

March 2019, Issue 84

M&A activity in February 2019 generally slowed in the U.S. and globally. Deal volume by dollar value¹ decreased by 25.6% to \$152.24 billion in the U.S., and by 30.3% to \$248.57 billion globally. Further, the number of deals decreased by 47.0% to 367 in the U.S. and by 28.0% to 1,858 globally, representing the lowest monthly values recorded in the history of this publication. The average value of announced public mergers increased by 40.3% to \$414.82 million in the U.S., but decreased by 3.2% to \$133.78 million globally.

[Figure 4.](#)

Strategic vs. Sponsor Activity

Strategic deal volume as measured by dollar value decreased in the U.S. by 17.7% to \$117.43 billion and globally by 25.5% to \$192.36 billion. The number of strategic deals also decreased in the U.S. by 49.1% to 292 and globally by 29.1% to 1,628. [Figure 1](#) and Annex [Figures 1A–4A](#). The number of sponsor-related deals decreased in February 2019 by 36.4% to 75 in the U.S. and by 18.4% to 230 globally. Additionally, sponsor-related volume by dollar value decreased by 43.9% to \$34.81 billion in the U.S. and by 42.8% to \$56.21 billion globally. [Figure 1](#) and Annex [Figures 1A–4A](#).

Crossborder Activity

The number of crossborder deals decreased globally by 25.6% to 437, and crossborder deal volume by dollar value decreased slightly by 5.1% to \$69.55 billion.

In the U.S., the number of U.S. inbound crossborder deals decreased in February 2019 by 32.6% to 62 and U.S. outbound transactions decreased by 21.9% to 89, both reaching 12-month lows. U.S. inbound activity as measured by dollar value increased by 366.0% to \$43.80 billion, but U.S. outbound volume by dollar value decreased by 81.1% to \$3.69 billion. [Figure 1](#) and Annex [Figures 5A–7A](#).

Japan was the leading country for U.S. inbound activity by number of deals (12) in the month of February, and Canada retained its lead for U.S. inbound activity by number of deals (312) over the last 12-month period. Canada was the leading country for U.S. inbound activity as measured by total dollar value in February (\$20.36 billion), and continues to lead over the last 12-month period as well (\$91.67 billion). In both February 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 308, respectively), seemingly defying concerns over Brexit. Canada was the leading destination country for U.S. outbound activity by dollar value in February (\$1.36 billion). The U.K. retained its lead for U.S. outbound activity by dollar value over the last 12-month period (\$35.21 billion). [Figure 3.](#)

U.S. Deals by Industry

Computers & Electronics remained the most active target industry by number of deals in February (160) and over the last 12 months (2,154). Healthcare was the most active target industry by dollar value in February (\$34.09 billion), driven by Danaher Corporation's \$21.40 billion acquisition of General Electric's Biopharma business. Computers & Electronics was the most active target industry by dollar value over the last 12 months (\$363.44 billion). [Figure 2.](#)

U.S. Public Mergers

As for U.S. public merger deal terms in February 2019, average target break fees are in line with the range of 12-month levels, but average reverse break fees were above their 12-month levels at 6.7% compared to 5.7%. [Figures 6, 7](#) and [8](#). Cash comprised the consideration in 71.4% of U.S. public mergers, well above the 49.4% 12-month average, and there were no mixed consideration or choice-election transactions. [Figure 9](#). Last month also saw a significant increase in the level of announced two-step transactions at 42.9%, compared to the 12-month average of 12%. Further, hostile and unsolicited transactions represented 36.4% of announced U.S. public mergers, more than double the 14.7% 12-month average. [Figure 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.

