

October 2019, Issue 91

M&A activity in the U.S. and worldwide declined against many indicators in September, confirming numerous recent reports that dealmaking has taken a downturn. While the number of deals rose by 13.9% in the U.S., to 803, and by 7.6% globally, to 2,806, their total value¹ fell by 41.0% in the U.S., to \$71.49 billion, and by 28.0% globally, to \$187.97 billion. Average deal value also decreased by 48.2% in the U.S., to \$89.0 million, and by 33.1% globally, to \$67.0 million. [Figure 1](#).

Strategic vs. Sponsor Activity

Similarly, while the number of strategic deals increased in the U.S. by 19.7% to 662 and globally by 8.7% to 2,472, strategic deal volume as measured by dollar value decreased in the U.S. by 28.1% to \$52.38 billion, and globally by 11.2% to \$152.58 billion. The number of sponsor-related deals also decreased by 7.2% to 141 in the U.S. and by 0.3% to 334 globally, respectively. Finally, sponsor-related volume by dollar value decreased by 60.4% to \$19.12 billion in the U.S. and by 60.3% to \$35.39 billion globally. [Figure 1](#) and Annex [Figures 1A–4A](#).

Crossborder Activity

Crossborder activity also showed mixed results. Crossborder deal volume by dollar value decreased by 22.3% to \$61.48 billion whereas the number of crossborder deals increased globally by a modest 4.5% to 601. U.S. inbound activity as measured by dollar value increased significantly by 72.5% to \$22.02 billion, driven in part by the announced \$5.8 billion acquisition by a consortium led by Mirae Asset Global Investments' of Anbang Insurance Group Co Ltd's luxury hotel portfolio (comprising 15 high-end hotels in U.S. cities). The number of U.S. inbound crossborder deals also increased in September by 6.3% to 102. U.S. outbound activity as measured by dollar value decreased significantly by 72.4% to \$5.27 billion whereas the number of U.S. outbound crossborder deals increased by 4.4% to 119. [Figure 1](#) and Annex [Figures 5A–7A](#).

South Korea was the leading country for U.S. inbound activity in September by total dollar value for the first time since December 2016 (\$8.27 billion), driven largely by the announced \$5.8 billion Mirae acquisition discussed above; while Japan was the leading country for U.S. inbound activity in September by number of deals. Canada was the leading country for U.S. inbound activity by deal value and number of deals over the last 12-month period (at \$60.36 billion and 326 deals, respectively). For the first time since the inception of this publication in April 2012, Chile was the leading country of destination for U.S. outbound activity in September by total dollar value (\$2.17 billion), driven by the announced acquisition of a 20% stake in LATAM Airlines Group SA, by Delta Air Lines, Inc. Canada was again the leading country of destination for U.S. outbound activity over the last 12 months as measured by dollar value (\$29.90 billion). Canada was also the leading country of destination for U.S. outbound activity in September by number of deals (23), while the U.K. was the leading country of destination over the last 12 months by number of deals (273). [Figure 3](#).

U.S. Deals by Industry

Computers and Electronics was the most active target industry in September and over the last 12 months by both number of deals (294 and 2,901, respectively) and by dollar value (\$12.63 billion and \$452.29 billion, respectively). [Figure 2](#).

U.S. Public Mergers

As for U.S. public merger deal terms in September 2019, average target break fees were slightly above their 12-month levels (at 3.8% compared to 3.6%). Average reverse break fees in contrast were below their 12-month levels (at 4.7% compared to 5.6%). No deals contained a go-shop provision. [Figures 6, 7](#) and [8](#). Cash transactions comprised 50% of U.S. public mergers, below the 51.3% 12-month average. [Figure 9](#). There were no hostile or unsolicited transactions in September 2019, compared to the 12-month average of 12.8% of deals. [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](#)

