

October 2018, Issue 79

M&A activity in September 2018 was mixed compared to August levels, but generally reflected an overall continuing downward trend starting in April of this year. Deal volume by dollar value¹ decreased in the U.S. by 44.5% to \$77.06 billion and globally by 16.1% to \$238.25 billion. While the number of deals increased in the U.S. by 2.0% to 357 (the second lowest level since the beginning of this publication in 2012), the number of deals decreased globally by 1.5% to 2,195.

Strategic vs. Sponsor Activity

The number of strategic deals increased in September 2018 by 4.8% to 262 in the U.S. and decreased by 1.2% to 1,951 globally. Strategic volume by dollar value decreased in the U.S. by 61.8% to \$43.69 billion and globally by 27.3% to \$161.73 billion. [Figure 1](#) and Annex [Figures 1A–4A](#). The number of sponsor-related deals decreased in the U.S. by 5.0% to 95 and globally by 3.6% to 244. A relative bright spot is sponsor-related deal volume as measured by dollar value, which increased in the U.S. by 36.5% to \$33.38 billion and globally by 24.7% to \$76.52 billion, although on a relatively flat trajectory for the year overall. [Figure 1](#) and Annex [Figures 1A–4A](#).

Crossborder Activity

Globally, the number of crossborder deals increased by 7.1% to 510, although, again, this figure represents the second lowest level for the last 12-month period. Global crossborder deal volume by dollar value increased by 50.8% to \$92.32 billion.

In the U.S., the number of crossborder deals also increased in September 2018. U.S. inbound transactions increased by 3.1% to 66, and U.S. outbound transactions increased by 21.3% to 91, but we note that both figures represented the second lowest levels for such activity in the last 12-month period. U.S. crossborder activity as measured by dollar value was more mixed, with inbound volume by dollar value decreasing by 6.2% to \$16.96 billion and U.S. outbound volume by dollar value increasing by 40.5% to \$22.25 billion. [Figure 1](#) and Annex [Figures 5A–7A](#).

Canada led U.S. inbound activity by number of deals in the month of September (16) and continued as leader over the last 12-month period (320). Japan was the leading country for U.S. inbound activity as measured by total dollar value in September (\$7.77 billion), with Canada retaining its lead over the last 12-month period (\$83.16 billion). The U.K. was again the leading destination country for U.S. outbound transactions by number of deals in September (21) and over the last 12-month period (279). The U.K. was also the leading destination country for U.S. outbound activity by dollar value in September (\$7.16 billion) and over the last 12-month period (\$85.75 billion). [Figure 3](#).

U.S. Deals by Industry

Computers & Electronics remained the most active target industry by number of deals in September (95) and over the last 12-month period (2,384). Computers & Electronics was also the most active target industry by dollar value in September (\$17.91 billion), while Healthcare remained the most active target industry over the last 12-month period (\$292.27 billion). [Figure 2](#).

U.S. Public Mergers

As for U.S. public merger deal terms in September 2018, both average target break fees and average reverse break fees were below their 12-month averages, at 3.3% (compared to a 12-month average of 3.7%) and 4.9% (compared to a 12-month average of 5.6%), respectively. [Figures 6](#) and [7](#). No transactions in September included a go-shop provision. [Figure 8](#). The use of cash consideration in September increased to 57.1%, above the 12-month average of 53.4%. [Figure 9](#). Tender offers for U.S. public mergers in September (14.3%) exceeded the 12-month average (13.5%) and hostile/unsolicited offers in September (15.4%) also exceeded the 12-month average (14.9%). [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 includes a disclosed deal value.

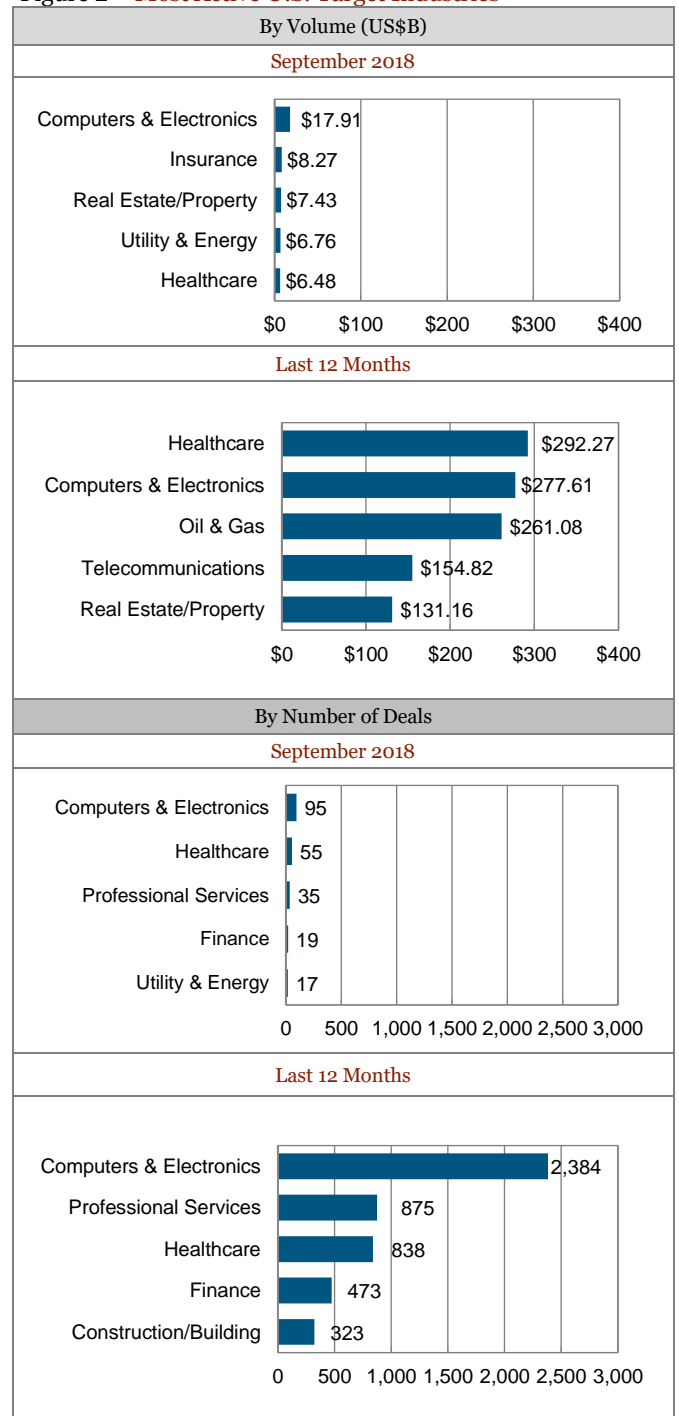
[Return to Summary](#)

