

December 2019, Issue 93

M&A activity in the U.S. and worldwide continued to be mixed in November. The number of deals fell by 13.5% in the U.S., to 721, and by 7.7% globally, to 2,710. However, total deal value¹ rose by 48.3% in the U.S., to \$150.98 billion, and by 8.7% globally, to \$326.37 billion. Average deal value also increased by 71.6% in the U.S., to \$209.4 million, and by 17.7% globally, to \$120.43 million. [Figure 1](#).

Strategic vs. Sponsor Activity

Strategic deals outperformed sponsor deals last month, with the former showing more mixed results while the latter declined across all metrics. The number of strategic deals decreased in the U.S. by 14.4% to 565 and globally by 7.8% to 2,357, but strategic deal volume as measured by dollar value increased significantly in the U.S. by 84.1% to \$124.65 billion and globally by 25.2% to \$268.30 billion. The number of sponsor-related deals decreased by 10.3% to 156 in the U.S. and by 6.6% to 353 globally, respectively, and sponsor-related deal volume by dollar value also decreased by 22.7% to \$26.33 billion in the U.S. and by 32.5% to \$58.07 billion globally. [Figure 1](#) and Annex [Figures 1A–4A](#).

Crossborder Activity

Crossborder activity weakened across most indicators in November. Crossborder deal volume by dollar value decreased by 33.3% to \$97.01 billion, whereas the number of crossborder deals remained relatively flat globally and increased by only 0.9% to 650. U.S. inbound activity as measured by dollar value increased by 7.2% to \$38.38 billion, while the number of U.S. inbound crossborder deals increased in November by 21.0% to 127. U.S. outbound activity as measured by dollar value decreased by 44.3% to \$9.55 billion. The number of U.S. outbound crossborder deals also decreased by 13.4% to 110. [Figure 1](#) and Annex [Figures 5A–7A](#).

Switzerland was the leading country for U.S. inbound activity in November by total dollar value (\$15.71 billion), driven largely by the announced \$10.3 billion proposed acquisition of Medicines Co by Novartis AG, while Canada remained the leading country for U.S. inbound activity in November by number of deals (34). Canada was the leading country for U.S. inbound activity by deal value (\$41.71 billion) and by number of deals over the last 12-month period (331 deals). The U.K. was the leading country of destination for U.S. outbound activity in November by total dollar value (\$2.21 billion). Canada was again the leading country of destination for U.S. outbound activity over the last 12 months as measured by dollar value (\$29.56 billion), whereas the U.K. was the leading country of destination for U.S. outbound activity in November by number of deals (19) and over the last 12 months (270). [Figure 3](#).

U.S. Deals by Industry

Computers and Electronics was the most active target industry in November and over the last 12 months by number of deals (269 and 3,253, respectively) and by dollar value (\$60.66 billion and \$435.20 billion, respectively). [Figure 2](#).

U.S. Public Mergers

As for U.S. public merger deal terms in November 2019, average target break fees remained close to their 12-month levels (at 3.5% compared to 3.6%). Average reverse break fees were, however, above their 12-month levels (at 6.1% compared to 5.8%). The percentage of deals containing a go-shop provision was 14.3% in November 2019, compared to the 12-month figure of 12.6%. [Figures 6, 7 and 8](#). Cash transactions comprised 71.4% of U.S. public mergers, above the 53.8% 12-month average. [Figure 9](#). Hostile or unsolicited transactions comprised 12.5% of U.S. public mergers in November 2019, lower than the 12-month average of 13.2% 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.

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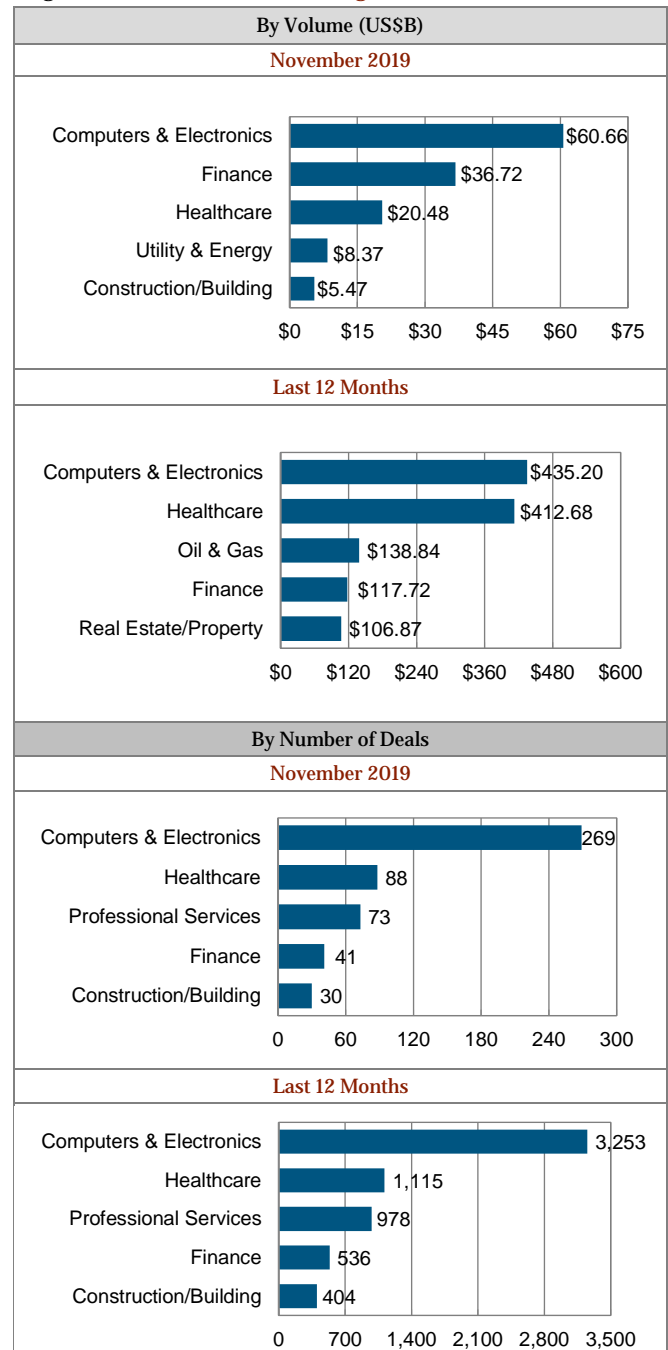
M&A Activity