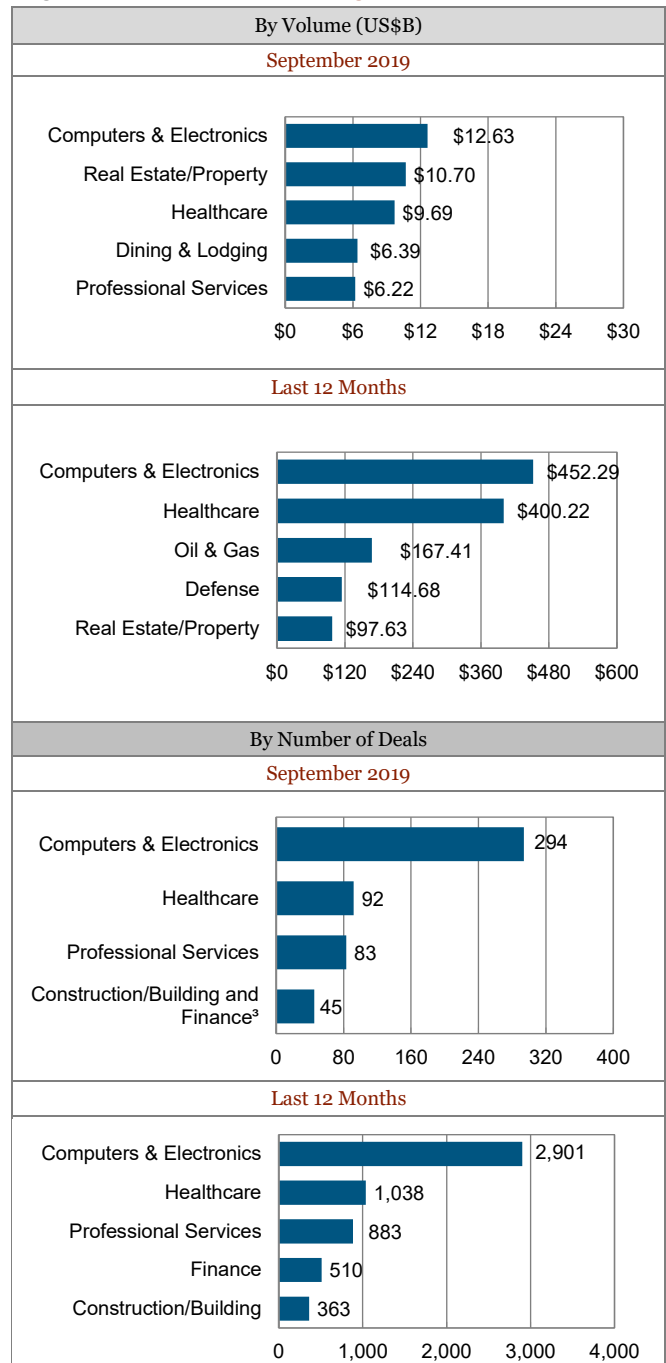
M&A Activity

Figure 1

September 2019	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	187.97	(72.93)	71.49	(49.65)
No. of deals	2,806	199	803	98
Avg. value of deals (US\$mil)	67.0	(33.1)	89.0	(82.8)
Strategic Transactions				
Volume (US\$B)	152.58	(19.27)	52.38	(20.50)
No. of deals	2,472	198	662	109
Avg. value of deals (US\$mil)	61.7	(13.9)	79.1	(52.7)
Sponsor-Related Transactions				
Volume (US\$B)	35.39	(53.66)	19.12	(29.15)
No. of deals	334	1	141	(182)
Avg. value of deals (US\$mil)	106.0	(161.5)	135.6	(11.0)
Crossborder Transactions¹				
Volume (US\$B)	61.48	(17.65)	Inbound 22.02 Outbound 5.27	Inbound 9.25 Outbound (13.86)
No. of deals	601	26	Inbound 102 Outbound 119	Inbound 6 Outbound 5
Avg. value of deals (US\$mil)	102.3	(35.3)	Inbound 215.9 Outbound 44.3	Inbound 82.9 Outbound (123.6)

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 October 10, 2019 unless otherwise specified. "Last 12 Months" data is for the period from October 2018 to September 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



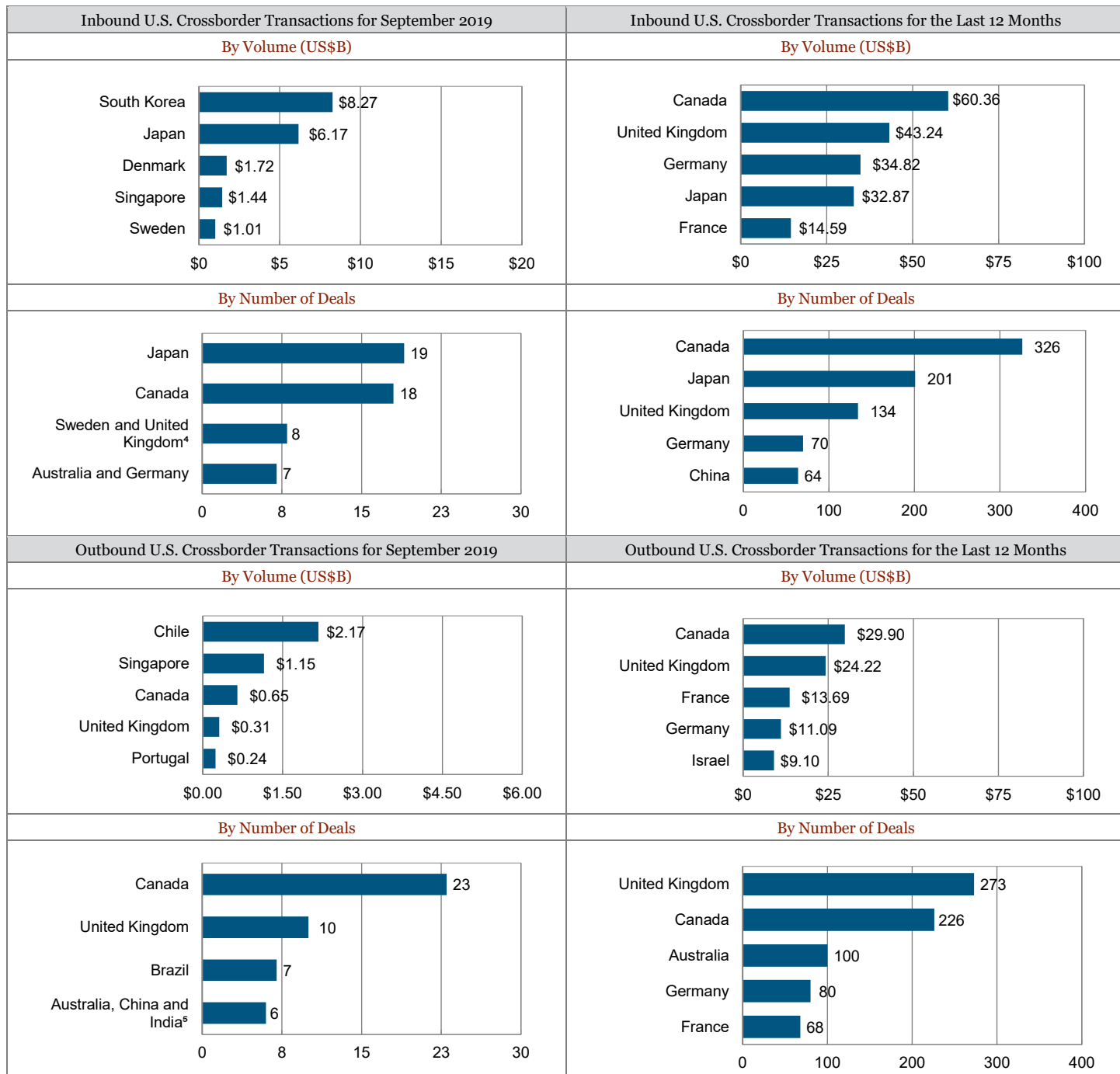
¹ Global crossborder transactions are those where the acquirer and the target have different nationalities. Nationality is based on where a company has either its headquarters or a majority of its operations. U.S. crossborder transactions are those transactions where the acquirer and the target have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

³ Each of Construction/Building and Finance had 45 deals in September 2019.

