

## February 2020, Issue 95

2020 got off to a slow start in terms of global M&A activity, which declined across all measures in January. Globally, the number of deals decreased by 14.2%, to 2,503, while total deal value<sup>1</sup> decreased by 52.8%, to \$168.73 billion—the lowest global deal value since February 2013. U.S. M&A activity, on the other hand, was mixed, with the number of deals increasing by 17.9%, to 763, while total deal value decreased by 38.4%, to \$76.04 billion. Average deal value decreased overall—falling by 47.8% in the U.S., to \$99.65 million, and by 45.0% globally, to \$67.41 million. [Figure 1](#). The considerable decline in global dealmaking comes at a time of growing fears of a global health pandemic related to the outbreak of the coronavirus as well as increased stock market volatility.

### Strategic vs. Sponsor Activity

Strategic and sponsor activity generally declined in January, however, the number of strategic and sponsor deals increased in the U.S. The number of strategic deals in the U.S. increased by 19.4% to 584 but decreased globally by 15.3% to 2,161. Strategic deal volume as measured by dollar value decreased by 42.3% to \$55.25 billion in the U.S. and decreased by 53.4% to \$128.28 billion globally. While the number of sponsor-related deals increased by 13.3% to 179 in the U.S., the number of such deals decreased by 6.6% to 342 globally. Sponsor-related volume by dollar value decreased by 25.2% to \$20.76 billion in the U.S. and decreased by 50.8% to \$40.46 billion globally. [Figure 1](#) and Annex [Figures 1A–4A](#).

### Crossborder Activity

Global crossborder activity was mixed in January, decreasing in dollar value by 37.9% to \$50.13 billion, and number by 13.4% to 569. U.S. inbound activity as measured by dollar value decreased by 14.2% to \$18.58 billion, and the number of U.S. inbound crossborder deals increased in January by 30.2% to 112. U.S. outbound activity as measured by dollar value increased by 37.6% to \$12.20 billion and the number of U.S. outbound crossborder deals remained constant at 105. [Figure 1](#) and Annex [Figures 5A–7A](#).

Germany was the leading country for U.S. inbound activity in January by total dollar value (\$5.94 billion), and Canada was the leading country for U.S. inbound activity by total dollar value over the last 12-month period (\$45.35 billion). Canada retained its lead for U.S. inbound activity by number of deals in January (27) and over the last 12-month period (321).

The U.K. was the leading country of destination for U.S. outbound activity by total dollar value in January (\$5.37 billion) and over the last 12 months (\$26.88 billion). The U.K. and Canada were the leading countries of destination for U.S. outbound activity by number of deals in January (14), and the U.K. retained its lead as the leading country of destination for U.S. outbound activity by number of deals over the last 12 months (252). [Figure 3](#).

### U.S. Deals by Industry

Computers and Electronics was the most active target industry in January and over the last 12 months by number of deals (259 and 3,370, respectively) as well as the most active target industry by dollar value in January and over the last 12 months (\$24.09 billion and \$414.28 billion, respectively). [Figure 2](#).

### U.S. Public Mergers

As for U.S. public merger deal terms in January 2020, average reverse break fees were significantly below their 12-month levels (at 3.8% compared to 5.6%), reaching almost parity with the average target break fees (at 3.7% compared to 3.6% for the 12-month average). No deals contained a go-shop provision in January 2020, while 12.5% of deals contained a go-shop provision over the last 12 months. [Figures 6, 7](#) and [8](#). Cash transactions comprised 28.6% of U.S. public mergers, below the 53.9% 12-month average. [Figure 9](#). Hostile or unsolicited transactions comprised 22.2% of U.S. public mergers in January 2020, which is significantly higher than the 12-month average of 12.6% 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.