Figure 1

November 2019	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	326.37	26.04	150.98	49.21
No. of deals	2,710	(225)	721	(113)
Avg. value of deals (US\$mil)	120.4	18.1	209.4	87.4
Strategic Transactions				
Volume (US\$B)	268.30	53.97	124.65	56.94
No. of deals	2,357	(200)	565	(95)
Avg. value of deals (US\$mil)	113.8	30.0	220.6	118.0
Sponsor-Related Transactions				
Volume (US\$B)	58.07	(27.93)	26.33	(7.72)
No. of deals	353	(25)	156	(18)
Avg. value of deals (US\$mil)	164.5	(63.0)	168.8	(26.9)
Crossborder Transactions¹				
Volume (US\$B)	97.01	(48.54)	Inbound 38.38 Outbound 9.55	Inbound 2.58 Outbound (7.58)
No. of deals	650	6	Inbound 127 Outbound 110	Inbound 22 Outbound (17)
Avg. value of deals (US\$mil)	149.2	(76.8)	Inbound 302.2 Outbound 86.8	Inbound (38.8) Outbound (48.1)

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

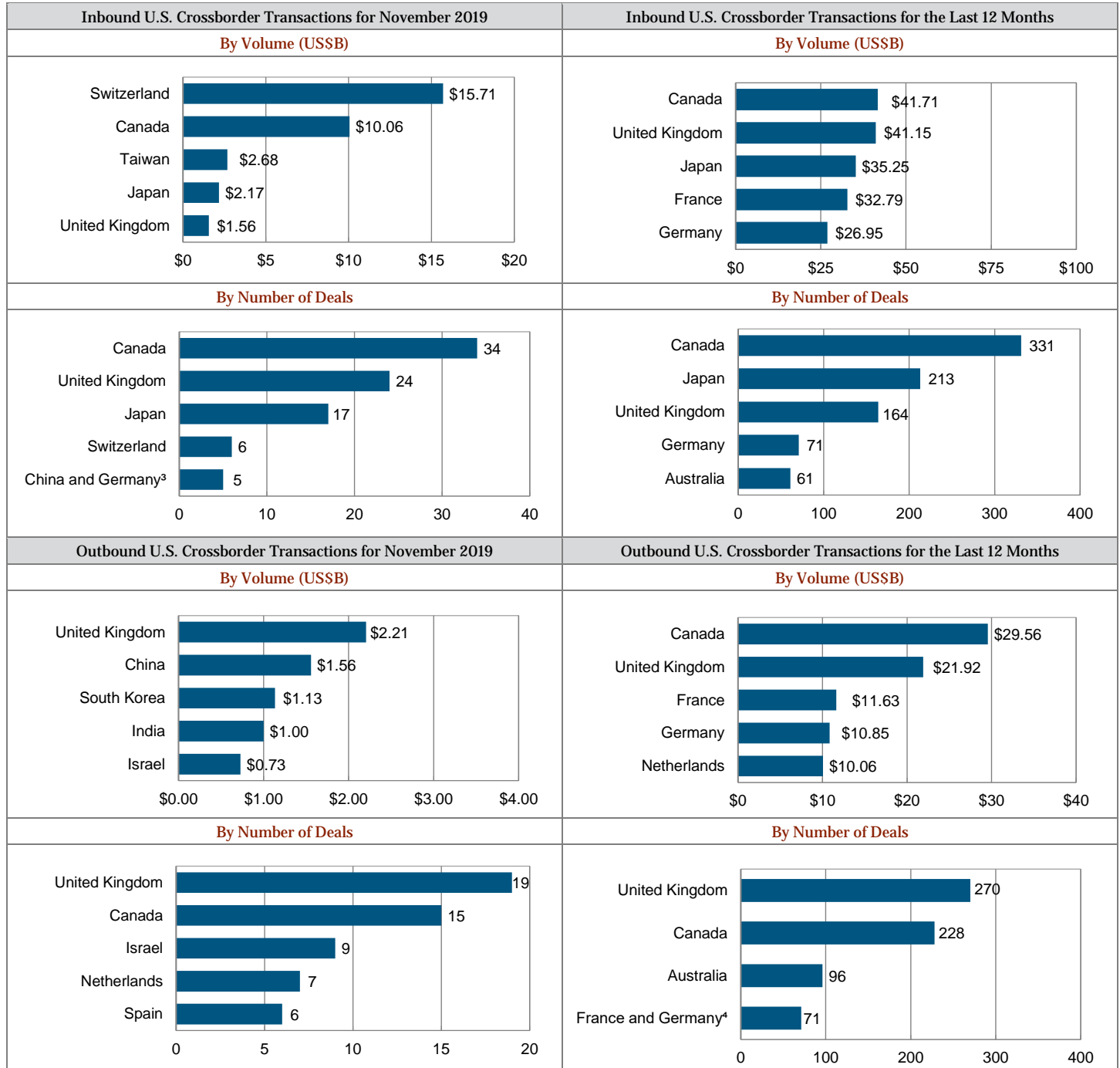


¹ Global crossborder transactions are those where the acquirer and the target have different nationalities. Nationality is based on where a company has either its headquarters or a majority of its operations. U.S. crossborder transactions are those transactions where the acquirer and the target have 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 China and Germany was the country of origin for five transactions in November 2019.

