

September 2019, Issue 90

M&A activity in the U.S. and worldwide weakened in August across almost all indicators. The number of deals fell by 9.5% in the U.S., to 641, and by 21.9% globally, to 2,394. The total value of deals¹ fell by 14.3% in the U.S., to \$119.86 billion, and by 21.9% globally, to \$259.78 billion. Finally, average deal value decreased by 5.4% in the U.S., to \$187.0 million, but stayed flat globally, at \$108.5 million. [Figure 1.](#)

Strategic vs. Sponsor Activity

Both strategic and sponsor activity generally declined. The number of strategic deals decreased in the U.S. by 7.8% to 505 and globally by 20.5% to 2,094. [Figure 1](#) and Annex [Figures 1A–4A](#). Strategic deal volume as measured by dollar value decreased in the U.S. by 5.1% to \$77.22 billion, and globally by 18.9% to \$178.24 billion. The number of sponsor-related deals decreased in August 2019 by 15.0% to 136 in the U.S. and by 30.6% to 300 globally, respectively. Sponsor-related volume by dollar value decreased by 27.2% to \$42.63 billion in the U.S. and by 27.8% to \$81.54 billion globally. [Figure 1](#) and Annex [Figures 1A–4A](#).

Crossborder Activity

Crossborder deal volume by dollar value decreased by 38.5% to \$81.17 billion and the number of crossborder deals decreased globally by 24.0% to 566. The number of U.S. inbound crossborder deals increased in August by 11.1% to 100, while the number of U.S. outbound crossborder deals decreased by 18.6% to 118. U.S. inbound activity as measured by dollar value decreased significantly by 71.7% to \$12.95 billion, but U.S. outbound activity as measured by dollar value increased by 30.9% to \$19.35 billion. [Figure 1](#) and Annex [Figures 5A–7A](#).

Notwithstanding deepening Sino-U.S. tensions on the political stage, China was the leading country for U.S. inbound activity in August by total dollar value, the first time since November 2017, while Canada was the leading country for U.S. inbound activity over the last 12-month period (\$3.71 billion and \$60.12 billion, respectively). Canada was the leading country for U.S. inbound activity in August and over the last 12-month period by number of deals (27 and 337, respectively). Germany was the leading country of destination for U.S. outbound activity in August by total dollar value (\$7.63 billion), driven by Elanco Animal Health Inc's \$7.60 billion acquisition of Bayer Animal Health GmbH. 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 (\$30.28 billion). Canada and the U.K. tied as the leading countries of destination for U.S. outbound activity in August by number of deals (20) and the U.K. was the leading country of destination over the last 12 months by number of deals (282). [Figure 3.](#)

U.S. Deals by Industry

Computers and Electronics was the most active target industry in August and over the last 12 months by all measures, including by number of deals (229 and 2,709, respectively) and by dollar value (\$27.89 billion and \$454.70 billion, respectively). [Figure 2.](#)

U.S. Public Mergers

As for U.S. public merger deal terms in August 2019, average target break fees were close to their 12-month levels (at 3.5% compared to 3.6%), and average reverse break fees were slightly above their 12-month levels (at 6.0% compared to 5.7%). Five deals contained a go-shop provision, the largest number in the past year, representing 27.8% of public mergers, significantly above the 12-month average of 11.8%. [Figures 6, 7](#) and [8](#). Cash transactions comprised 44.4% of U.S. public mergers, below the 50.9% 12-month average. [Figure 9](#). Hostile and unsolicited transactions represented 14.3% of announced U.S. public mergers in August 2019, compared to the 12-month average of 14.0%. [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.

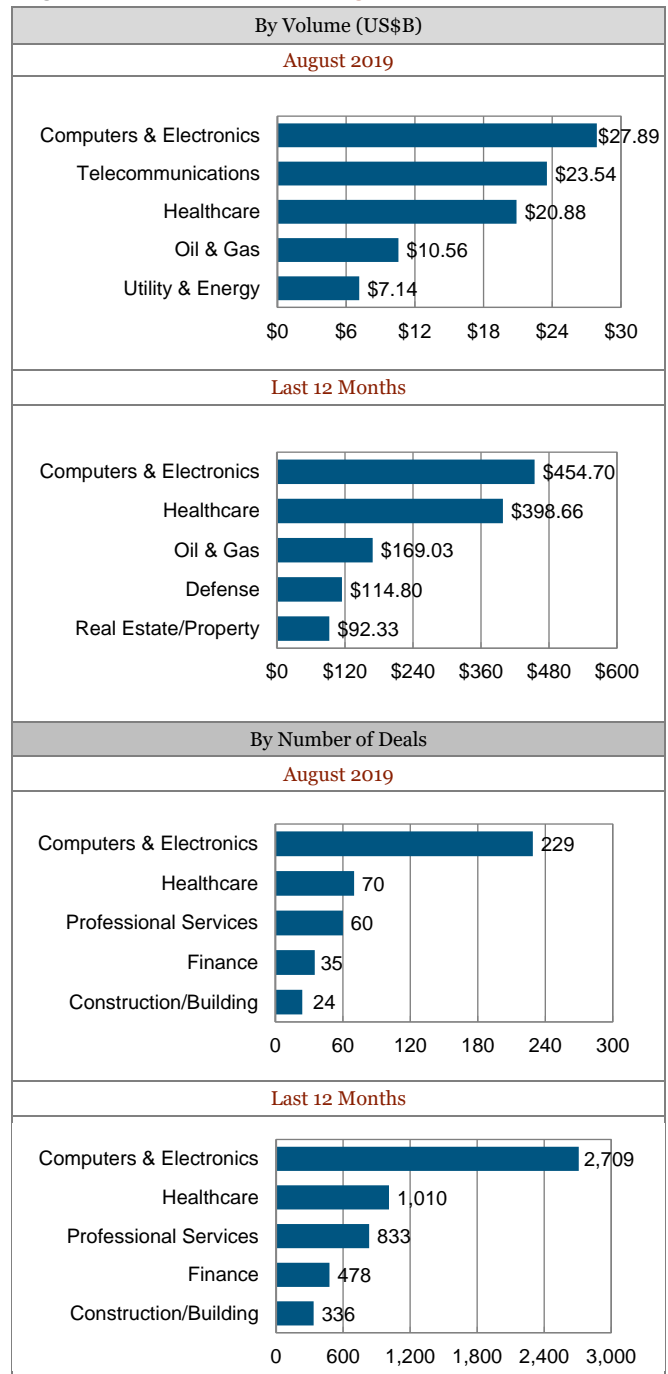
[Return to Summary](#)

