

December 2018, Issue 81

With the exception of sponsor-related transactions, M&A activity in November 2018 generally declined. Deal volume by dollar value¹ decreased, by 9.1% to \$141.10 billion in the U.S., and by 21.4% to \$254.76 billion globally. The number of deals also decreased, by 11.1% to 431 in the U.S. and by 12.8% to 2,272 globally, hitting the lowest levels for number of deals both in the U.S. and globally in the history of this publication.

Strategic vs. Sponsor Activity

In line with October, the sponsor M&A market performed better than strategic deals. The number of strategic deals decreased in November 2018 by 19.2% to 291 in the U.S. and by 14.9% to 1,971 globally. Additionally, strategic volume by dollar value decreased by 27.2% to \$78.64 billion in the U.S. and by 30.6% to \$163.94 billion, globally. [Figure 1](#) and Annex [Figures 1A–4A](#). The number of sponsor-related deals, in contrast, increased in the U.S. by 12.0% to 140 and globally by 3.8% to 301, and sponsor-related deal volume as measured by dollar value increased in the U.S. by 32.6% to \$62.46 billion and globally by 3.6% to \$90.82 billion. [Figure 1](#) and Annex [Figures 1A–4A](#).

Crossborder Activity

Globally, the number of crossborder deals decreased by 24.0% to 519 while crossborder deal volume by dollar value increased by 5.0% to \$91.75 billion.

In the U.S., the number of crossborder deals decreased in November 2018. U.S. inbound transactions decreased by 17.4% to 71 (among the lowest levels in the last five years), and U.S. outbound transactions decreased by 9.1% to 100 (the second lowest levels for such activity in the last 12-month period). U.S. crossborder activity as measured by dollar value increased, with inbound volume by dollar value increasing significantly by 138.5% to \$47.03 billion (the highest level in the last 12-month period) and U.S. outbound volume by dollar value increasing by 47.5% to \$10.06 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 November (24) and over the last 12-month period (326). In addition, Canada was the leading country for U.S. inbound activity as measured by total dollar value in November (\$24.55 billion) and retained its lead over the last 12-month period (\$81.45 billion). The U.K. was again the leading destination country for U.S. outbound transactions by number of deals in November (18) and over the last 12-month period (296). The U.K. was also the leading destination country for U.S. outbound activity by dollar value in November (\$5.17 billion) and retained its lead over the last 12-month period (\$94.41 billion). [Figure 3](#). While U.S./U.K. M&A activity has remained significant in the last 12-months, it remains to be seen whether this trend continues in light of ongoing uncertainty surrounding Brexit.

U.S. Deals by Industry

Computers & Electronics remained the most active target industry by number of deals in November (105) and over the last 12 months (2,255). Computers & Electronics was also the most active target industry by dollar value in November (\$36.65 billion), as well as over the last 12 months (\$331.66 billion). [Figure 2](#).

U.S. Public Mergers

As for U.S. public merger deal terms in November 2018, average target break fees and average reverse break fees were both above their 12-month levels. Average target break fees were 4.4% (compared to a 12-month average of 3.9%), and average reverse break fees were 7.2% (compared to a 12-month average of 5.9%). [Figures 6](#) and [7](#).

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.

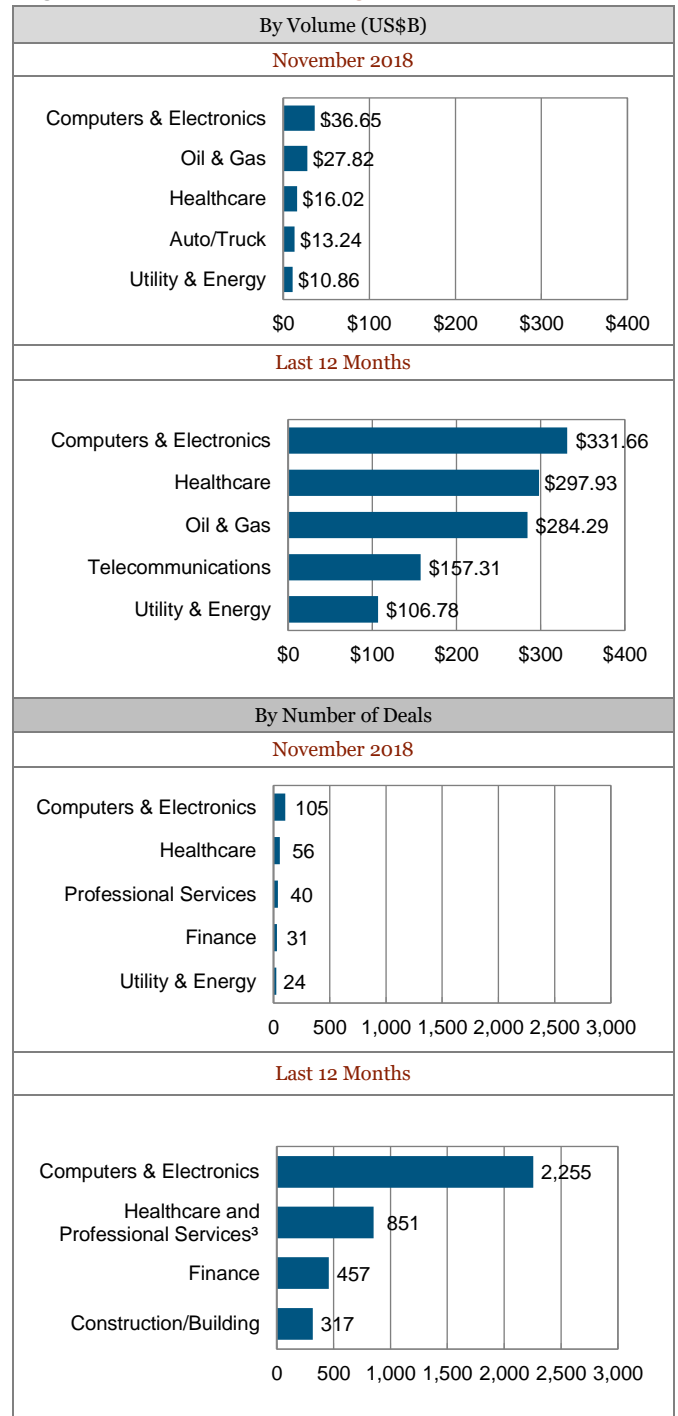
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M&A Activity

