

## January 2020, Issue 94

M&A activity declined across most measures in December 2019. The number of deals fell by 17.3% in the U.S., to 613, and by 7.1% globally, to 2,665. Total deal value<sup>1</sup> decreased by 21.2% in the U.S., to \$122.92 billion, but increased by 3.9% globally (driven primarily by sponsor-related activity), to \$347.75 billion. Average deal value also decreased by 4.7% in the U.S., to \$200.53 million, but increased by 11.9% globally (again driven primarily by sponsor-related activity), to \$130.49 million. [Figure 1](#). The good news, however, is that U.S. M&A activity was up overall for 2019, as we will report in our annual issue of M&A at a Glance.

### Strategic vs. Sponsor Activity

The number of strategic deals decreased in the U.S. by 20.9% to 459 and globally by 7.3% to 2,313. Strategic deal volume as measured by dollar value decreased by 25.5% to \$95.17 billion in the U.S. and decreased slightly by 0.8% to \$271.43 billion globally. The number of sponsor-related deals decreased by 4.3% to 154 in the U.S. and by 5.9% to 352 globally. Sponsor-related volume by dollar value also decreased slightly by 1.6% to \$27.76 billion in the U.S. but increased by 25.2% to \$76.32 billion globally. [Figure 1](#) and Annex [Figures 1A–4A](#).

### Crossborder Activity

Crossborder activity weakened in December. Crossborder deal volume by dollar value decreased by 12.6% to \$85.32 billion, and the number of crossborder deals decreased globally by 10.2% to 623. U.S. inbound activity as measured by dollar value decreased by 37.7% to \$23.92 billion, and the number of U.S. inbound crossborder deals decreased in December by 33.6% to 87. U.S. outbound activity as measured by dollar value decreased by 4.3% to \$9.23 billion and the number of U.S. outbound crossborder deals also decreased by 14.7% to 99. [Figure 1](#) and Annex [Figures 5A–7A](#).

The U.K. was the leading country for U.S. inbound activity in December by total dollar value (\$5.82 billion), and Canada was the leading country for U.S. inbound activity by total dollar value over the last 12-month period (\$44.71 billion). Canada retained its lead for U.S. inbound activity by number of deals in December (19) and over the last 12-month period (328).

The U.K. was also the leading country of destination for U.S. outbound activity by total dollar value in December (\$2.58 billion) and Canada was again the leading country of destination for U.S. outbound activity as measured by dollar value over the last 12 months (\$27.76 billion). Canada was the leading country of destination for U.S. outbound activity by number of deals in December (17), and the U.K. was the leading country of destination for U.S. outbound activity by number of deals over the last 12 months (261). [Figure 3](#).

### U.S. Deals by Industry

Computers and Electronics was the most active target industry in December and over the last 12 months by number of deals (198 and 3,327, respectively). Chemicals was the most active target industry in December by dollar value (\$27.15 billion), driven largely by DuPont de Nemours, Inc.'s divestment of its Nutrition & Biosciences, Inc. business to International Flavors & Fragrances Inc. for \$26.2 billion. Computers and Electronics was the most active target industry by dollar value over the last 12 months (\$454.77 billion). [Figure 2](#).

### U.S. Public Mergers

As for U.S. public merger deal terms in December 2019, average reverse break fees were below their 12-month levels (at 4.0% compared to 5.5%), and average target break fees remained consistent with historical levels (at 3.7% compared to 3.6% for the 12-month average). The percentage of deals containing a go-shop provision was 12.5% in December 2019, which is the same as the 12-month figure. [Figures 6, 7 and 8](#). Cash transactions comprised 50.0% of U.S. public mergers, below the 53.3% 12-month average. [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 5.6% of U.S. public mergers in December 2019, significantly lower than the 12-month average of 12.5% of deals. [Figure 12](#).

<sup>1</sup> 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](#)