M&A Activity

Figure 1

August 2019	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	259.78	(72.77)	119.86	(20.04)
No. of deals	2,394	(672)	641	(67)
Avg. value of deals (US\$mil)	108.5	0.0	187.0	(10.6)
Strategic Transactions				
Volume (US\$B)	178.24	(41.44)	77.22	(4.11)
No. of deals	2,094	(540)	505	(43)
Avg. value of deals (US\$mil)	85.1	1.7	152.9	4.5
Sponsor-Related Transactions				
Volume (US\$B)	81.54	(31.33)	42.63	(15.92)
No. of deals	300	(132)	136	(24)
Avg. value of deals (US\$mil)	271.8	10.5	313.5	(52.5)
Crossborder Transactions¹				
Volume (US\$B)	81.17	(50.91)	Inbound 12.95 Outbound 19.35	Inbound (32.75) Outbound 4.57
No. of deals	566	(179)	Inbound 100 Outbound 118	Inbound 10 Outbound (27)
Avg. value of deals (US\$mil)	143.4	(33.9)	Inbound 129.48 Outbound 163.9	Inbound (378.23) Outbound 62.0

Figure 2 – Most Active U.S. Target Industries²



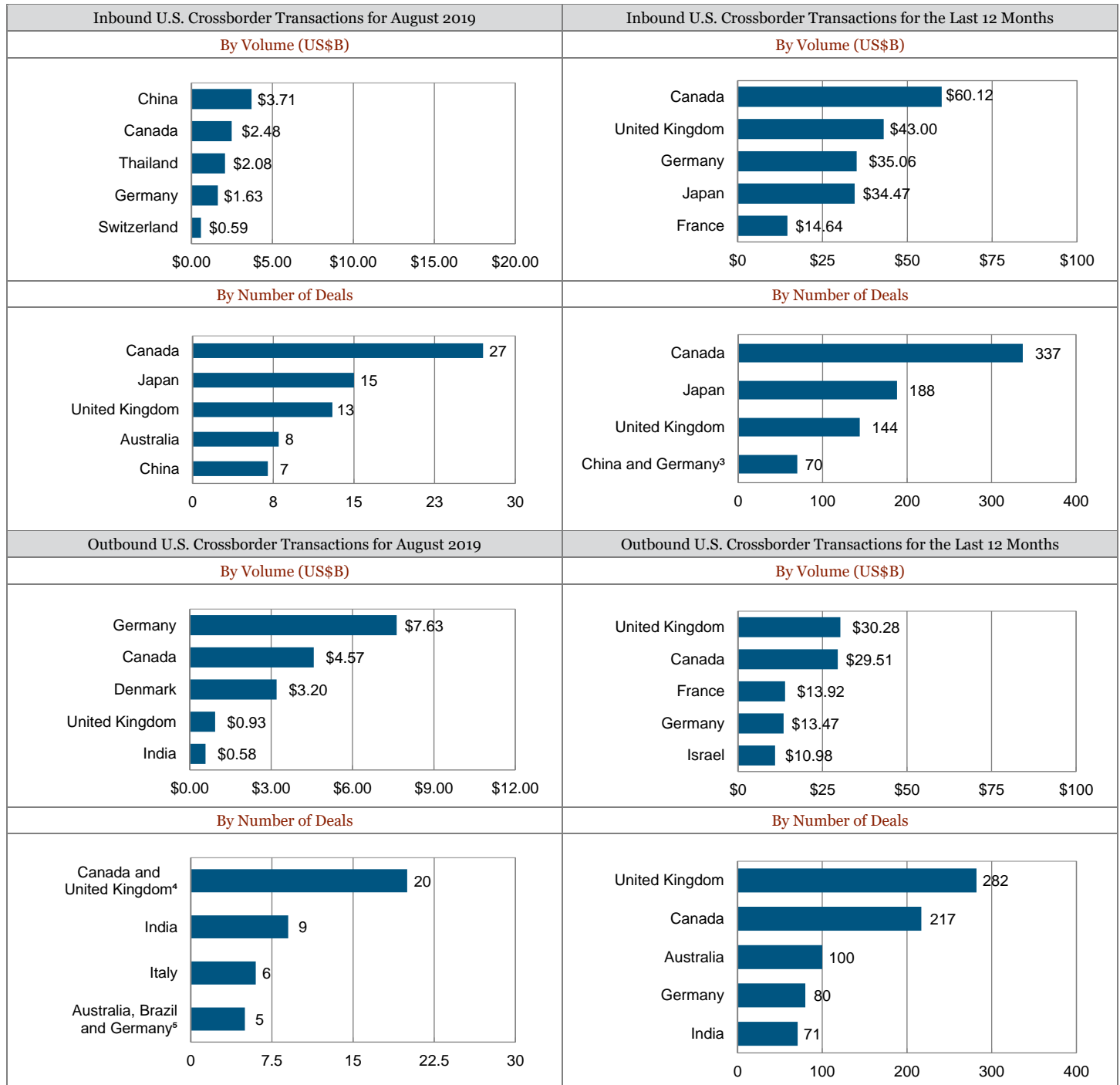
Figures 1-3 were compiled using Cortex, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Deal volume by dollar value and average value of deals are calculated from the subset of the total number of deals that include a disclosed deal value. 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 September 10, 2019 unless otherwise specified. "Last 12 Months" data is for the period from September 2018 to August 2019 inclusive. Data obtained from Cortex and Deal Point Data 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 Cortex.