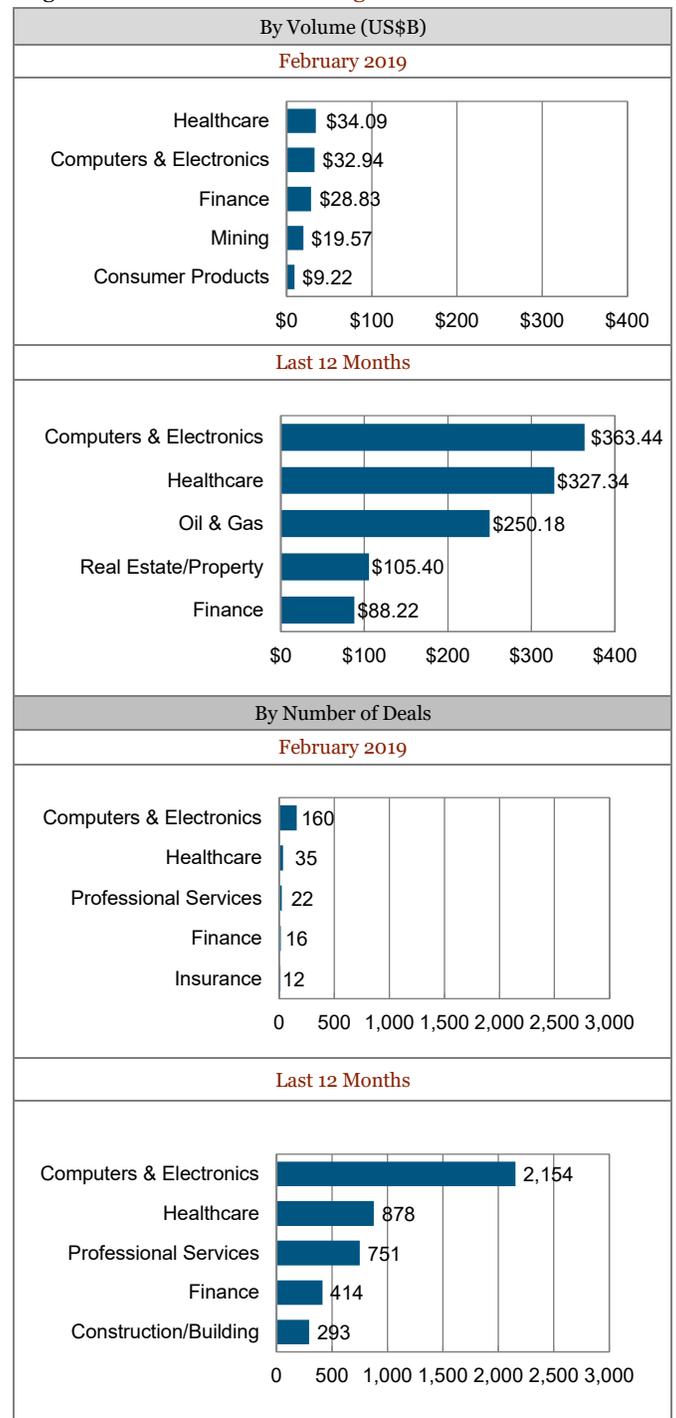
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M&A Activity

Figure 1

February 2019	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	248.57	(107.89)	152.24	(52.42)
No. of deals	1,858	(721)	367	(325)
Avg. value of deals (US\$mil)	133.8	(4.4)	414.8	119.1
Strategic Transactions				
Volume (US\$B)	192.36	(65.86)	117.43	(25.18)
No. of deals	1,628	(669)	292	(282)
Avg. value of deals (US\$mil)	118.2	5.7	402.2	153.7
Sponsor-Related Transactions				
Volume (US\$B)	56.21	(42.03)	34.81	(27.23)
No. of deals	230	(52)	75	(43)
Avg. value of deals (US\$mil)	244.4	(104.0)	464.1	(61.7)
Crossborder Transactions¹				