⁴ Each of France and Germany was the country of destination for 71 transactions over the last 12 months.

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

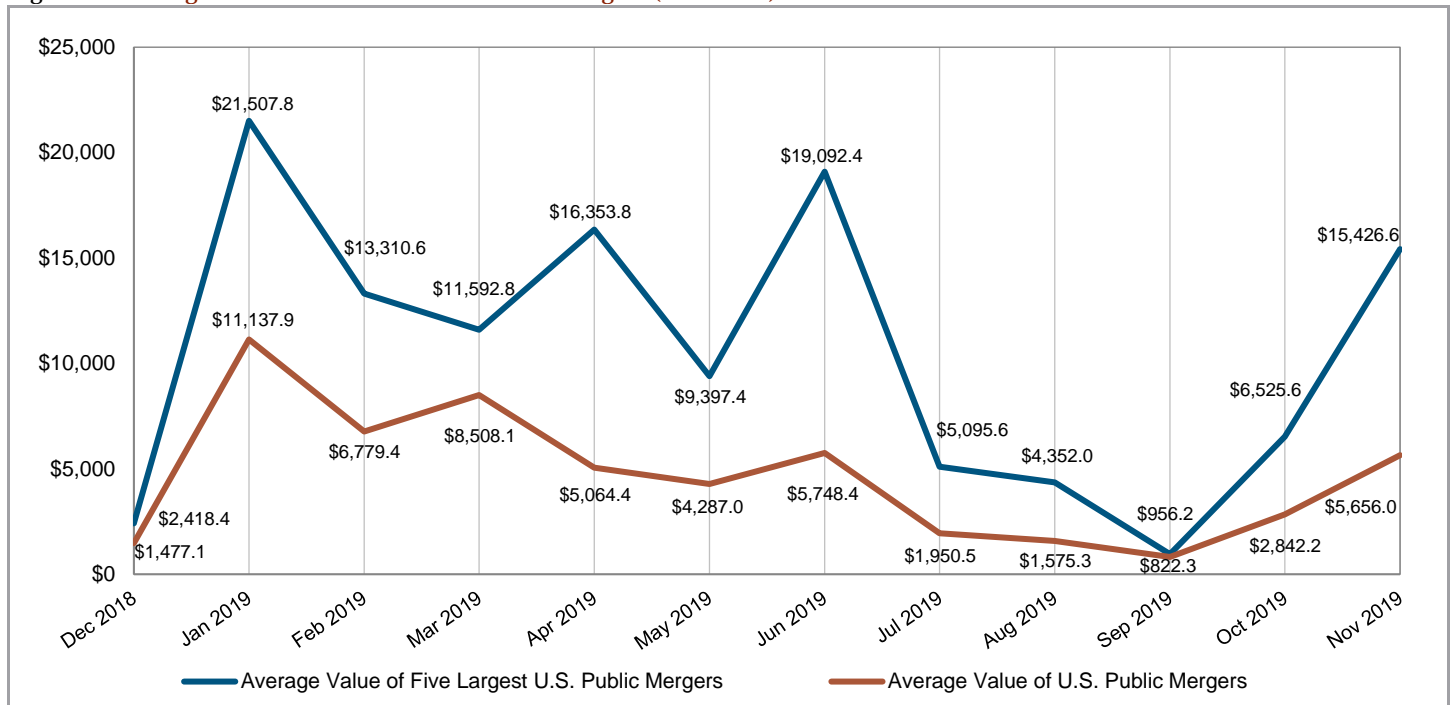
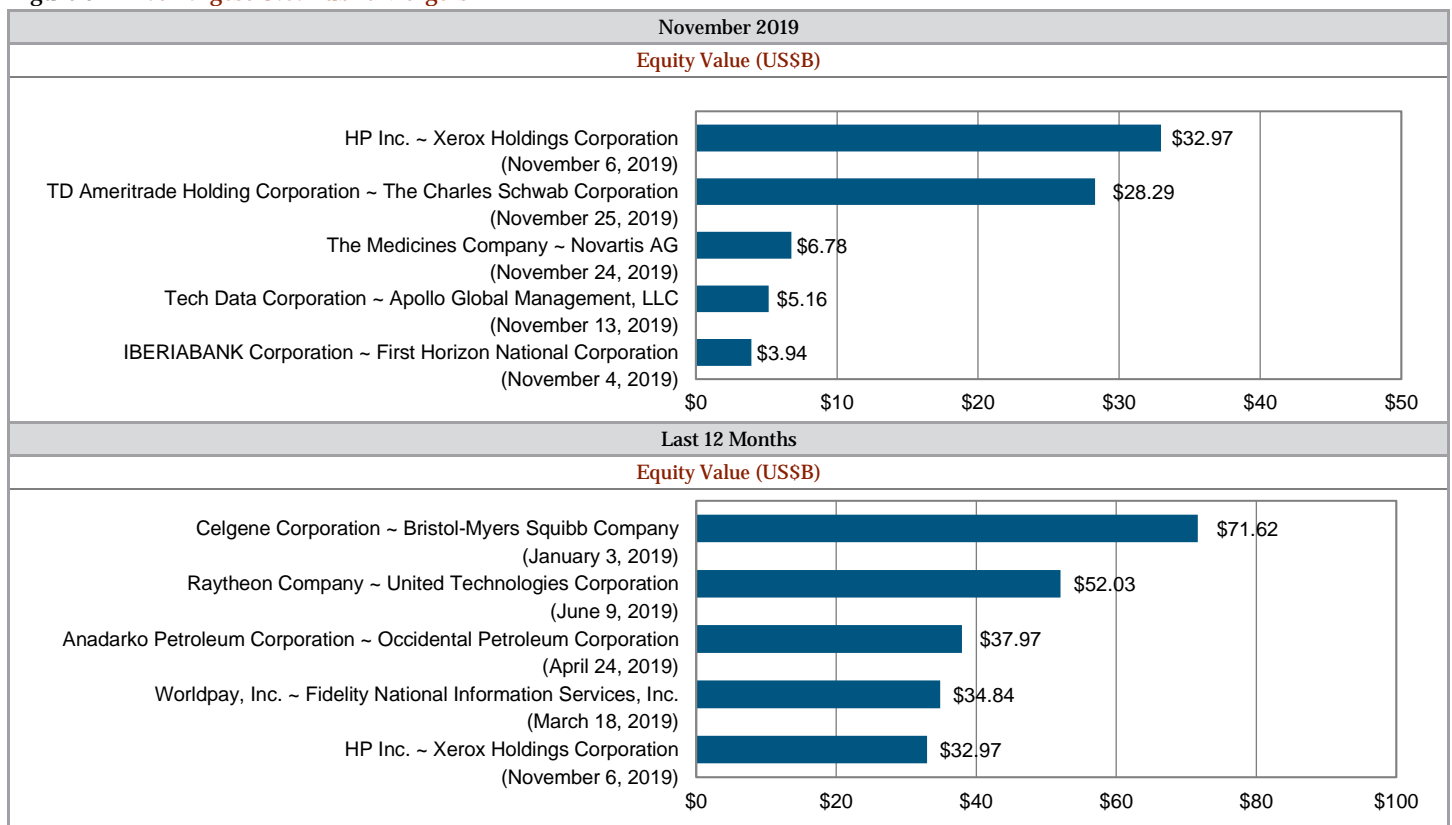