[Return to Summary](#)

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



³ Each of China and Germany was the country of origin for 70 transactions over the last 12 months.
 ⁴ Each of Canada and the United Kingdom was the country of destination for 20 transactions in August 2019.
 ⁵ Each of Australia, Brazil and Germany was the country of destination for five transactions in August 2019.

[Return to Summary](#)

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

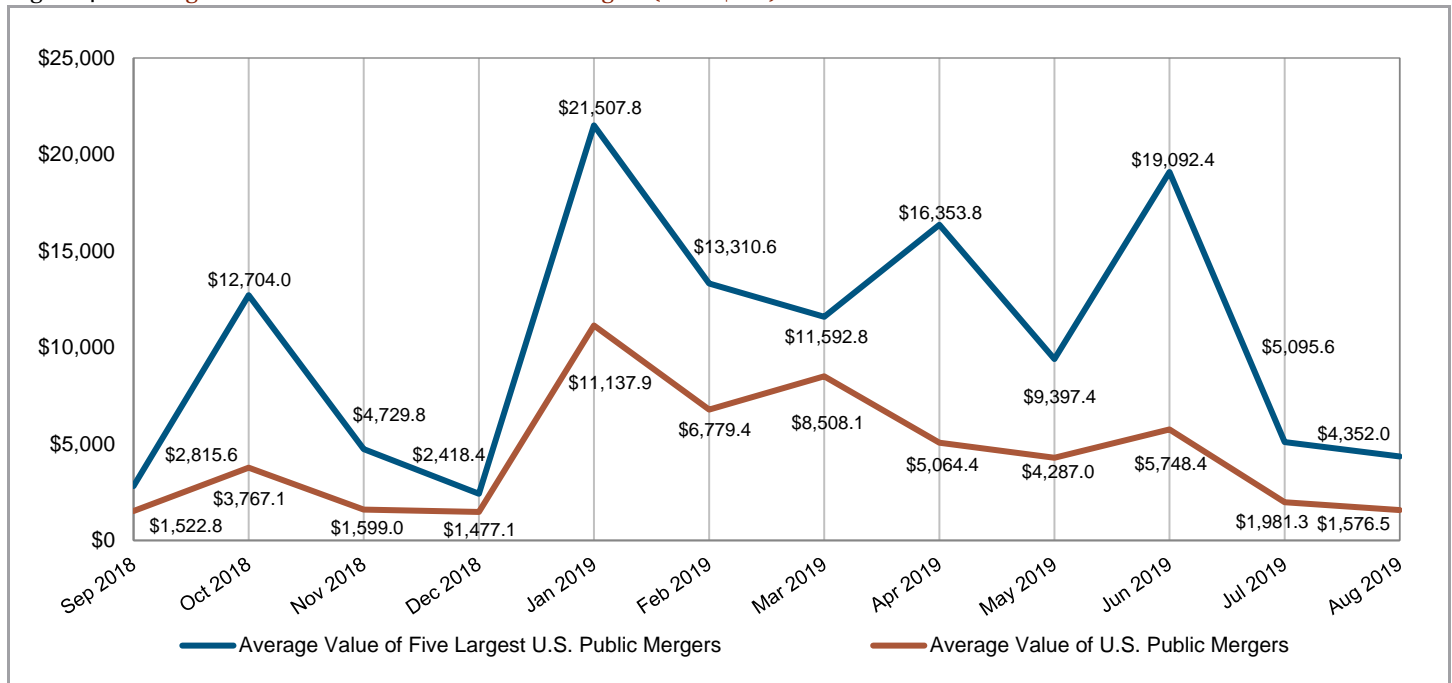
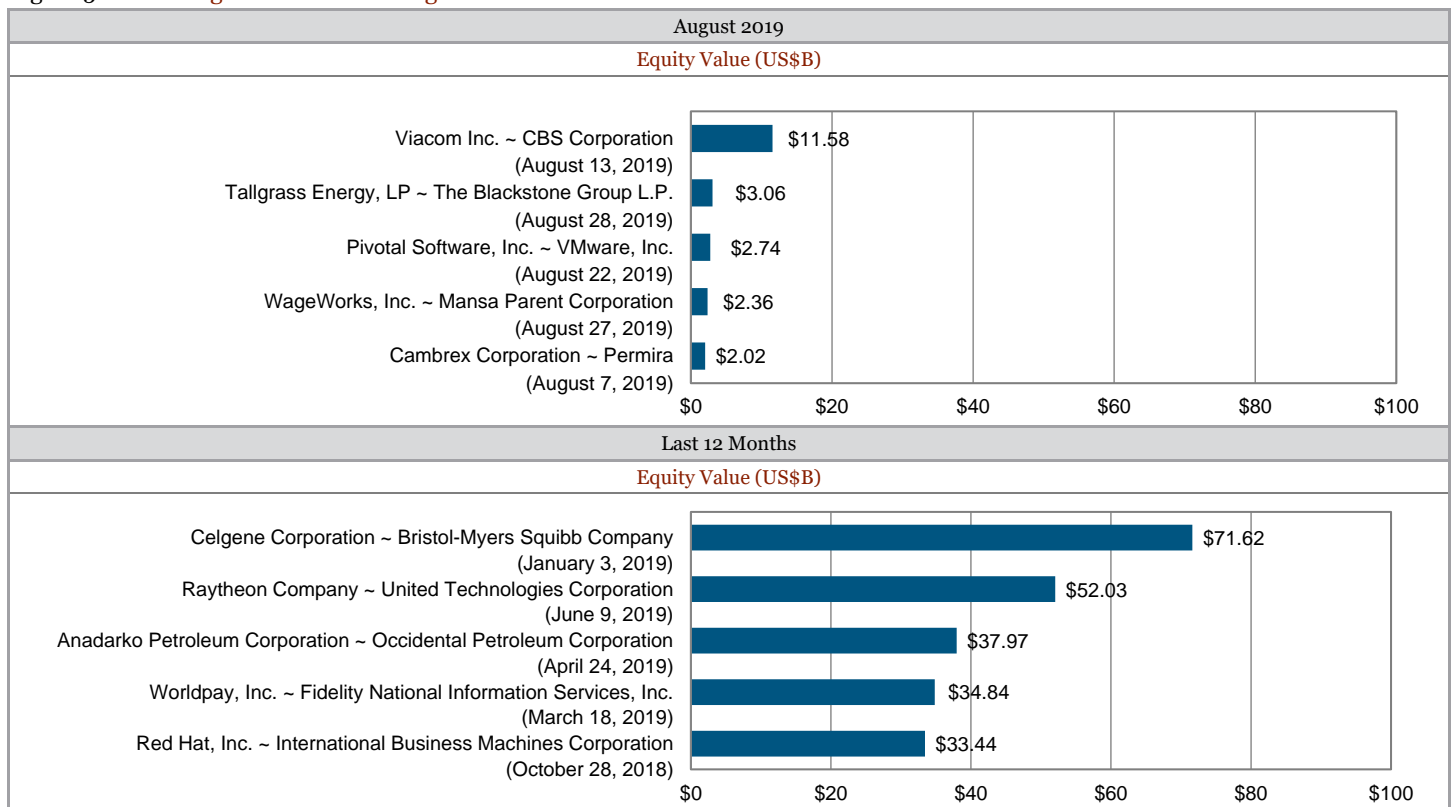


