

## February 2018, Issue 71

In U.S. and global M&A activity for January 2018, total deal volume by dollar value decreased, while the total number of deals increased. In the U.S., deal volume decreased by 29.3% to \$170.57 billion, while the number of deals increased by 42.6% to 884. Globally, deal volume decreased by 31.2% to \$324.45 billion, while the number of deals increased by 9.9% to 3,118. The sharp decreases in deal volumes are likely less reflective of any dramatic decline in deal flow, but rather due to the 12-month highs set in December 2017, especially given that January 2018 marked the third-highest global and U.S. deal volumes of the preceding 12-month period.

### Strategic vs. Sponsor Activity

In the U.S., strategic deal volume decreased by 47.0% to \$108.33 billion, and the number of deals increased by 34.9% to 653. Globally, strategic deal volume decreased by 38.0% to \$241.62 billion and the number of strategic deals increased by 7.0% to 2,714. [Figure 1](#) and Annex [Figures 1A–4A](#). Sponsor-related activity increased across all measures. In the U.S., sponsor-related deal volume increased by 67.6% to \$62.24 billion, while the number of deals increased by 69.9% to 231, each of which were 12-month highs. Globally, sponsor-related deal volume increased by 1.4% to \$82.82 billion, while the number of deals increased by 34.2% to 404, a 12-month high.

### Crossborder Activity<sup>1</sup>

U.S. inbound deal volume increased by 79.4% to \$39.10 billion, and the number of U.S. inbound deals increased by 11.0% to 121. Outbound U.S. deal volume increased by 47.0% to \$15.45 billion, and the number of U.S. outbound deals increased by 22.7% to 119. [Figure 1](#) and Annex [Figures 5A–7A](#). Globally, crossborder activity in January 2018 followed similar trends to the overall market, with deal volume decreasing by 25.8% to \$88.68 billion, and the number of deals increasing by 6.7% to 685.

In U.S. inbound activity, Canada was the leading country of origin for January 2018, with \$14.01 billion in deal volume. Canada retained the lead for U.S. inbound activity by dollar value over the last 12 months, with \$77.20 billion in volume, and remained the leading country of origin by number of U.S. inbound deals in January (38) and over the last 12 months (410). Japan and Bermuda were the largest targets for U.S. outbound activity in January by deal volume (\$6.10 billion and \$6.08 billion, respectively). The U.K. was the leader in outbound deal volume over the last 12 months (\$29.05 billion). Canada took the lead in the number of U.S. outbound deals in January (25), while the U.K. retained its lead over the last 12 months (259). [Figure 3](#).

### U.S. Deals by Industry

Computers & Electronics was the most active target industry by dollar value in January 2018 (\$34.64 billion) and over the last 12 months (\$323.74 billion). Computer & Electronics also remained the most active target industry by number of deals in January (264) and over the last 12 months (2,842). [Figures 2](#) and [5](#).

### U.S. Public Mergers

As for U.S. public merger deal terms in January 2018, average target break fees was 3.4%, marginally below the 12-month average of 3.6%. Average reverse break fees was 4.6%, below the 12-month average of 5.5%. [Figures 6](#) and [7](#). The use of cash consideration in January 2018 decreased to 60.0%, slightly below its 12-month average of 60.7%. [Figure 9](#). The incidence of tender offers as a percentage of U.S. public mergers was 26.7%, above the 12-month average of 20.5%. [Figure 11](#). Finally, the incidence of hostile offers in January 2018 was 11.1%, slightly above the 12-month average of 10.3%. [Figure 12](#).

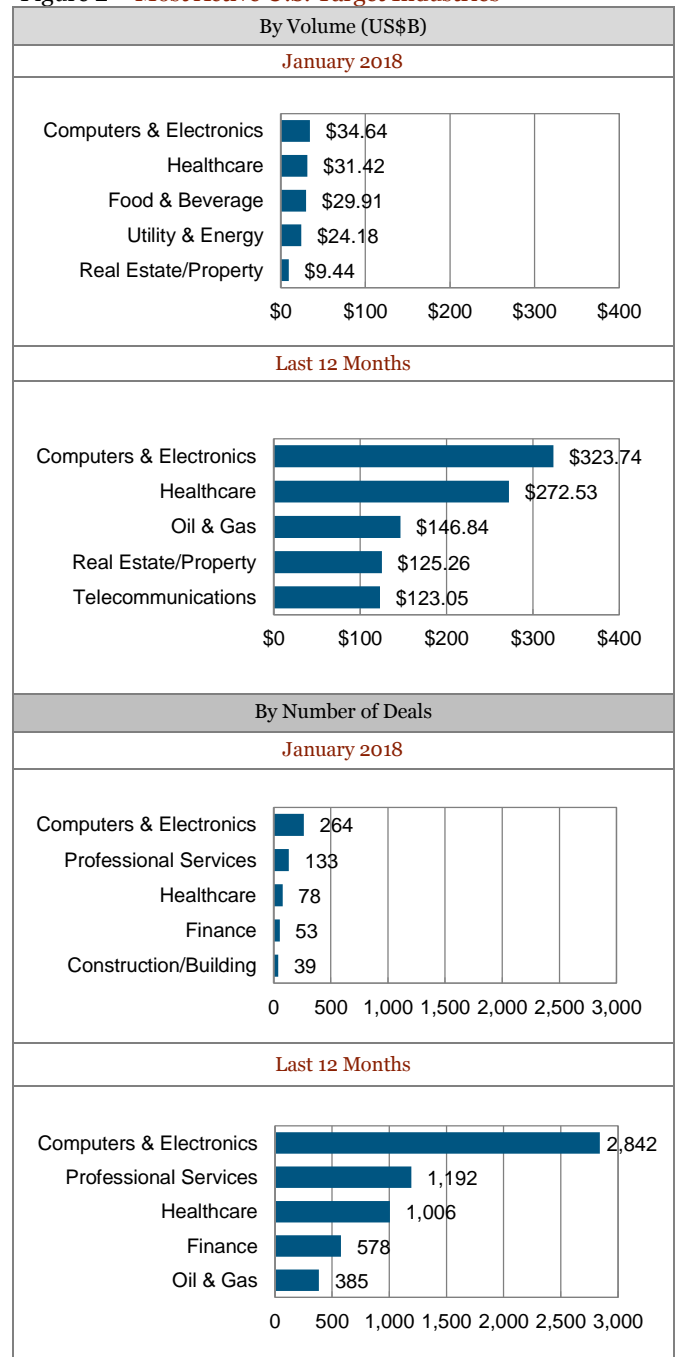
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## M&A Activity