Figure 1

November 2018	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	254.76	(69.23)	141.10	(14.09)
No. of deals	2,272	(333)	431	(54)
Avg. value of deals (US\$mil)	204.5	(33.1)	727.3	34.5
Strategic Transactions				
Volume (US\$B)	163.94	(72.35)	78.64	(29.43)
No. of deals	1,971	(344)	291	(69)
Avg. value of deals (US\$mil)	144.7	(43.7)	561.7	(32.1)
Sponsor-Related Transactions				
Volume (US\$B)	90.82	3.12	62.46	15.34
No. of deals	301	11	140	15
Avg. value of deals (US\$mil)	803.7	6.5	1,156.7	34.7
Crossborder Transactions¹				
Volume (US\$B)	91.75	4.39	Inbound 47.03 Outbound 10.06	Inbound 27.31 Outbound 3.24
No. of deals	519	(164)	Inbound 71 Outbound 100	Inbound (15) Outbound (10)
Avg. value of deals (US\$mil)	354.3	91.9	Inbound 1,022.4 Outbound 305.0	Inbound 693.7 Outbound 142.5

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 December 10, 2018 unless otherwise specified. "Last 12 Months" data is for the period from December 2017 to November 2018 inclusive. Data obtained from Dealogic and FactSet MergerMetrics has not been reviewed for accuracy by Paul, Weiss.

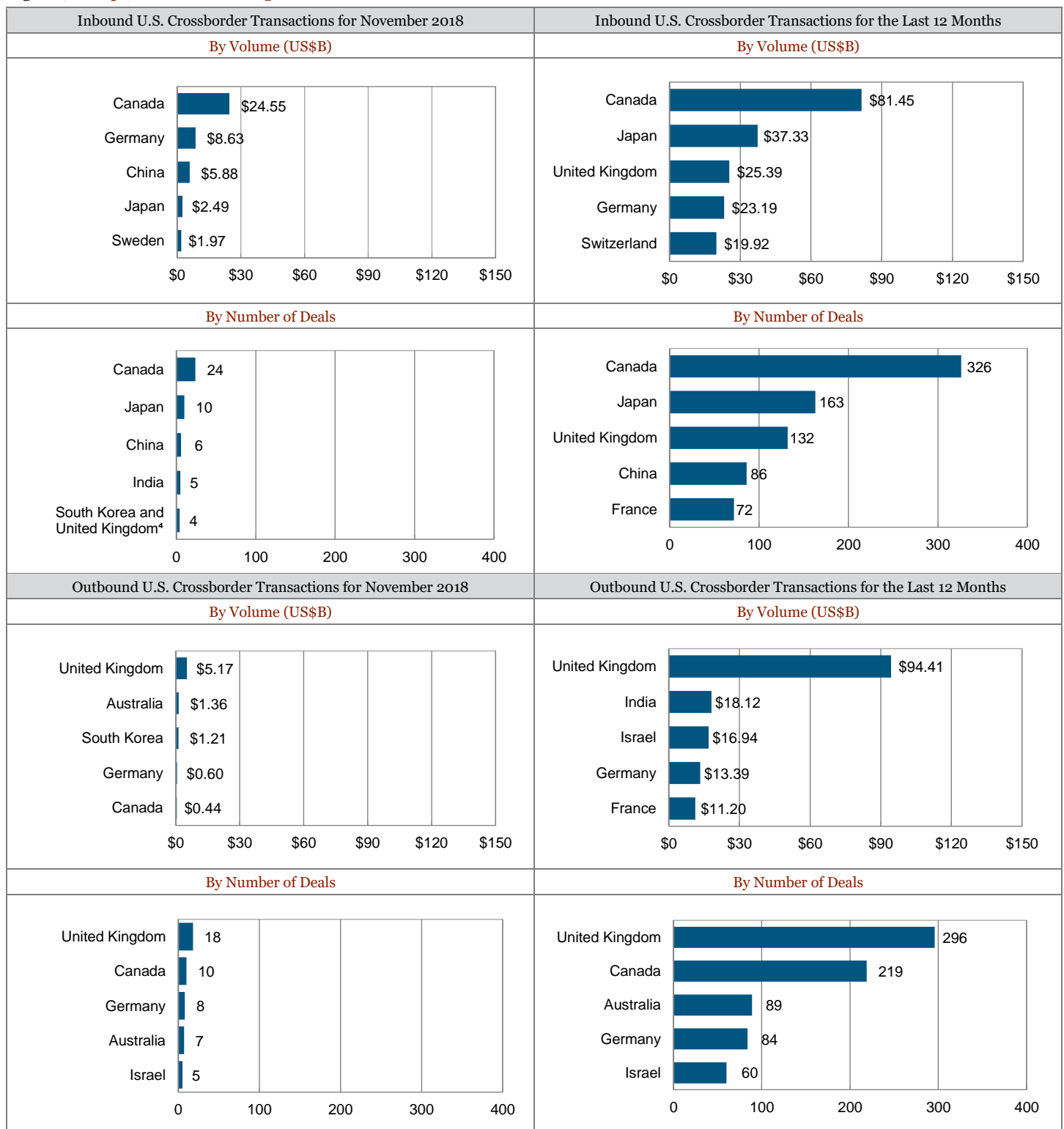
¹ Global crossborder transactions are those where the acquirer and the target have different nationalities. Nationality is based on where a company has either its headquarters or a majority of its operations. U.S. crossborder transactions are those transactions where the acquirer and the target have 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 Healthcare and Professional Services was the target industry for 851 transactions in the Last 12 Months.

