

March 2018, Issue 72

Despite an increase in M&A activity over the past three months, deal trends in February 2018 retreated towards their 12-month averages, following banner months in November and December, both of which featured some of the largest deals we have seen in the last year. In the U.S., deal volume by dollar value decreased by 52.1% to \$82.61 billion, the second-lowest level of the preceding 12-month period, and the number of deals decreased by 21.5% to 716. Globally, deal volume decreased by 10.5% to \$295.03 billion and the number of deals decreased by 20.1% to 2,639 (a 12-month low).

Strategic vs. Sponsor Activity

Strategic and sponsor-related activity each experienced significant decreases across all metrics. In the U.S., strategic deal volume decreased by 49.1% to \$55.84 billion and the number of deals decreased by 18.2% to 557. Globally, strategic deal volume decreased by 8.7% to \$223.49 billion and the number of deals decreased by 20.1% to 2,310, a 12-month low. [Figure 1](#) and Annex [Figures 1A–4A](#). As for sponsor-related activity, U.S. deal volume decreased by 57.4% to \$26.77 billion and the number of deals decreased by 31.2% to 159. Global sponsor-related deal volume decreased by 15.7% to \$71.54 billion and the number of deals decreased by 20.3% to 329. [Figure 1](#) and Annex [Figures 1A–4A](#).

Crossborder Activity¹

U.S. inbound deal volume decreased by 70.6% to \$11.54 billion and the number of U.S. inbound deals decreased by 11.4% to 109. U.S. outbound deal volume increased by 242.63% to \$54.83 billion, driven by Comcast Corporation's unsolicited offer to acquire Sky plc for \$41.45 billion, while the number of U.S. outbound deals decreased by 6.3% to 119. [Figure 1](#) and Annex [Figures 5A–7A](#). Globally, crossborder deal volume increased by 7.9% to \$98.41 billion and the number of crossborder deals decreased by 10.5% to 664.

In U.S. inbound activity for the month of February, Switzerland was the leading country of origin by dollar value (\$4.55 billion) and Canada remained the leading country of origin by number of deals (30). Canada also remained the leader for U.S. inbound activity over the last 12 months, both by dollar value (\$72.41 billion) and number of deals (402). The U.K. was the February leader in U.S. outbound deal volume (\$44.74 billion) and retained its lead over the last 12 month period (\$73.19 billion). The U.K. also tied Canada as the most active target for the number of U.S. outbound deals in February (20) and retained its 12-month lead (253). [Figure 3](#).

U.S. Deals by Industry

Computers & Electronics was the most active target industry by dollar value in February 2018 (\$18.24 billion) and over the last 12 months (\$324.70 billion). Computers & Electronics also remained the most active target industry by number of deals in February (241) and over the last 12 months (2,870). [Figure 2](#).

U.S. Public Mergers

As for U.S. public merger deal terms in February 2018, average target (3.4%) and reverse (5.4%) break fees were near their 12-month averages. [Figures 6](#) and [7](#). No public mergers in February 2018 included a go-shop provision. [Figure 8](#). The use of cash consideration in February 2018 decreased to 46.2%, below its 12-month average of 60.0%. [Figure 9](#). The incidence of tender offers as a percentage of U.S. public mergers was 7.7%, below its 12-month average of 19.4%. [Figure 11](#). Finally, the incidence of hostile offers in February 2018 was 15.0%, above the 12-month average of 11.1%. [Figure 12](#).

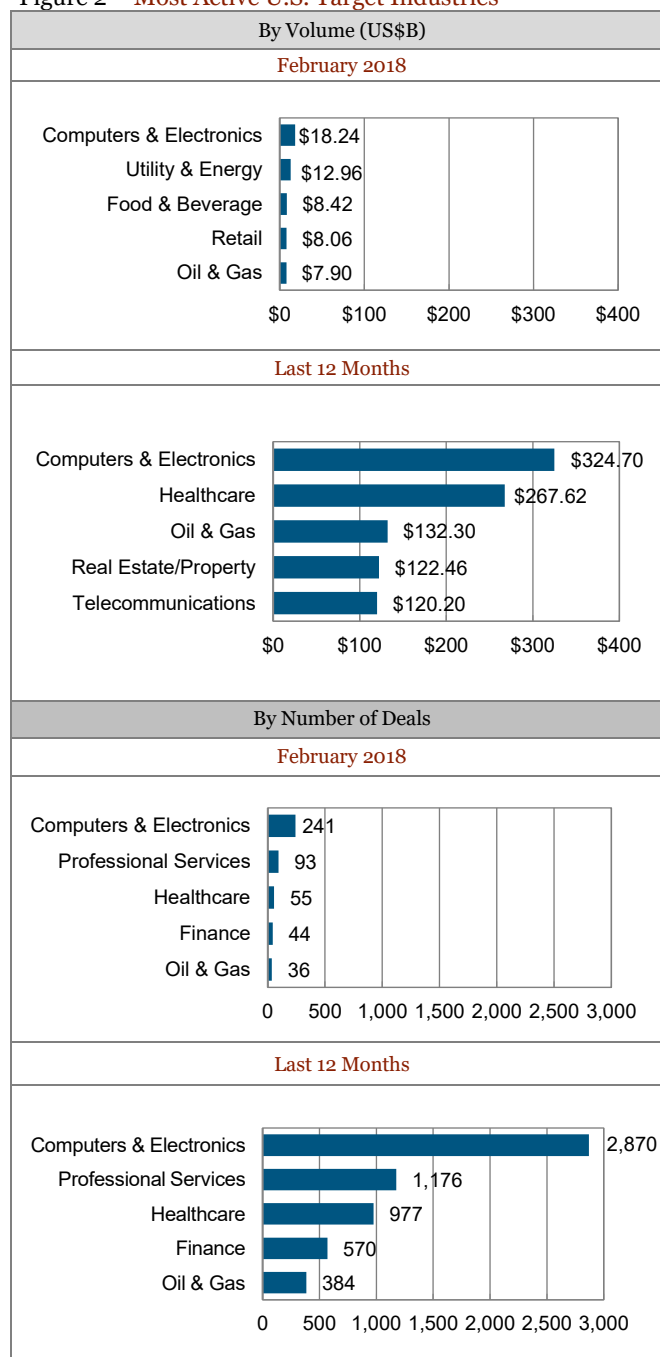
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M&A Activity

