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M&A activity in October 2018 remained mixed, but included more positive indicators compared to September and the general declining trend line so far this year. Deal volume by dollar value¹ significantly increased overall, by 98.2% to \$154.56 billion in the U.S., and by 35.5% to \$328.77 billion globally. The number of deals, however, decreased slightly overall, by 2.6% to 371 in the U.S. (among the lowest levels since the beginning of this publication in 2012) and by 4.5% to 2,248 globally.

Strategic vs. Sponsor Activity

Reversing a more typical trend over the last year, strategic deals showed less strength than sponsor-related deals. The number of strategic deals decreased in October 2018 by 8.2% to 258 in the U.S. and by 5.6% to 1,981 globally. However, strategic volume by dollar value increased significantly by 146.5% to \$107.52 billion in the U.S. and by 49.5% to \$241.55 billion globally. [Figure 1](#) and Annex [Figures 1A–4A](#). The number of sponsor-related deals, in contrast to the number of strategic deals, increased in the U.S. by 13% to 113 and globally by 4.3% to 267, and sponsor-related deal volume as measured by dollar value increased in the U.S. by 36.9% to \$47.03 billion and globally by 7.5% to \$87.22 billion. [Figure 1](#) and Annex [Figures 1A–4A](#).

Crossborder Activity

Globally, the number of crossborder deals increased by 5.7% to 592 while crossborder deal volume by dollar value decreased by 3.8% to \$92.64 billion.

In the U.S., the number of crossborder deals decreased in October 2018. U.S. inbound transactions decreased by 2.7% to 72, and U.S. outbound transactions decreased by 6.0% to 94, each representing the second lowest level for such activity in the last 12-month period. U.S. crossborder activity as measured by dollar value was mixed, with inbound volume by dollar value increasing by 10.8% to \$19.32 billion but U.S. outbound volume by dollar value decreasing by 73.5% to \$6.68 billion. [Figure 1](#) and Annex [Figures 5A–7A](#).

Canada retained its lead for U.S. inbound activity by number of deals in the month of October (16) and over the last 12-month period (309). In addition, Canada was the leading country for U.S. inbound activity as measured by total dollar value in October (\$4.75 billion) and retained its lead over the last 12-month period (\$86.14 billion). The U.K. was again the leading destination country for U.S. outbound transactions by number of deals in October (27) and over the last 12-month period (282). Japan was the leading destination country for U.S. outbound activity by dollar value in October (\$2.05 billion), with the U.K. retaining its lead over the last 12-month period (\$89.75 billion). [Figure 3](#).

U.S. Deals by Industry

Computers & Electronics remained the most active target industry by number of deals in October (97) and over the last 12-month period (2,251). Computers & Electronics was also the most active target industry by dollar value in October (\$53.73 billion), as well as over the last 12-month period (\$325.26 billion). [Figure 2](#).

U.S. Public Mergers

As for U.S. public merger deal terms in October 2018, average target break fees were almost even with their 12-month average, at 3.7% (compared to a 12-month average of 3.8%), while average reverse break fees were slightly above their 12-month average, at 6.0% (compared to a 12-month average of 5.8%). [Figures 6](#) and [7](#). Two transactions in October included a go-shop provision. [Figure 8](#). The use of cash consideration in October decreased to 52.6% but remained above the 12-month average of 51.4%. [Figure 9](#). Tender offers for U.S. public mergers in October (5.3%) fell significantly below the 12-month average (12.7%), and hostile/unsolicited offers in October (9.5%) also fell below the 12-month average (13.9%). [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.

