

May 2018, Issue 74

M&A activity in April 2018, as measured by number of deals, dipped from March 2018 levels in the U.S. and globally across every metric. The total number of deals decreased by 15.2% to 669 in the U.S. and 9.7% to 2,771 globally, each the second-lowest respective level in the last 12-month period. April volume by dollar value increased both in the U.S. and globally.¹ In the U.S., deal volume increased by 17.6% to \$206.28 billion. Globally, deal volume increased by 8.3% to \$525.68 billion, a 12-month high.

Strategic vs. Sponsor Activity

The number of strategic deals decreased by 10.8% to 535 in the U.S. and by 8.6% to 2,459 globally, each the second-lowest respective level in the last 12-month period. U.S. strategic volume by dollar value increased by 10.3% to \$170.67 billion, while global strategic deal volume decreased by 0.9% to \$422.05 billion. [Figure 1](#) and Annex [Figures 1A–4A](#). As for sponsor-related activity, the number of deals decreased by 29.1% to 134 in the U.S. (the second-lowest level in the last 12-month period) and by 17.2% to a 12-month low of 312 globally. U.S. sponsor-related volume increased by 71.8% to \$35.61 billion while global sponsor-related volume increased by 73.8% to a 12-month high of \$103.63 billion. [Figure 1](#) and Annex [Figures 1A–4A](#).

Crossborder Activity

The number of deals decreased in the month of April for both U.S. inbound transactions (by 14.5% to a 12-month low of 106) and outbound transactions (by 6.7% to 126). U.S. inbound volume decreased by 42.4% to \$17.40 billion and U.S. outbound volume increased by 72.5% to \$51.78 billion. [Figure 1](#) and Annex [Figures 5A–7A](#). Globally, the number of crossborder deals decreased by 4.8% to 674 (tied for the second lowest level in the last 12-month period), while crossborder volume increased by 21.2% to \$207.15 billion, a 12-month high.

Canada remained the leader for U.S. inbound activity by number of deals in both the month of April (24) and over the last 12-month period (394). Switzerland was the leading country of origin for U.S. inbound activity by dollar value (\$9.21 billion) and Canada remained the leader over the last 12-month period (\$67.06 billion). The U.K. swept the U.S. outbound deal categories by coming in first in deal number (30) in April as well as during the last 12-month period (270), and led in volume in April (\$39.73 billion) and during the last 12-month period (\$115.55 billion). [Figure 3](#).

U.S. Deals by Industry

Computer & Electronics remained the most active target industry by number of deals in April (177) and over the last 12-month period (2,827). Telecommunications was the most active target industry by dollar value in April 2018 (\$61.18 billion), driven in large part by T-Mobile US, Inc.'s announced acquisition of Sprint Corp. for \$26.51 billion. Healthcare was the most active target industry over the last 12-month period (\$315.27 billion). [Figure 2](#).

U.S. Public Mergers

As for U.S. public merger deal terms in April 2018, average target break fees (4.0%) increased over the 12-month average (3.6%). Average reverse break fees (5.7%) matched the 12-month average (5.7%). [Figures 6](#) and [7](#). The use of go-shop provisions in U.S. public mergers reappeared for the first time since February 2018, with two transactions including a go-shop provision, or 11.1% of U.S. public mergers. [Figure 8](#). The use of cash consideration in April 2018 increased to 44.4%, still below the average of 56.5% over the last 12-month period. [Figure 9](#). All transactions involving a stock component included a fixed exchange ratio. [Figure 10](#). The incidence of tender offers as a percentage of U.S. public mergers was 5.6%, significantly below its average of 17.2% over the last 12-month period. [Figure 11](#). Finally, the incidence of hostile offers in April 2018 was 10.0%, slightly below the average of 11.8% over the last 12-month period. [Figure 12](#).

¹ Deal volume by dollar value is calculated from the subset of the total number of deals that include a disclosed deal value.

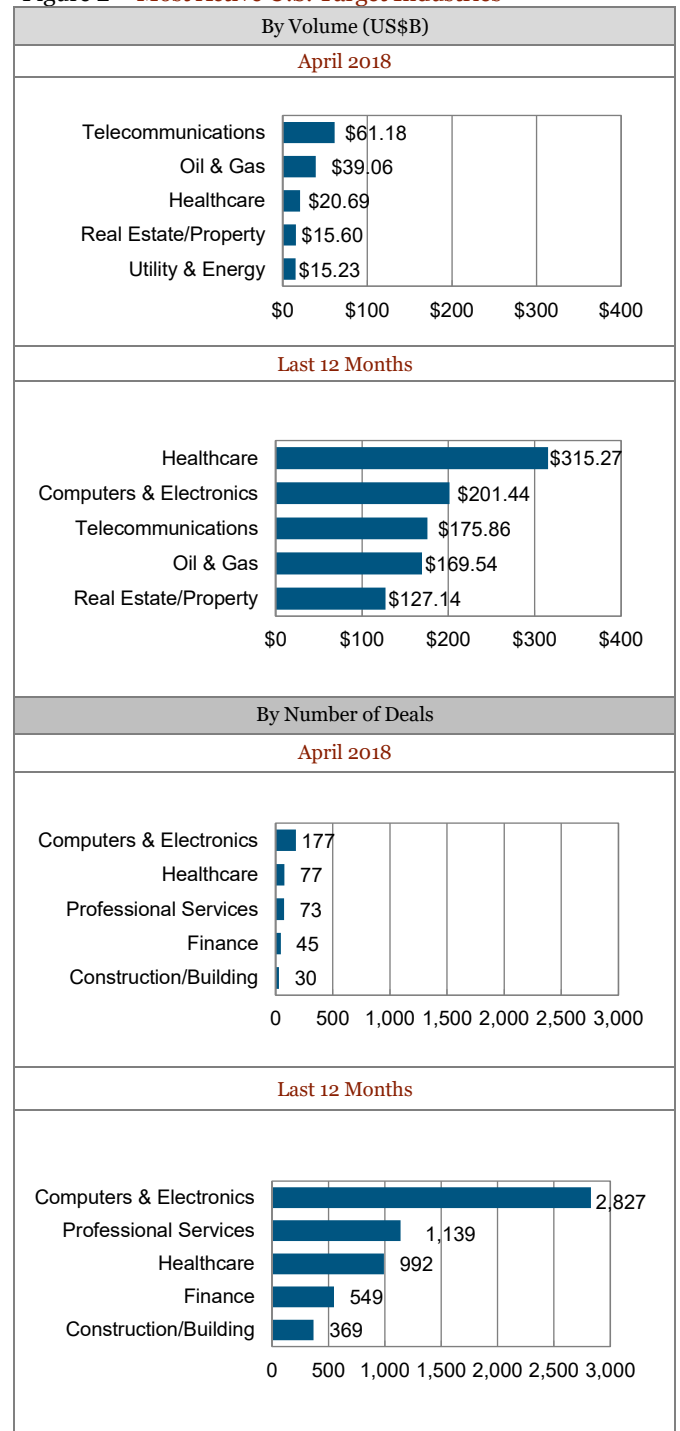
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M&A Activity