Figure 5 – Five Largest U.S. Public Mergers



[Return to Summary](#)

M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁶

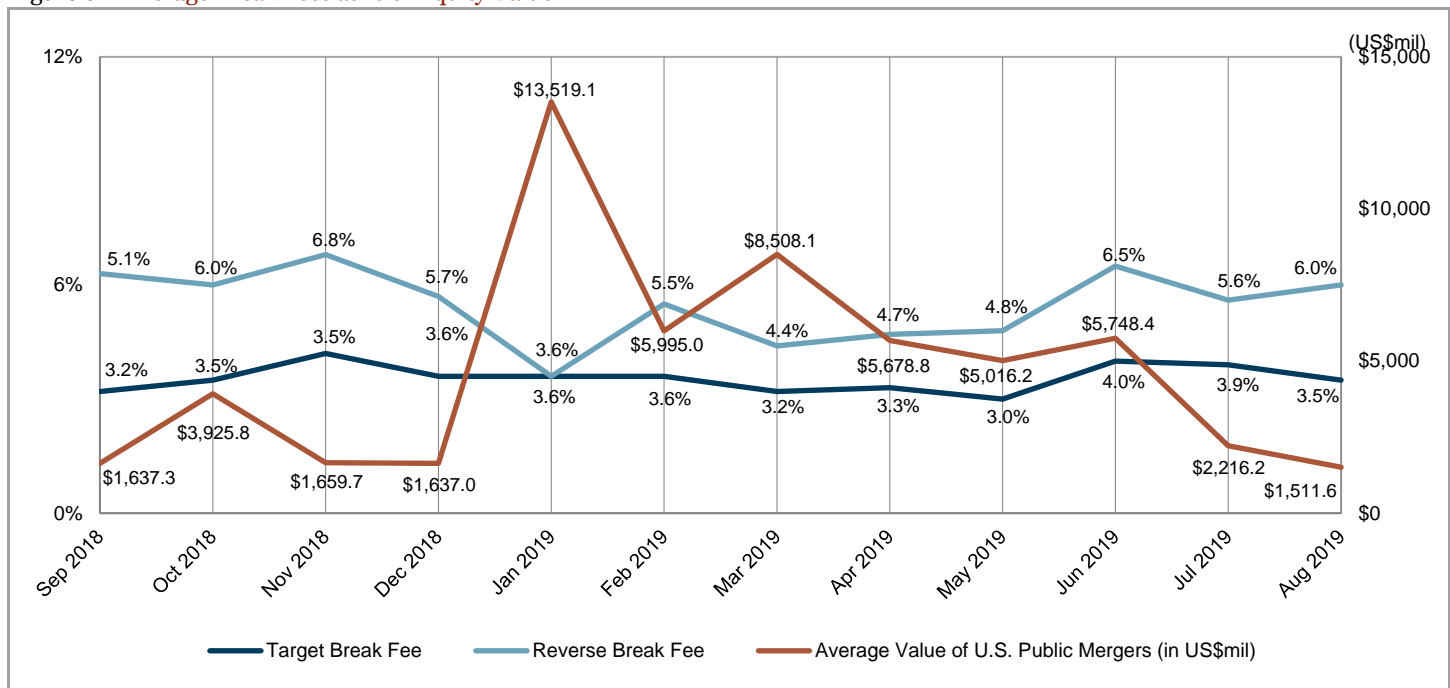


Figure 7 – Average Break Fees as % of Equity Value⁷

	August 2019	Last 12 Months
Target Break Fee for All Mergers	3.5	3.6

	August 2019	Last 12 Months
Reverse Break Fee for All Mergers ⁸	6.0	5.7
Reverse Break Fee for Mergers Involving Financial Buyers ⁹	7.1	6.8
Reverse Break Fee for Mergers Involving Strategic Buyers ¹⁰	5.0	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 Provisions¹¹

