

## September 2018, Issue 78

M&A activity in August, like July, continued the recent downward trend in number of deals across most sectors while showing more mixed results as measured by total dollar value.<sup>1</sup> The number of deals decreased in the U.S. by 39.4% to 274 and globally by 19.2% to 2,027 (the third 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 10.1% to \$136.47 billion while it decreased globally by 6.6% to \$275.93 billion.

### Strategic vs. Sponsor Activity

The number of strategic deals decreased by 43.2% to 191 in the U.S. and by 17.8% to 1,806 globally. However, strategic volume by dollar value increased in the U.S. by 27.4% to \$112.27 billion and globally by a more modest 2.7% to \$225.73 billion. [Figure 1](#) and Annex [Figures 1A–4A](#). The number of sponsor-related deals decreased by 28.4% to 83 in the U.S. and by 29.4% to 221 globally. Sponsor-related volume decreased in the U.S. (by 32.4% to \$24.19 billion) and globally (by 33.7% to \$50.20 billion). [Figure 1](#) and Annex [Figures 1A–4A](#). M&A activity as measured by number of deals were the lowest monthly figures since the beginning of this publication for all sectors.

### Crossborder Activity

The number of crossborder deals decreased in August 2018 for U.S. inbound transactions (by 48.5% to 50) and for U.S. outbound transactions (by 37.0% to 68). U.S. inbound volume by dollar value decreased by 62.8% to \$16.86 billion. In contrast, U.S. outbound volume by dollar value increased by 28.2% to \$15.46 billion. [Figure 1](#) and Annex [Figures 5A–7A](#). Globally, the number of crossborder deals decreased by 34.0% to 423, the lowest level since the beginning of this publication. Global crossborder deal volume by dollar value decreased by 48.6% to \$59.13 billion.

Japan led U.S. inbound activity by number of deals in the month of August (11), while Canada continued as leader over the last 12-month period (331). Australia was the leading country for U.S. inbound activity as measured by total dollar value in August (\$7.24 billion) and Canada retained its lead over the last 12-month period (\$82.13 billion). The U.K. was again the leading destination country by number of deals in August (20) and over the last 12-month period (286). The U.K. was also the leading destination country for U.S. outbound activity by dollar value in August (\$5.94 billion) and over the last 12-month period (\$118.33 billion). [Figure 3](#).

### U.S. Deals by Industry

Computers & Electronics remained the most active target industry by number of deals in August (71) and over the last 12-month period (2,529). Oil & Gas was the most active target industry by dollar value in August (\$81.29 billion), while Healthcare remained the most active target industry over the last 12-month period (\$294.93 billion). [Figure 2](#).

### U.S. Public Mergers

As for U.S. public merger deal terms in August 2018, average target break fees (3.4%) were below the 12-month average (3.7%), and average reverse break fees (4.8%) were also below the 12-month average (5.6%). [Figures 6](#) and [7](#). No transaction in August involving a financial buyer included a go-shop provision. [Figure 8](#). The use of cash consideration in August decreased to 50.0%, below the 12-month average of 54.9%. [Figure 9](#). Tender offers for U.S. public mergers in August (16.7%) exceeded the 12-month average (14.2%), while hostile/unsolicited offers in August (7.7%) were below the 12-month average (14.6%). [Figures 11](#) and [12](#).

<sup>1</sup> 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.

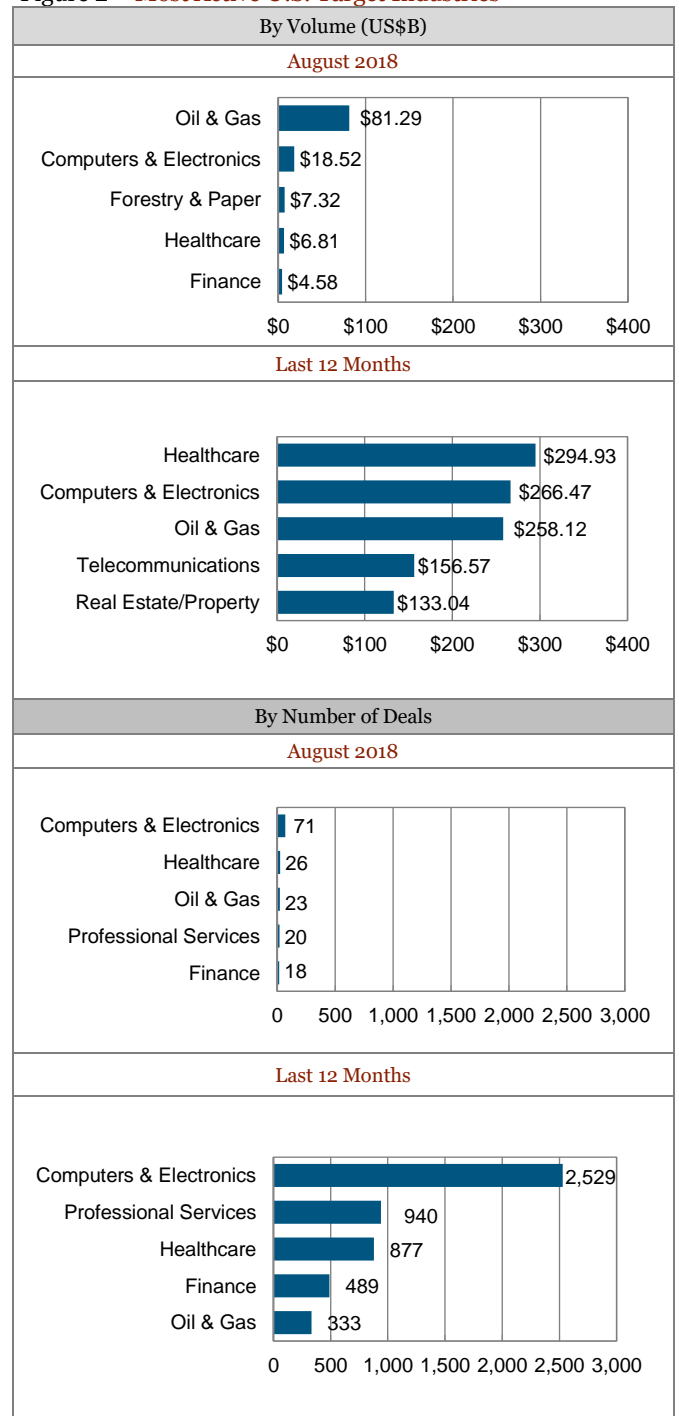
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## M&A Activity

