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M&A activity in July 2018 continued the recent downward trend in number of deals across most sectors and mixed results as measured by deal volume by dollar value.¹ The total number of deals decreased in the U.S. by 25.2% to 424 and globally by 12.5% to 2,368 (the second consecutive month with the lowest levels since the beginning of this publication in 2012). However, deal volume by dollar value increased in the U.S. by 15.7% to \$122.31 billion and remained flat globally (a 0.1% decrease to \$288.96 billion).

Strategic vs. Sponsor Activity

The number of strategic deals decreased by 29.8% to 313 in the U.S. and by 13.8% to 2,070 globally, each the lowest respective level since the beginning of this publication. However, strategic volume by dollar value increased both in the U.S. (by 27.7% to \$87.30 billion) and globally (by 11.9% to \$215.46 billion). [Figure 1](#) and Annex [Figures 1A–4A](#). The number of sponsor-related deals decreased by 8.3% to 111 in the U.S. and by 2.0% to 298 globally, each the lowest respective level in the last 12-month period. Sponsor-related volume also decreased both in the U.S. (by 6.3% to \$35.01 billion) and globally (by 24.1% to \$73.50 billion). [Figure 1](#) and Annex [Figures 1A–4A](#).

Crossborder Activity

The number of crossborder deals increased in July 2018 for U.S. inbound transactions (by 4.7% to 90) and decreased for U.S. outbound transactions (by 12.1% to 109). U.S. inbound volume by dollar value increased by 478.3% to \$44.59 billion, however, the whopping increase in U.S. inbound volume by dollar value was more due to the relatively anemic levels of such activity in June relative to July rather than a stellar July. Contrast U.S. outbound volume by dollar value, which increased by 1.5% to \$12.36 billion. [Figure 1](#) and Annex [Figures 5A–7A](#). Globally, the number of crossborder deals decreased by 6.9% to 609, the lowest level since April 2013. Global crossborder deal volume by dollar value increased by 42.7% to \$114.39 billion.

Japan led U.S. inbound activity by number of deals in the month of July (22) while Canada continued as leader over the last 12-month period (353). Canada was also the leading country for U.S. inbound activity as measured by deal volume by dollar value in July (\$13.81 billion) and retained its lead over the last 12-month period (\$82.58 billion). The U.K. was again the leading destination country by deal number in July (16) and over the last 12-month period (285). Brazil was the leading destination country for U.S. outbound activity by dollar value (\$3.81 billion), while the U.K. remained the leader over the last 12-month period (\$113.74 billion). [Figure 3](#).

U.S. Deals by Industry

Computers & Electronics remained the most active target industry by number of deals in July (124) and over the last 12-month period (2,710). Computers & Electronics was also the most active target industry by dollar value in July (\$37.76 billion), while healthcare remained the most active target industry over the last 12-month period (\$311.05 billion). [Figure 2](#).

U.S. Public Mergers

As for U.S. public merger deal terms in July 2018, average target break fees (3.7%) matched the 12-month average and average reverse break fees (7.0%) were above the 12-month average (5.8%). [Figures 6](#) and [7](#). One transaction in July included a go-shop provision. [Figure 8](#). The use of cash consideration in July increased to 66.7%, above the 12-month average of 55.8%. [Figure 9](#). Tender offers for U.S. public mergers in July (11.1%) were below the 12-month average (14.5%) and hostile/unsolicited offers in July (18.2%) were above the 12-month average (13.8%). [Figures 11](#) and [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.