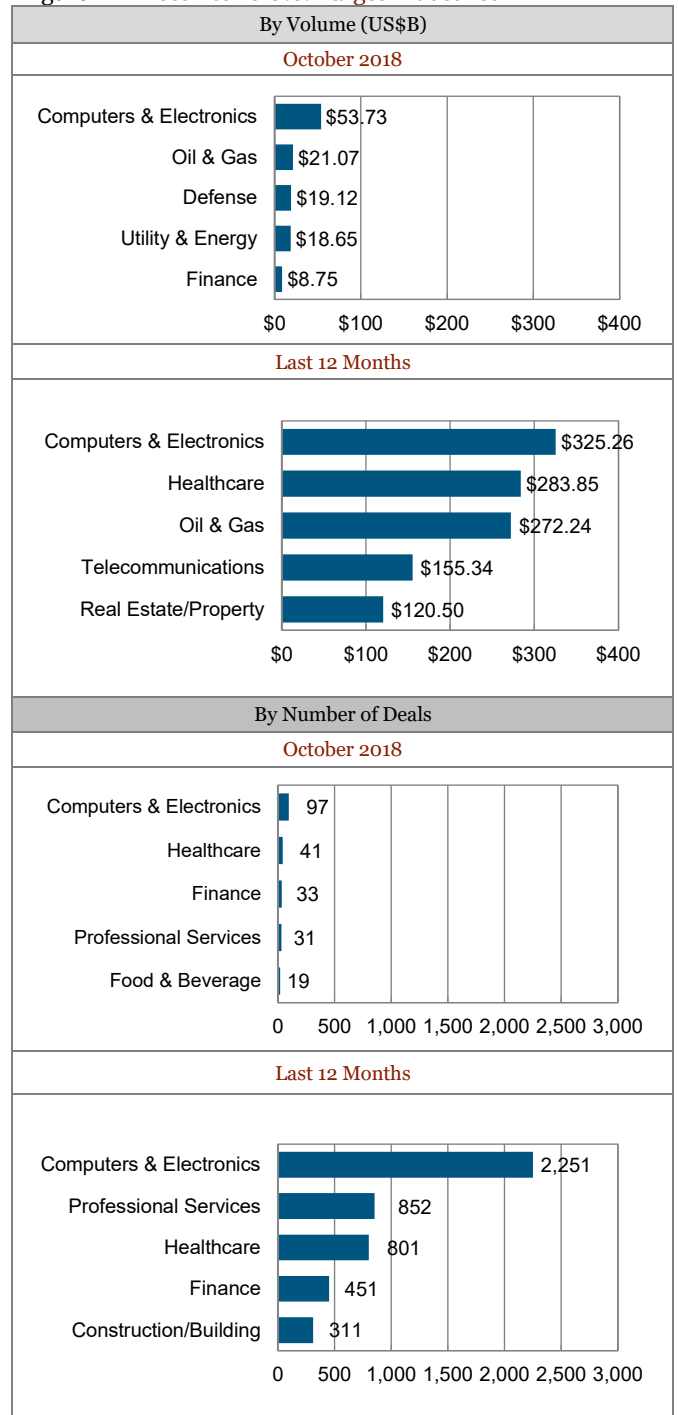
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M&A Activity

Figure 1

October 2018	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	328.77	86.06	154.56	76.58
No. of deals	2,248	(107)	371	(10)
Avg. value of deals (US\$mil)	263.7	74.47	772.8	353.6
Strategic Transactions				
Volume (US\$B)	241.55	79.98	107.52	63.90
No. of deals	1,981	(118)	258	(23)
Avg. value of deals (US\$mil)	211.9	75.7	676.2	393.0
Sponsor-Related Transactions				
Volume (US\$B)	87.22	6.09	47.03	12.68
No. of deals	267	11	113	13
Avg. value of deals (US\$mil)	815.2	(21.3)	1,147.2	73.5
Crossborder Transactions¹				
Volume (US\$B)	92.64	(3.61)	Inbound 19.32 Outbound 6.68	Inbound 1.89 Outbound (18.55)
No. of deals	592	32	Inbound 72 Outbound 94	Inbound (2) Outbound (6)
Avg. value of deals (US\$mil)	315.1	(19.1)	Inbound 378.8 Outbound 190.7	Inbound (8.5) Outbound (357.6)

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 November 12, 2018 unless otherwise specified. "Last 12 Months" data is for the period from November 2017 to October 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 the United Kingdom was the country of origin for seven transactions in October 2018.

⁴ Each of Australia, Germany and India was the country of destination for six transactions in October 2018.