Figure 1

August 2018	Global	+/- From Prior Month	U.S.	+/- From Prior Month
<b>Total</b>				
Volume (US\$B)	275.93	(19.53)	136.47	12.57
No. of deals	2,027	(483)	274	(178)
Avg. value of deals (US\$mil)	235.4	14.3	897.8	354.4
<b>Strategic Transactions</b>				
Volume (US\$B)	225.73	5.99	112.27	24.16
No. of deals	1,806	(391)	191	(145)
Avg. value of deals (US\$mil)	209.2	27.5	976.3	507.6
<b>Sponsor-Related Transactions</b>				
Volume (US\$B)	50.20	(25.52)	24.19	(11.59)
No. of deals	221	(92)	83	(33)
Avg. value of deals (US\$mil)	539.8	(56.4)	653.9	(240.7)
<b>Crossborder Transactions<sup>1</sup></b>				
Volume (US\$B)	59.13	(56.00)	Inbound 16.86 Outbound 15.46	Inbound (28.50) Outbound 3.40
No. of deals	423	(218)	Inbound 50 Outbound 68	Inbound (47) Outbound (40)
Avg. value of deals (US\$mil)	271.3	(111.3)	Inbound 495.9 Outbound 515.5	Inbound (314.1) Outbound 228.2

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



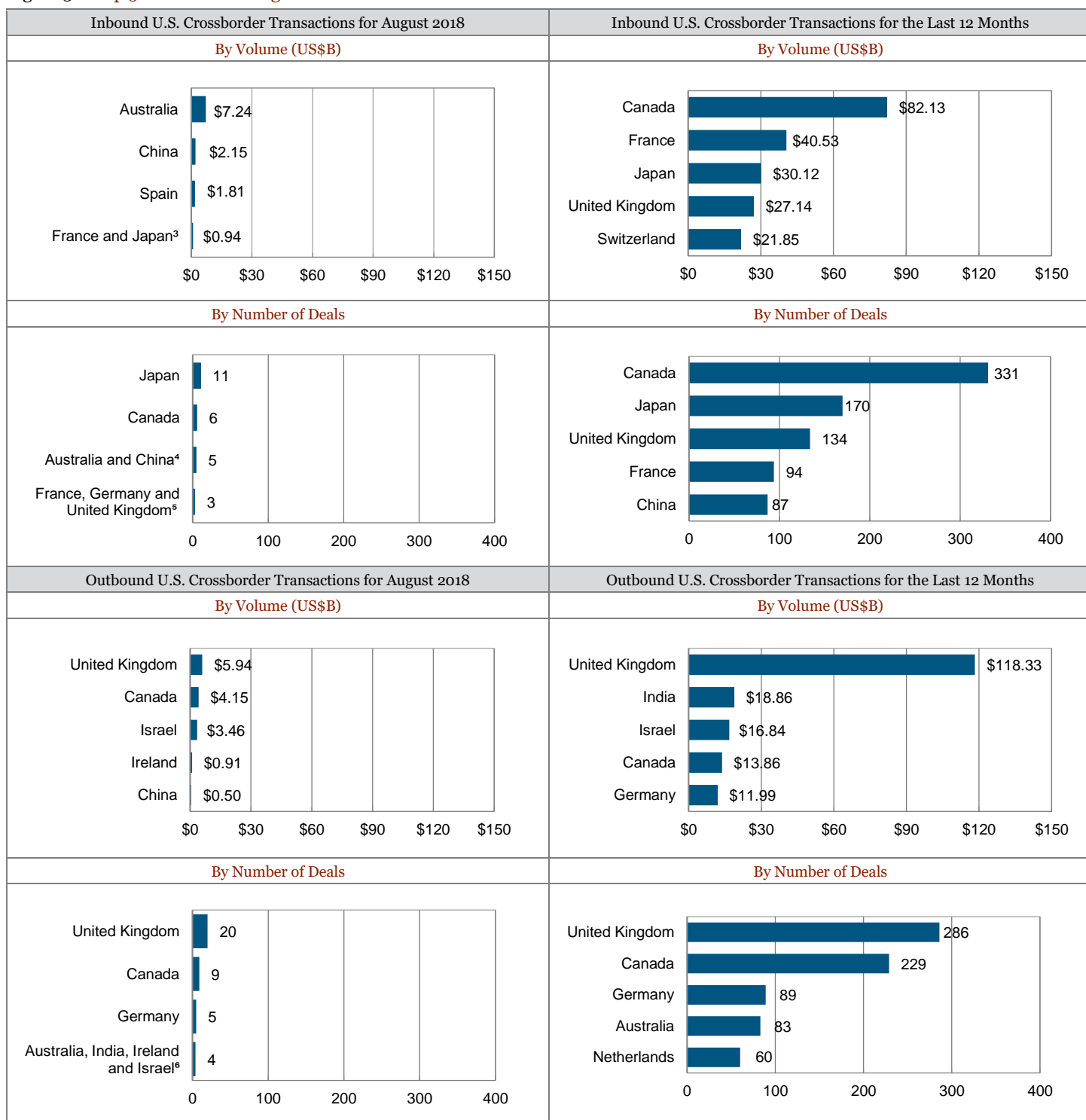
Figures 1-3 were compiled using data from Dealogic, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Deal volume by dollar value and average value of deals are calculated from the subset of the total number of deals that include a disclosed 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 September 10, 2018 unless otherwise specified. "Last 12 Months" data is for the period from September 2017 to August 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 Japan was the country of origin for transactions totaling \$0.94 billion in deal value in August 2018.