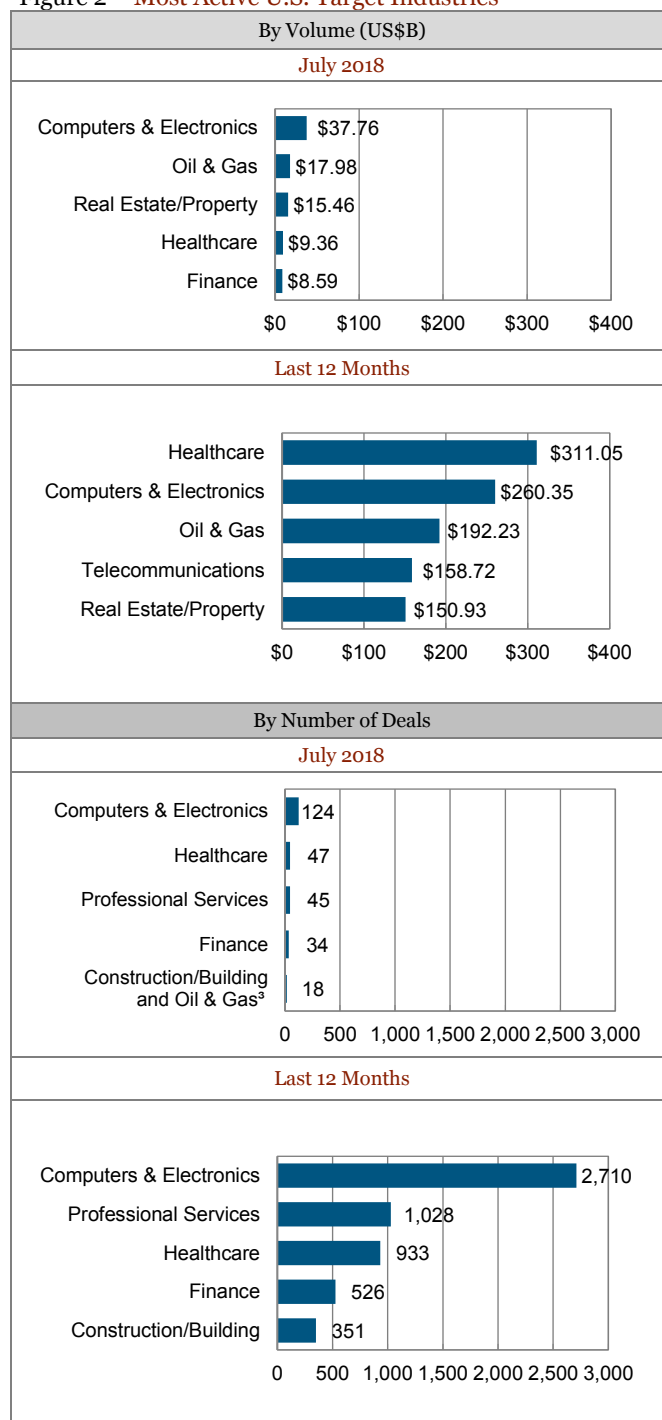
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M&A Activity

Figure 1

July 2018	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	288.96	(0.39)	122.31	16.58
No. of deals	2,368	(338)	424	(143)
Avg. value of deals (US\$mil)	225.9	25.1	579.7	129.8
Strategic Transactions				
Volume (US\$B)	215.46	22.90	87.30	18.92
No. of deals	2,070	(332)	313	(133)
Avg. value of deals (US\$mil)	185.9	41.9	501.7	158.1
Sponsor-Related Transactions				
Volume (US\$B)	73.50	(23.29)	35.01	(2.34)
No. of deals	298	(6)	111	(10)
Avg. value of deals (US\$mil)	612.5	(318.2)	946.1	(91.2)
Crossborder Transactions¹				
Volume (US\$B)	114.39	34.23	Inbound 44.59 Outbound 12.36	Inbound 36.88 Outbound 0.18
No. of deals	609	(45)	Inbound 90 Outbound 109	Inbound 4 Outbound (15)
Avg. value of deals (US\$mil)	382.6	107.1	Inbound 857.5 Outbound 274.6	Inbound 674.0 Outbound (45.9)

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 August 10, 2018 unless otherwise specified. "Last 12 Months" data is for the period from August 2017 to July 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.

³ Each of Construction/Building and Oil & Gas was the target industry for 18 transactions in July 2018.

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Figure 3 – Top 5 Countries of Origin or Destination for U.S. Crossborder Transactions



⁴ Each of China and Ireland was the country of destination for eight transactions in July 2018.