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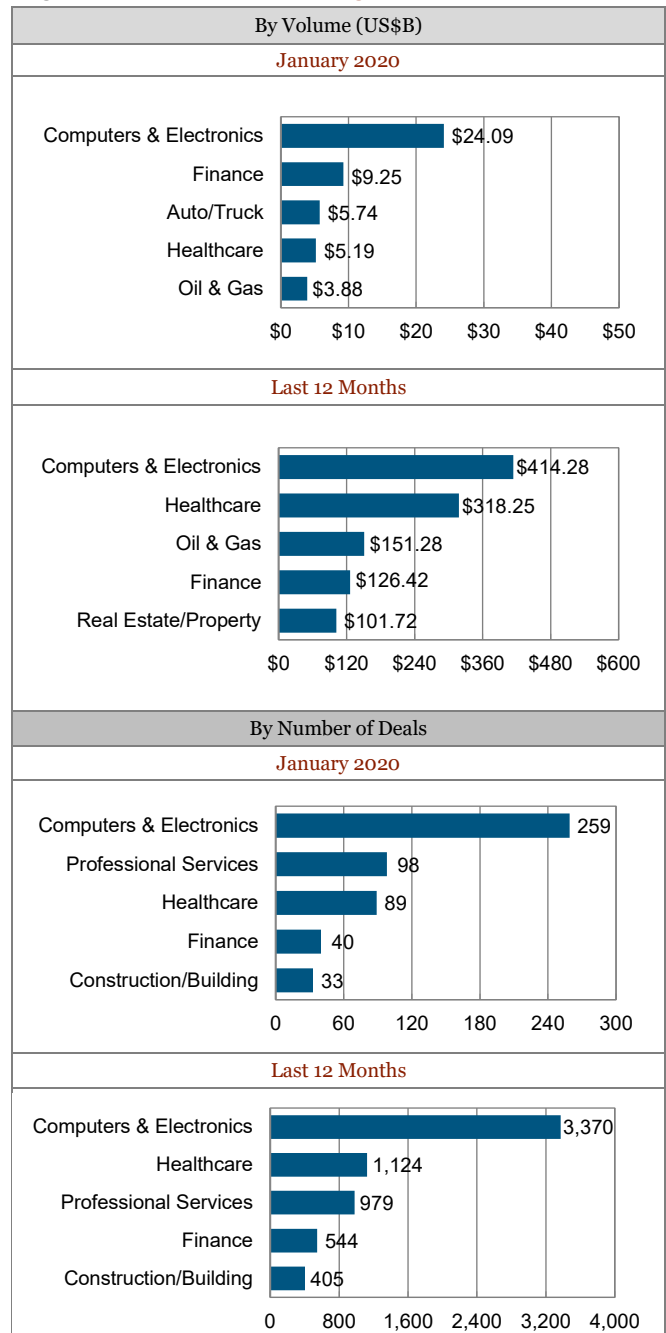
## M&A Activity

Figure 1

January 2020	Global	+/- From Prior Month	U.S.	+/- From Prior Month
<b>Total</b>				
Volume (US\$B)	168.73	(188.53)	76.04	(47.48)
No. of deals	2,503	(414)	763	116
Avg. value of deals (US\$mil)	67.4	(55.1)	99.7	(91.3)
<b>Strategic Transactions</b>				
Volume (US\$B)	128.28	(146.80)	55.25	(40.50)
No. of deals	2,161	(390)	584	95
Avg. value of deals (US\$mil)	59.4	(48.5)	94.6	(101.2)
<b>Sponsor-Related Transactions</b>				
Volume (US\$B)	40.46	(41.72)	20.78	(6.97)
No. of deals	342	(24)	179	21
Avg. value of deals (US\$mil)	118.3	(106.2)	116.1	(59.6)
<b>Crossborder Transactions<sup>1</sup></b>				
Volume (US\$B)	50.13	(30.62)	Inbound 18.58 Outbound 12.20	Inbound (3.08) Outbound 3.34
No. of deals	569	(88)	Inbound 112 Outbound 105	Inbound 26 Outbound 0
Avg. value of deals (US\$mil)	88.1	(34.8)	Inbound 165.9 Outbound 116.2	Inbound (86) Outbound 31.8

