

## M&A at a Glance – 2017 Year-End Roundup

2017 was an active year for M&A, though year-end results generally declined relative to 2016. Global deal volume for the year was \$3.57 trillion and U.S. deal volume was \$1.48 trillion (down 3.2% and 10.5%, respectively, from 2016). Sponsor-related deal volume for the year was \$814.35 billion globally and \$402.15 billion in the U.S. (up 5.0% and 0.6%, respectively, from 2016). Strategic deal volume was \$2.75 trillion globally and \$1.08 trillion in the U.S. (down 5.4% and 14.0%, respectively, from 2016). [Figure 1](#). The average value of U.S. public mergers decreased by 21.7% from 2016 levels (from \$4.11 billion to \$3.21 billion). [Figure 2](#).

In terms of M&A activity by sector, the top five U.S. target industries by volume consisted of Computers & Electronics, Healthcare, Oil & Gas, Telecommunications and Real Estate/Property. Utility & Energy and Leisure & Recreation, which were top five target industries in 2016, dropped out of the top five target industries in 2017. [Figure 4](#). Canada maintained its lead in both investments by volume and number of deals for inbound U.S. transactions. Switzerland, however, surpassed the U.K. as the leading country for outbound investments by U.S. companies by volume, and the U.K. remained the leading country for outbound transactions as measured by number of deals. [Figure 3](#). Overall, global crossborder deal volume decreased 18.0% relative to 2016. Crossborder transactions involving U.S. companies decreased in 2016, with U.S. inbound and outbound transactions decreasing by 42.5% and 37.2%, respectively. [Figure 1](#).

On the U.S. public merger front, there were a few noteworthy observations from 2017:

- Break fees increased over 2016 levels, by a modest 3.5% to 3.6% for target break fees and a more significant 5.2% to 5.8% for reverse break fees. Reverse break fees in sponsor-related transactions increased from 6.3% in 2016 to 7.0% in 2017, and reverse break fees in strategic transactions increased from 4.8% in 2016 to 5.4% in 2017, respectively. [Figure 5](#).
- The percentage of all cash transactions fell from 64.9% in 2016 to 60.7% in 2017. The percentage of cash and stock transactions decreased from 14.2% in 2016 to 10.7% in 2017. The incidence of all stock transactions increased from 15.4% in 2016 to 22.5% in 2017, possibly reflecting the recent run-up in the equity markets. [Figure 6](#).
- The use of go-shop provisions in U.S. public mergers decreased from 11.7% in 2016 to 6.2% in 2017. The use of go-shop provisions in mergers involving financial buyers decreased from 45.7% in 2016 to 10.7% in 2017, whereas the use of go-shop provisions in mergers involving strategic buyers increased from 3.9% in 2016 to 5.3% in 2017. The average go-shop window, as measured in days, for mergers involving financial buyers increased from 33.9 days in 2016 to 46.7 days in 2017. [Figure 8](#).
- The percentage of U.S. public mergers that were hostile or unsolicited decreased from 14.6% in 2016 to 10.7% in 2017. [Figure 9](#).