M&A Activity

Figure 1

September 2018	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	238.25	(45.72)	77.06	(61.75)
No. of deals	2,195	(33)	357	7
Avg. value of deals (US\$mil)	193.7	(30.4)	440.4	(294.1)
Strategic Transactions				
Volume (US\$B)	161.73	(60.88)	43.69	(70.68)
No. of deals	1,951	(24)	262	12
Avg. value of deals (US\$mil)	142.3	(48.0)	299.2	(458.2)
Sponsor-Related Transactions				
Volume (US\$B)	76.52	15.15	33.38	8.93
No. of deals	244	(9)	95	(5)
Avg. value of deals (US\$mil)	822.8	190.2	1,150.9	507.6
Crossborder Transactions¹				
Volume (US\$B)	92.32	31.09	Inbound 16.96 Outbound 22.25	Inbound (1.13) Outbound 6.41
No. of deals	510	34	Inbound 66 Outbound 91	Inbound 2 Outbound 16
Avg. value of deals (US\$mil)	338.2	75.4	Inbound 413.6 Outbound 505.6	Inbound (17.0) Outbound (5.1)

Figure 2 – Most Active U.S. Target Industries²



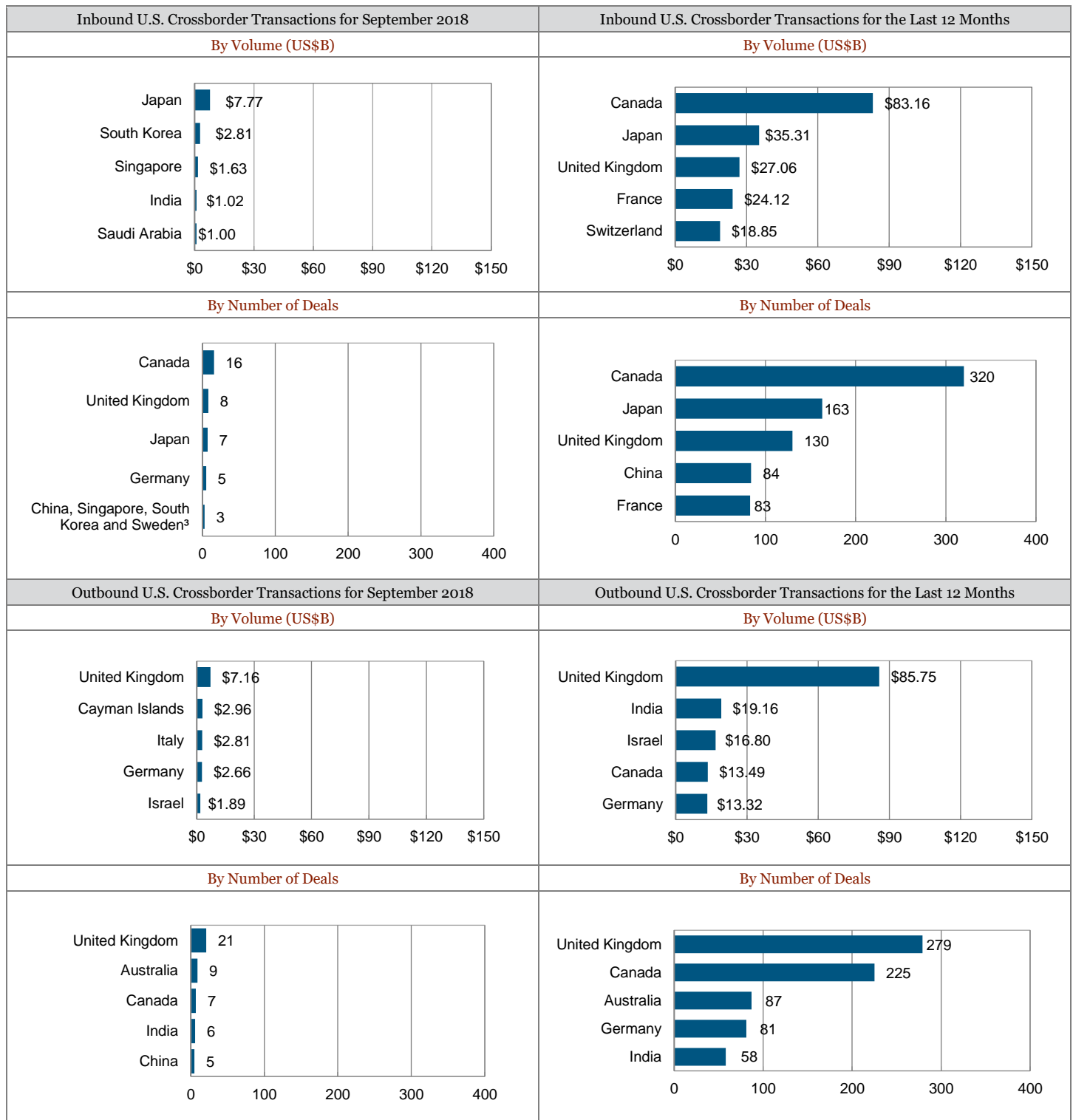
Figures 1-3 were compiled using data from Dealogic, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Deal volume by dollar value and average value of deals are calculated from the subset of the total number of deals that include a disclosed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

[Return to Summary](#)

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



³ Each of China, Singapore, South Korea and Sweden was the country of origin for three transactions in September 2018.