<sup>4</sup> Each of Australia and China was the country of origin for five transactions in August 2018.

<sup>5</sup> Each of France, Germany and the United Kingdom was the country of origin for three transactions in August 2018.

<sup>6</sup> Each of Australia, India, Ireland and Israel was the country of destination for four transactions in August 2018.

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

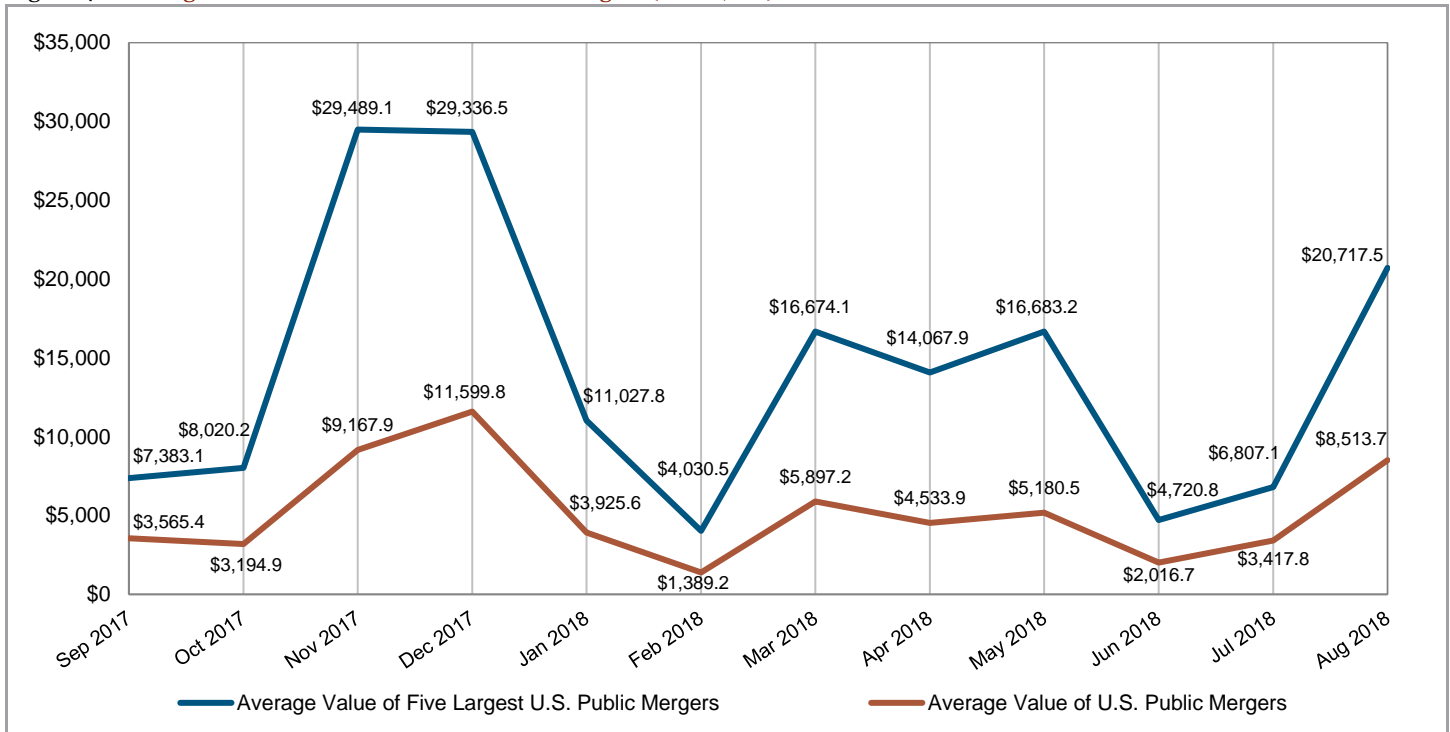
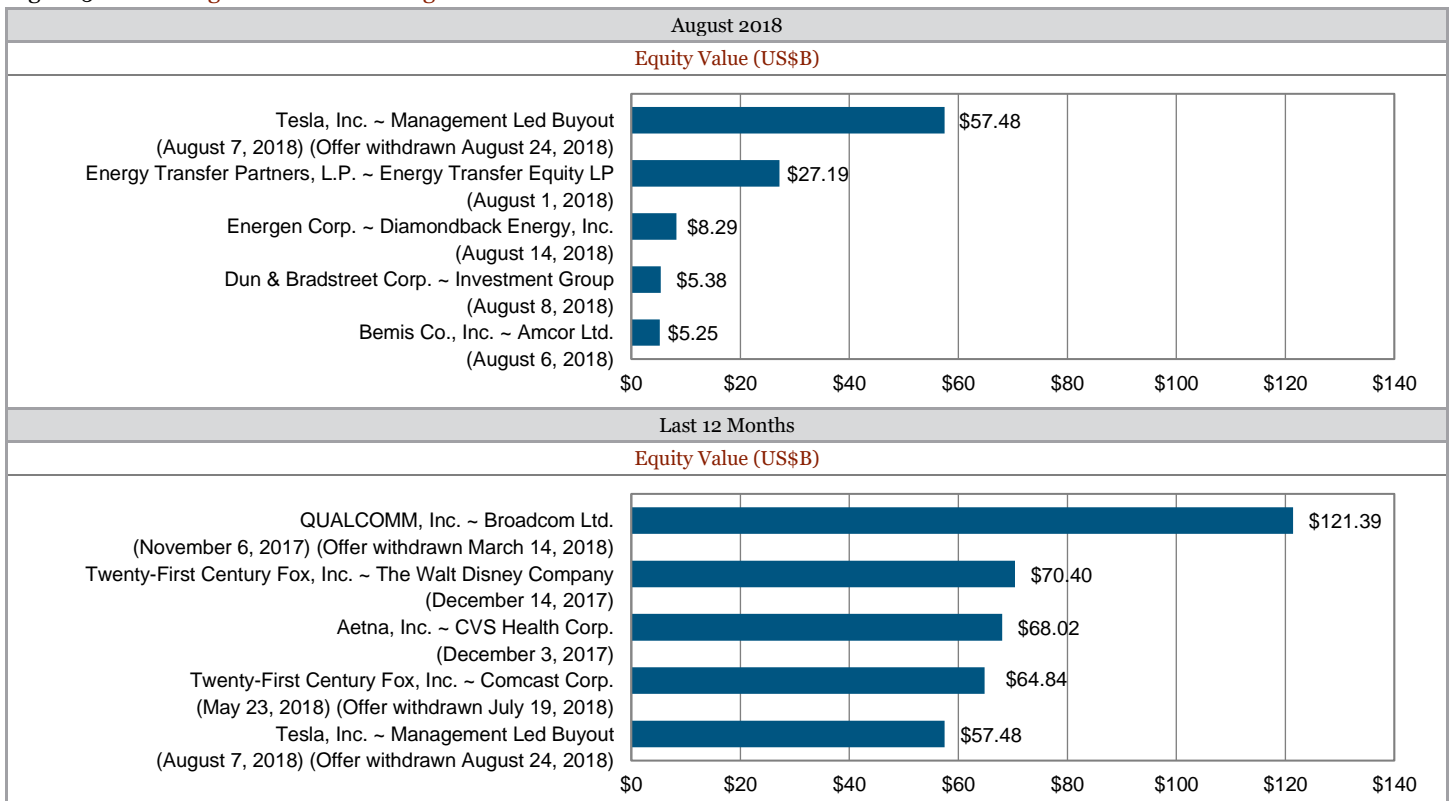