Figure 1

April 2018	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	525.68	40.31	206.28	30.85
No. of deals	2,771	(297)	669	(120)
Avg. value of deals (US\$mil)	414.9	86.3	987.0	394.3
Strategic Transactions				
Volume (US\$B)	422.05	(3.68)	170.67	15.97
No. of deals	2,459	(232)	535	(65)
Avg. value of deals (US\$mil)	365.7	54.5	1,004.0	406.7
Sponsor-Related Transactions				
Volume (US\$B)	103.63	43.99	35.61	14.88
No. of deals	312	(65)	134	(55)
Avg. value of deals (US\$mil)	917.1	369.9	913.1	352.8
Crossborder Transactions¹				
Volume (US\$B)	207.15	36.17	Inbound 17.40 Outbound 51.78	Inbound (12.98) Outbound 21.76
No. of deals	674	(34)	Inbound 106 Outbound 126	Inbound (18) Outbound (9)
Avg. value of deals (US\$mil)	704.6	170.3	Inbound 347.9 Outbound 1,438.3	Inbound (142.0) Outbound 403.1

Figure 2 – Most Active U.S. Target Industries²



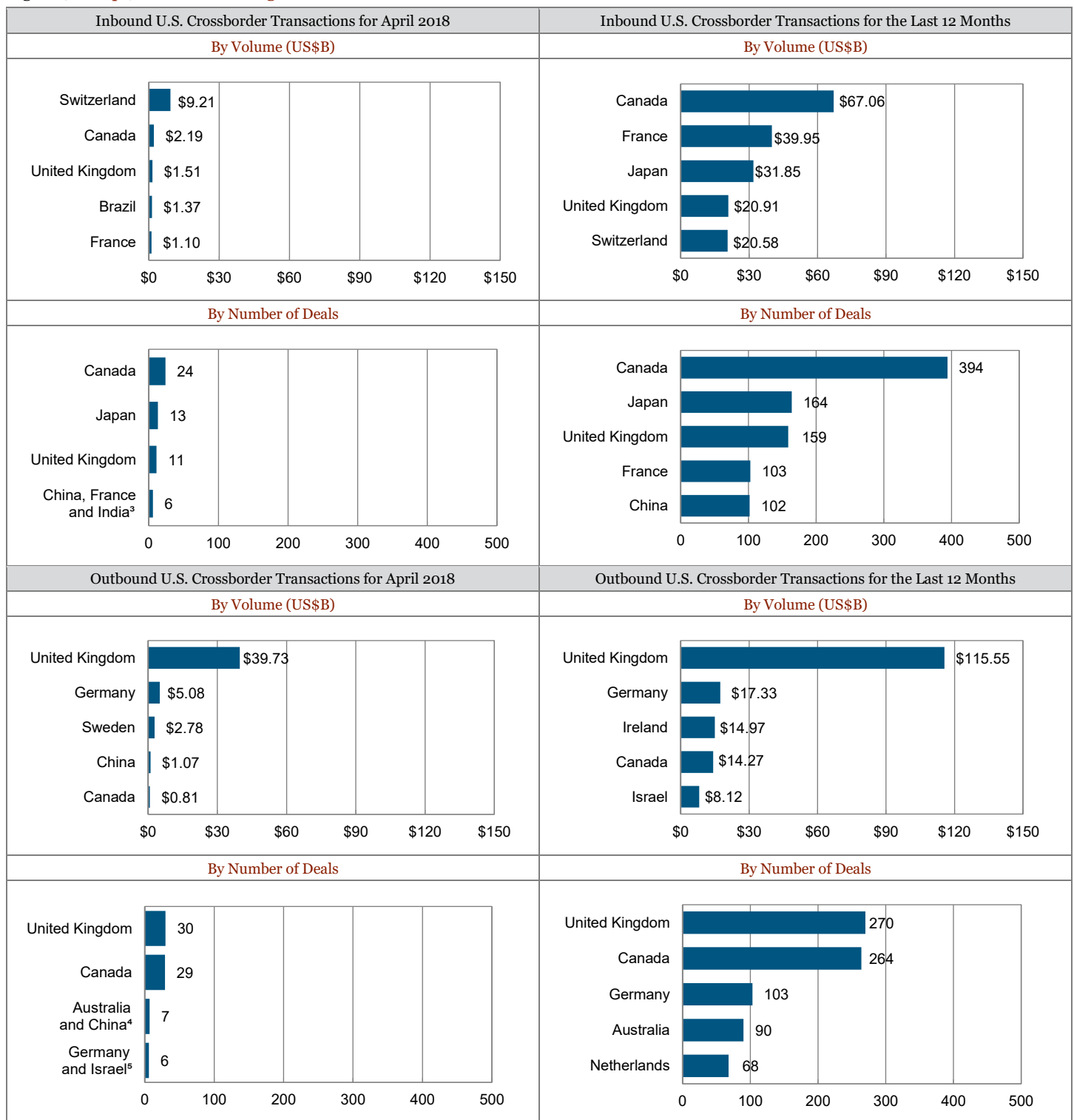
Figures 1-3 were compiled using data from Dealogic, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Deal volume by dollar value and average value of deals are calculated from the subset of the total number of deals that include a disclosed deal value. 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 May 2017 to April 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 origin for six transactions in April 2018.