Figure 1

January 2018	Global	+/- From Prior Month	U.S.	+/- From Prior Month
<b>Total</b>				
Volume (US\$B)	324.45	(147.07)	170.57	(70.81)
No. of deals	3,118	281	884	264
Avg. value of deals (US\$mil)	222.4	(60.5)	555.6	(387.3)
<b>Strategic Transactions</b>				
Volume (US\$B)	241.62	(148.24)	108.33	(95.91)
No. of deals	2,714	178	653	169
Avg. value of deals (US\$mil)	179.7	(72.0)	423.2	(526.8)
<b>Sponsor-Related Transactions</b>				
Volume (US\$B)	82.82	1.17	62.24	25.10
No. of deals	404	103	231	95
Avg. value of deals (US\$mil)	726.5	34.6	1,220.4	314.6
<b>Crossborder Transactions<sup>1</sup></b>				
Volume (US\$B)	88.68	(30.84)	Inbound 39.10 Outbound 15.45	Inbound 17.30 Outbound 4.94
No. of deals	685	43	Inbound 121 Outbound 119	Inbound 12 Outbound 22
Avg. value of deals (US\$mil)	306.9	(26.1)	Inbound 575.0 Outbound 482.8	Inbound 185.7 Outbound 259.2

Figure 2 – Most Active U.S. Target Industries<sup>2</sup>



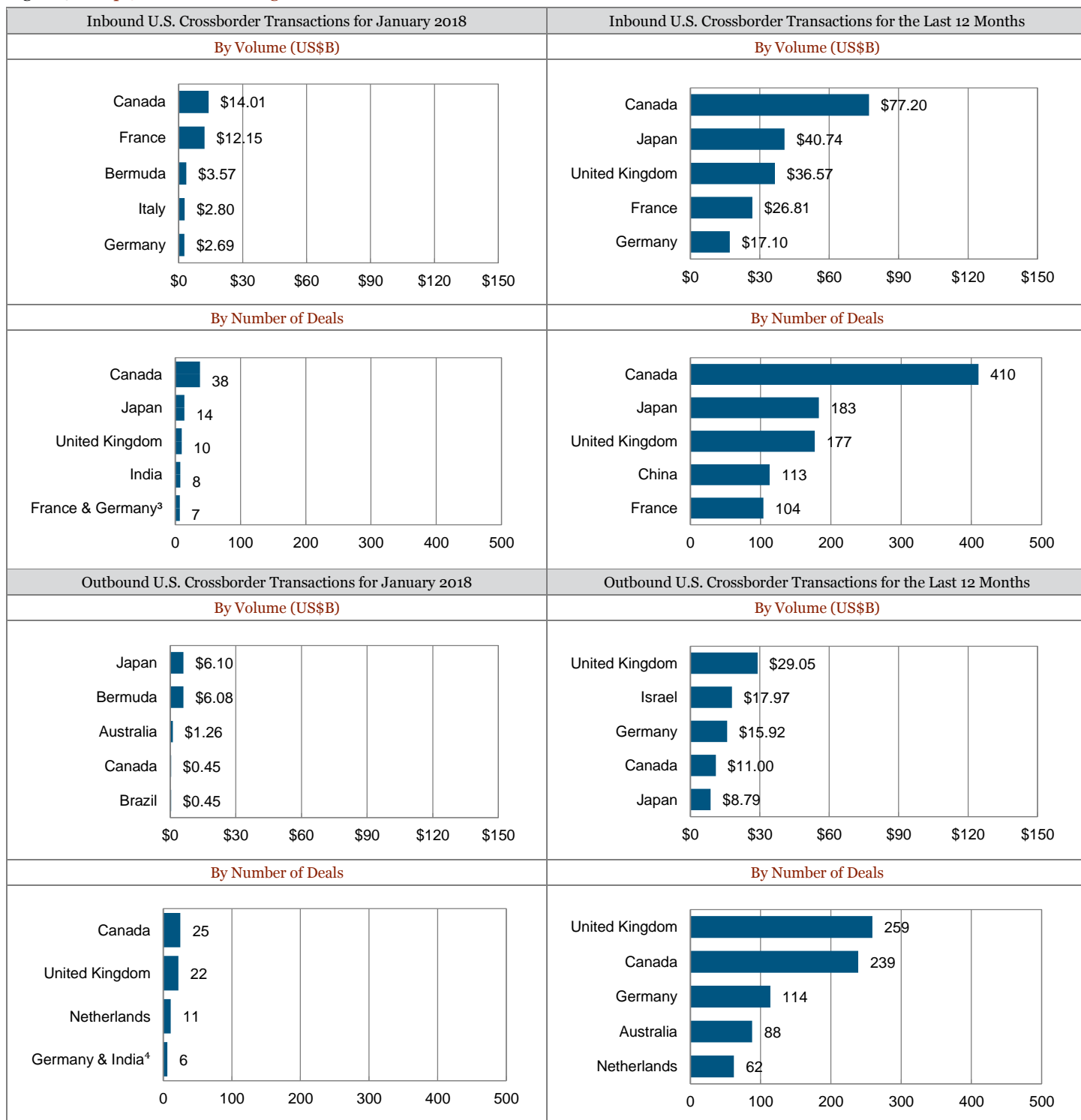
Figures 1-3 were compiled using data from Dealogic, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Figures 4 and 5 were compiled using data from FactSet MergerMetrics, and are limited to mergers involving public U.S. targets announced during 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 February 12, 2018 unless otherwise specified. "Last 12 Months" data is for the period from February 2017 to January 2018 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



<sup>3</sup> Each of France and Germany was the country of origin for seven transactions in January 2018.