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

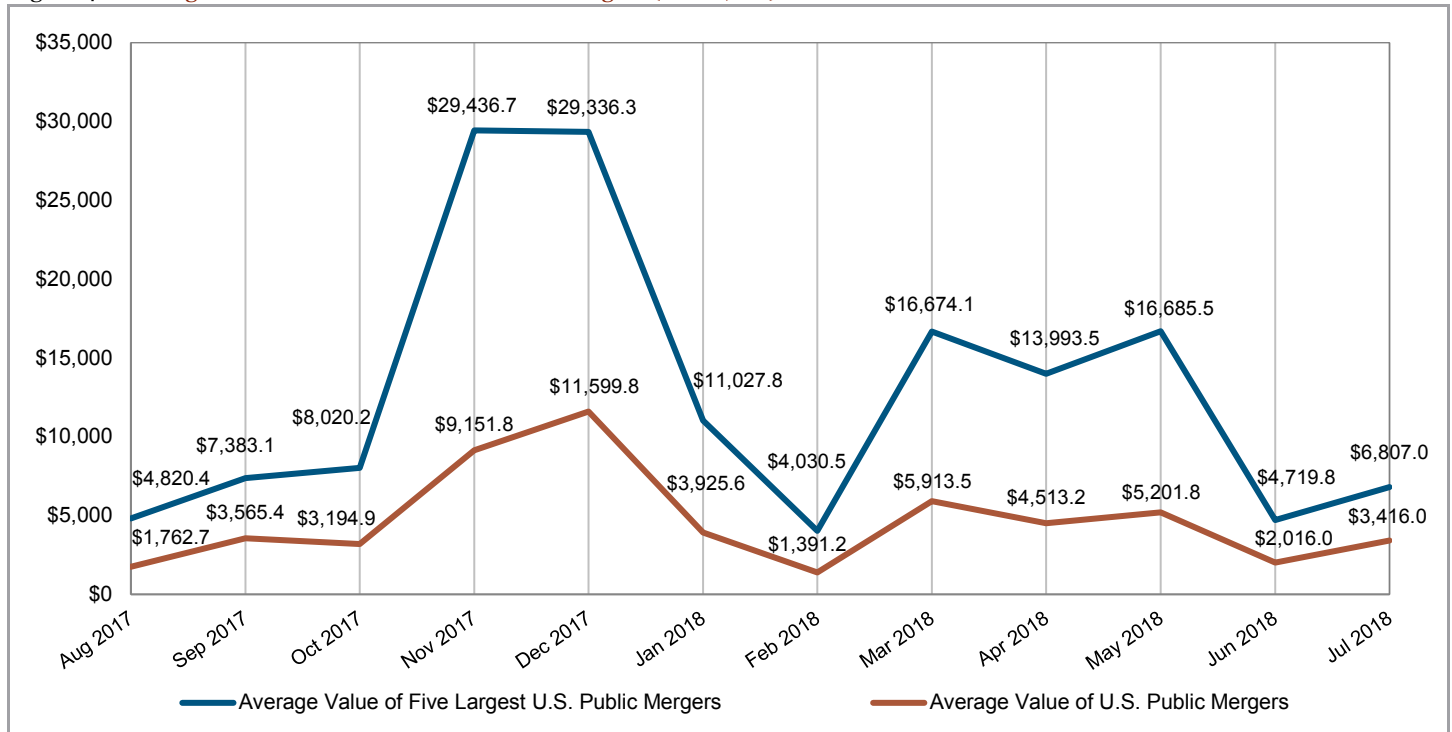
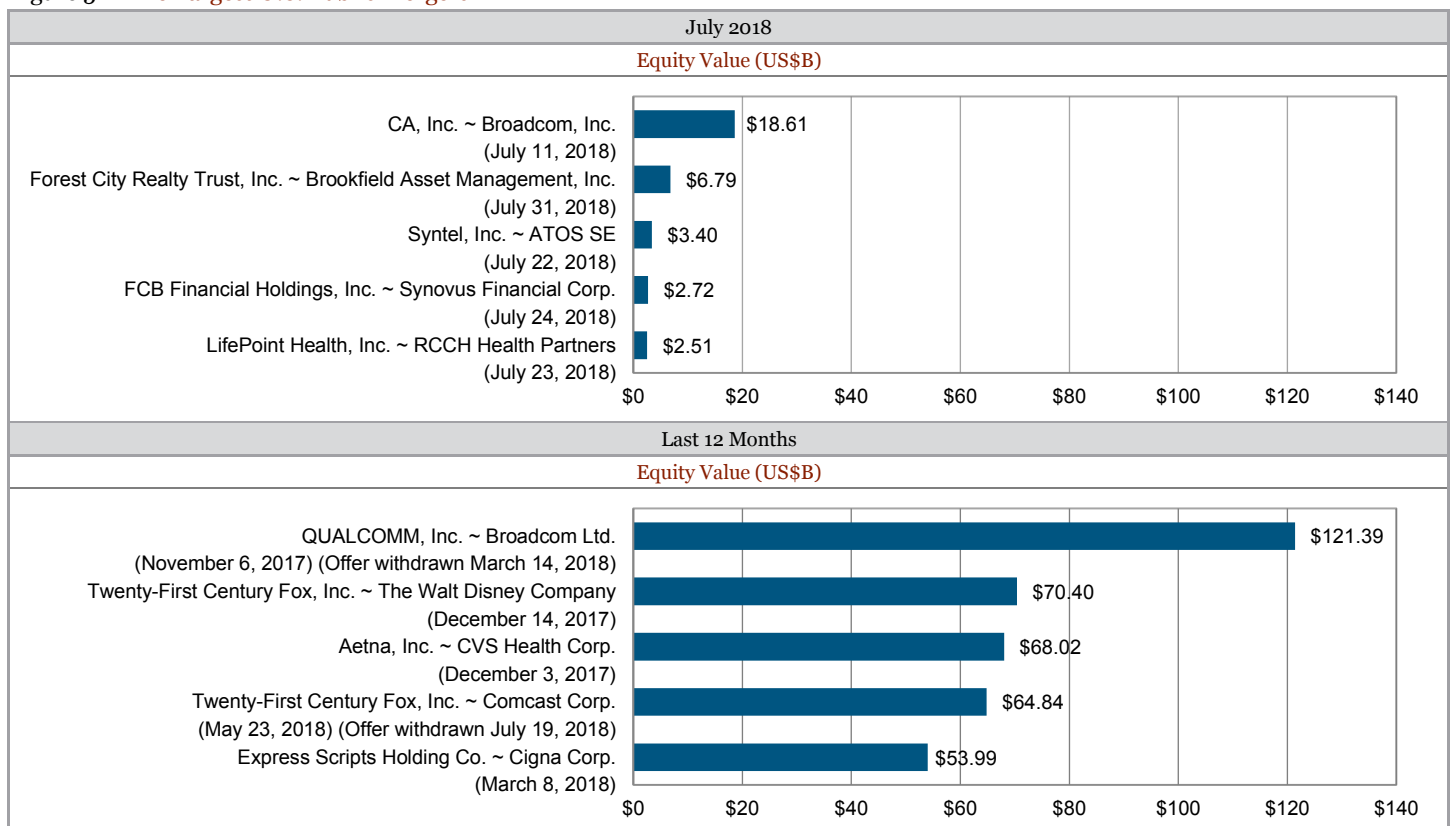