[Return to Summary](#)

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

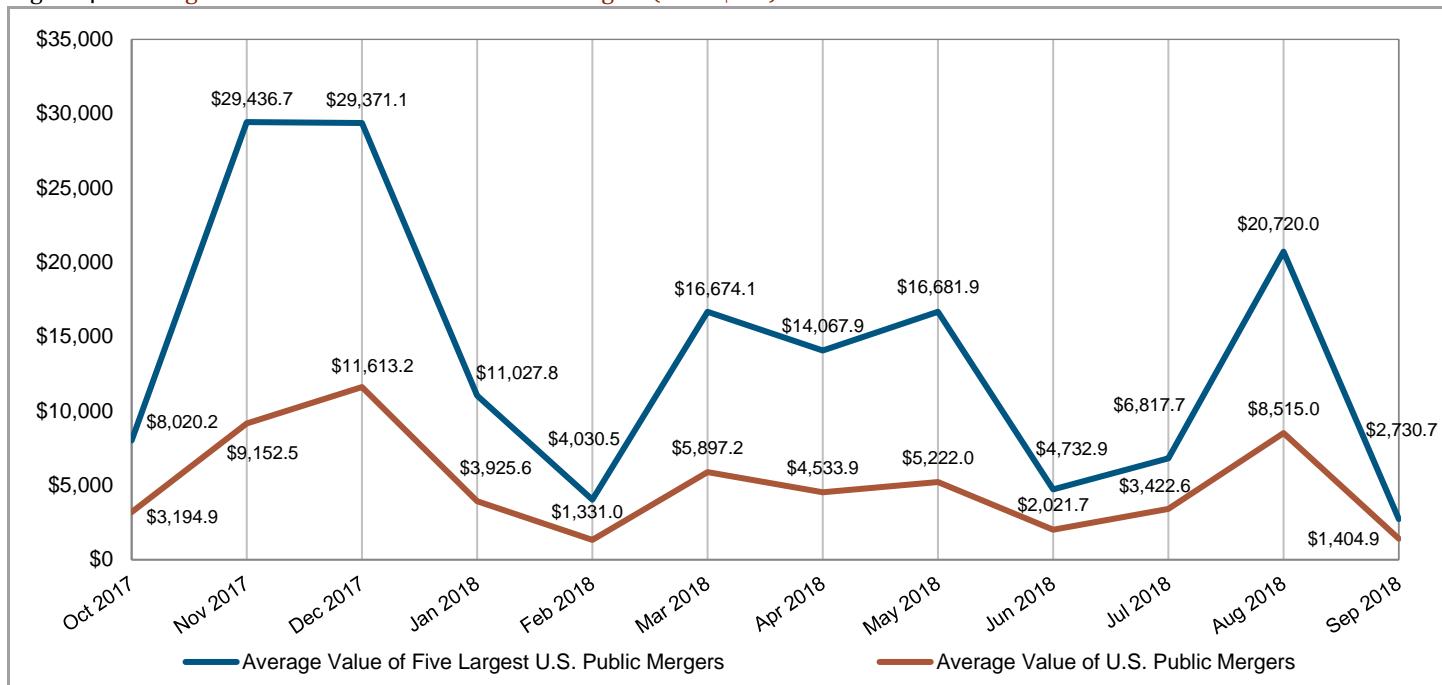
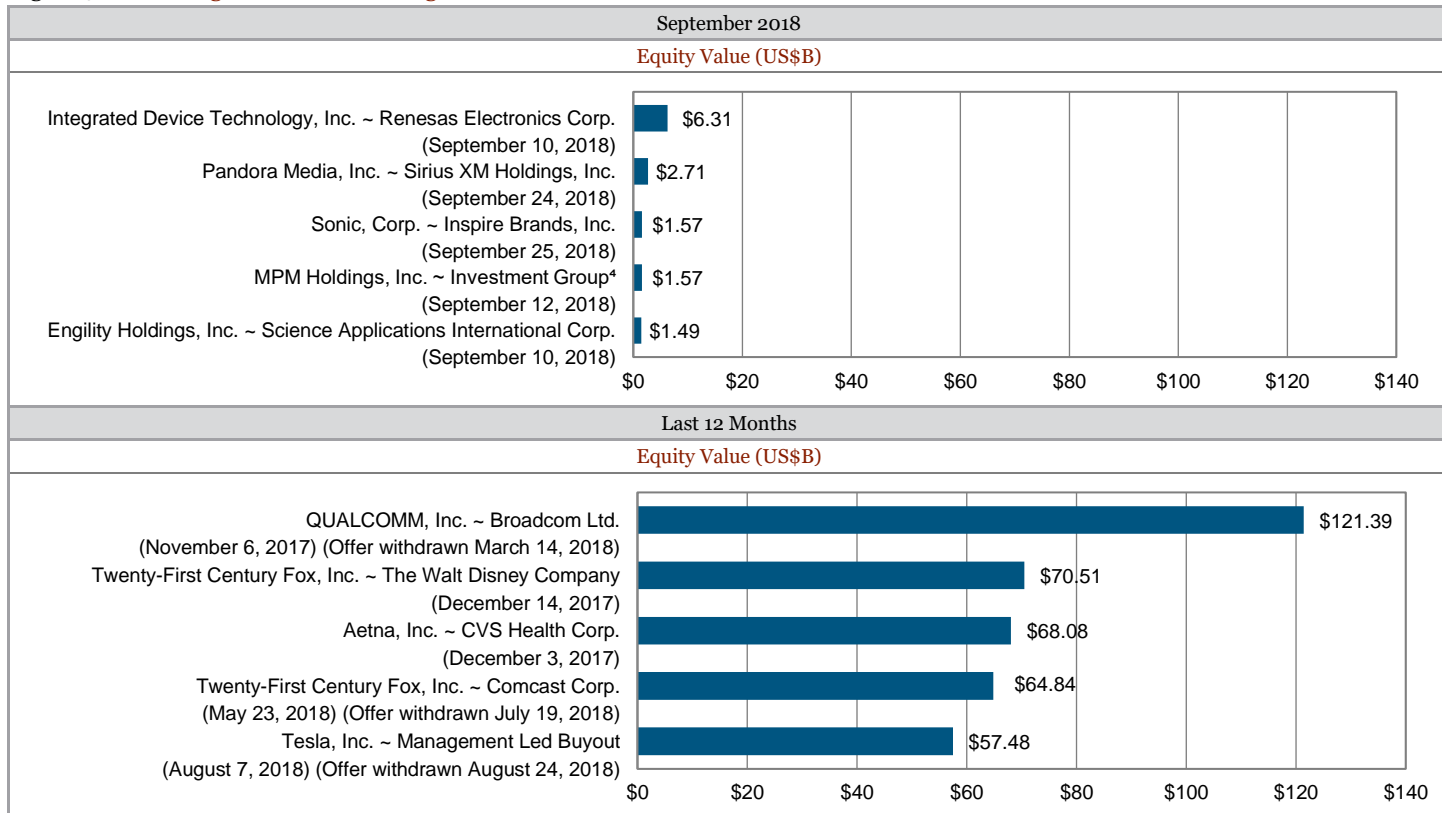