<sup>4</sup> Each of Germany and India was the country of destination for six transactions in January 2018.

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

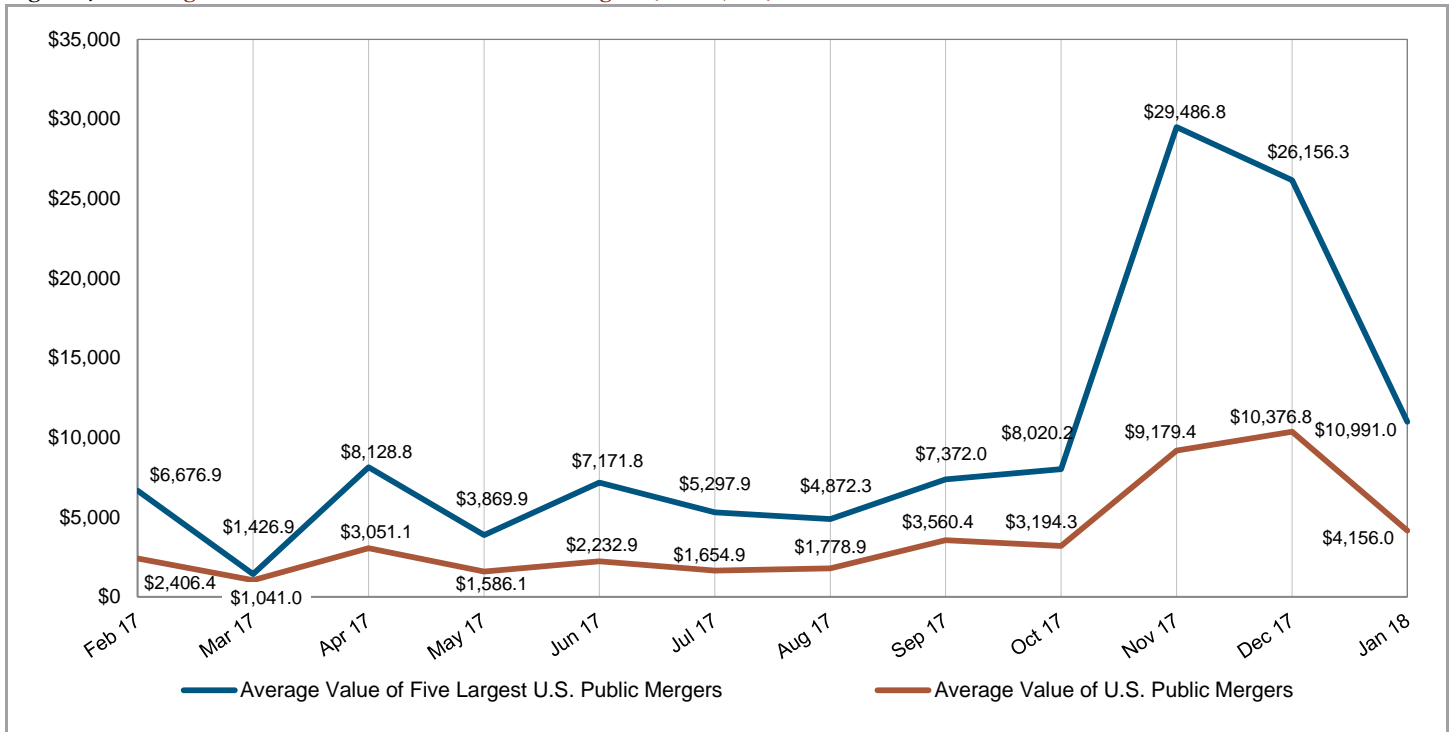
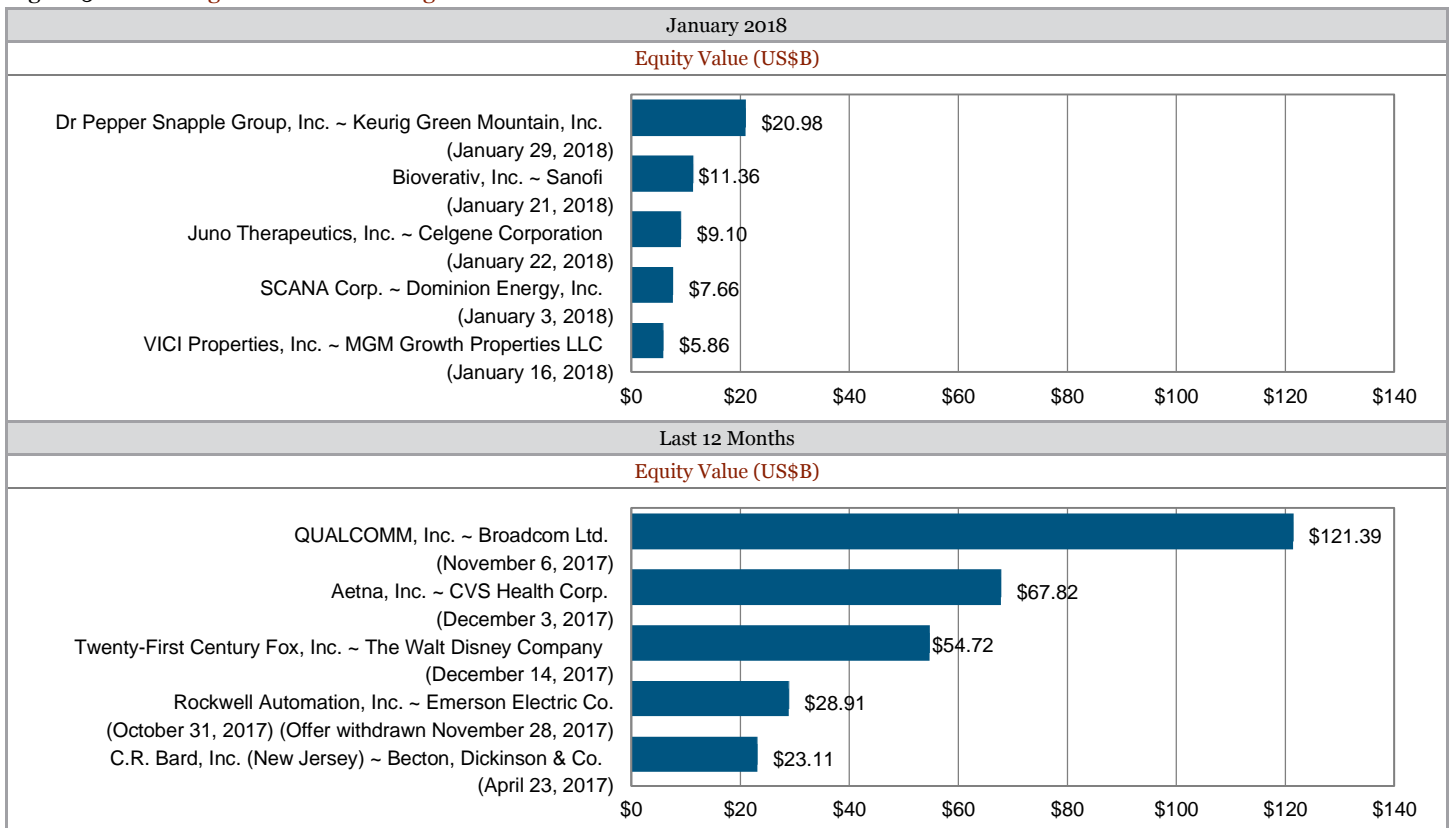