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



* Each of South Korea and United Kingdom was the country of origin for four transactions in November 2018.

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

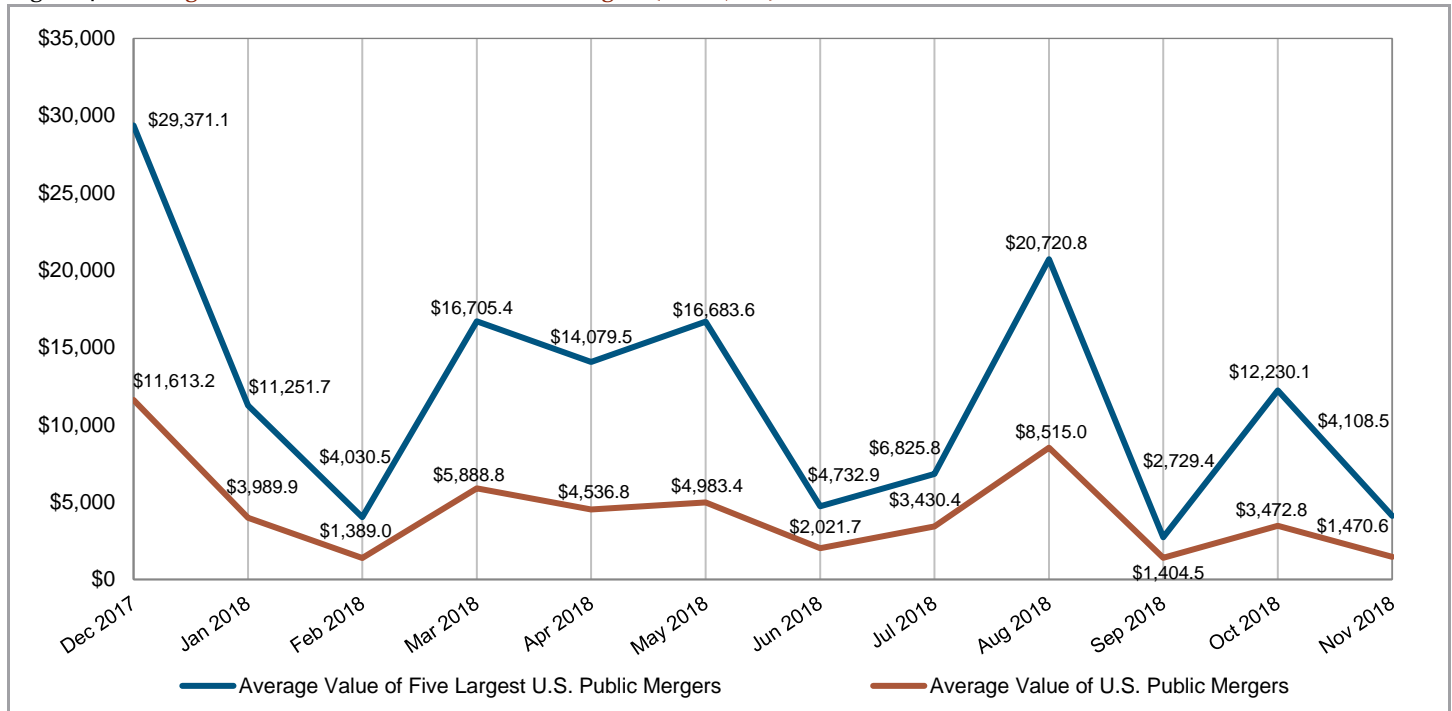
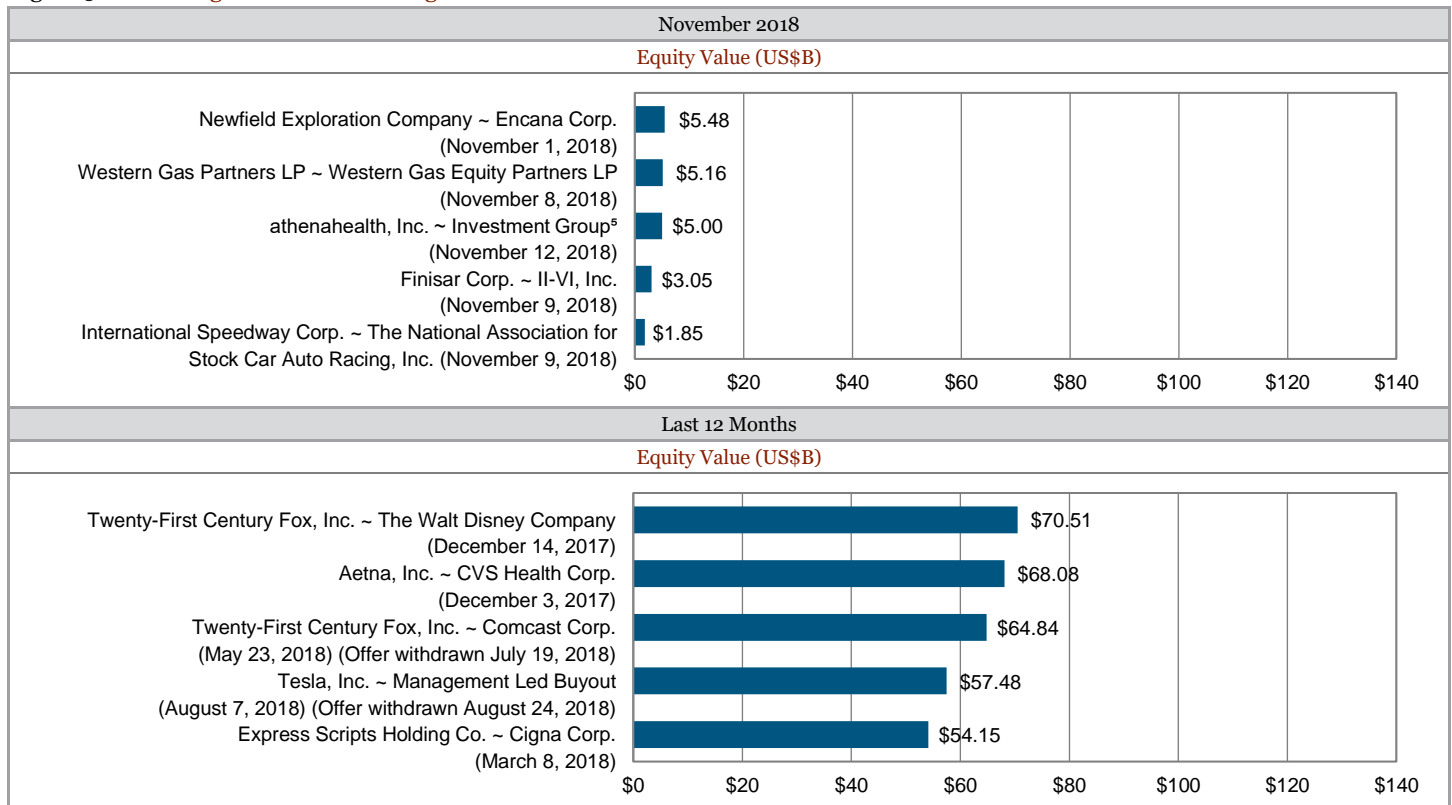