Figure 5 – Five Largest U.S. Public Mergers



* Members of the investment group reported by FactSet MergerMetrics are Wonik QnC Corp., KCC Corp. and SJL Partners LLC.

[Return to Summary](#)

M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁵

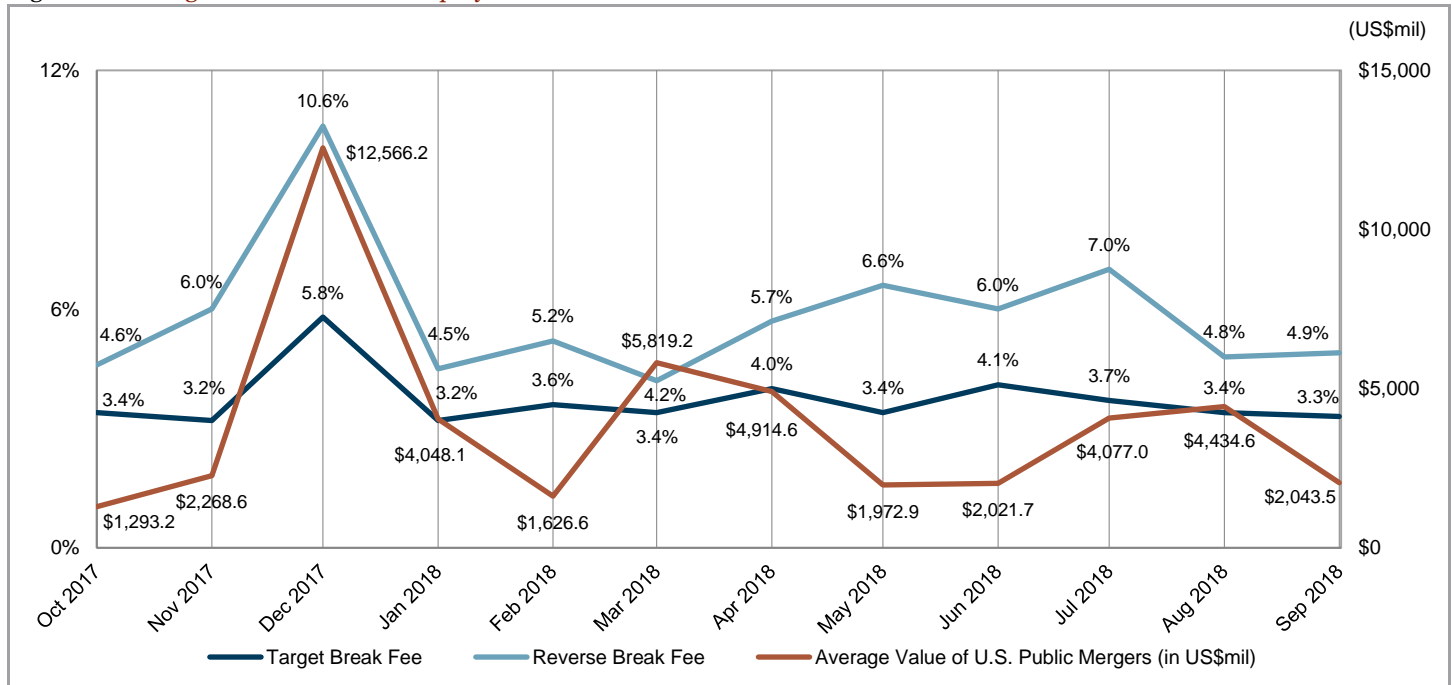


Figure 7 – Average Break Fees as % of Equity Value⁶

	September 2018	Last 12 Months
Target Break Fee for All Mergers	3.3	3.7

	September 2018	Last 12 Months
Reverse Break Fee for All Mergers ⁷	4.9	5.6
Reverse Break Fee for Mergers Involving Financial Buyers ⁸	N/A	6.5
Reverse Break Fee for Mergers Involving Strategic Buyers ⁹	4.9	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.