[Return to Summary](#)

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



⁴ Each of Sweden and United Kingdom was the country of origin for eight transactions in September 2019.

⁵ Each of Australia, China and India was the country of destination for six transactions in September 2019.

[Return to Summary](#)

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

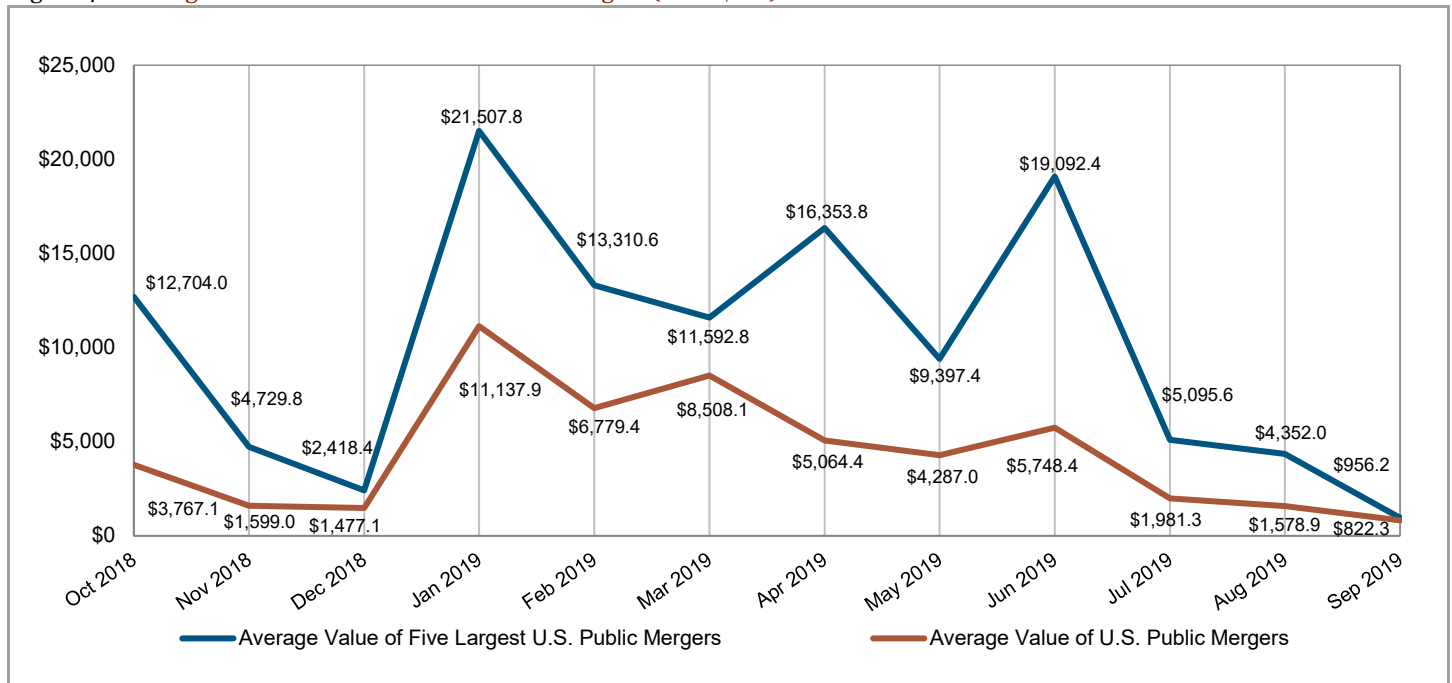
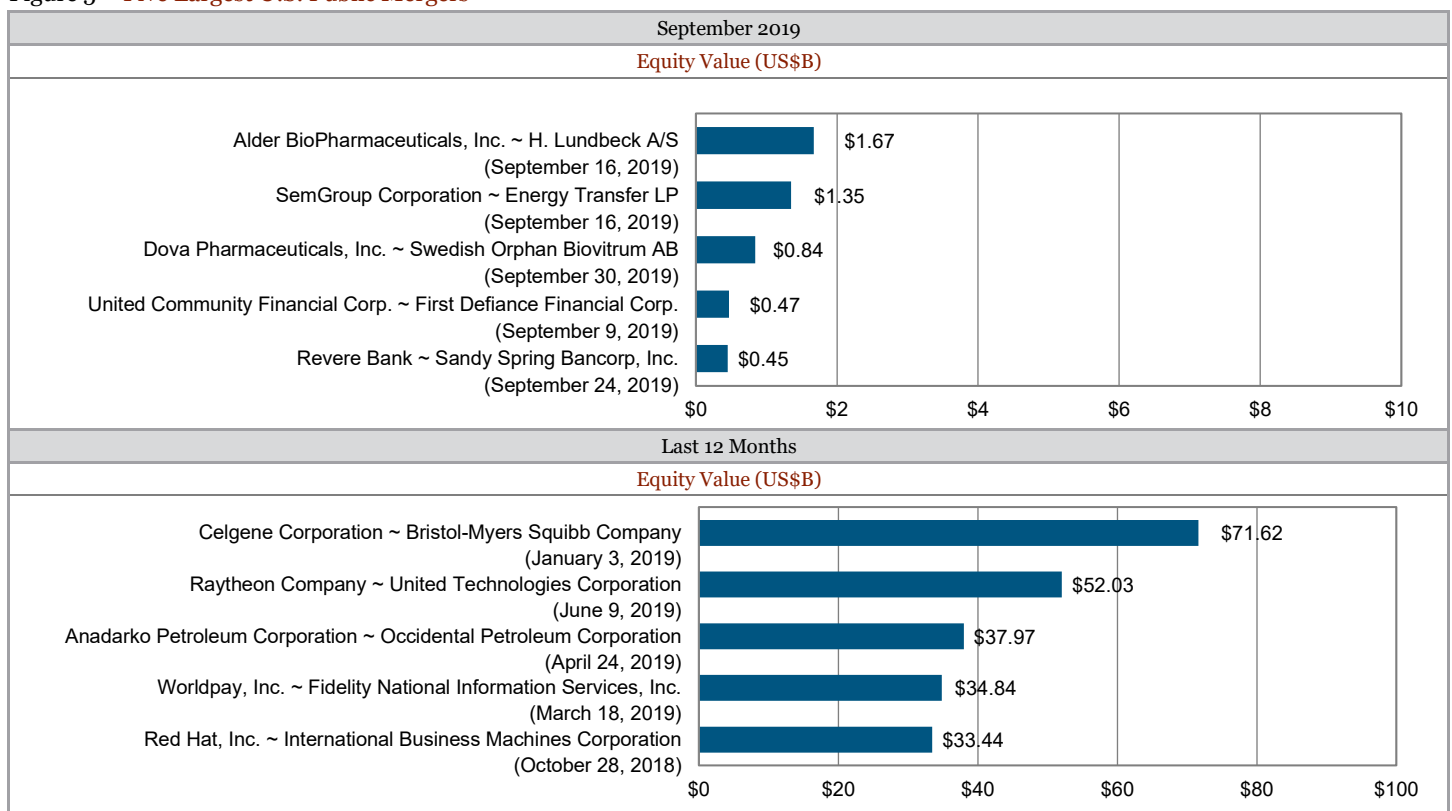