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

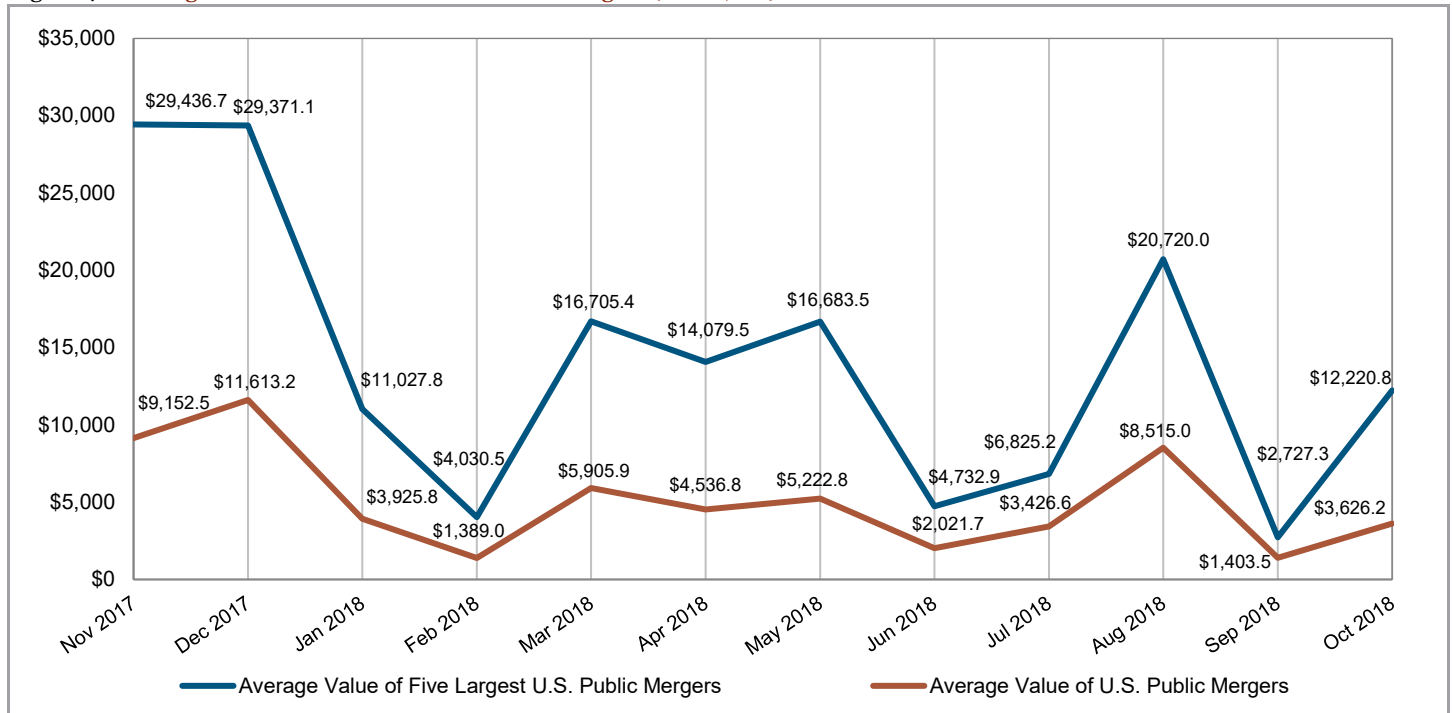
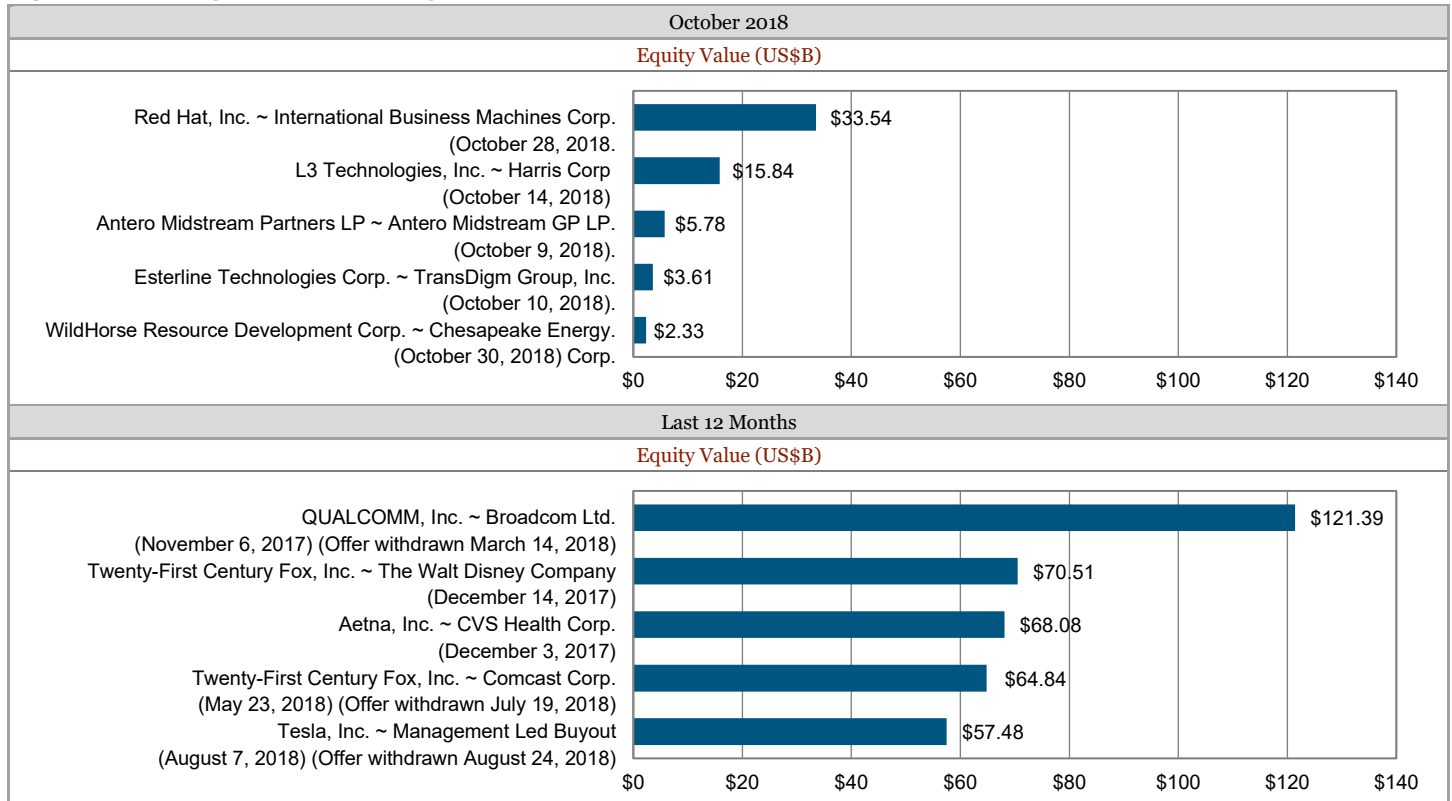