Figure 5 – Five Largest U.S. Public Mergers



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M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁵

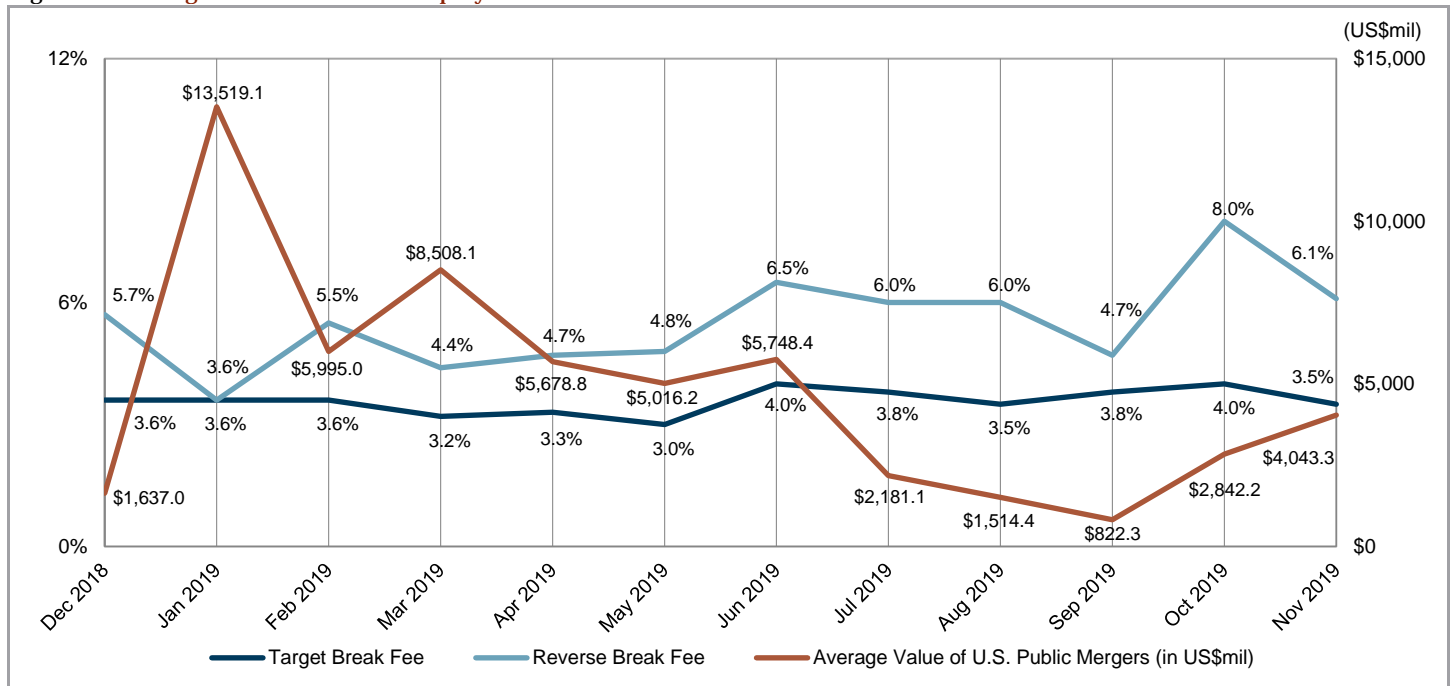


Figure 7 – Average Break Fees as % of Equity Value⁶

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

	November 2019	Last 12 Months
Reverse Break Fee for All Mergers ⁷	6.1	5.8
Reverse Break Fee for Mergers Involving Financial Buyers ⁸	6.9	6.8
Reverse Break Fee for Mergers Involving Strategic Buyers ⁹	5.7	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.

⁵ Based on the highest target break fees and reverse break fees payable in a particular deal.
⁶ Financial and strategic categories are determined by Deal Point Data.
⁷ 10 transactions in November 2019 had a reverse break fee.
⁸ Three transactions in November 2019 involving a financial buyer had a reverse break fee.
⁹ Seven transactions in November 2019 involving a strategic buyer had a reverse break fee.
¹⁰ Financial and strategic categories are determined by Deal Point Data.
¹¹ Three transactions in November 2019 involved a financial buyer.
¹² 11 transactions in November 2019 involved a strategic buyer.
¹³ Two transactions in November 2019 had a go-shop provision.
¹⁴ Two transactions in November 2019 involving a financial buyer had a go-shop provision.
¹⁵ Zero transactions in November 2019 involving a strategic buyer had a go-shop provision.

Figure 8 – U.S. Public Merger Go-Shop Provisions¹⁰

	November 2019	Last 12 Months
% of Mergers with Go-Shops	14.3	12.6
% of Mergers Involving Financial Buyers with Go-Shops ¹¹	66.7	42.4
% of Mergers Involving Strategic Buyers with Go-Shops ¹²	0.0	3.6
