

## April 2018, Issue 73

M&A activity gained momentum in March 2018, capping the strongest opening quarter in the history of this publication. In the U.S., deal volume returned to January levels, increasing by 109.6% to \$174.10 billion, and the number of deals increased by 2.9% to 751. Globally, deal volume increased by 49.9% to \$446.00 billion, and the number of deals increased by 4.0% to 2,838. As described below, the one notable exception to the overall trend was a decrease in sponsor-related deal volume.

### Strategic vs. Sponsor Activity

The increases in deal volume were reflective of a strong month for strategic transactions. In the U.S., strategic deal volume by dollar value increased by 100.40% to \$154.61 billion while the number of deals decreased by 0.7% to 566. Globally, strategic deal volume increased by 74.3% to \$388.66 billion with the number of deals increasing by 3.0% to 2,468. [Figure 1](#) and Annex [Figures 1A–4A](#). As for sponsor-related activity, U.S. deal volume decreased by 32.4% to \$19.48 billion while the number of deals increased by 15.6% to 185. Global sponsor-related deal volume decreased by 23.2% to \$57.33 billion while the number of deals increased by 10.8% to 370. [Figure 1](#) and Annex [Figures 1A–4A](#).

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

U.S. inbound deal volume increased by 154.9% to \$30.20 billion while the number of U.S. inbound deals remained flat at 117. U.S. outbound deal volume decreased by 34.6% to \$36.11 billion, and the number of U.S. outbound deals decreased by 1.6% to 120. [Figure 1](#) and Annex [Figures 5A–7A](#). Globally, crossborder deal volume increased by 46.9% to \$142.14 billion and the number of crossborder deals decreased by 4.9% to 654.

In U.S. inbound activity for the month of March, France was the leading country of origin by dollar value (\$15.29 billion), and Canada remained the leading country of origin by number of deals (37). Canada also remained the leader for U.S. inbound activity over the last 12-month period, both by dollar value (\$67.16 billion) and number of deals (401). The U.K. was the leader in U.S. outbound deal volume in March (\$14.99 billion) and retained its lead over the last 12-month period (\$87.53 billion). The U.K. was also the leader in the number of U.S. outbound deals in March (28), and Canada took over the 12-month lead from the U.K. (252). [Figure 3](#).

### U.S. Deals by Industry

Driven in large part due to Cigna Corp.'s announced acquisition of Express Scripts Holding Co. for \$53.92 billion, healthcare was the most active target industry by dollar value both in March 2018 (\$76.88 billion) and over the last 12-month period (\$339.50 billion). Computer & Electronics remained the most active target industry by number of deals in March (239) and over the last 12-month period (2,846). [Figure 2](#).

### U.S. Public Mergers

As for U.S. public merger deal terms in March 2018, average target break fees (3.4%) were near their 12-month averages (3.6%). Average reverse break fees (4.6%) matched the 12-month low, a full percentage point below the average over the last 12-month period (5.6%). [Figures 6](#) and [7](#). For the second month in a row, no public mergers in March 2018 included a go-shop provision. [Figure 8](#). The use of cash consideration in March 2018 decreased to 42.9%, below the average of 57.9% over the last 12-month period. [Figure 9](#). The incidence of tender offers as a percentage of U.S. public mergers was 14.3%, below its average of 18.0% over the last 12-month period. [Figure 11](#). Finally, the incidence of hostile offers in March 2018 was 22.2%, above the average of 11.1% over the last 12-month period. [Figure 12](#).

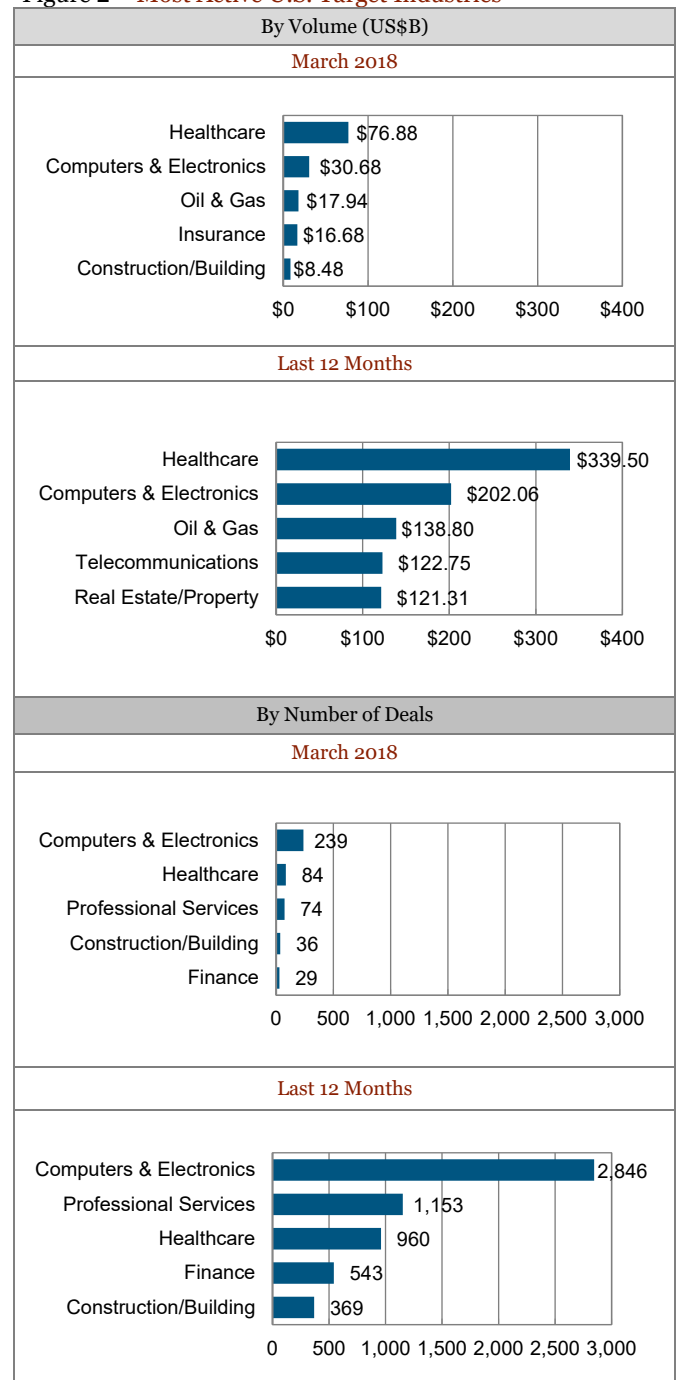
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## M&A Activity

