

August 2019, Issue 89

M&A activity in the U.S. and globally generally weakened in July. The only bright spots were an increase in the number of deals globally, by 6.9%, to 2,893 deals and an increase in certain sponsor-related and crossborder activity (see below). Meanwhile, the U.S. saw an 8.0% decrease in the number of deals, to 676 deals. The total value of deals¹ fell in the U.S. by 57.4%, to \$138.63 billion, and globally by 34.9%, to \$322.40 billion. Finally, average deal value decreased in the U.S. by 53.6%, to \$205.1 million, and globally by 39.1%, to \$111.4 million. [Figure 1](#). The average value of the five largest announced U.S. public mergers decreased significantly by 72.3%, to \$5.28 billion. [Figure 4](#).

Strategic vs. Sponsor Activity

Strategic versus sponsor activity was a bit more mixed. The number of strategic deals decreased in the U.S. by 6.4% to 528, but increased globally by 5.4% to 2,487. [Figure 1](#) and Annex [Figures 1A–4A](#). However, strategic deal volume as measured by dollar value decreased significantly in the U.S. by 71.8% to \$78.77 billion and globally by 48.2% to \$209.92 billion. The number of sponsor-related deals decreased in July 2019 by 13.5% to 148 in the U.S. but increased by 17.0% to 406 globally, respectively. Sponsor-related volume by dollar value increased by 31.7% to \$59.85 billion in the U.S. and by 24.4% to \$112.47 billion globally. [Figure 1](#) and Annex [Figures 1A–4A](#).

Crossborder Activity

Crossborder deal volume by dollar value increased by 55.5% to \$125.13 billion and the number of crossborder deals increased globally by 14.6% to 697. The number of U.S. inbound crossborder deals decreased in July by 14.1% to 85, while the number of U.S. outbound crossborder deals increased by 2.3% to 136. U.S. inbound activity as measured by dollar value increased significantly by 78.4% to \$45.36 billion and U.S. outbound activity as measured by dollar value increased by 88.2% to \$14.62 billion. [Figure 1](#) and Annex [Figures 5A–7A](#).

The U.K. was the leading country for U.S. inbound activity in July by total dollar value, while Canada was the leading country for U.S. inbound activity over the last 12-month period (\$27.83 billion and \$58.29 billion, respectively). Canada and the U.K. tied as the leading countries for U.S. inbound activity in July by number of deals (19), although Canada was the leading country for U.S. inbound activity over the last 12-month period by number of deals (323). France was the leading country of destination for U.S. outbound activity in July by total dollar value (\$3.16 billion). The U.K. remained the leading country of destination for U.S. outbound activity over the last 12 months by activity as measured by dollar value (\$35.66 billion) and the leading country of destination for U.S. outbound activity in July and over the last 12 months by number of deals (24 and 276, respectively). [Figure 3](#).

U.S. Deals by Industry

Computers and Electronics was the most active target industry in July and over the last 12 months by all measures, including by number of deals (245 and 2,605, respectively) and by dollar value (\$44.02 billion and \$448.23 billion, respectively). [Figure 2](#).

U.S. Public Mergers

As for U.S. public merger deal terms in July 2019, average target break fees were above their 12-month levels (at 3.9% compared to 3.6%), and average reverse break fees were at their 12-month levels (at 5.6%). Two deals contained a go-shop provision. [Figures 6, 7 and 8](#). Cash transactions comprised 60.0% of U.S. public mergers, above the 52.3% 12-month average. [Figure 9](#). Hostile and unsolicited transactions represented 11.8% of announced U.S. public mergers in July 2019, compared to the 12-month average of 13.5%. [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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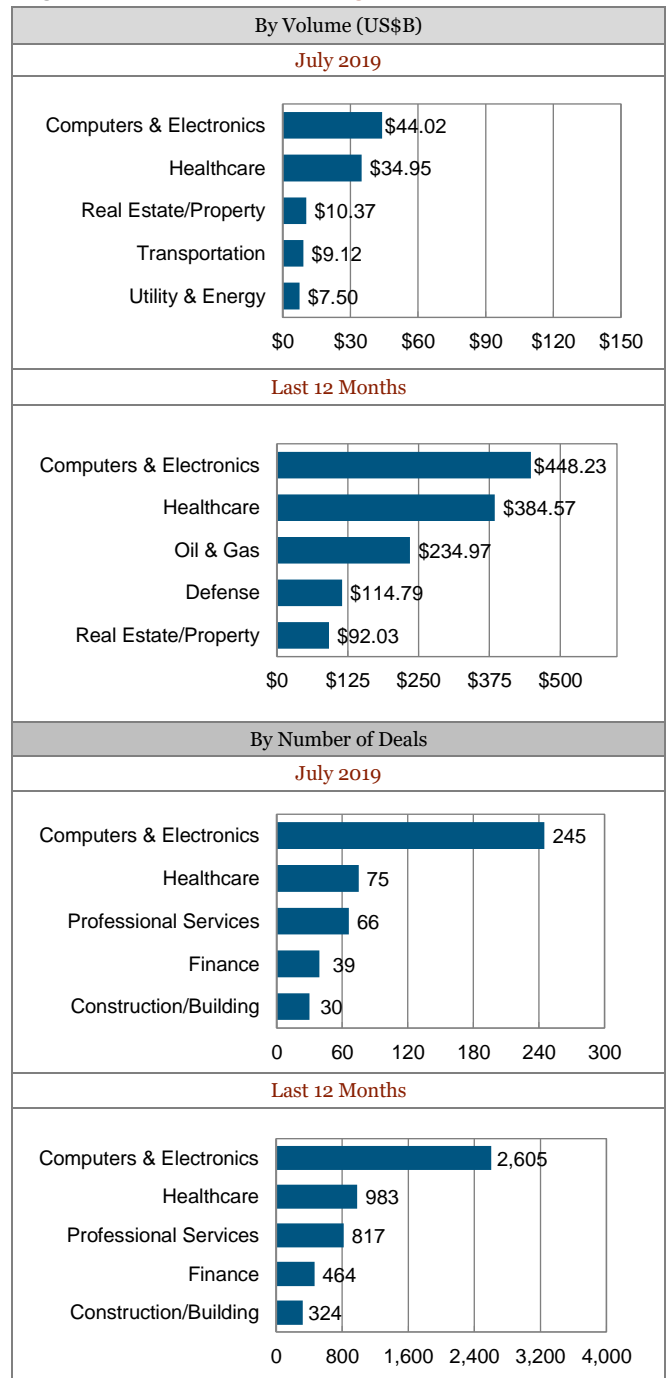
M&A Activity

