

July 2018, Issue 76

M&A activity in June 2018 weakened from last month across most measures, although still generally strong for the first half of the year. The total number of deals decreased in the U.S. by 28.6% to 528 (the lowest level since the beginning of this publication in 2012) and globally by 17.5% to 2,457 (the lowest level since March 2014). However, while June deal volume by dollar value also decreased globally by 14.0% to \$348.56 billion, deal volume increased in the U.S. by 27.6% to \$184.30 billion.¹

Strategic vs. Sponsor Activity

The number of strategic deals decreased by 33.0% to 410 in the U.S. and by 18.6% to 2,162 globally, each the lowest respective level in the last 12-month period. However, while global strategic volume by dollar value also decreased by 17.1% to \$256.99 billion, U.S. strategic volume by dollar value increased by 41.7% to \$142.69 billion. [Figure 1](#) and Annex [Figures 1A–4A](#). The number of sponsor-related deals decreased by 7.1% to 118 in the U.S. and by 8.1% to 295 globally, each the lowest respective level in the last 12-month period. Sponsor-related volume decreased by 4.8% to \$41.61 billion in the U.S. and by 4.0% to \$91.57 billion globally. [Figure 1](#) and Annex [Figures 1A–4A](#).

Crossborder Activity

The number of deals decreased in June 2018 for both U.S. inbound transactions (by 29.7% to a 12-month low of 78) and outbound transactions (by 6.4% to 117). U.S. inbound volume by dollar value decreased by 74.2% to a 12-month low of \$7.40 billion and U.S. outbound volume by dollar value decreased by 63.6% to \$11.49 billion. [Figure 1](#) and Annex [Figures 5A–7A](#). Globally, the number of crossborder deals decreased by 13.8% to 604, the lowest level in the last 12-month period. Global crossborder deal volume by dollar value decreased by 60.7% to \$68.77 billion.

Canada remained the leader for U.S. inbound activity by number of deals in both the month of June (14) and over the last 12-month period (363). Switzerland was the leading country for U.S. inbound activity as measured by deal volume by dollar value in June (\$2.43 billion), while Canada retained its lead over the last 12-month period (\$77.05 billion). The U.K. was the leading destination country by deal number in June (32) and over the last 12-month period (297). Sweden was the leading destination country for U.S. outbound activity by dollar value (\$2.36 billion), while the U.K. remained the leader over the last 12-month period (\$116.69 billion). [Figure 3](#).

U.S. Deals by Industry

Computer & Electronics remained the most active target industry by number of deals in June (183) and over the last 12-month period (2,771). Telecommunications was the most active target industry by dollar value in June (\$82.14 billion), while healthcare remained the most active target industry over the last 12-month period (\$307.81 billion). [Figure 2](#).

U.S. Public Mergers

As for U.S. public merger deal terms in June 2018, average target break fees (4.0%) increased above the 12-month average (3.6%) and average reverse break fees (6.0%) were near the 12-month average (5.9%). [Figures 6](#) and [7](#). One transaction in June involving a financial buyer included a go-shop provision [Figure 8](#). The use of cash consideration in June decreased to 50.0%, below the 12-month average of 55.9% [Figure 9](#). Notably, there were no tender offers for U.S. public mergers or hostile/unsolicited offers in June, compared with 12-month averages of 16.2% and 13.0%, respectively. [Figure 11](#) and [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.

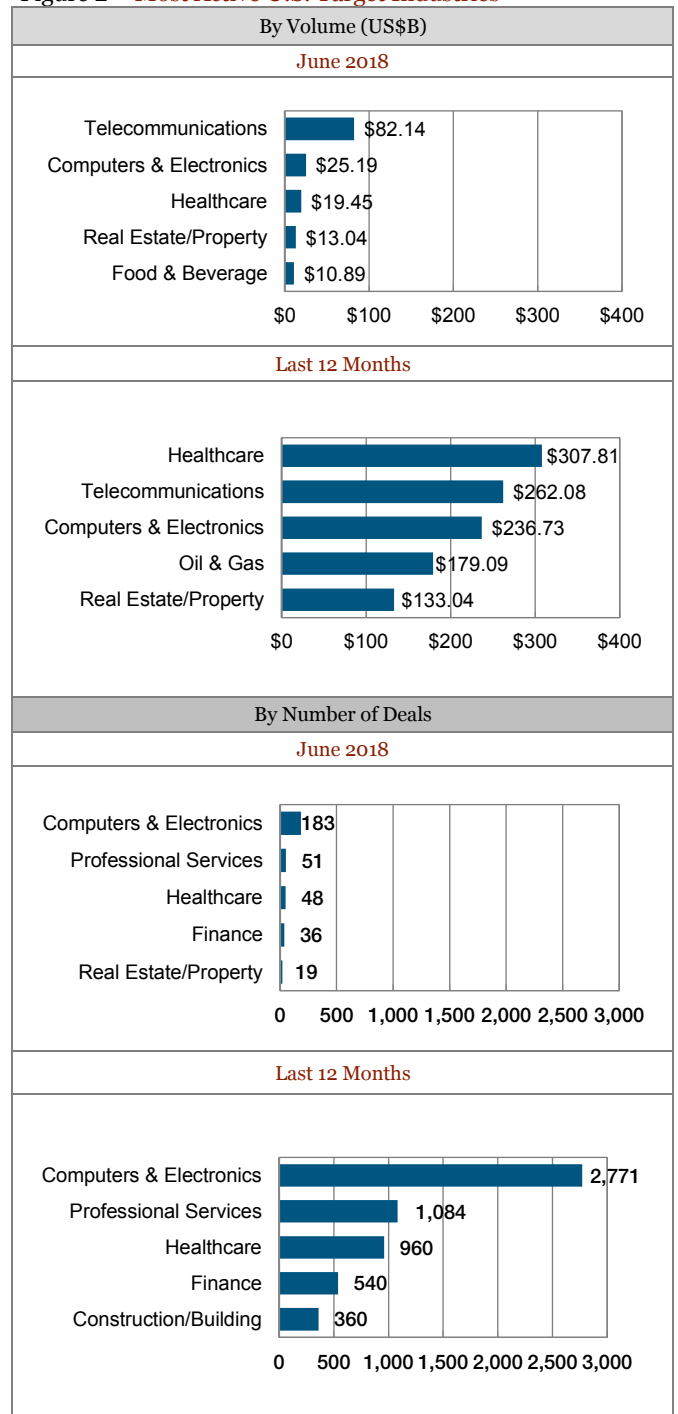
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M&A Activity