⁴ Each of Australia and China was the country of destination for seven transactions in April 2018.

⁵ Each of Germany and Israel was the country of destination for six transactions in April 2018.

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

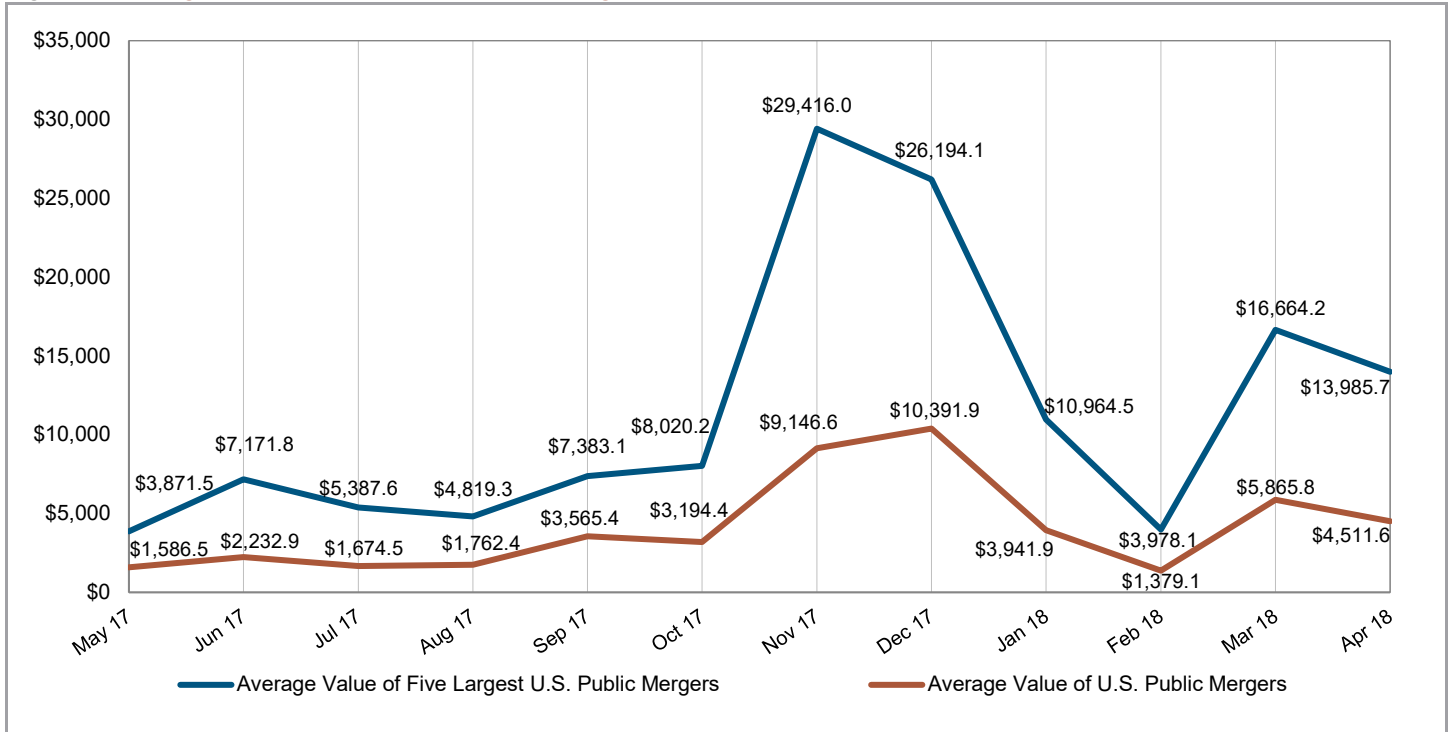
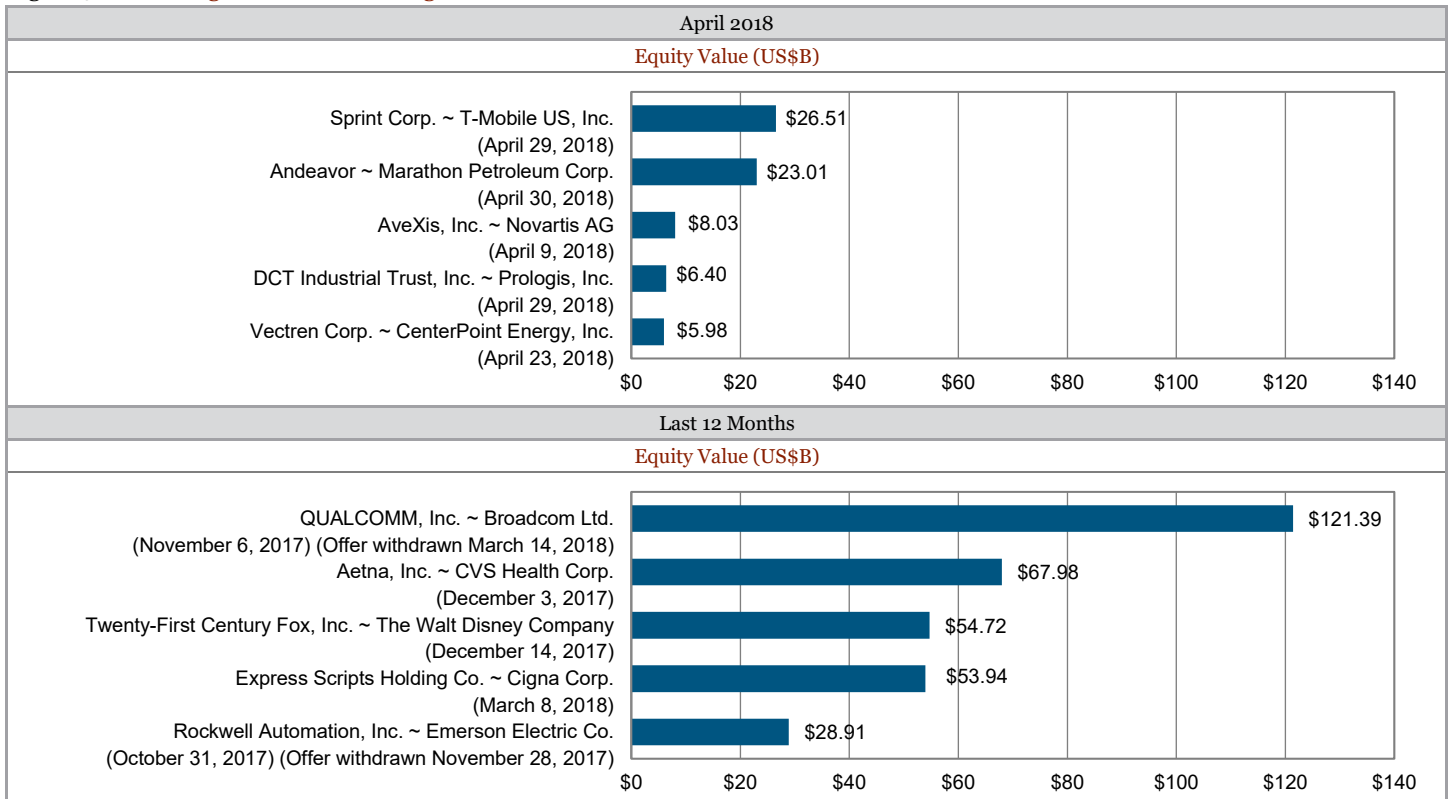