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ¹³	31.0	34.1
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ¹⁴	31.0	34.1
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ¹⁵	N/A	33.8

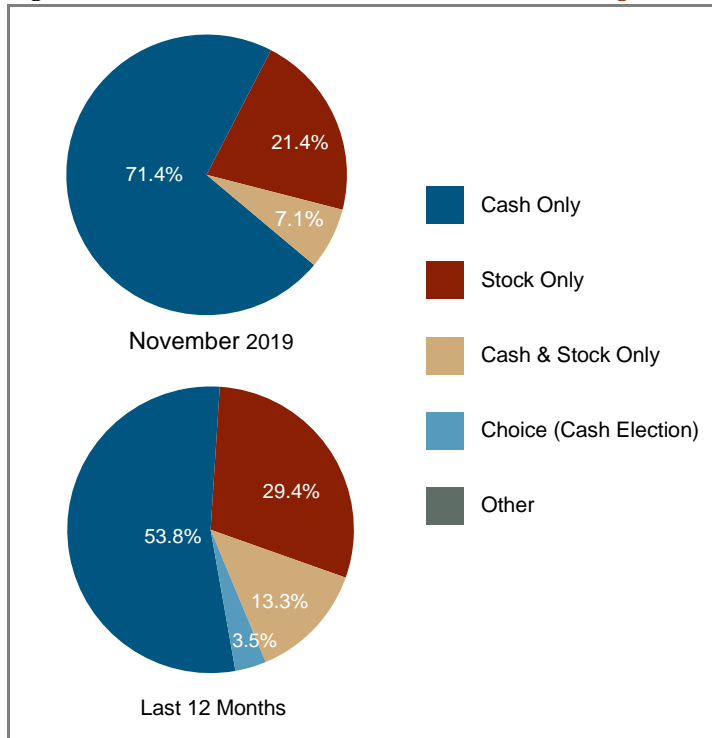
[Return to Summary](#)Figure 9 – Form of Consideration as % of U.S. Public Mergers¹⁶

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

November 2019 ¹⁷	100.0
Last 12 Months	95.5

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

November 2019	14.3
Last 12 Months	15.4

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

November 2019	12.5
Last 12 Months	13.2

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

¹⁷ There were four partial or all stock transactions in November 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).

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.

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Recent highlights include advising: The Medicines Company in its proposed \$9.7 billion sale to Novartis AG; the Special Committee of the Board of Directors of Pattern Energy Group in its approximately \$6.1 billion sale to Canada Pension Plan Investment Board; Aptiv in its \$4 billion autonomous driving joint venture with Hyundai Motor Group; the Special Committee of the Board of Directors of CBS Corp. in its 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 \$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 CSRA in its \$9.7 billion sale to General Dynamics; Bioerativ in its \$11.6 billion sale to Sanofi; ADP in its successful proxy contest against Pershing Square; 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)