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 February 10, 2020 unless otherwise specified. "Last 12 Months" data is for the period from February 2019 to January 2020 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>

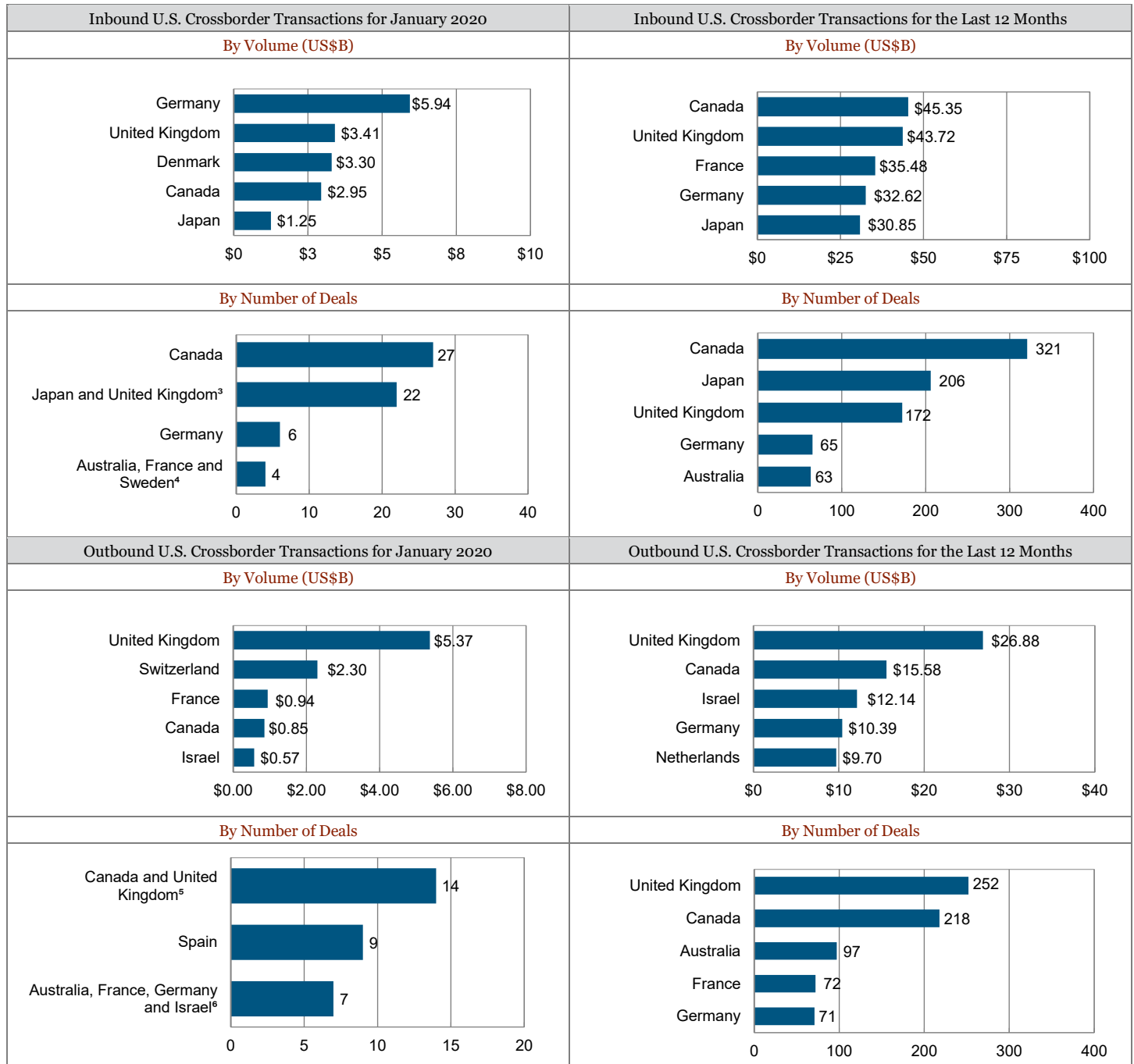


<sup>1</sup> Global crossborder transactions are those where the acquirer and the target have different nationalities. Nationality is based on where a company has either its headquarters or a majority of its operations. U.S. crossborder transactions are those transactions where the acquirer and the target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