Volume (US\$B)	69.55	(3.75)	Inbound 43.80 Outbound 3.69	Inbound 34.40 Outbound (15.81)
No. of deals	437	(150)	Inbound 62 Outbound 89	Inbound (30) Outbound (25)
Avg. value of deals (US\$mil)	159.2	34.3	Inbound 706.5 Outbound 41.5	Inbound 604.3 Outbound (129.6)

Figure 2 – Most Active U.S. Target Industries²



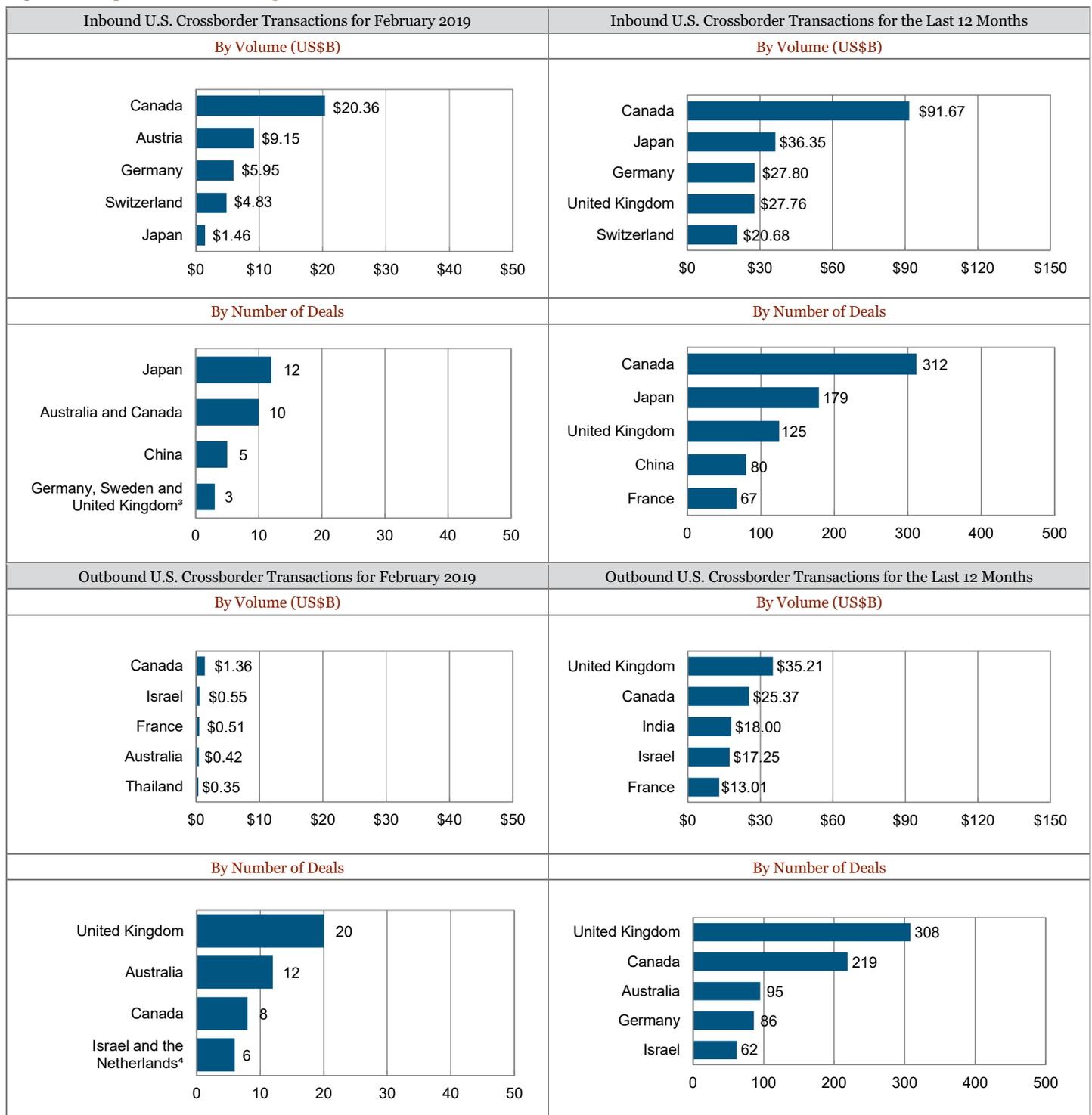
Figures 1-3 were compiled using data from Dealogic, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Deal volume by dollar value and average value of deals are calculated from the subset of the total number of deals that include a disclosed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