Figure 1

February 2018	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	295.03	(34.53)	82.61	(89.78)
No. of deals	2,639	(665)	716	(196)
Avg. value of deals (US\$mil)	244.4	28.2	322.7	(224.6)
Strategic Transactions				
Volume (US\$B)	223.49	(21.24)	55.84	(53.77)
No. of deals	2,310	(581)	557	(124)
Avg. value of deals (US\$mil)	201.9	27.8	252.7	(162.5)
Sponsor-Related Transactions				
Volume (US\$B)	71.54	(13.29)	26.77	(36.01)
No. of deals	329	(84)	159	(72)
Avg. value of deals (US\$mil)	715.4	(3.5)	764.8	(466.1)
Crossborder Transactions¹				
Volume (US\$B)	98.41	7.24	Inbound 11.54 Outbound 54.83	Inbound (27.70) Outbound 38.83
No. of deals	664	(78)	Inbound 109 Outbound 119	Inbound (14) Outbound (8)
Avg. value of deals (US\$mil)	329.1	(29.2)	Inbound 217.7 Outbound 1,034.5	Inbound (376.8) Outbound 577.3

Figure 2 – Most Active U.S. Target Industries²



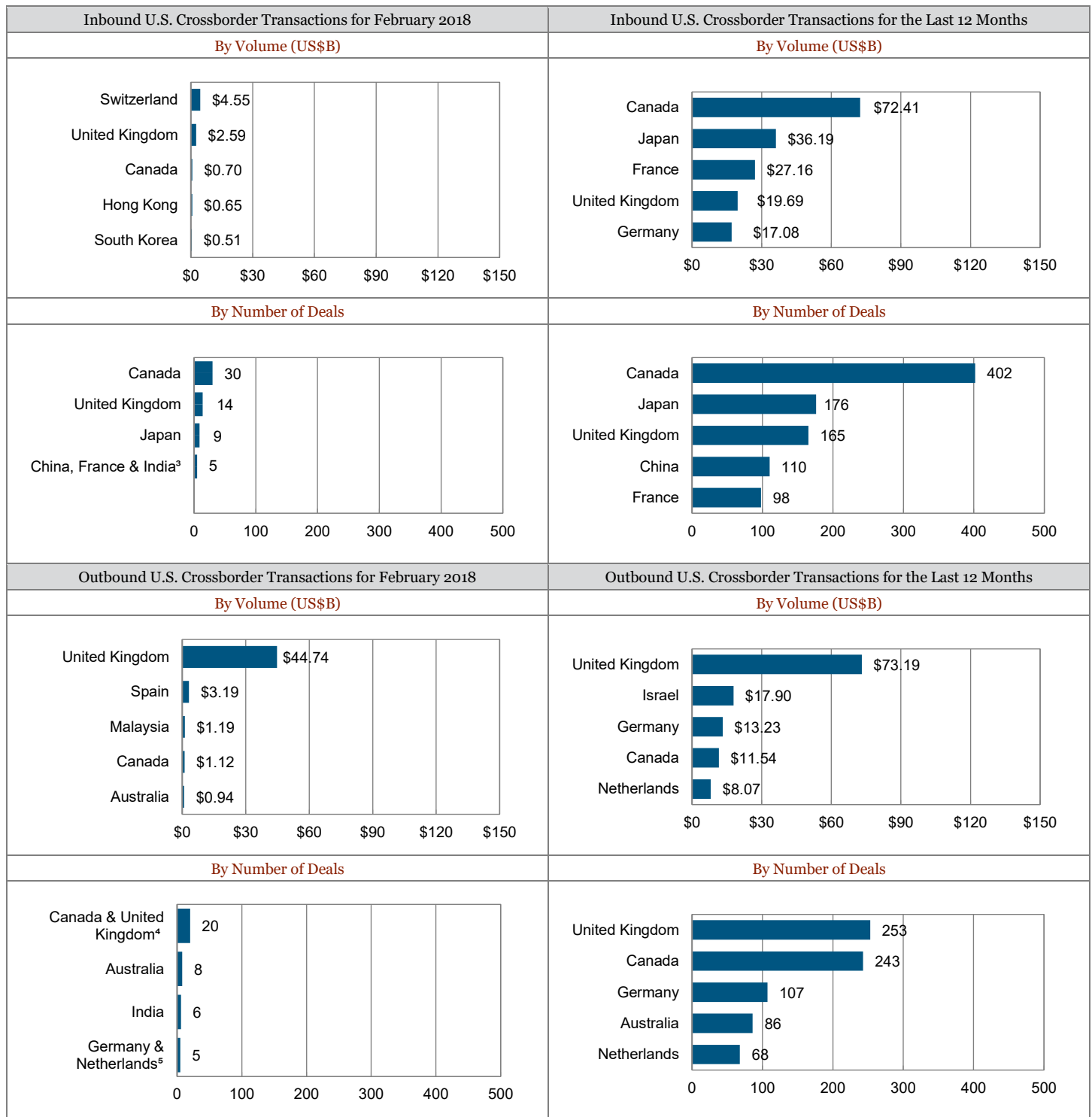
Figures 1-3 were compiled using data from Dealogic, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Figures 4 and 5 were compiled using data from FactSet MergerMetrics, and are limited to mergers involving public U.S. targets announced during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



³ Each of China, France and India was the country of destination for five transactions in February 2018.