Figure 5 – Five Largest U.S. Public Mergers



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## M&A Terms

Figure 6 – Average Break Fees as % of Equity Value<sup>5</sup>

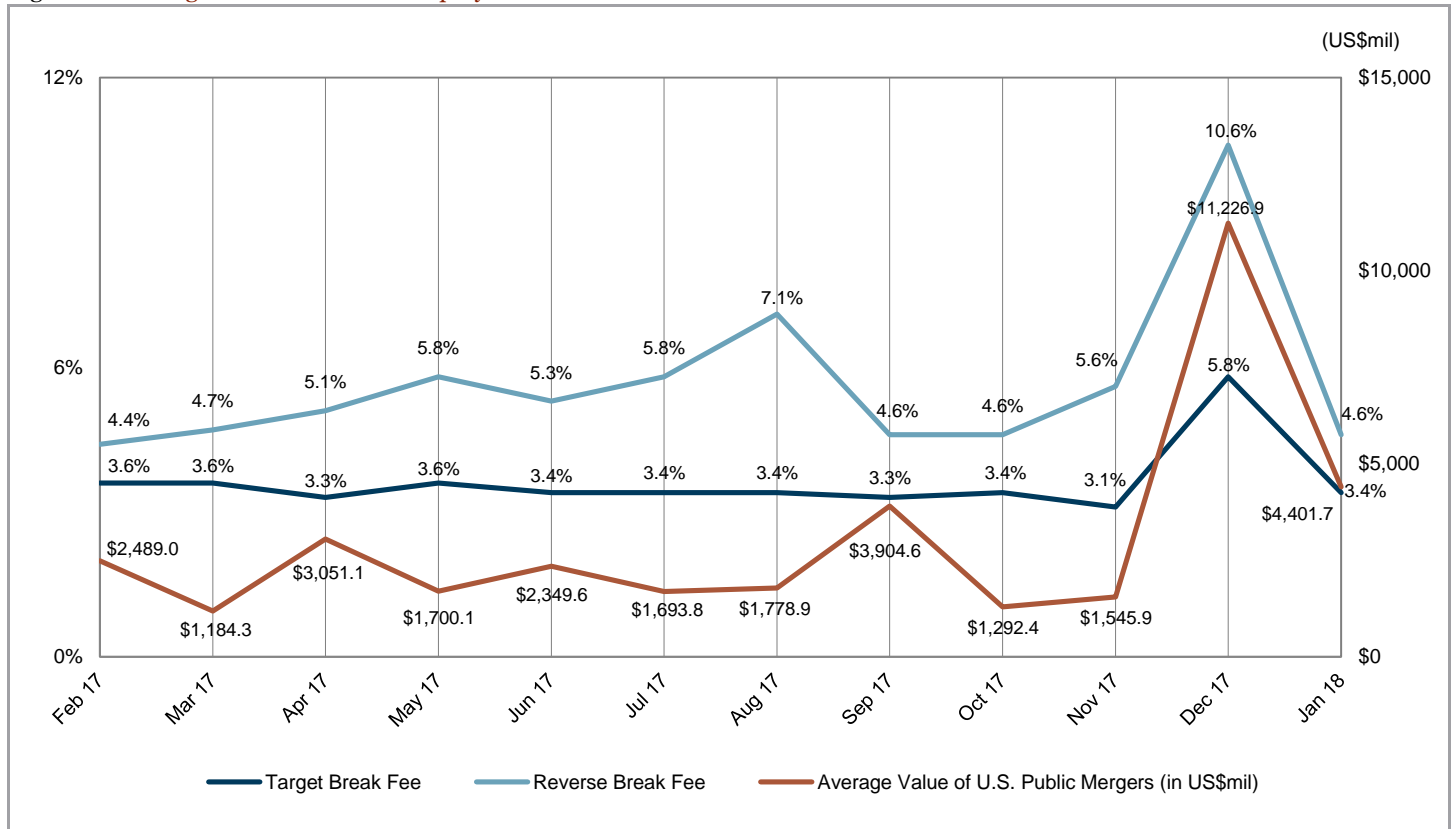


Figure 7 – Average Break Fees as % of Equity Value

	January 2018	Last 12 Months
Target Break Fee for All Mergers	3.4	3.6

	January 2018	Last 12 Months
Reverse Break Fee for All Mergers	4.6	5.5
Reverse Break Fee for Mergers Involving Financial Buyers <sup>6</sup>	6.5	7.0
Reverse Break Fee for Mergers Involving Strategic Buyers	4.0	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.

