of Equity Value³

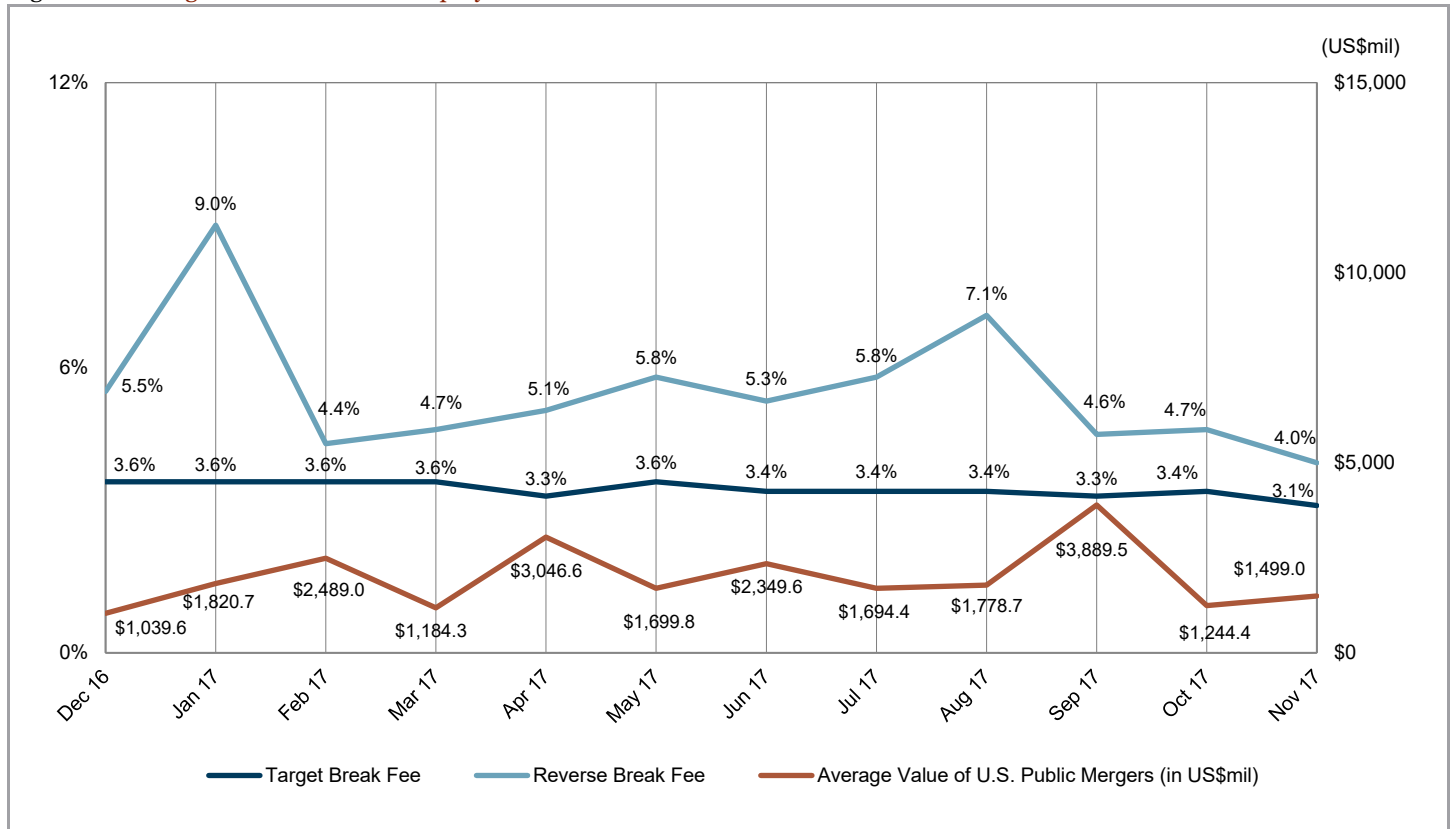


Figure 7 – Average Break Fees as % of Equity Value

	November 2017	Last 12 Months
Target Break Fee for All Mergers	3.1	3.5

	November 2017	Last 12 Months
Reverse Break Fee for All Mergers	4.0	5.5
Reverse Break Fee for Mergers Involving Financial Buyers ⁴	6.0	7.0
Reverse Break Fee for Mergers Involving Strategic Buyers	3.2	5.0

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.