Figure 5 – Five Largest U.S. Public Mergers



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M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁵

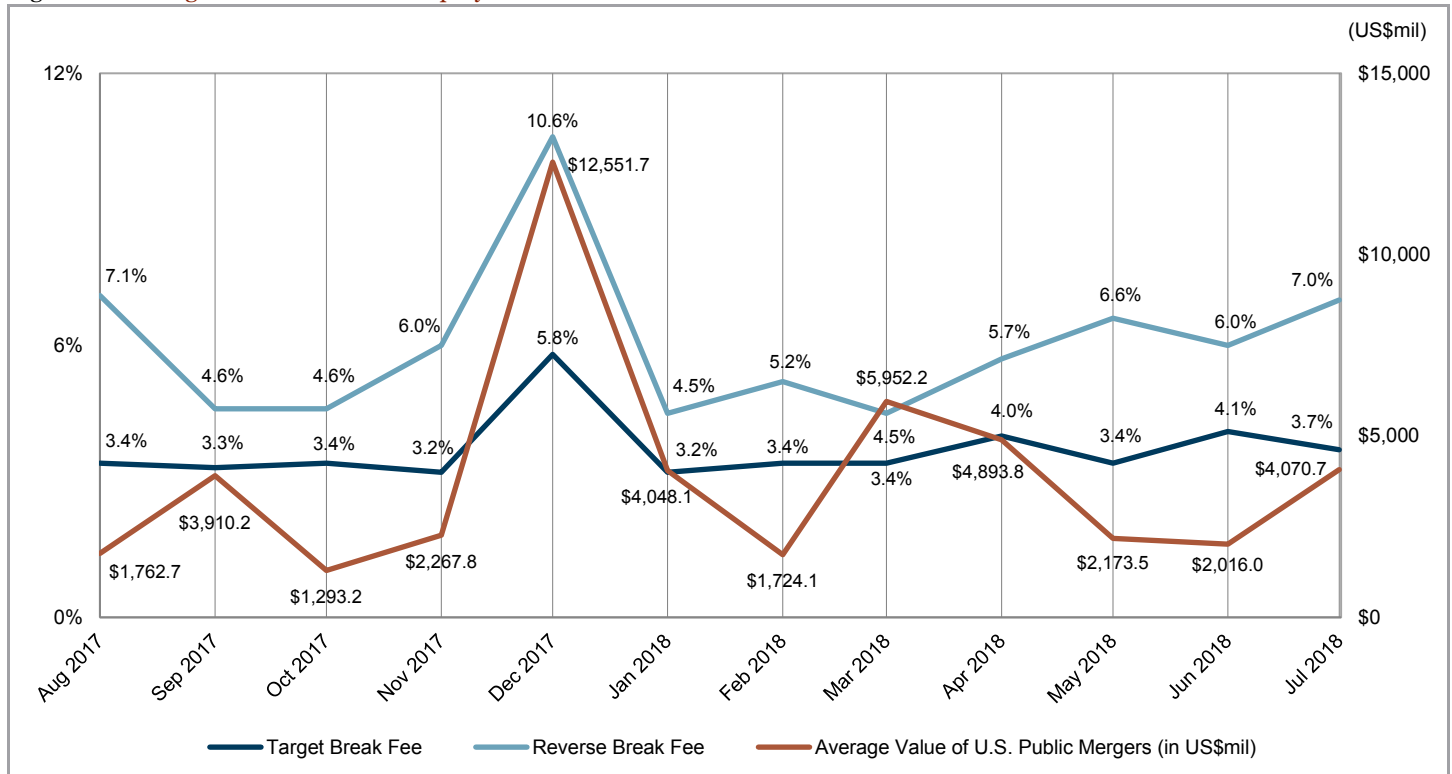


Figure 7 – Average Break Fees as % of Equity Value⁶

	July 2018	Last 12 Months
Target Break Fee for All Mergers	3.7	3.7

	July 2018	Last 12 Months
Reverse Break Fee for All Mergers	7.0	5.8
Reverse Break Fee for Mergers Involving Financial Buyers ⁷	N/A	6.7
Reverse Break Fee for Mergers Involving Strategic Buyers	7.0	5.6

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.

⁵ Based on the highest target break fees and reverse break fees payable in a particular deal.
⁶ Financial and strategic categories are determined by FactSet MergerMetrics.
⁷ No transactions in July 2018 involving a financial buyer had a reverse break fee.
⁸ No transactions in July 2018 involved a financial buyer.
⁹ One transaction in July 2018 had a go-shop provision.
¹⁰ No transactions in July 2018 involving a financial buyer had a go-shop provision.
¹¹ One transaction in July 2018 involving a strategic buyer had a go-shop provision.

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

	July 2018	Last 12 Months
% of Mergers with Go-Shops	11.1	6.1
% of Mergers Involving Financial Buyers with Go-Shops ⁸	N/A	18.2
% of Mergers Involving Strategic Buyers with Go-Shops	11.1	4.2
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ⁹	31.0	37.5
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ¹⁰	N/A	40.3
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ¹¹	31.0	35.7

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

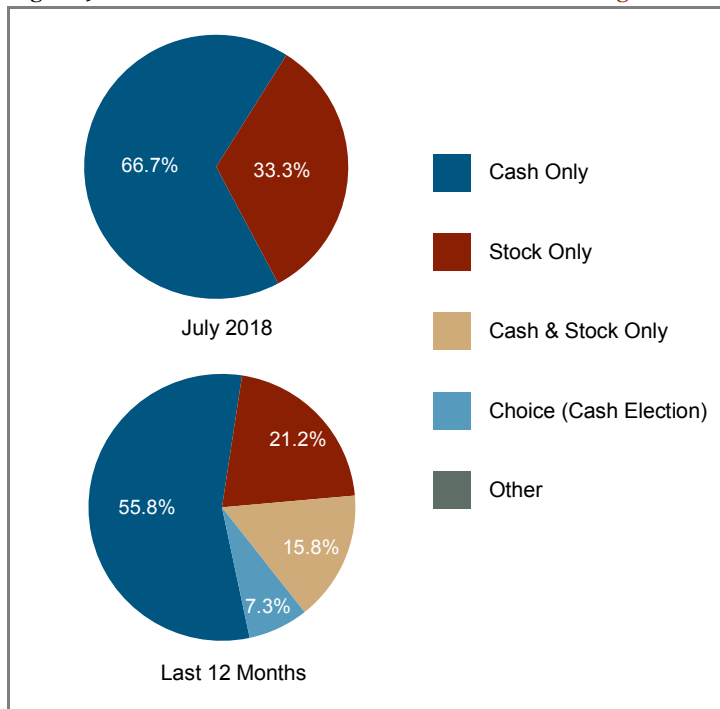


Figure 10 – % of Partial and All Stock Deals That Have a Fixed Exchange Ratio

July 2018	100.0
Last 12 Months	95.1

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

July 2018	11.1
Last 12 Months	14.5

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

July 2018	18.2
Last 12 Months	13.8

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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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)