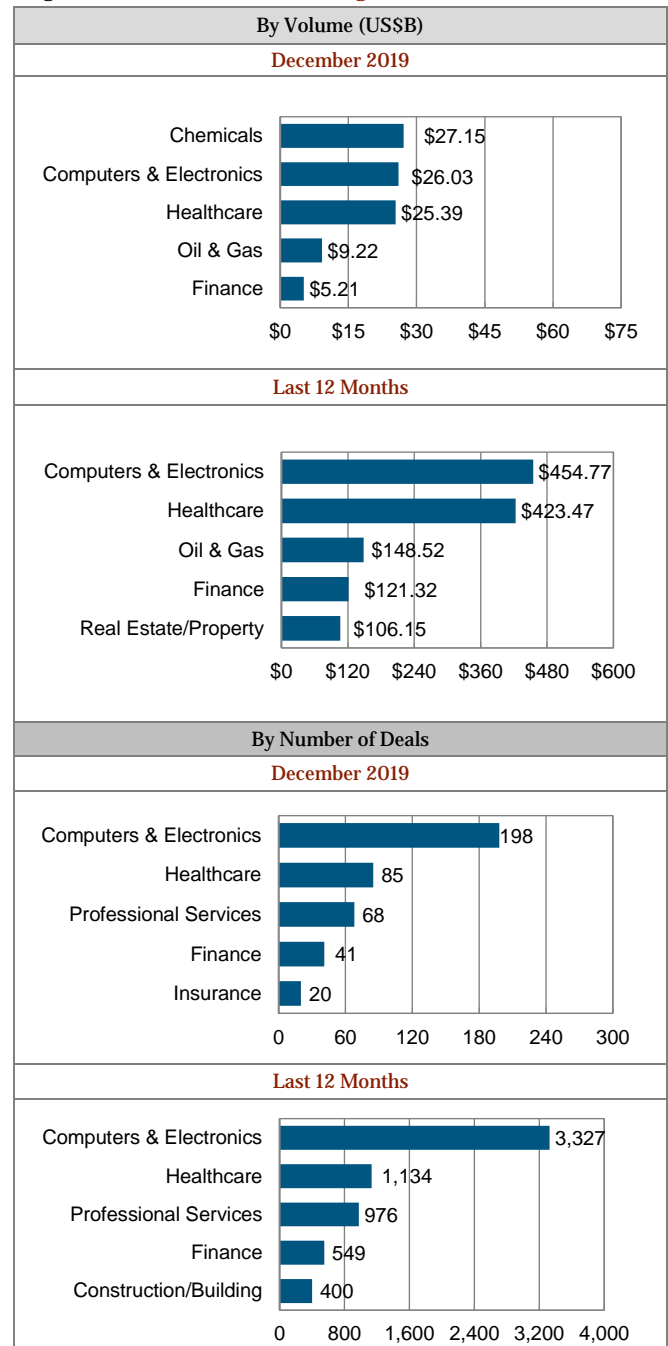
## M&A Activity

Figure 1

December 2019	Global	+/- From Prior Month	U.S.	+/- From Prior Month
<b>Total</b>				
Volume (US\$B)	347.75	13.17	122.92	(33.00)
No. of deals	2,665	(203)	613	(128)
Avg. value of deals (US\$mil)	130.5	13.8	200.5	(9.9)
<b>Strategic Transactions</b>				
Volume (US\$B)	271.43	(2.17)	95.17	(32.55)
No. of deals	2,313	(181)	459	(121)
Avg. value of deals (US\$mil)	117.4	7.7	207.3	(12.9)
<b>Sponsor-Related Transactions</b>				
Volume (US\$B)	76.32	15.34	27.76	(0.45)
No. of deals	352	(22)	154	(7)
Avg. value of deals (US\$mil)	216.8	53.8	180.2	5.0
<b>Crossborder Transactions<sup>1</sup></b>				
Volume (US\$B)	85.32	(12.32)	Inbound 23.92 Outbound 9.23	Inbound (14.46) Outbound (0.41)
No. of deals	623	(71)	Inbound 87 Outbound 99	Inbound (44) Outbound (17)
Avg. value of deals (US\$mil)	137.0	(3.7)	Inbound 275.0 Outbound 93.2	Inbound (18.1) Outbound 10.1

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 January 10, 2020 unless otherwise specified. "Last 12 Months" data is for the period from January 2019 to December 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 Industries<sup>2</sup>