Figure 1

| June 2018 | Global | +/- From Prior Month | U.S. | +/- From Prior Month |
|---|--------|----------------------|---------------------------------|-------------------------------------|
| Total | | | | |
| Volume (US\$B) | 348.56 | (56.97) | 184.30 | 39.84 |
| No. of deals | 2,457 | (521) | 528 | (211) |
| Avg. value of deals (US\$mil) | 266.5 | 0.0 | 849.3 | 351.2 |
| Strategic Transactions | | | | |
| Volume (US\$B) | 256.99 | (53.16) | 142.69 | 41.96 |
| No. of deals | 2,162 | (495) | 410 | (202) |
| Avg. value of deals (US\$mil) | 212.6 | (10.7) | 792.7 | 388.2 |
| Sponsor-Related Transactions | | | | |
| Volume (US\$B) | 91.57 | (3.81) | 41.61 | (2.12) |
| No. of deals | 295 | (26) | 118 | (9) |
| Avg. value of deals (US\$mil) | 925.0 | 207.8 | 1,124.6 | 58.1 |
| Crossborder Transactions¹ | | | | |
| Volume (US\$B) | 68.77 | (106.30) | Inbound 7.40 Outbound 11.49 | Inbound (21.23) Outbound (20.10) |
| No. of deals | 604 | (97) | Inbound 78 Outbound 117 | Inbound (33) Outbound (8) |
| Avg. value of deals (US\$mil) | 257.6 | (254.3) | Inbound 205.5 Outbound 338.0 | Inbound (209.3) Outbound (396.7) |

Figure 2 – Most Active U.S. Target Industries²



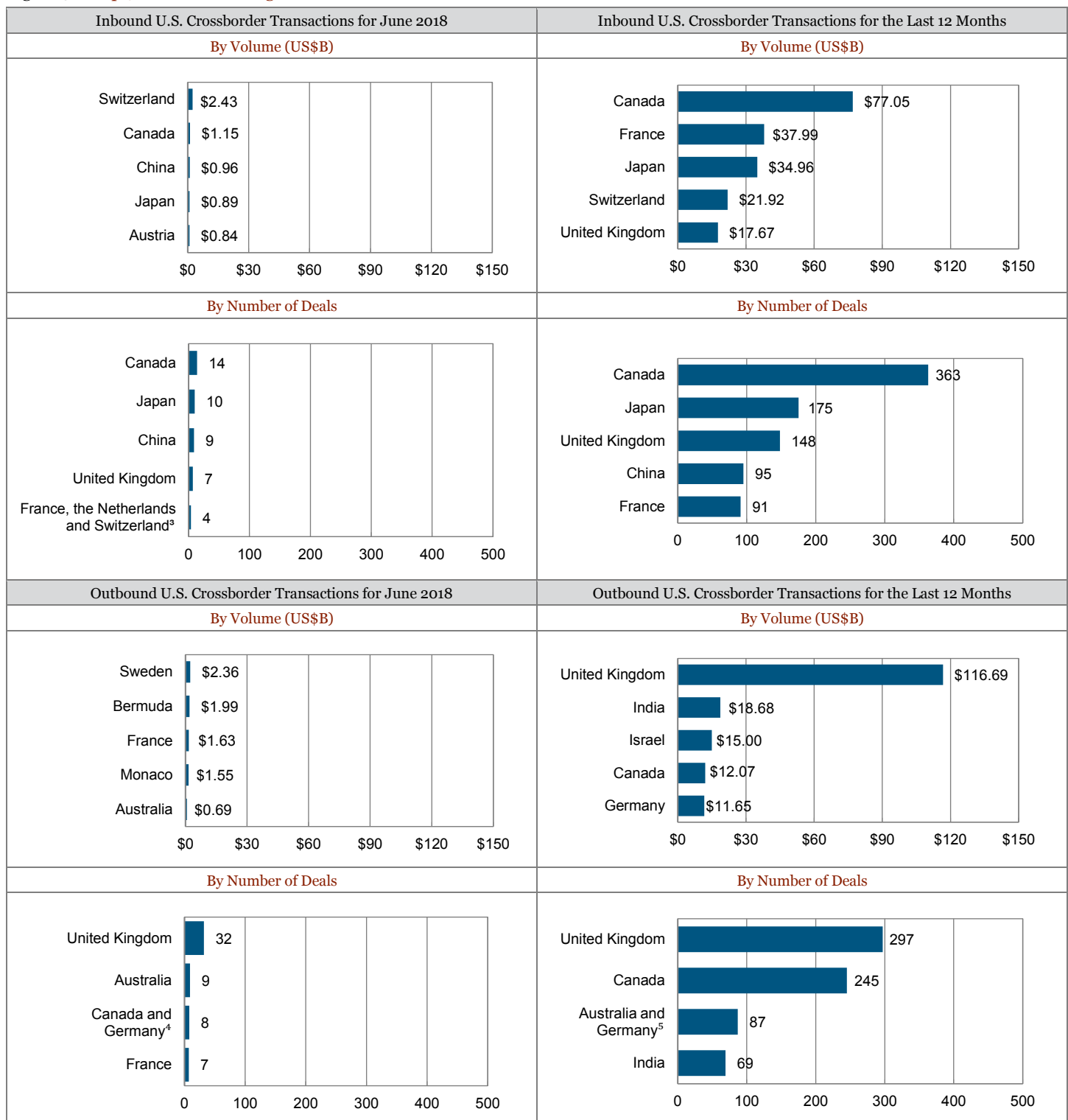
Figures 1-3 were compiled using data from Dealogic, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Deal volume by dollar value and average value of deals are calculated from the subset of the total number of deals that include a disclosed 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 July 10, 2018 unless otherwise specified. "Last 12 Months" data is for the period from July 2017 to June 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 France, the Netherlands and Switzerland was the country of origin for four transactions in June 2018.