⁴ Each of Canada and the United Kingdom was the country of destination for 20 transactions in February 2018.

⁵ Each of Germany and the Netherlands was the country of destination for five transactions in February 2018.

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

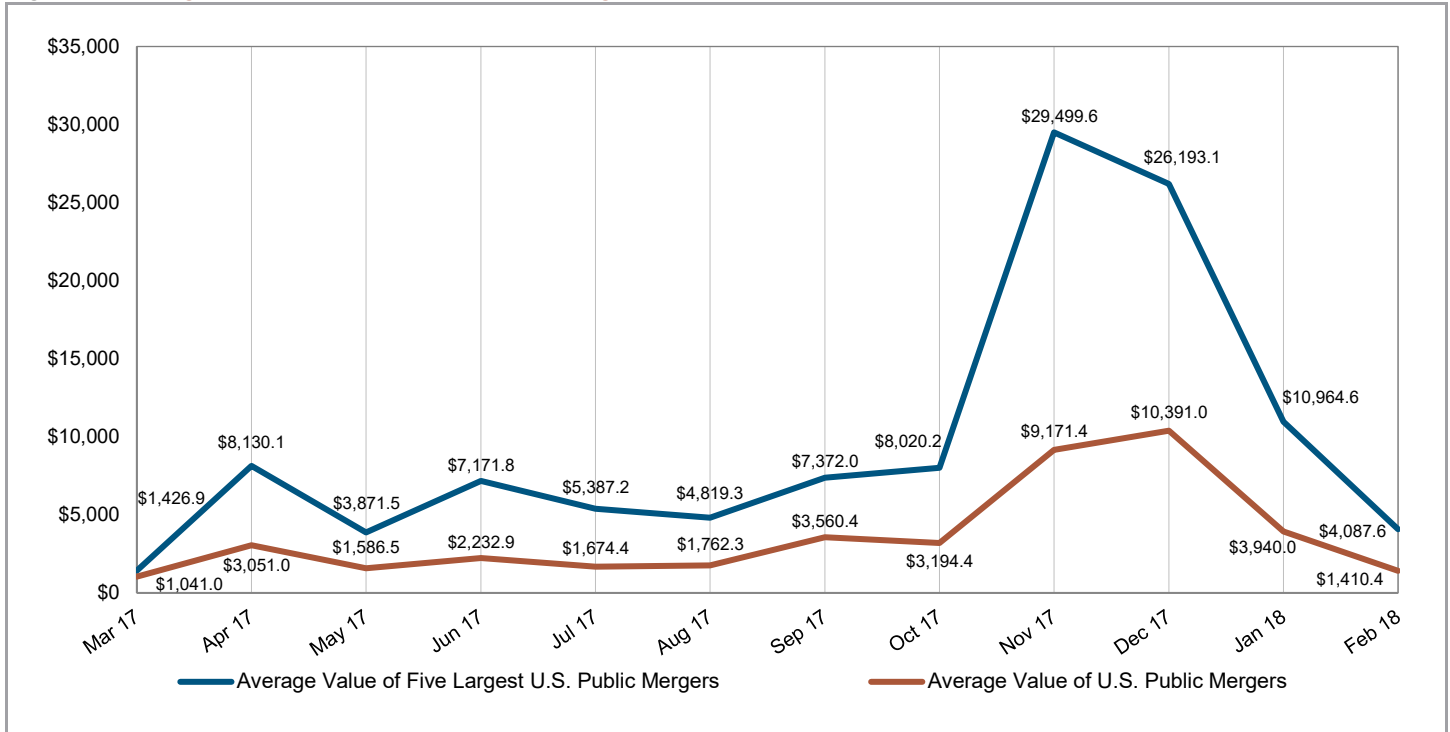
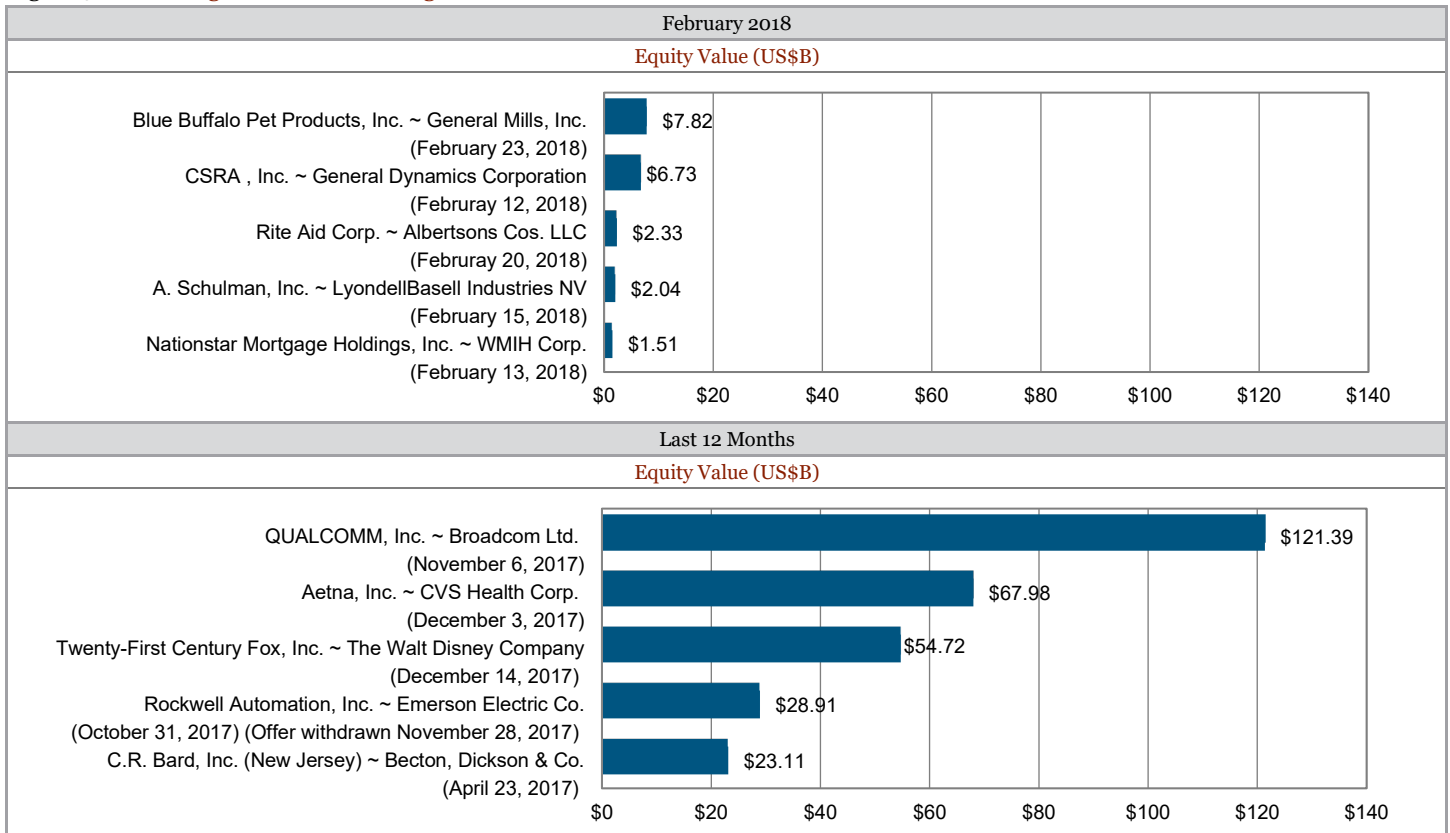