Figure 5 – Five Largest U.S. Public Mergers



⁵ Members of the investment group reported by FactSet MergerMetrics are Evergreen Coast Capital Corp. and Veritas Capital Fund Management LLC.

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M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁶

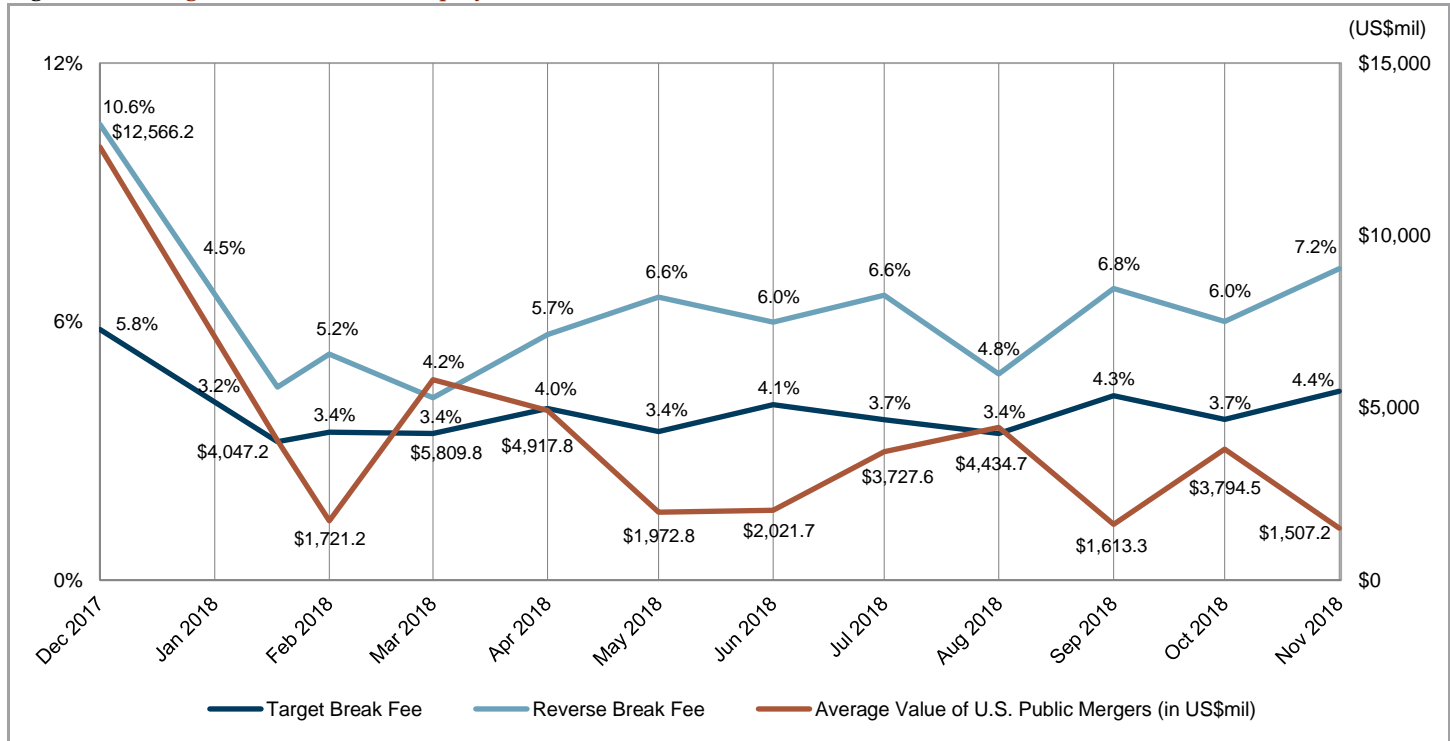


Figure 7 – Average Break Fees as % of Equity Value⁷

	November 2018	Last 12 Months
Target Break Fee for All Mergers	4.4	3.9

	November 2018	Last 12 Months
Reverse Break Fee for All Mergers ⁸	7.2	5.9
Reverse Break Fee for Mergers Involving Financial Buyers ⁹	8.4	7.1
Reverse Break Fee for Mergers Involving Strategic Buyers	6.7	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.

⁷ Financial and strategic categories are determined by FactSet MergerMetrics.

⁸ Nine transactions in November 2018 had a reverse break fee.

⁹ Three transactions in November 2018 involving a financial buyer had a reverse break fee.

¹⁰ Financial and strategic categories are determined by FactSet MergerMetrics.

¹¹ Four transactions in November 2018 involved a financial buyer.

¹² Two transactions in November 2018 had a go-shop provision.