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 Three transactions in September 2018 had a reverse break fee.
⁸ No transactions in September 2018 involving a financial buyer had a reverse break fee.
⁹ Three transactions in September 2018 involving a strategic buyer had a reverse break fee.
¹⁰ Financial and strategic categories are determined by FactSet MergerMetrics.
¹¹ No transactions in September 2018 involved a financial buyer.
¹² Two transactions in September 2018 had a go-shop provision.
¹³ No transactions in September 2018 involving a financial buyer had a go-shop provision.
¹⁴ Two transactions in September 2018 involving a strategic buyer had a go-shop provision.

Figure 8 – U.S. Public Merger Go-Shop Provisions¹⁰

	September 2018	Last 12 Months
% of Mergers with Go-Shops	28.6	8.0
% of Mergers Involving Financial Buyers with Go-Shops ¹¹	N/A	15.8
% of Mergers Involving Strategic Buyers with Go-Shops	28.6	6.9
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ¹²	38.0	38.5
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ¹³	N/A	38.7
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ¹⁴	38.0	38.5

[Return to Summary](#)

Figure 9 – Form of Consideration as % of U.S. Public Mergers¹⁵

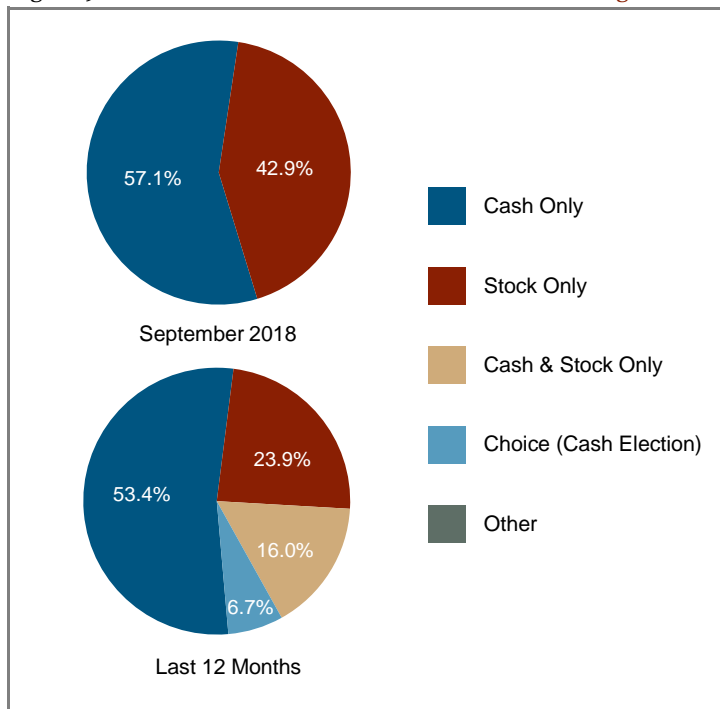


Figure 10 – % of Partial and All Stock Deals That Have a Fixed Exchange Ratio

September 2018 ¹⁶	100.0
Last 12 Months	98.5

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

September 2018	14.3
Last 12 Months	13.5

Figure 12 – Hostile/Unsolicited Offers as % of U.S. Public Mergers¹⁷

September 2018	15.4
Last 12 Months	14.9

¹⁵ Due to rounding, percentages may not add up to 100%.

¹⁶ There were only three partial or all stock transactions in September 2018.

¹⁷ 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.

Our Mergers & Acquisitions Practice

Our M&A Group is among the most experienced and active in the world. We represent publicly traded and privately held companies, leading private equity firms, financial advisors, and other financial institutions and investors in their most important mergers and acquisitions, joint ventures and other strategic transactions. Our expertise advising corporations and private investors in a broad range of sophisticated transactions enables us to identify new opportunities for our clients to realize value. We have particular experience in guiding clients as they engage in proxy battles, company-altering and market consolidating transactions or capital markets transactions.

Recent highlights include advising: ILG in its approximately \$4.7 billion sale to Marriott Vacations Worldwide; CSRA in its \$9.7 billion acquisition by General Dynamics; Bioverativ in its \$11.6 billion acquisition by Sanofi; ADP in its successful proxy contest against Pershing Square; Kate Spade & Company in its \$2.4 billion acquisition by Coach; Agrium in its \$36 billion merger of equals with Potash Corp. of Saskatchewan; funds affiliated with Apollo Global Management and Protection 1 in their \$15 billion acquisition of ADT Corporation and Alere in its \$5.3 billion acquisition by Abbott Laboratories.

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:



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, associates Ryan D. Blicher, Logan M. DeSouza, Edy Glzman, Vincent P. Iacono, Paul A. Nolle III, David Okada and Michael N. Wysolmerski and law clerks Feiran Felicia Chen, Sam D. McColl and Ceecee Q. Yao contributed to this publication.

Our M&A Partners

[Matthew W. Abbott](#)

[Adam M. Givertz](#)

[Xiaoyu Greg Liu](#)

[Tarun M. Stewart](#)

[Edward T. Ackerman](#)

[Neil Goldman](#)

[Jeffrey D. Marell](#)

[Ramy J. Wahbeh](#)

[Scott A. Barshay](#)

[Bruce A. Gutenplan](#)

[Alvaro Membrillera](#)

[Steven J. Williams](#)

[Angelo Bonvino](#)

[Justin G. Hamill](#)

[Judie Ng Shortell](#)

[Betty Yap](#)

[Jeanette K. Chan](#)

[David M. Klein](#)

[Kelley D. Parker](#)

[Kaye N. Yoshino](#)

[Ellen N. Ching](#)

[David K. Lakhdir](#)

[Carl L. Reisner](#)

[Tong Yu](#)

[Ariel J. Deckelbaum](#)

[Stephen P. Lamb](#)

[Kenneth M. Schneider](#)

[Taurie M. Zeitzer](#)

[Ross A. Fieldston](#)

[John E. Lange](#)

[Robert B. Schumer](#)

[Brian P. Finnegan](#)

[Brian C. Lavin](#)

[John M. Scott](#)