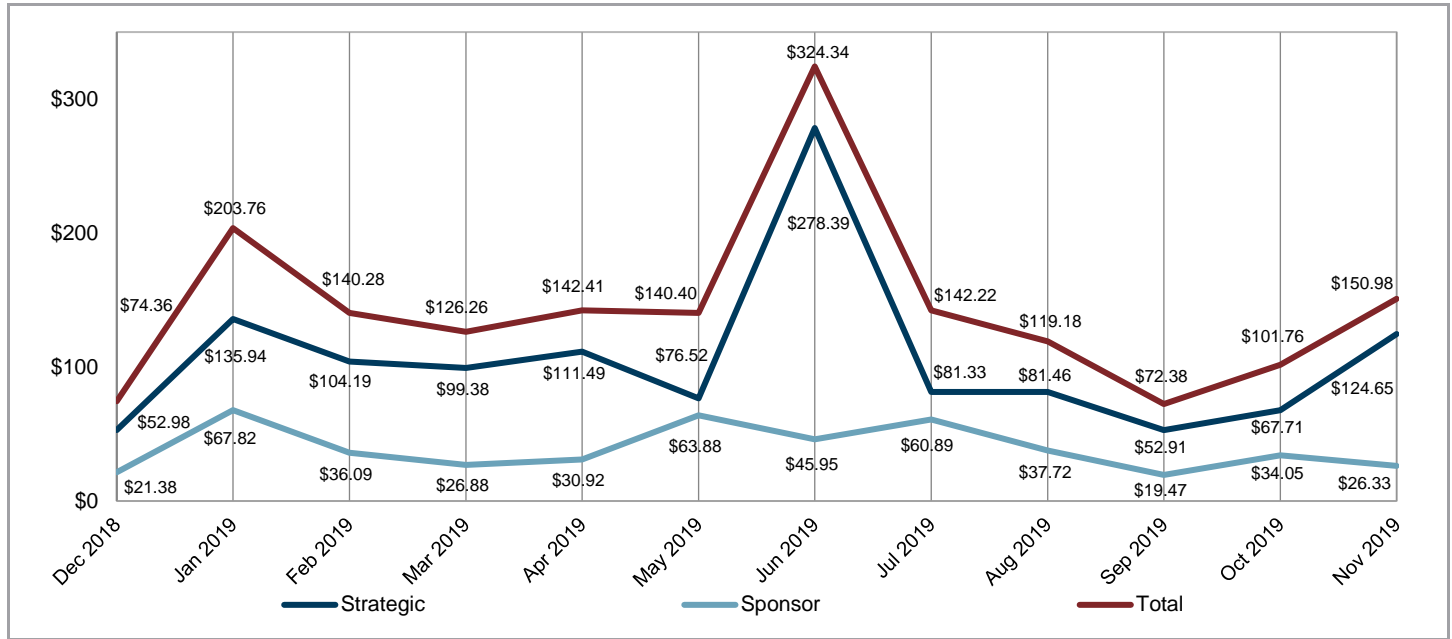
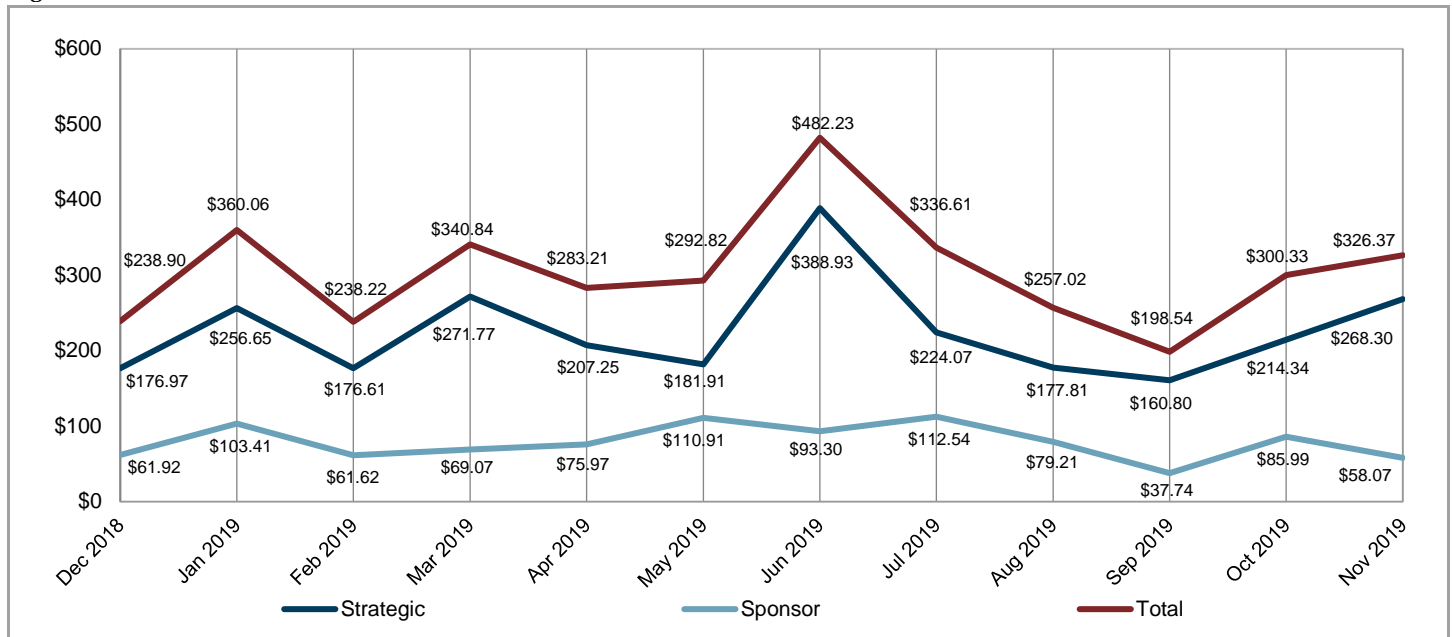