³ Based on the highest target break fees and reverse break fees payable in a particular deal.

⁴ Two transactions in November 2017 involving a financial buyer had a reverse break fee.

⁵ Two transactions in November 2017 involved a financial buyer.

⁶ One transaction in November 2017 had a go-shop provision.

⁷ No transactions in November 2017 involving a financial buyer had a go-shop provision.

⁸ One transaction in November 2017 involving a strategic buyer had a go-shop provision.

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

	November 2017	Last 12 Months
% of Mergers with Go-Shops	8.3	7.8
% of Mergers Involving Financial Buyers with Go-Shops ⁵	0.0	16.1
% of Mergers Involving Strategic Buyers with Go-Shops	10.0	6.1
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ⁶	48.0	36.1
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ⁷	N/A	43.0
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ⁸	48.0	32.2

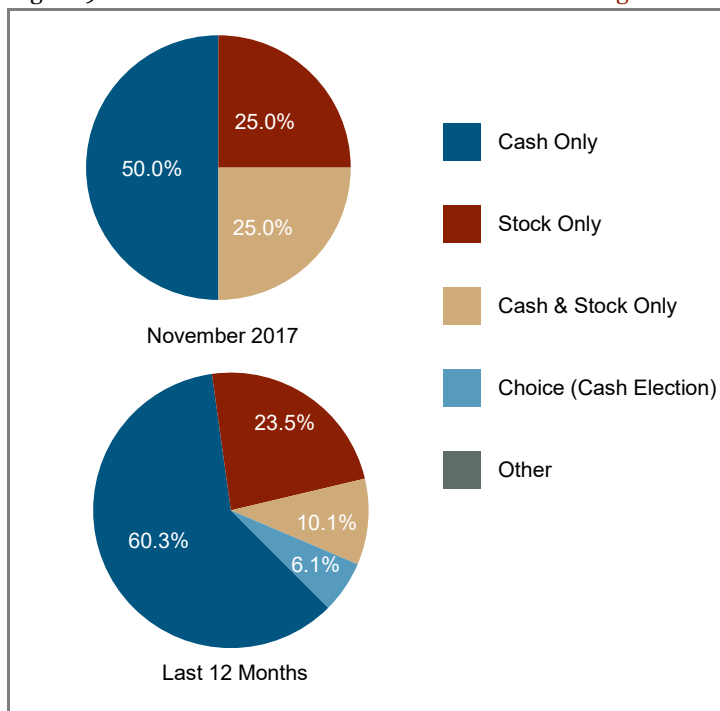
[Return to Summary](#)Figure 9 – Form of Consideration as % of U.S. Public Mergers⁹

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

November 2017	83.3
Last 12 Months	88.3

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

November 2017	16.7
Last 12 Months	20.7

Figure 12 – Hostile/Unsolicited Offers as % of U.S. Public Mergers¹⁰

November 2017	25.0
Last 12 Months	11.2

⁹ Due to rounding, percentages may not add up to 100%.

¹⁰ 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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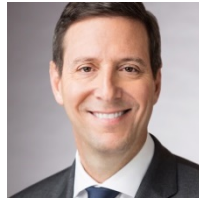
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This publication is not intended to provide legal advice, and no legal or business decisions should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:



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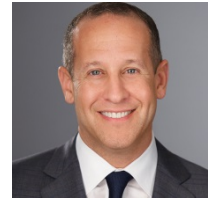
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M&A Activity – 12-Month Trends

Figure 1A – U.S. Deal Volume (US\$B)