Figure 1

March 2018	Global	+/- From Prior Month	U.S.	+/- From Prior Month
<b>Total</b>				
Volume (US\$B)	446.00	148.39	174.10	91.03
No. of deals	2,838	109	751	21
Avg. value of deals (US\$mil)	328.2	90.9	608.7	292.9
<b>Strategic Transactions</b>				
Volume (US\$B)	388.66	165.70	154.61	100.37
No. of deals	2,468	73	566	(4)
Avg. value of deals (US\$mil)	309.9	116.1	616.0	376.0
<b>Sponsor-Related Transactions</b>				
Volume (US\$B)	57.33	(17.30)	19.48	(9.33)
No. of deals	370	36	185	25
Avg. value of deals (US\$mil)	546.0	(171.6)	556.7	(222.1)
<b>Crossborder Transactions<sup>1</sup></b>				
Volume (US\$B)	142.14	45.38	Inbound 30.20 Outbound 36.11	Inbound 18.35 Outbound (19.11)
No. of deals	654	(34)	Inbound 117 Outbound 120	Inbound 0 Outbound (2)
Avg. value of deals (US\$mil)	470.7	158.5	Inbound 520.7 Outbound 1,245.1	Inbound 309.0 Outbound 203.1

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



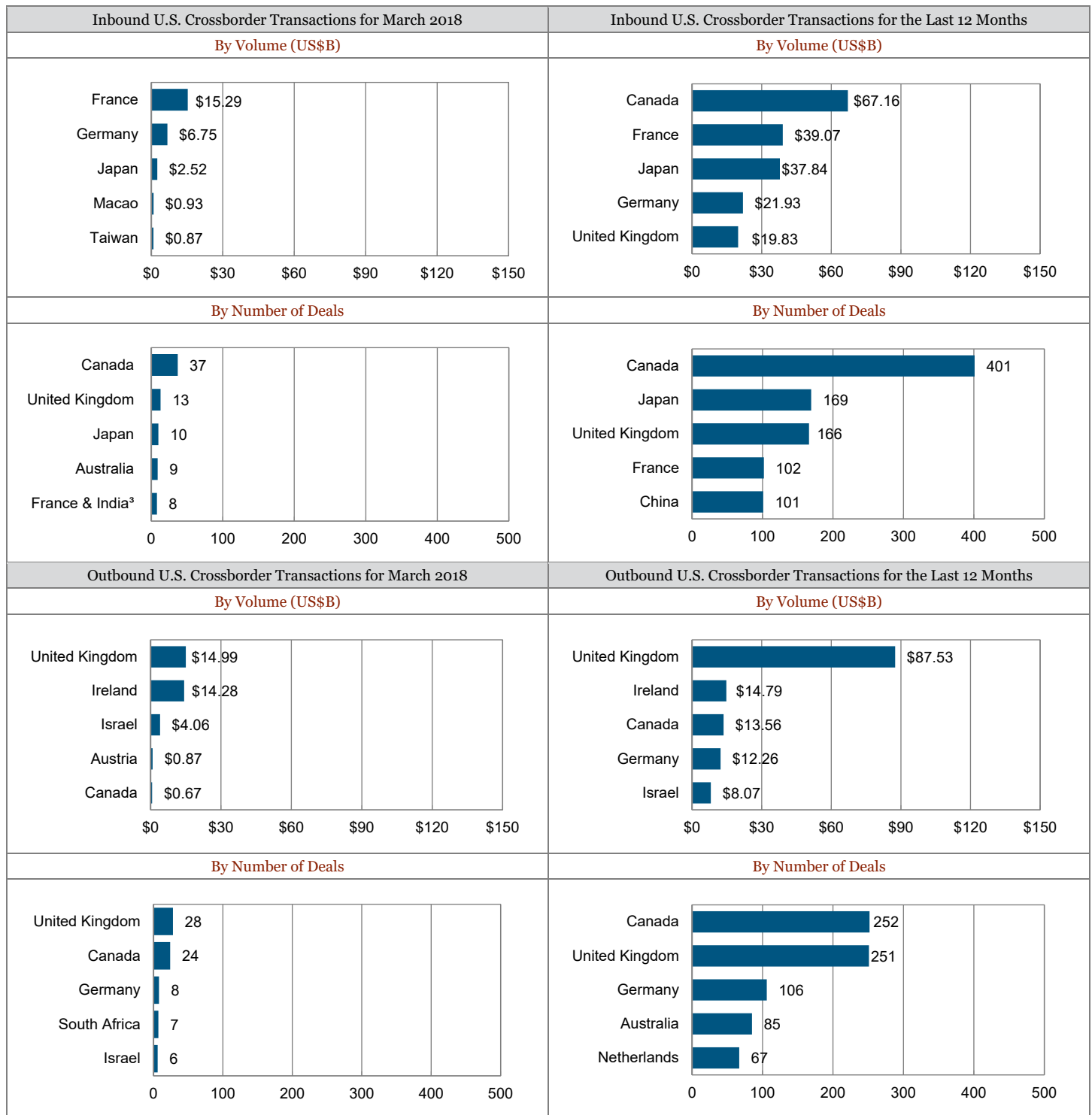
Figures 1-3 were compiled using data from Dealogic, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Figures 4 and 5 were compiled using data from FactSet MergerMetrics, and are limited to mergers involving public U.S. targets announced during 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 April 10, 2018 unless otherwise specified. "Last 12 Months" data is for the period from April 2017 to March 2018 inclusive. Data obtained from Dealogic and FactSet MergerMetrics has not been reviewed for accuracy by Paul, Weiss.

