

## February 2019, Issue 83

M&A activity in January 2019 generally increased in the U.S. and globally. Deal volume by dollar value<sup>1</sup> increased by 199.5% to \$203.96 billion in the U.S., and by 57.5% to \$354.57 billion globally. The average value of announced public mergers increased by 189.7% to a 12-month high of \$349.85 million in the U.S., and by 70.9% to \$149.48 million globally. [Figure 4](#). By comparison, the number of deals generally remained in line with activity over the past few months, increasing by 3.4% to 583 in the U.S., but decreasing by 7.8% to 2,372 globally.

### Strategic vs. Sponsor Activity

Strategic deal volume as measured by dollar value increased in the U.S. by 172.2% to \$142.20 billion and globally by 39.7% to \$252.17 billion. The number of strategic deals also increased slightly in the U.S. by 0.2% to 478, but decreased globally by 9.6% to 2,108. [Figure 1](#) and Annex [Figures 1A–4A](#). The number of sponsor-related deals increased in January 2019 by 20.7% to 105 in the U.S. and by 9.1% to 264 globally. Additionally, sponsor-related volume by dollar value increased by 289.4% to \$61.76 billion in the U.S. and by 130.0% to \$102.40 billion globally. [Figure 1](#) and Annex [Figures 1A–4A](#).

### Crossborder Activity

The number of crossborder deals decreased globally by 2.2% to 569, and crossborder deal volume by dollar value decreased slightly by 1.0% to \$72.43 billion.

In the U.S., the number of U.S. inbound crossborder deals decreased in January 2019 by 23.1% to a 12-month low of 80, but U.S. outbound transactions increased by 7.5% to 115. U.S. inbound activity as measured by dollar value decreased by 33.6% to \$9.56 billion, but U.S. outbound volume by dollar value increased by 110.1% to \$19.38 billion. [Figure 1](#) and Annex [Figures 5A–7A](#).

Canada was the leading country for U.S. inbound activity by number of deals in the month of January (21), and Canada retained its lead for U.S. inbound activity by number of deals over the last 12-month period (325). Japan was the leading country for U.S. inbound activity as measured by total dollar value in January (\$4.75 billion), and Canada retained its lead for U.S. inbound activity as measured by total dollar value over the last 12-month period (\$73.93 billion). In both January and over the last 12-month period, the U.K. was again the leading destination country for U.S. outbound transactions by number of deals (20 and 309, respectively). Canada was the leading destination country for U.S. outbound activity by dollar value in January (\$13.14 billion). The U.K. retained its lead for U.S. outbound activity by dollar value over the last 12-month period (\$91.88 billion). [Figure 3](#).

### U.S. Deals by Industry

Computers & Electronics remained the most active target industry by number of deals in January (169) and over the last 12 months (2,210). Healthcare was the most active target industry by dollar value in January (\$110.70 billion), driven by Bristol-Myers Squibb Co.'s \$78.03 billion acquisition of Celgene Corp. and Eli Lilly & Co.'s \$7.24 billion acquisition of Loxo Oncology, Inc. Computers & Electronics was the most active target industry by dollar value over the last 12 months (\$348.97 billion). [Figure 2](#).

### U.S. Public Mergers

As for U.S. public merger deal terms in January 2019, average target break fees and average reverse break fees were both below their 12-month levels. Average target break fees were 3.5% (compared to a 12-month average of 3.8%), and average reverse break fees were 3.2% (compared to a 12-month average of 5.7%), and there were no deals announced with a go-shop provision. [Figures 6, 7 and 8](#). Cash comprised the consideration in a low 16.7% of U.S. public mergers, well below the 48.8% 12-month average. [Figure 9](#). Hostile and unsolicited transactions was 25% of announced U.S. public mergers, almost double the 13.2% 12-month average. [Figure 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 includes a disclosed deal value.

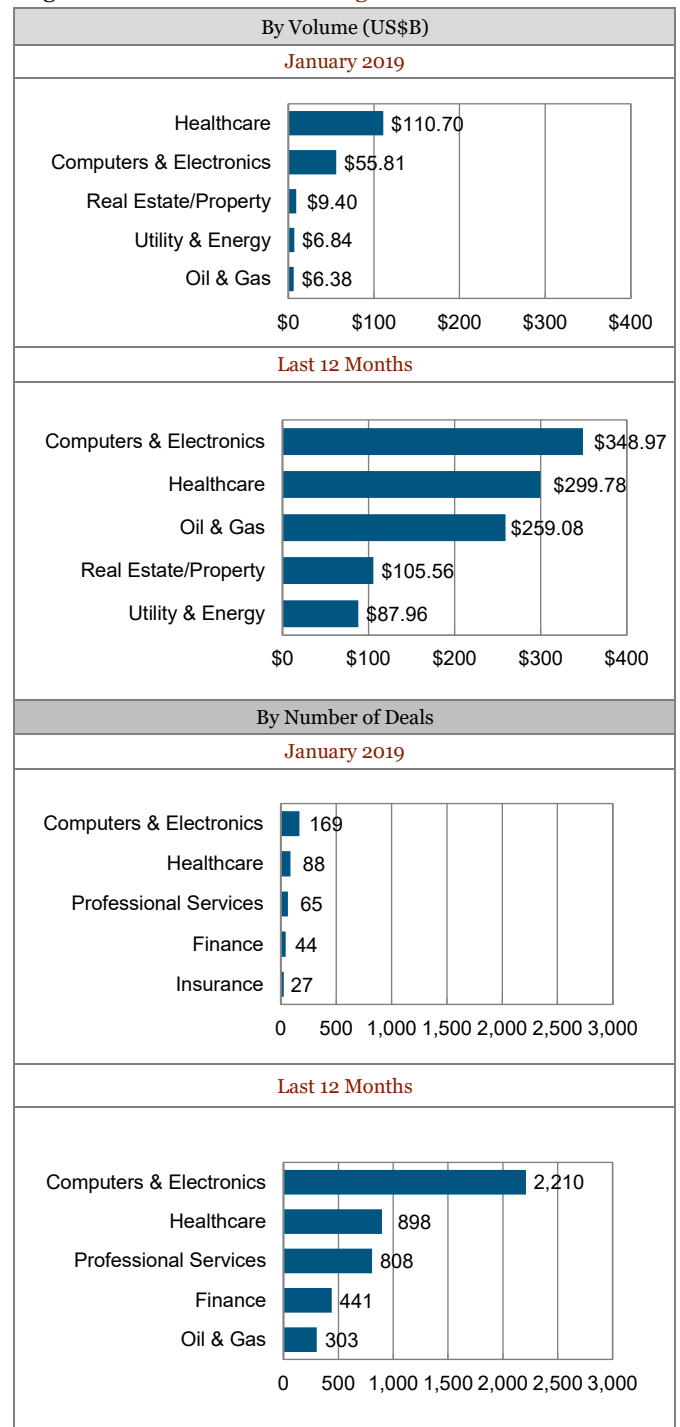
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## M&A Activity