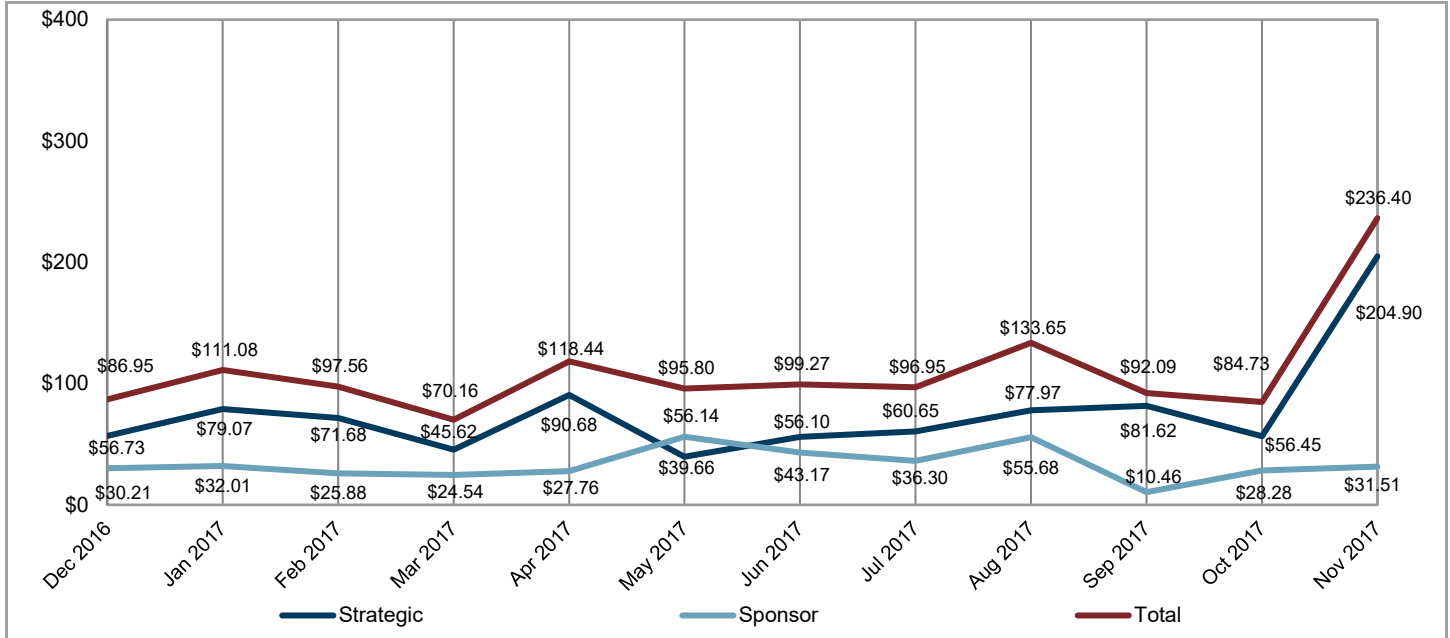
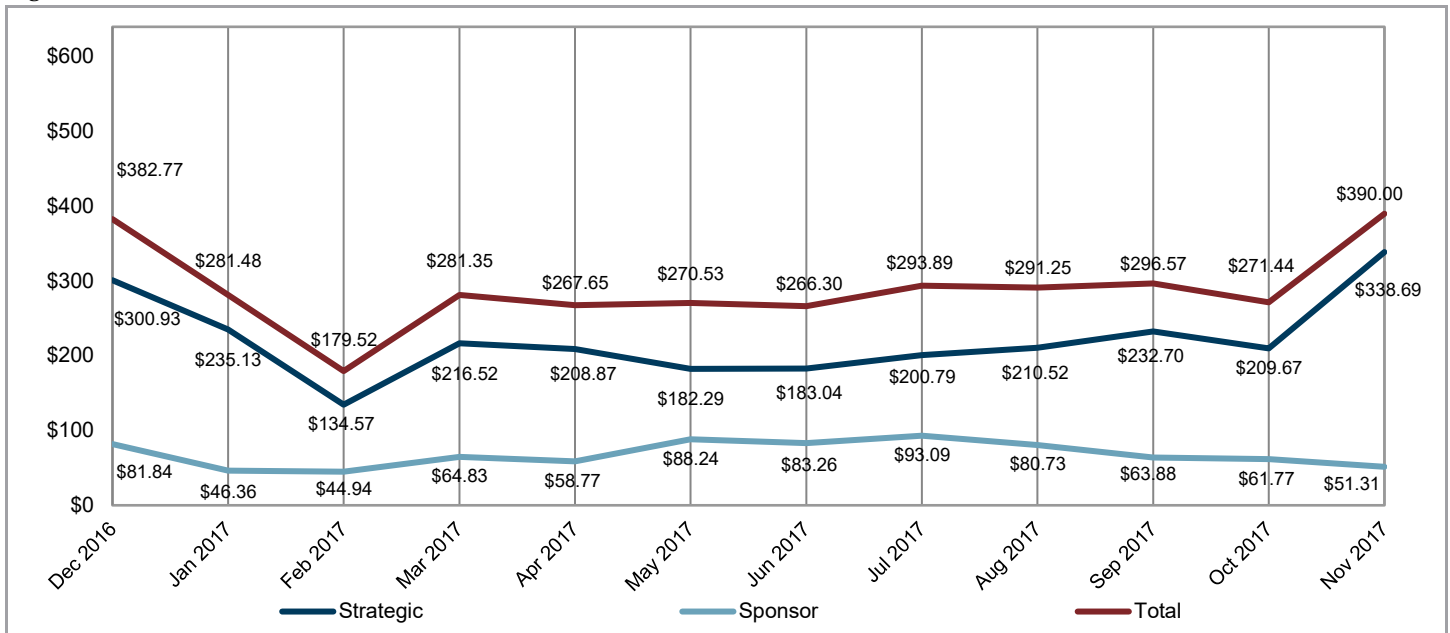