## M&A Activity

Figure 1 – Deal Volume

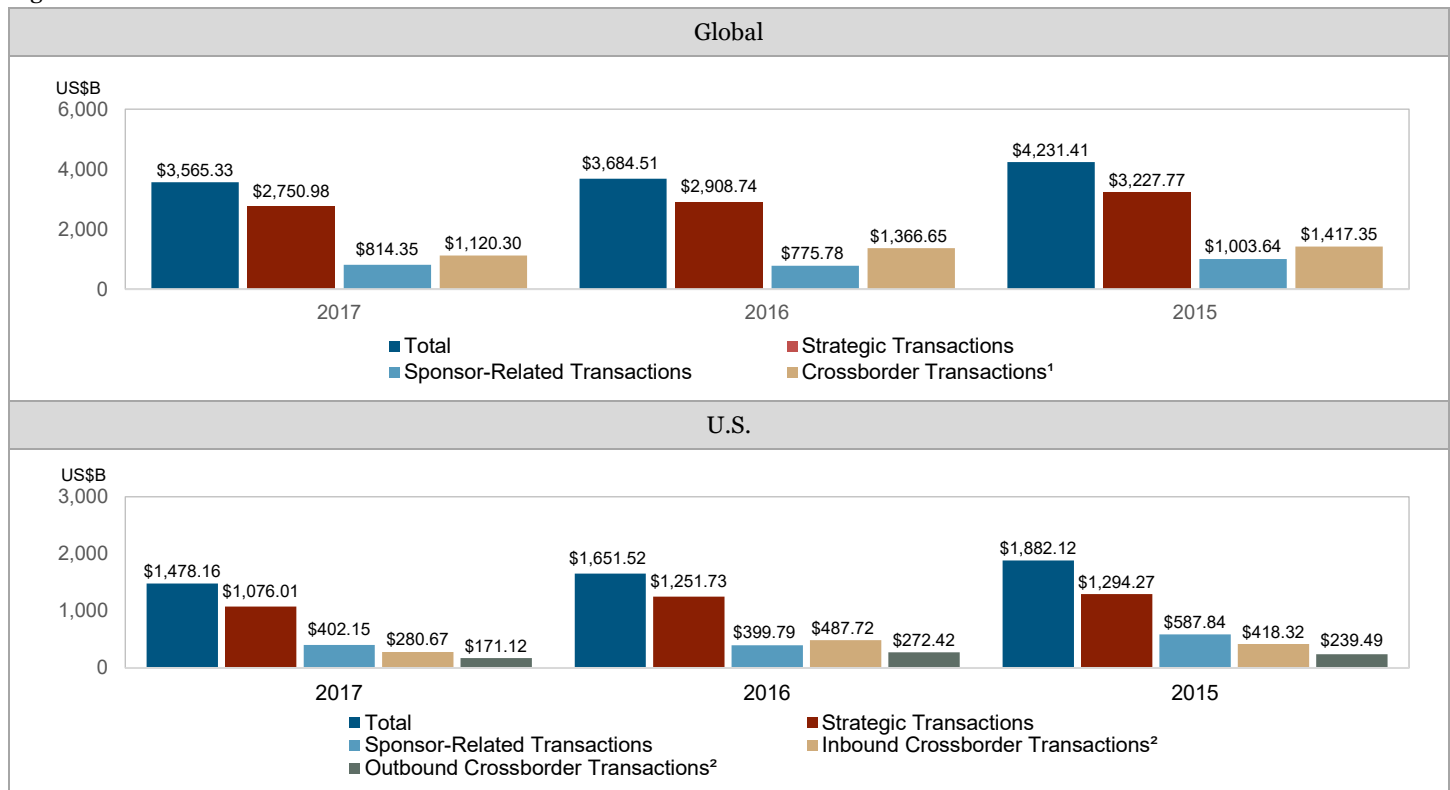
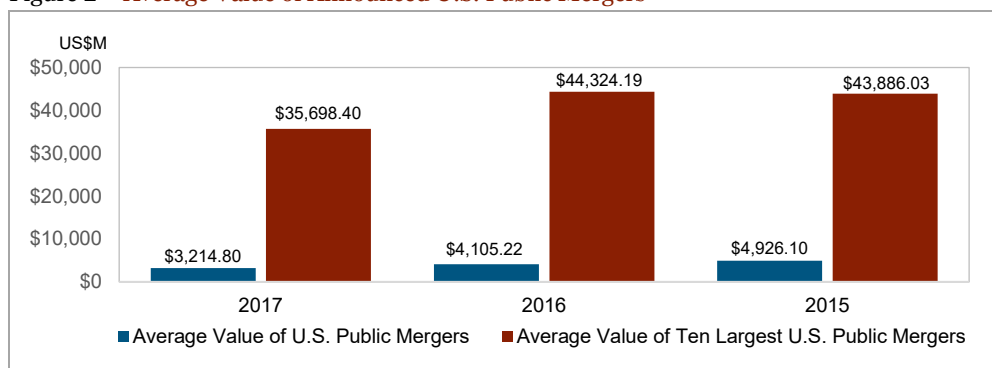