¹³ One transaction in November 2018 involving a financial buyer had a go-shop provision.

¹⁴ One transaction in November 2018 involving a strategic buyer had a go-shop provision.

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

	November 2018	Last 12 Months
% of Mergers with Go-Shops	11.1	7.9
% of Mergers Involving Financial Buyers with Go-Shops ¹¹	25.0	21.7
% of Mergers Involving Strategic Buyers with Go-Shops	7.1	5.8
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ¹²	48.5	39.3
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ¹³	30.0	38.2
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ¹⁴	67.0	39.9

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

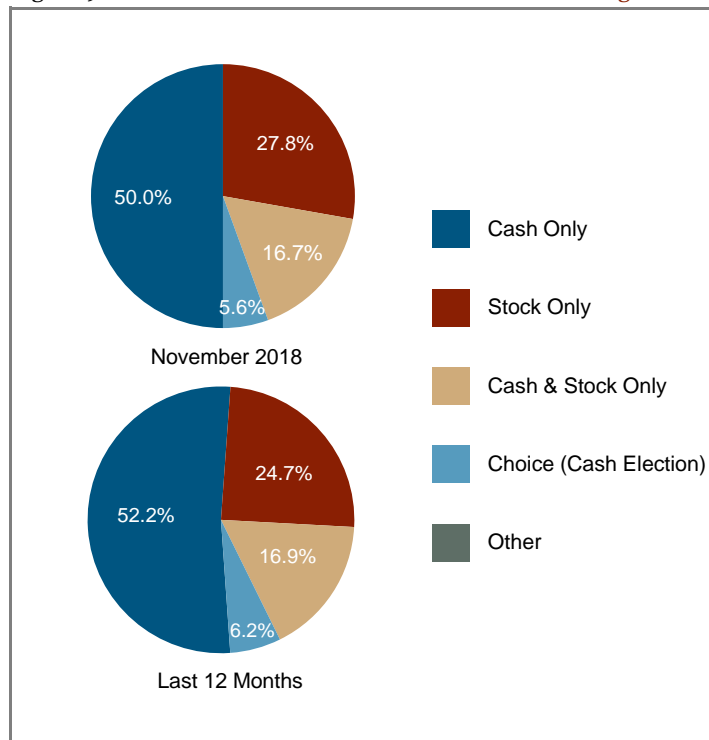


Figure 10 – % of Partial and All Stock Deals That Have a Fixed Exchange Ratio

November 2018	87.5
Last 12 Months	98.6

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

November 2018	11.1
Last 12 Months	12.4

Figure 12 – Hostile/Unsolicited Offers as % of U.S. Public Mergers¹⁶

November 2018	10.0
Last 12 Months	12.1

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

¹⁶ 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)