Figure 5 – Five Largest U.S. Public Mergers



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M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁵

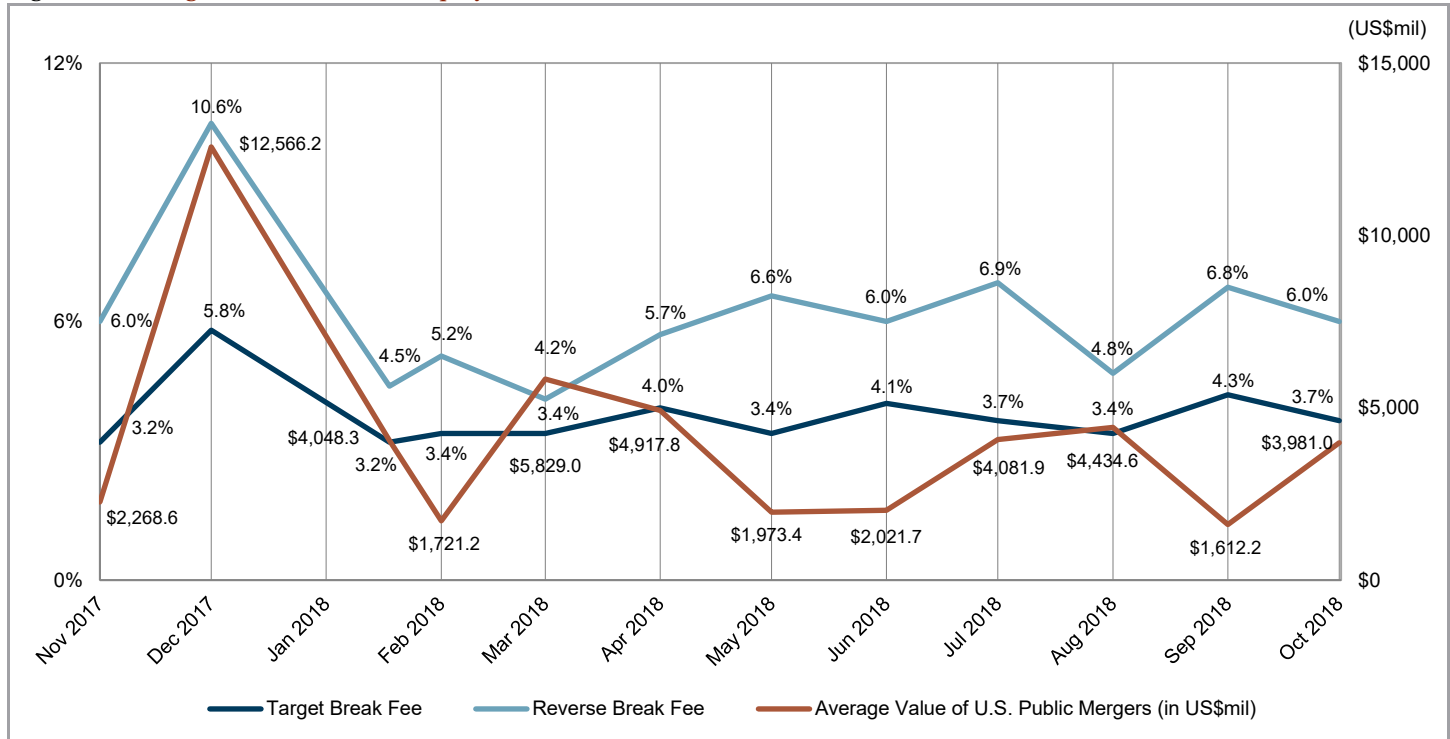


Figure 7 – Average Break Fees as % of Equity Value⁶

	October 2018	Last 12 Months
Target Break Fee for All Mergers	3.7	3.8

	October 2018	Last 12 Months
Reverse Break Fee for All Mergers ⁷	6.0	5.8
Reverse Break Fee for Mergers Involving Financial Buyers ⁸	8.4	6.9
Reverse Break Fee for Mergers Involving Strategic Buyers ⁹	5.3	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 13 transactions in October 2018 had a reverse break fee.
⁸ Three transactions in October 2018 involving a financial buyer had a reverse break fee.
⁹ 10 transactions in October 2018 involving a strategic buyer had a reverse break fee.
¹⁰ Financial and strategic categories are determined by FactSet MergerMetrics.
¹¹ Four transactions in October 2018 involved a financial buyer.
¹² Two transactions in October 2018 had a go-shop provision.
¹³ One transaction in October 2018 involving a financial buyer had a go-shop provision.
¹⁴ One transaction in October 2018 involving a strategic buyer had a go-shop provision.