Figure 5 – Five Largest U.S. Public Mergers



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M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁶

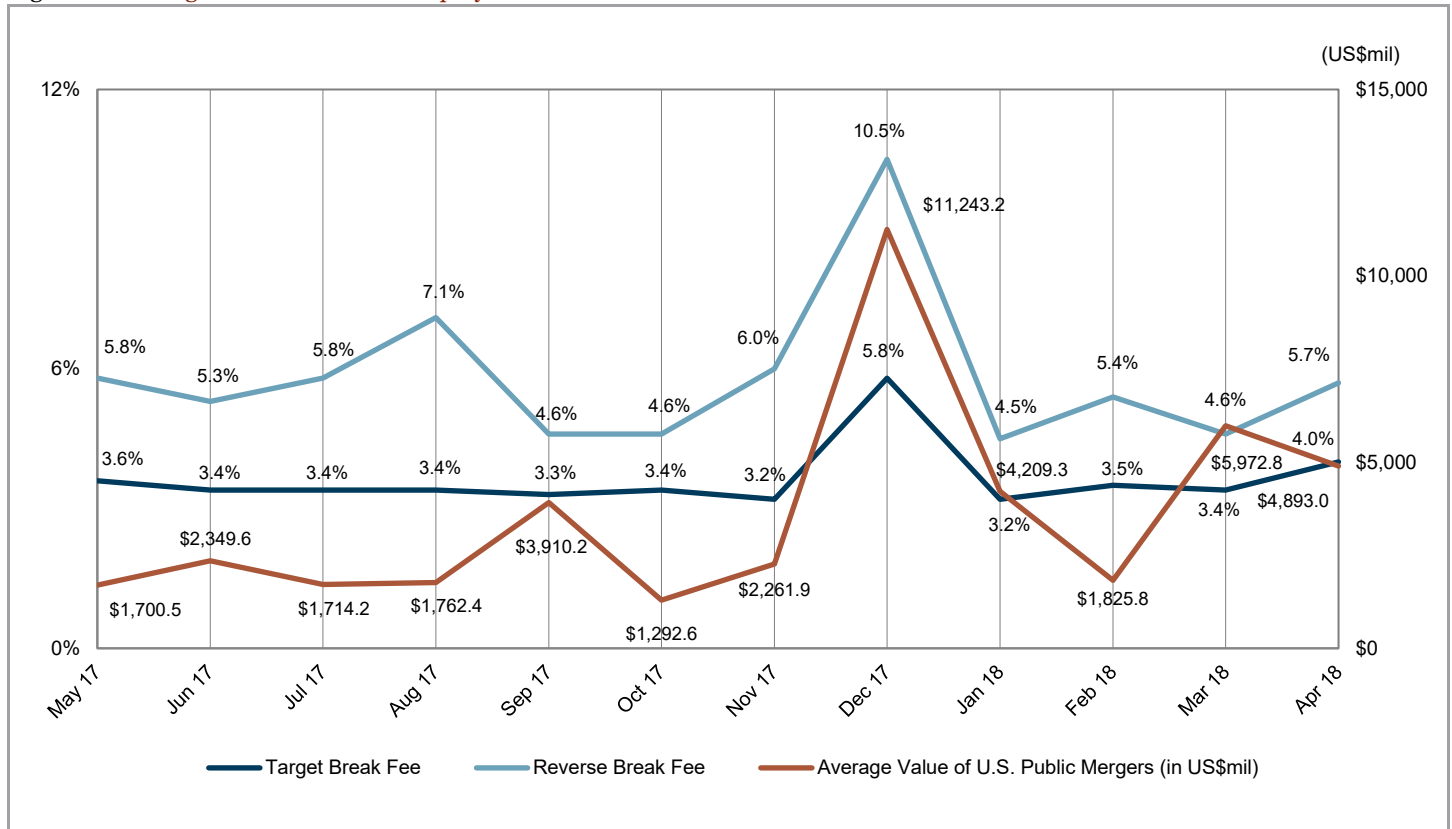


Figure 7 – Average Break Fees as % of Equity Value

	April 2018	Last 12 Months
Target Break Fee for All Mergers	4.0	3.6

	April 2018	Last 12 Months
Reverse Break Fee for All Mergers	5.7	5.7
Reverse Break Fee for Mergers Involving Financial Buyers ⁷	6.6	7.0
Reverse Break Fee for Mergers Involving Strategic Buyers	5.4	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.

⁶ Based on the highest target break fees and reverse break fees payable in a particular deal.
⁷ Three transactions in April 2018 involving a financial buyer had a reverse break fee.
⁸ Three transactions in April 2018 involved a financial buyer.
⁹ Two transactions in April 2018 had a go-shop provision.
¹⁰ One transaction in April 2018 involving a financial buyer had a go-shop provision.
¹¹ One transaction in April 2018 involving a strategic buyer had a go-shop provision.

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

	April 2018	Last 12 Months
% of Mergers with Go-Shops	11.1	6.5
% of Mergers Involving Financial Buyers with Go-Shops ⁸	33.3	12.9
% of Mergers Involving Strategic Buyers with Go-Shops	6.7	5.2
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ⁹	45.0	38.3
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ¹⁰	45.0	43.8
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ¹¹	45.0	35.6

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Figure 9 – Form of Consideration as % of U.S. Public Mergers¹²

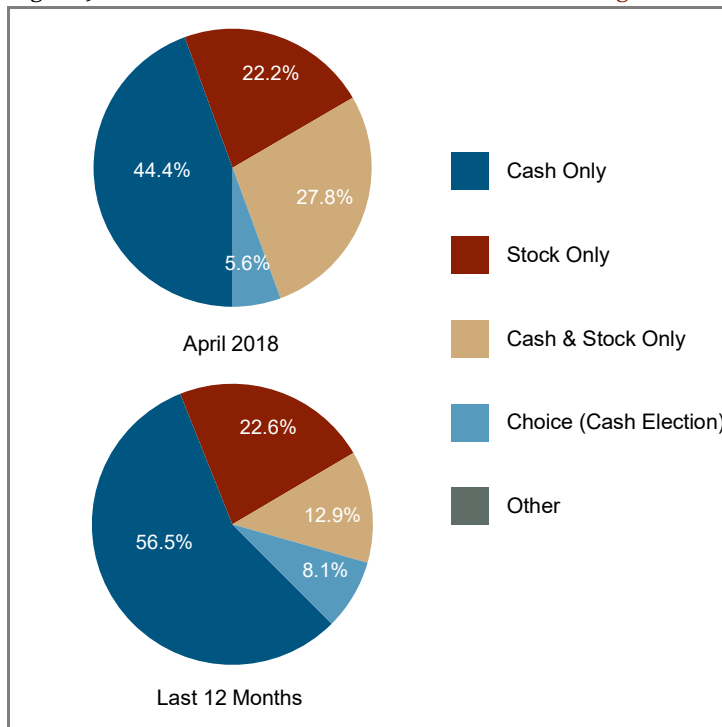


Figure 10 – % of Partial and All Stock Deals That Have a Fixed Exchange Ratio