Figure 1

January 2019	Global	+/- From Prior Month	U.S.	+/- From Prior Month
<b>Total</b>				
Volume (US\$B)	354.57	129.50	203.96	135.86
No. of deals	2,372	(201)	583	19
Avg. value of deals (US\$mil)	149.5	62.0	349.9	229.1
<b>Strategic Transactions</b>				
Volume (US\$B)	252.17	71.61	142.20	89.96
No. of deals	2,108	(223)	478	1
Avg. value of deals (US\$mil)	119.6	42.2	297.5	188.0
<b>Sponsor-Related Transactions</b>				
Volume (US\$B)	102.40	57.88	61.76	45.90
No. of deals	264	22	105	18
Avg. value of deals (US\$mil)	387.9	203.9	588.2	405.9
<b>Crossborder Transactions<sup>1</sup></b>				
Volume (US\$B)	72.43	(0.76)	Inbound 9.56 Outbound 19.38	Inbound (4.83) Outbound 10.16
No. of deals	569	(13)	Inbound 80 Outbound 115	Inbound (24) Outbound 8
Avg. value of deals (US\$mil)	127.3	1.6	Inbound 119.6 Outbound 168.6	Inbound (18.9) Outbound 82.3

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



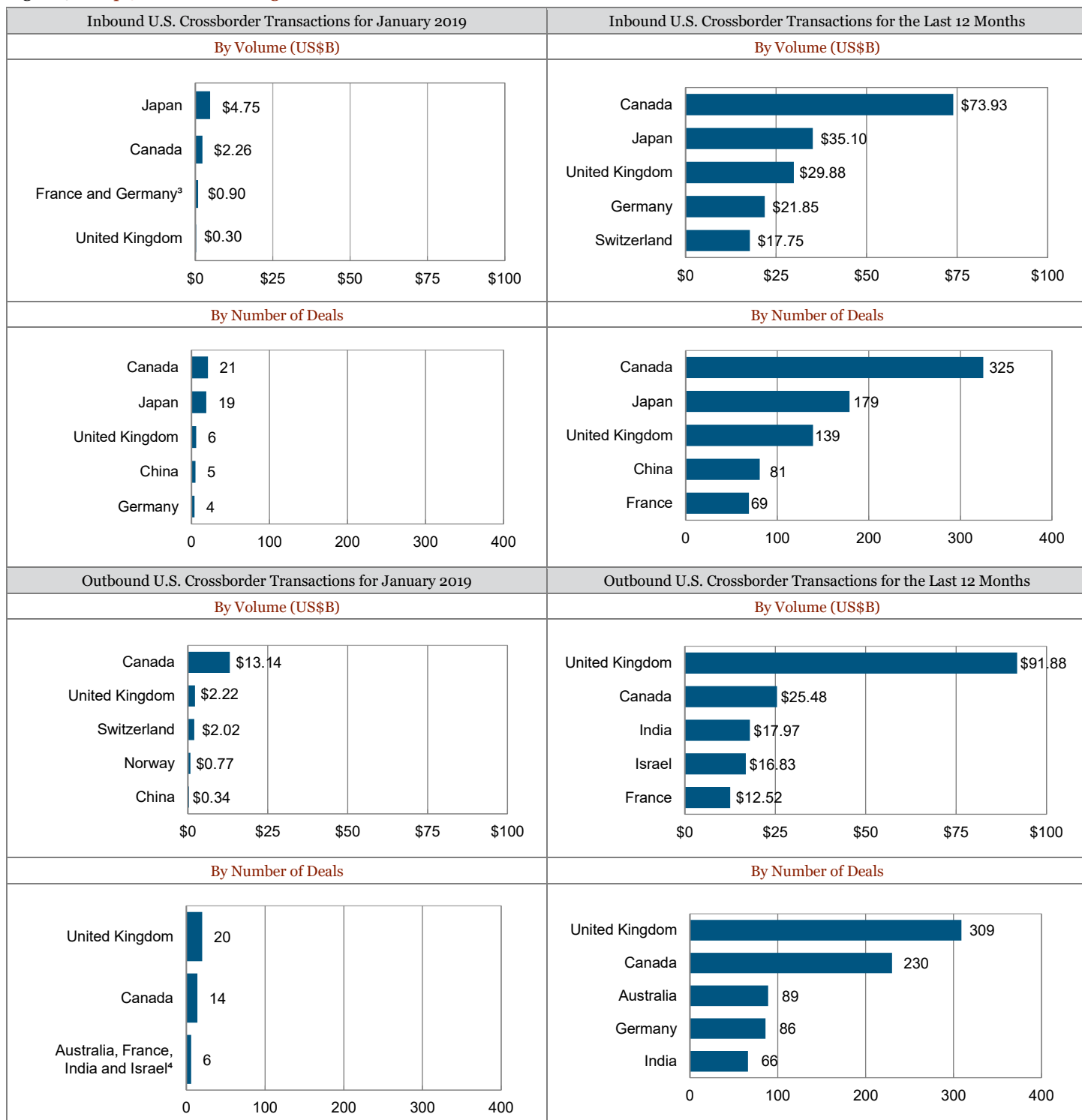
Figures 1-3 were compiled using data from Dealogic, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Deal volume by dollar value and average value of deals are calculated from the subset of the total number of deals that include a disclosed 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 February 11, 2019 unless otherwise specified. "Last 12 Months" data is for the period from February 2018 to January 2019 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 Germany was the country of origin for transactions totaling \$0.90 billion in deal value in January 2019.