⁴ Each of Israel and the Netherlands was the country of destination for six transactions in February 2019.

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

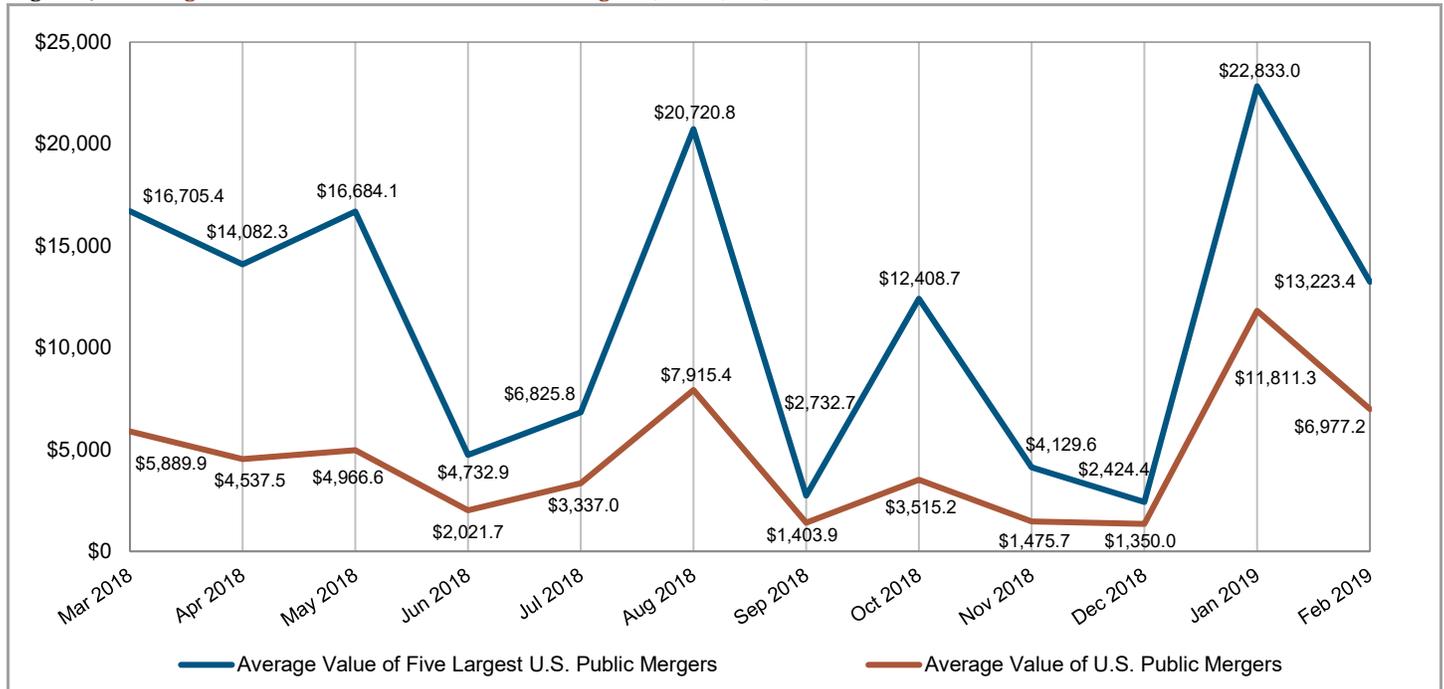
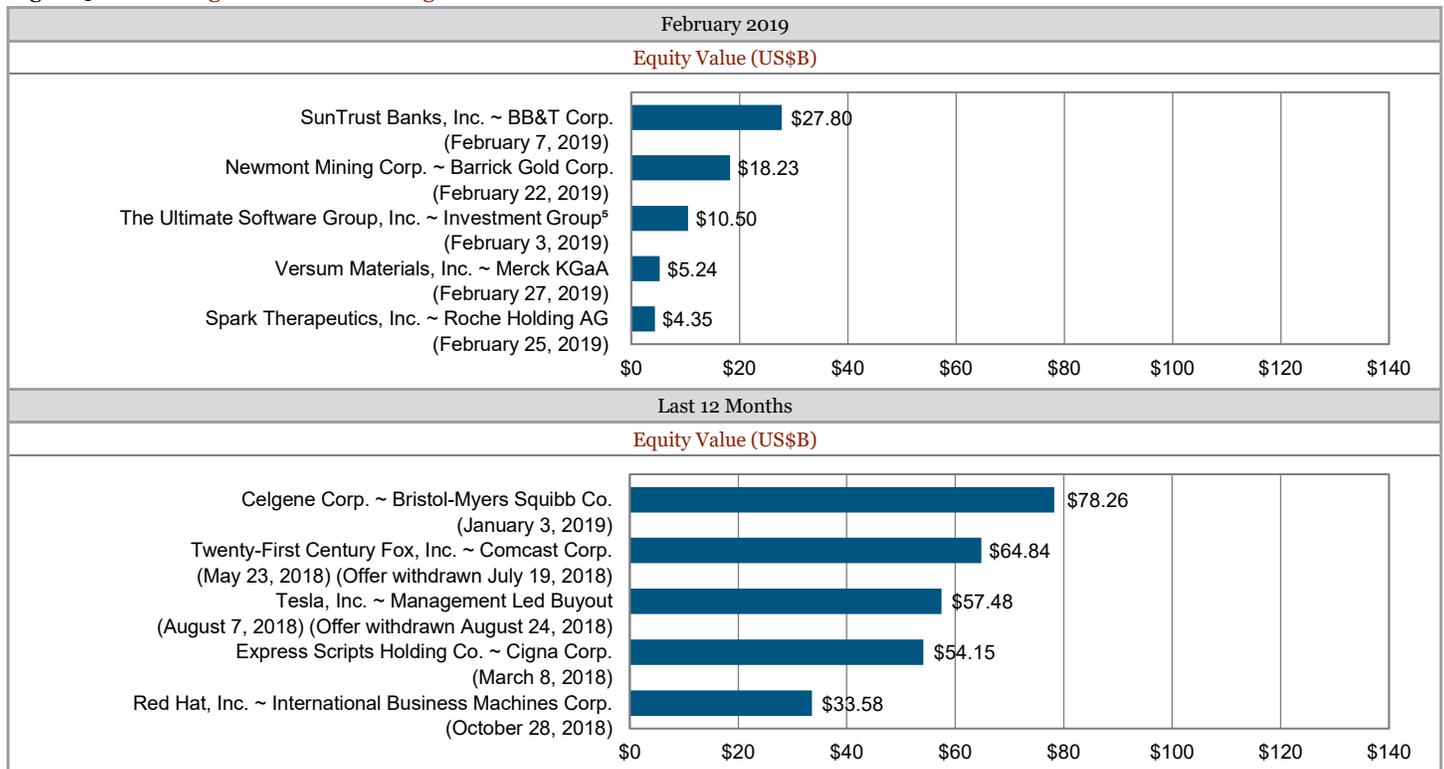


Figure 5 – Five Largest U.S. Public Mergers



⁵ Members of the investment group reported by FactSet MergerMetrics are JMI Management, Inc., Canada Pension Plan Investment Board, GIC Real Estate Pte Ltd., Blackstone Corporate Private Equity and Hellman & Friedman LLC.

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M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁶