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

<sup>6</sup> Two transactions in January 2018 involving a financial buyer had a reverse break fee.

<sup>7</sup> Two transactions in January 2018 involved a financial buyer.

<sup>8</sup> One transaction in January 2018 had a go-shop provision.

<sup>9</sup> One transaction in January 2018 involving a financial buyer had a go-shop provision.

<sup>10</sup> No transactions in January 2018 involving a strategic buyer had a go-shop provision.

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

	January 2018	Last 12 Months
% of Mergers with Go-Shops	6.7	6.3
% of Mergers Involving Financial Buyers with Go-Shops <sup>7</sup>	50.0	13.3
% of Mergers Involving Strategic Buyers with Go-Shops	0.0	4.8
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops <sup>8</sup>	25.0	35.5
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops <sup>9</sup>	25.0	41.3
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops <sup>10</sup>	N/A	32.1

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Figure 9 – Form of Consideration as % of U.S. Public Mergers<sup>11</sup>

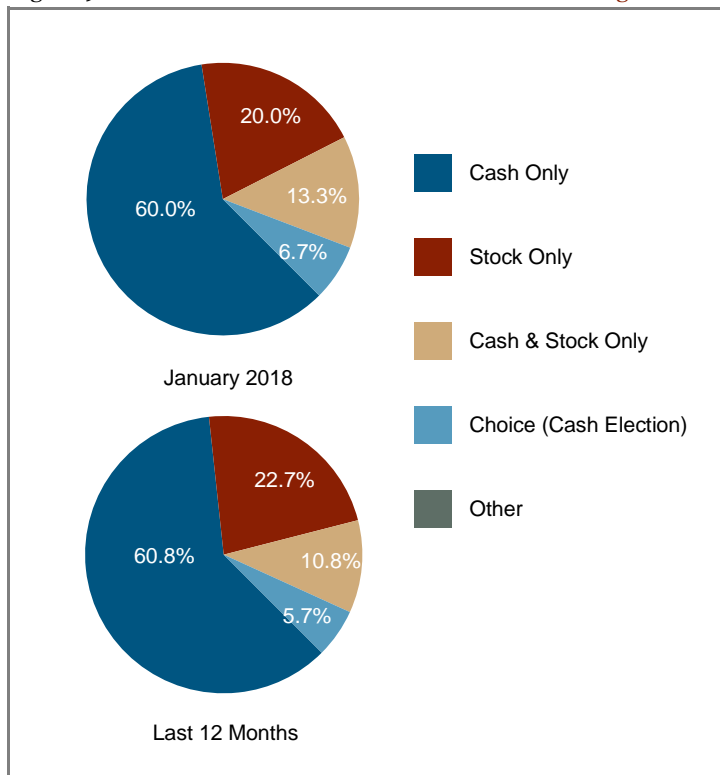


Figure 10 – % of Partial and All Stock Deals That Have a Fixed Exchange Ratio

January 2018	100.0
Last 12 Months	88.1

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

January 2018	26.7
Last 12 Months	20.5

Figure 12 – Hostile/Unsolicited Offers as % of U.S. Public Mergers<sup>12</sup>

January 2018	11.1
Last 12 Months	10.3

<sup>11</sup> Due to rounding, percentages may not add up to 100%.

<sup>12</sup> 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).

Paul, Weiss is a leading law firm serving the largest publicly and privately held corporations and financial institutions in the United States and throughout the world. Our firm is widely recognized for achieving an unparalleled record of success for our clients, both in their bet-the-company litigations and their most critical strategic transactions. We are keenly aware of the extraordinary challenges and opportunities facing national and global economies and are committed to serving our clients' short- and long-term goals.

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Our M&A Group is among the most experienced and active in the world. We represent publicly traded and privately held companies, leading private equity firms, financial advisors, and other financial institutions and investors in their most important mergers and acquisitions, joint ventures and other strategic transactions. Our expertise advising corporations and private investors in a broad range of sophisticated transactions enables us to identify new opportunities for our clients to realize value. We have particular experience in guiding clients as they engage in proxy battles, company-altering and market consolidating transactions or capital markets transactions.

Recent highlights include advising: CSRA in its \$9.6 billion acquisition by General Dynamics; Xerox in its \$18 billion combination with Fuji Xerox, a joint venture between Xerox and Fujifilm; Bioerativ in its \$11.6 billion acquisition by Sanofi; ADP in its successful proxy contest against Pershing Square; Qualcomm in connection with a \$130 billion unsolicited offer from Broadcom; Kate Spade & Company in its \$2.4 billion acquisition by Coach; Qualcomm in its approximately \$47 billion pending acquisition of NXP Semiconductors; Agrium in its \$36 billion 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:



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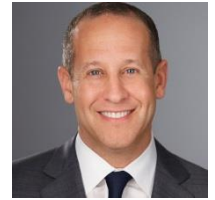
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### M&A Activity – 12-Month Trends

Figure 1A – U.S. Deal Volume (US\$B)