Figure 5 – Five Largest U.S. Public Mergers



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M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁶

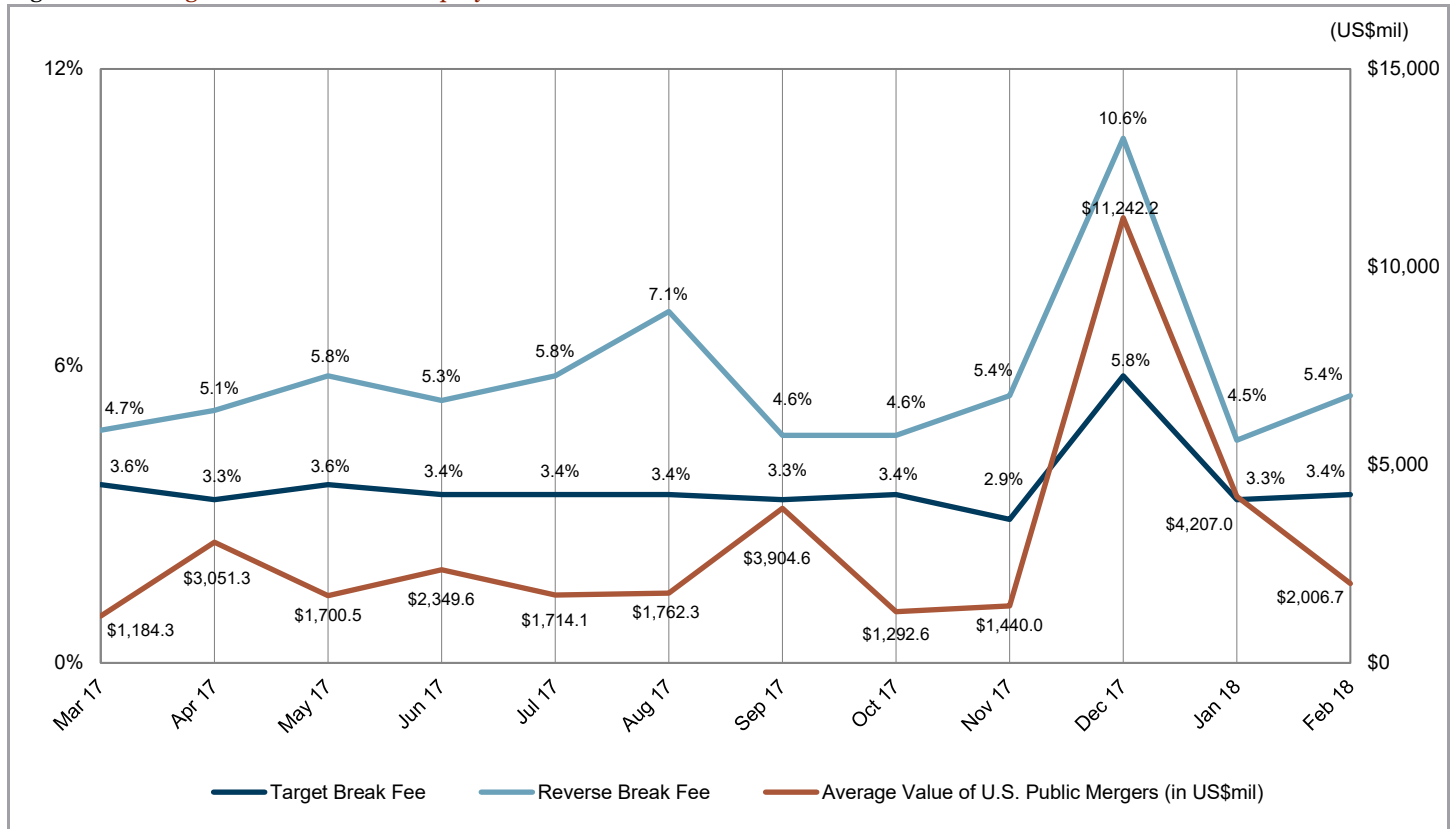


Figure 7 – Average Break Fees as % of Equity Value

	February 2018	Last 12 Months
Target Break Fee for All Mergers	3.4	3.5

	February 2018	Last 12 Months
Reverse Break Fee for All Mergers	5.4	5.6
Reverse Break Fee for Mergers Involving Financial Buyers ⁷	6.1	6.9
Reverse Break Fee for Mergers Involving Strategic Buyers ⁸	4.9	5.1

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.

⁶ Based on the highest target break fees and reverse break fees payable in a particular deal.
⁷ Two transactions in February 2018 involving a financial buyer had a reverse break fee.
⁸ Three transactions in February 2018 involving a strategic buyer had a reverse break fee.
⁹ Two transactions in February 2018 involved a financial buyer.
¹⁰ No transactions in February 2018 included a go-shop provision.
¹¹ No transactions in February 2018 involving a financial buyer included a go-shop provision.
¹² No transactions in February 2018 involving a strategic buyer included a go-shop provision.

