

June 2018, Issue 75

M&A activity in May 2018 generally weakened from last month. The total number of deals decreased in the U.S. by 1.2% to 667 (the second-lowest level in the last 12-month period) and globally by 4.8% to 2,759 (the lowest level in the last 12-month period). May deal volume by dollar value decreased in the U.S. by 29.9% to \$144.39 billion and globally by 21.9% to \$401.76 billion.¹

Strategic vs. Sponsor Activity

The number of strategic deals increased by 2.4% to 564 in the U.S., but decreased by 5.0% to 2,456 globally, the second-lowest level in the last 12-month period. U.S. and global strategic volume by dollar value decreased by 42.0% to \$101.28 billion and by 27.5% to \$310.25 billion, respectively. [Figure 1](#) and Annex [Figures 1A–4A](#). The number of sponsor-related deals decreased by 15.7% to 113 in the U.S. and by 2.9% to 303 globally, each the lowest level in the last 12-month period. Sponsor-related volume, however, was a bright spot, increasing by 36.9% to \$43.11 billion in the U.S. and 5.4% to \$91.50 billion globally, the second-highest level in the previous 12-months. [Figure 1](#) and Annex [Figures 1A–4A](#).

Crossborder Activity

The number of deals decreased in May for both U.S. inbound transactions (by 3.7% to a 12-month low of 103) and outbound transactions (by 19.1% to 110). U.S. inbound volume by dollar value increased by 70.6% to \$29.52 billion whereas U.S. outbound volume by dollar value decreased by 40.6% to \$31.15 billion. [Figure 1](#) and Annex [Figures 5A–7A](#). Globally, the number of crossborder deals decreased by 9.9% to 637, the lowest level in the last 12-month period. Global crossborder deal volume decreased by 12.9% to \$178.64 billion, but was still the second-highest level in the last 12-month period.

Canada remained the leader for U.S. inbound activity by number of deals in both the month of May (26) and over the last 12-month period (390). Canada also was the leading country for U.S. inbound activity as measured by deal volume in May (\$15.91 billion) and over the last 12-month period (\$78.96 billion). The U.K. was the leading destination country by both deal number in May (29) and over the last 12-month period (282). India was the leading destination country for U.S. outbound activity by dollar value (\$16.04 billion), driven primarily by Walmart Inc.'s announced \$16.00 billion investment of a 77% interest in Flipkart Ltd, while the U.K. remained the leader over the last 12-month period (\$116.70 billion). [Figure 3](#).

U.S. Deals by Industry

Computer & Electronics remained the most active target industry by number of deals in May (216) and over the last 12-month period (2,759). Computer & Electronics was also the most active target industry by dollar value in May 2018 (\$30.15 billion), while healthcare remained the most active target industry over the last 12-month period (\$299.67 billion). [Figure 2](#).

U.S. Public Mergers

As for U.S. public merger deal terms in May 2018, average target break fees (3.4%) decreased below the 12-month average (3.6%). Average reverse break fees (6.6%) rose above the 12-month average (5.7%), with average reverse break fees in financial buyer transactions increasing to 8.2%. [Figures 6](#) and [7](#). No transactions in May 2018 included a go-shop provision. [Figure 8](#). The use of cash consideration in May 2018 increased to 54.4%, still below the average of 57.5% over the last 12-month period. [Figure 9](#). The incidence of tender offers as a percentage of U.S. public mergers (27.3%) was above the 12-month average (17.9%). [Figure 11](#). The incidence of hostile/unsolicited offers in May 2018 was 22.2%, above the average of 12.9% over the last 12-month period. [Figure 12](#).

¹ Each metric in this publication that references deal volume by dollar value is calculated from the subset of the total number of deals that include a disclosed deal value.

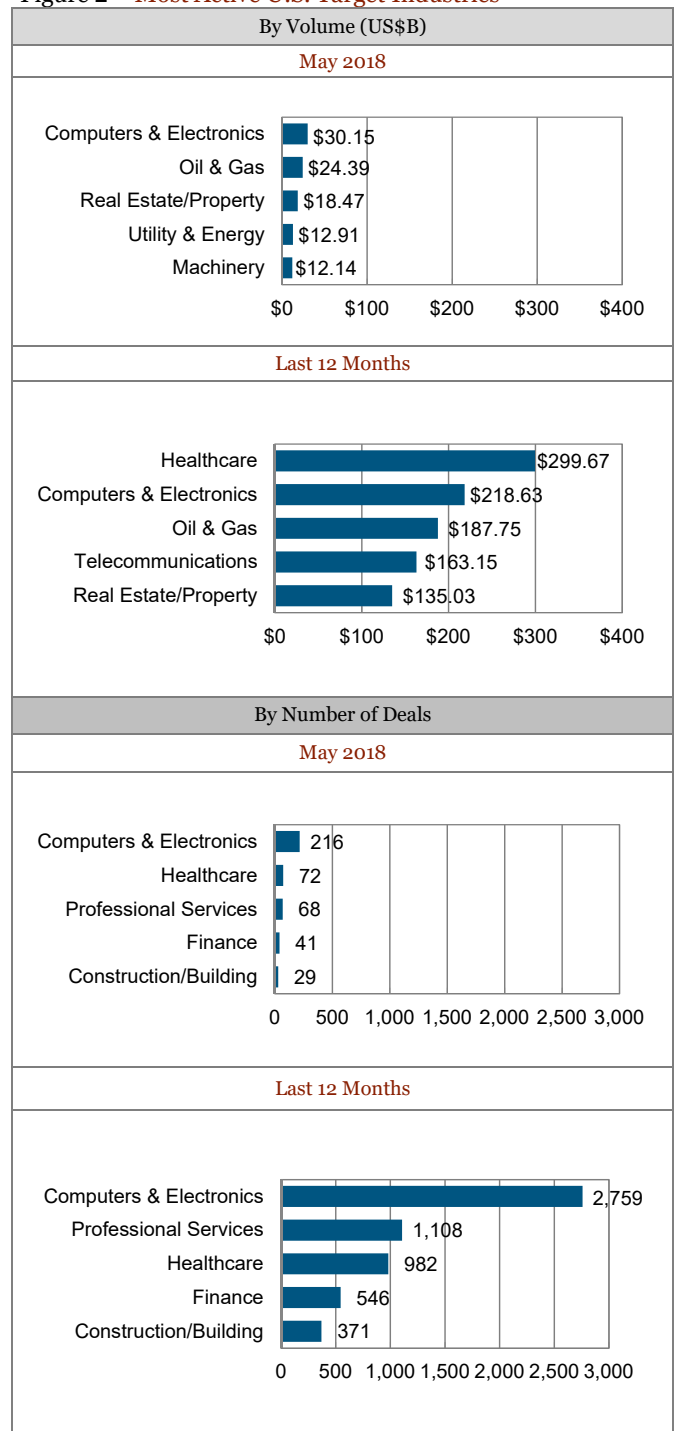
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M&A Activity