⁴ Each of Canada and Germany was the country of destination for eight transactions in June 2018.

⁵ Each of Australia and Germany was the country of destination for 87 transactions over the last 12 months.

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

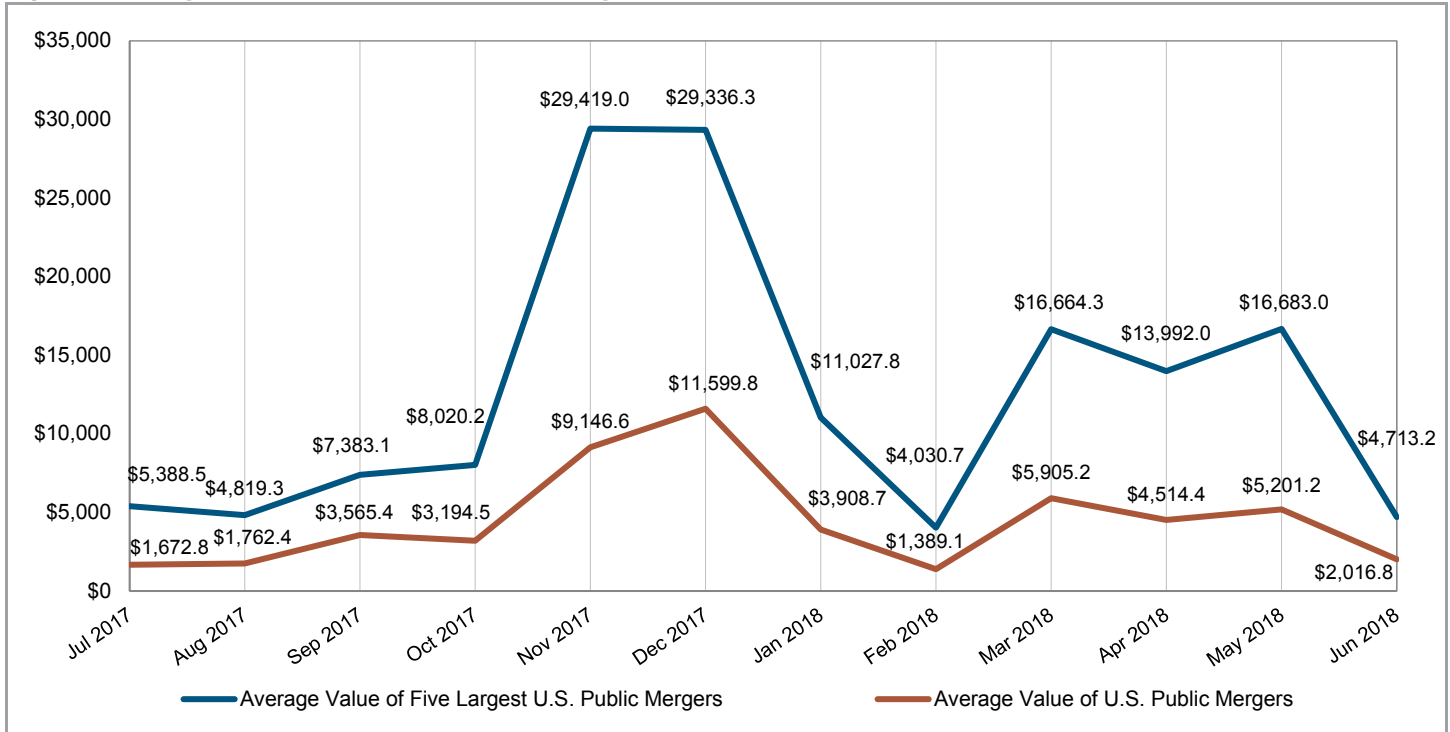
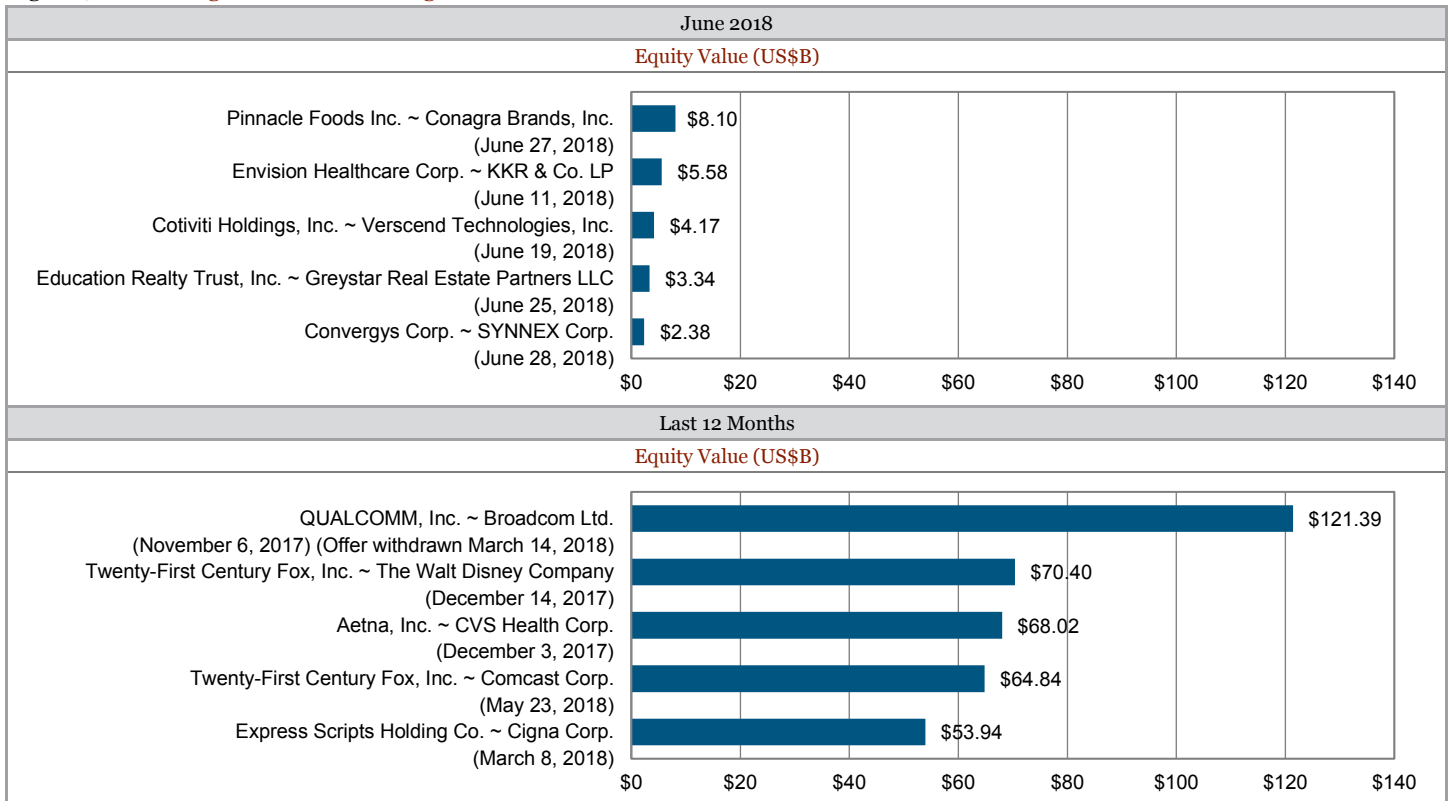