April 2018	100.0
Last 12 Months	93.9

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

April 2018	5.6
Last 12 Months	17.2

Figure 12 – Hostile/Unsolicited Offers as % of U.S. Public Mergers¹³

April 2018	10.0
Last 12 Months	11.8

¹² Due to rounding, percentages may not add up to 100%.

¹³ 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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Matthew W. Abbott
Partner
New York Office
+1-212-373-3402
[Email](#)



Scott A. Barshay
Partner
New York Office
+1-212-373-3040
[Email](#)



Angelo Bonvino
Partner
New York Office
+1-212-373-3570
[Email](#)



Ariel J. Deckelbaum
Partner
New York Office
+1-212-373-3546
[Email](#)



Jeffrey D. Marell
Partner
New York Office
+1-212-373-3105
[Email](#)



Taurie M. Zeitzer
Partner
New York Office
+1-212-373-3353
[Email](#)

Counsel Frances Mi and associates Ryan D. Blicher, Edy Glozman, Vincent P. Iacono, Paul A. Nolle III, David Okada, Yae Na Woo and Michael N. Wysolmerski 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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[Justin G. Hamill](#)

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[David K. Lakhdir](#)

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[Xiaoyu Greg Liu](#)

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[Alvaro Gomez de
Membrillera Galiana](#)

[Judie Ng Shortell](#)

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[Carl L. Reisner](#)

[Kenneth M. Schneider](#)

[Robert B. Schumer](#)

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[Tong Yu](#)

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M&A Activity – 12-Month Trends

Figure 1A – U.S. Deal Volume (US\$B)