Figure 1

May 2018	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	401.76	(112.74)	144.39	(61.71)
No. of deals	2,759	(139)	677	(8)
Avg. value of deals (US\$mil)	275.7	(116.7)	513.9	(440.3)
Strategic Transactions				
Volume (US\$B)	310.25	(117.45)	101.28	(73.33)
No. of deals	2,456	(130)	564	13
Avg. value of deals (US\$mil)	232.9	(123.8)	418.5	(551.6)
Sponsor-Related Transactions				
Volume (US\$B)	91.50	4.71	43.11	11.62
No. of deals	303	(9)	113	(21)
Avg. value of deals (US\$mil)	732.0	(42.9)	1,105.3	230.8
Crossborder Transactions¹				
Volume (US\$B)	178.64	(26.45)	Inbound 29.52 Outbound 31.15	Inbound 12.22 Outbound (21.25)
No. of deals	637	(70)	Inbound 103 Outbound 110	Inbound (4) Outbound (26)
Avg. value of deals (US\$mil)	544.6	(121.3)	Inbound 447.3 Outbound 778.6	Inbound 114.6 Outbound (531.2)

Figure 2 – Most Active U.S. Target Industries²



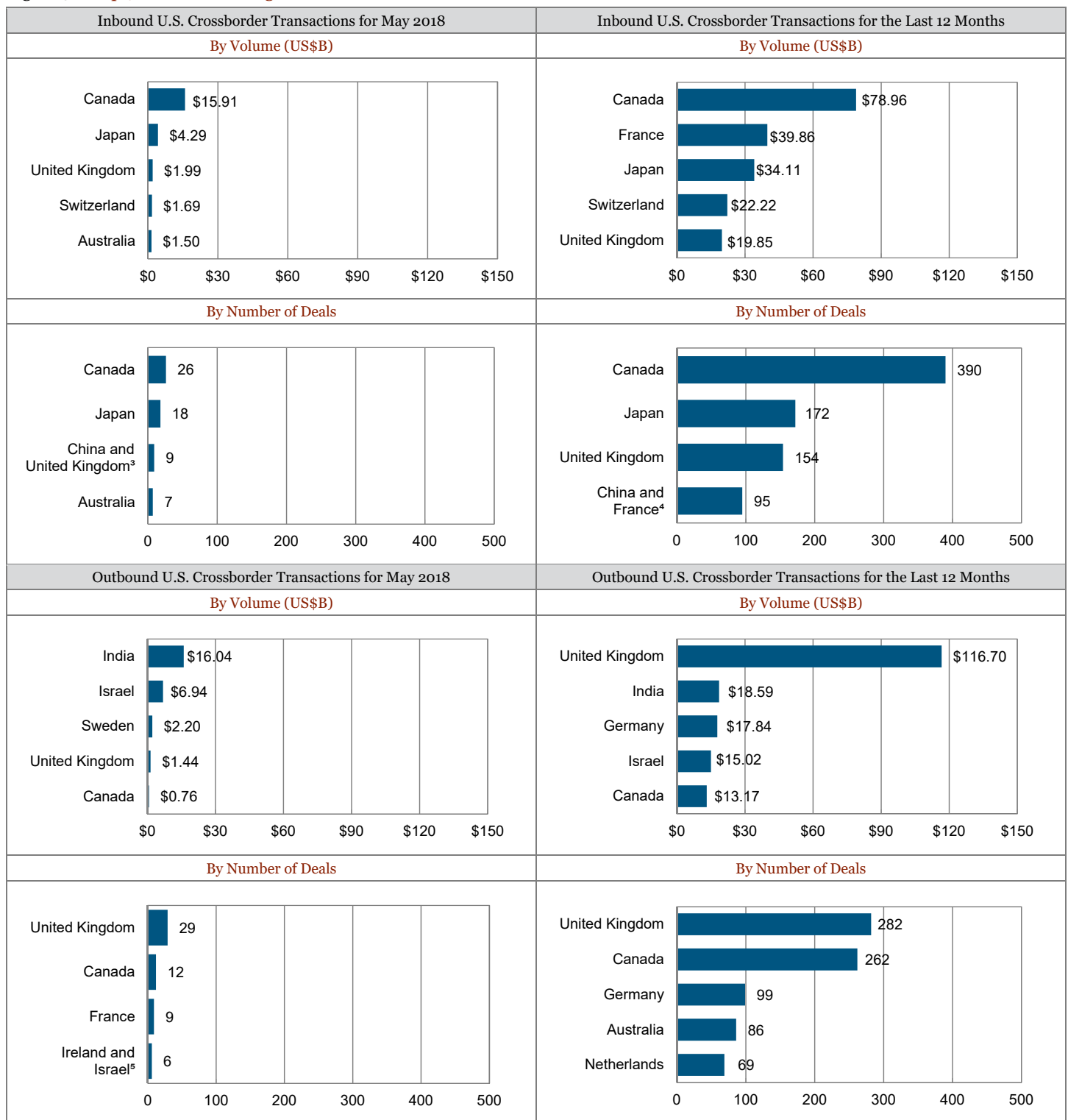
Figures 1-3 were compiled using data from Dealogic, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Deal volume by dollar value and average value of deals are calculated from the subset of the total number of deals that include a disclosed 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 June 11, 2018 unless otherwise specified. "Last 12 Months" data is for the period from June 2017 to May 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 and United Kingdom was the country of origin for nine transactions in May 2018.