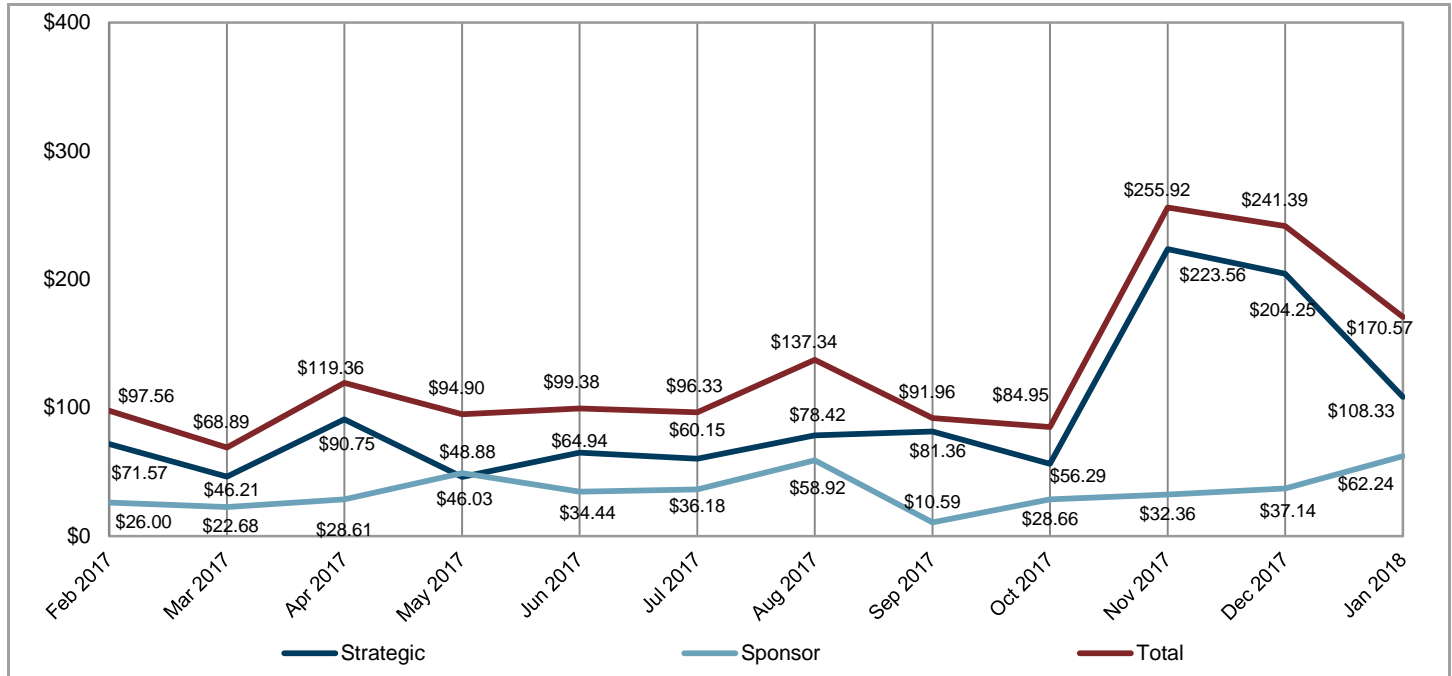
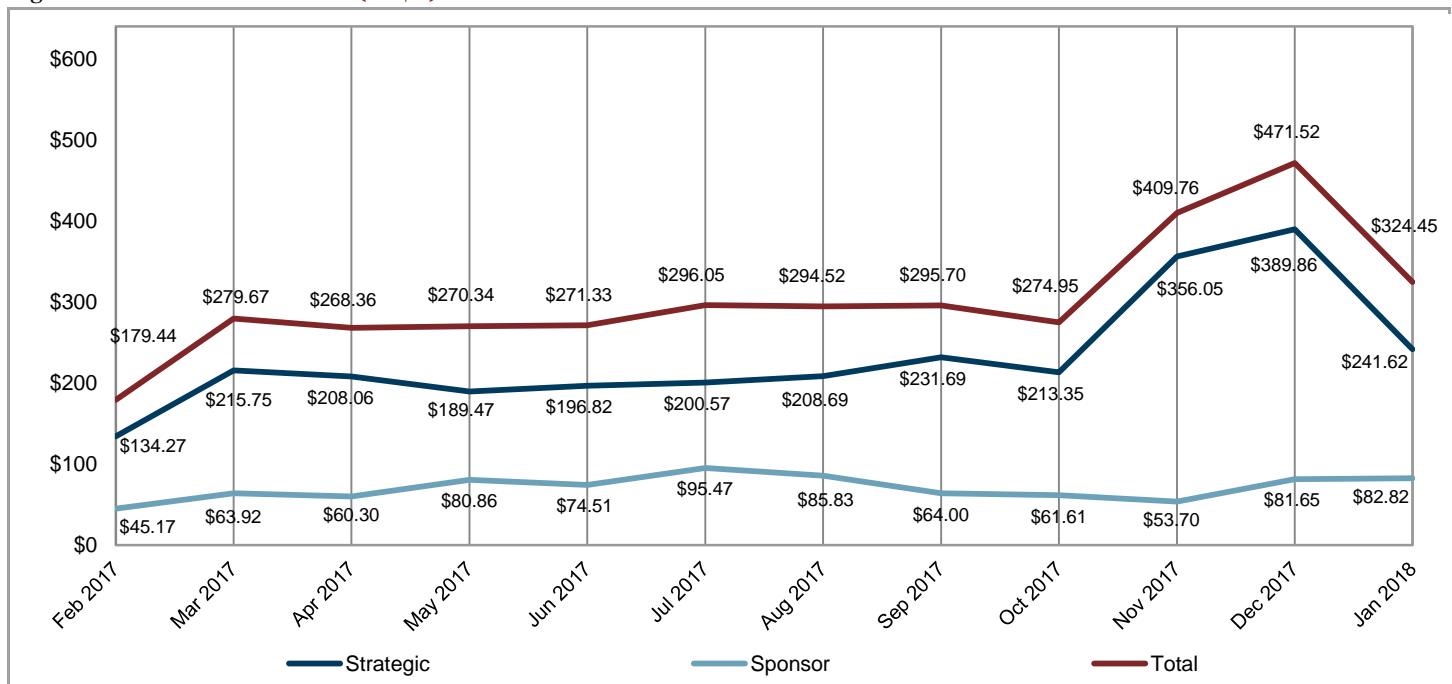