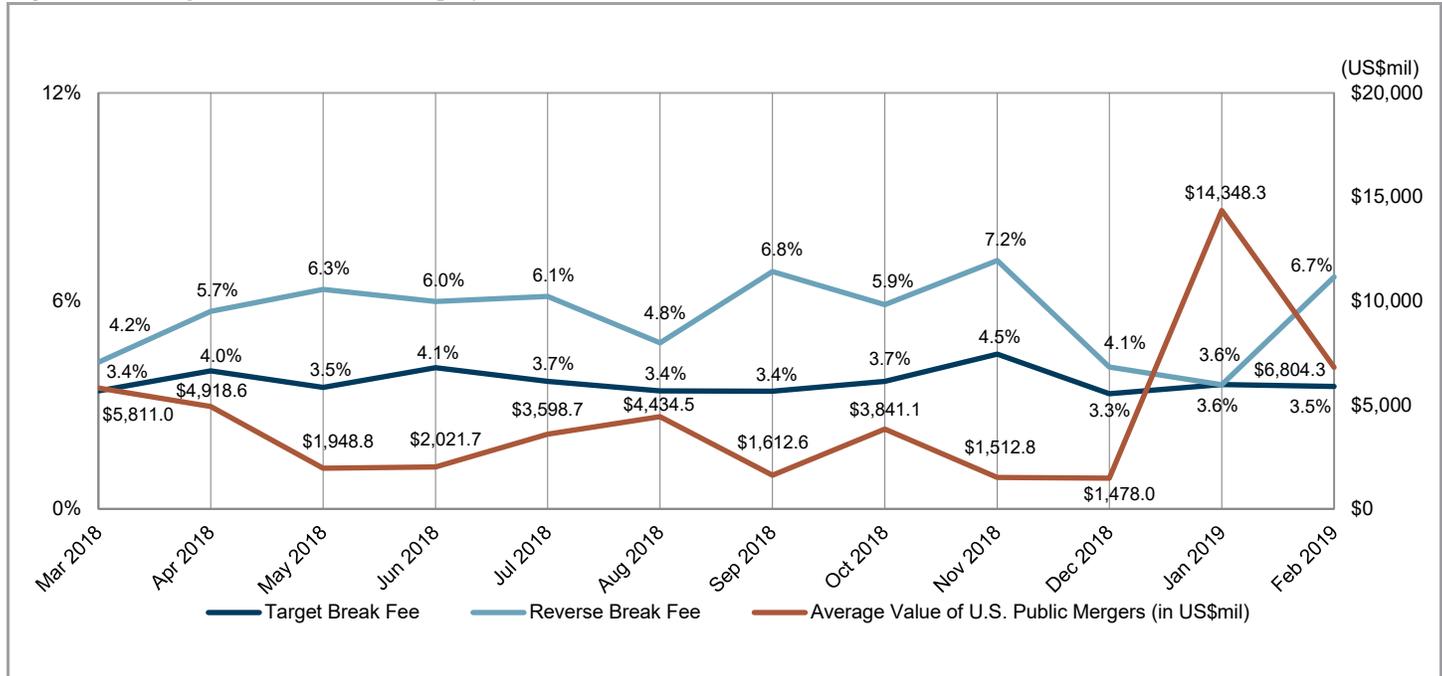


Figure 7 – Average Break Fees as % of Equity Value⁷

	February 2019	Last 12 Months
Target Break Fee for All Mergers	3.5	3.7

	February 2019	Last 12 Months
Reverse Break Fee for All Mergers ⁸	6.7	5.7
Reverse Break Fee for Mergers Involving Financial Buyers ⁹	7.6	7.3
Reverse Break Fee for Mergers Involving Strategic Buyers ¹⁰	4.0	5.2

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 Provisions¹¹

	February 2019	Last 12 Months
% of Mergers with Go-Shops	28.6	10.1
% of Mergers Involving Financial Buyers with Go-Shops ¹²	66.7	30.4
% of Mergers Involving Strategic Buyers with Go-Shops	0.0	6.7
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ¹³	42.5	40.0
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ¹⁴	42.5	40.1
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ¹⁵	N/A	39.9

⁶ Based on the highest target break fees and reverse break fees payable in a particular deal.

⁷ Financial and strategic categories are determined by FactSet MergerMetrics.

⁸ Four transactions in February 2019 had a reverse break fee.

⁹ Three transactions in February 2019 involving a financial buyer had a reverse break fee.

¹⁰ One transaction in February 2019 involving a strategic buyer had a reverse break fee.

¹¹ Financial and strategic categories are determined by FactSet MergerMetrics.

¹² Three transactions in February 2019 involved a financial buyer.

¹³ Two transactions in February 2019 had a go-shop provision.

¹⁴ Two transactions in February 2019 involving a financial buyer had a go-shop provision.

¹⁵ Two transactions in February 2019 involving a financial buyer had a go-shop provision.

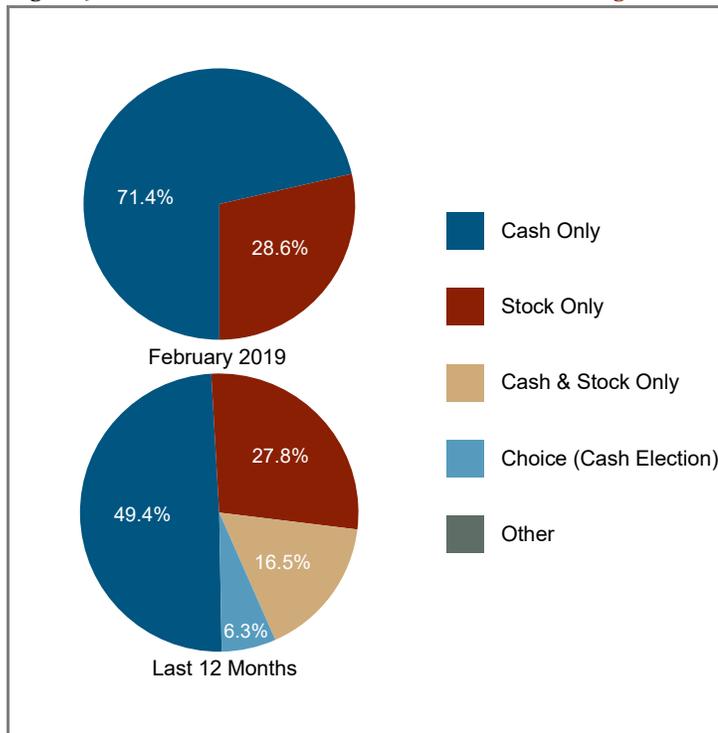
[Return to Summary](#)Figure 9 – Form of Consideration as % of U.S. Public Mergers¹⁶