⁴ Each of China and France was the country of origin for 95 transactions over the last 12 months.

⁵ Each of Ireland and Israel was the country of destination for six transactions in May 2018.

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

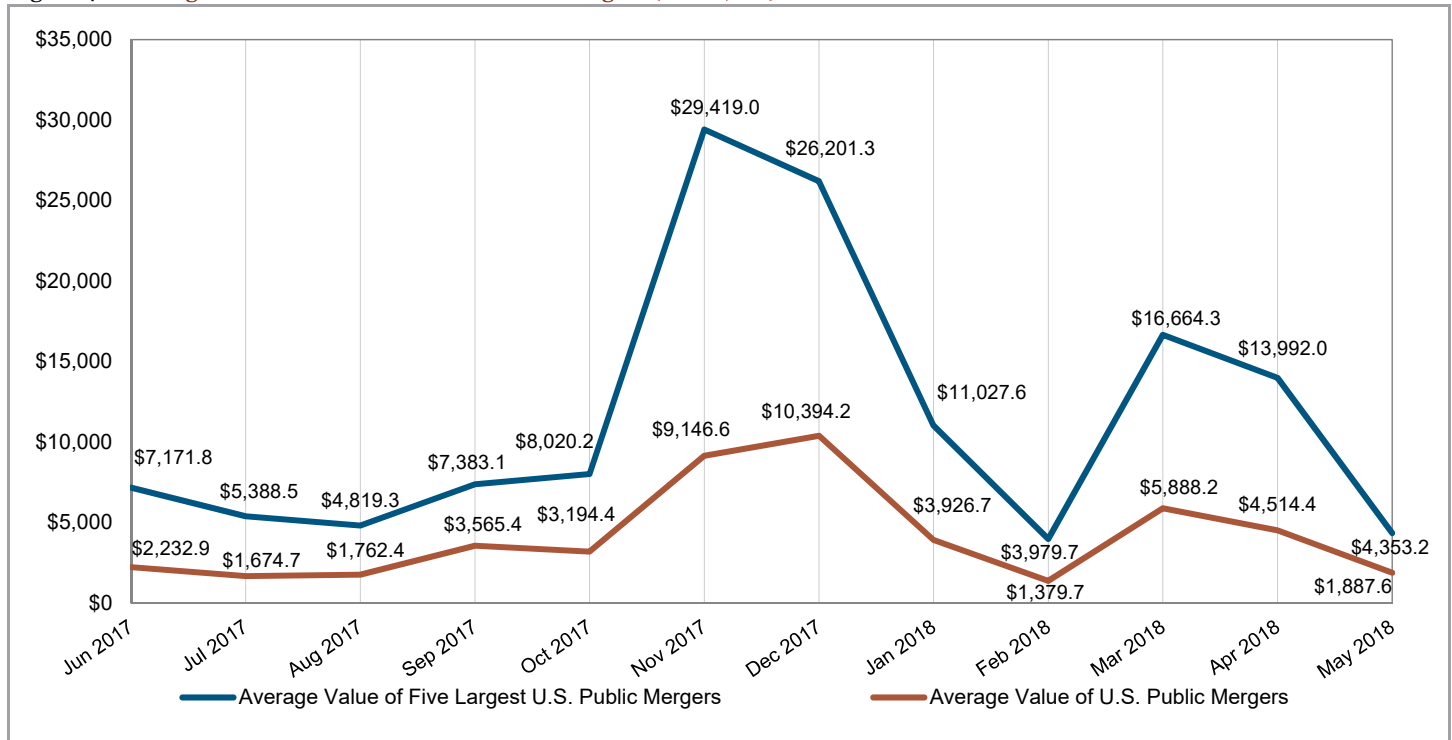
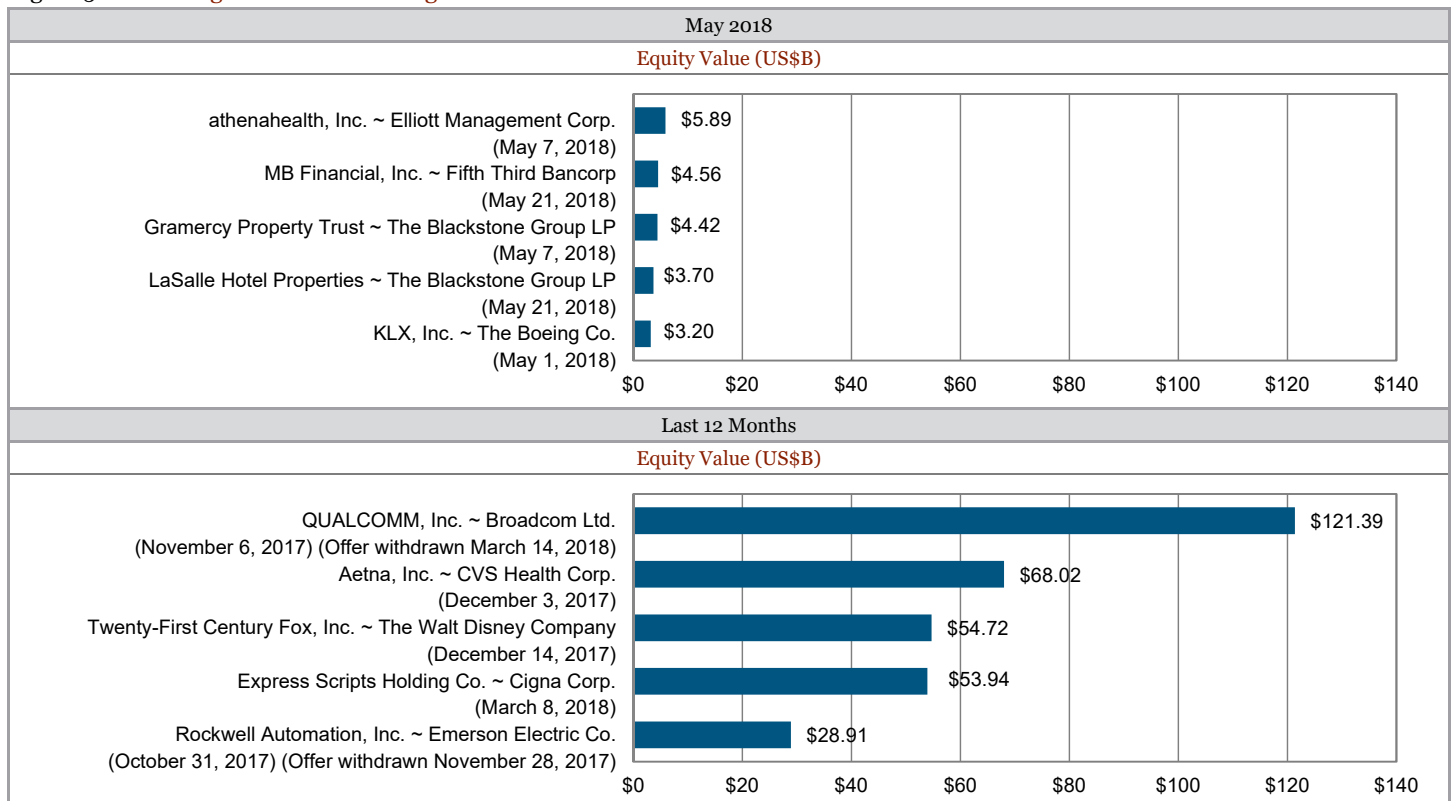