<sup>1</sup> 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.

<sup>2</sup> 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 India was the country of origin for eight transactions in March 2018.

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

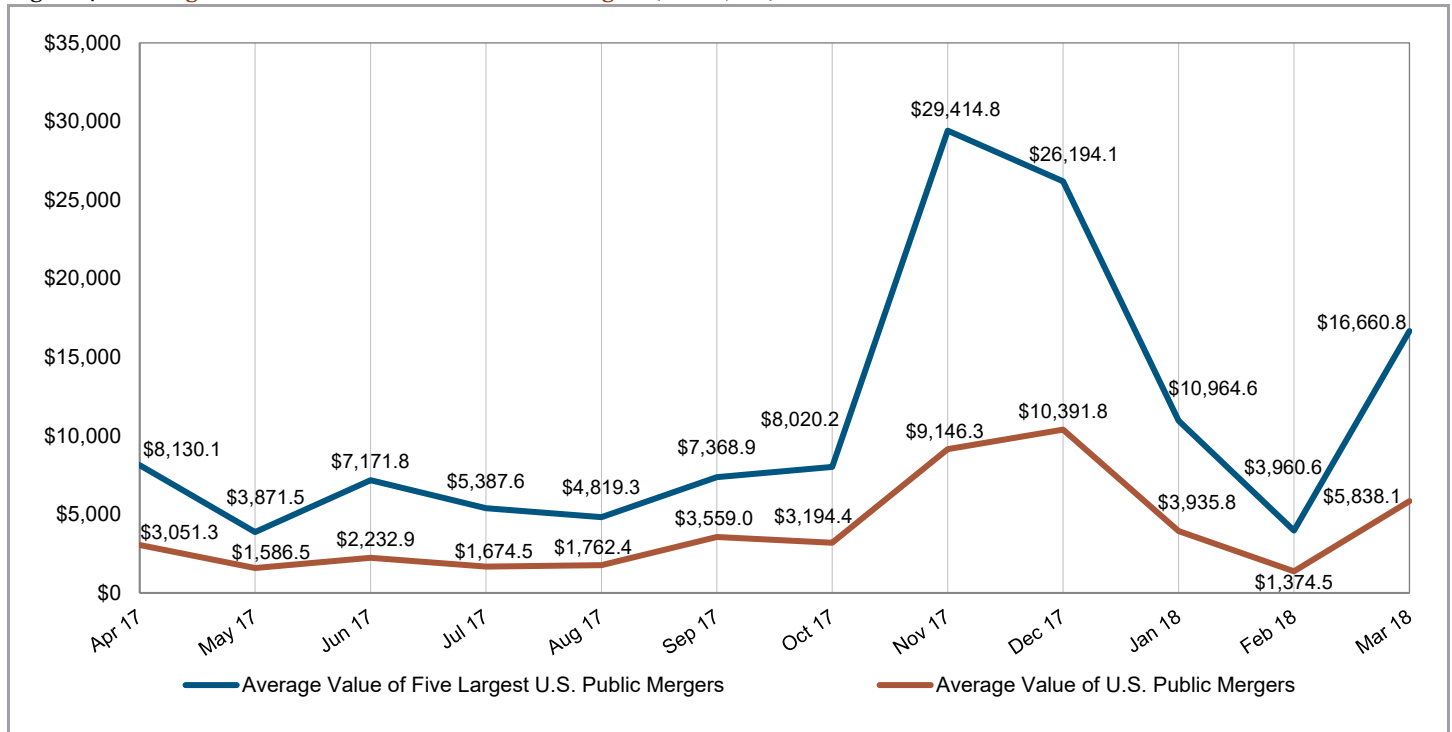
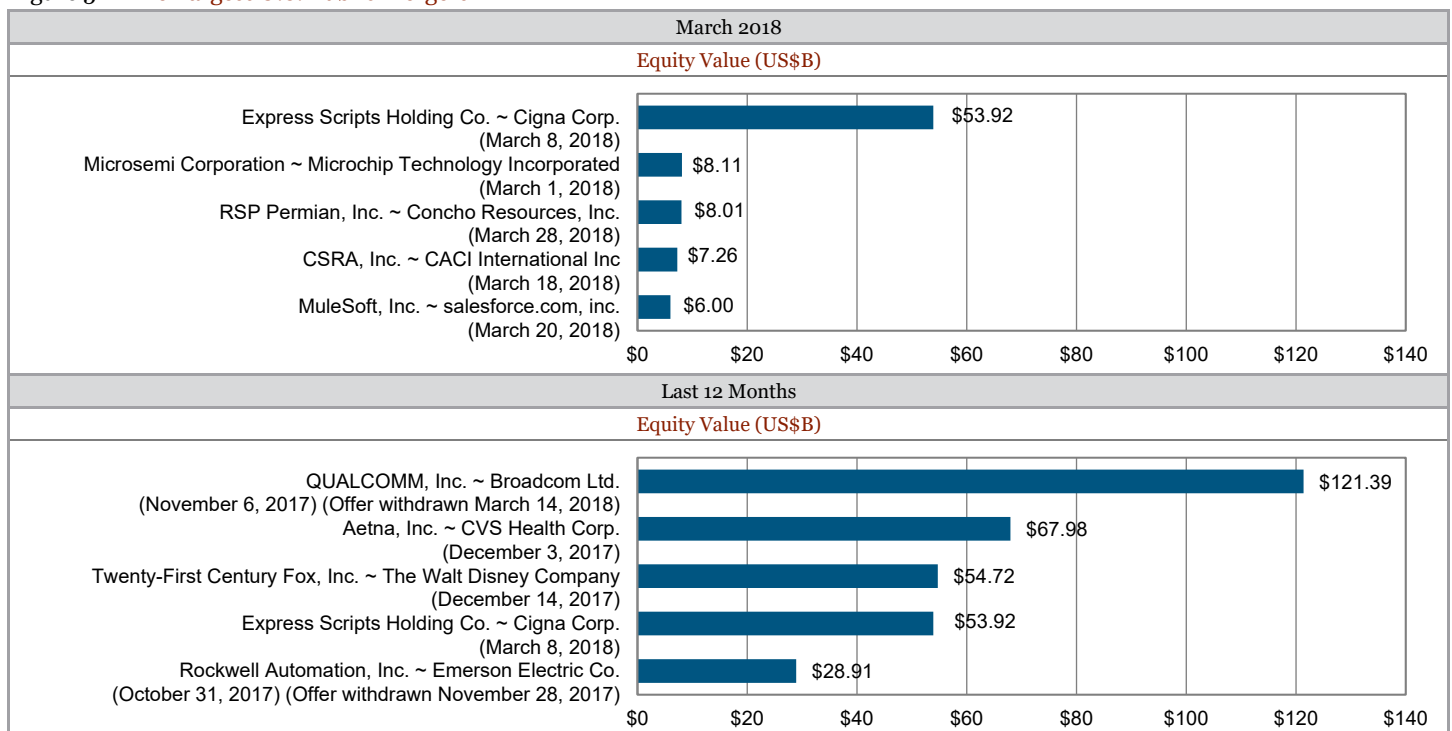