Figure 1

July 2019	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	322.40	(173.16)	138.63	(186.45)
No. of deals	2,893	186	676	(59)
Avg. value of deals (US\$mil)	111.4	(71.6)	205.1	(237.2)
Strategic Transactions				
Volume (US\$B)	209.92	(195.24)	78.77	(200.87)
No. of deals	2,487	127	528	(36)
Avg. value of deals (US\$mil)	84.4	(87.3)	149.2	(346.6)
Sponsor-Related Transactions				
Volume (US\$B)	112.47	22.08	59.85	14.42
No. of deals	406	59	148	(23)
Avg. value of deals (US\$mil)	277.0	16.5	404.4	138.7
Crossborder Transactions¹				
Volume (US\$B)	125.13	44.64	Inbound 45.36 Outbound 14.62	Inbound 19.93 Outbound 6.85
No. of deals	697	89	Inbound 85 Outbound 136	Inbound (14) Outbound 3
Avg. value of deals (US\$mil)	179.5	47.1	Inbound 533.7 Outbound 107.5	Inbound 276.8 Outbound 49.1

Figures 1-3 were compiled using Cortex, 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 Deal Point Data, and include acquisitions seeking majority or full control of U.S. targets valued at \$100 million or higher announced during the period indicated regardless of whether a definitive merger agreement was reached and filed or withdrawn. All data is as of August 12, 2019 unless otherwise specified. "Last 12 Months" data is for the period from August 2018 to July 2019 inclusive. Data obtained from Cortex and Deal Point Data has not been reviewed for accuracy by Paul, Weiss.