Figure 2A – Global Deal Volume (US\$B)



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Figure 3A – U.S. Number of Deals

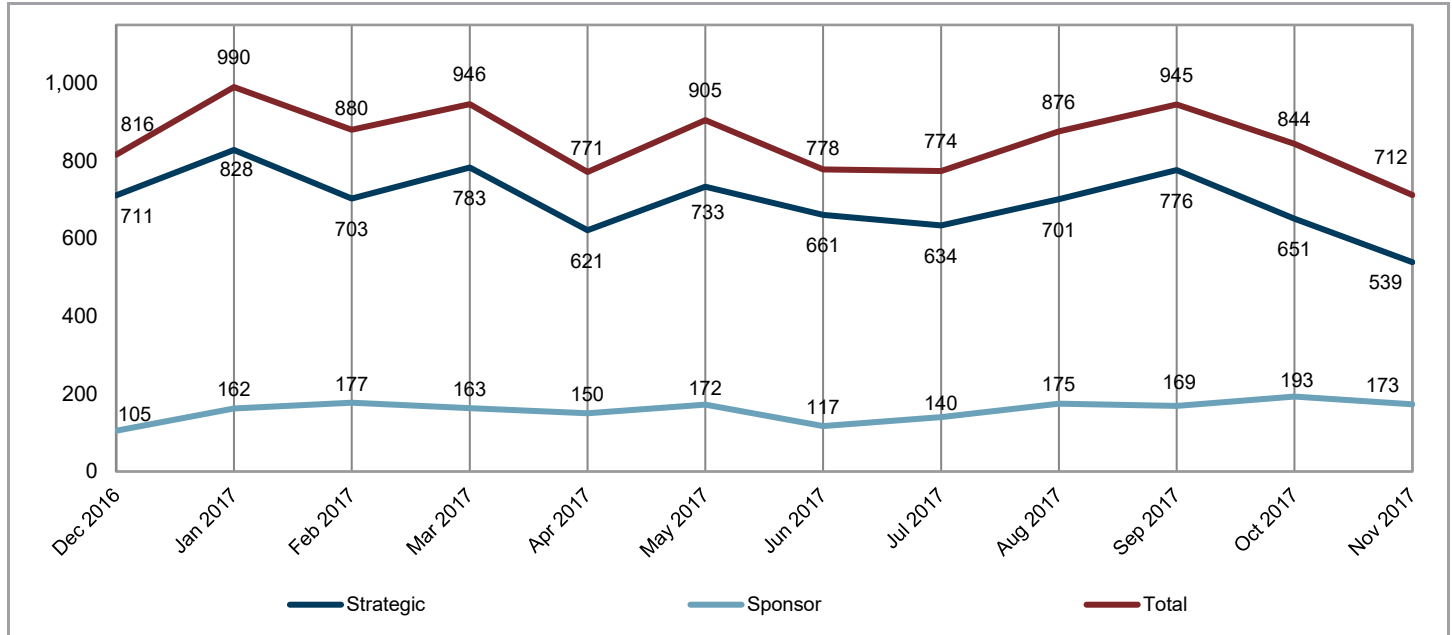
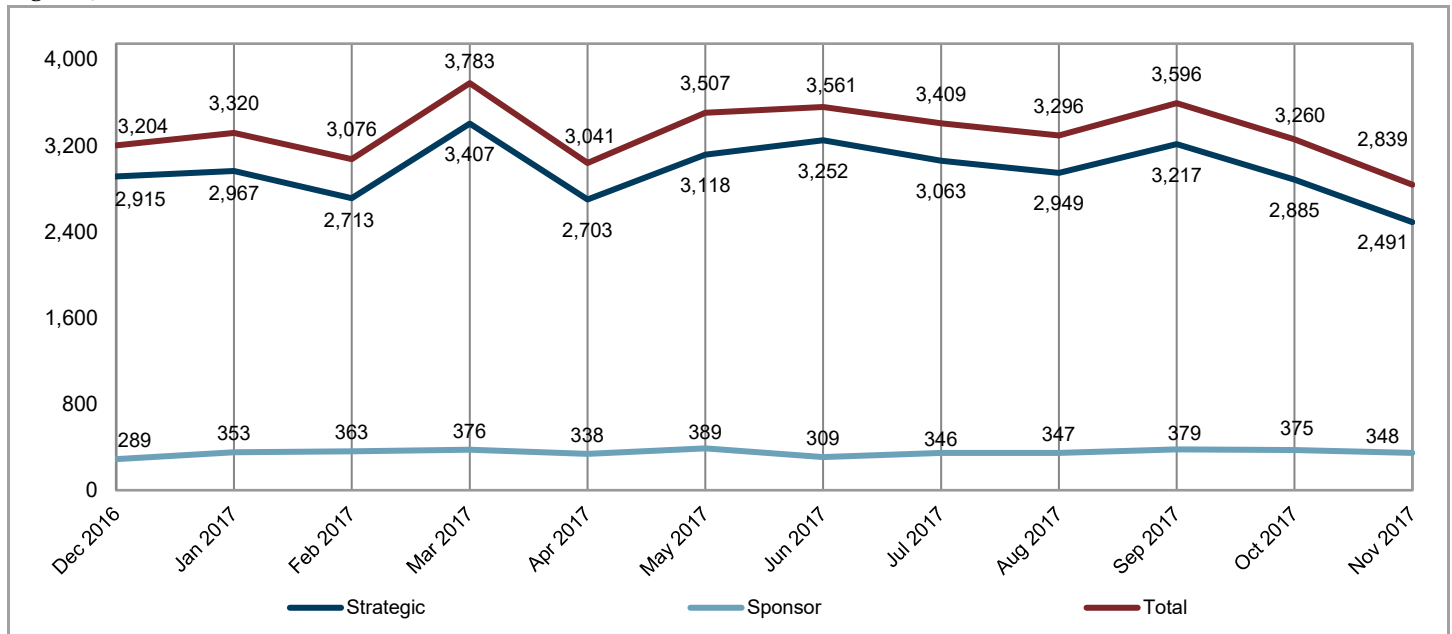