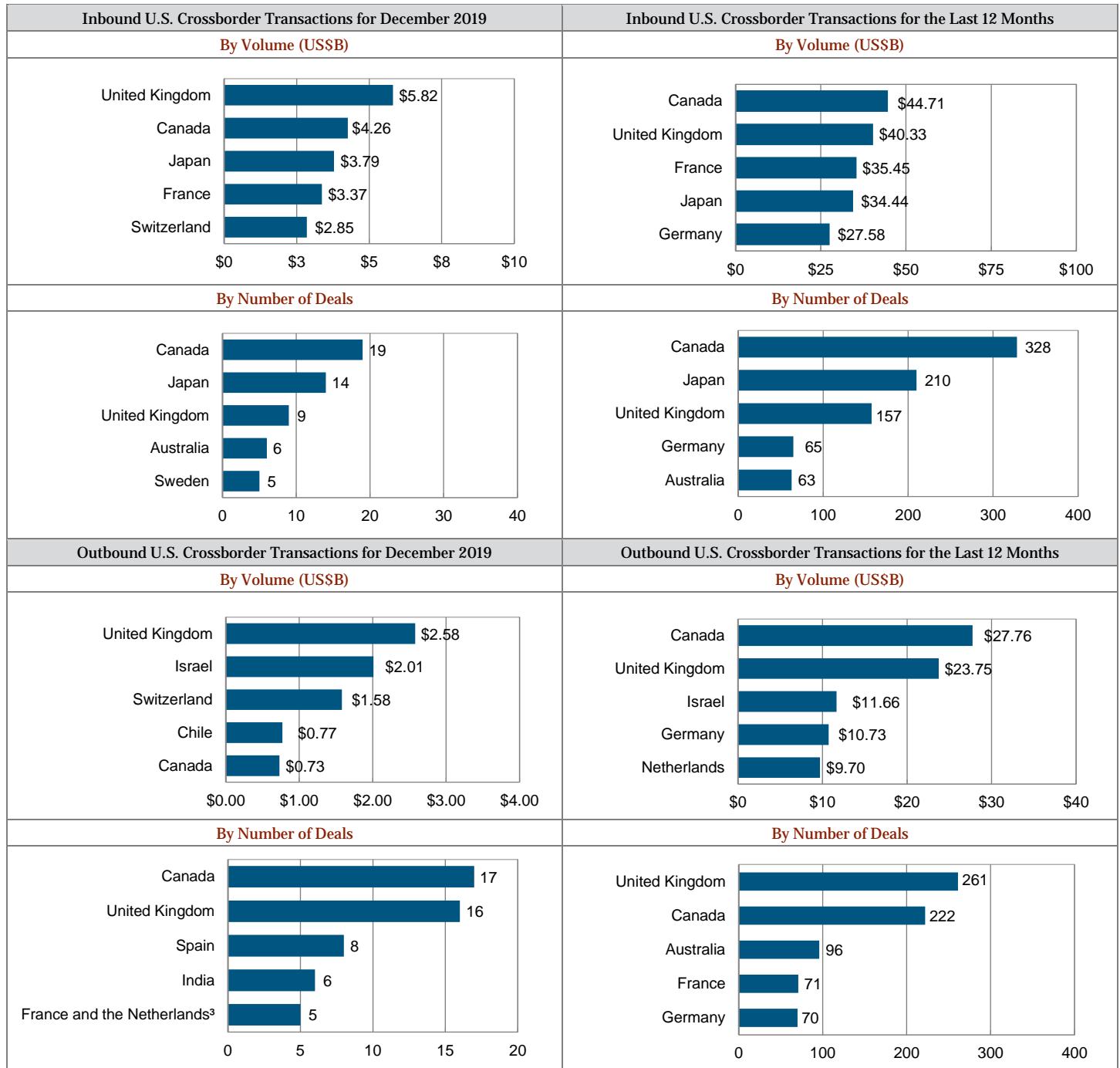


<sup>1</sup> Global crossborder transactions are those where the acquirer and the target have different nationalities. Nationality is based on where a company has either its headquarters or a majority of its operations. U.S. crossborder transactions are those transactions where the acquirer and the target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