<sup>4</sup> Each of Australia, France, India and Israel was the country of destination for six transactions in January 2019.

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

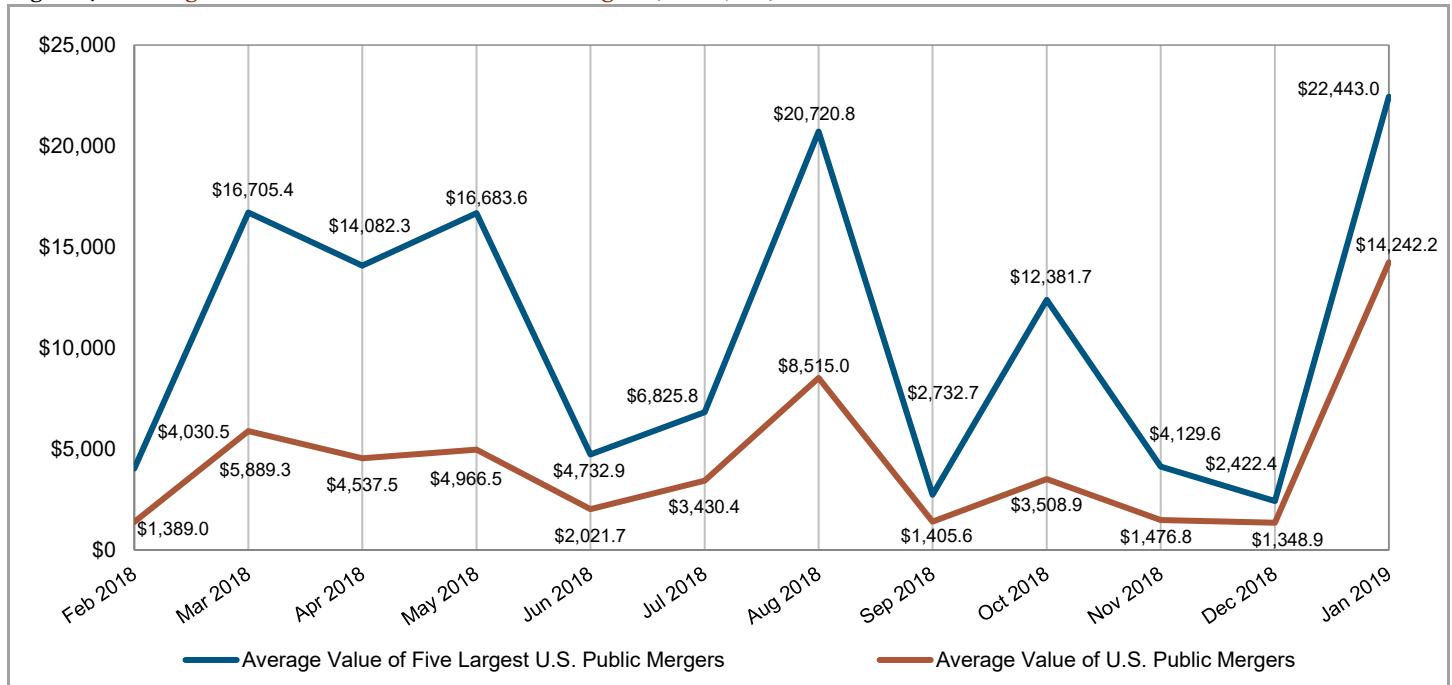
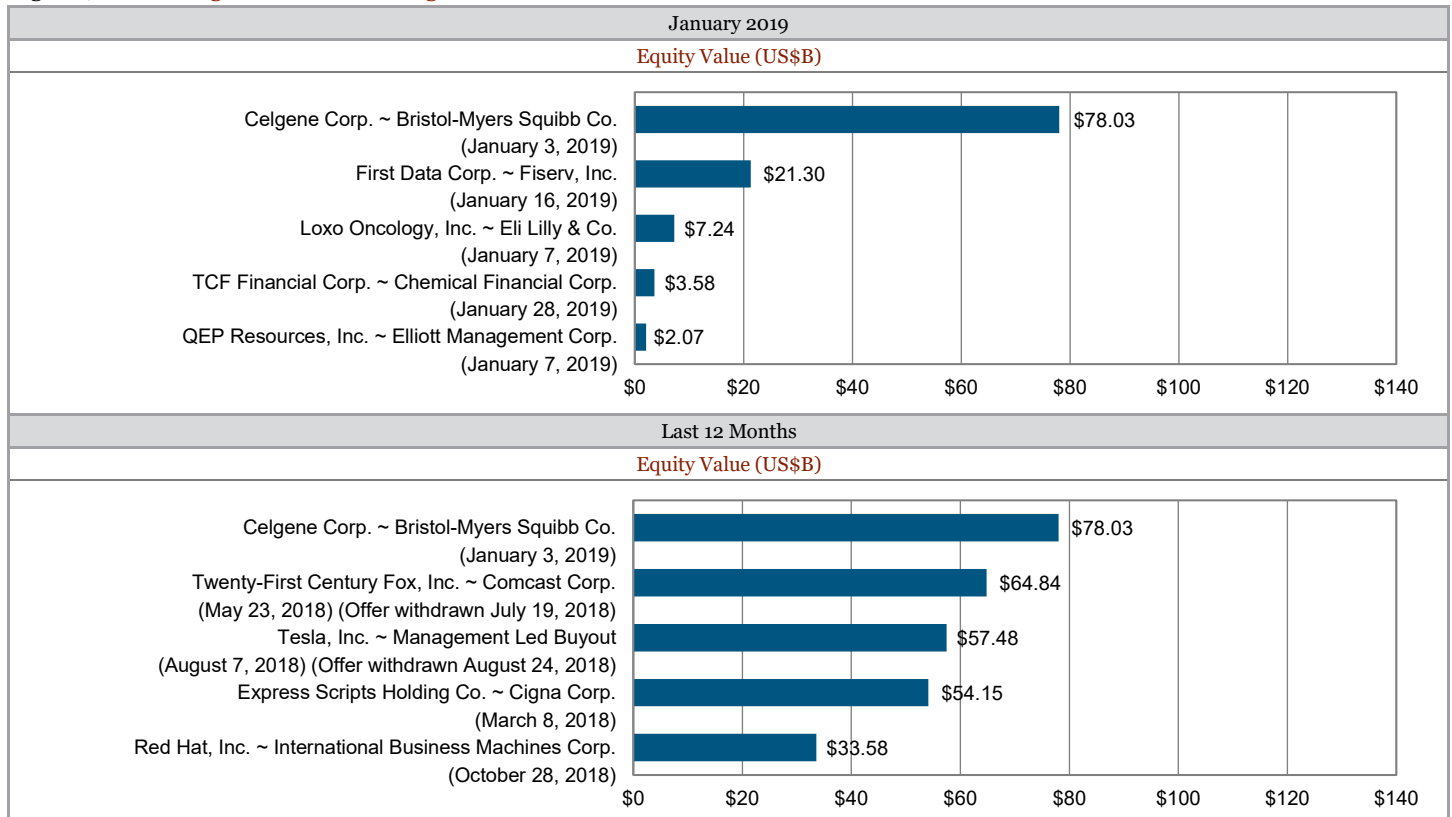