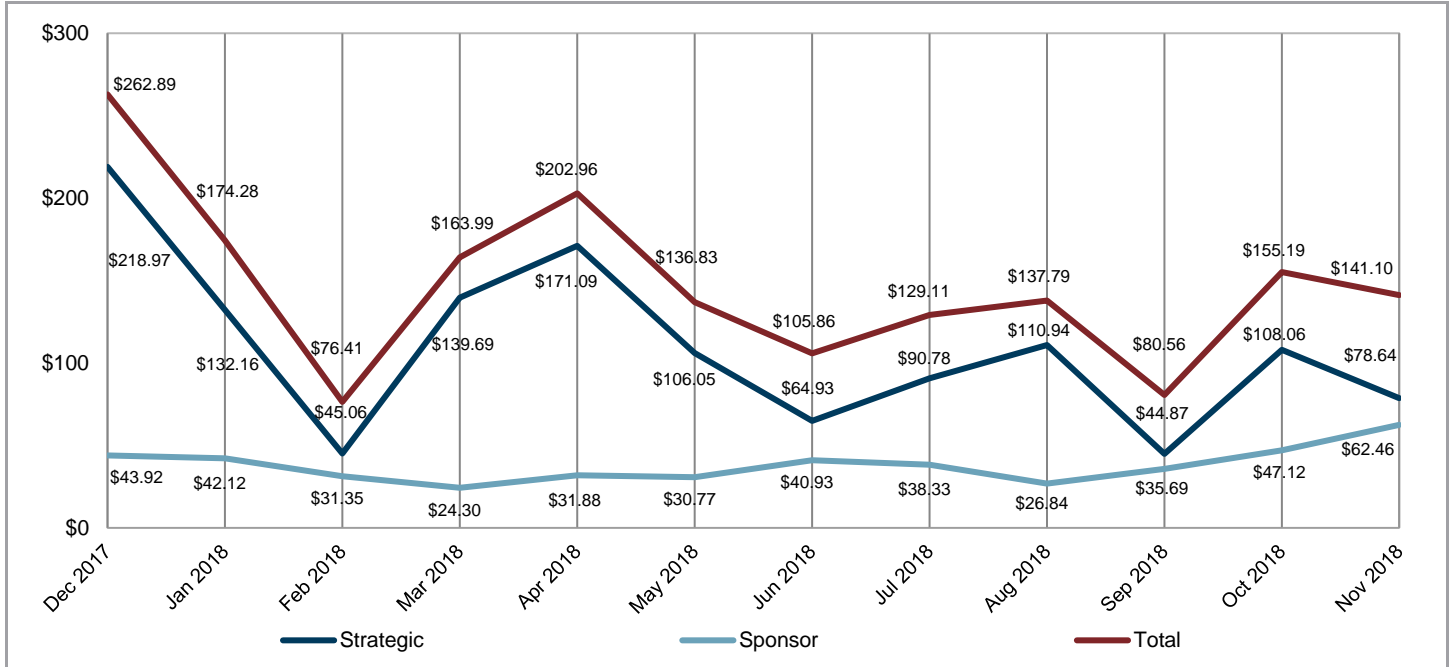
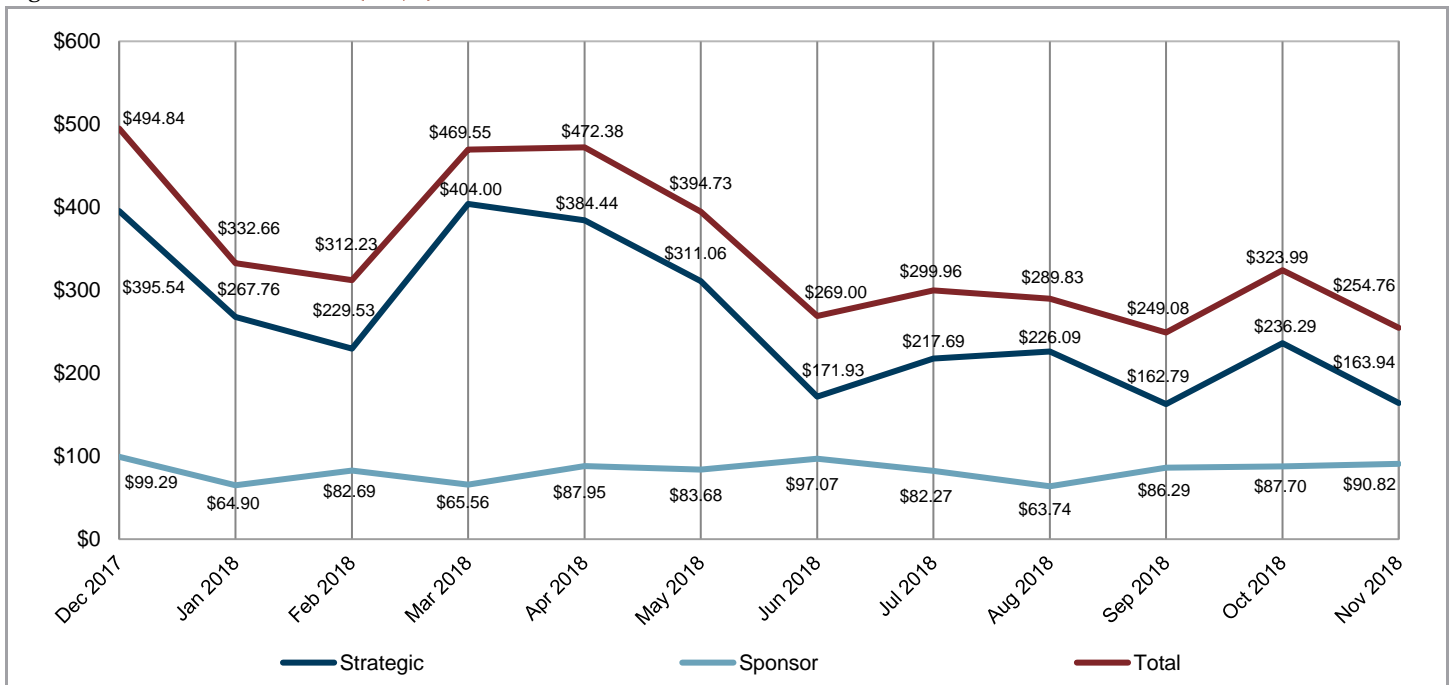


Figure 2A – Global Deal Volume (US\$B)



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Figure 3A – U.S. Number of Deals