Figure 5 – Five Largest U.S. Public Mergers



[Return to Summary](#)

M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁶

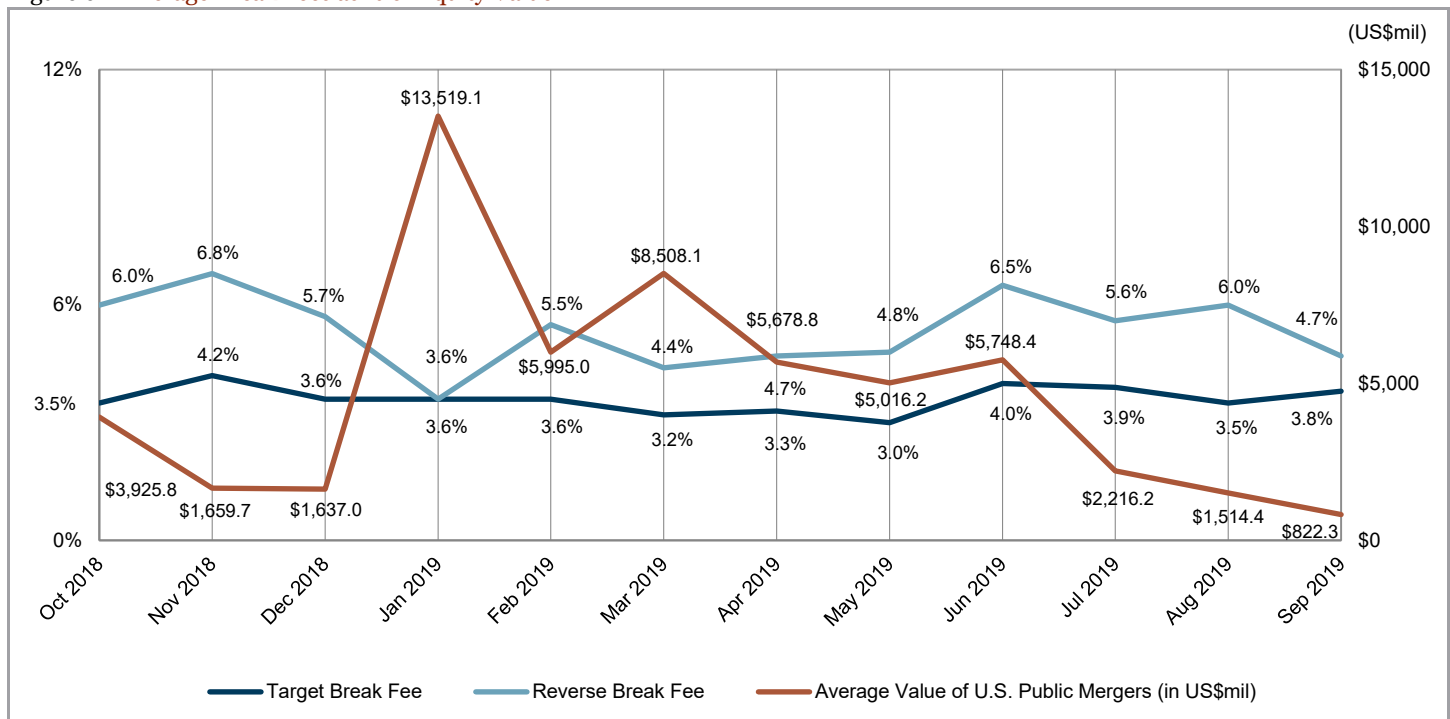


Figure 7 – Average Break Fees as % of Equity Value⁷

	September 2019	Last 12 Months
Target Break Fee for All Mergers ⁸	3.8	3.6

	September 2019	Last 12 Months
Reverse Break Fee for All Mergers ⁹	4.7	5.6
Reverse Break Fee for Mergers Involving Financial Buyers ¹⁰	5.5	6.9
Reverse Break Fee for Mergers Involving Strategic Buyers ¹¹	3.9	5.0

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 Provisions¹²

	September 2019	Last 12 Months
% of Mergers with Go-Shops ¹³	0.0	10.9
% of Mergers Involving Financial Buyers with Go-Shops ¹⁴	0.0	33.3
% of Mergers Involving Strategic Buyers with Go-Shops ¹⁵	0.0	4.9
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops	N/A	38.1
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops	N/A	37.7
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops	N/A	38.7

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 Six transactions in September 2019 had a target break fee.