Figure 2 – Average Value of Announced U.S. Public Mergers

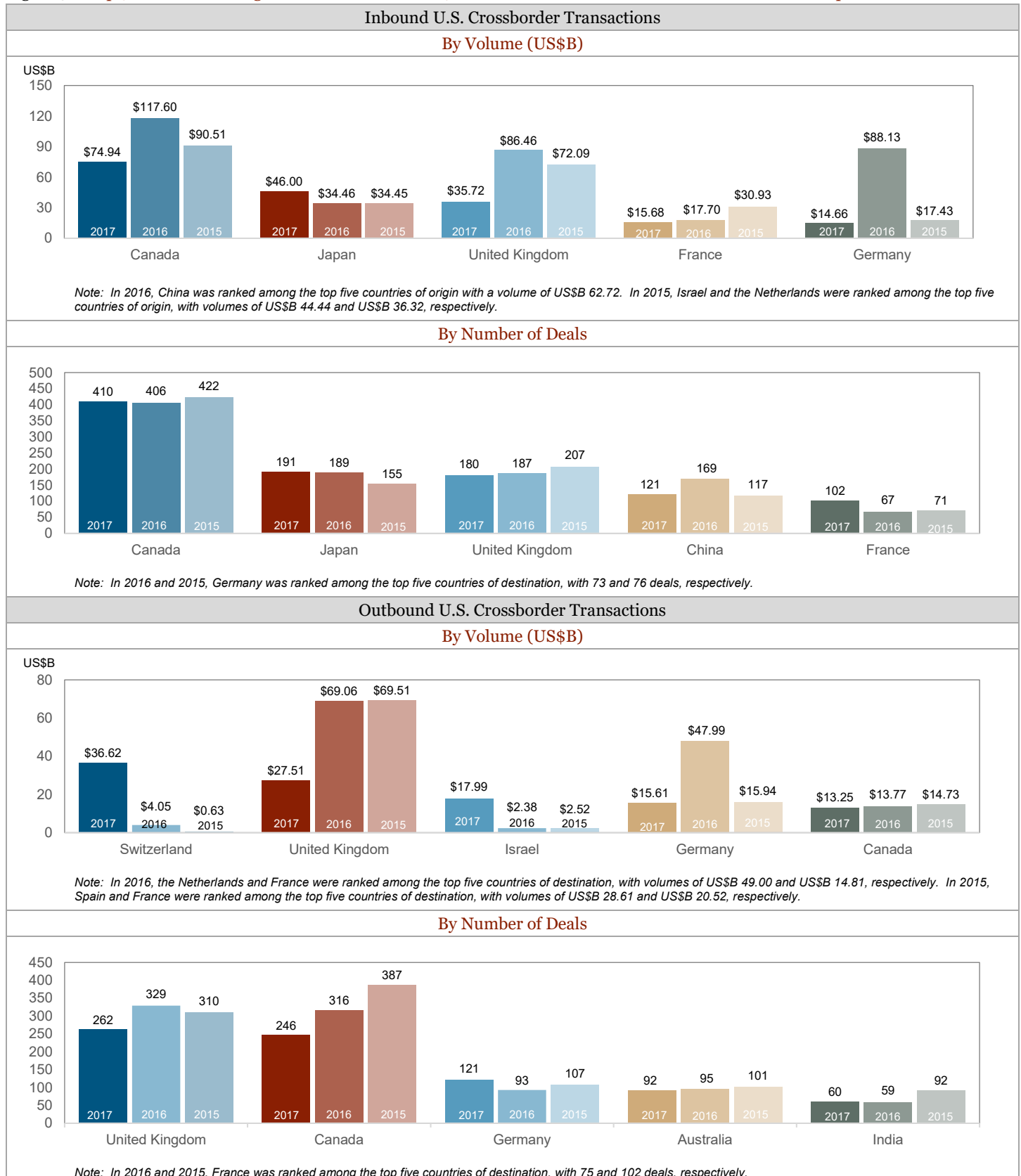


Figures 1, 3 and 4 were compiled using data from Dealogic, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Figure 2 was compiled using data from FactSet MergerMetrics, and is limited to mergers involving public U.S. targets announced during 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 January 10, 2018 unless otherwise specified. 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.  
 2 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. Nationality is based on where a company has either its headquarters or a majority of its operations.