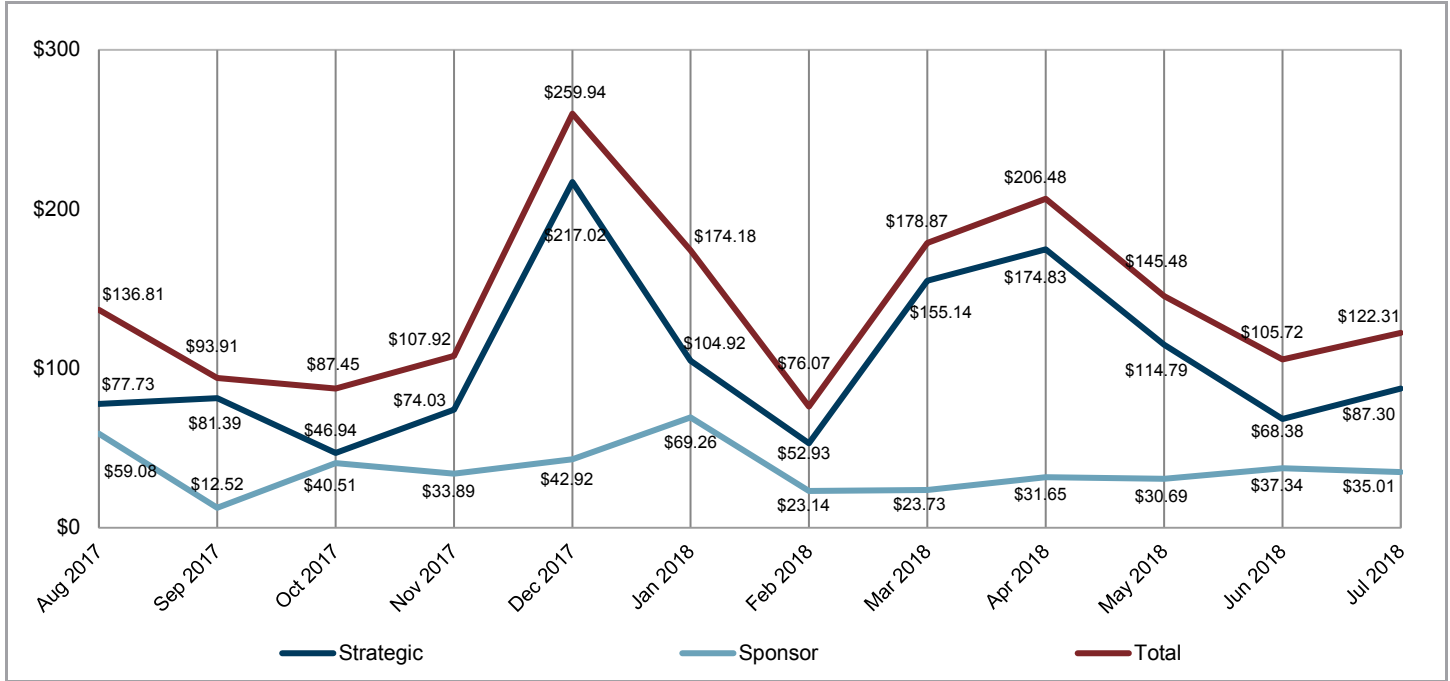


Figure 2A – Global Deal Volume (US\$B)



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Figure 3A – U.S. Number of Deals