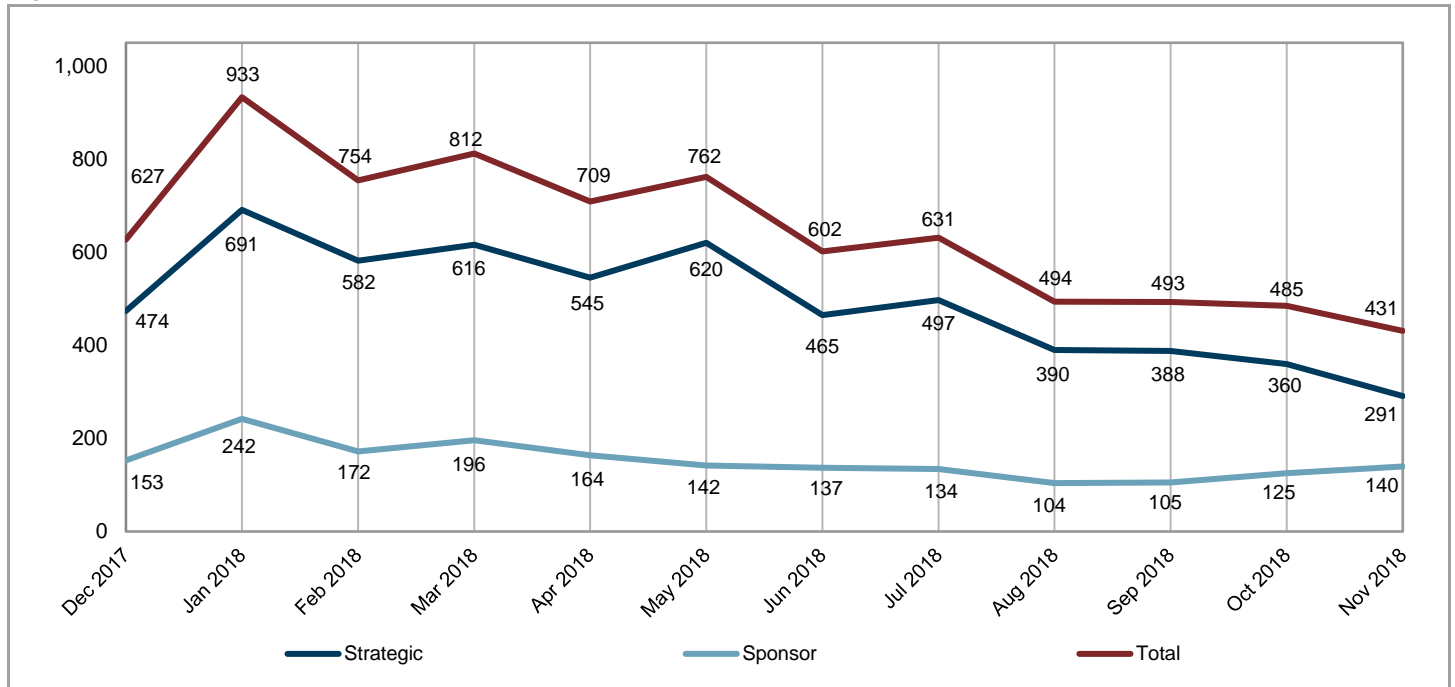
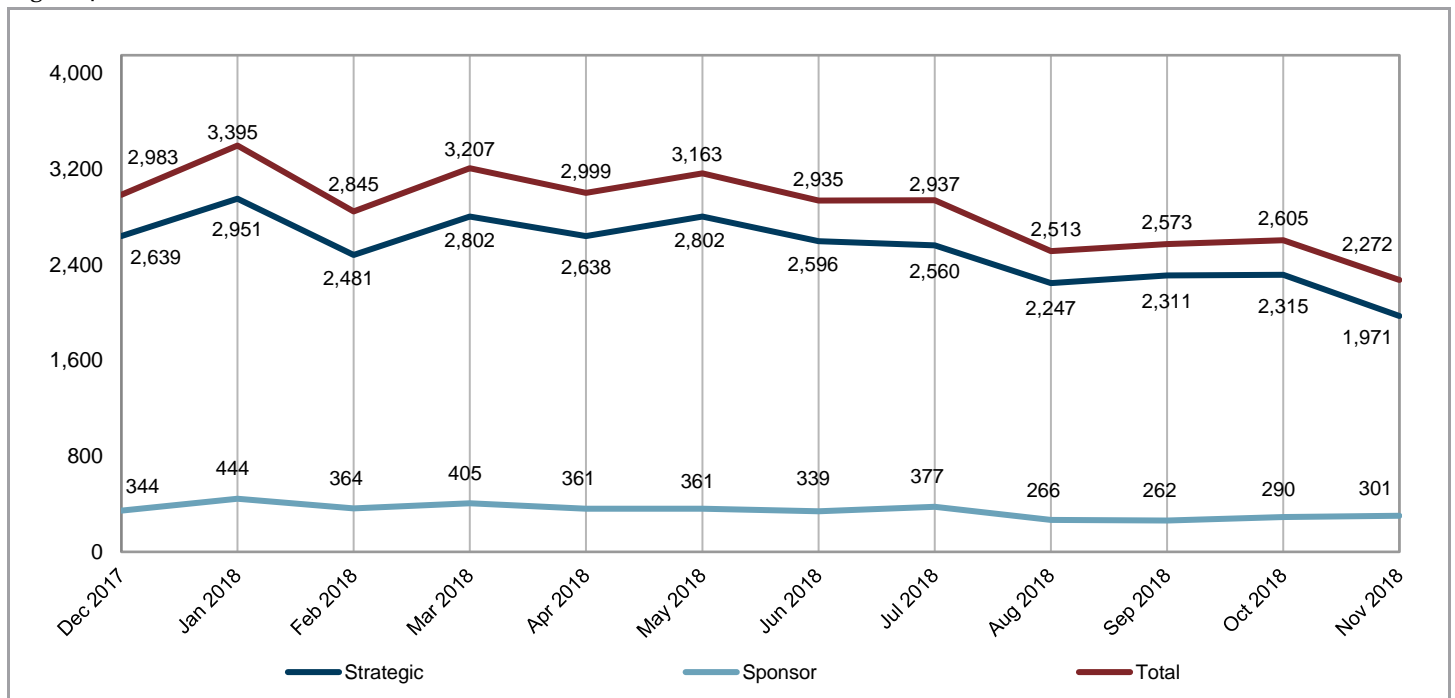