Figure 5 – Five Largest U.S. Public Mergers



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## M&A Terms

Figure 6 – Average Break Fees as % of Equity Value<sup>5</sup>

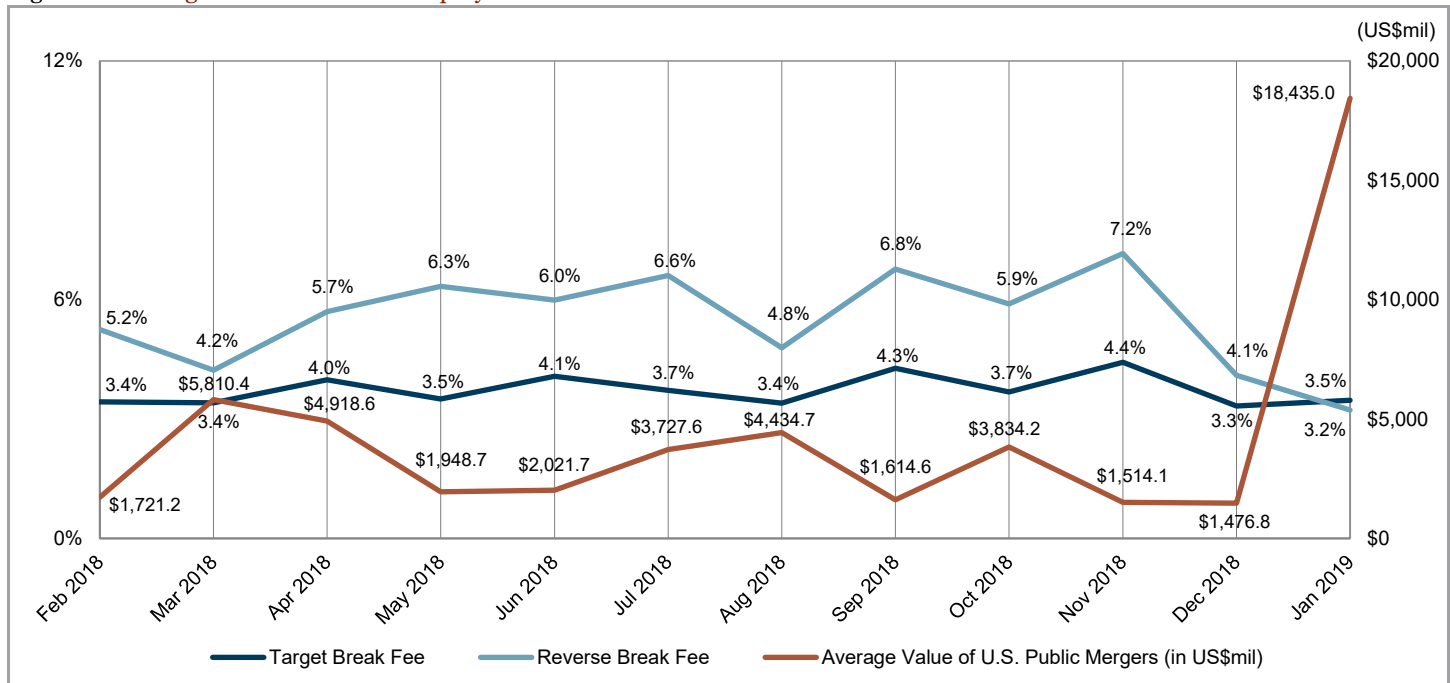


Figure 7 – Average Break Fees as % of Equity Value<sup>6</sup>

	January 2019	Last 12 Months
Target Break Fee for All Mergers	3.5	3.8

	January 2019	Last 12 Months
Reverse Break Fee for All Mergers <sup>7</sup>	3.2	5.7
Reverse Break Fee for Mergers Involving Financial Buyers <sup>8</sup>	N/A	7.0
Reverse Break Fee for Mergers Involving Strategic Buyers <sup>9</sup>	3.2	5.3

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.

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

	January 2019	Last 12 Months
% of Mergers with Go-Shops	0.0	8.5
% of Mergers Involving Financial Buyers with Go-Shops <sup>11</sup>	N/A	21.7
% of Mergers Involving Strategic Buyers with Go-Shops	0.0	6.4
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops <sup>12</sup>	N/A	39.6
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops <sup>13</sup>	N/A	39.2
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops <sup>14</sup>	N/A	39.9

<sup>5</sup> Based on the highest target break fees and reverse break fees payable in a particular deal.

<sup>6</sup> Financial and strategic categories are determined by FactSet MergerMetrics.

<sup>7</sup> Three transactions in January 2019 had a reverse break fee.

<sup>8</sup> Zero transactions in January 2019 involving a financial buyer had a reverse break fee.

<sup>9</sup> Three transactions in January 2019 involving a strategic buyer had a reverse break fee.

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

<sup>11</sup> Zero transactions in January 2019 involved a financial buyer.

<sup>12</sup> Zero transactions in January 2019 had a go-shop provision.

<sup>13</sup> Zero transactions in January 2019 involving a financial buyer had a go-shop provision.

<sup>14</sup> Zero transactions in January 2019 involving a strategic buyer had a go-shop provision.

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

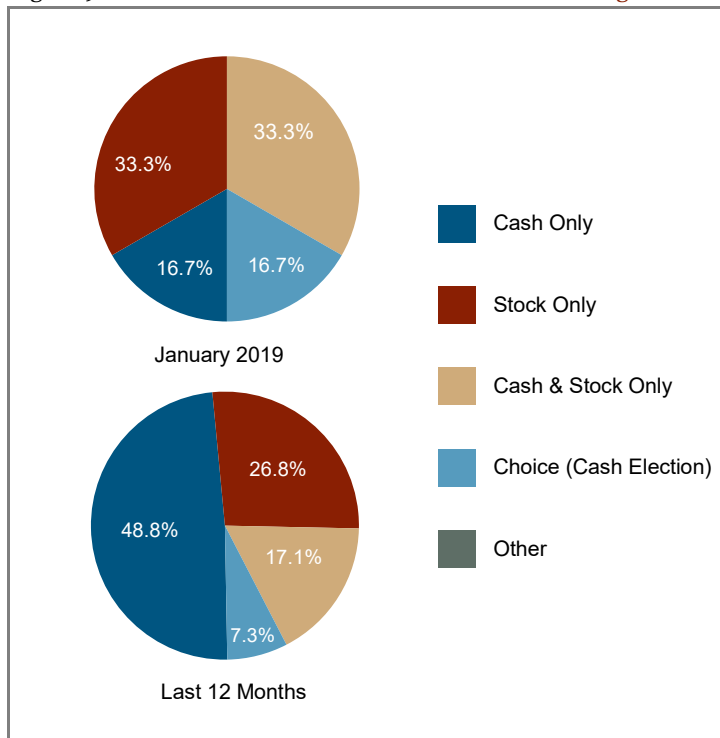


Figure 10 – % of Partial and All Stock Deals That Have a Fixed Exchange Ratio

January 2019	100.0
Last 12 Months	97.2

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

January 2019	16.7
Last 12 Months	10.4

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

January 2019	25.0
Last 12 Months	13.2

<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)