	August 2019	Last 12 Months
% of Mergers with Go-Shops	27.8	11.8
% of Mergers Involving Financial Buyers with Go-Shops ¹²	50.0	34.3
% of Mergers Involving Strategic Buyers with Go-Shops	21.4	5.6
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ¹³	38.0	38.0
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ¹⁴	42.5	38.3
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ¹⁵	35.0	37.4

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 Deal Point Data.

⁸ Eight transactions in August 2019 had a reverse break fee.

⁹ Four transactions in August 2019 involving a financial buyer had a reverse break fee.

¹⁰ Four transactions in August 2019 involving a strategic buyer had a reverse break fee.

¹¹ Financial and strategic categories are determined by Deal Point Data.

¹² Four transactions in August 2019 involved a financial buyer.

¹³ Five transactions in August 2019 had a go-shop provision.

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

¹⁵ Three transactions in August 2019 involving a strategic buyer had a go-shop provision.

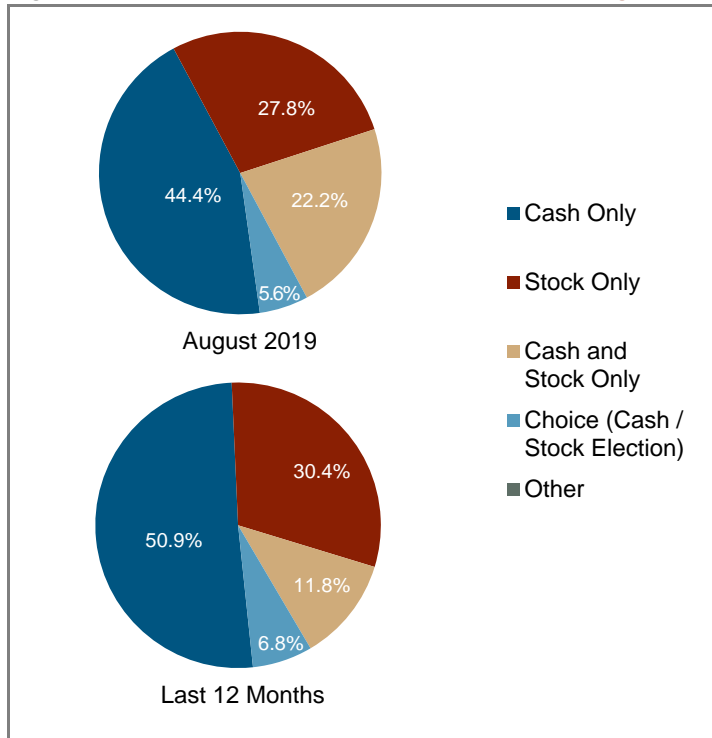
[Return to Summary](#)Figure 9 – Form of Consideration as % of U.S. Public Mergers¹⁶

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

August 2019 ¹⁷	100.0
Last 12 Months	95.9

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

August 2019	11.1
Last 12 Months	13.7

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

August 2019	14.3
Last 12 Months	14.0

¹⁶ Due to rounding, percentages may not add up to 100%.¹⁷ There were only five partial or all stock transactions in August 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:

Matthew W. Abbott
+1-212-373-3402
[Email](#)

Scott A. Barshay
+1-212-373-3040
[Email](#)

Angelo Bonvino
+1-212-373-3570
[Email](#)

Ariel J. Deckelbaum
+1-212-373-3546
[Email](#)

Jeffrey D. Marell
+1-212-373-3105
[Email](#)

Robert B. Schumer
+1-212-373-3097
[Email](#)

Taurie M. Zeitzer
+1-212-373-3353
[Email](#)

Counsel Frances Mi and associates Feiran Felicia Chen, Vincent P. Iacono, Paul A. Nolle III, Eliana Wasser and Ceecee Q. Yao contributed to this publication.

Our M&A Partners

[Matthew W. Abbott](#)

[Neil Goldman](#)

[Kelley D. Parker](#)

[Michael Vogel](#)

[Edward T. Ackerman](#)

[Bruce A. Gutenplan](#)

[Carl L. Reisner](#)

[Ramy J. Wahbeh](#)

[Scott A. Barshay](#)

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[Steven J. Williams](#)

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[Robert B. Schumer](#)

[Kaye N. Yoshino](#)

[Ariel J. Deckelbaum](#)

[Xiaoyu Greg Liu](#)

[John M. Scott](#)

[Tong Yu](#)

[Ross A. Fieldston](#)

[Jeffrey D. Marell](#)

[Brian Scrivani](#)

[Taurie M. Zeitzer](#)

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[Return to Summarys](#)

M&A Activity – 12-Month Trends

Figure 1A – U.S. Deal Volume (US\$B)