Figure 2A – Global Deal Volume (US\$B)



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Figure 3A – U.S. Number of Deals

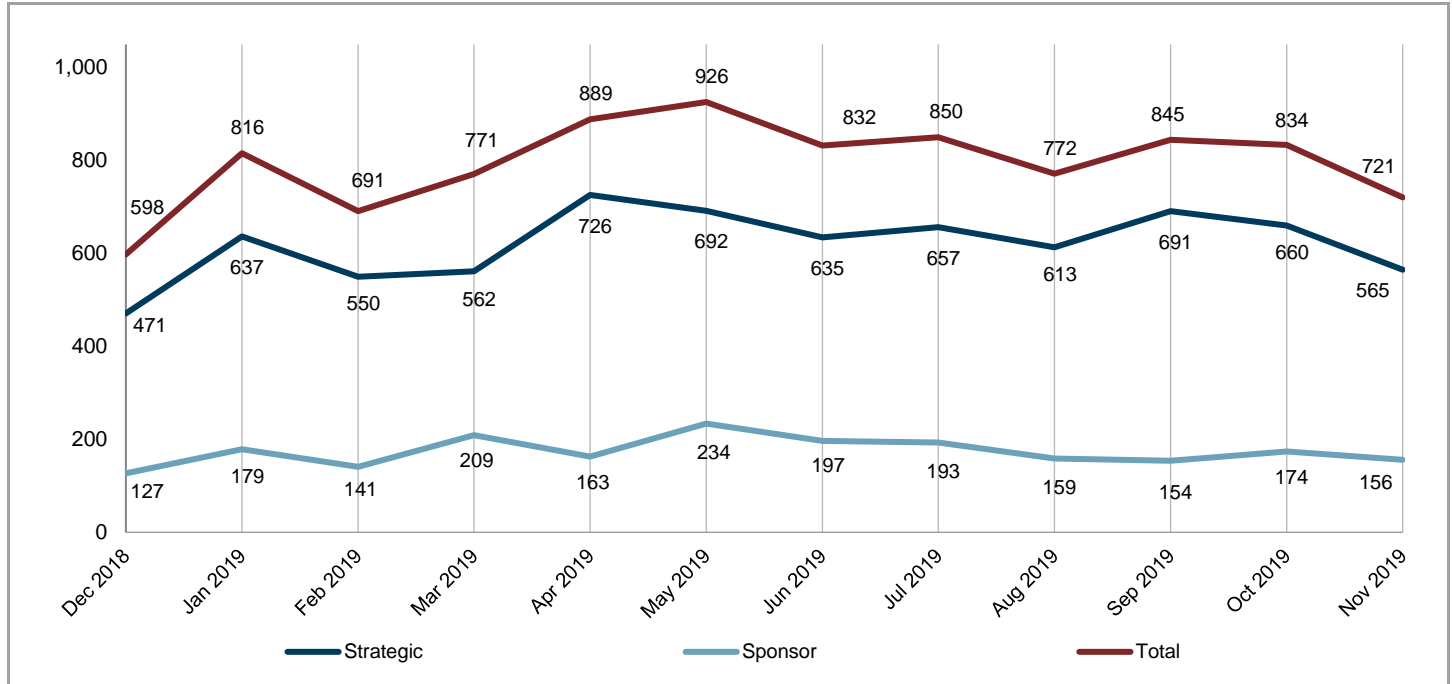
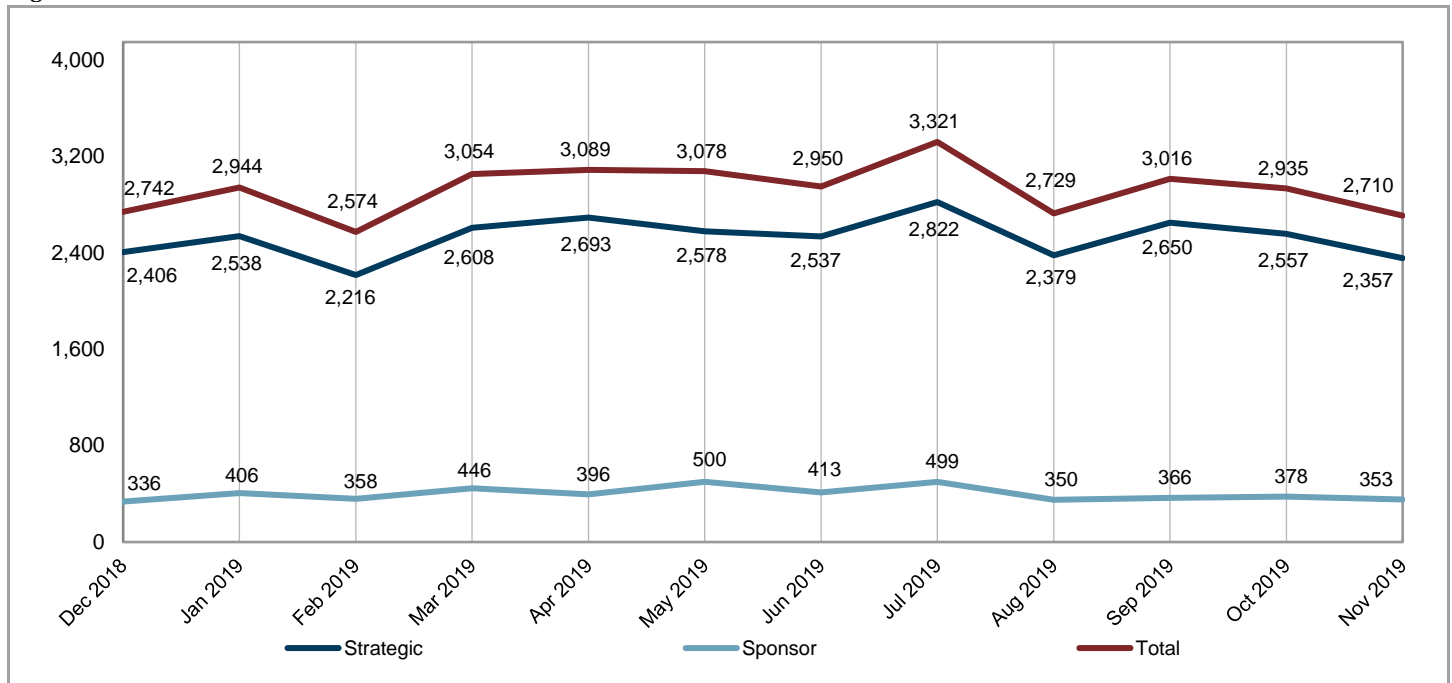