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

	February 2018	Last 12 Months
% of Mergers with Go-Shops	0.0	6.3
% of Mergers Involving Financial Buyers with Go-Shops ⁹	0.0	12.5
% of Mergers Involving Strategic Buyers with Go-Shops	0.0	4.9
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ¹⁰	N/A	36.8
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ¹¹	N/A	41.3
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ¹²	N/A	34.3

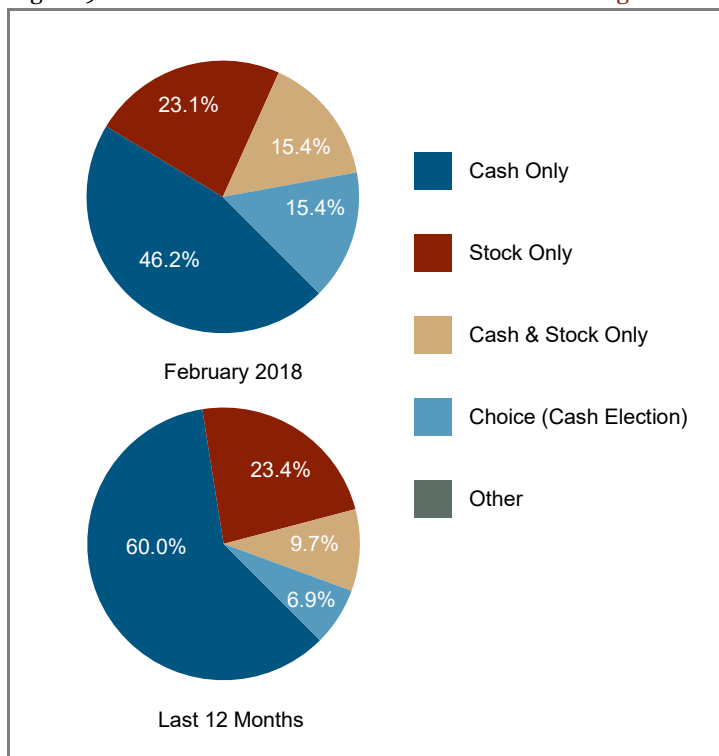
[Return to Summary](#)Figure 9 – Form of Consideration as % of U.S. Public Mergers¹³

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

February 2018	100.0
Last 12 Months	87.9

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

February 2018	7.7
Last 12 Months	19.4

Figure 12 – Hostile/Unsolicited Offers as % of U.S. Public Mergers¹⁴

February 2018	15.0
Last 12 Months	11.1

¹³ Due to rounding, percentages may not add up to 100%.

¹⁴ 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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M&A Activity – 12-Month Trends

Figure 1A – U.S. Deal Volume (US\$B)