Figure 5 – Five Largest U.S. Public Mergers



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M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁶

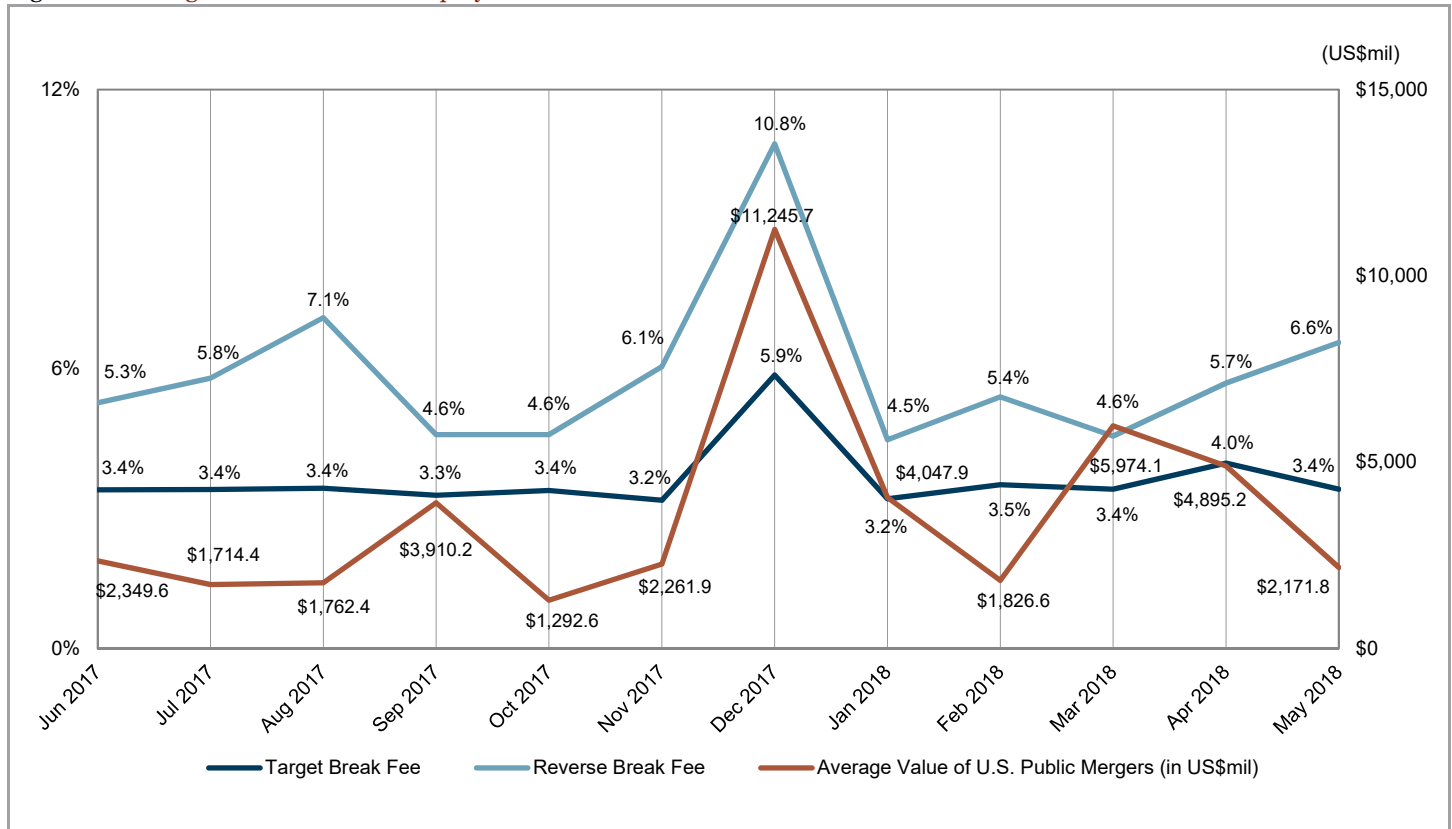


Figure 7 – Average Break Fees as % of Equity Value

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

	May 2018	Last 12 Months
Reverse Break Fee for All Mergers	6.6	5.7
Reverse Break Fee for Mergers Involving Financial Buyers ⁷	8.2	6.9
Reverse Break Fee for Mergers Involving Strategic Buyers	5.4	5.3

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 May 2018 involving a financial buyer had a reverse break fee.
⁸ Three transactions in May 2018 involved a financial buyer.
⁹ No transactions in May 2018 had a go-shop provision.
¹⁰ No transactions in May 2018 involving a financial buyer had a go-shop provision.
¹¹ No transactions in May 2018 involving a strategic buyer had a go-shop provision.

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

	May 2018	Last 12 Months
% of Mergers with Go-Shops	0.0	6.1
% of Mergers Involving Financial Buyers with Go-Shops ⁸	0.0	10.3
% of Mergers Involving Strategic Buyers with Go-Shops	0.0	5.3
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ⁹	N/A	37.3
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ¹⁰	N/A	38.3
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ¹¹	N/A	36.9

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

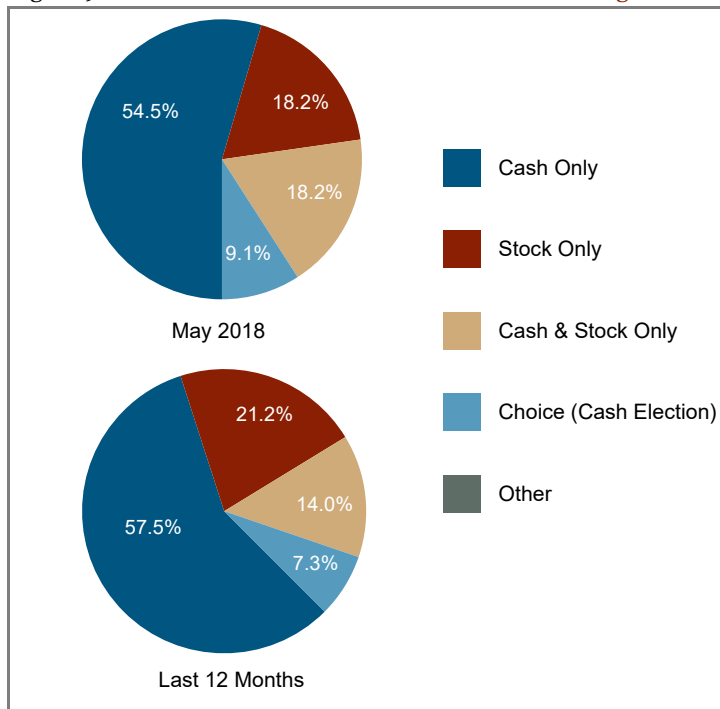


Figure 10 – % of Partial and All Stock Deals That Have a Fixed Exchange Ratio

May 2018	100.0
Last 12 Months	95.2

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

May 2018	27.3
Last 12 Months	17.9

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

May 2018	22.2
Last 12 Months	12.9

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).

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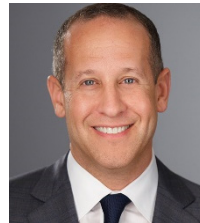
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M&A Activity – 12-Month Trends

Figure 1A – U.S. Deal Volume (US\$B)