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

	October 2018	Last 12 Months
% of Mergers with Go-Shops	10.5	8.1
% of Mergers Involving Financial Buyers with Go-Shops ¹¹	25.0	20.0
% of Mergers Involving Strategic Buyers with Go-Shops	6.7	6.5
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ¹²	37.5	39.0
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ¹³	45.0	40.3
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ¹⁴	30.0	38.5

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

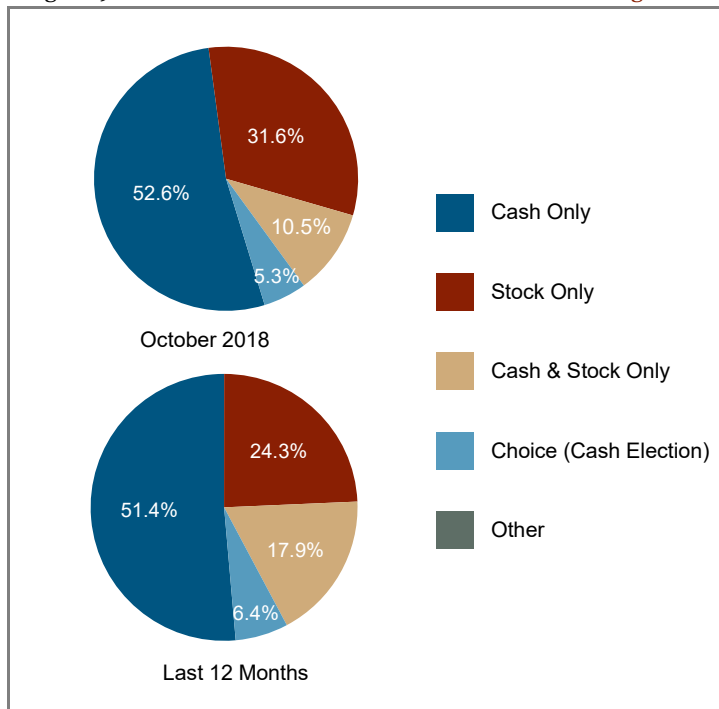


Figure 10 – % of Partial and All Stock Deals That Have a Fixed Exchange Ratio

October 2018 ¹⁶	100.0
Last 12 Months	98.6

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

October 2018	5.3
Last 12 Months	12.7

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

October 2018	9.5
Last 12 Months	13.9

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

¹⁶ There were only eight partial or all stock transactions in October 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.

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M&A Activity – 12-Month Trends

Figure 1A – U.S. Deal Volume (US\$B)