<sup>2</sup> 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



<sup>3</sup> Each of France and the Netherlands was the country of destination for five transactions in December 2019.

[Return to Summary](#)

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

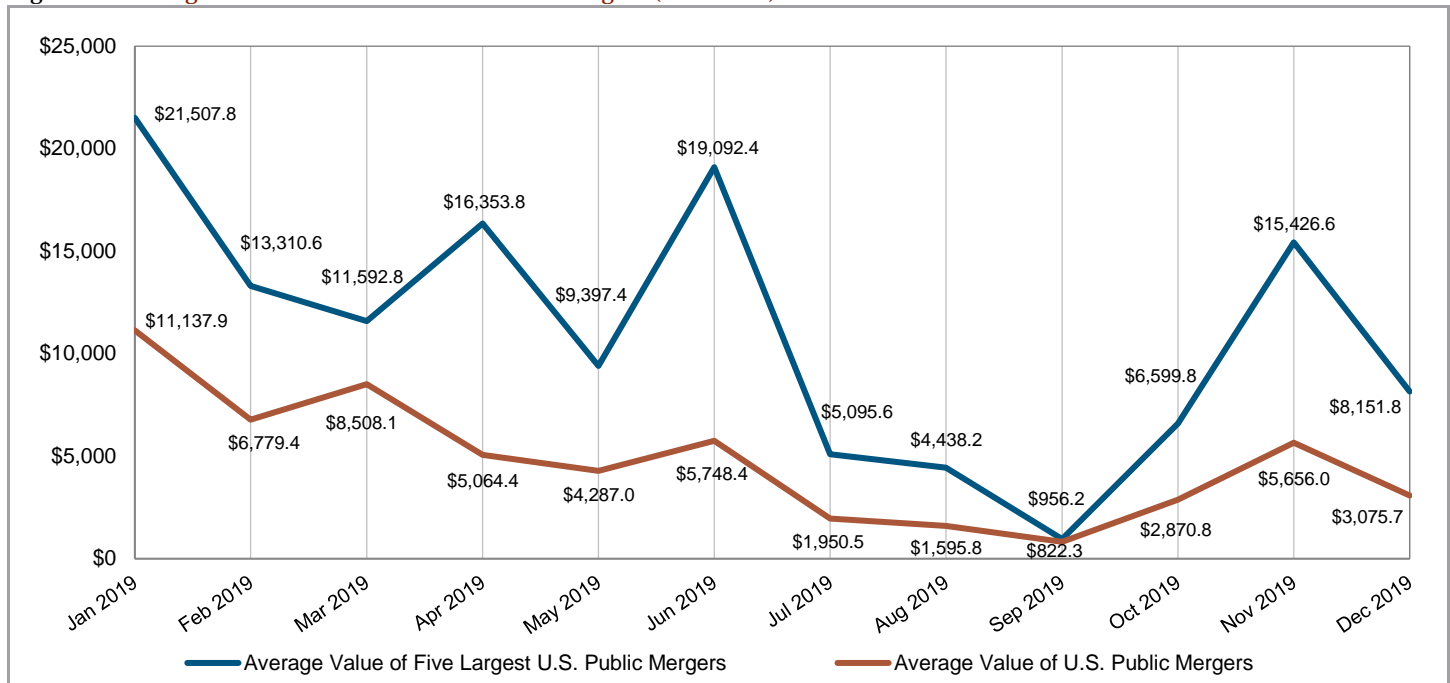
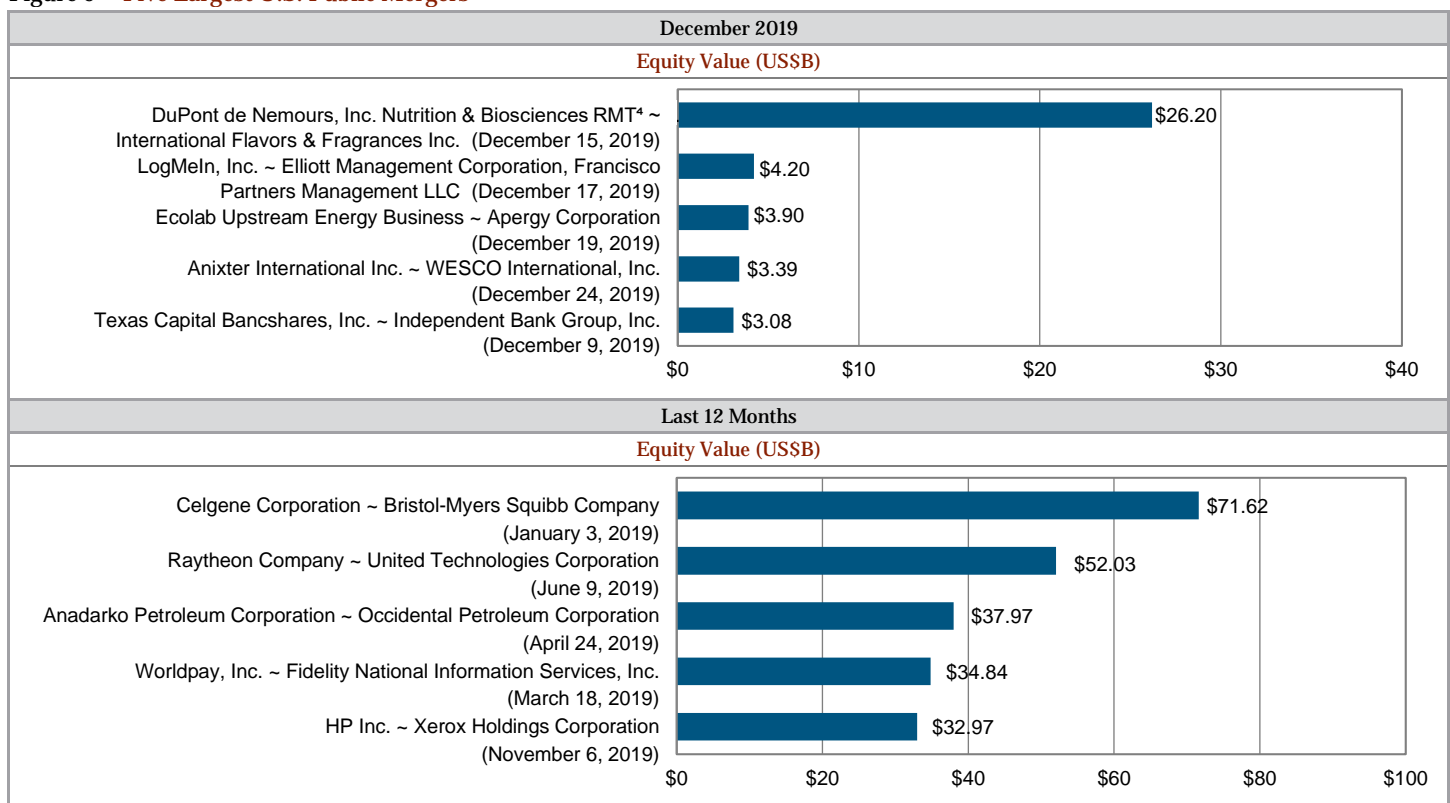