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



<sup>3</sup> Each of Japan and the United Kingdom was the country of origin for 22 transactions in January 2020.  
<sup>4</sup> Each of Australia, France and Sweden was the country of origin for four transactions in January 2020.  
<sup>5</sup> Each of Canada and the United Kingdom was the country of destination for 14 transactions in January 2020.  
<sup>6</sup> Each of Australia, France, Germany and Israel was the country of destination for seven transactions in January 2020.

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

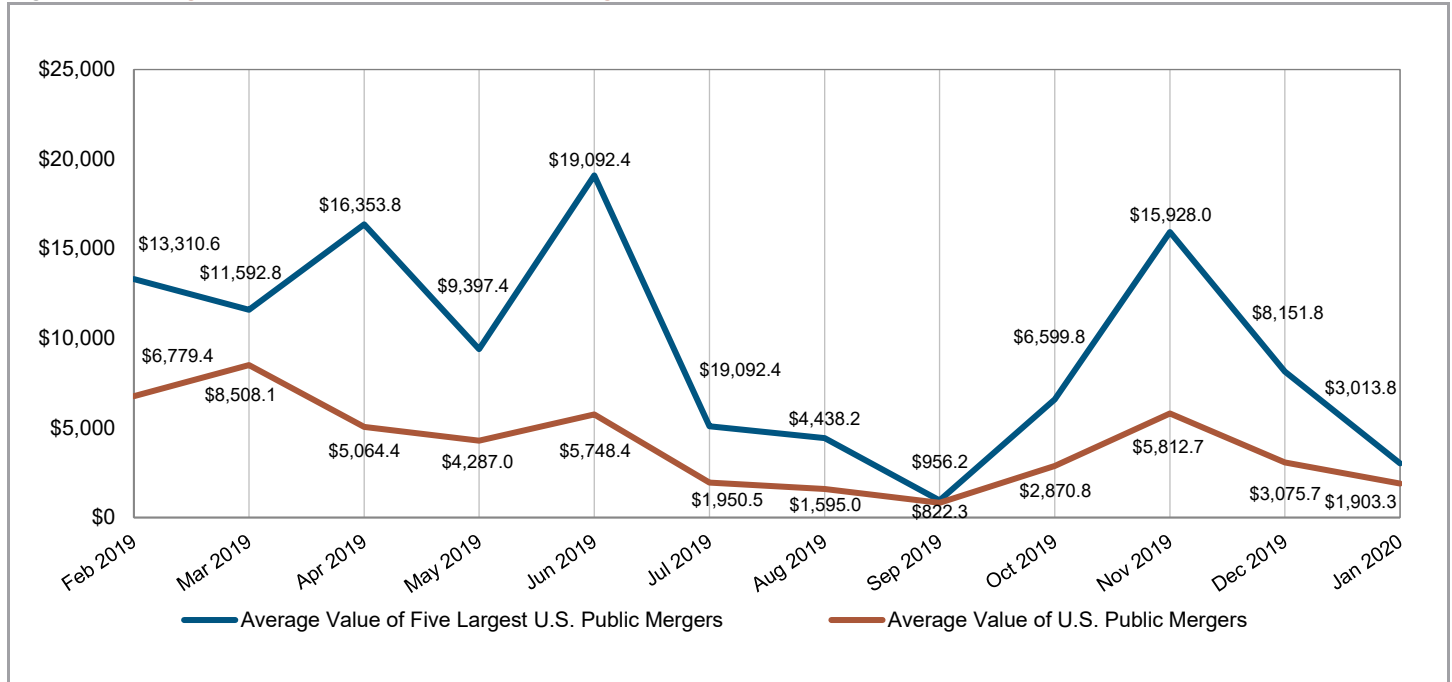
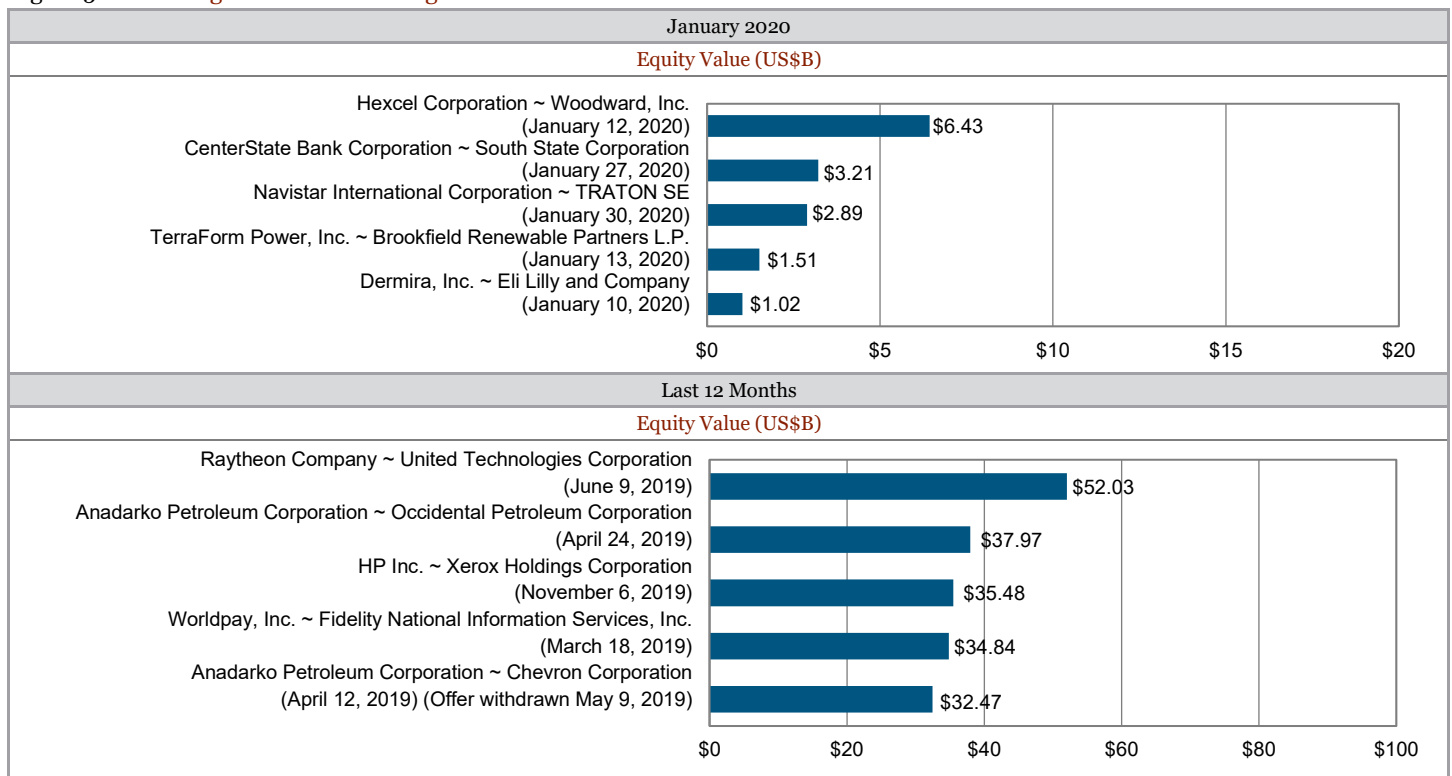