⁹ Two transactions in September 2019 had a reverse break fee.

¹⁰ One transaction in September 2019 involving a financial buyer had a reverse break fee.

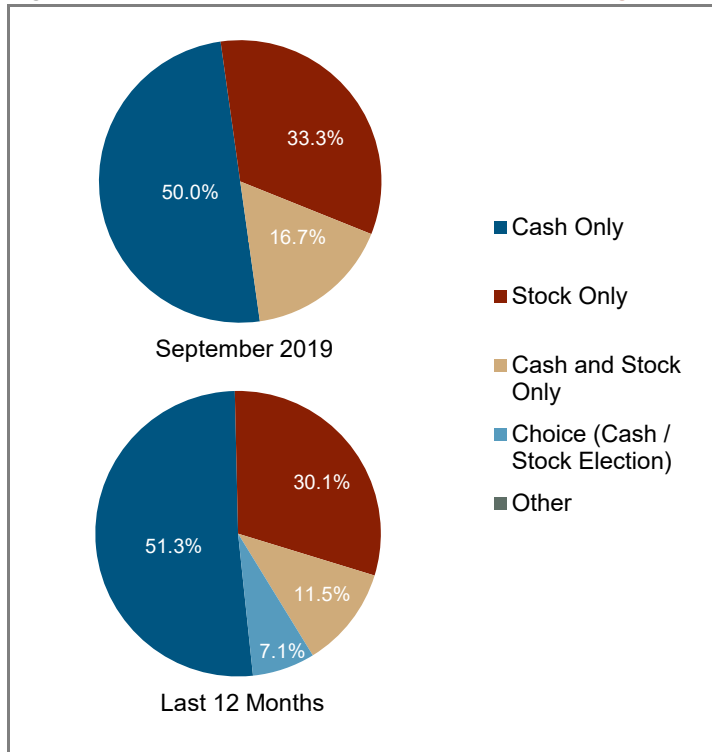
¹¹ One transaction in September 2019 involving a strategic buyer had a reverse break fee.

¹² Financial and strategic categories are determined by Deal Point Data.

¹³ No transactions in September 2019 had a go-shop provision.

¹⁴ One transaction in September 2019 involved a financial buyer. No transactions involving a financial buyer had a go-shop provision.

¹⁵ Five transactions in September 2019 involved a strategic buyer. No transactions involving a strategic buyer had a go-shop provision.

[Return to Summary](#)Figure 9 – Form of Consideration as % of U.S. Public Mergers¹⁶Figure 10 – % of Partial and All Stock Deals That Have a Fixed Exchange Ratio¹⁷

September 2019 ¹⁸	100.0
Last 12 Months	96.1

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

September 2019	33.3
Last 12 Months	14.7

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

September 2019	0.0
Last 12 Months	12.8

¹⁶ Due to rounding, percentages may not add up to 100%.

¹⁷ The last 12 month data for Figure 10 in the June, July, August and September issues should have been reported as 95.8, 97.2, 95.9 and 96.2, respectively, instead of 95.0, 95.7, 95.7 and 95.9, respectively. The July 2019 data for Figure 10 in the August issue should have been reported as 83.3, instead of 100.0.

¹⁸ There were only two partial or all stock transactions in September 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).

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.

Our Mergers & Acquisitions Practice

The Paul, Weiss M&A Group consists of more than 35 partners and over 125 counsel and associates based in New York, Washington, Wilmington, London, Toronto, Tokyo, Hong Kong and Beijing. The firm's Corporate Department consists of more than 60 partners and over 300 counsel and associates.

Our M&A Group is among the most experienced and active in the world. We represent publicly traded and privately held companies, leading private equity firms, financial advisors, and other financial institutions and investors in their most important mergers and acquisitions, joint ventures and other strategic transactions. Our expertise advising corporations and private investors in a broad range of sophisticated transactions enables us to identify new opportunities for our clients to realize value. We have particular experience in guiding clients as they engage in proxy battles, company-altering and market consolidating transactions or capital markets transactions.

Recent highlights include advising: the Special Committee of the Board of Directors of CBS Corp. in its proposed merger with Viacom to form ViacomCBS, a combined company with an enterprise value of more than \$40 billion; Elanco Animal Health in its proposed \$7.6 billion acquisition of the animal health business of Bayer AG; funds managed by affiliates of Apollo Global Management in their \$2.7 billion acquisition of Shutterfly; the independent directors of Avon in its proposed \$3.7 billion sale to Natura & Co.; KPS Capital Partners in its proposed \$1.8 billion acquisition of Howden from Colfax; Ingersoll-Rand in the proposed \$15 billion merger of its Industrial business with Gardner Denver; Chevron in its proposed \$50 billion acquisition of Anadarko Petroleum; General Electric in the proposed \$21.4 billion sale of its BioPharma business to Danaher Corporation; Encana Corp. in its \$7.7 billion acquisition of Newfield Exploration Company; IBM in its \$34 billion acquisition of Red Hat; the board of directors of Harris Corporation in its \$37 billion merger of equals with L3 Technologies to form L3Harris Technologies; ILG in its \$4.7 billion sale to Marriott Vacations Worldwide; CSRA in its \$9.7 billion sale to General Dynamics; Bioverativ in its \$11.6 billion sale to Sanofi; ADP in 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:

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, Ceecee Q. Yao and law clerks Stacy Hwang, Allyson N. Kaleita and Jade Magalhaes 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](#)

[David K. Lakhdir](#)

[Justin Rosenberg](#)

[Steven J. Williams](#)