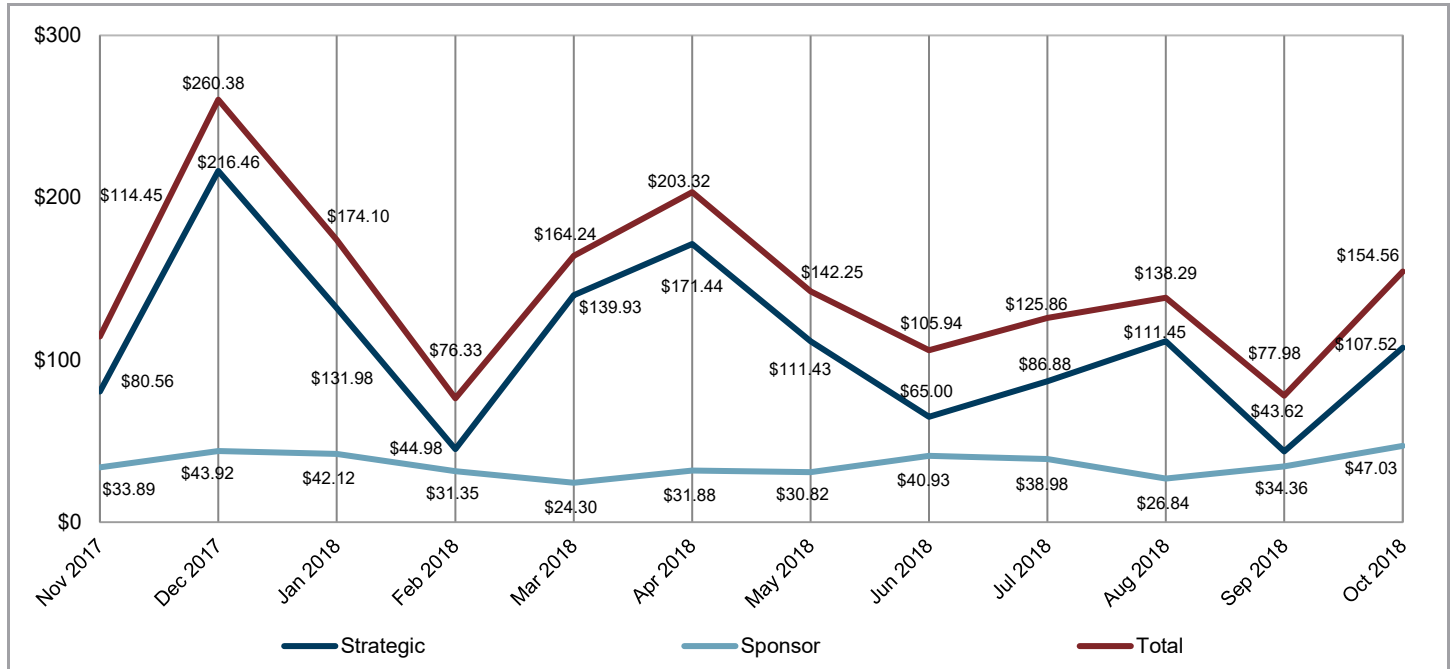
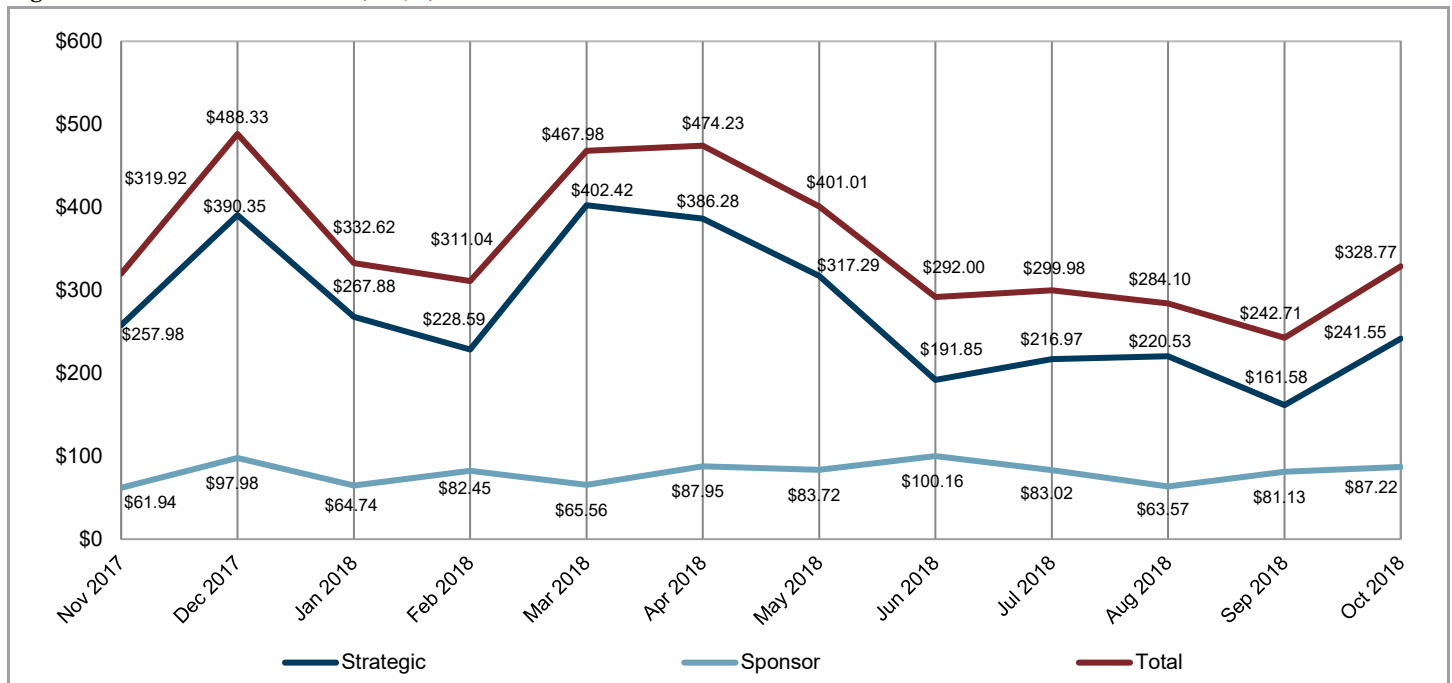


Figure 2A – Global Deal Volume (US\$B)



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Figure 3A – U.S. Number of Deals