Figure 5 – Five Largest U.S. Public Mergers



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## M&A Terms

Figure 6 – Average Break Fees as % of Equity Value<sup>4</sup>

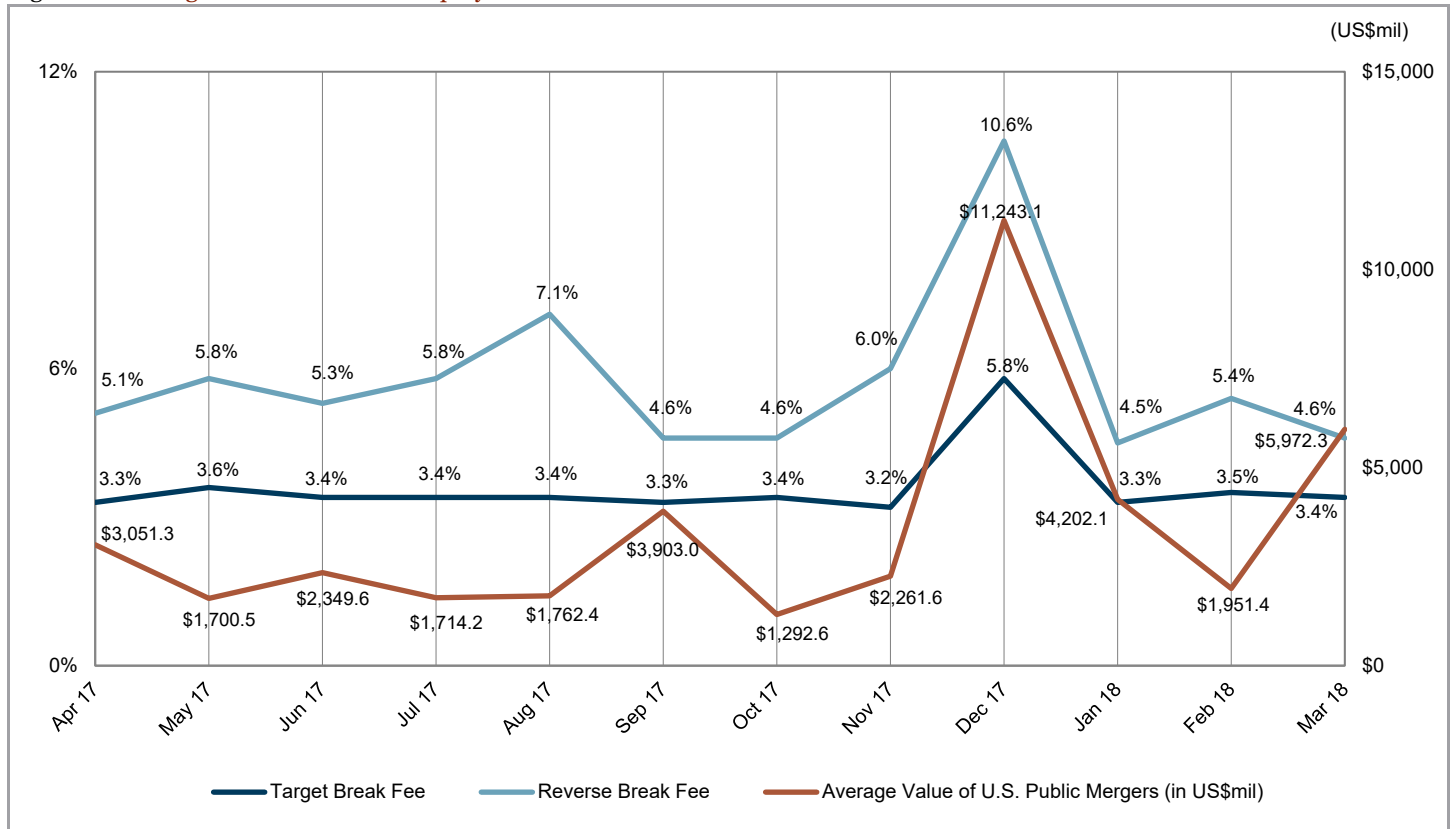


Figure 7 – Average Break Fees as % of Equity Value

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

	March 2018	Last 12 Months
Reverse Break Fee for All Mergers	4.6	5.6
Reverse Break Fee for Mergers Involving Financial Buyers <sup>5</sup>	6.4	6.9
Reverse Break Fee for Mergers Involving Strategic Buyers	4.3	5.2

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>4</sup> Based on the highest target break fees and reverse break fees payable in a particular deal.

<sup>5</sup> One transaction in March 2018 involving a financial buyer had a reverse break fee.

<sup>6</sup> One transaction in March 2018 involved a financial buyer.

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

	March 2018	Last 12 Months
% of Mergers with Go-Shops	0.0	6.0
% of Mergers Involving Financial Buyers with Go-Shops <sup>6</sup>	0.0	12.9
% of Mergers Involving Strategic Buyers with Go-Shops	0.0	4.6
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops	N/A	36.8