Figure 5 – Five Largest U.S. Public Mergers



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## M&A Terms

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

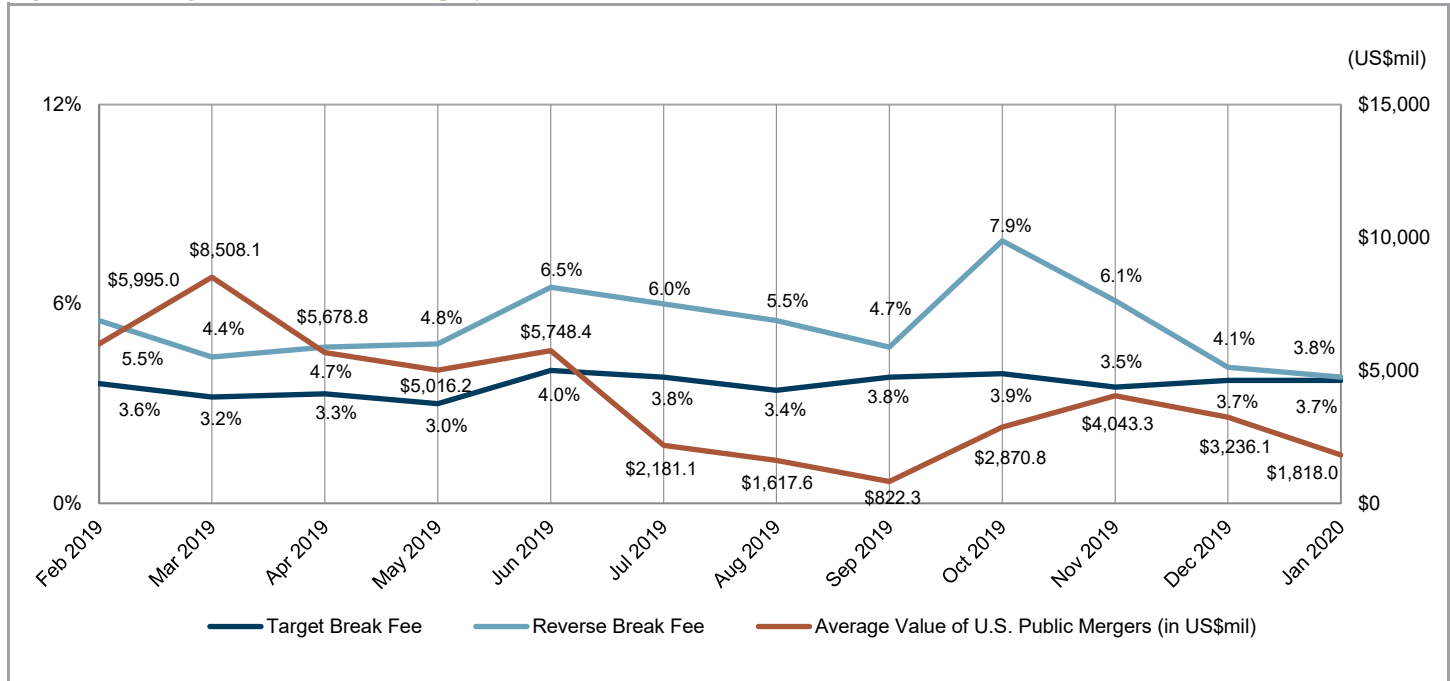


Figure 7 – Average Break Fees as % of Equity Value<sup>8</sup>

	January 2020	Last 12 Months
Target Break Fee for All Mergers <sup>9</sup>	3.7	3.6

	January 2020	Last 12 Months
Reverse Break Fee for All Mergers <sup>10</sup>	3.8	5.6
Reverse Break Fee for Mergers Involving Financial Buyers <sup>11</sup>	N/A	6.7
Reverse Break Fee for Mergers Involving Strategic Buyers <sup>12</sup>	3.8	4.8

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>7</sup> Based on the highest target break fees and reverse break fees payable in a particular deal.