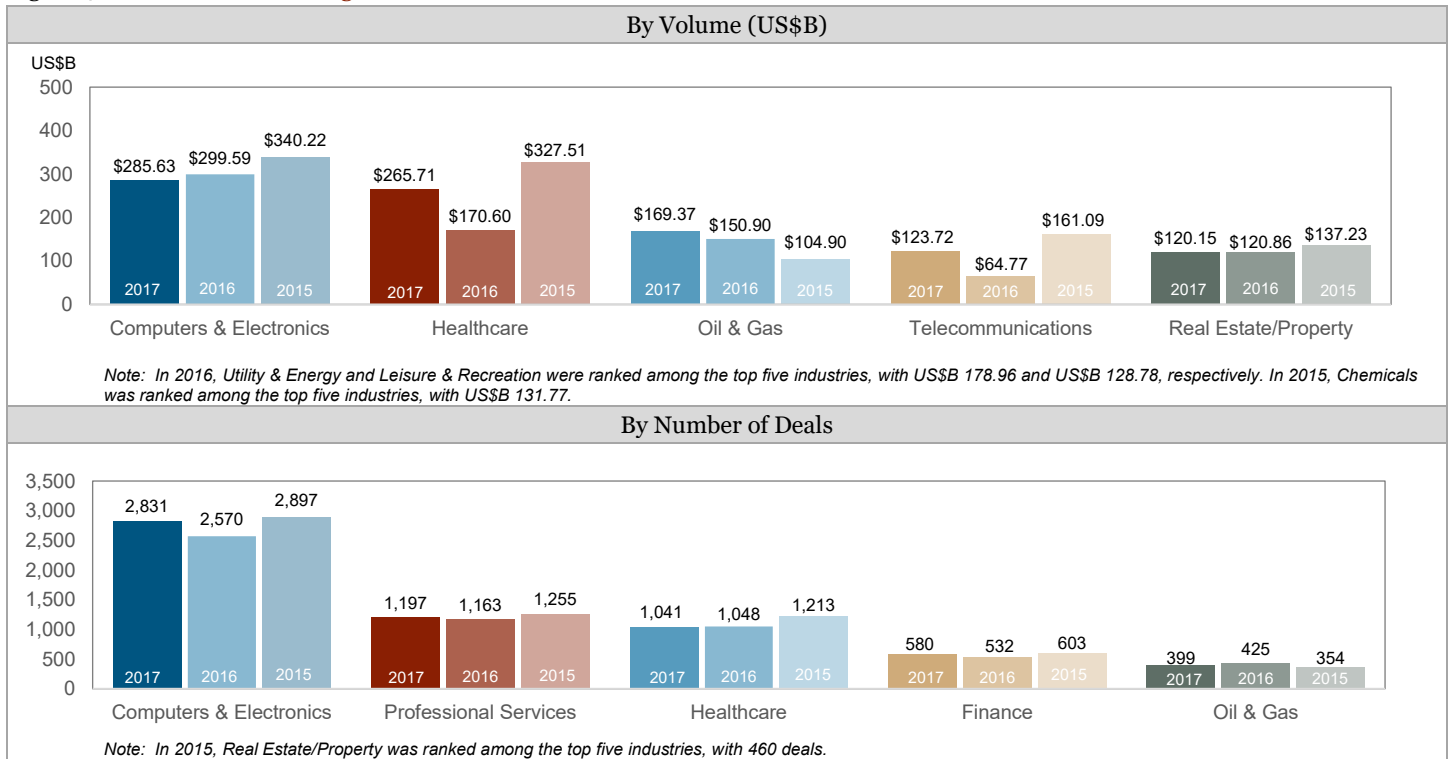
M&A Activity (Continued)

Figure 3 – Top 5 Countries of Origin or Destination for 2017 U.S. Crossborder Transactions and Prior Year Comparisons<sup>2</sup>