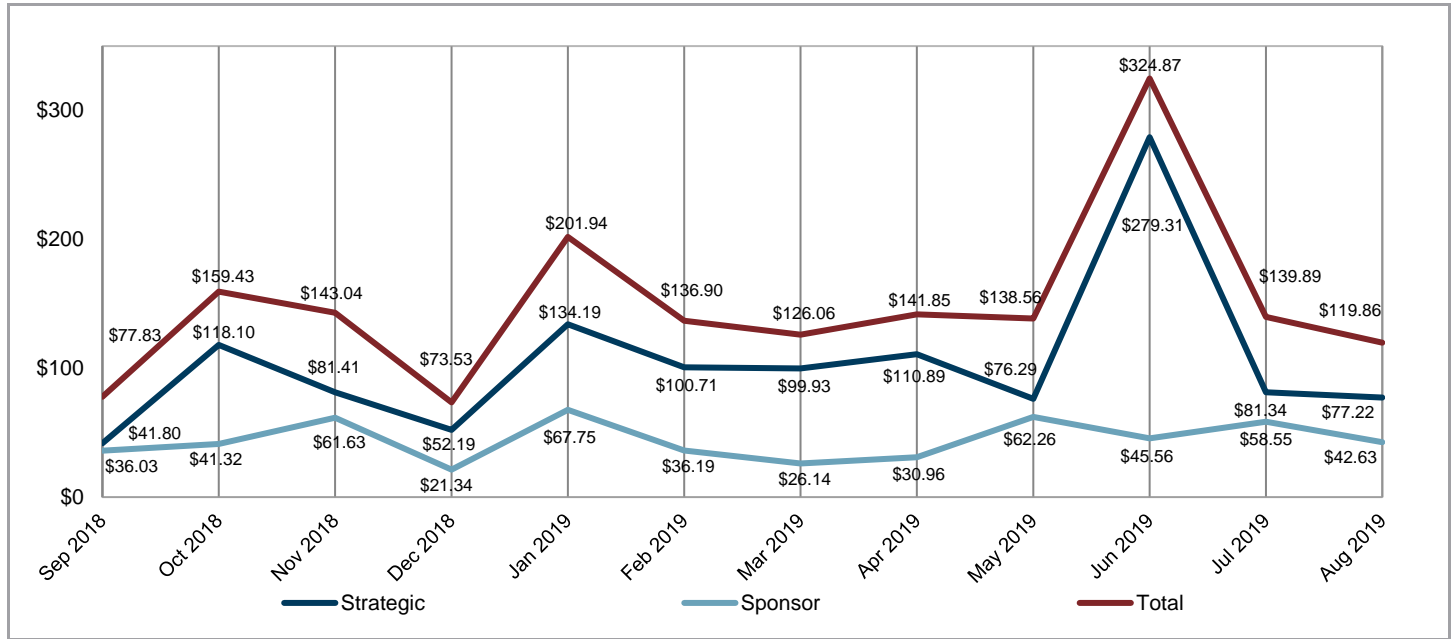
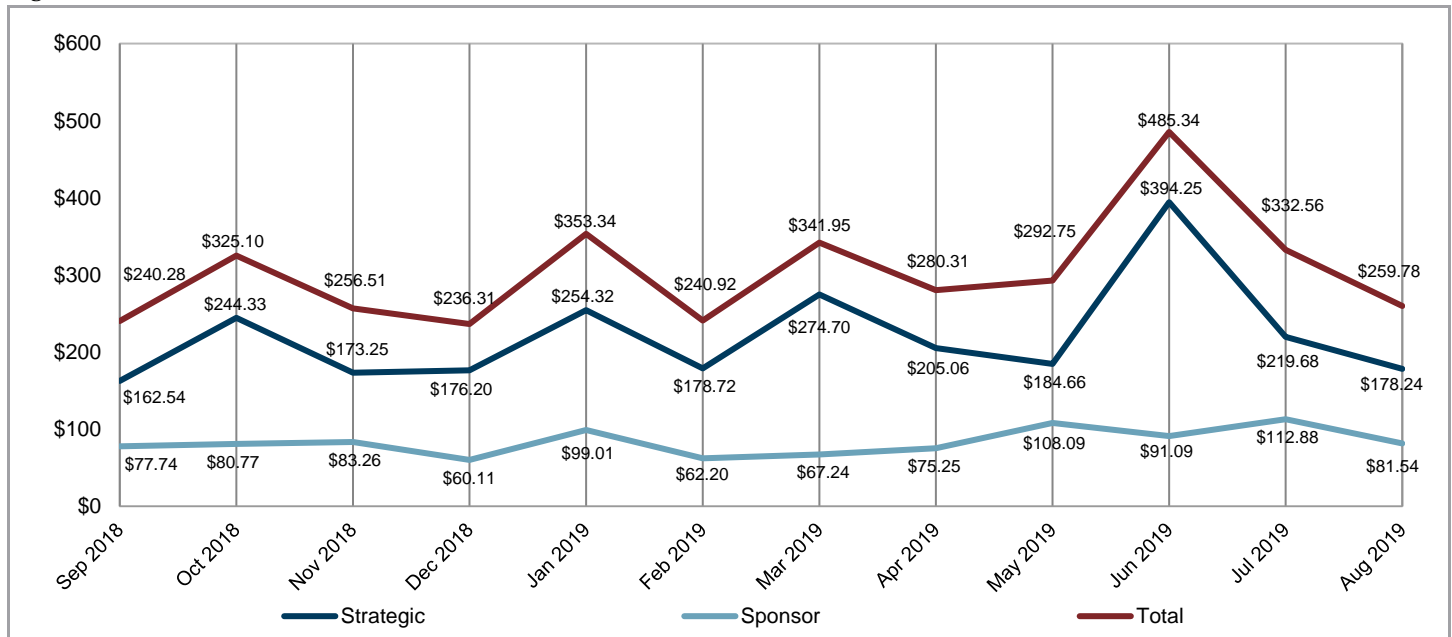