Figure 2 – Most Active U.S. Target Industries²

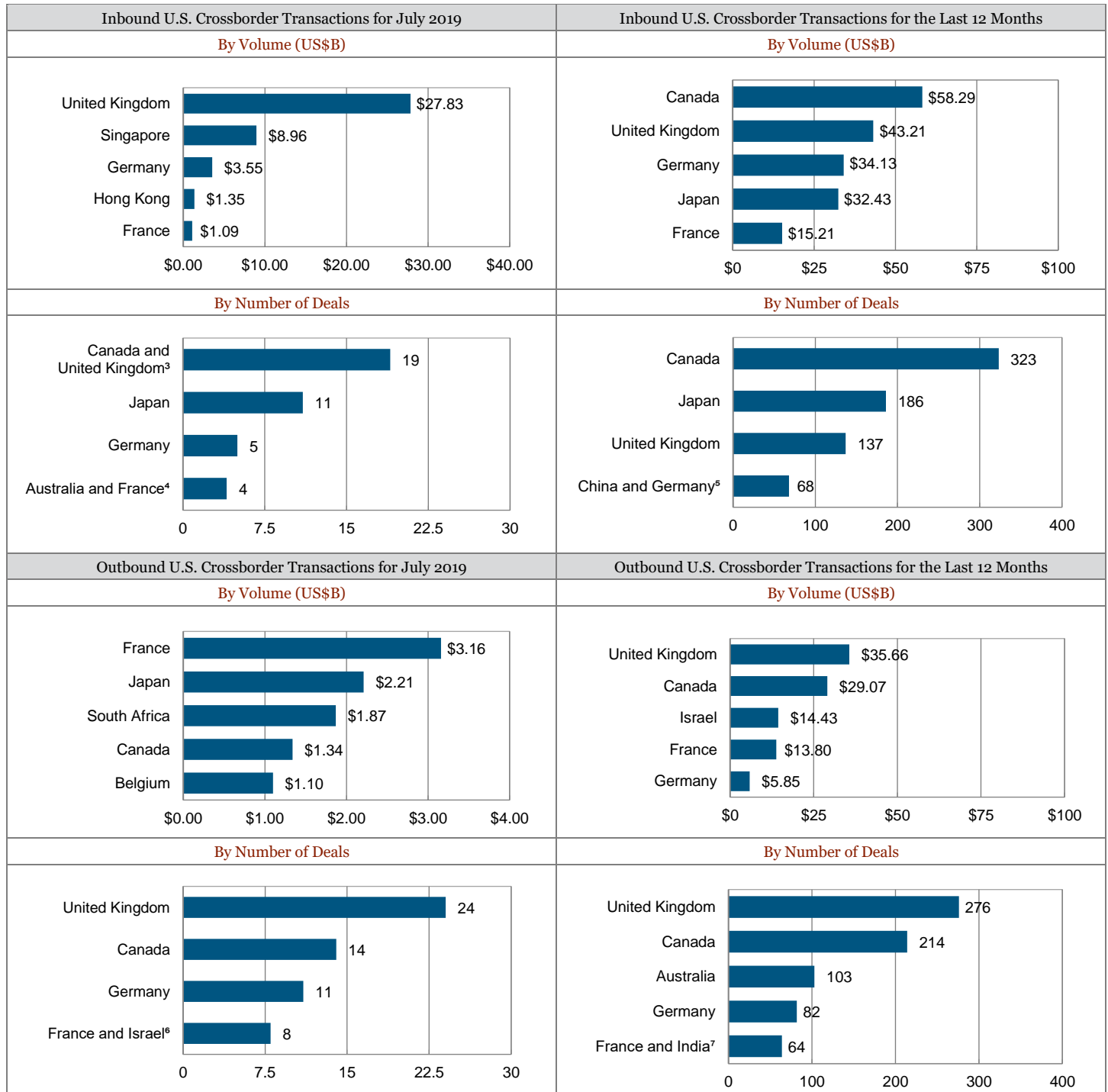


¹ Global crossborder transactions are those where the acquirer and the target have different nationalities. Nationality is based on where a company has either its headquarters or a majority of its operations. U.S. crossborder transactions are those transactions where the acquirer and the target have different nationalities and either the acquirer ("Outbound") or the target ("Inbound") has a U.S. nationality.

² Industries categories are determined and named by Cortex.

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