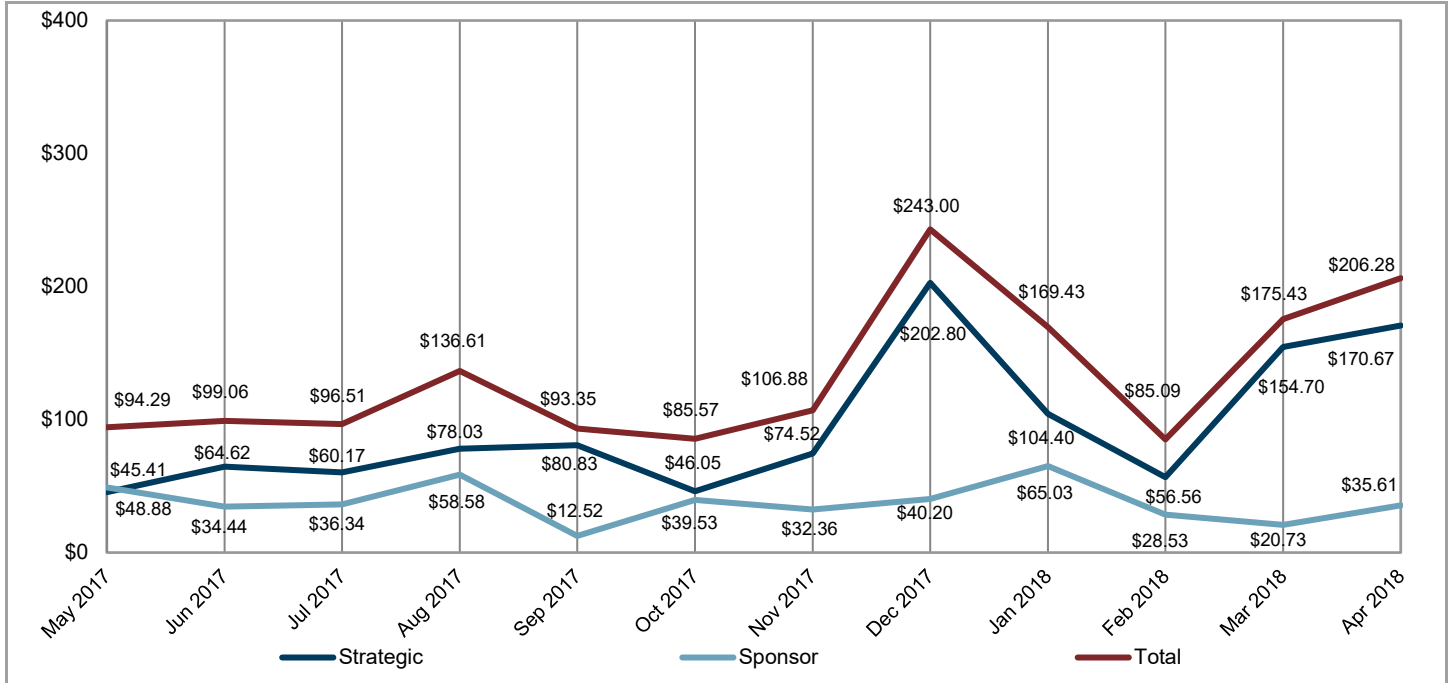
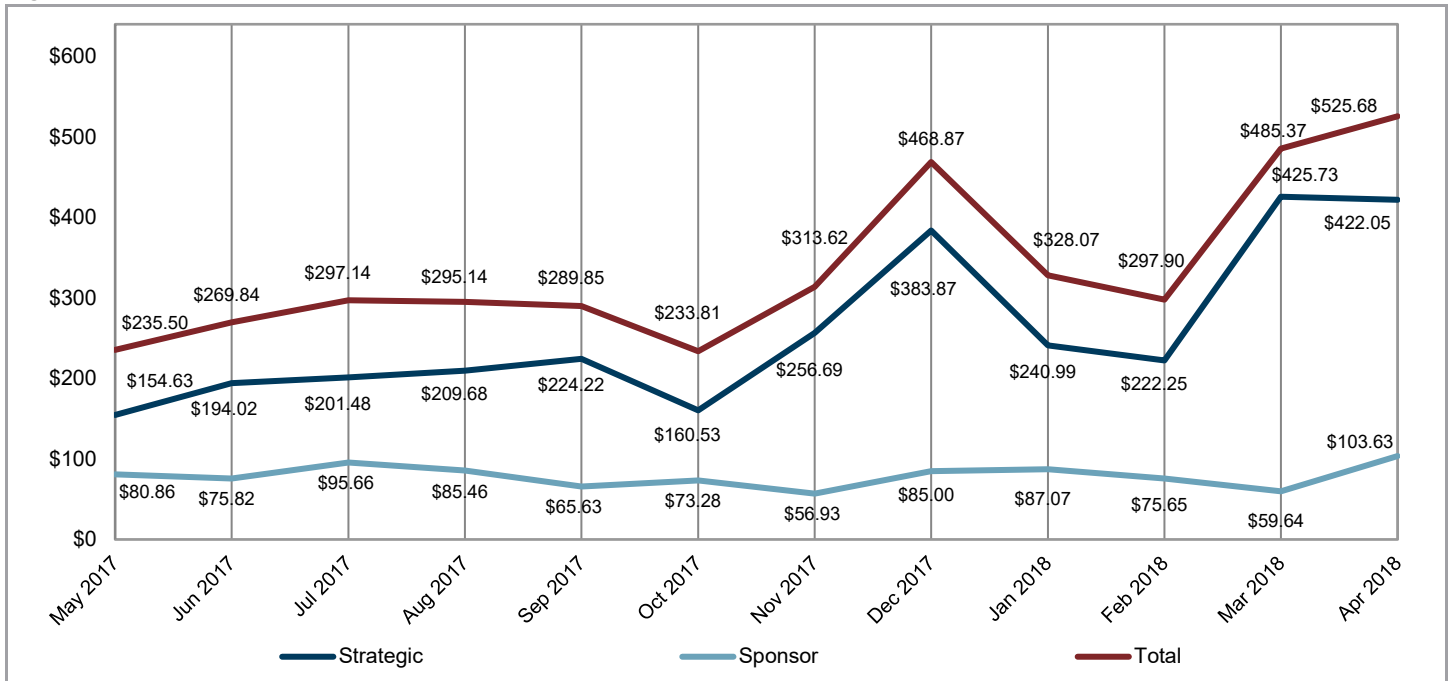