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

February 2019 ¹⁷	50.0
Last 12 Months	95.7

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

February 2019	42.9
Last 12 Months	12.0

Figure 12 – Hostile/Unsolicited Offers as % of U.S. Public Mergers¹⁸

February 2019	36.4
Last 12 Months	14.7

¹⁶ Due to rounding, percentages may not add up to 100%.¹⁷ There were only two partial or all stock transactions in February 2019.¹⁸ 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)

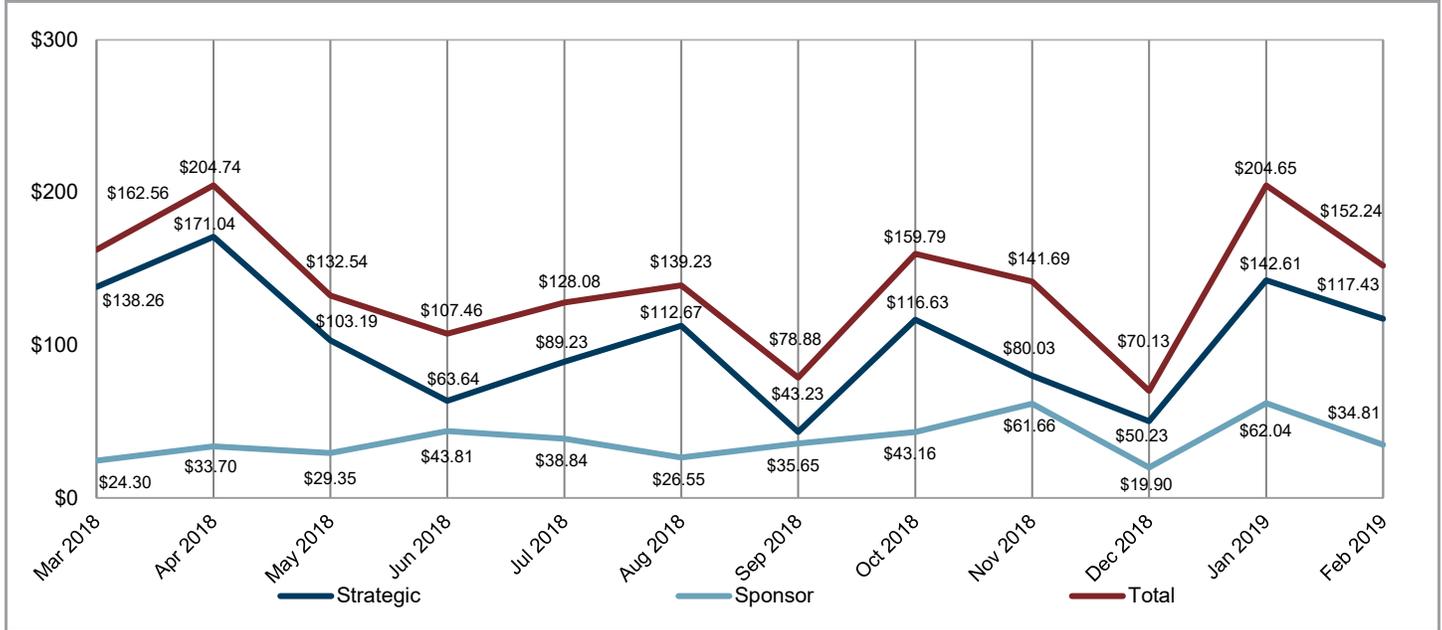
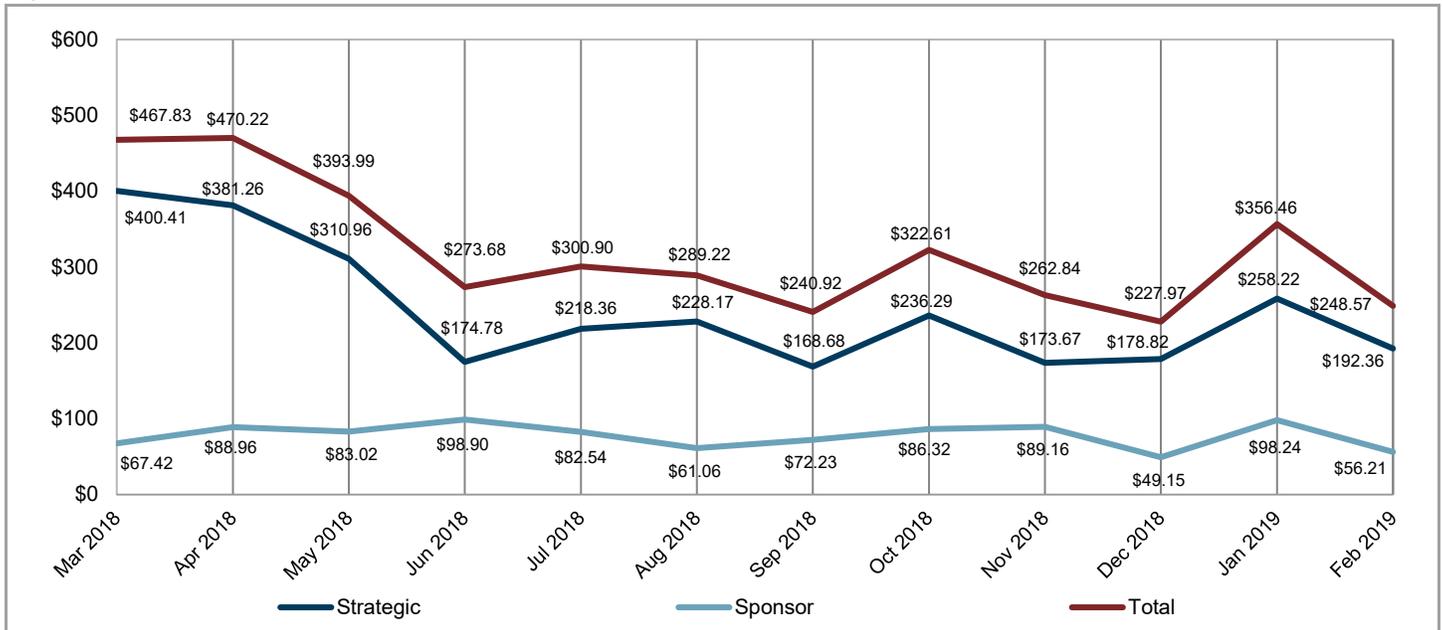