³ Each of Canada and United Kingdom was the country of origin for 19 transactions in July 2019.
⁴ Each of Australia and France was the country of origin for four transactions in July 2019.
⁵ Each of China and Germany was the country of origin for 68 transactions over the last 12 months.
⁶ Each of France and Israel was the country of destination for eight transactions in July 2019.
⁷ Each of France and India was the country of destination for 64 transactions over the last 12 months.

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

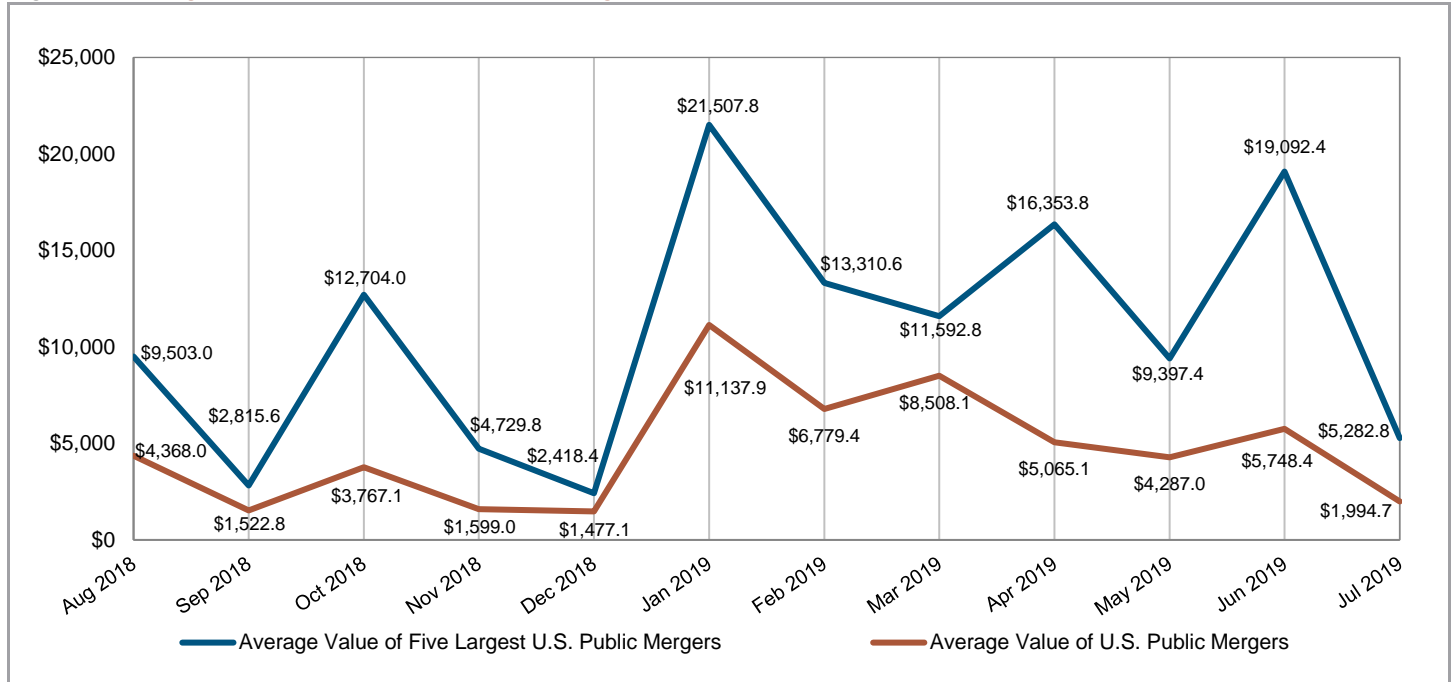
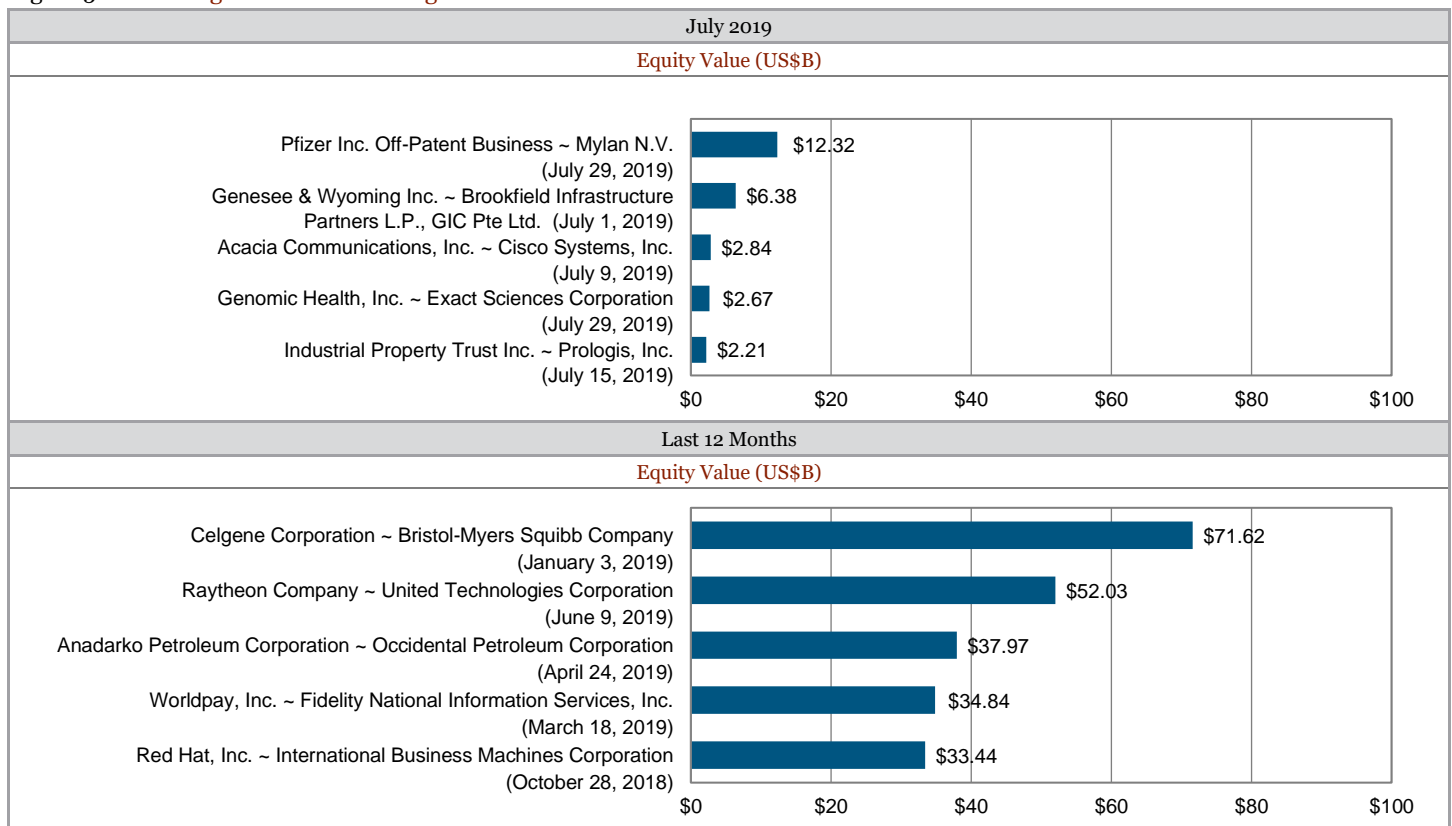