Figure 5 – Five Largest U.S. Public Mergers



<sup>4</sup> A Reverse Morris Trust (RMT) transaction consists of a spin-off of a subsidiary or other unwanted asset into a separate company, which is then merged or combined with a separate entity.

[Return to Summary](#)

## M&A Terms

Figure 6 – Average Break Fees as % of Equity Value<sup>5</sup>

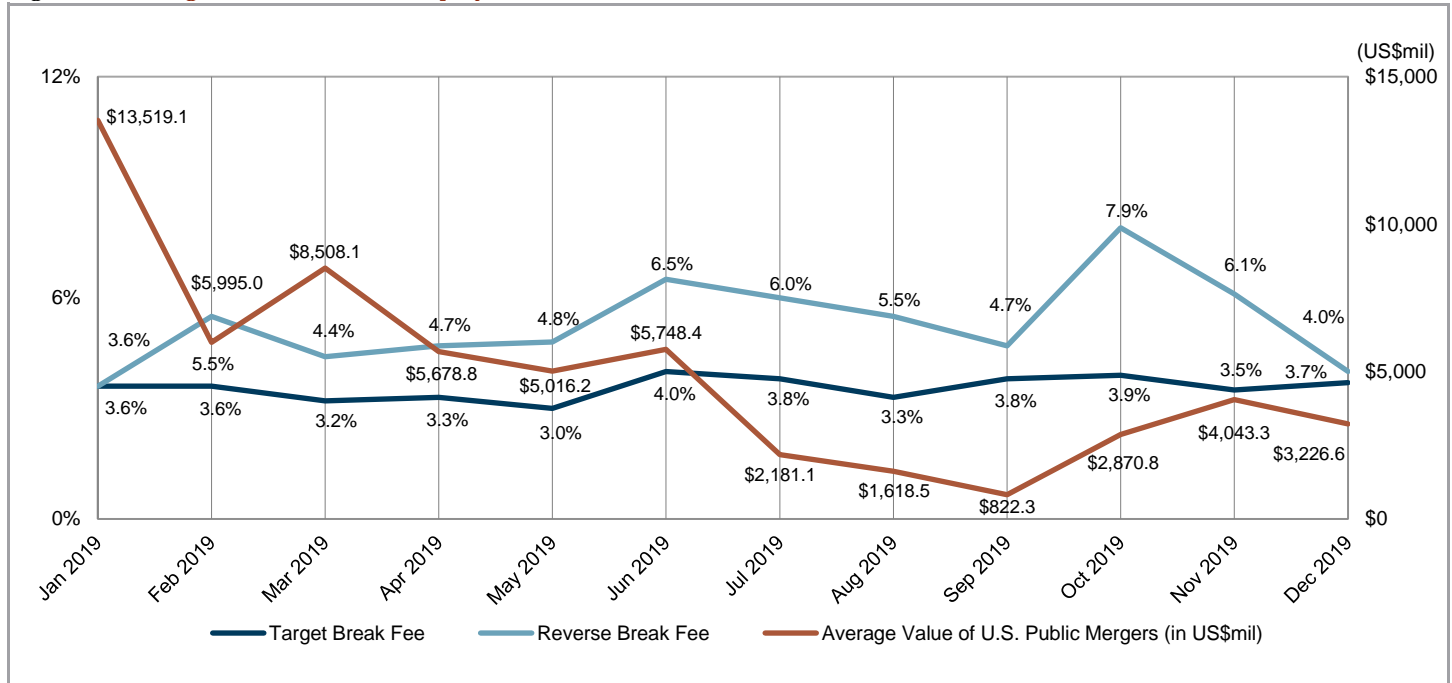


Figure 7 – Average Break Fees as % of Equity Value<sup>6</sup>

	December 2019	Last 12 Months
Target Break Fee for All Mergers	3.7	3.6

	December 2019	Last 12 Months
Reverse Break Fee for All Mergers <sup>7</sup>	4.0	5.5
Reverse Break Fee for Mergers Involving Financial Buyers <sup>8</sup>	7.4	6.7
Reverse Break Fee for Mergers Involving Strategic Buyers <sup>9</sup>	3.0	4.7

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.

<sup>5</sup> Based on the highest target break fees and reverse break fees payable in a particular deal.

<sup>6</sup> Financial and strategic categories are determined by Deal Point Data.

<sup>7</sup> Nine transactions in December 2019 had a reverse break fee.

<sup>8</sup> Two transactions in December 2019 involving a financial buyer had a reverse break fee.

<sup>9</sup> Seven transactions in December 2019 involving a strategic buyer had a reverse break fee.

<sup>10</sup> Financial and strategic categories are determined by Deal Point Data.

<sup>11</sup> Two transactions in December 2019 involved a financial buyer.

<sup>12</sup> Two transactions in December 2019 had a go-shop provision.

<sup>13</sup> Two transactions in December 2019 involving a financial buyer had a go-shop provision.

<sup>14</sup> Zero transactions in December 2019 involving a strategic buyer had a go-shop provision.

Figure 8 – U.S. Public Merger Go-Shop Provisions<sup>10</sup>

	December 2019	Last 12 Months
% of Mergers with Go-Shops	12.5	12.5
% of Mergers Involving Financial Buyers with Go-Shops <sup>11</sup>	100.0	45.5
% of Mergers Involving Strategic Buyers with Go-Shops	0.0	3.4
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops <sup>12</sup>	40.0	34.9
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops <sup>13</sup>	40.0	35.2
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops <sup>14</sup>	N/A	33.8

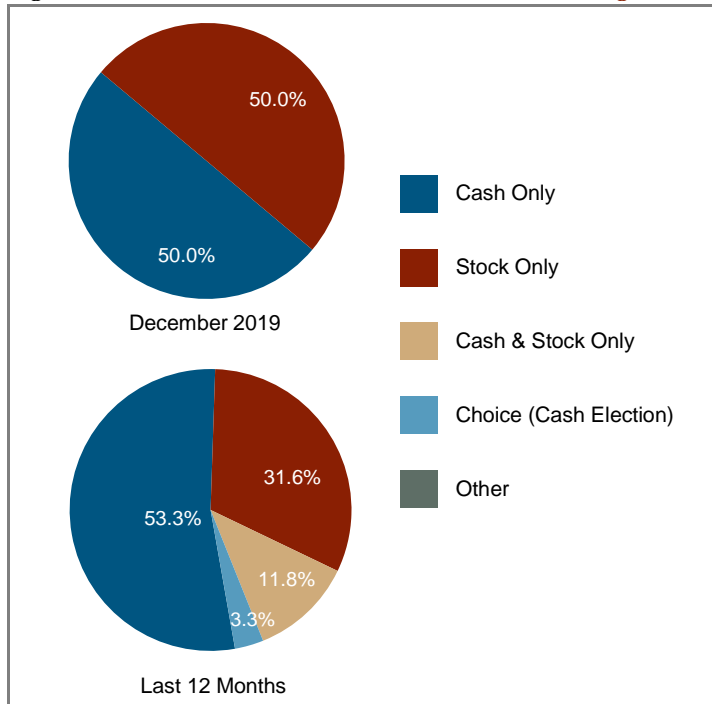
[Return to Summary](#)Figure 9 – Form of Consideration as % of U.S. Public Mergers<sup>15</sup>

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

December 2019 <sup>16</sup>	100.0
Last 12 Months	95.8

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

December 2019	31.3
Last 12 Months	17.1

Figure 12 – Hostile/Unsolicited Offers as % of U.S. Public Mergers<sup>17</sup>

December 2019	5.6
Last 12 Months	12.5

<sup>15</sup> Due to rounding, percentages may not add up to 100%.

<sup>16</sup> There were eight partial or all stock transactions in December 2019.