Figure 5 – Five Largest U.S. Public Mergers



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## M&A Terms

Figure 6 – Average Break Fees as % of Equity Value<sup>7</sup>

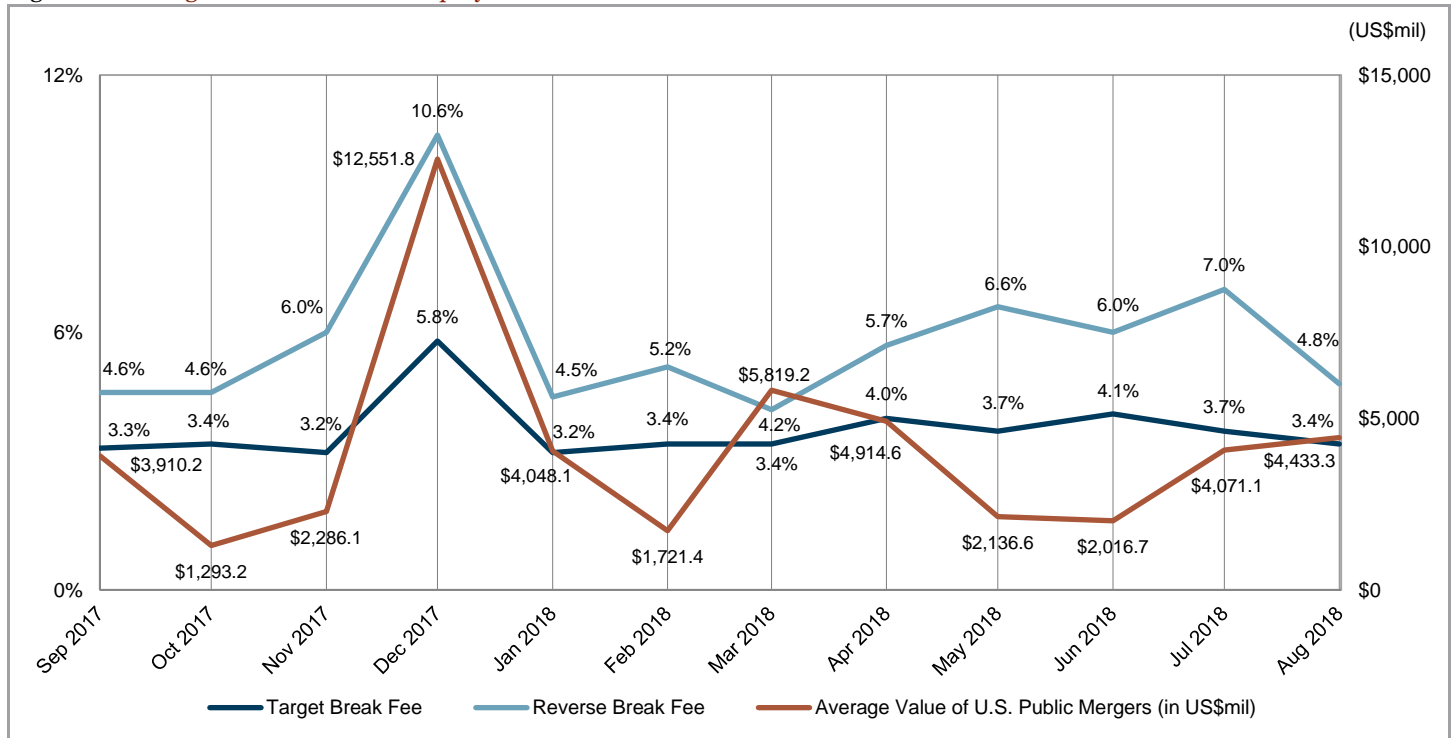


Figure 7 – Average Break Fees as % of Equity Value<sup>8</sup>

	August 2018	Last 12 Months
Target Break Fee for All Mergers	3.4	3.7

	August 2018	Last 12 Months
Reverse Break Fee for All Mergers	4.8	5.6
Reverse Break Fee for Mergers Involving Financial Buyers <sup>9</sup>	N/A	6.4
Reverse Break Fee for Mergers Involving Strategic Buyers	4.8	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.

<sup>7</sup> Based on the highest target break fees and reverse break fees payable in a particular deal.

<sup>8</sup> Financial and strategic categories are determined by FactSet MergerMetrics.

<sup>9</sup> No transactions in August 2018 involving a financial buyer had a reverse break fee.

<sup>10</sup> Financial and strategic categories are determined by FactSet MergerMetrics.

<sup>11</sup> No transactions in August 2018 involved a financial buyer.

<sup>12</sup> Three transactions in August 2018 had a go-shop provision.

<sup>13</sup> No transactions in August 2018 involving a financial buyer had a go-shop provision.

<sup>14</sup> Three transactions in August 2018 involving a strategic buyer had a go-shop provision.

Figure 8 – U.S. Public Merger Go-Shop Provisions<sup>10</sup>

	August 2018	Last 12 Months
% of Mergers with Go-Shops	25.0	7.4
% of Mergers Involving Financial Buyers with Go-Shops <sup>11</sup>	N/A	15.0
% of Mergers Involving Strategic Buyers with Go-Shops	25.0	6.3
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops <sup>12</sup>	36.7	36.7
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops <sup>13</sup>	N/A	38.7
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops <sup>14</sup>	36.7	36.0

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Figure 9 – Form of Consideration as % of U.S. Public Mergers<sup>15</sup>

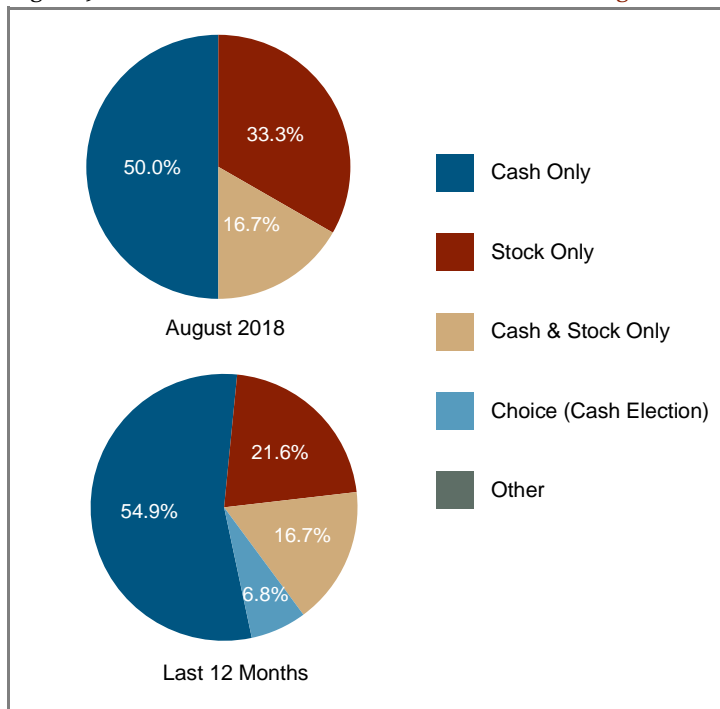


Figure 10 – % of Partial and All Stock Deals That Have a Fixed Exchange Ratio

August 2018	100.0
Last 12 Months	95.2

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

August 2018	16.7
Last 12 Months	14.2

Figure 12 – Hostile/Unsolicited Offers as % of U.S. Public Mergers<sup>16</sup>

August 2018	7.7
Last 12 Months	14.6

<sup>15</sup> Due to rounding, percentages may not add up to 100%.

<sup>16</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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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)