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops	N/A	41.3
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops	N/A	34.3

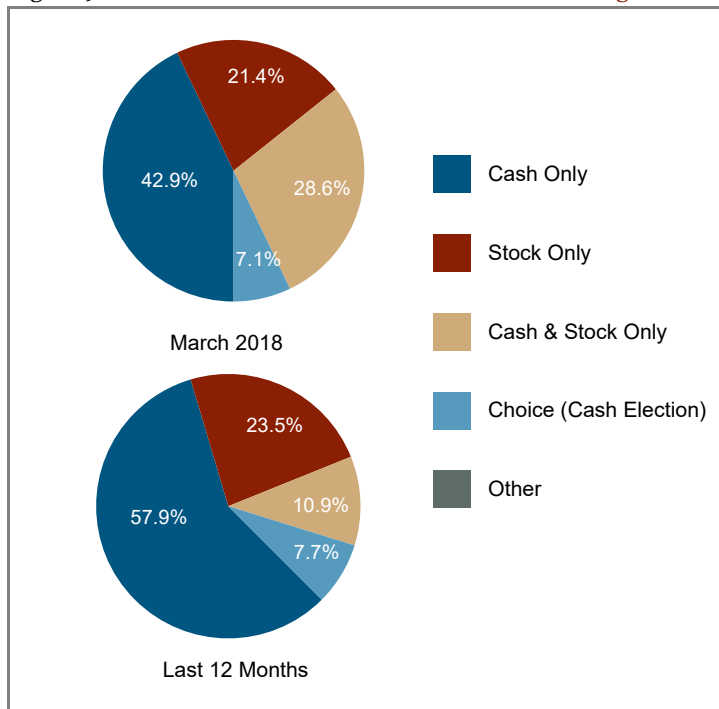
[Return to Summary](#)Figure 9 – Form of Consideration as % of U.S. Public Mergers<sup>7</sup>

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

March 2018	100.0
Last 12 Months	90.5

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

March 2018	14.3
Last 12 Months	18.0

Figure 12 – Hostile/Unsolicited Offers as % of U.S. Public Mergers<sup>8</sup>

March 2018	22.2
Last 12 Months	11.1

<sup>7</sup> Due to rounding, percentages may not add up to 100%.

<sup>8</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).

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Recent highlights include advising: CSRA in its \$9.7 billion acquisition by General Dynamics; Xerox in its \$18 billion combination with Fuji Xerox, a joint venture between Xerox and Fujifilm; Bioverativ 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 decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:



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### M&A Activity – 12-Month Trends

Figure 1A – U.S. Deal Volume (US\$B)