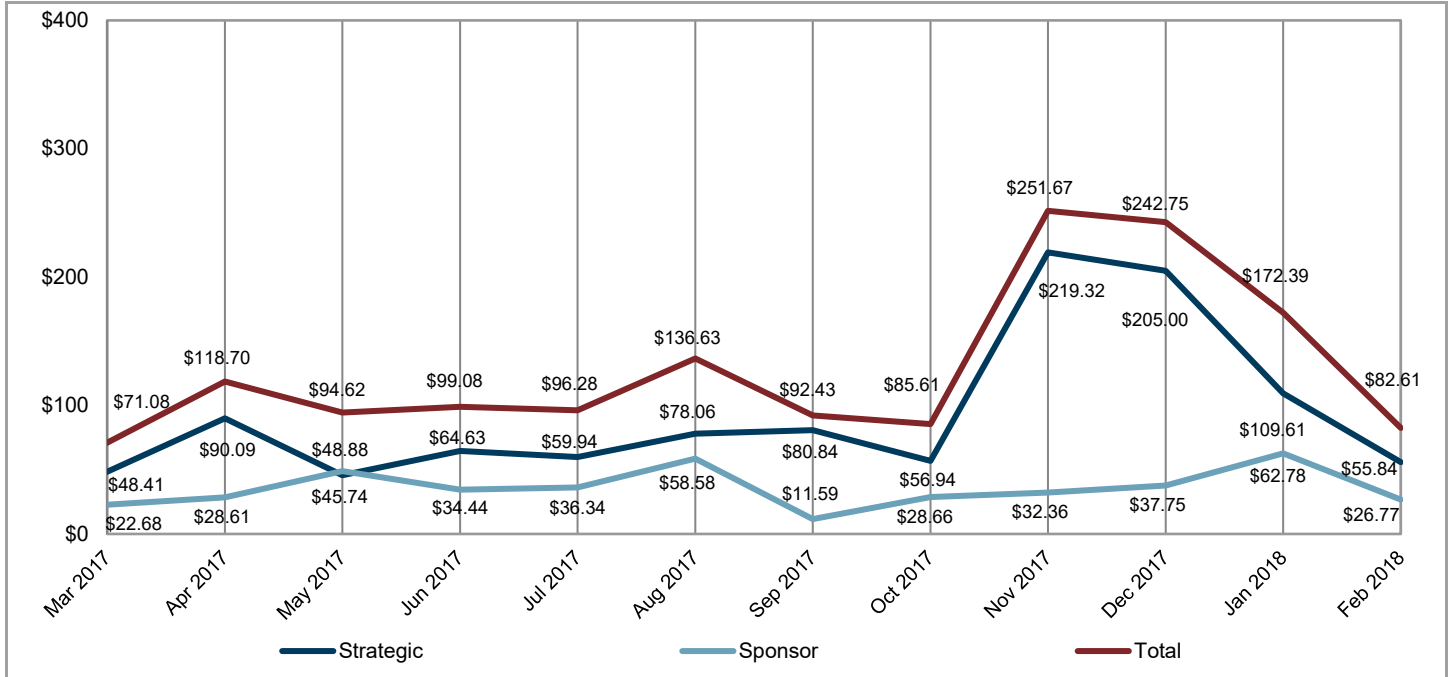
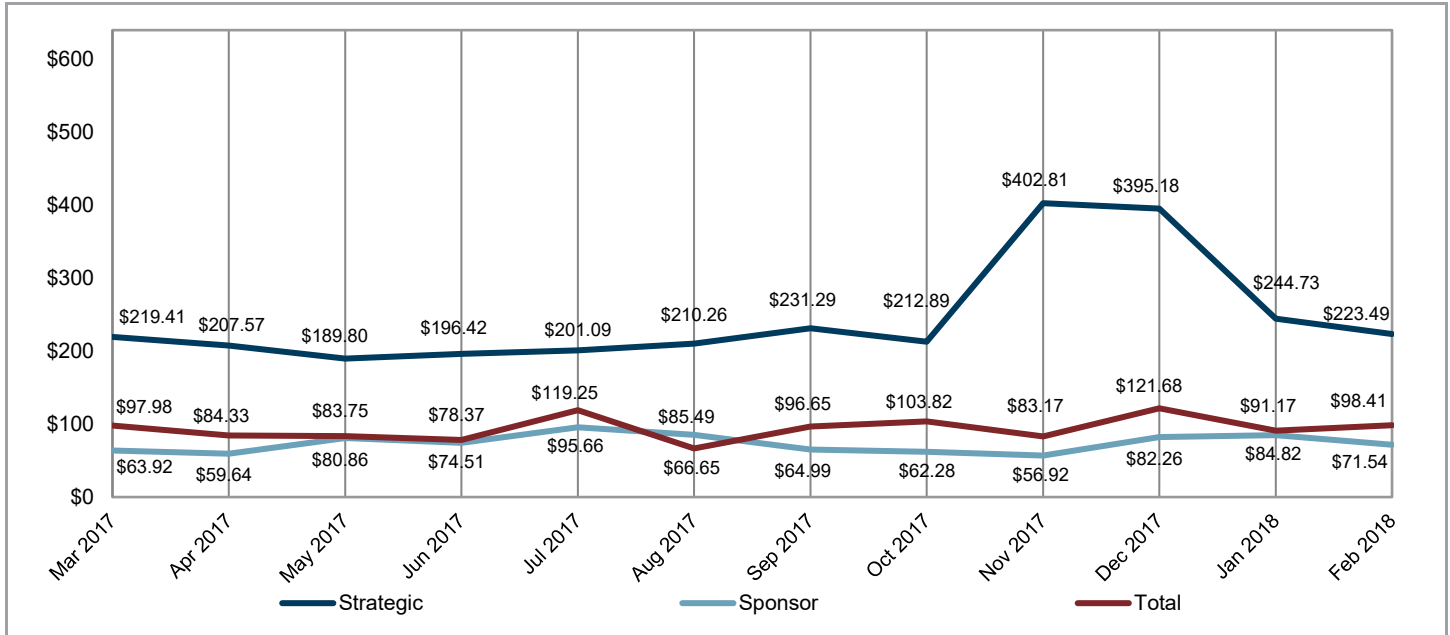


Figure 2A – Global Deal Volume (US\$B)



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Figure 3A – U.S. Number of Deals