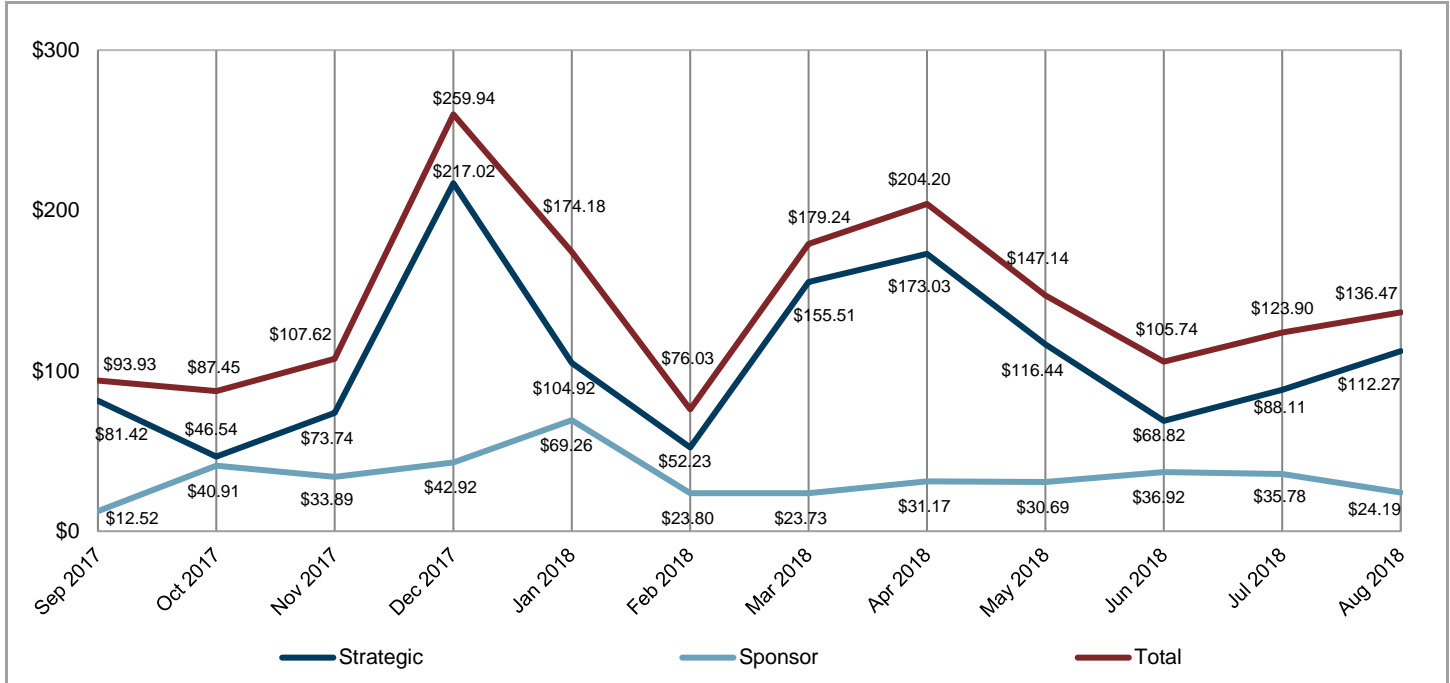
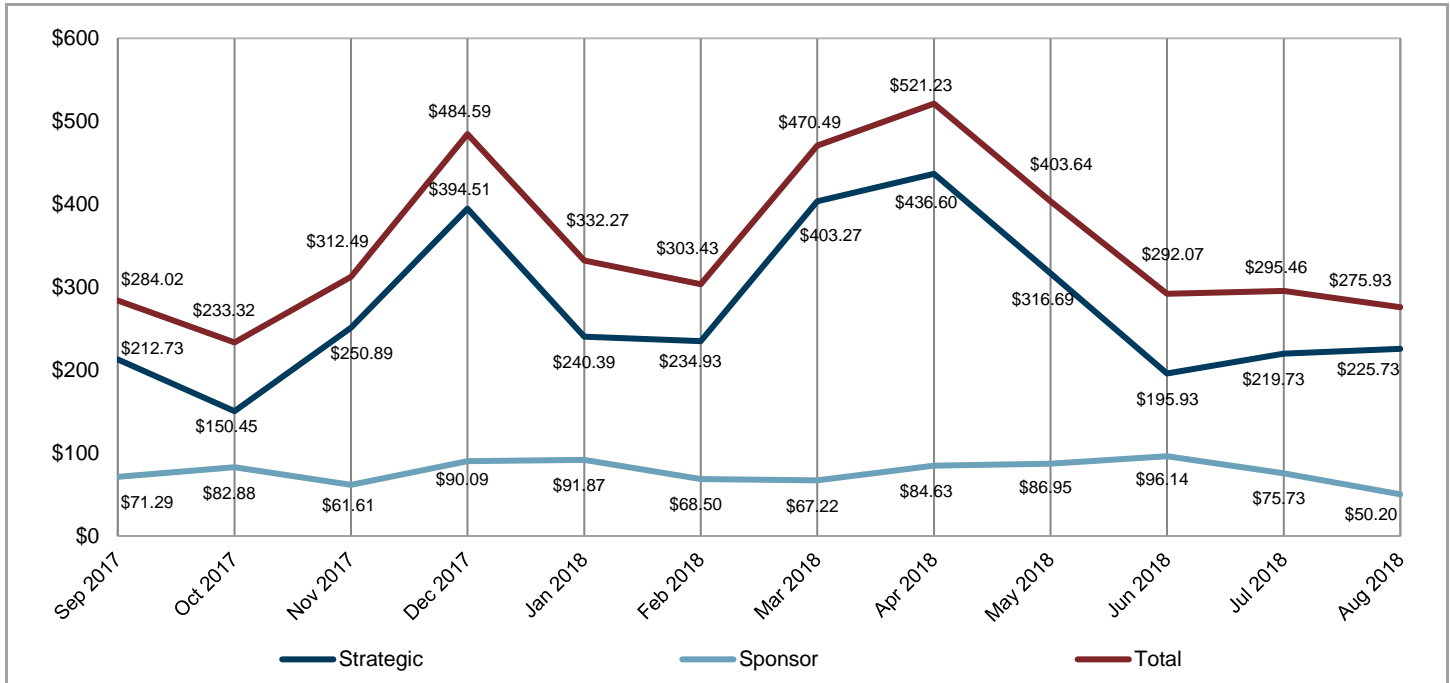