[Angelo Bonvino](#)

[John E. Lange](#)

[Kenneth M. Schneider](#)

[Betty Yap](#)

[Ellen N. Ching](#)

[Brian C. Lavin](#)

[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](#)

[Brian P. Finnegan](#)

[Alvaro Membrillera](#)

[Sarah Stasny](#)

[Adam M. Givertz](#)

[Judie Ng Shortell](#)

[Tarun M. Stewart](#)

[Return to Summarys](#)

M&A Activity – 12-Month Trends

Figure 1A – U.S. Deal Volume (US\$B)

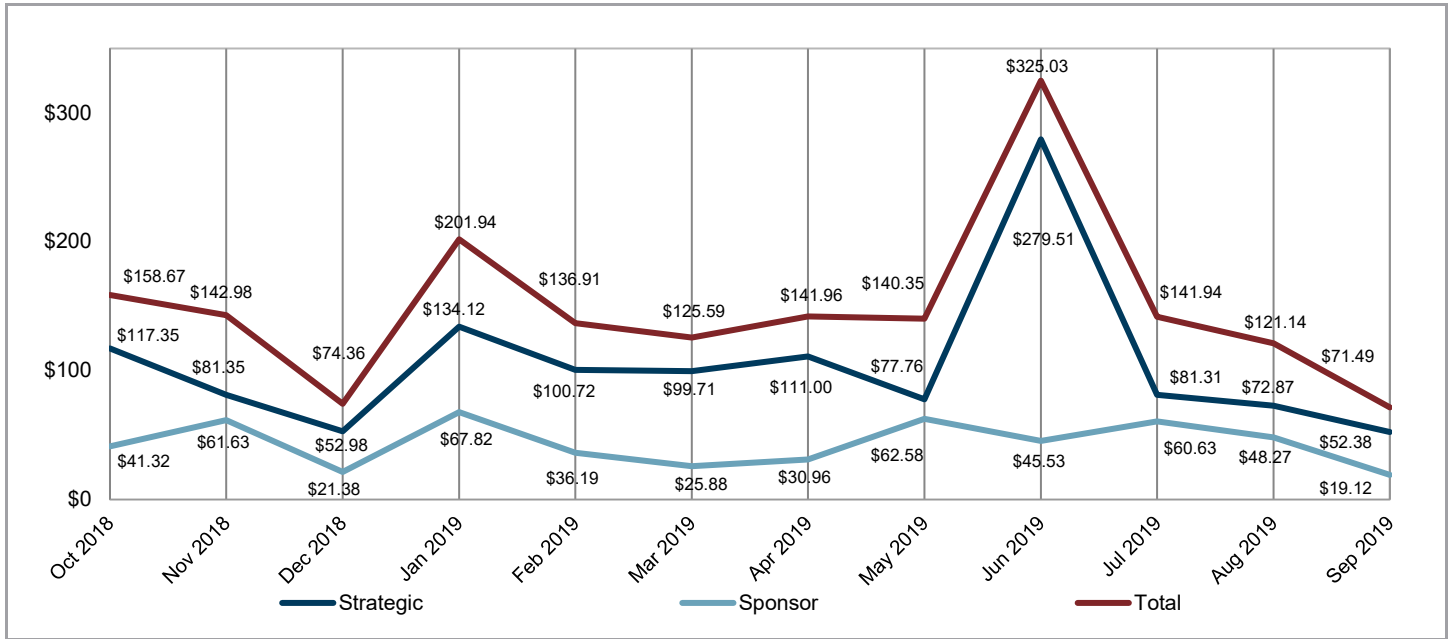
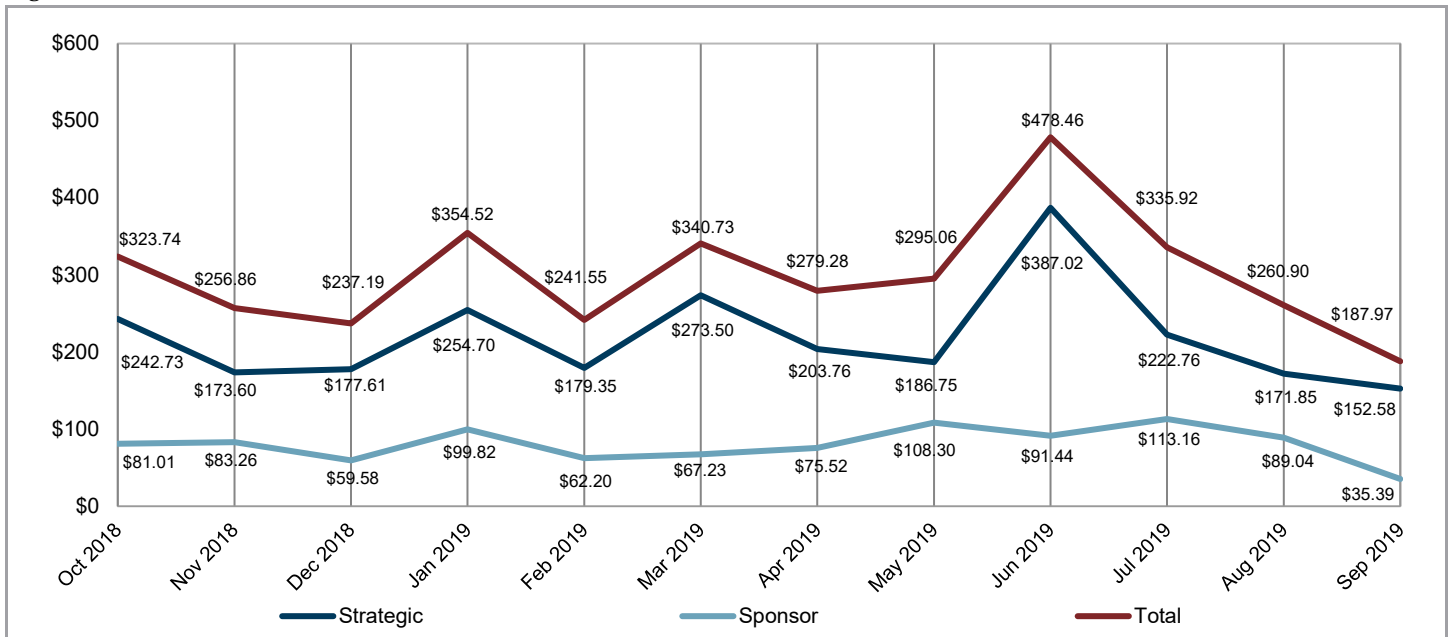