Figure 2A – Global Deal Volume (US\$B)



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Figure 3A – U.S. Number of Deals

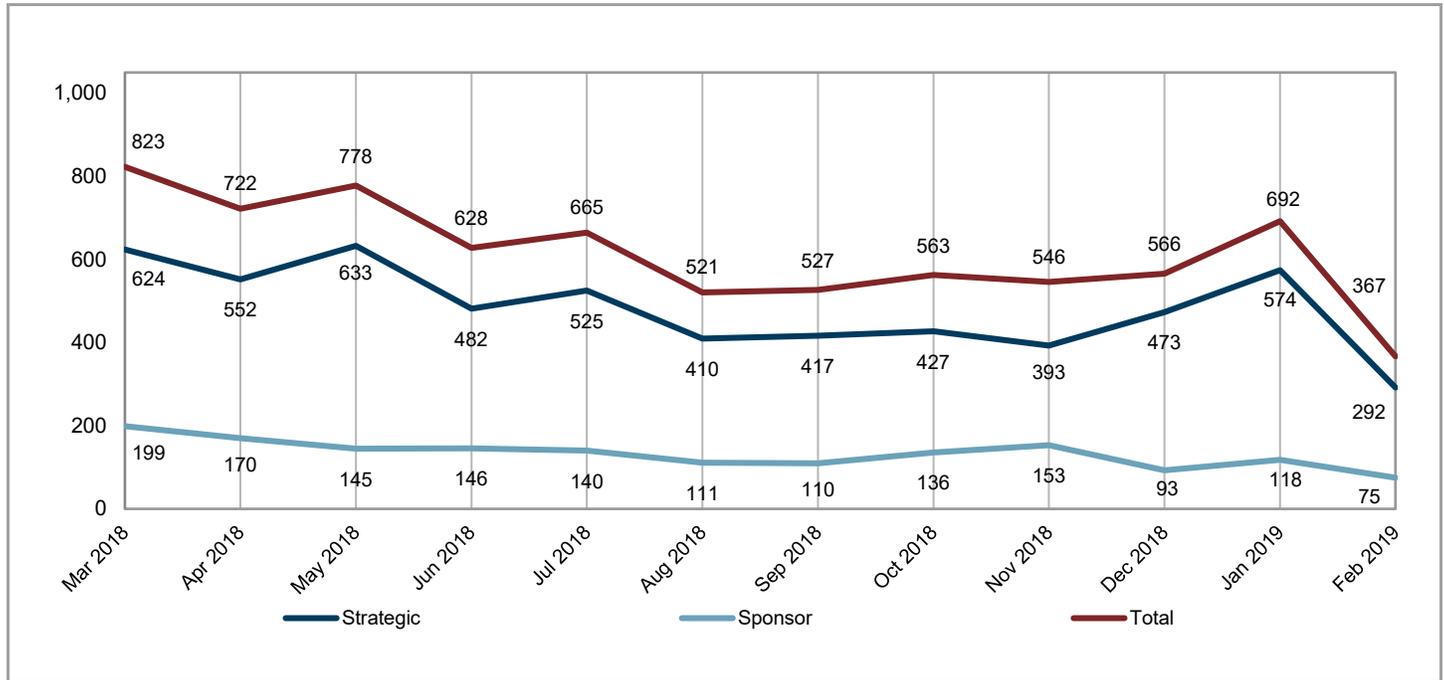
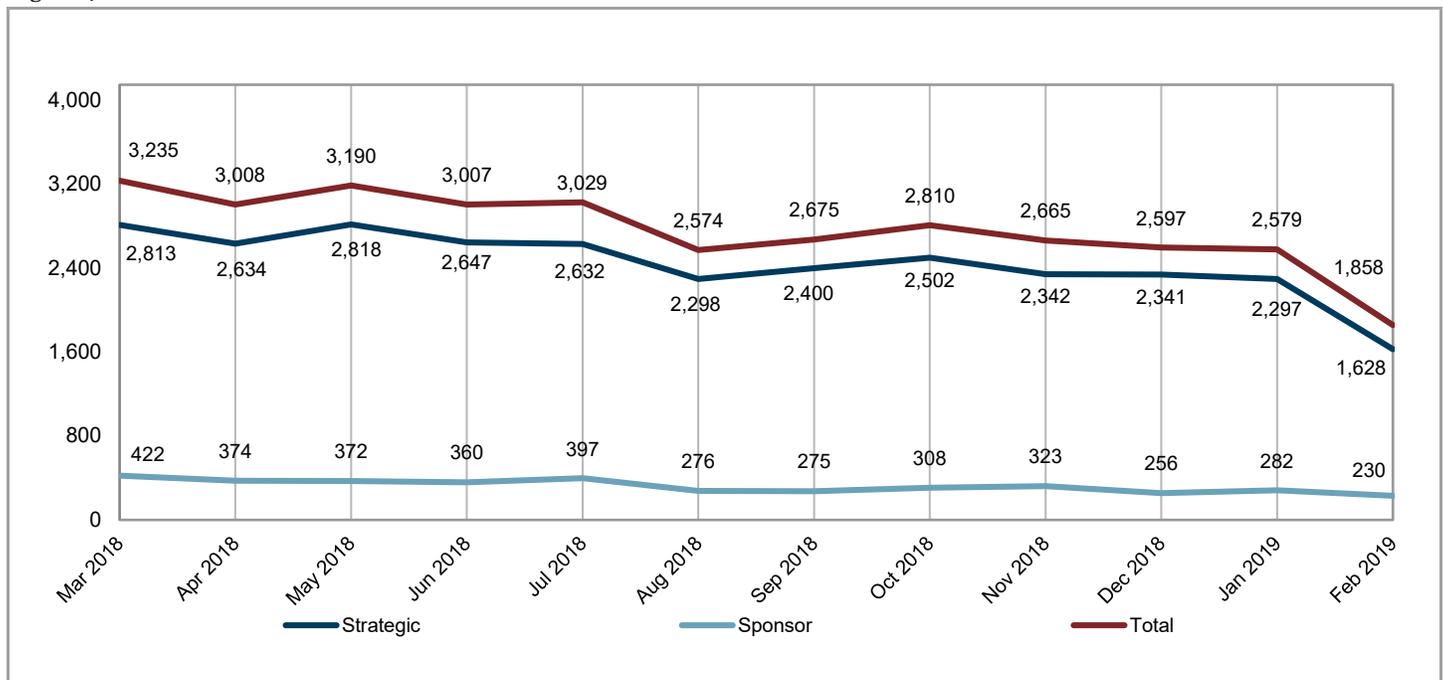