Figure 5 – Five Largest U.S. Public Mergers



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M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁶

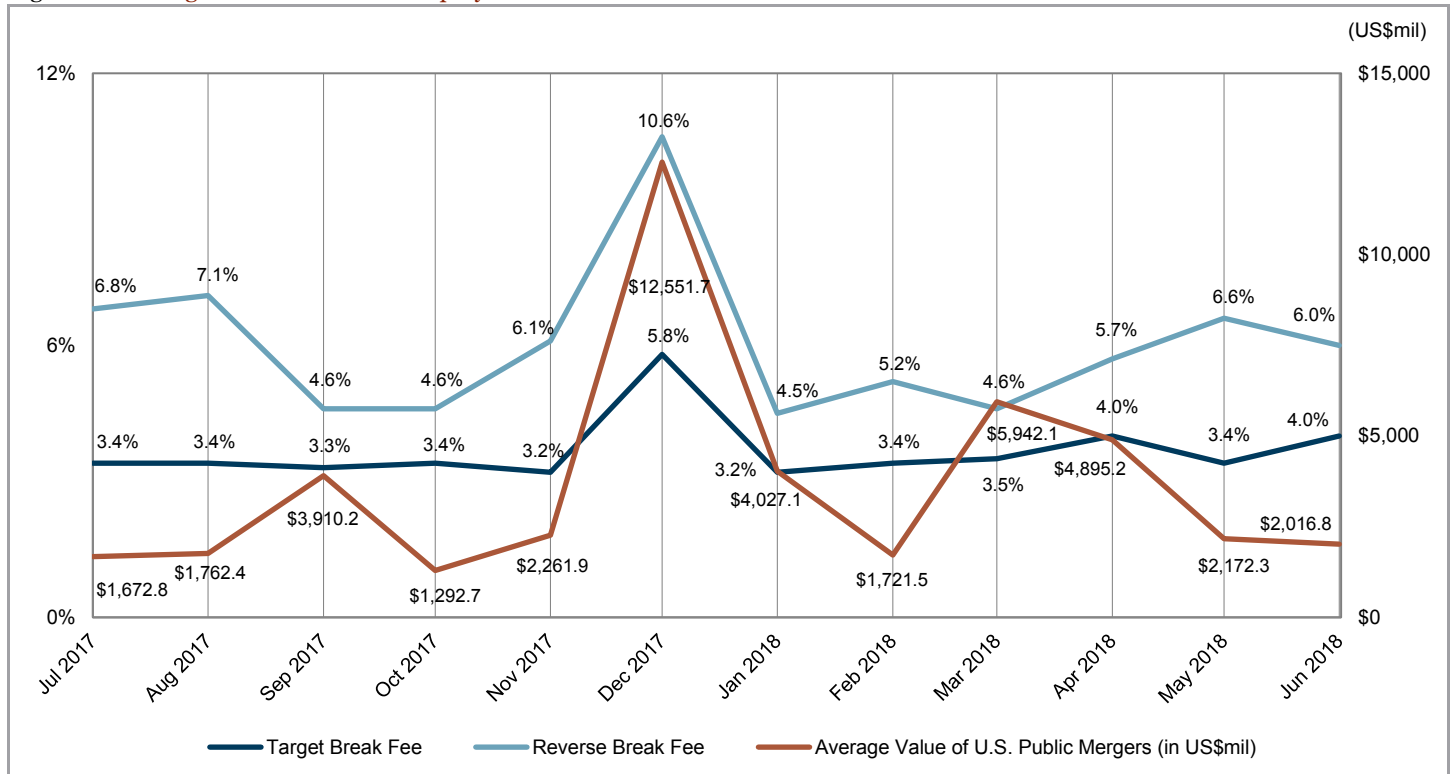


Figure 7 – Average Break Fees as % of Equity Value

| | June 2018 | Last 12 Months |
|----------------------------------|-----------|----------------|
| Target Break Fee for All Mergers | 4.0 | 3.6 |

| | June 2018 | Last 12 Months |
|---|-----------|----------------|
| Reverse Break Fee for All Mergers | 6.0 | 5.9 |
| Reverse Break Fee for Mergers Involving Financial Buyers ⁷ | 6.1 | 7.3 |
| Reverse Break Fee for Mergers Involving Strategic Buyers | 6.0 | 5.4 |

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 June 2018 involving a financial buyer had a reverse break fee.
⁸ Two transactions in June 2018 involved a financial buyer.
⁹ One transaction in June 2018 had a go-shop provision.
¹⁰ One transaction in June 2018 involving a financial buyer had a go-shop provision.
¹¹ No transactions in June 2018 involving a strategic buyer had a go-shop provision.

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

| | June 2018 | Last 12 Months |
|--|-----------|----------------|
| % of Mergers with Go-Shops | 7.1 | 6.7 |
| % of Mergers Involving Financial Buyers with Go-Shops ⁸ | 50.0 | 14.8 |
| % 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 | 46.0 | 38.0 |
| Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ¹⁰ | 46.0 | 40.3 |
| 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

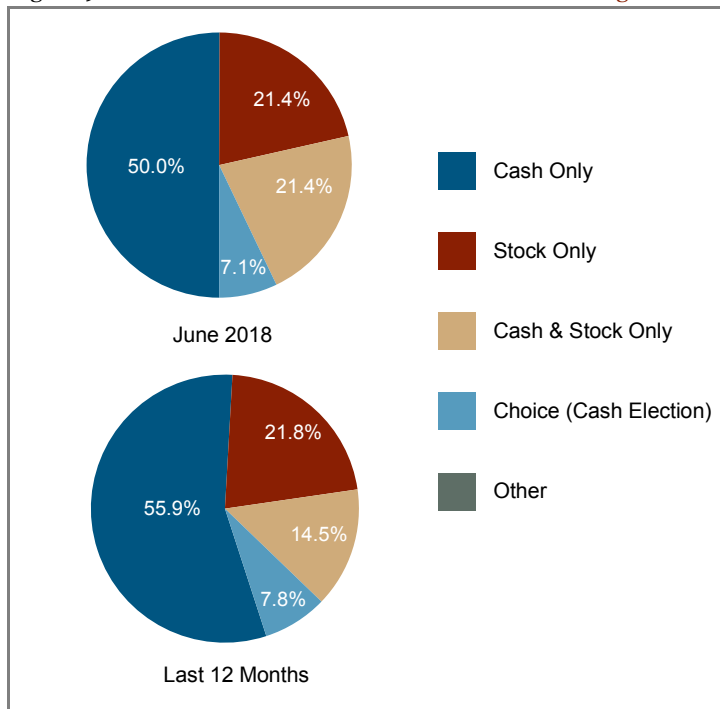


Figure 10 – % of Partial and All Stock Deals That Have a Fixed Exchange Ratio

| | |
|----------------|-------|
| June 2018 | 100.0 |
| Last 12 Months | 95.4 |

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

| | |
|----------------|------|
| June 2018 | 0.0 |
| Last 12 Months | 16.2 |

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

| | |
|----------------|------|
| June 2018 | 0.0 |
| Last 12 Months | 13.0 |

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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M&A Activity – 12-Month Trends

Figure 1A – U.S. Deal Volume (US\$B)