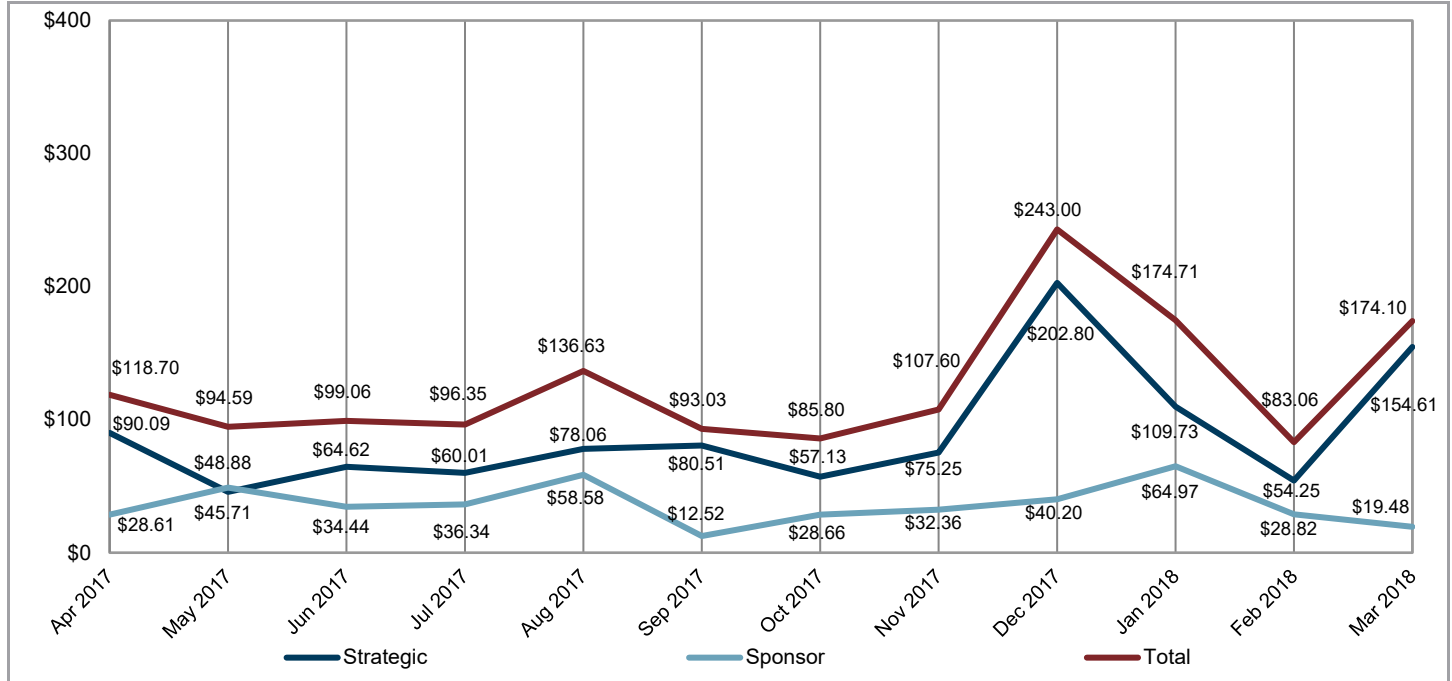
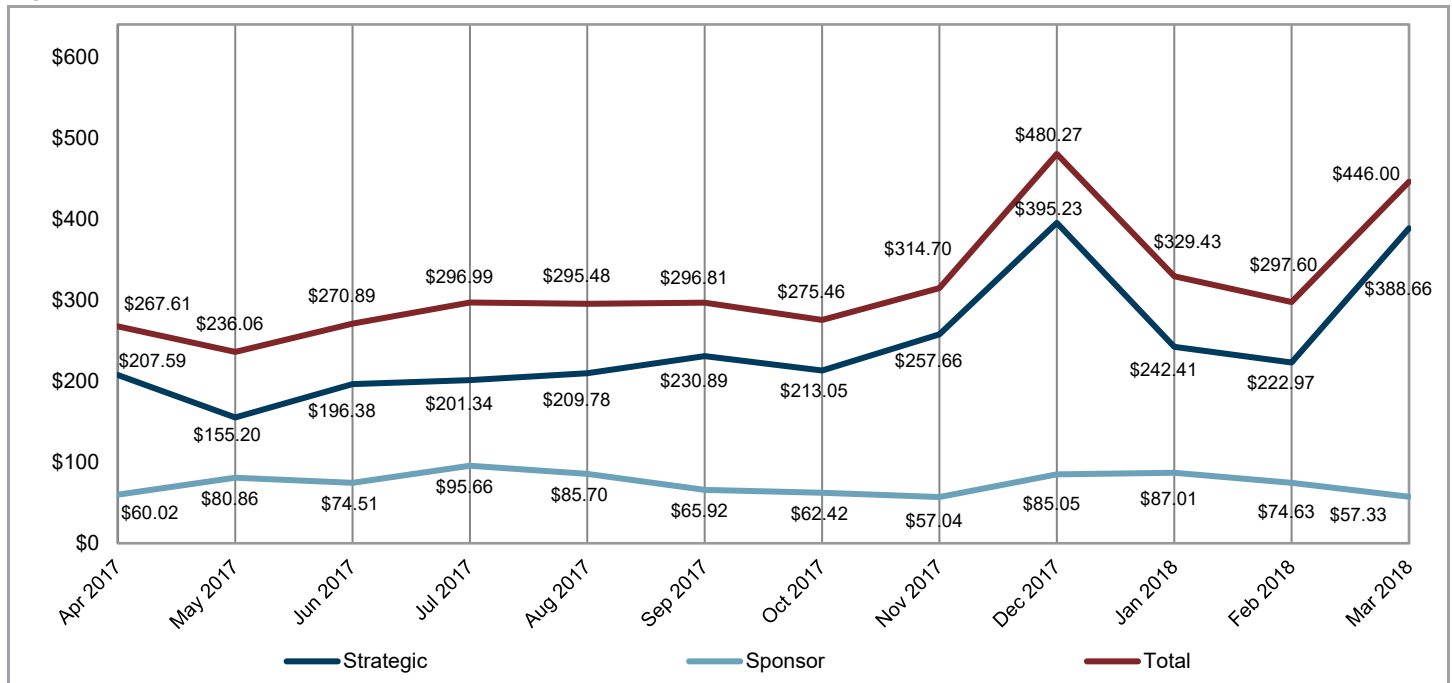