Figure 5 – Five Largest U.S. Public Mergers



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M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁸

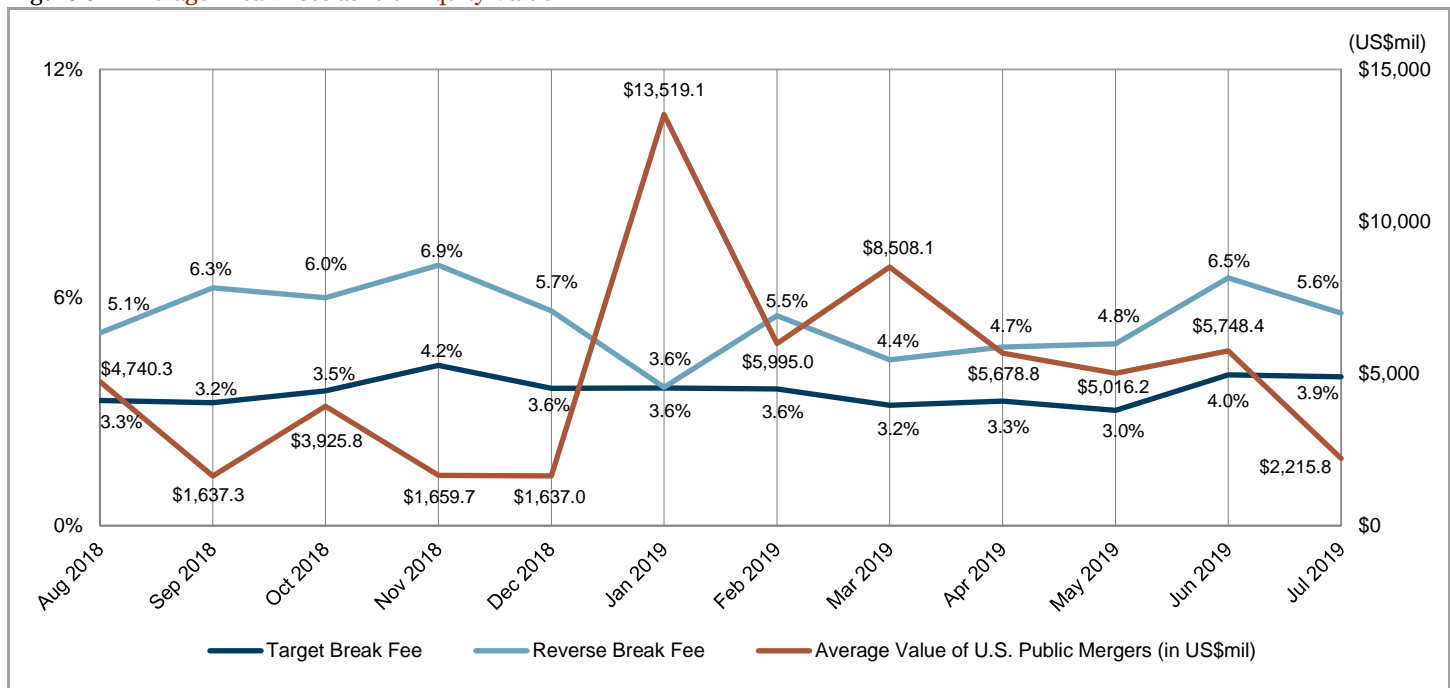


Figure 7 – Average Break Fees as % of Equity Value⁹

	July 2019	Last 12 Months
Target Break Fee for All Mergers	3.9	3.6

	July 2019	Last 12 Months
Reverse Break Fee for All Mergers ¹⁰	5.6	5.6
Reverse Break Fee for Mergers Involving Financial Buyers ¹¹	6.4	6.7
Reverse Break Fee for Mergers Involving Strategic Buyers ¹²	5.1	5.1

Figures 6-12 were compiled using Deal Point Data, and include acquisitions seeking majority or full control of U.S. targets valued at \$100 million or higher announced during the period indicated and for which a definitive merger agreement was reached and filed (unless otherwise indicated). Data obtained from Deal Point Data has not been reviewed for accuracy by Paul, Weiss.

Figure 8 – U.S. Public Merger Go-Shop Provisions¹³

	July 2019	Last 12 Months
% of Mergers with Go-Shops	13.3	11.0
% of Mergers Involving Financial Buyers with Go-Shops ¹⁴	66.7	33.3
% of Mergers Involving Strategic Buyers with Go-Shops	0.0	4.9
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ¹⁵	32.5	37.8
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ¹⁶	32.5	38.2
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ¹⁷	N/A	37.0

⁸ Based on the highest target break fees and reverse break fees payable in a particular deal.

⁹ Financial and strategic categories are determined by Deal Point Data.

¹⁰ Eight transactions in July 2019 had a reverse break fee.

¹¹ Three transactions in July 2019 involving a financial buyer had a reverse break fee.

¹² Three transactions in July 2019 involving a strategic buyer had a reverse break fee.

¹³ Financial and strategic categories are determined by Deal Point Data.

¹⁴ Three transactions in July 2019 involved a financial buyer.

¹⁵ Two transactions in July 2019 had a go-shop provision.

¹⁶ Two transactions in July 2019 involving a financial buyer had a go-shop provision.

¹⁷ Zero transactions in July 2019 involving a strategic buyer had a go-shop provision.

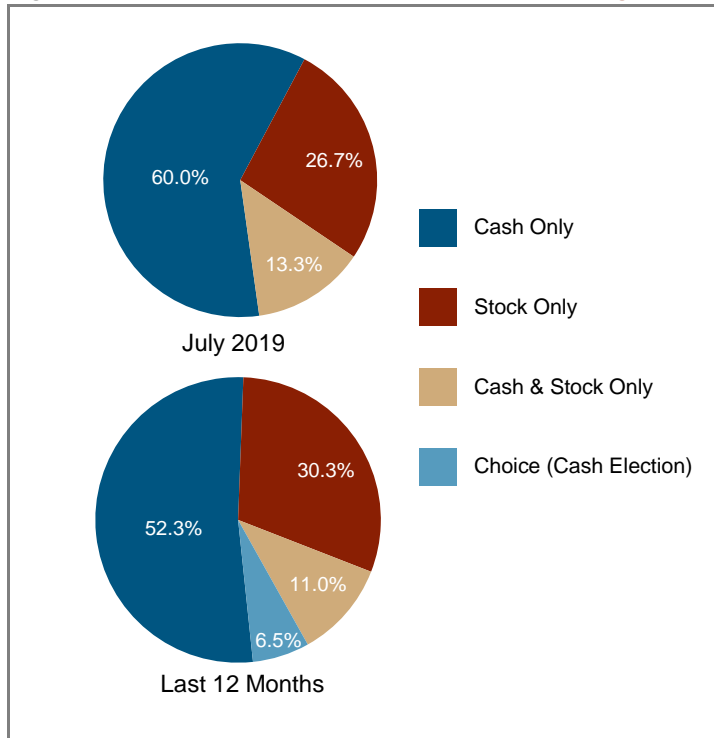
[Return to Summary](#)Figure 9 – Form of Consideration as % of U.S. Public Mergers¹⁷

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

July 2019 ¹⁸	100.0
Last 12 Months	95.7

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

July 2019	6.7
Last 12 Months	14.2

Figure 12 – Hostile/Unsolicited Offers as % of U.S. Public Mergers¹⁹

July 2019	11.8
Last 12 Months	13.5

¹⁷ Due to rounding, percentages may not add up to 100%.¹⁸ There were only four partial or all stock transactions in July 2019.¹⁹ 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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its successful proxy contest against Pershing Square; Kate Spade & Company in its \$2.4 billion sale to Coach; and Agrium in its \$36 billion merger of equals with Potash Corp. of Saskatchewan.