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

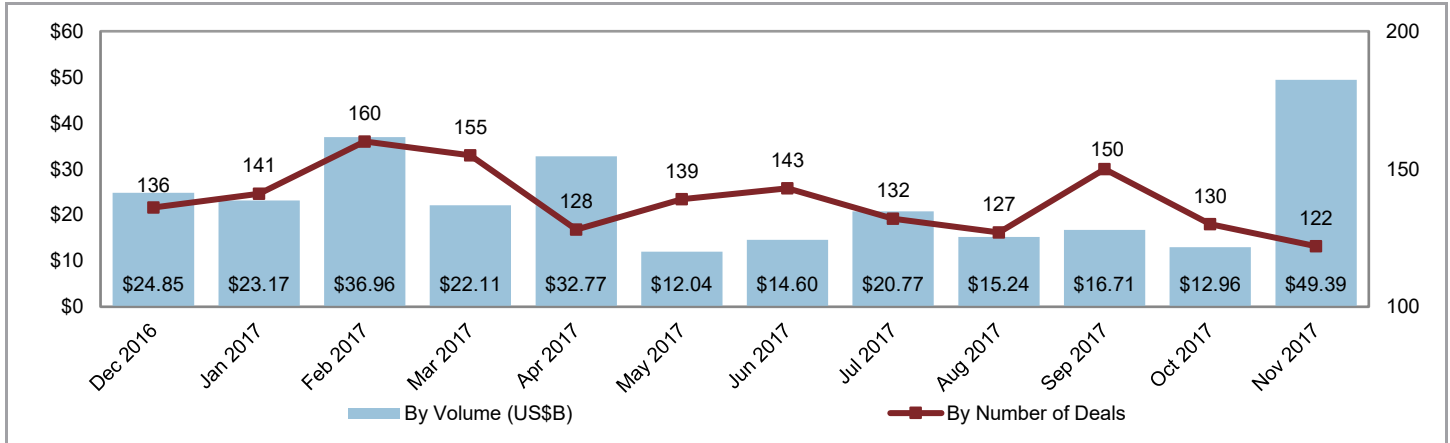


Figure 6A – Outbound U.S. Crossborder Transactions

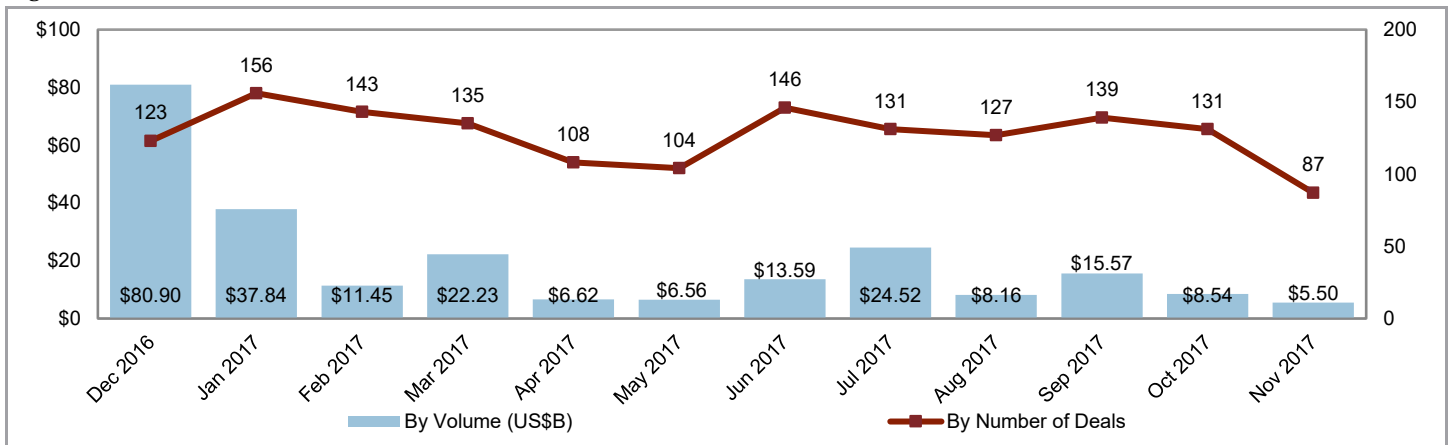


Figure 7A – Global Crossborder Transactions