Figure 2A – Global Deal Volume (US\$B)





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Figure 3A – U.S. Number of Deals

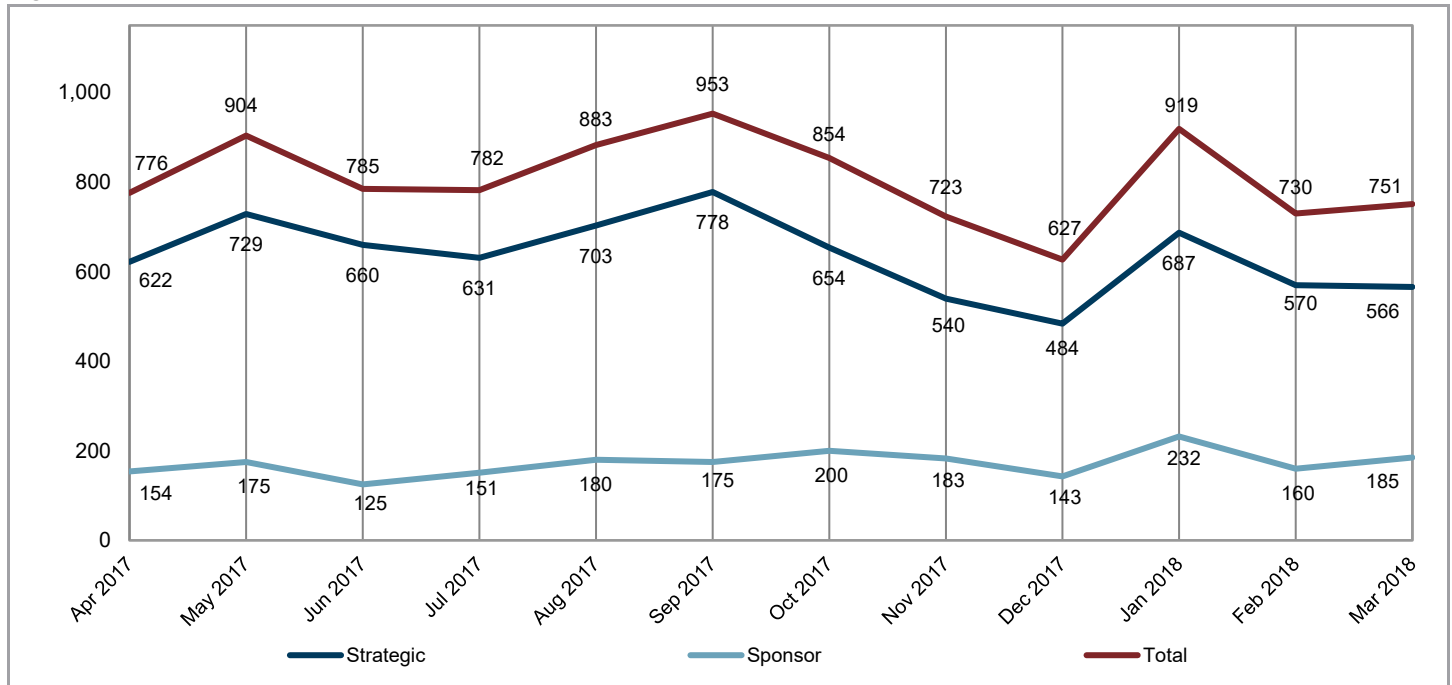
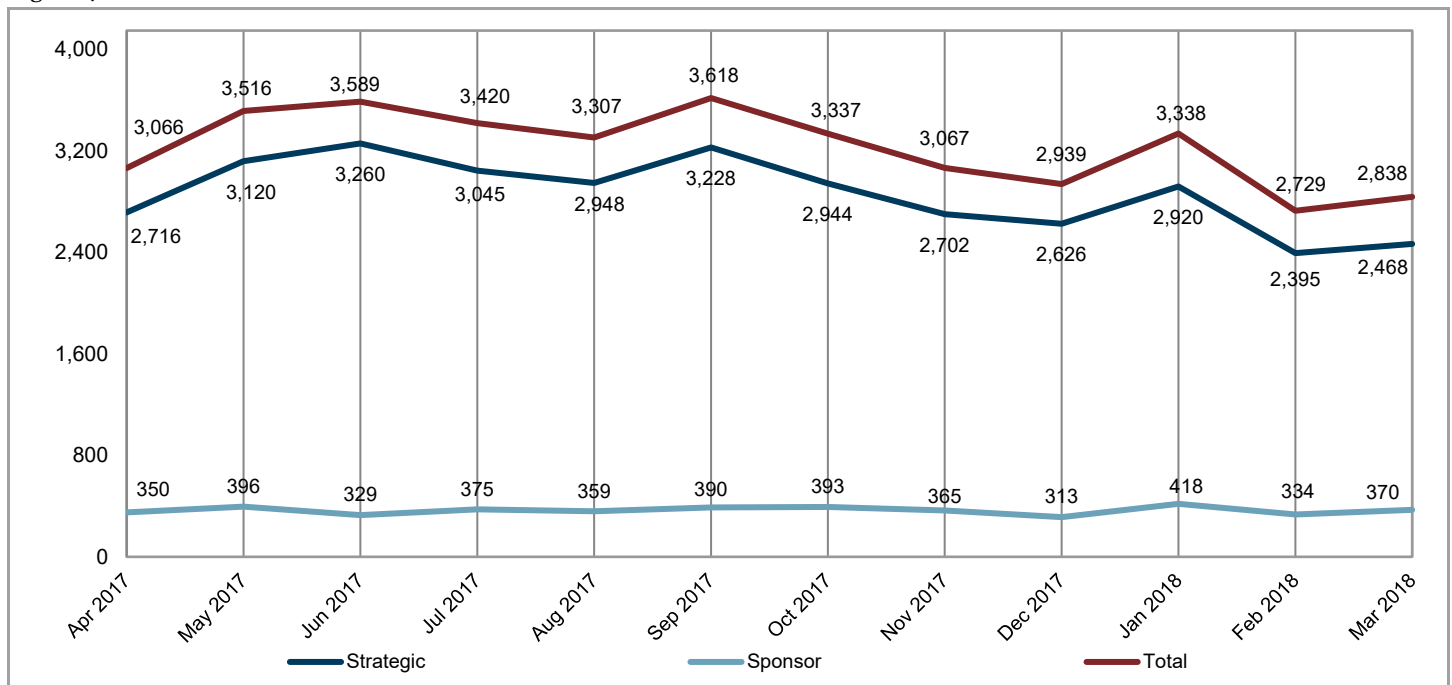