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)

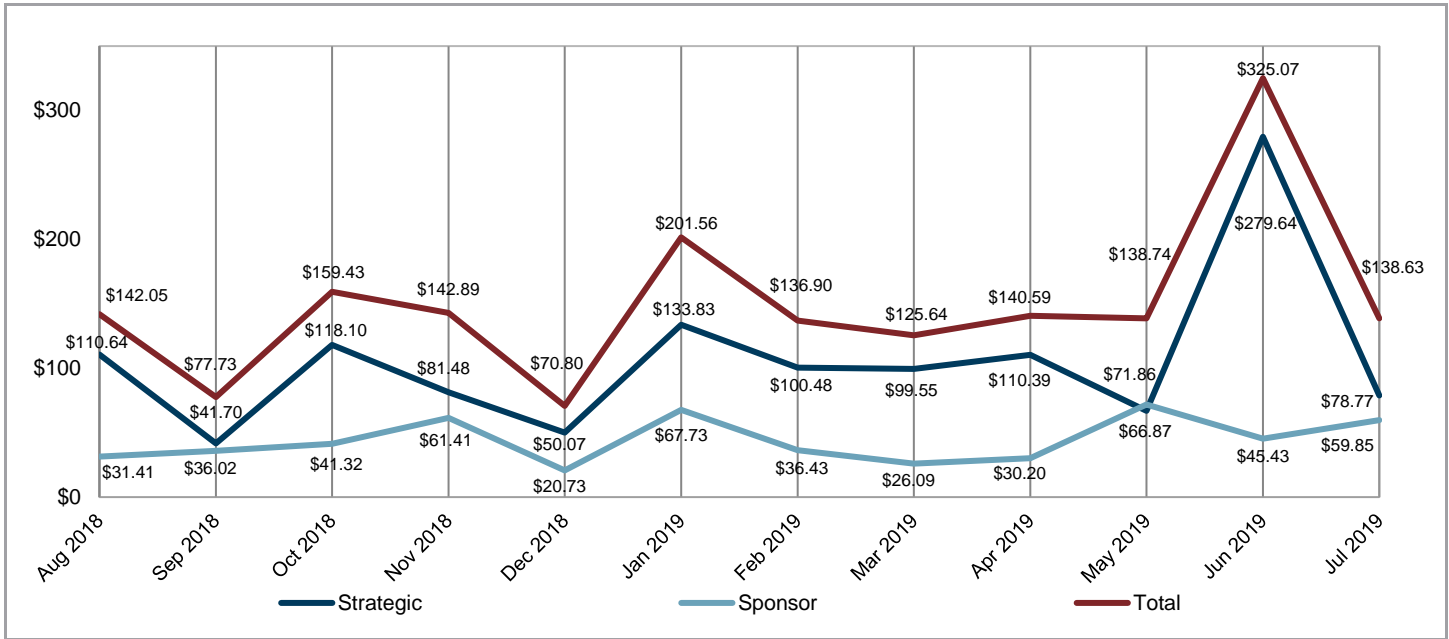
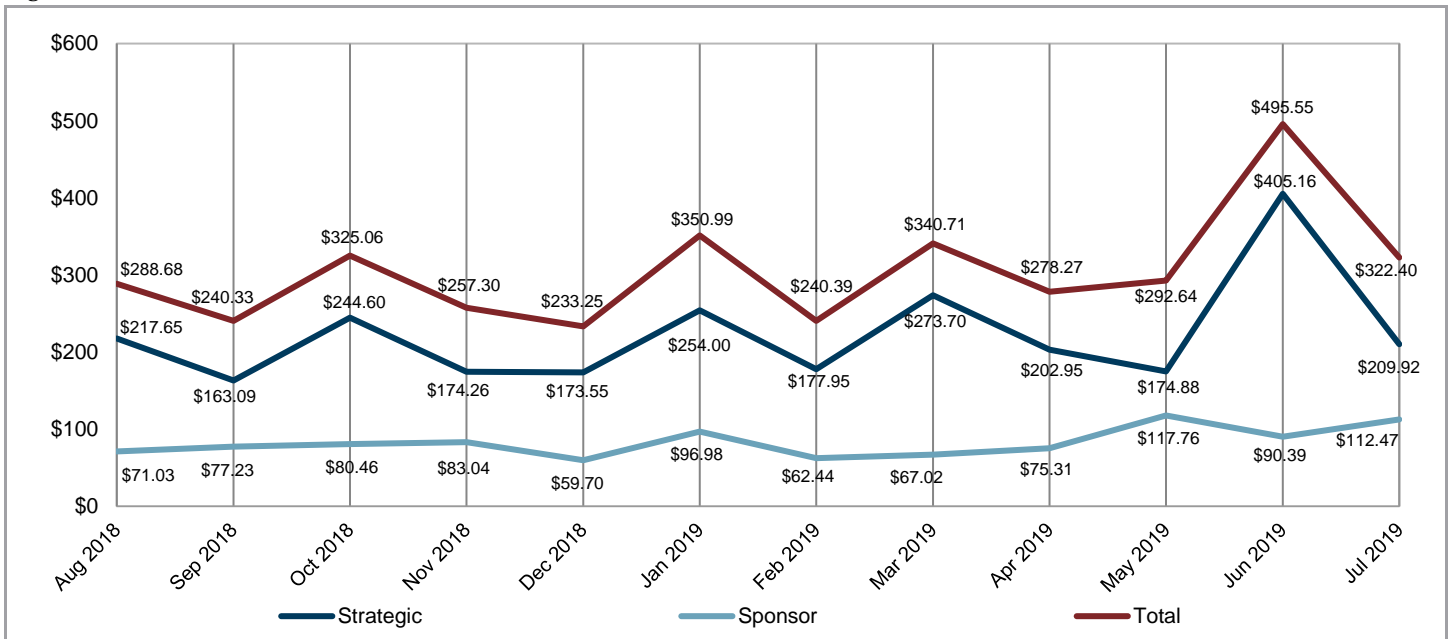