<sup>17</sup> 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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[Return to Summary](#)

## M&A Activity – 12-Month Trends

Figure 1A – U.S. Deal Volume (US\$B)

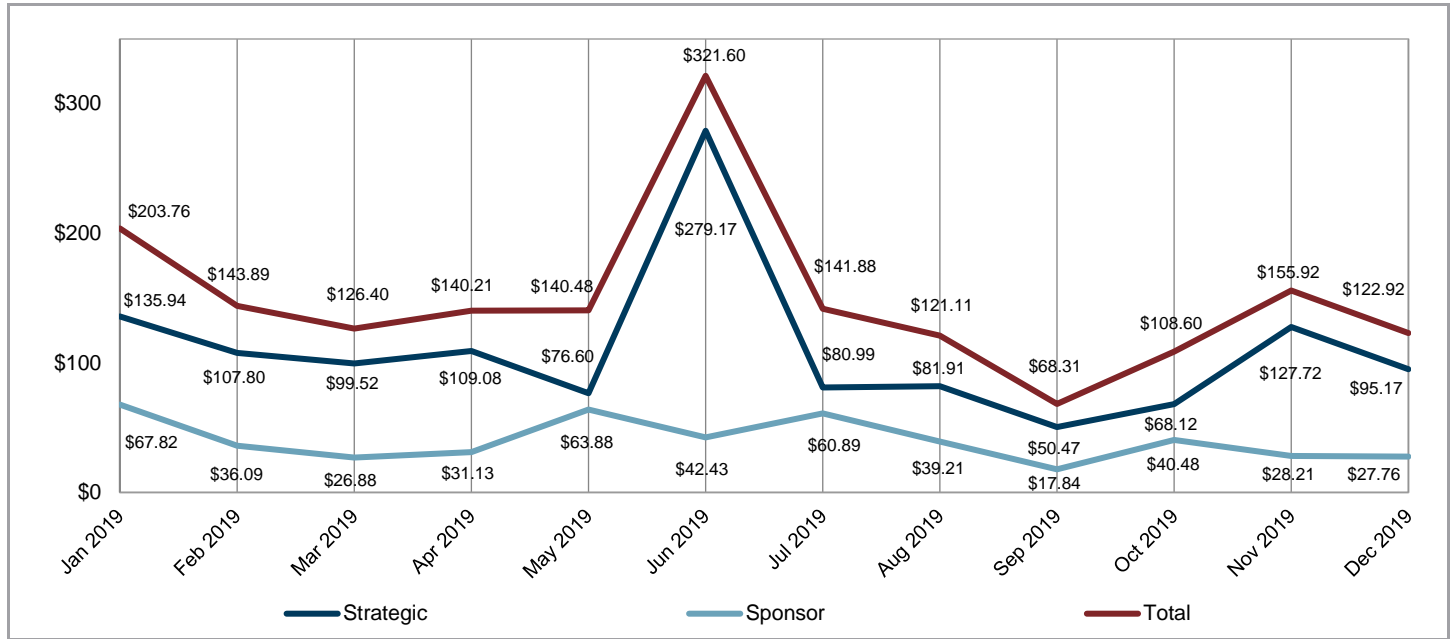
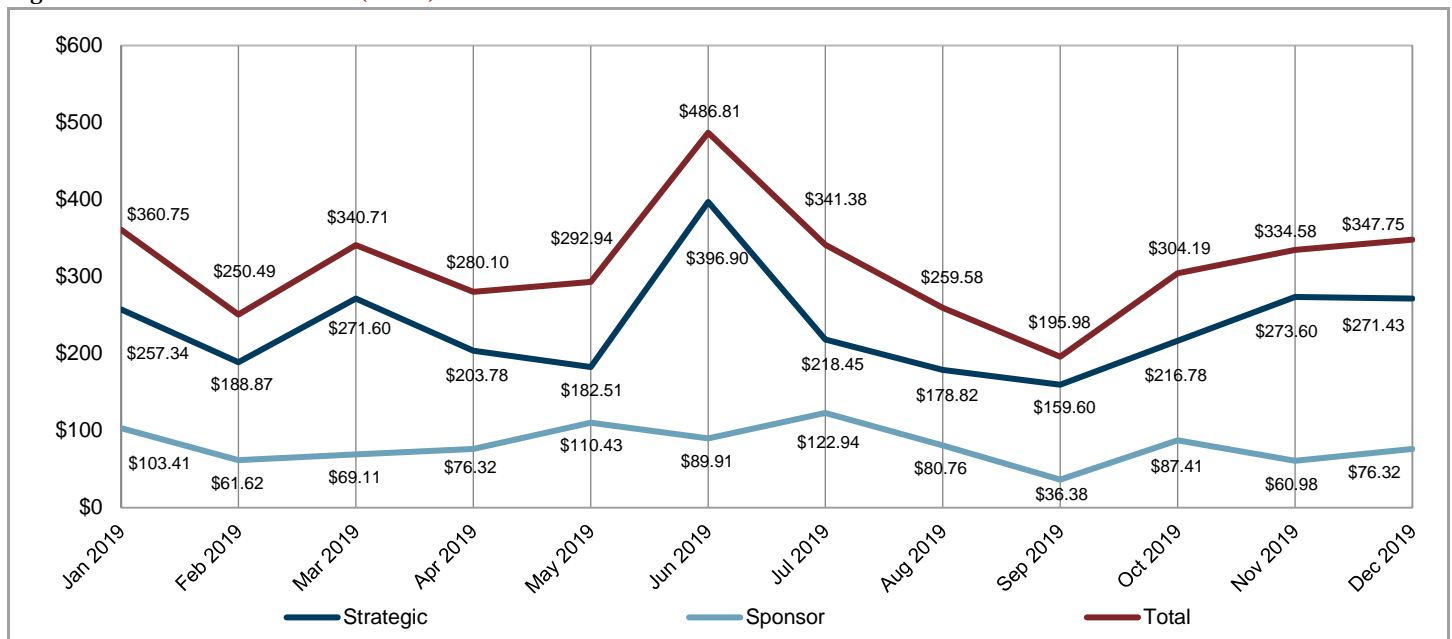