Figure 2A – Global Deal Volume (US\$B)





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Figure 3A – U.S. Number of Deals

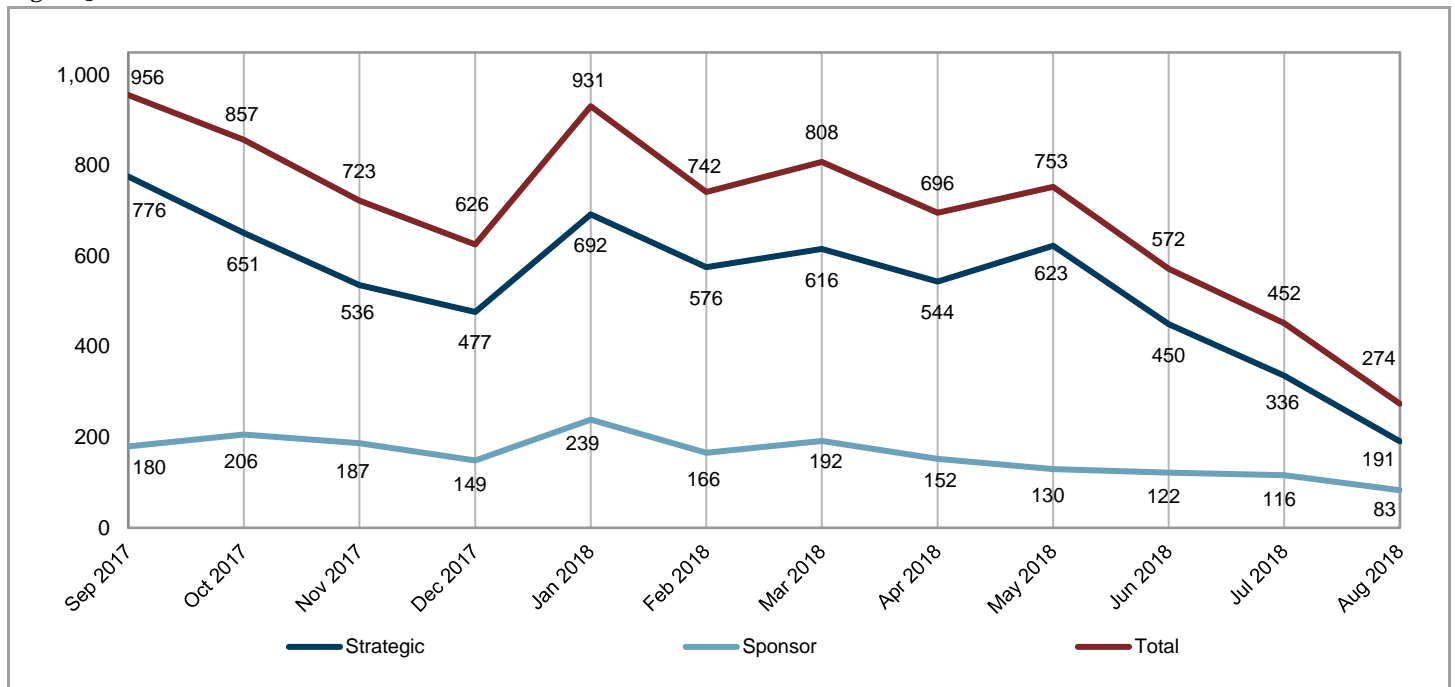
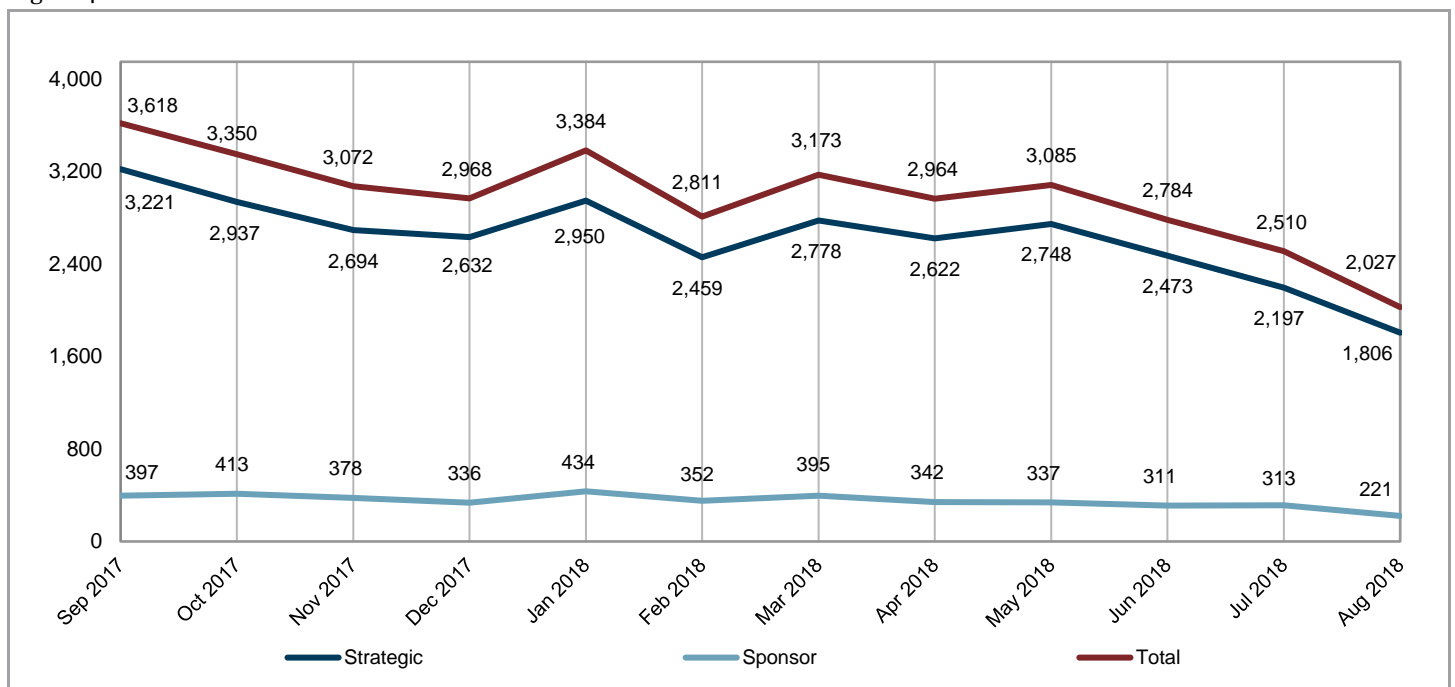