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

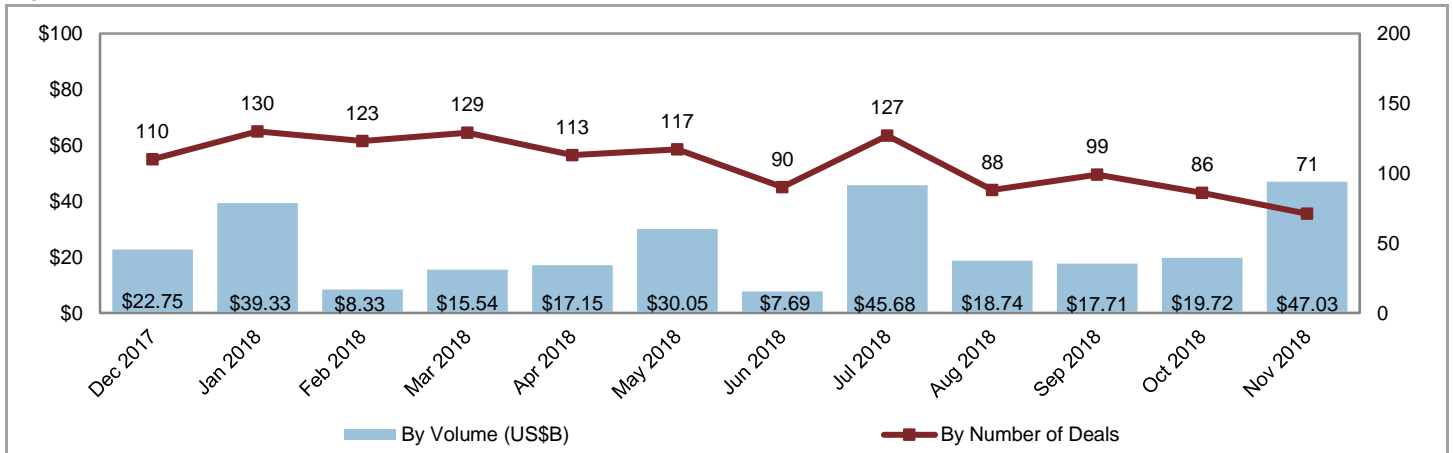


Figure 6A – Outbound U.S. Crossborder Transactions

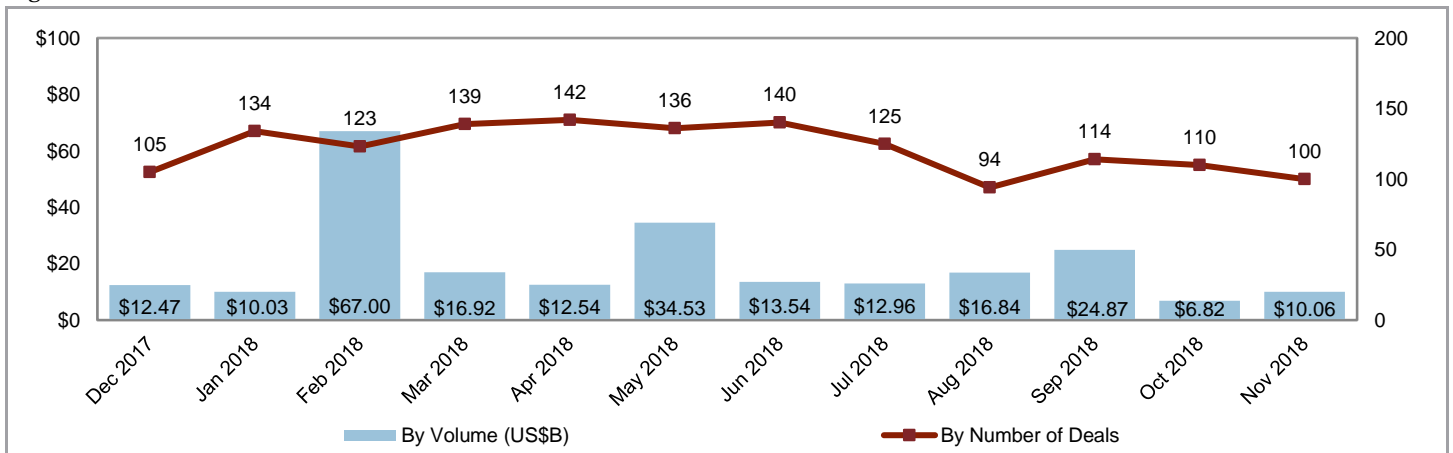


Figure 7A – Global Crossborder Transactions