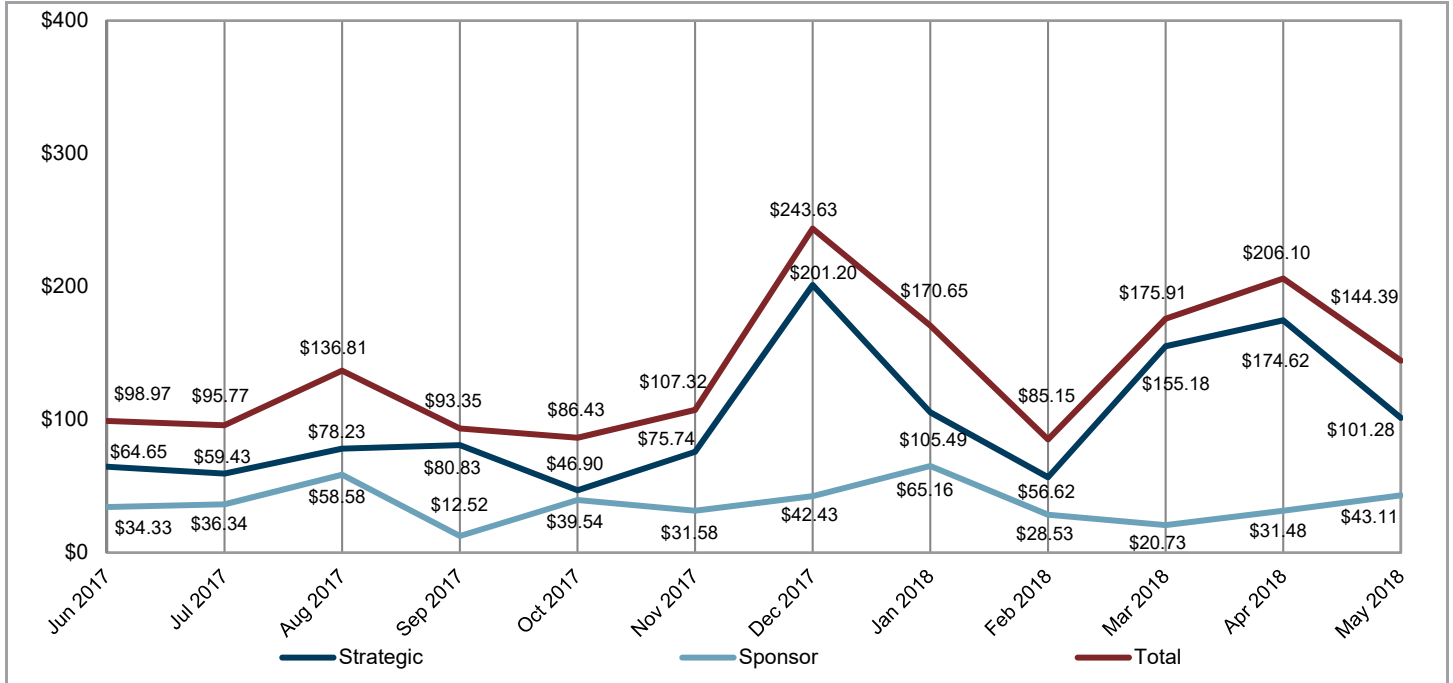
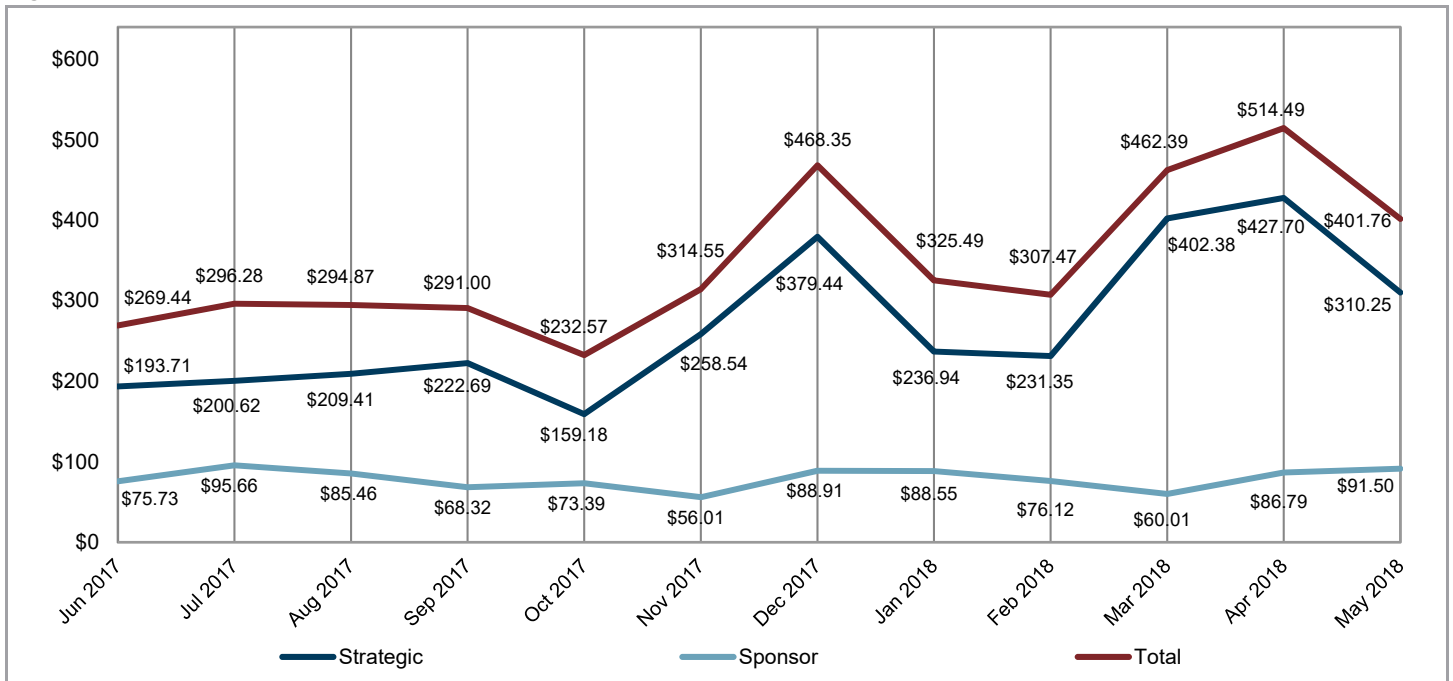