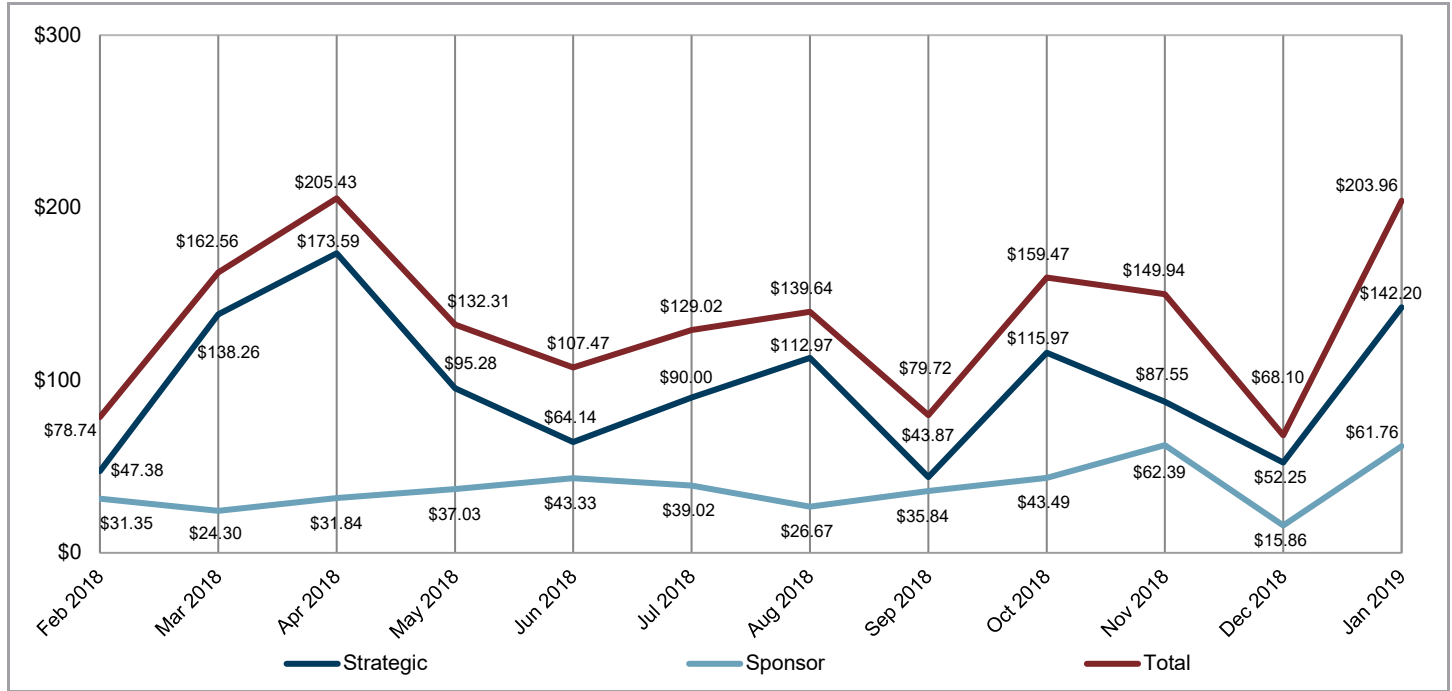
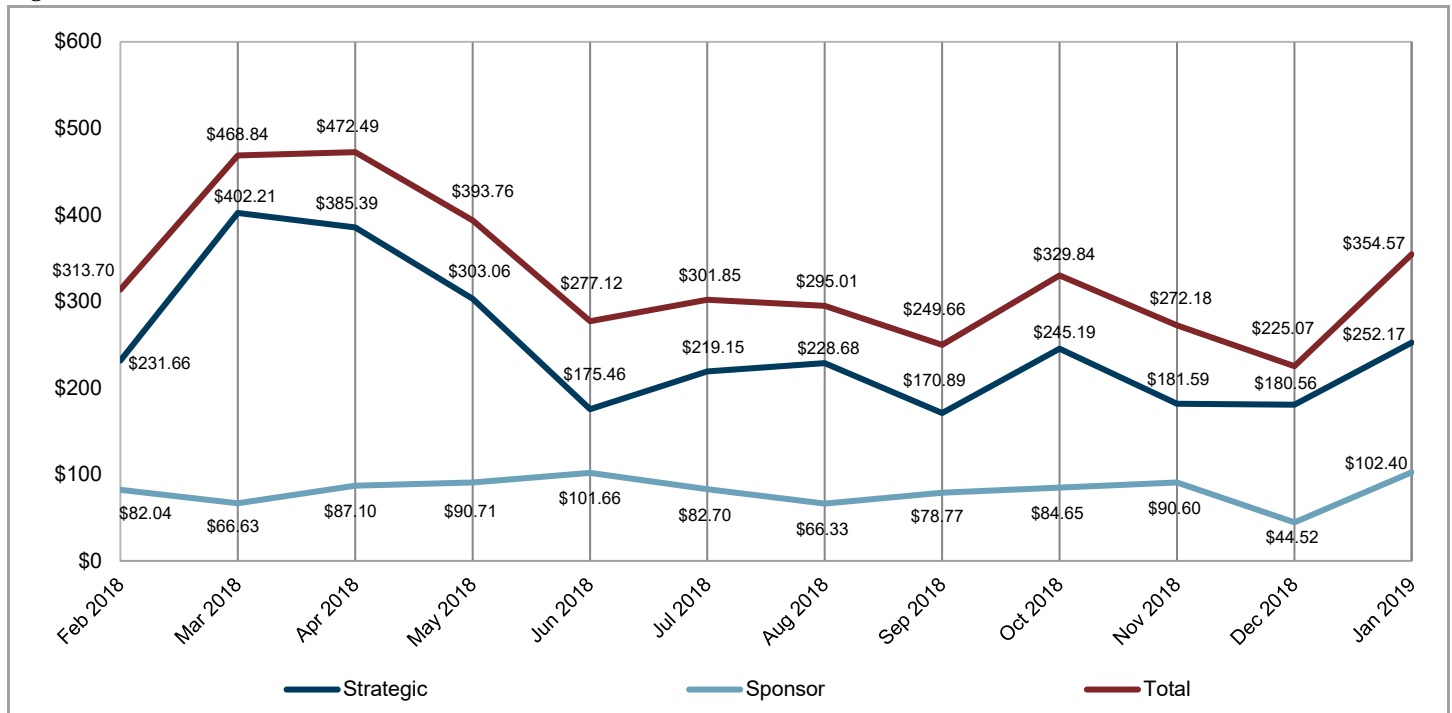