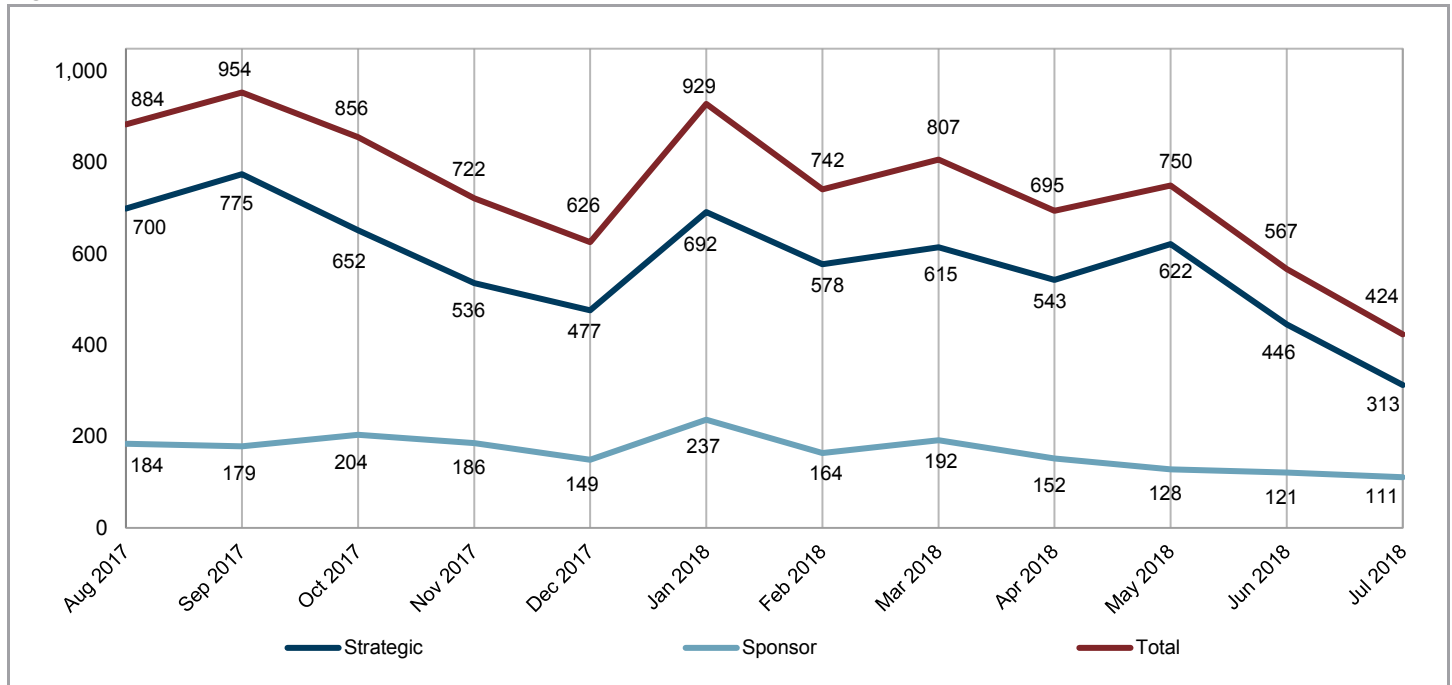
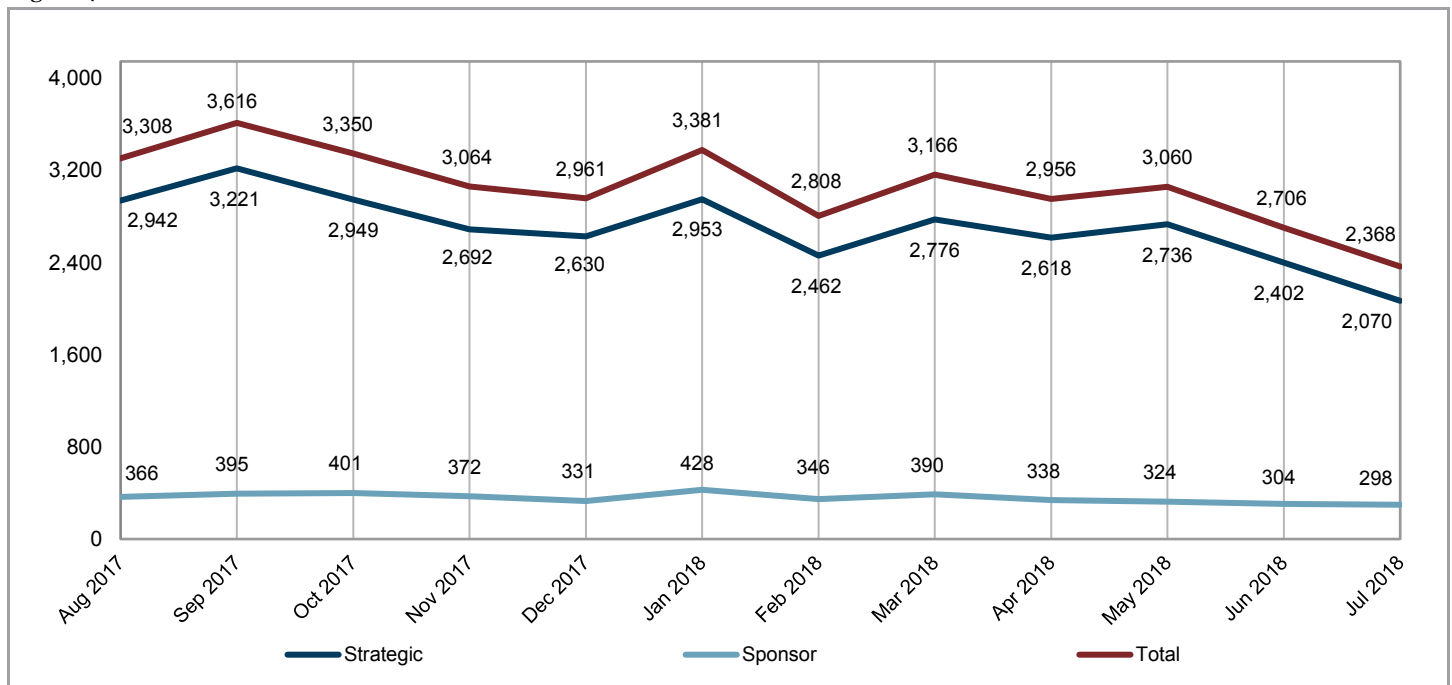