Figure 2A – Global Deal Volume (US\$B)



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Figure 3A – U.S. Number of Deals

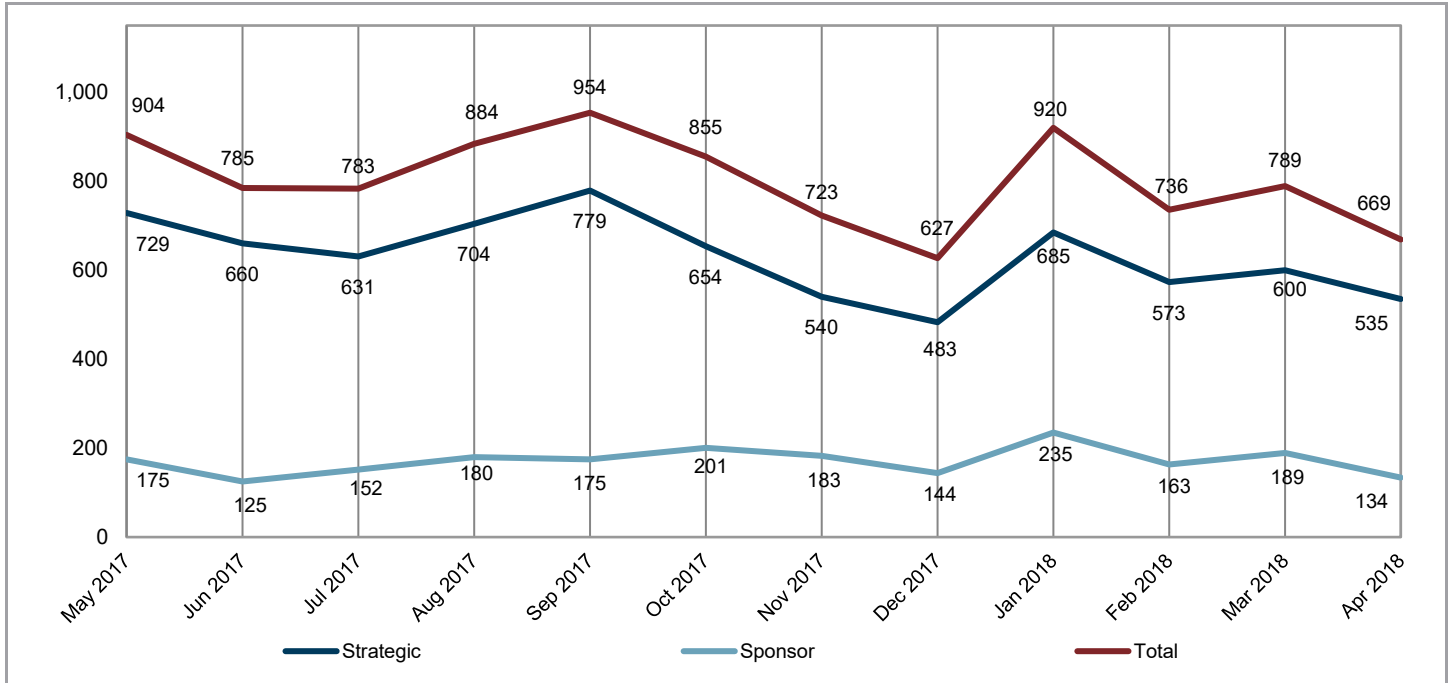
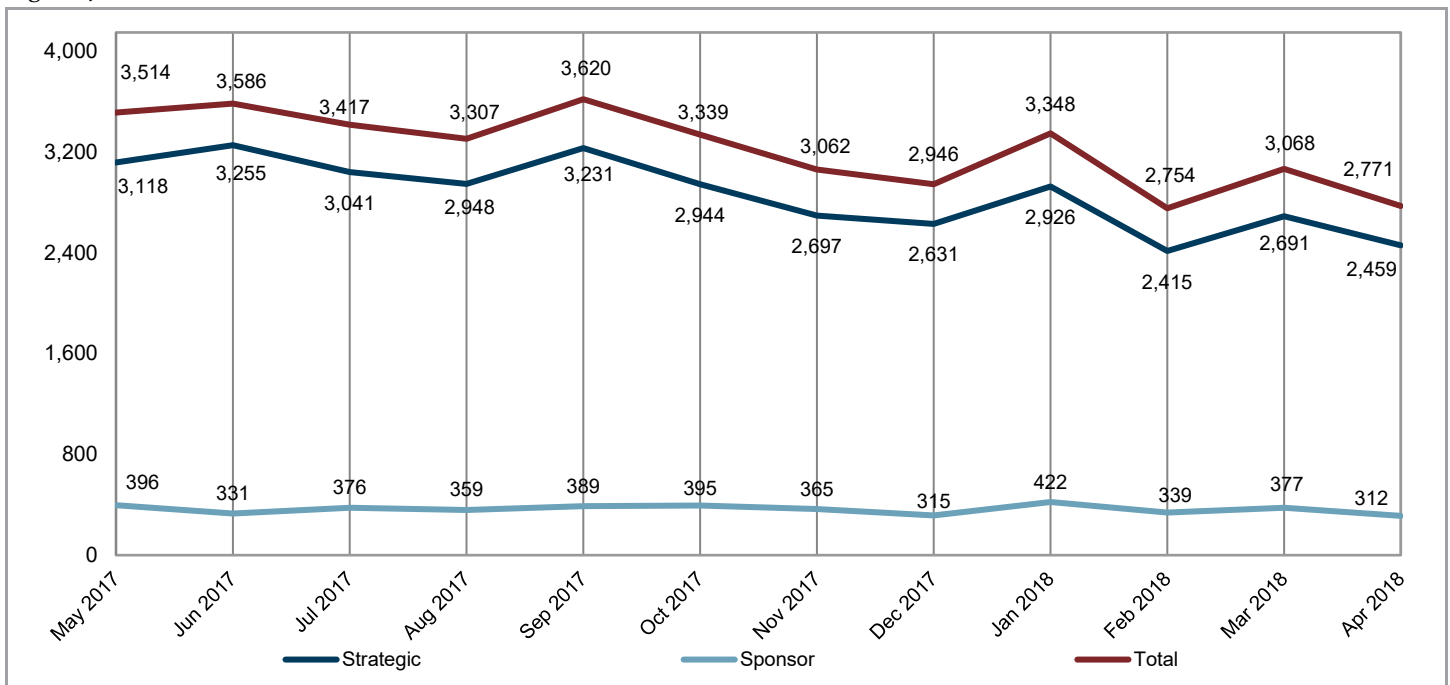