Figure 2A – Global Deal Volume (US\$B)



[Return to Summary](#)

Figure 3A – U.S. Number of Deals

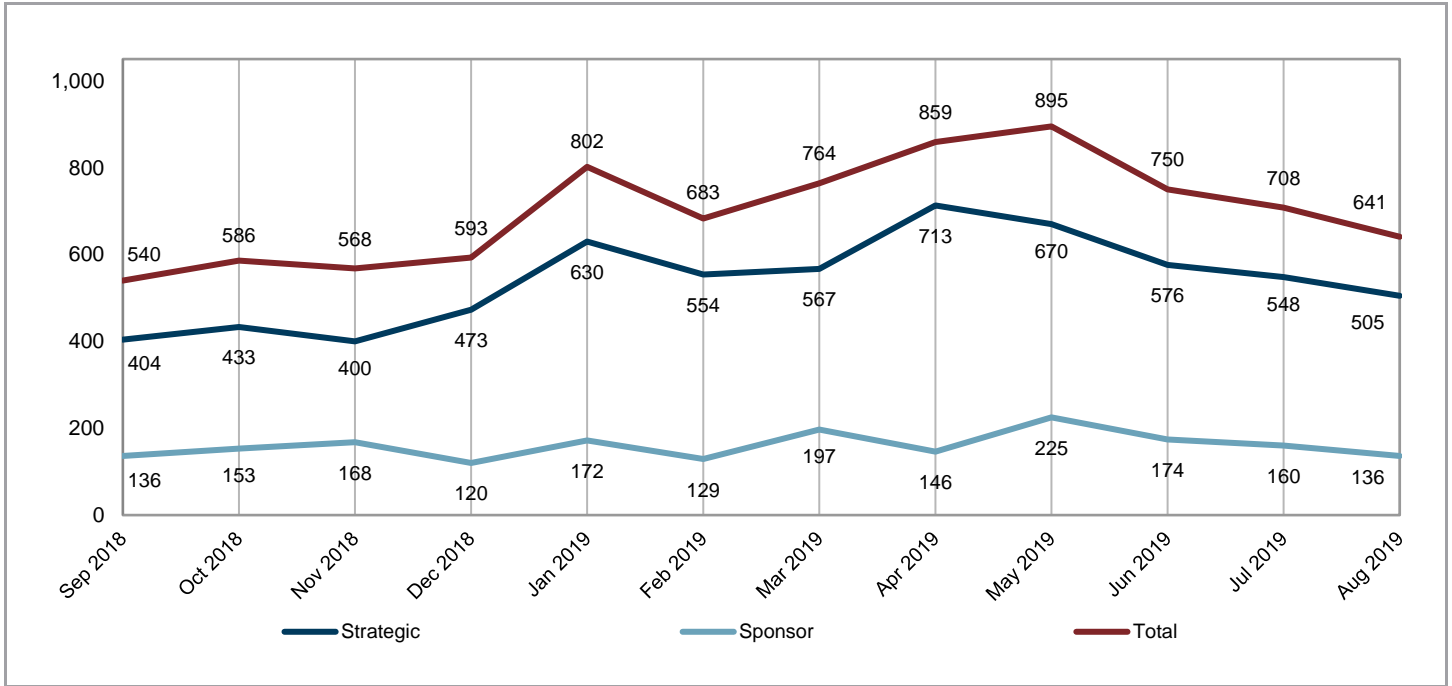
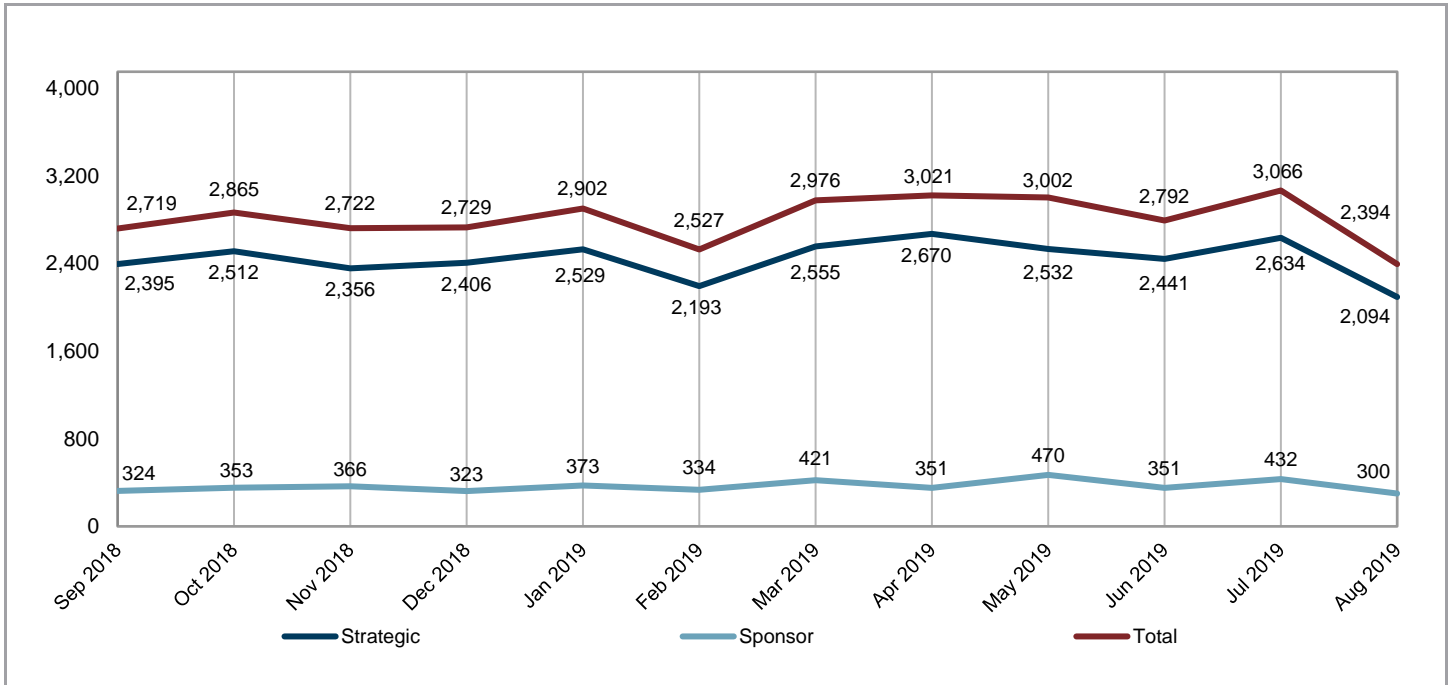