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions



Figure 6A – Outbound U.S. Crossborder Transactions

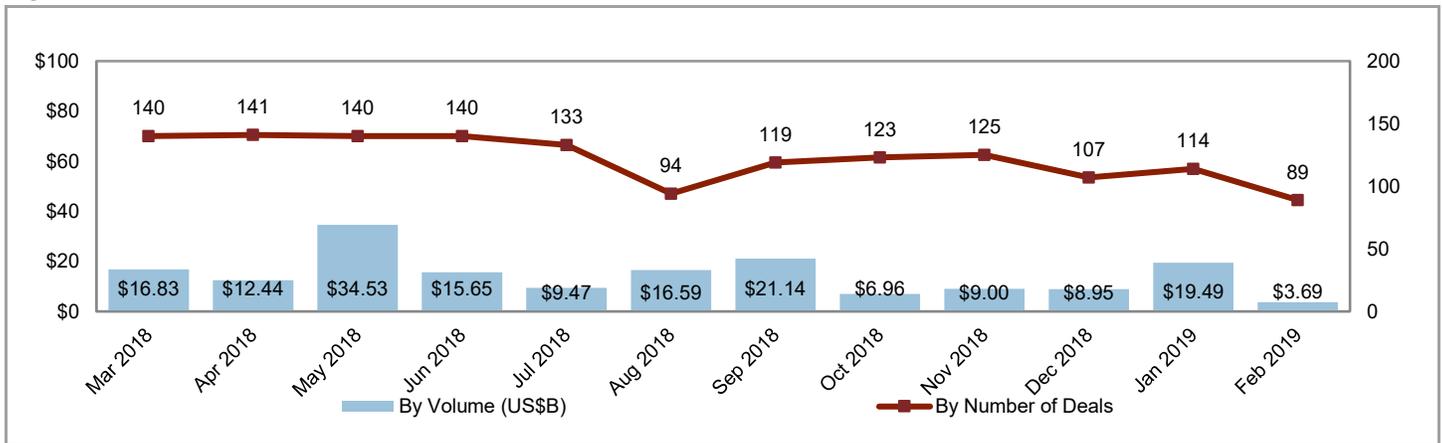


Figure 7A – Global Crossborder Transactions