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

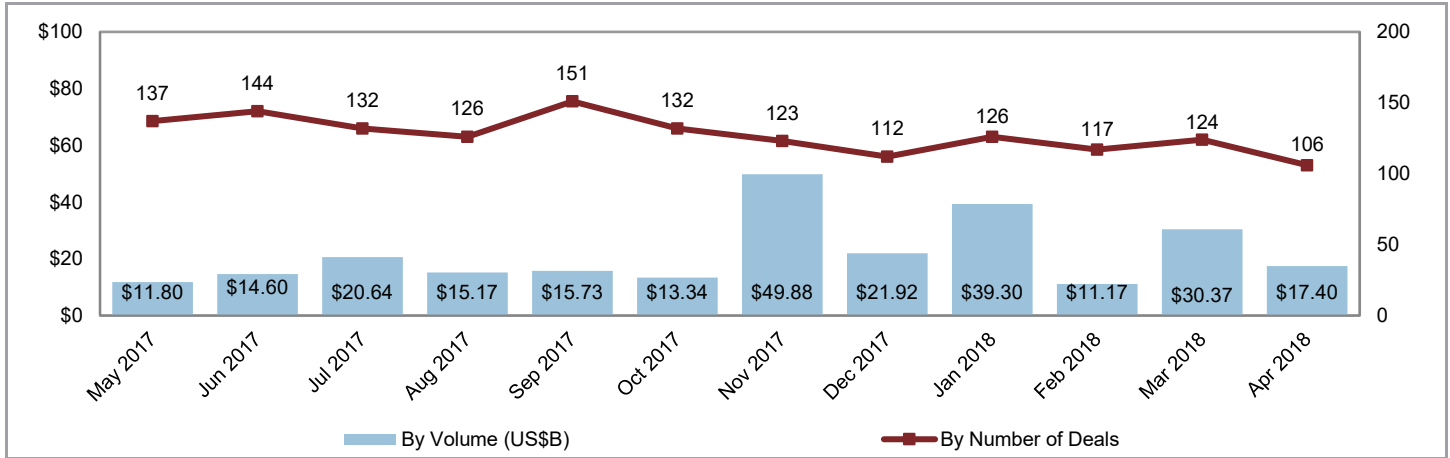


Figure 6A – Outbound U.S. Crossborder Transactions

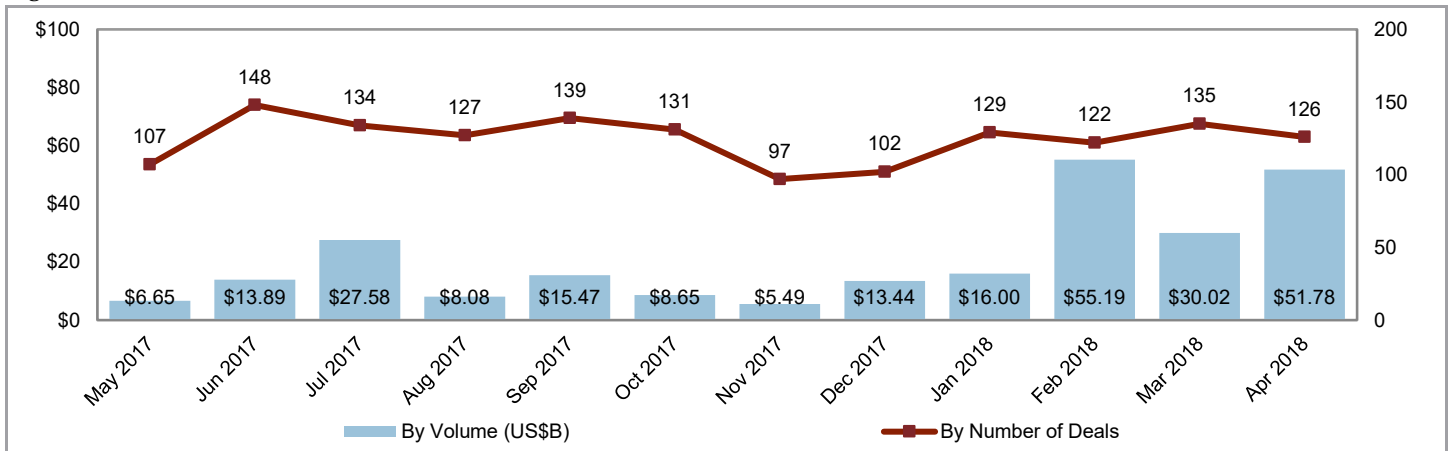


Figure 7A – Global Crossborder Transactions