Figure 2A – Global Deal Volume (US\$B)



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Figure 3A – U.S. Number of Deals

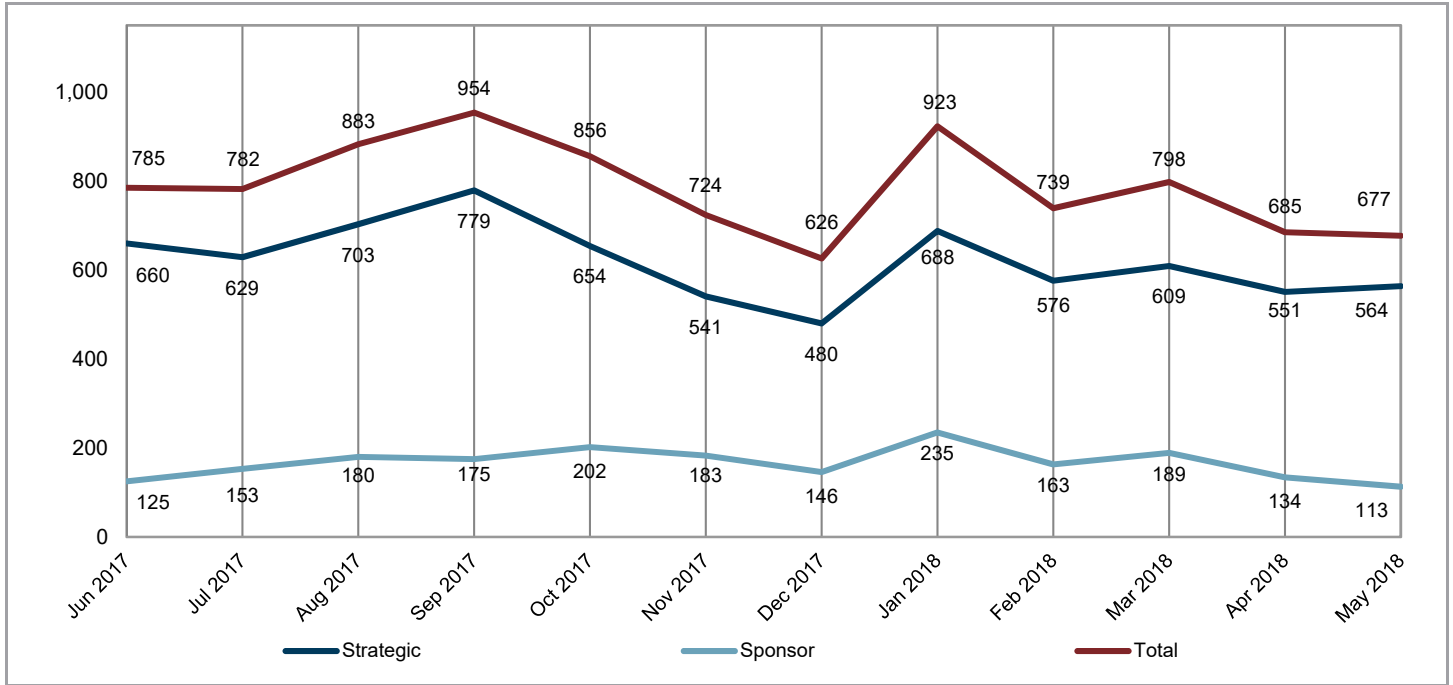
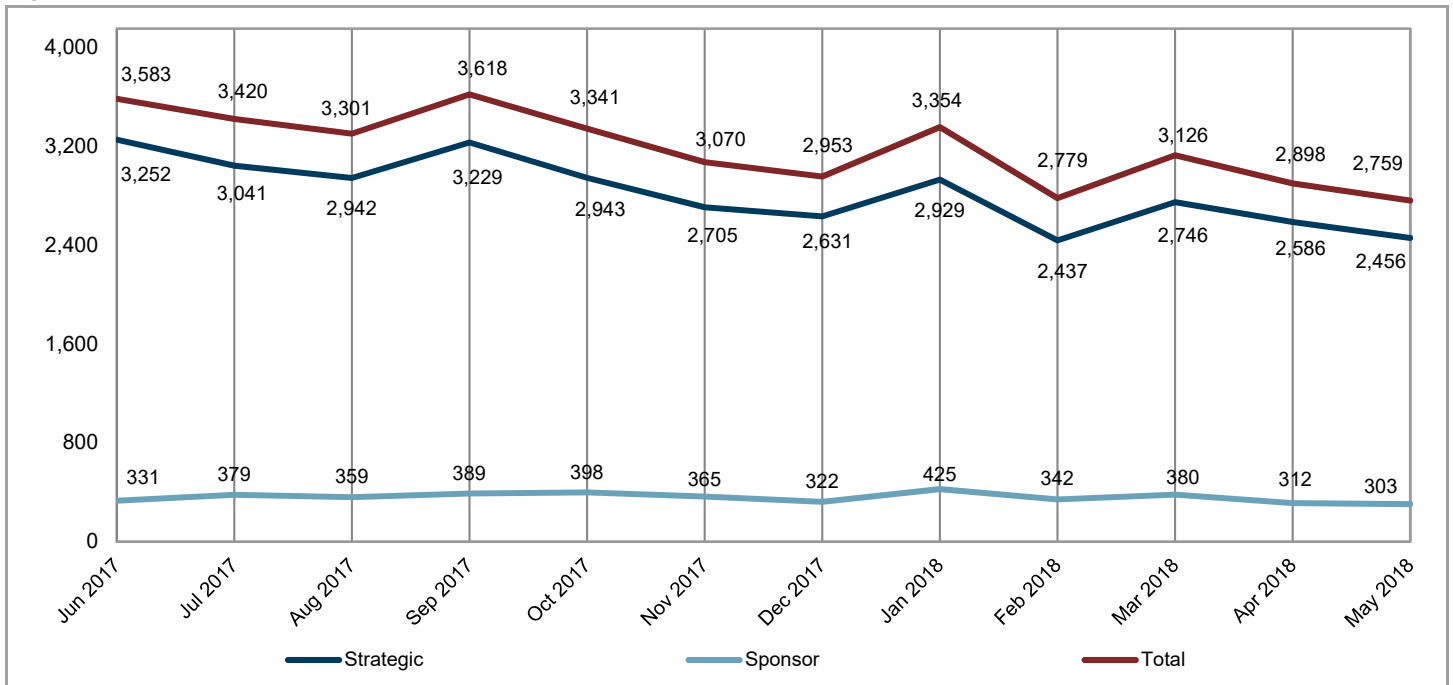