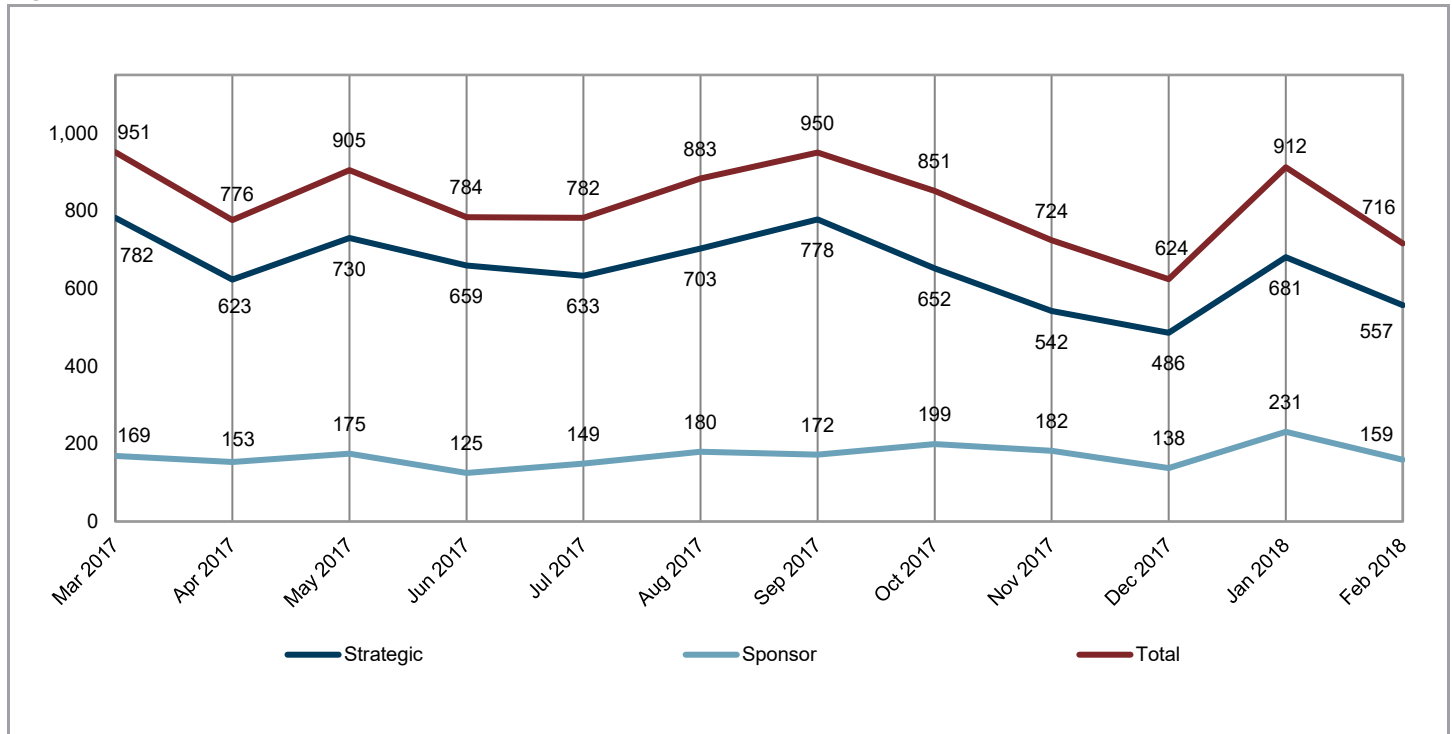
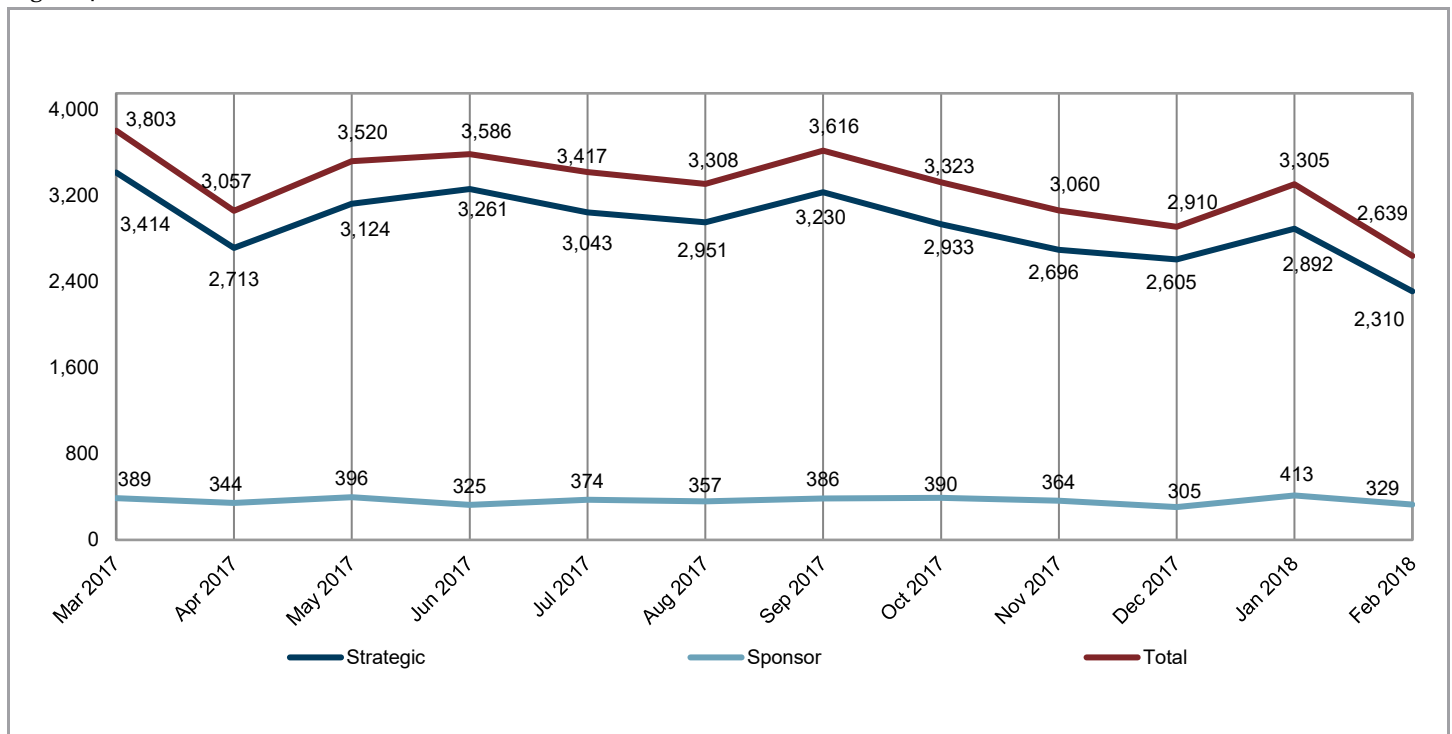