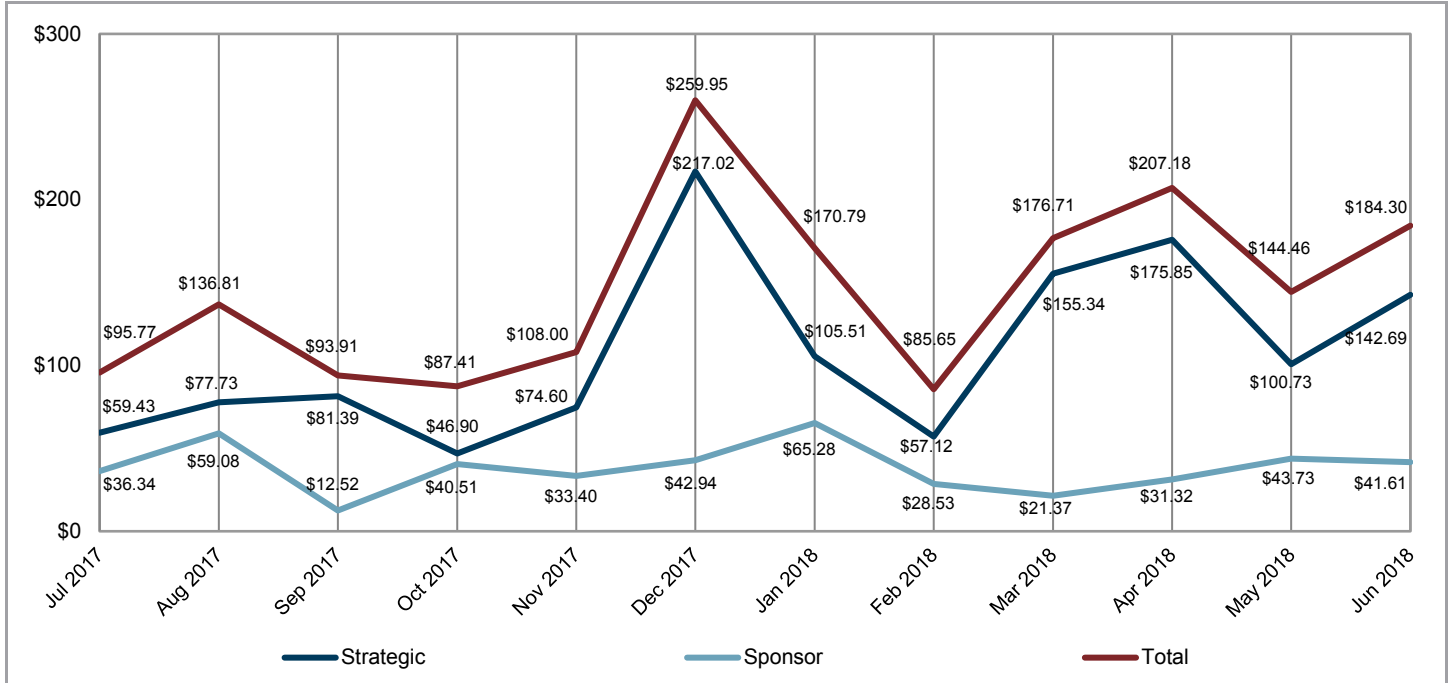
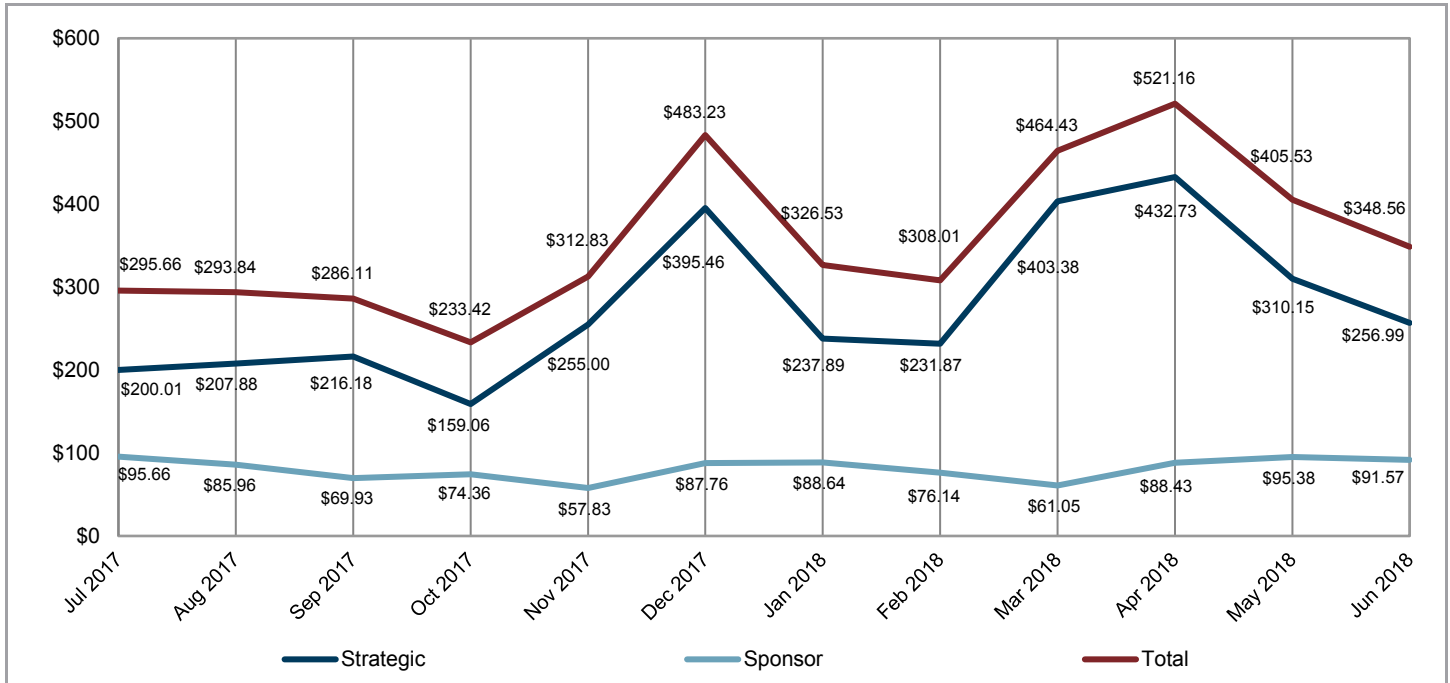