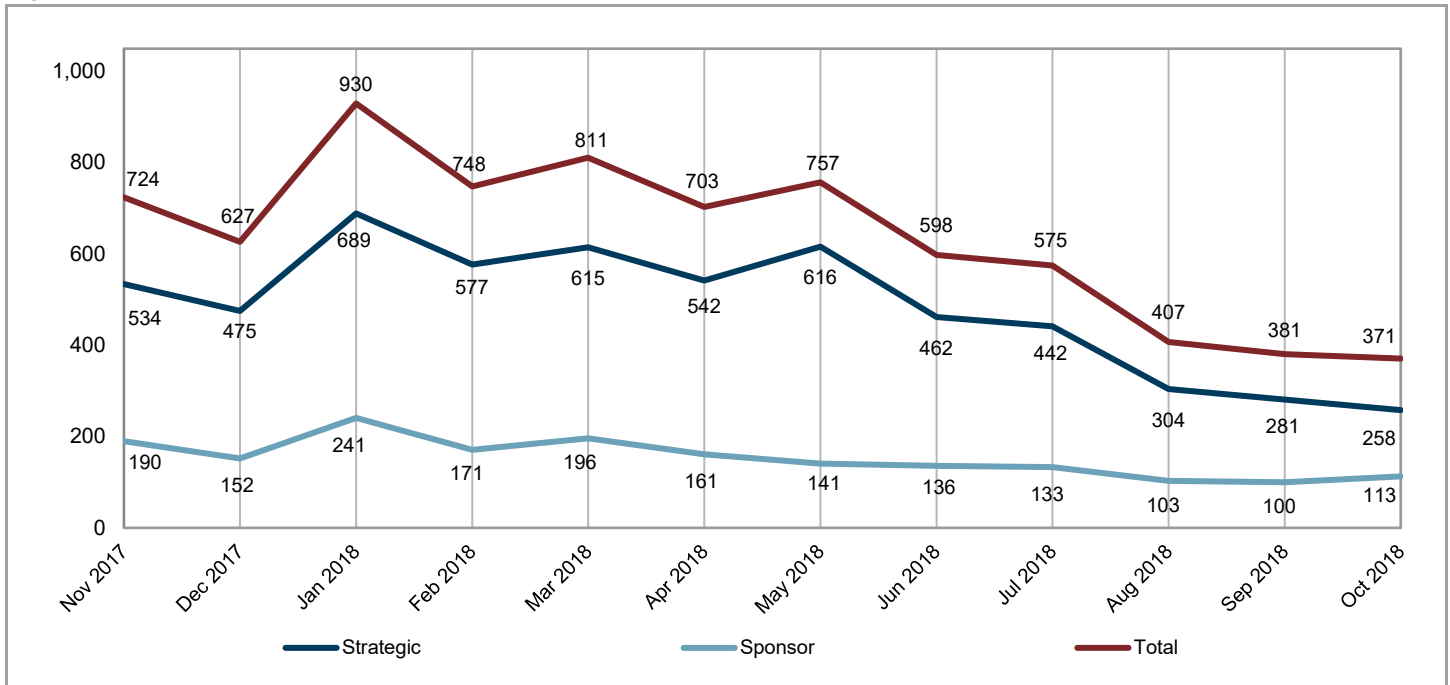
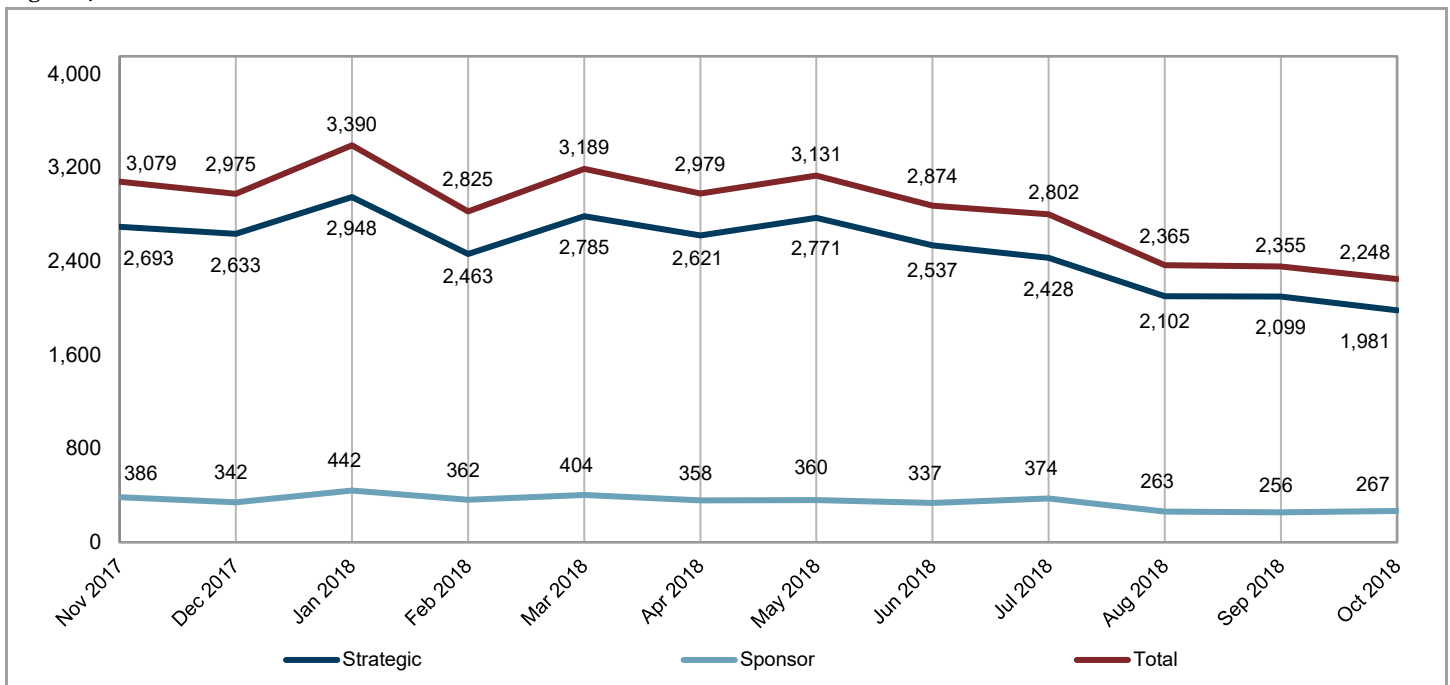