Figure 2A – Global Deal Volume (US\$B)





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Figure 3A – U.S. Number of Deals

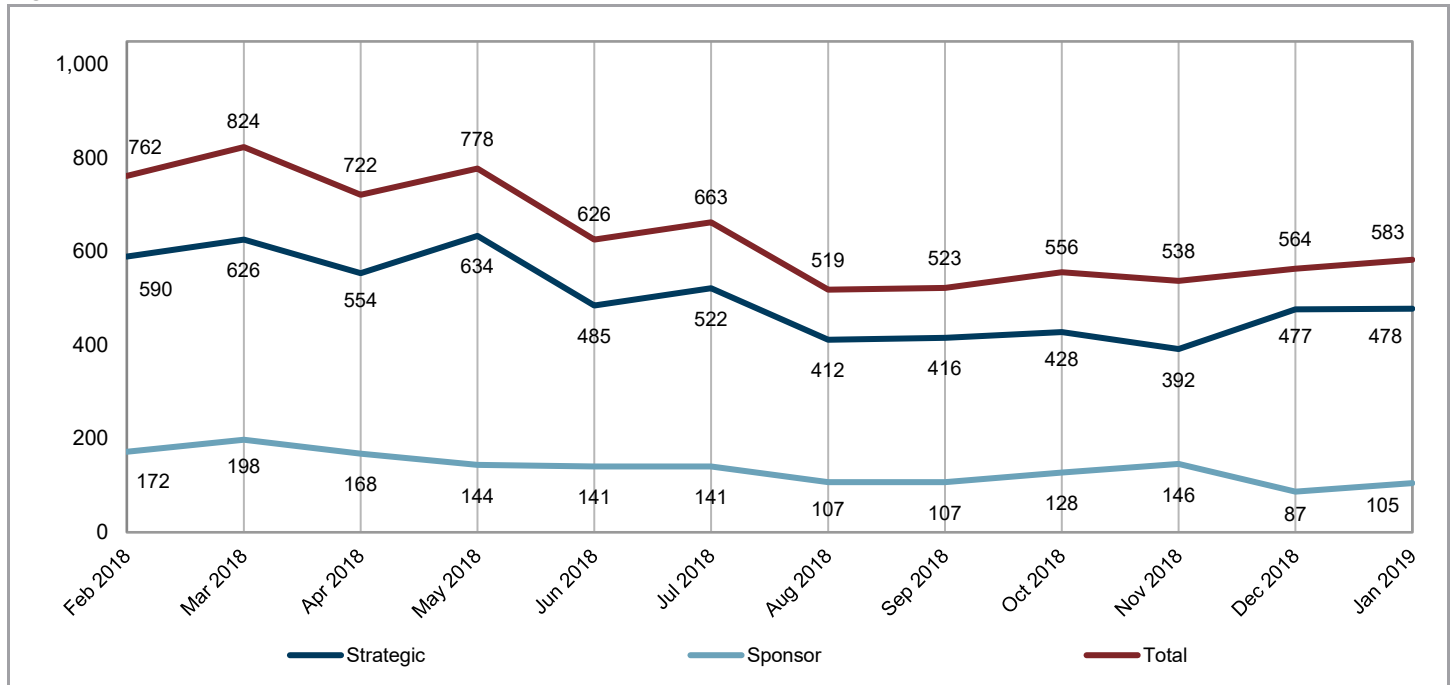
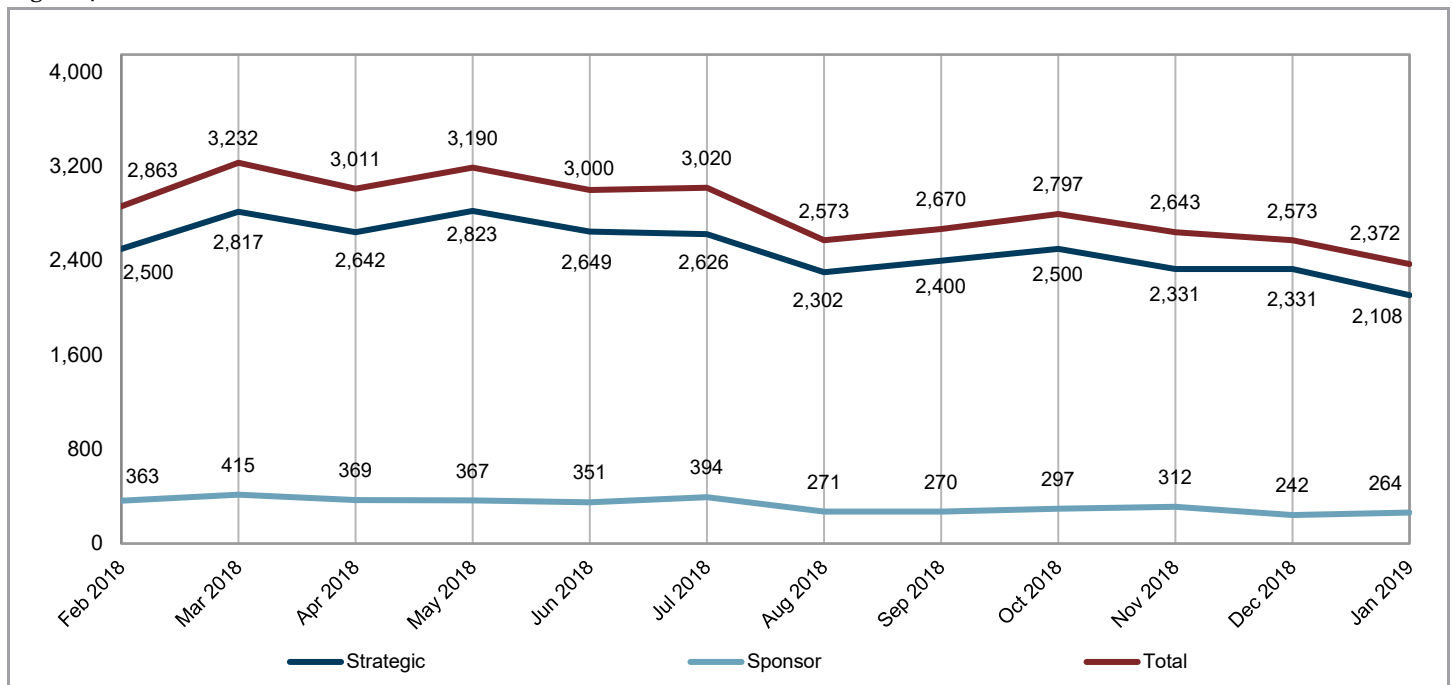