Figure 2A – Global Deal Volume (US\$B)



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Figure 3A – U.S. Number of Deals

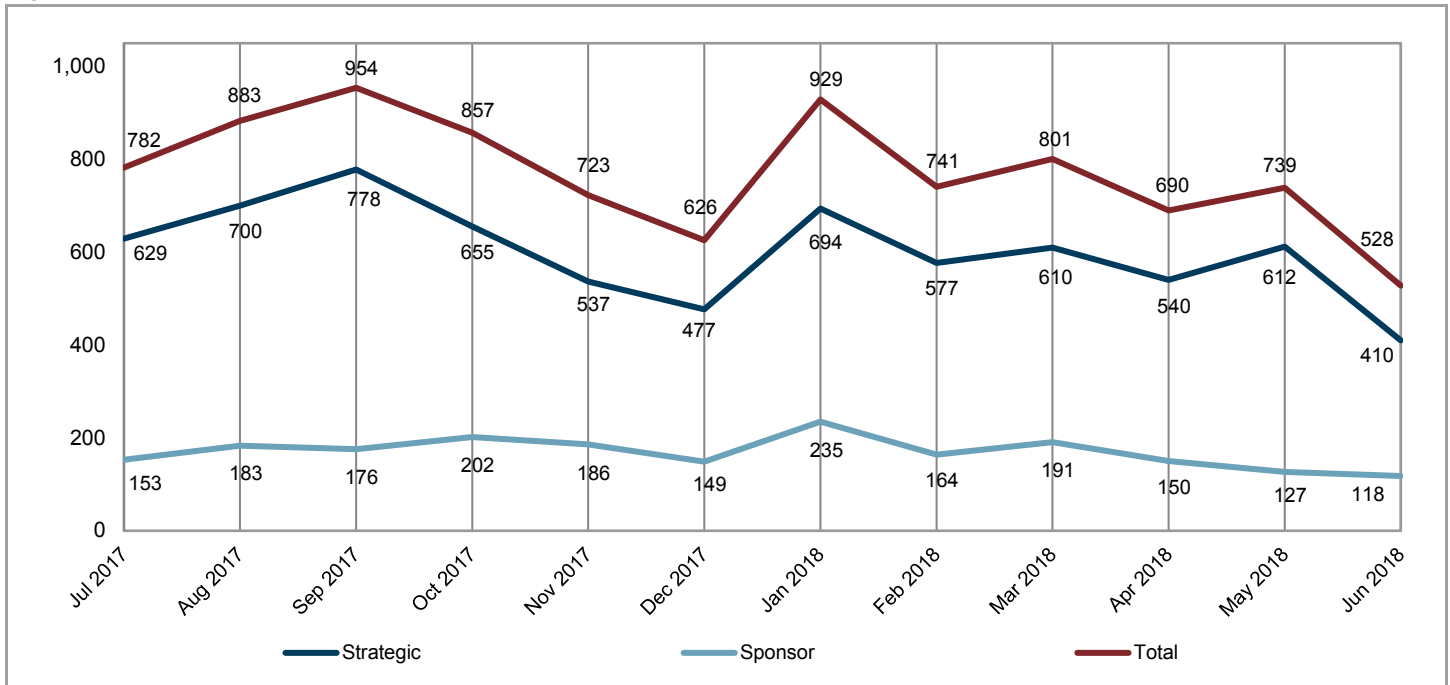
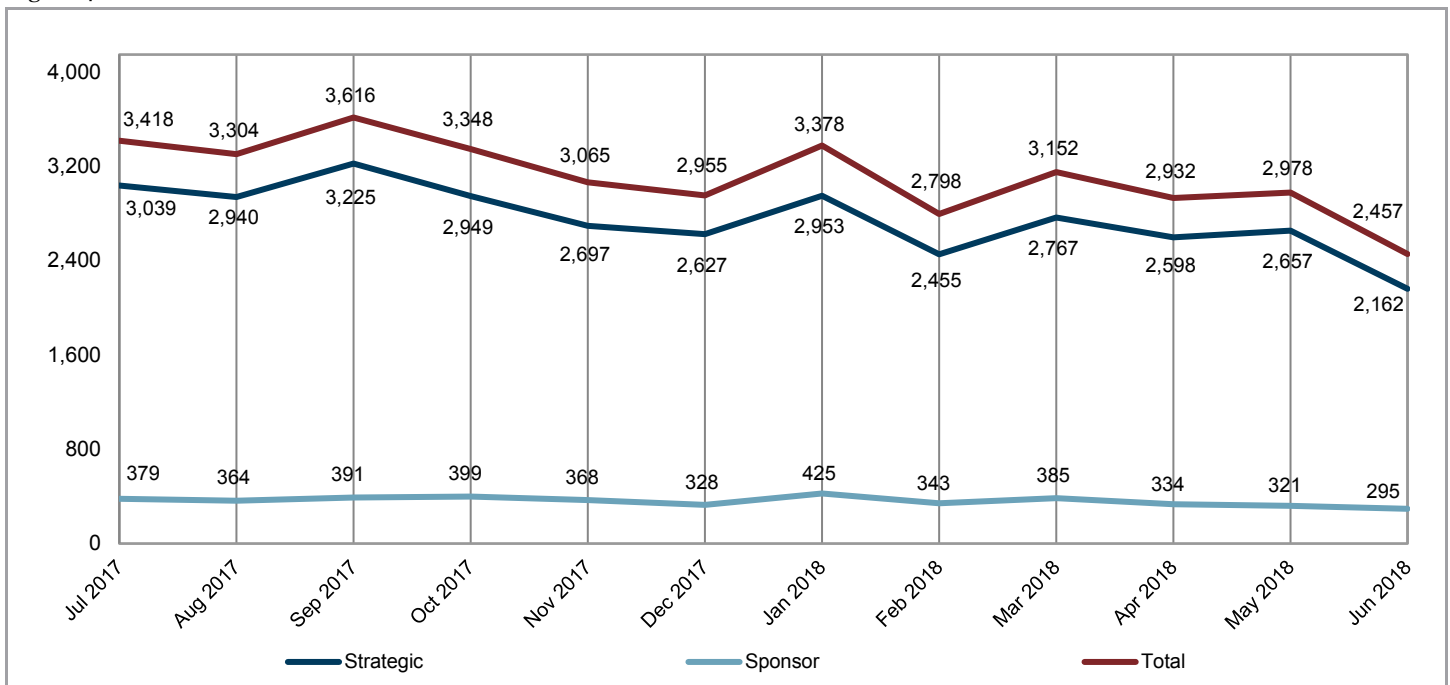