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

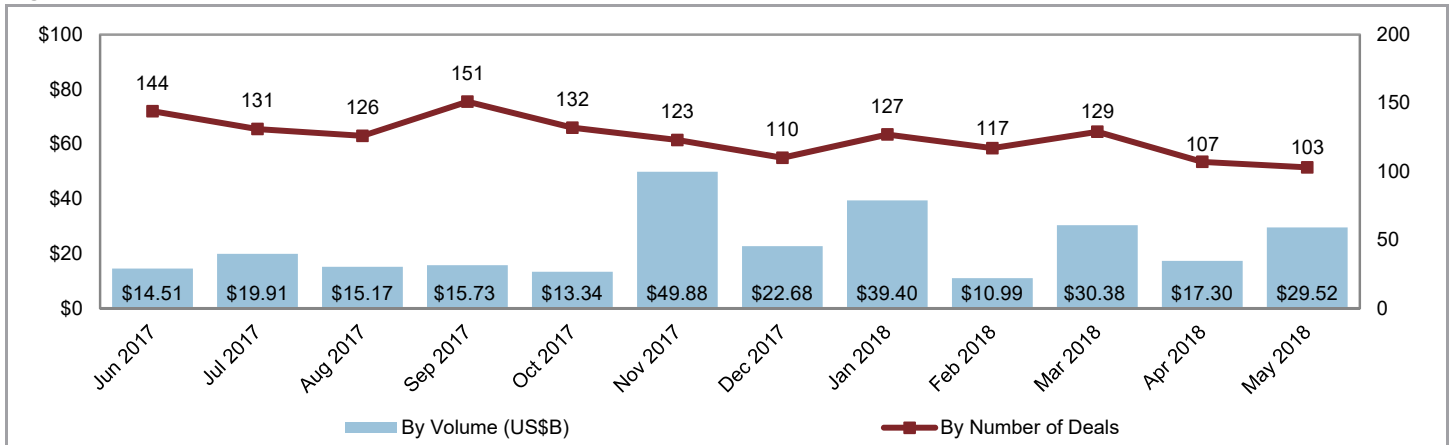


Figure 6A – Outbound U.S. Crossborder Transactions

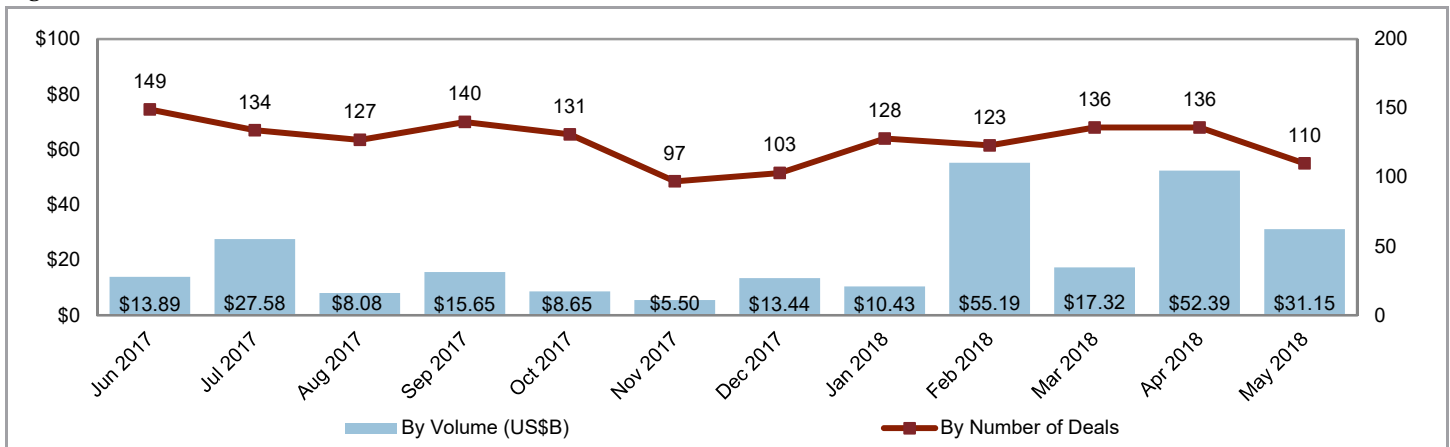


Figure 7A – Global Crossborder Transactions