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

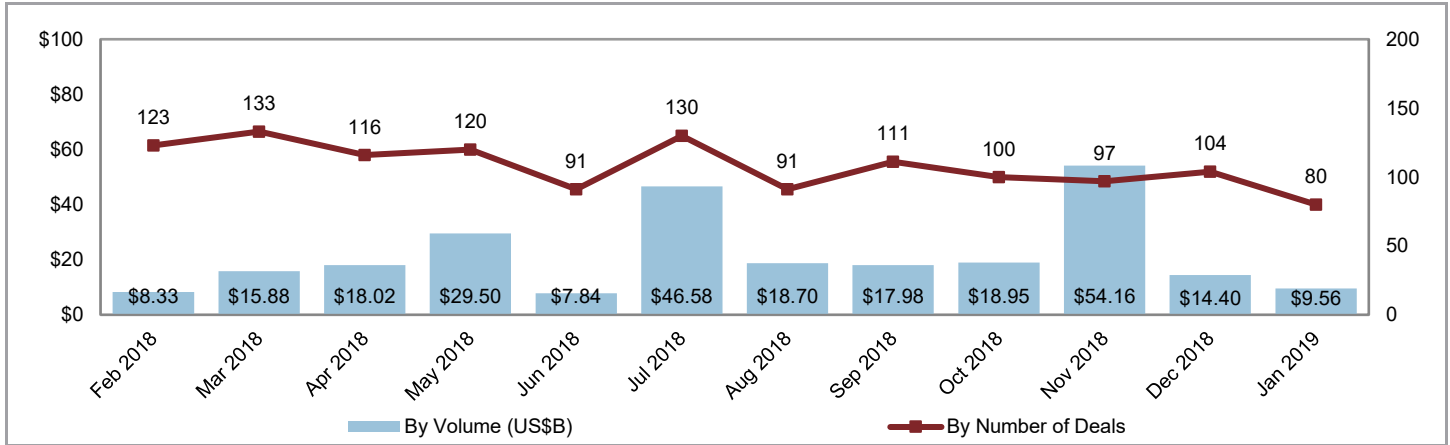


Figure 6A – Outbound U.S. Crossborder Transactions

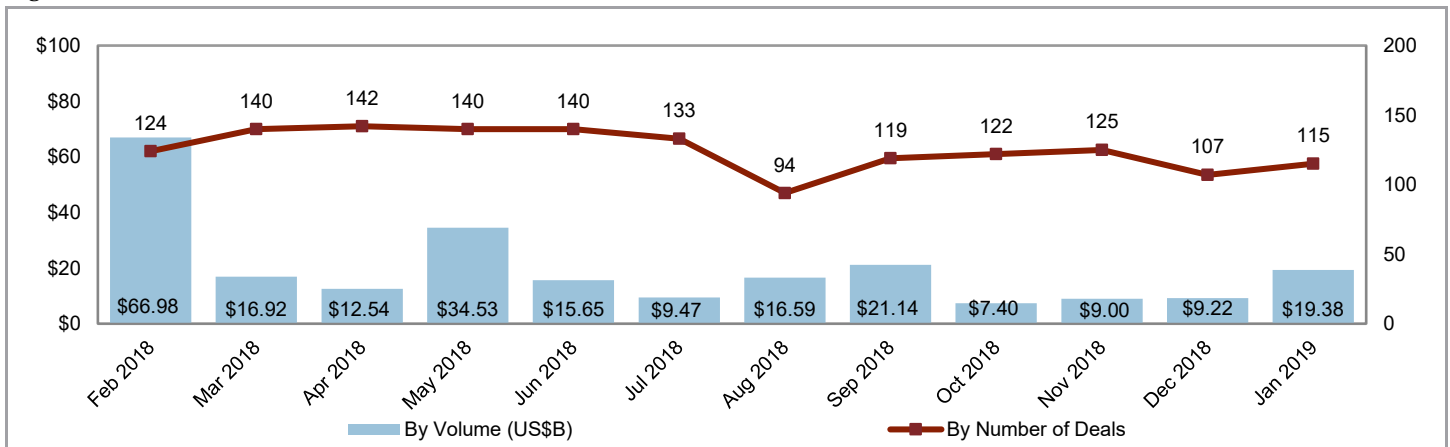


Figure 7A – Global Crossborder Transactions