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

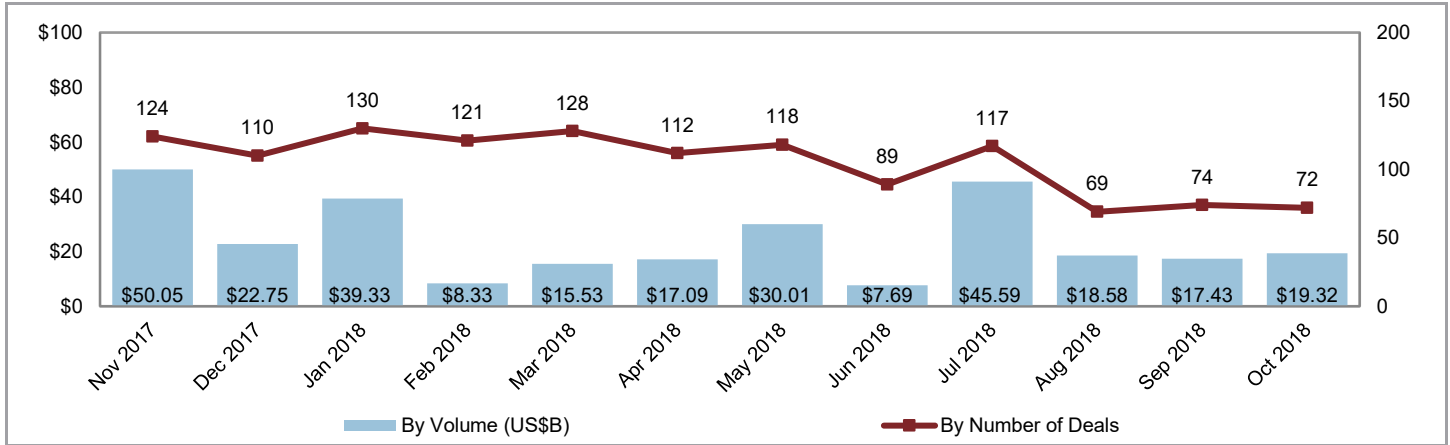


Figure 6A – Outbound U.S. Crossborder Transactions

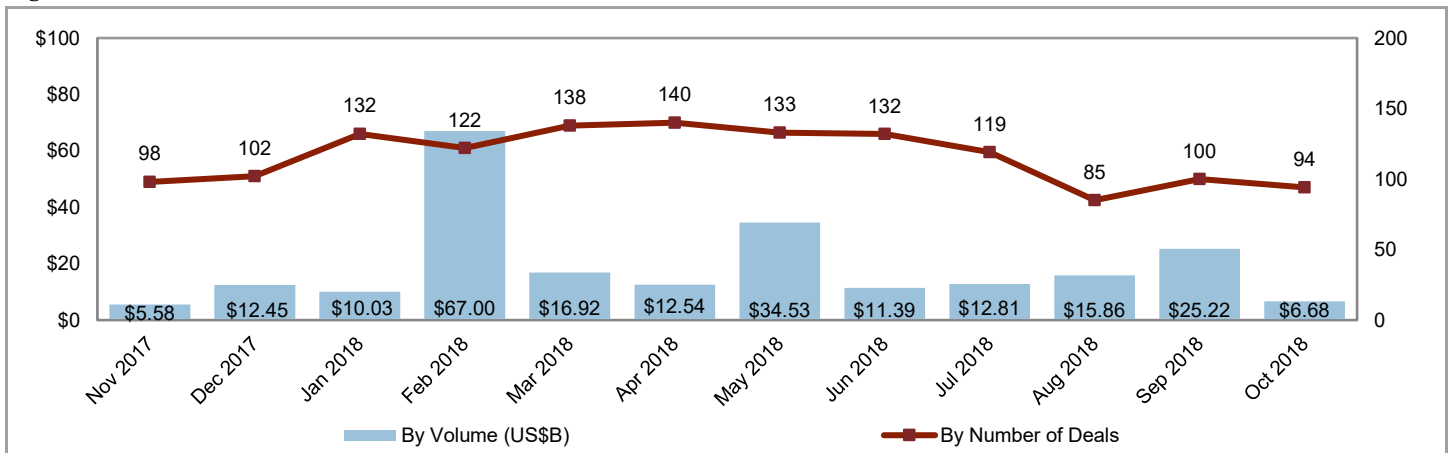


Figure 7A – Global Crossborder Transactions