Figure 2A – Global Deal Volume (US\$B)



[Return to Summary](#)

Figure 3A – U.S. Number of Deals

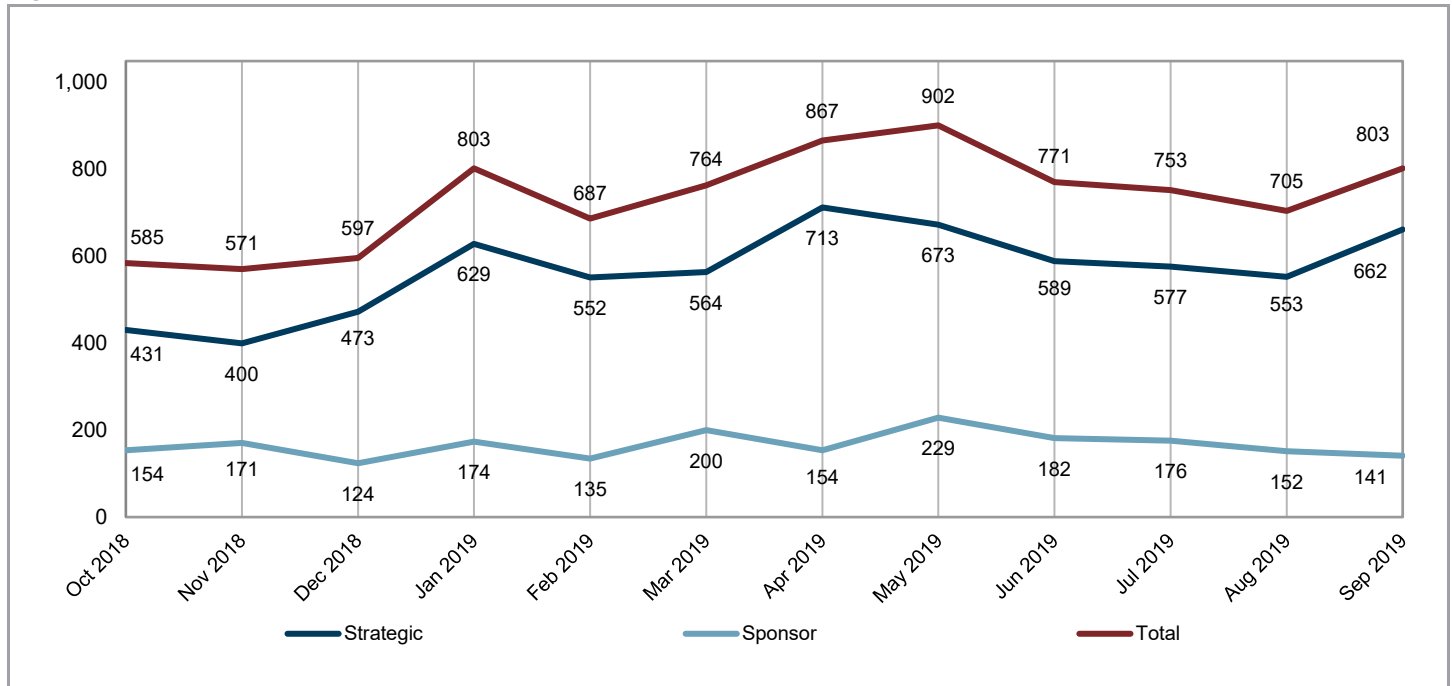
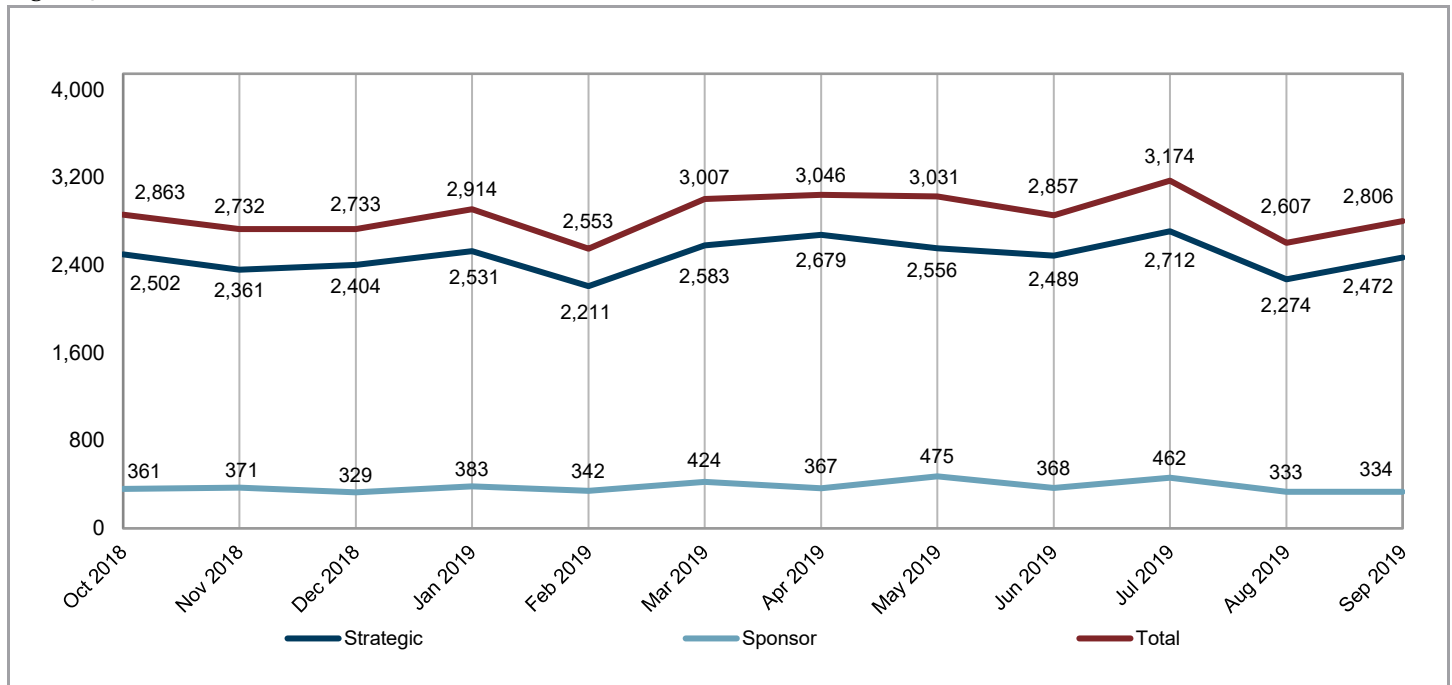