[Return to Summary](#)

M&A Activity – 12-Month Trends

Figure 1A – U.S. Deal Volume (US\$B)

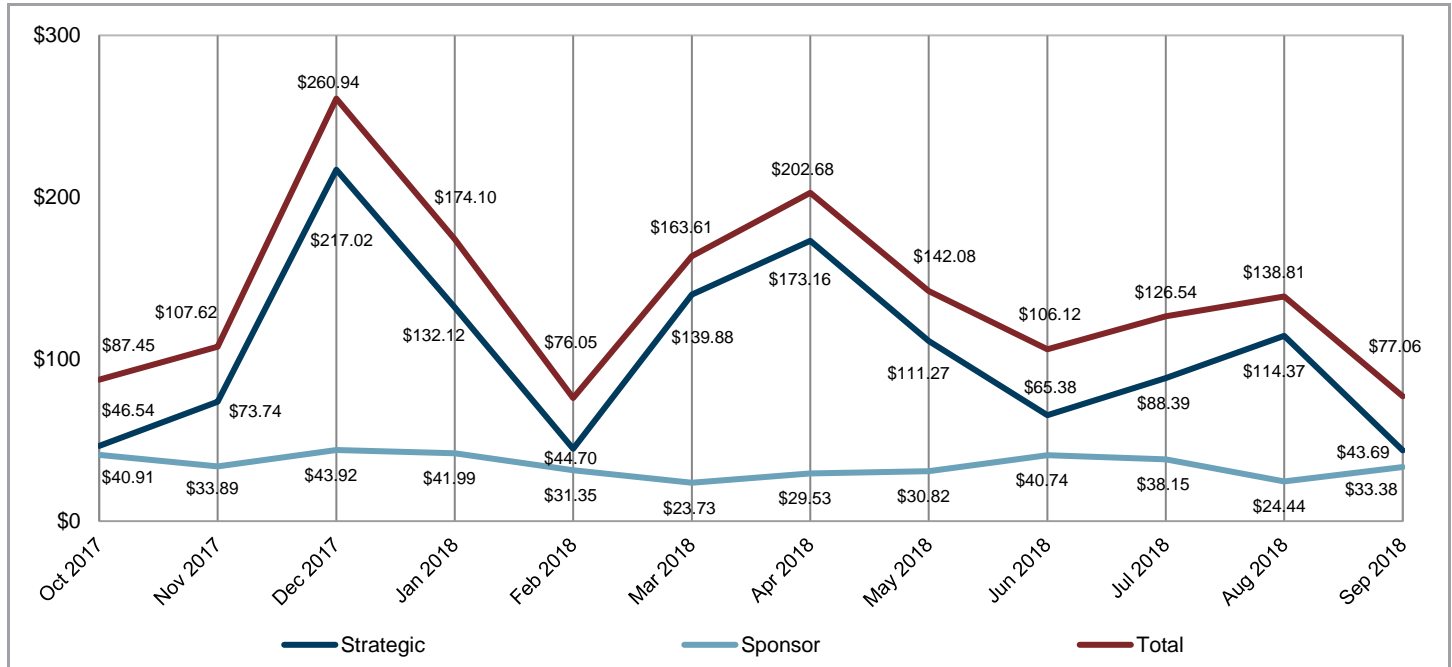
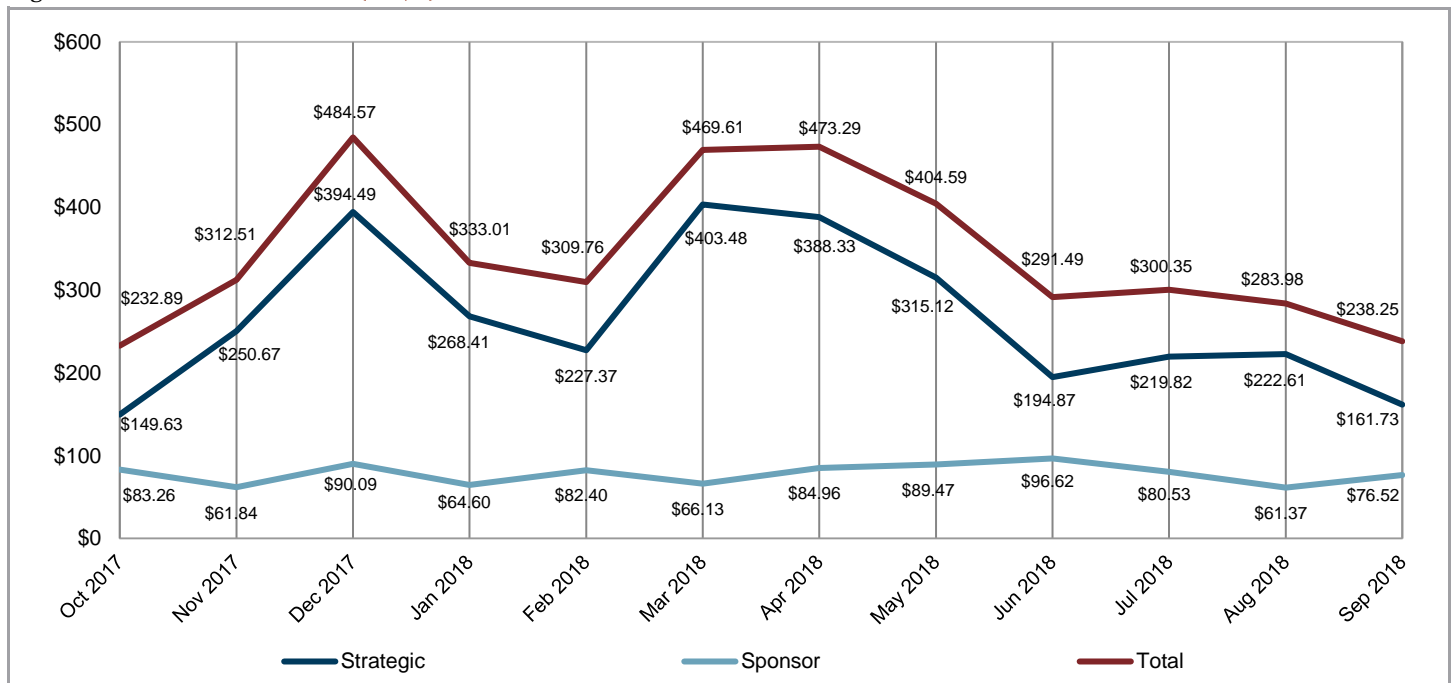