Figure 2A – Global Deal Volume (US\$B)





[Return to Summary](#)

Figure 3A – U.S. Number of Deals

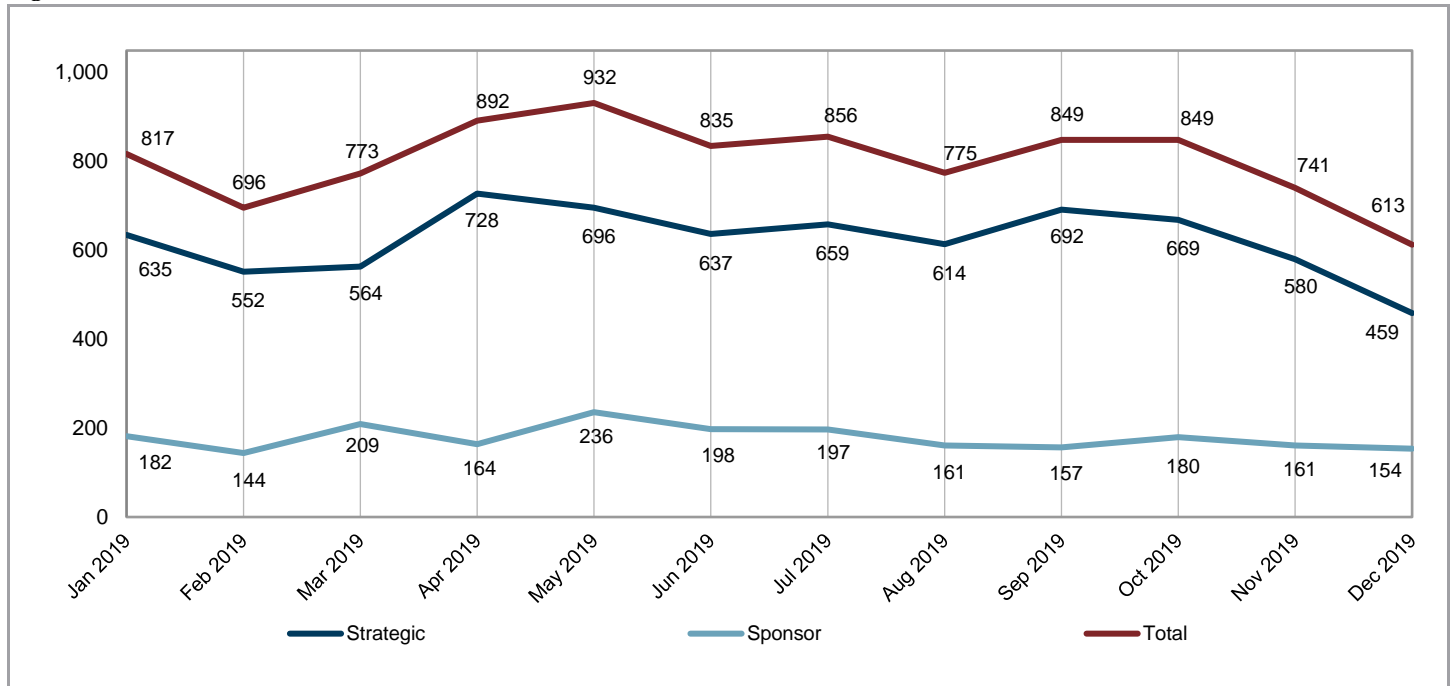
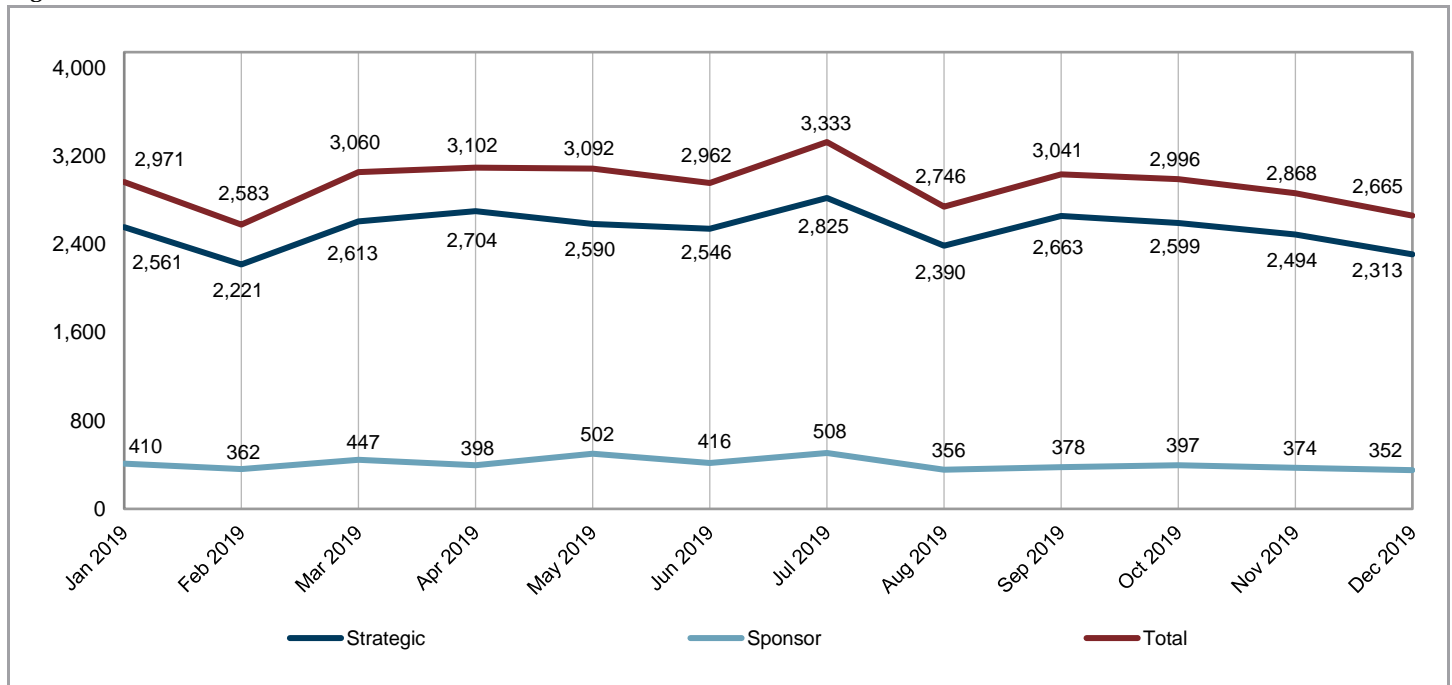