Figure 2A – Global Deal Volume (US\$B)



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Figure 3A – U.S. Number of Deals

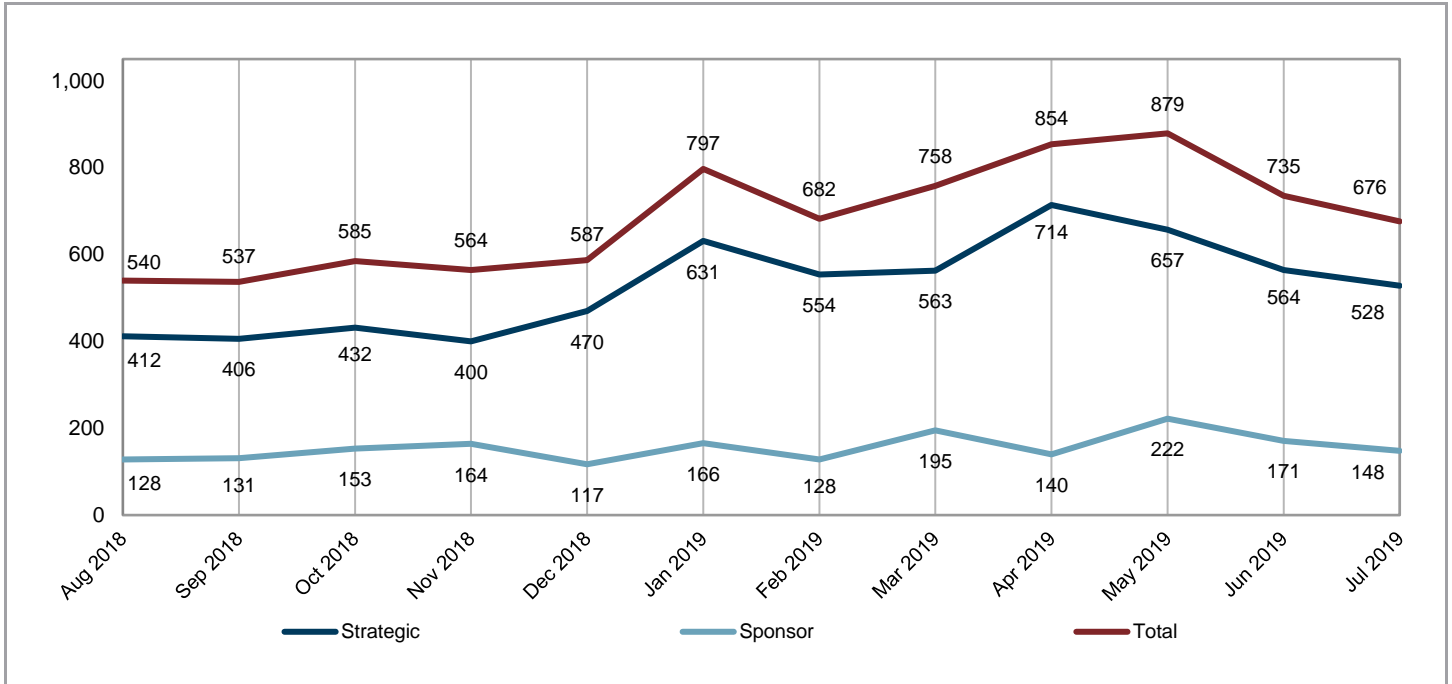
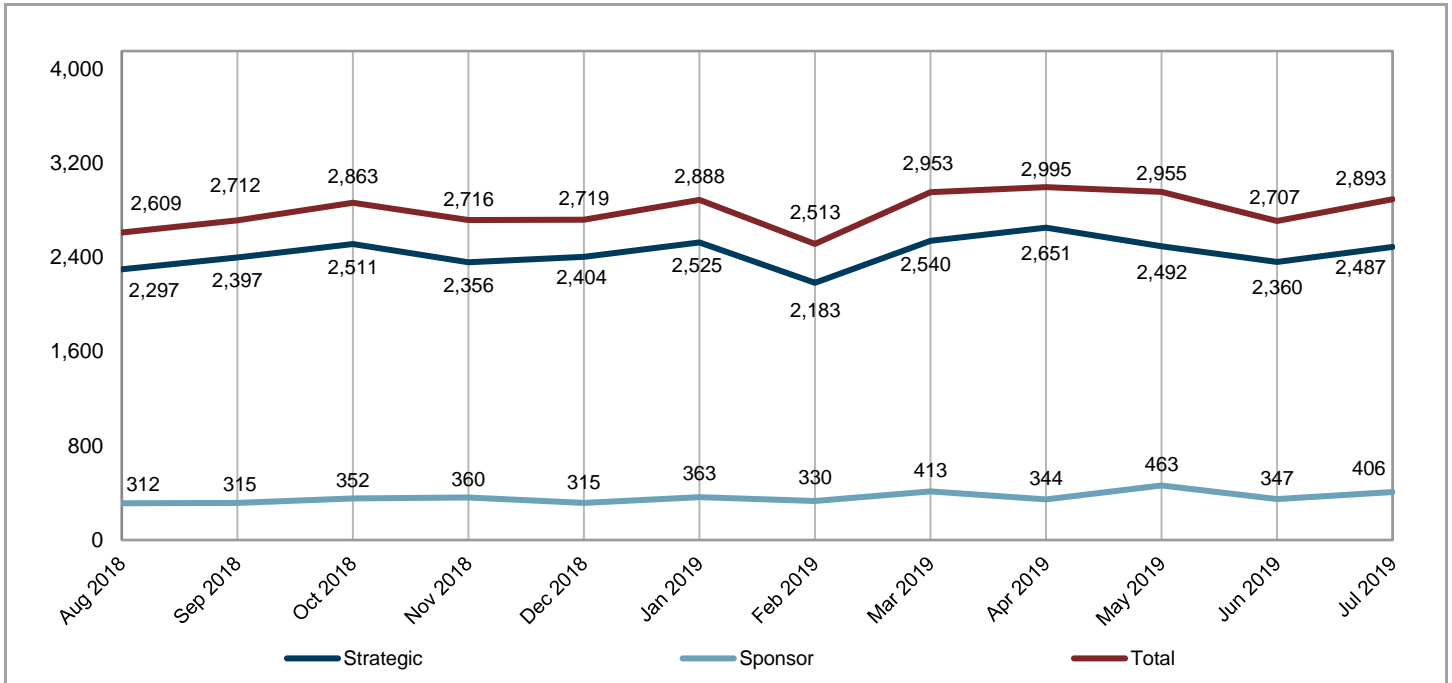