Figure 2A – Global Deal Volume (US\$B)



[Return to Summary](#)

Figure 3A – U.S. Number of Deals

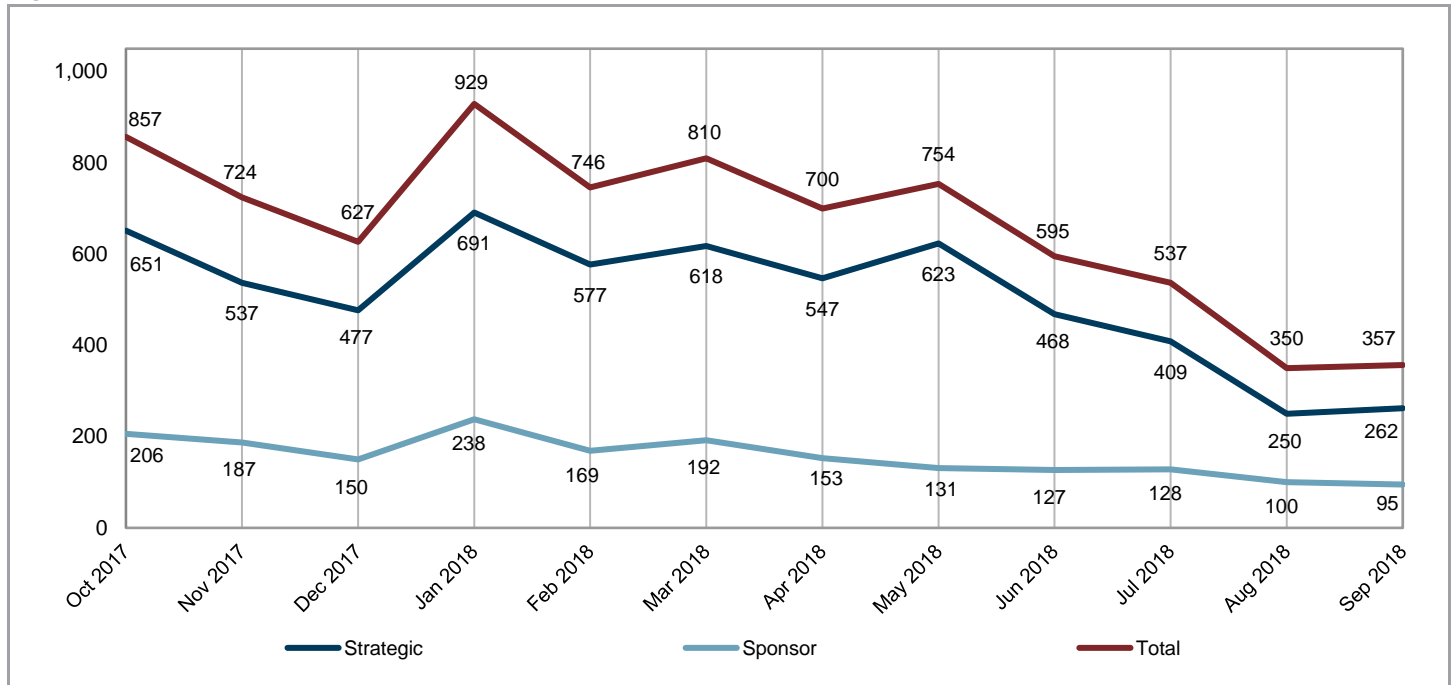
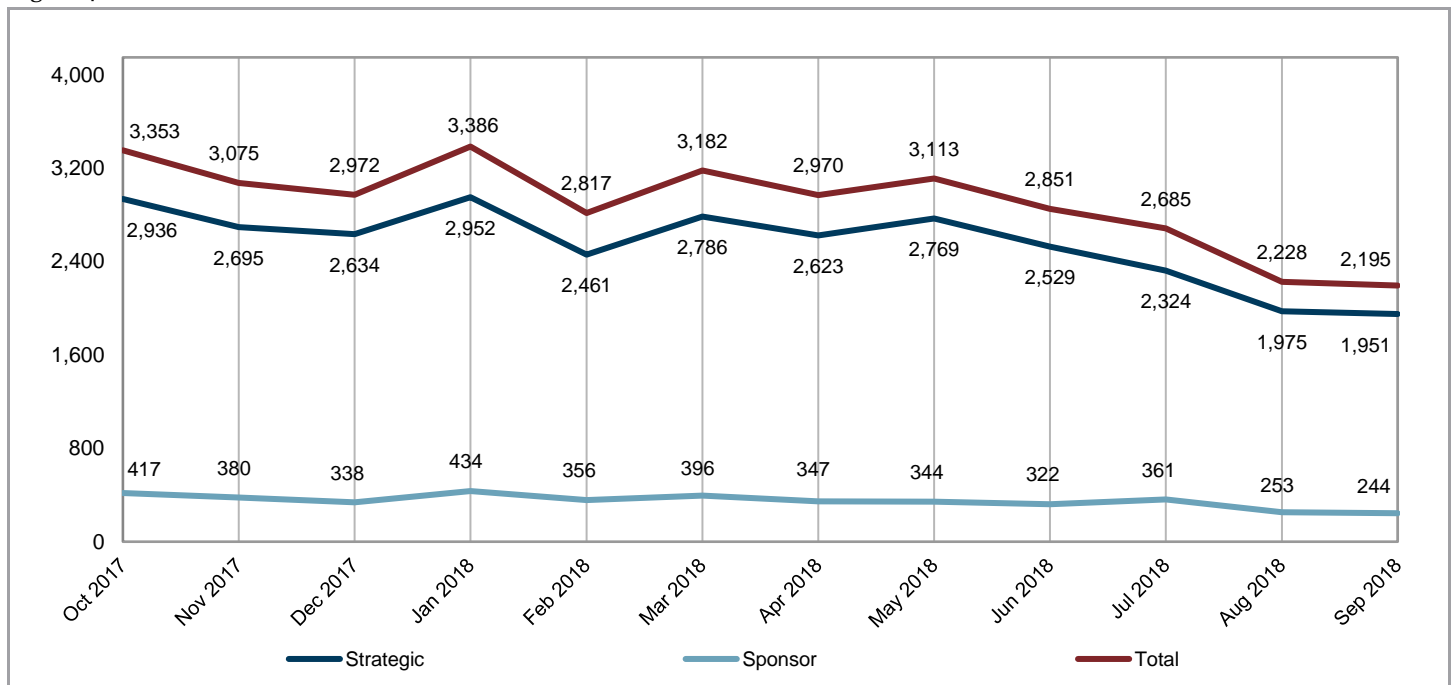