Figure 2A – Global Deal Volume (US\$B)





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Figure 3A – U.S. Number of Deals

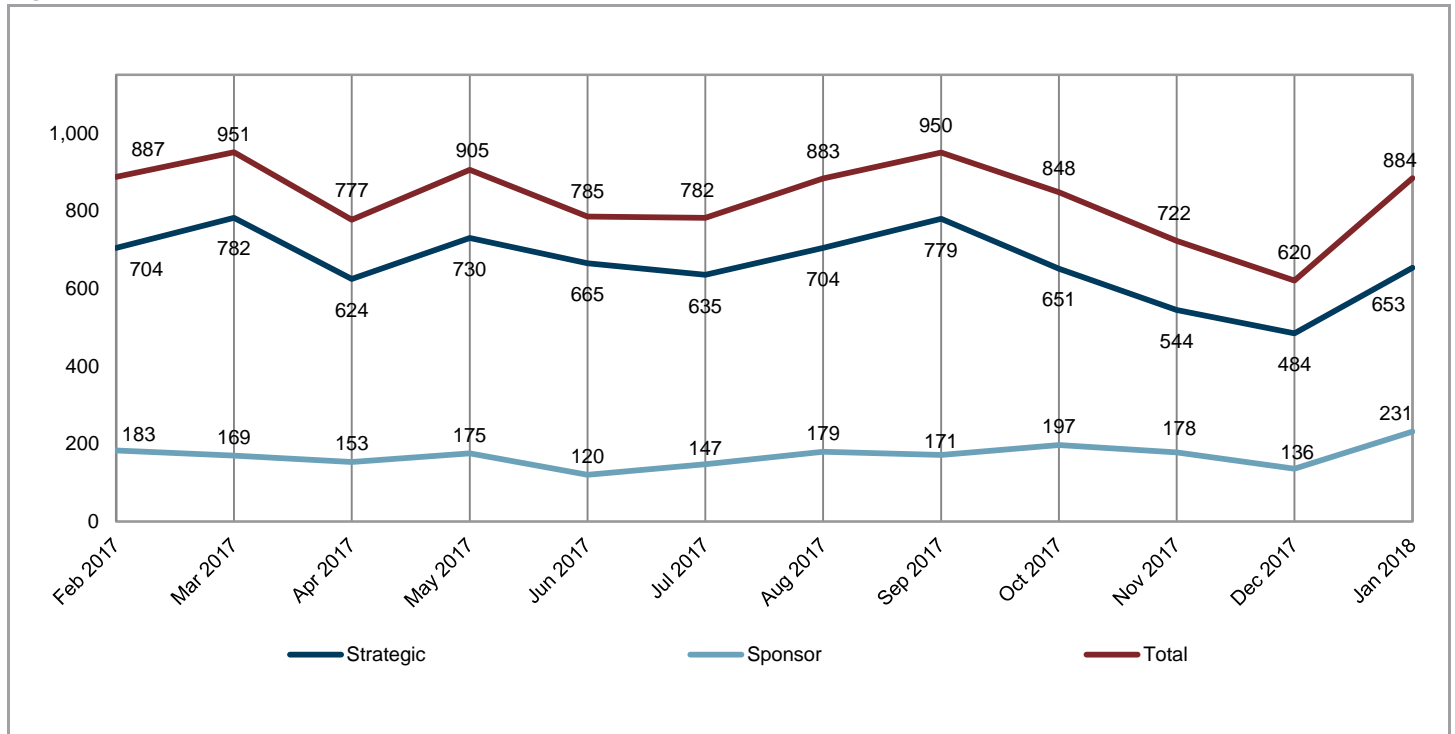
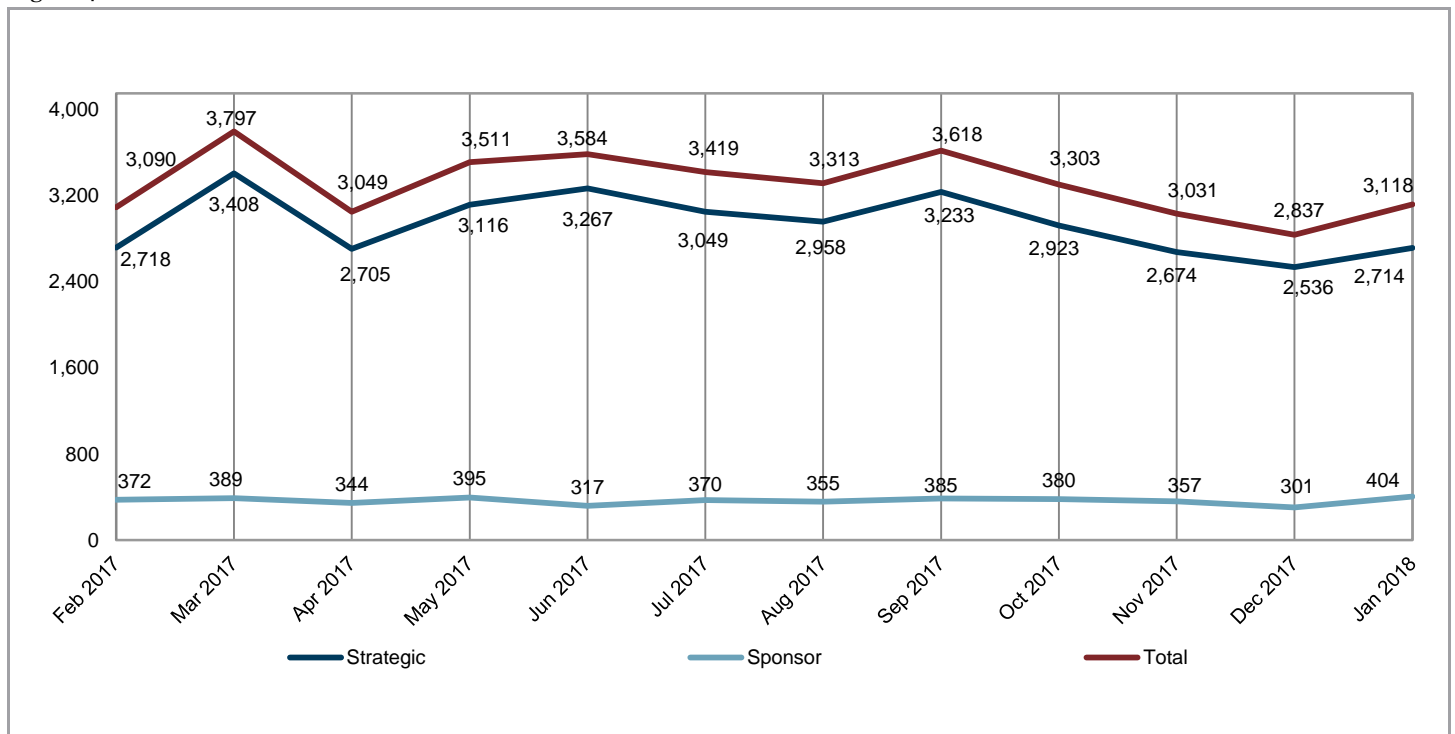