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

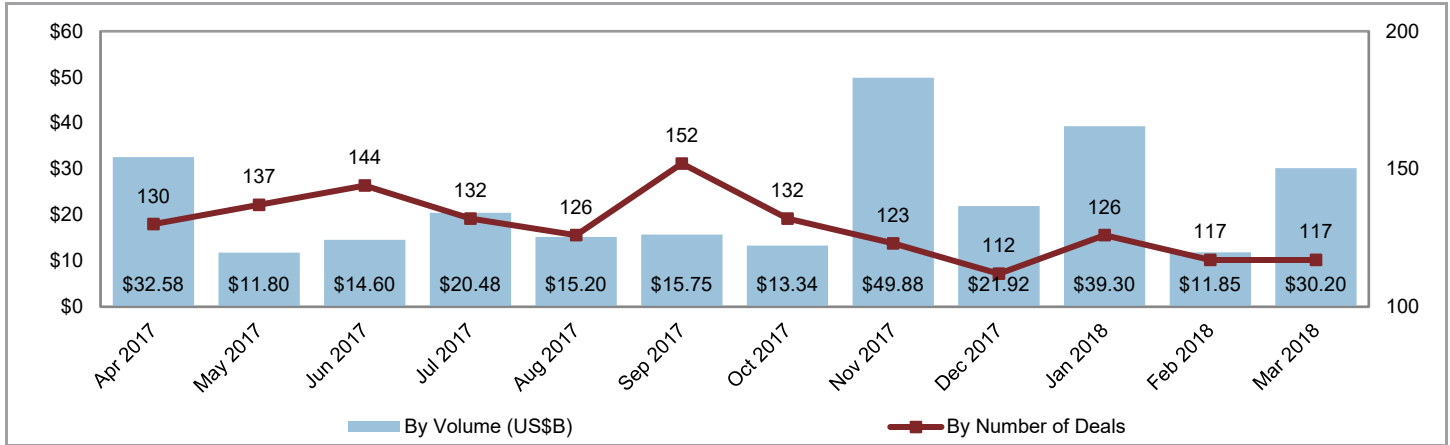


Figure 6A – Outbound U.S. Crossborder Transactions

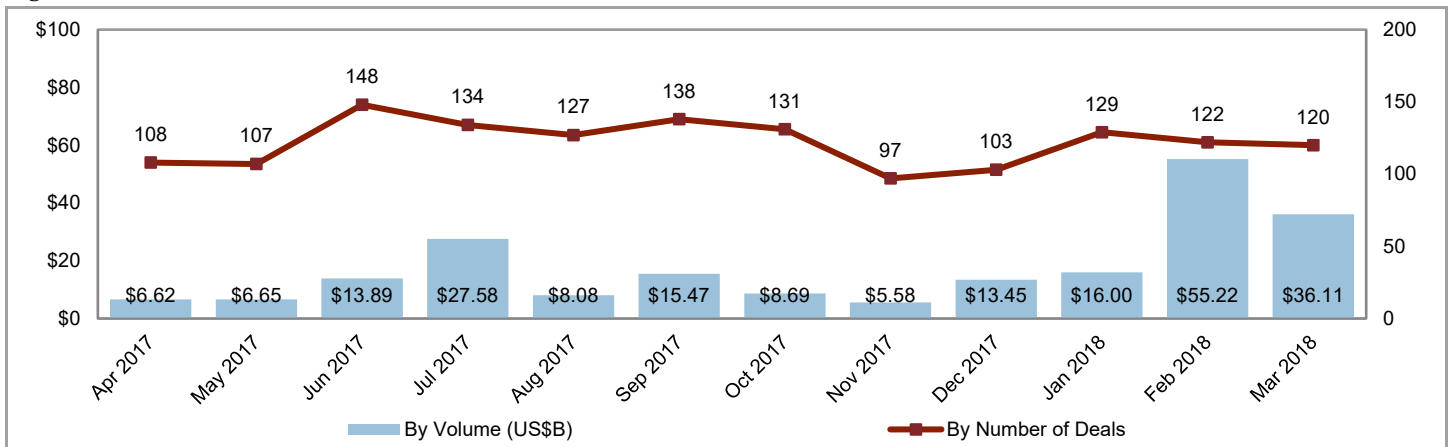


Figure 7A – Global Crossborder Transactions