Figure 4A – Global Number of Deals



[Return to Summary](#)

Figure 5A – Inbound U.S. Crossborder Transactions

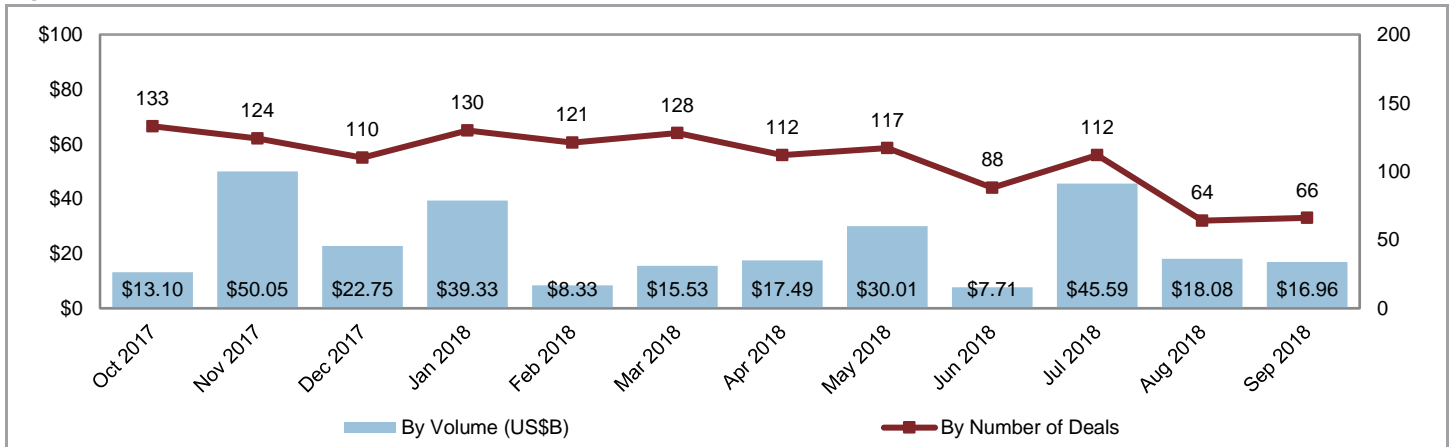


Figure 6A – Outbound U.S. Crossborder Transactions

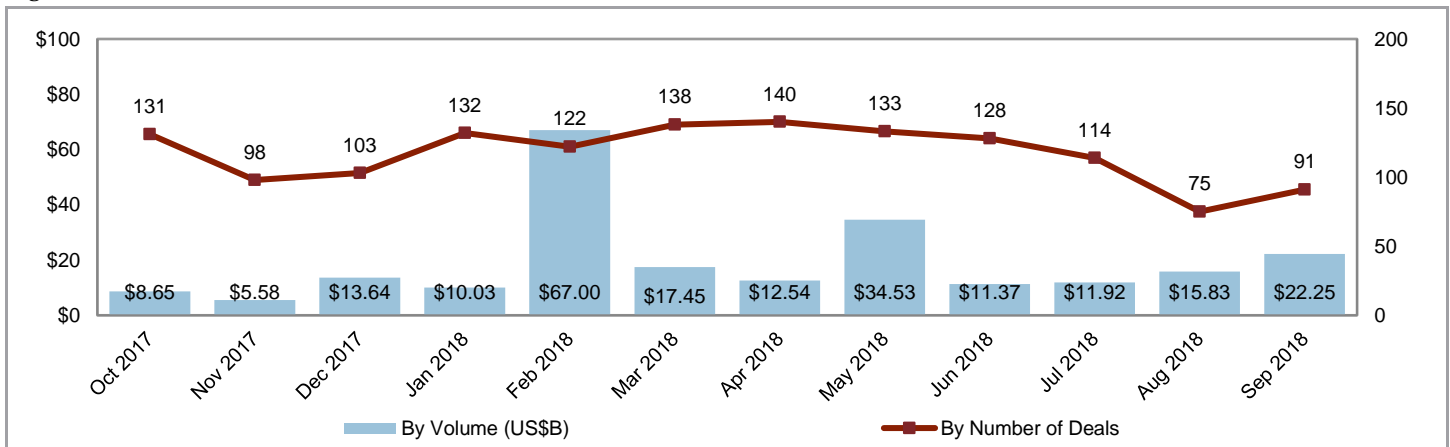


Figure 7A – Global Crossborder Transactions