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

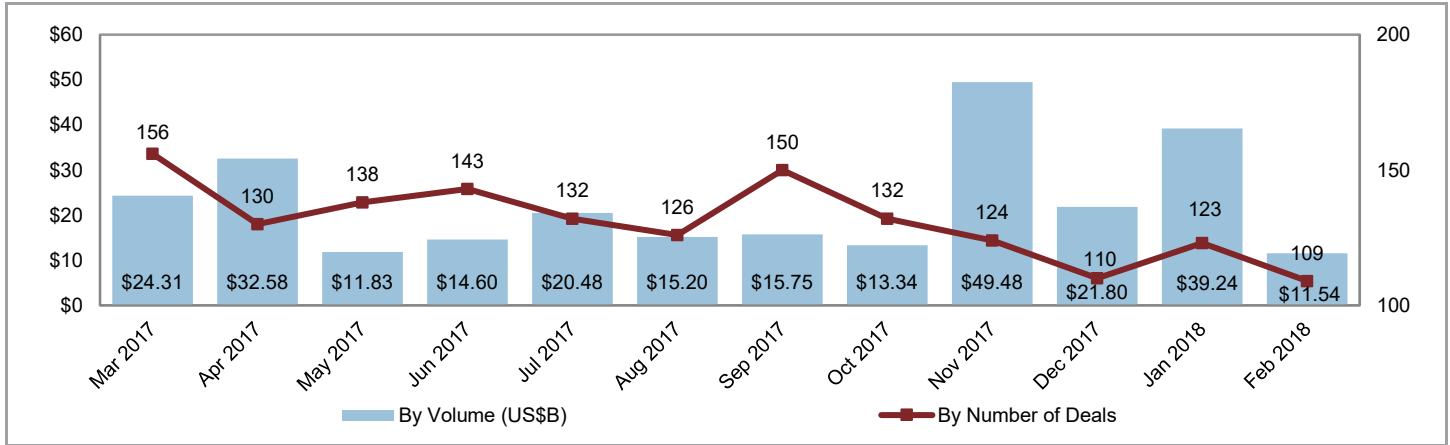


Figure 6A – Outbound U.S. Crossborder Transactions

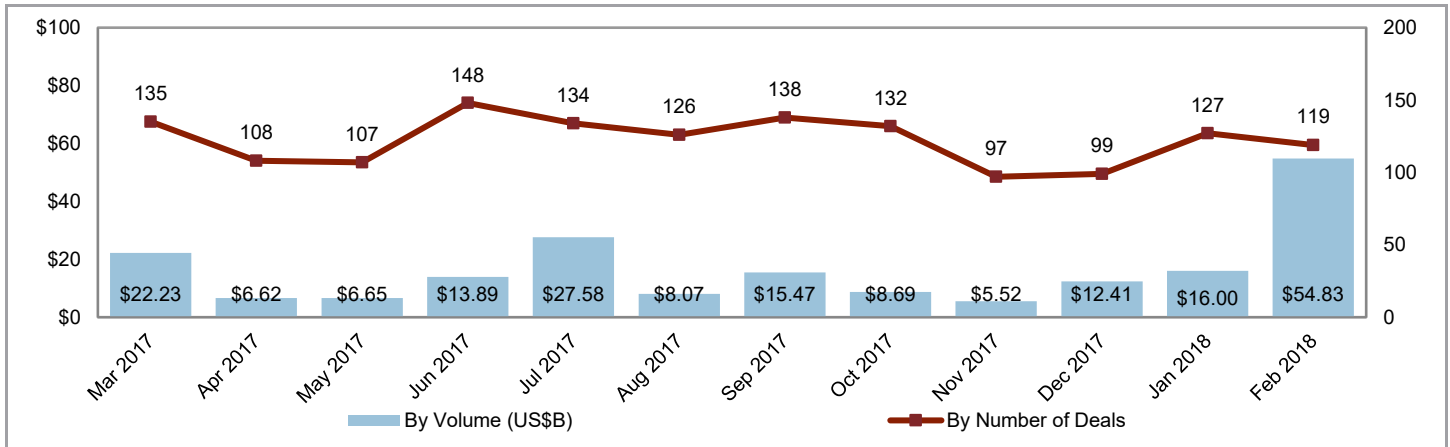


Figure 7A – Global Crossborder Transactions