M&A Activity (Continued)

Figure 4 – Most Active U.S. Target Industries<sup>3</sup>



M&A Terms<sup>4</sup>

Figure 5 – Average Break Fees as % of Equity Value<sup>5</sup>

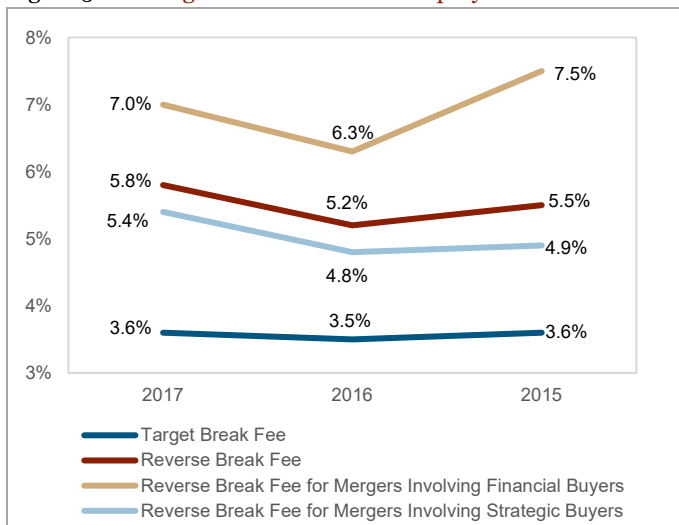


Figure 6 – Form of Consideration as % of U.S. Public Mergers<sup>6</sup>

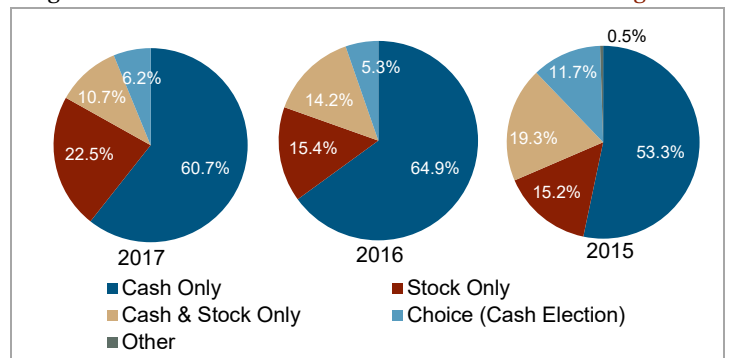
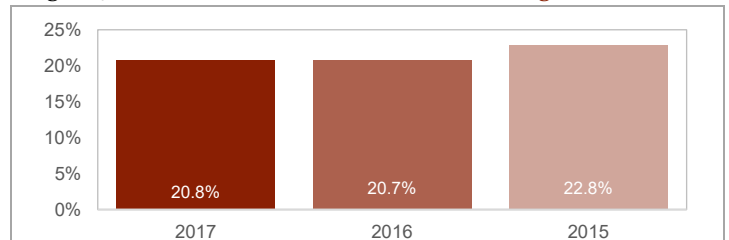


Figure 7 – Tender Offers as % of U.S. Public Mergers



<sup>3</sup> Industry categories are determined and named by Dealogic.

<sup>4</sup> Figures 5-10 were compiled using data from FactSet MergerMetrics. Figures 5, 6, 7, 8 and 10 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. Figure 9 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. Data obtained from FactSet MergerMetrics has not been reviewed for accuracy by Paul, Weiss.

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

<sup>6</sup> Due to rounding, percentages may not add up to 100%.