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

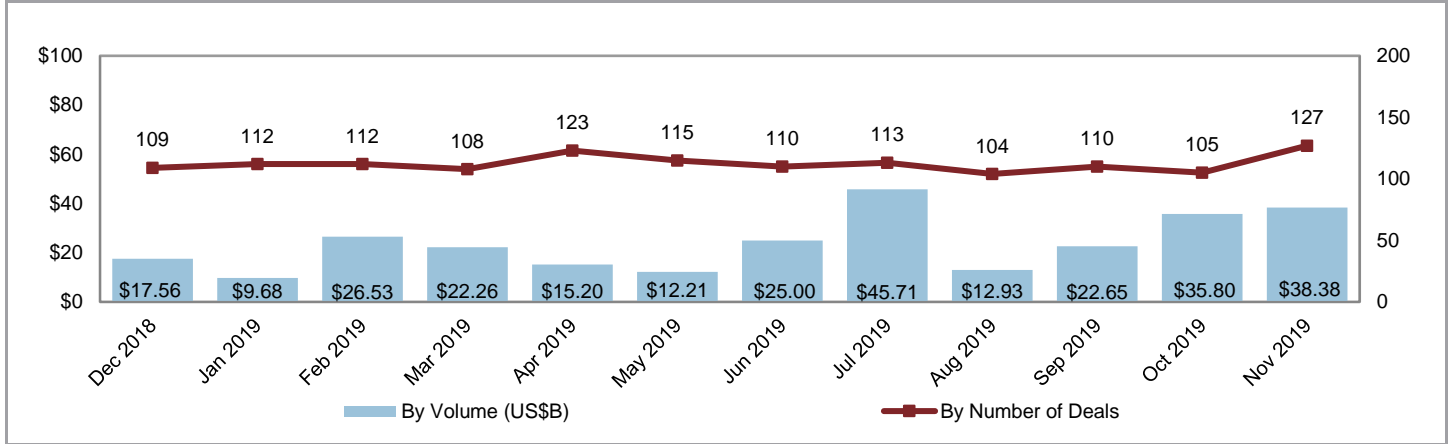


Figure 6A – Outbound U.S. Crossborder Transactions

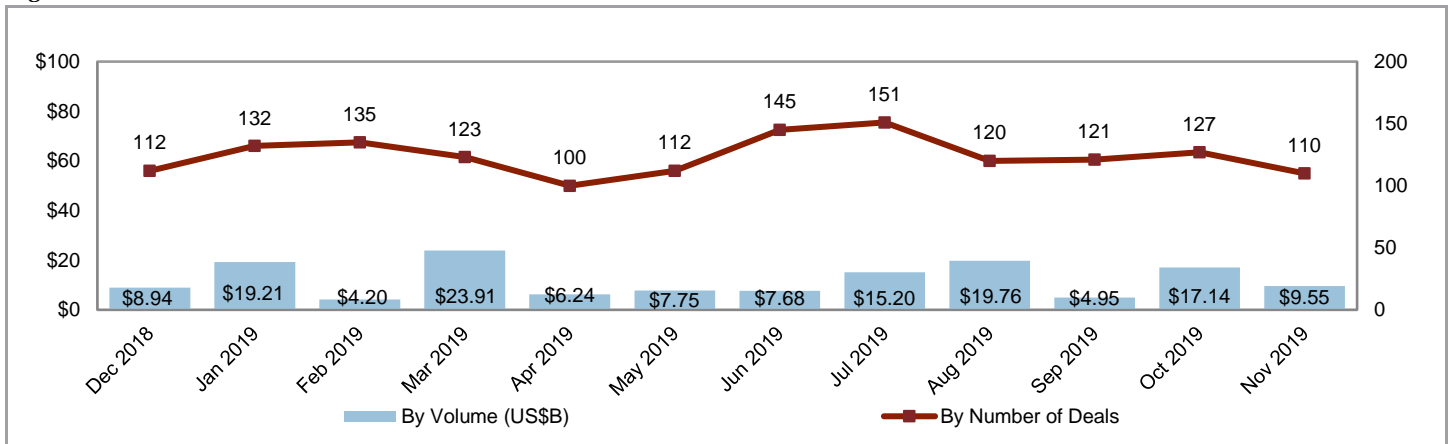


Figure 7A – Global Crossborder Transactions