Figure 4A – Global Number of Deals



[Return to Summary](#)

Figure 5A – Inbound U.S. Crossborder Transactions

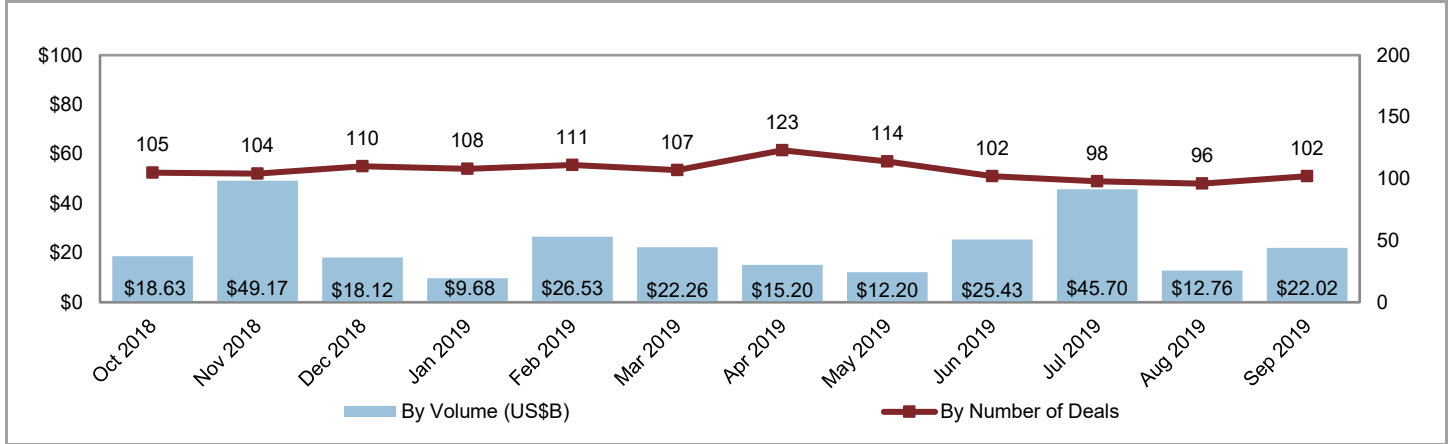


Figure 6A – Outbound U.S. Crossborder Transactions

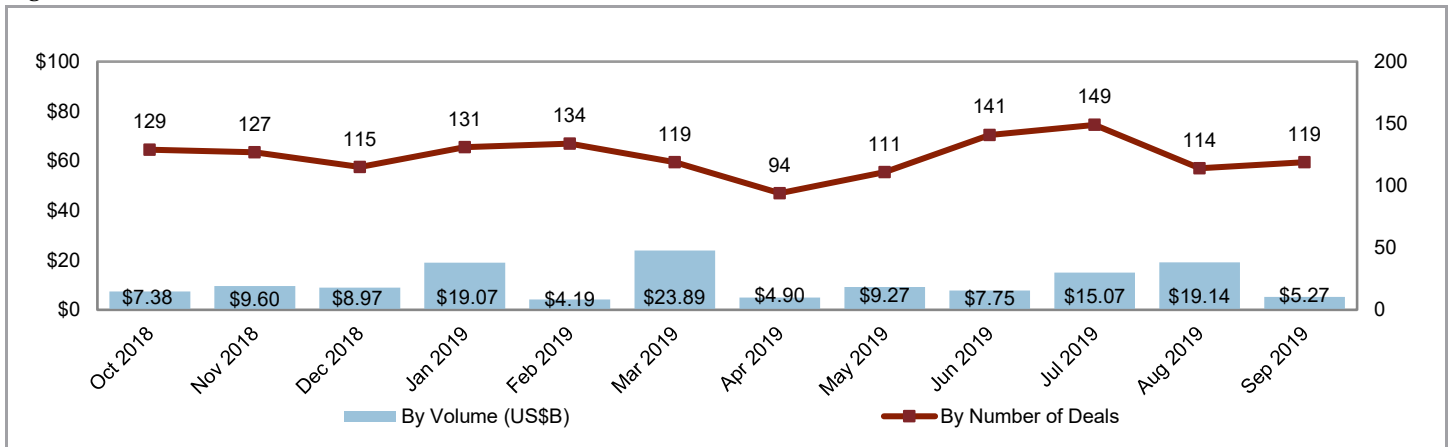


Figure 7A – Global Crossborder Transactions