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

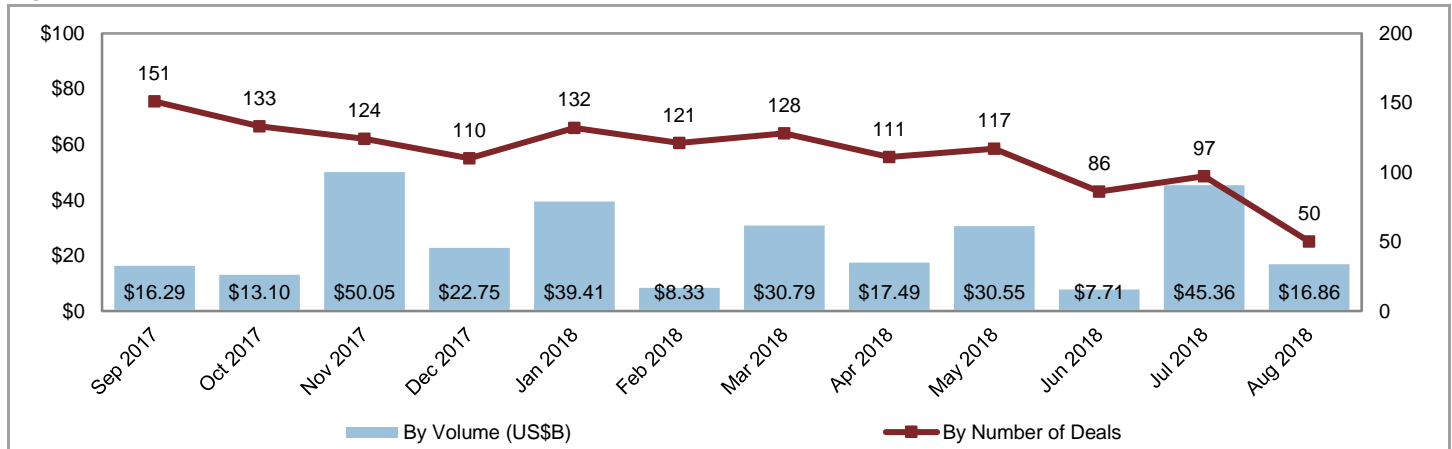


Figure 6A – Outbound U.S. Crossborder Transactions

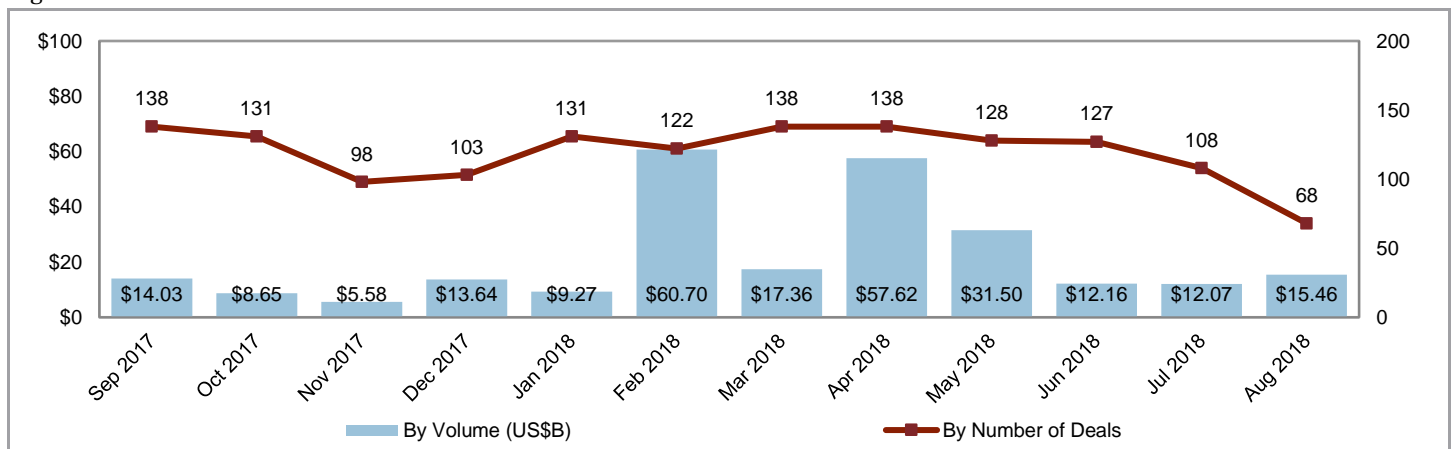


Figure 7A – Global Crossborder Transactions