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

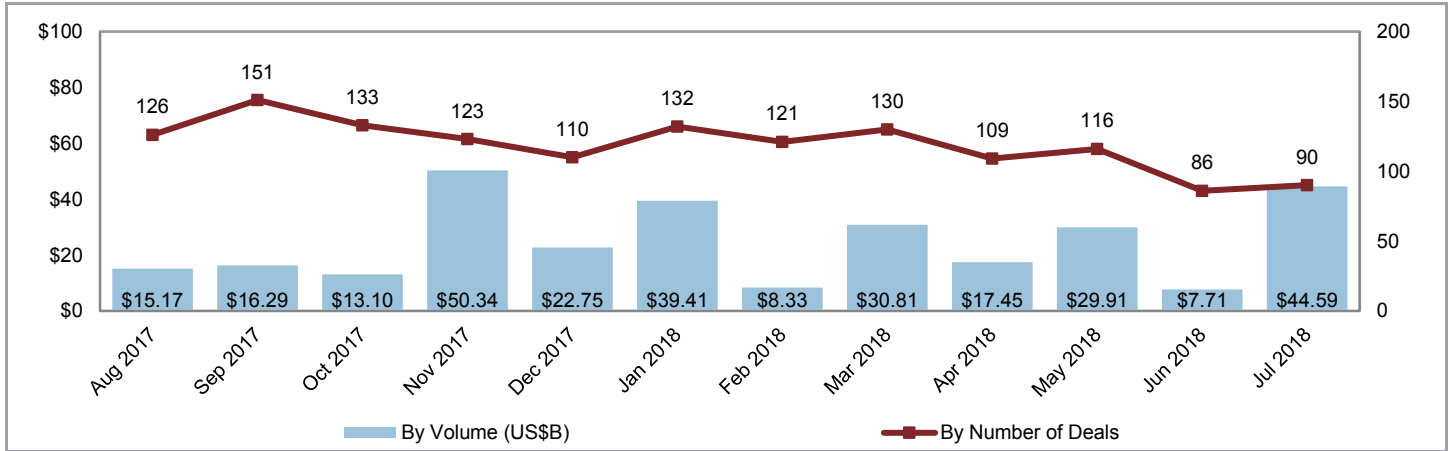


Figure 6A – Outbound U.S. Crossborder Transactions

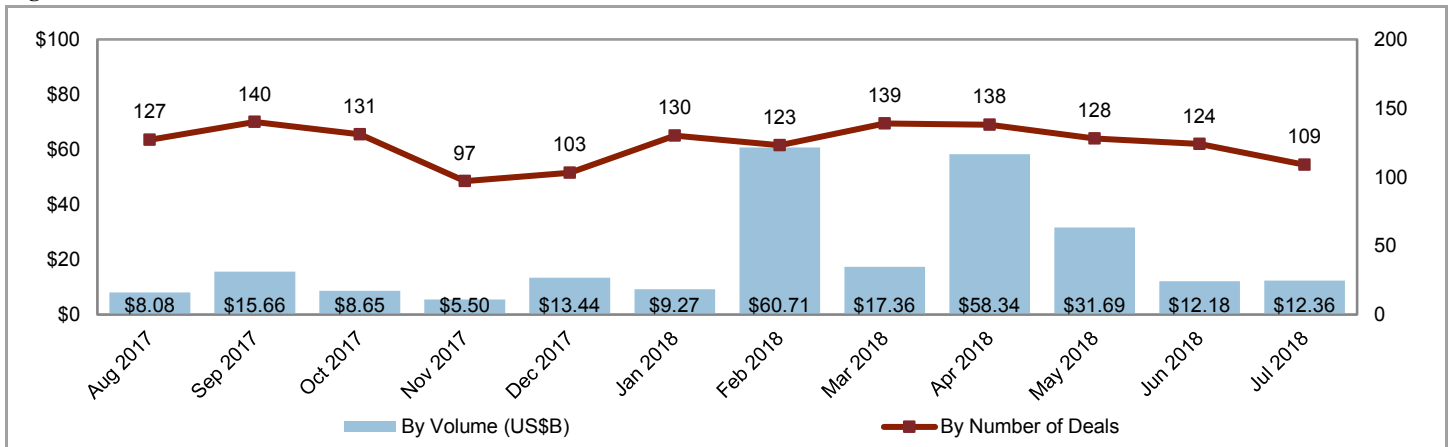


Figure 7A – Global Crossborder Transactions