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

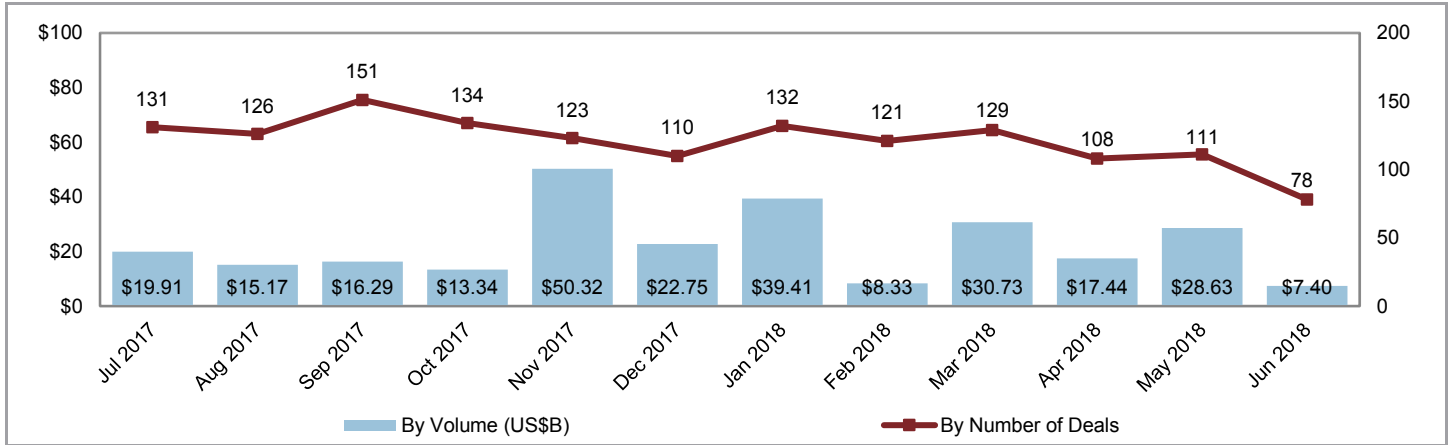


Figure 6A – Outbound U.S. Crossborder Transactions

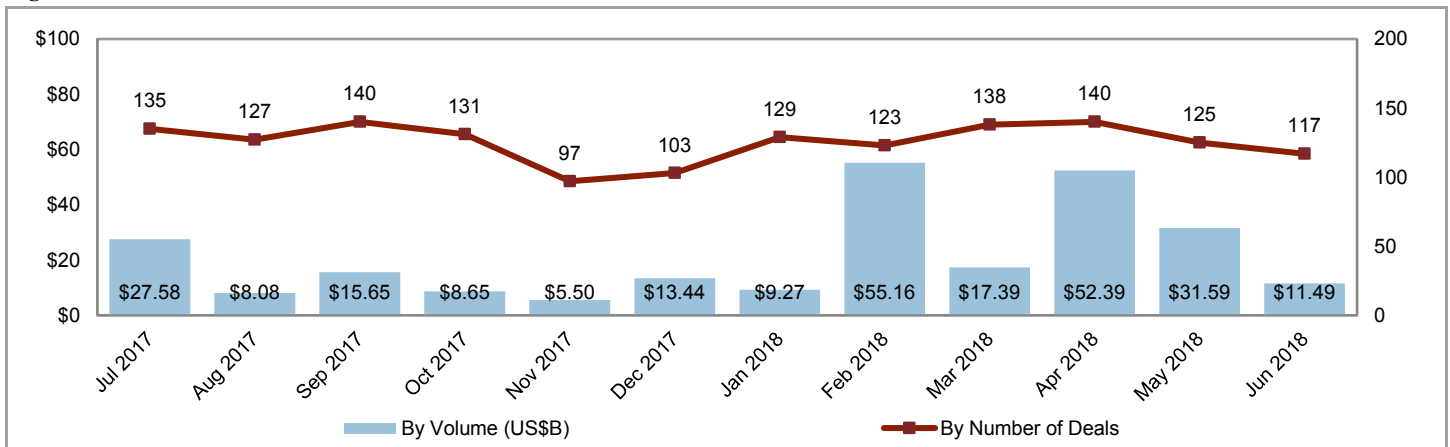


Figure 7A – Global Crossborder Transactions