Figure 4A – Global Number of Deals



[Return to Summary](#)

Figure 5A – Inbound U.S. Crossborder Transactions

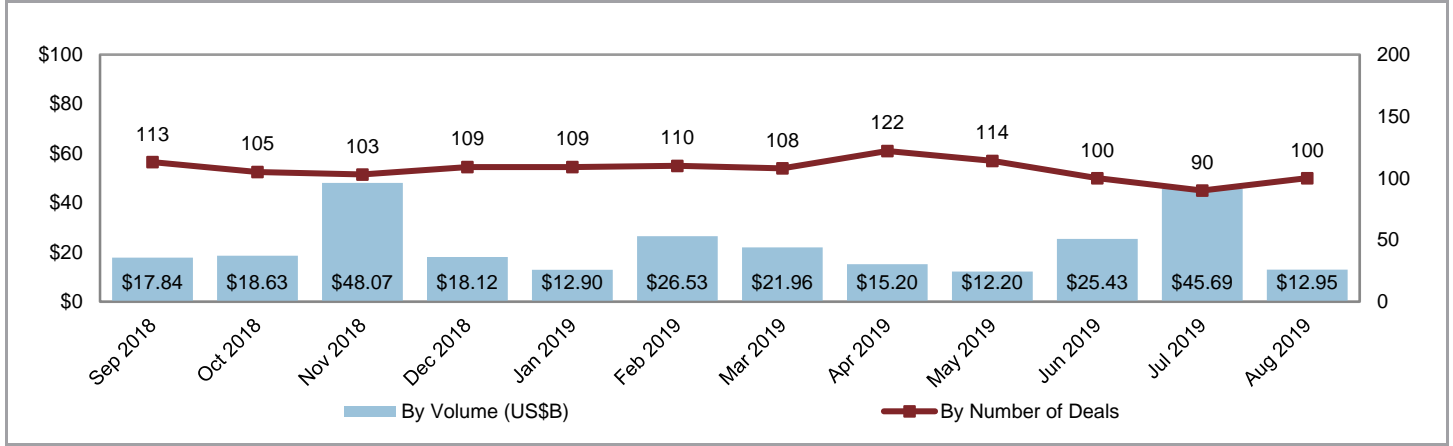


Figure 6A – Outbound U.S. Crossborder Transactions

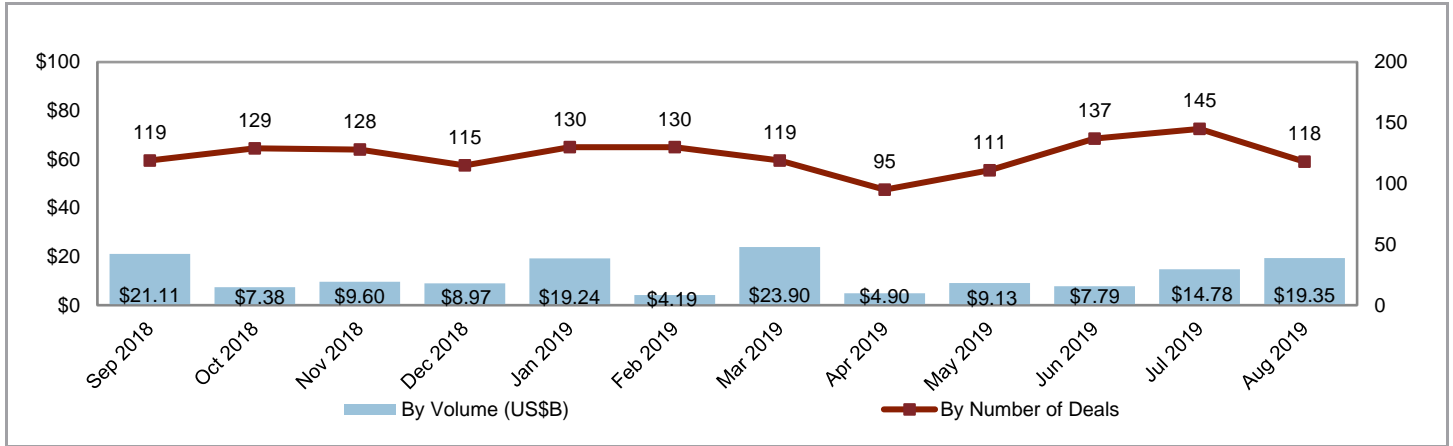


Figure 7A – Global Crossborder Transactions