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

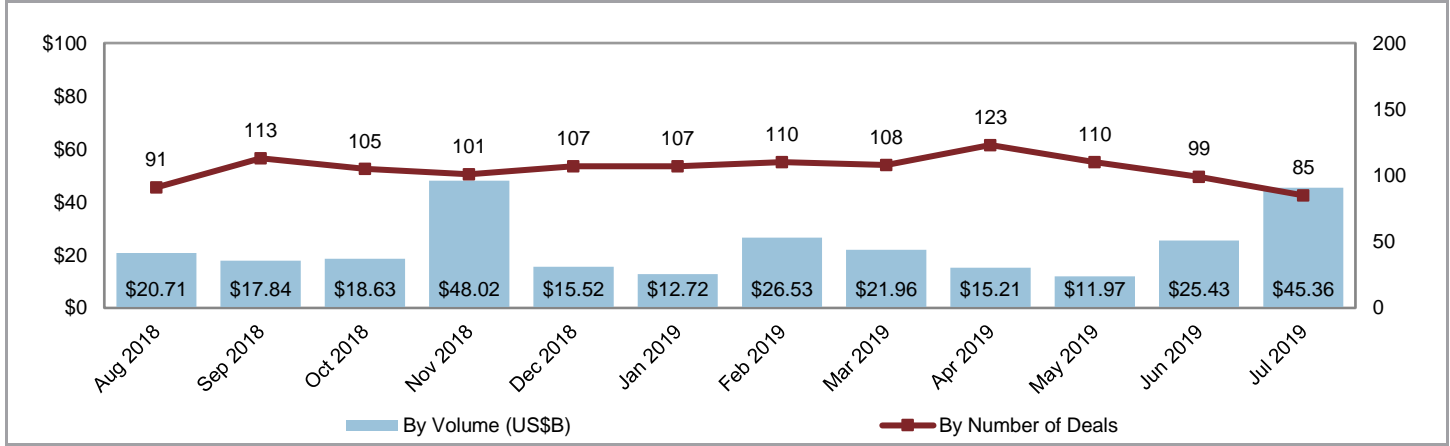


Figure 6A – Outbound U.S. Crossborder Transactions

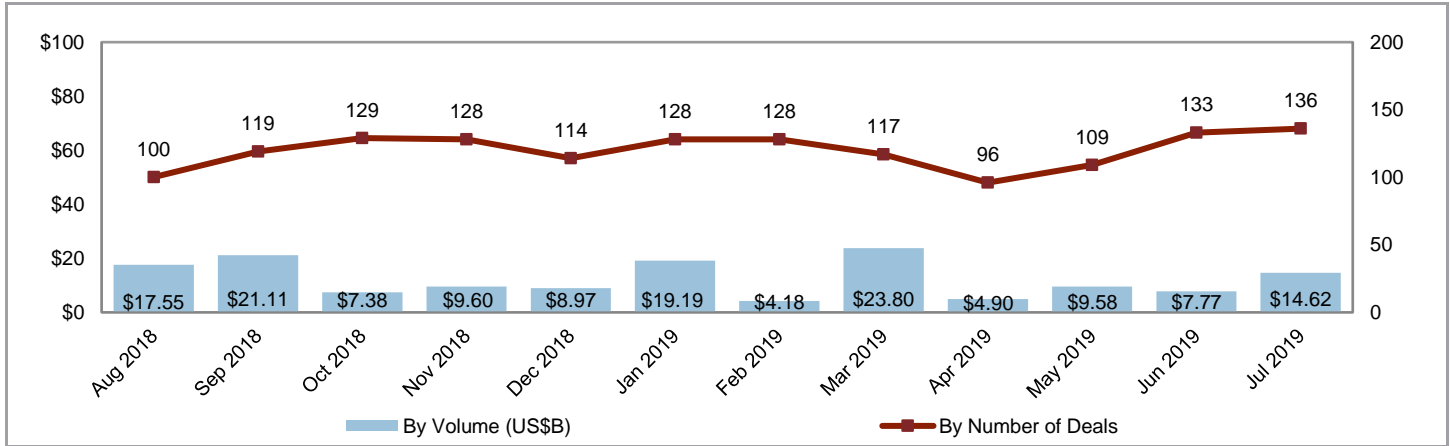


Figure 7A – Global Crossborder Transactions