Figure 4A – Global Number of Deals



[Return to Summary](#)

Figure 5A – Inbound U.S. Crossborder Transactions

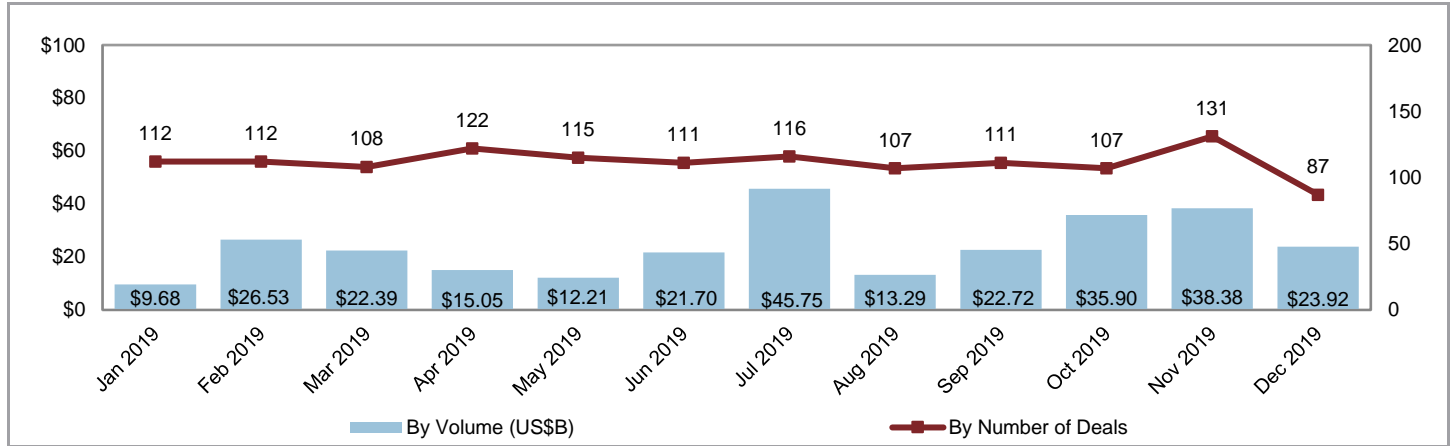


Figure 6A – Outbound U.S. Crossborder Transactions

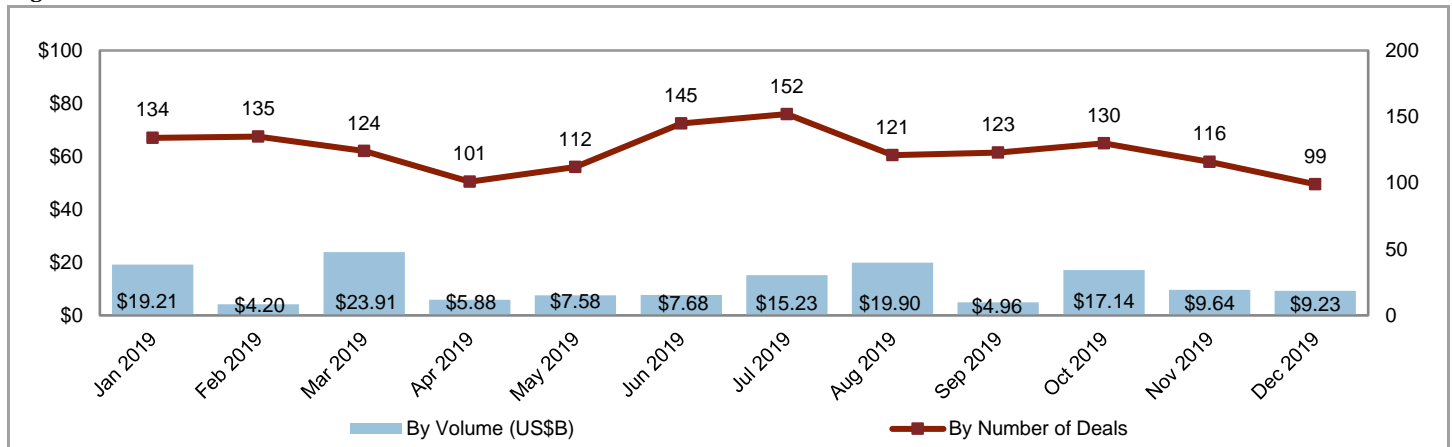


Figure 7A – Global Crossborder Transactions