M&A Terms (Continued)

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

U.S. Public Merger Go-Shop Provisions			
	2017	2016	2015
% of Mergers with Go-Shops	6.2	11.7	11.2
% of Mergers Involving Financial Buyers with Go-Shops	10.7	45.7	37.5
% of Mergers Involving Strategic Buyers with Go-Shops	5.3	3.9	7.5
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops	36.4	35.4	35.7
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops	46.7	33.9	38.7
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops	32.5	39.2	33.5

Figure 9 – Hostile/Unsolicited Offers as % of U.S. Public Mergers

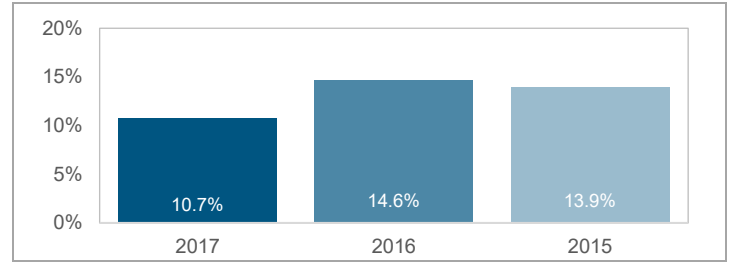
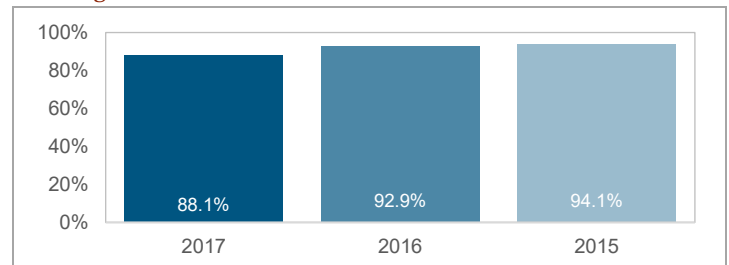


Figure 10 – % of Partial and All Stock Deals that Have a Fixed Exchange Ratio



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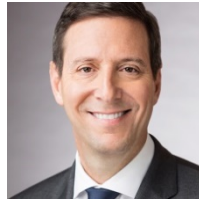
Recent highlights include advising: ADP in its successful proxy contest against Pershing Square; Qualcomm in connection with \$130 billion unsolicited offer from Broadcom; Kate Spade & Company in its \$2.4 billion acquisition by Coach; Air Methods Corporation in its \$2.5 billion acquisition by affiliates of American Securities; ARIAD Pharmaceuticals in its approximately \$5.2 billion acquisition by Takeda Pharmaceutical Company; Qualcomm in its approximately \$47 billion pending acquisition of NXP Semiconductors; Agrium in its \$36 billion pending merger of equals with Potash Corp. of Saskatchewan; funds affiliated with Apollo Global Management and Protection 1 in their \$15 billion acquisition of ADT Corporation and Alere in its \$5.3 billion acquisition by Abbott Laboratories.

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:



**Matthew W. Abbott**  
Partner  
New York Office  
+1-212-373-3402  
[mabbot@paulweiss.com](mailto:mabbot@paulweiss.com)



**Scott A. Barshay**  
Partner  
New York Office  
+1-212-373-3040  
[sbarshay@paulweiss.com](mailto:sbarshay@paulweiss.com)



**Angelo Bonvino**  
Partner  
New York Office  
+1-212-373-3570  
[abonvino@paulweiss.com](mailto:abonvino@paulweiss.com)



**Ariel J. Deckelbaum**  
Partner  
New York Office  
+1-212-373-3546  
[ajdeckelbaum@paulweiss.com](mailto:ajdeckelbaum@paulweiss.com)



**Jeffrey D. Marell**  
Partner  
New York Office  
+1-212-373-3105  
[jmarell@paulweiss.com](mailto:jmarell@paulweiss.com)

Counsel Frances F. Mi, associates Ryan D. Blicher, Edy Glozman, Vincent P. Iacono, David Okada, Yae Na Woo and Michael N. Wysolmerski and law clerk Paul A. Nolle III contributed to this publication.

## Our M&A Partners

[Matthew W. Abbott](#)

[Edward T. Ackerman](#)

[Scott A. Barshay](#)

[Angelo Bonvino](#)

[Jeanette K. Chan](#)

[Ellen N. Ching](#)

[Ariel J. Deckelbaum](#)

[Ross A. Fieldston](#)

[Brian P. Finnegan](#)

[Adam M. Givertz](#)

[Neil Goldman](#)

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