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

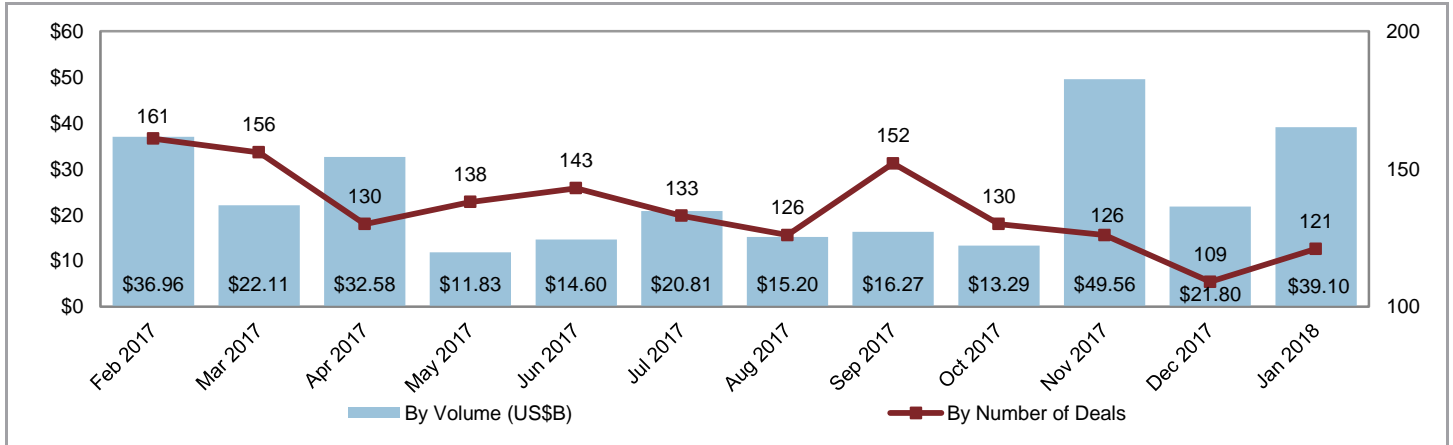


Figure 6A – Outbound U.S. Crossborder Transactions

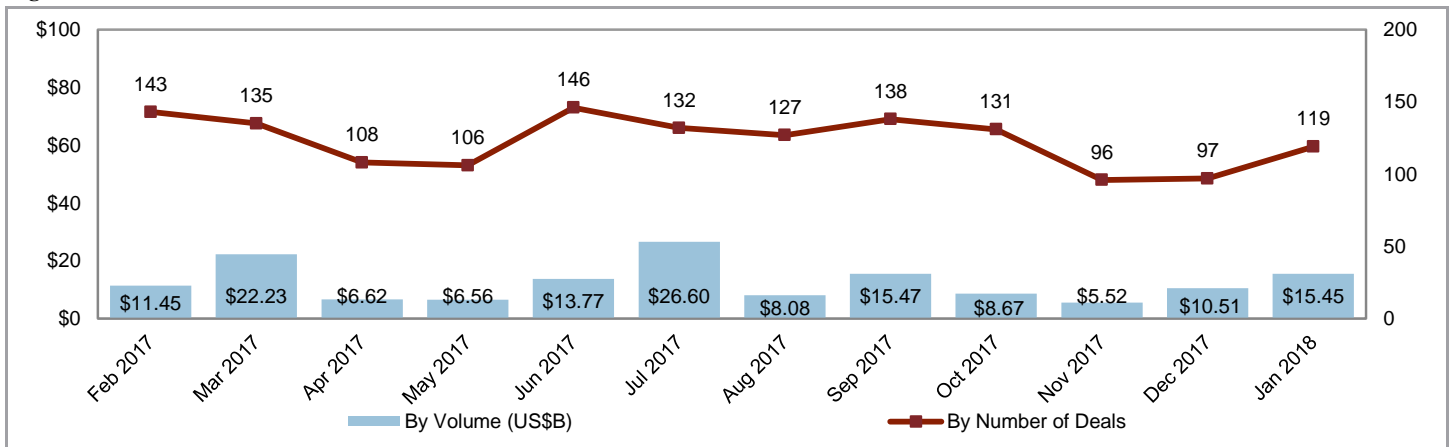


Figure 7A – Global Crossborder Transactions