<sup>8</sup> Financial and strategic categories are determined by Deal Point Data.

<sup>9</sup> Seven transactions in January 2020 had a target break fee.

<sup>10</sup> Three transactions in January 2020 had a reverse break fee.

<sup>11</sup> Zero transactions in January 2020 involved a financial buyer.

<sup>12</sup> Three transactions in January 2020 involving a strategic buyer had a reverse break fee.

<sup>13</sup> Financial and strategic categories are determined by Deal Point Data.

<sup>14</sup> Zero transactions in January 2020 involved a financial buyer.

<sup>15</sup> Seven transactions in January 2020 involved a strategic buyer.

<sup>16</sup> Zero transactions in January 2020 had a go-shop provision.

Figure 8 – U.S. Public Merger Go-Shop Provisions<sup>13</sup>

	January 2020	Last 12 Months
% of Mergers with Go-Shops	0.0	12.5
% of Mergers Involving Financial Buyers with Go-Shops <sup>14</sup>	N/A	45.5
% of Mergers Involving Strategic Buyers with Go-Shops <sup>15</sup>	0.0	3.4
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops <sup>16</sup>	N/A	34.9
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops	N/A	35.2
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops	N/A	33.8

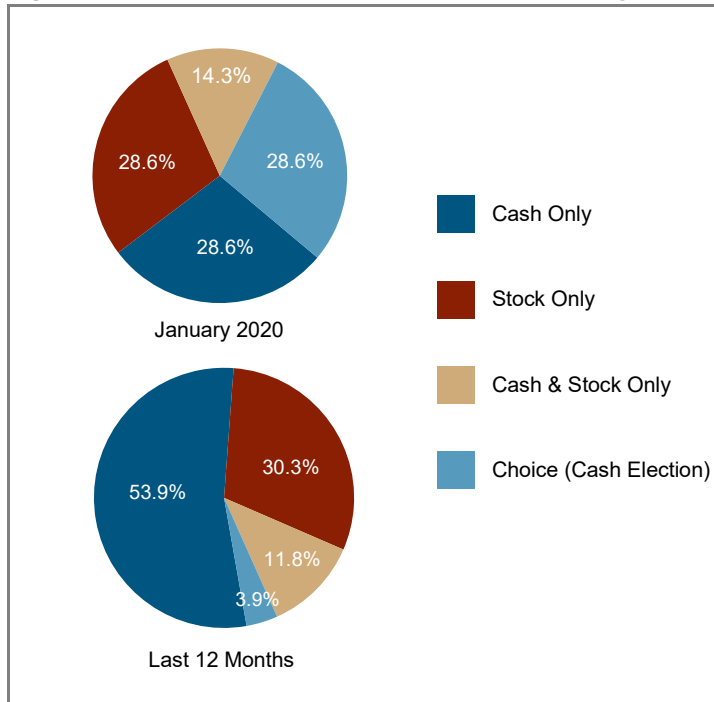
[Return to Summary](#)Figure 9 – Form of Consideration as % of U.S. Public Mergers<sup>17</sup>

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

January 2020 <sup>18</sup>	100.0
Last 12 Months	95.7

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

January 2020	28.6
Last 12 Months	17.8

Figure 12 – Hostile/Unsolicited Offers as % of U.S. Public Mergers<sup>19</sup>

January 2020	22.2
Last 12 Months	12.6

<sup>17</sup> Due to rounding, percentages may not add up to 100%.<sup>18</sup> There were three partial or all stock transactions in January 2020.<sup>19</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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## M&A Activity – 12-Month Trends

Figure 1A – U.S. Deal Volume (US\$B)

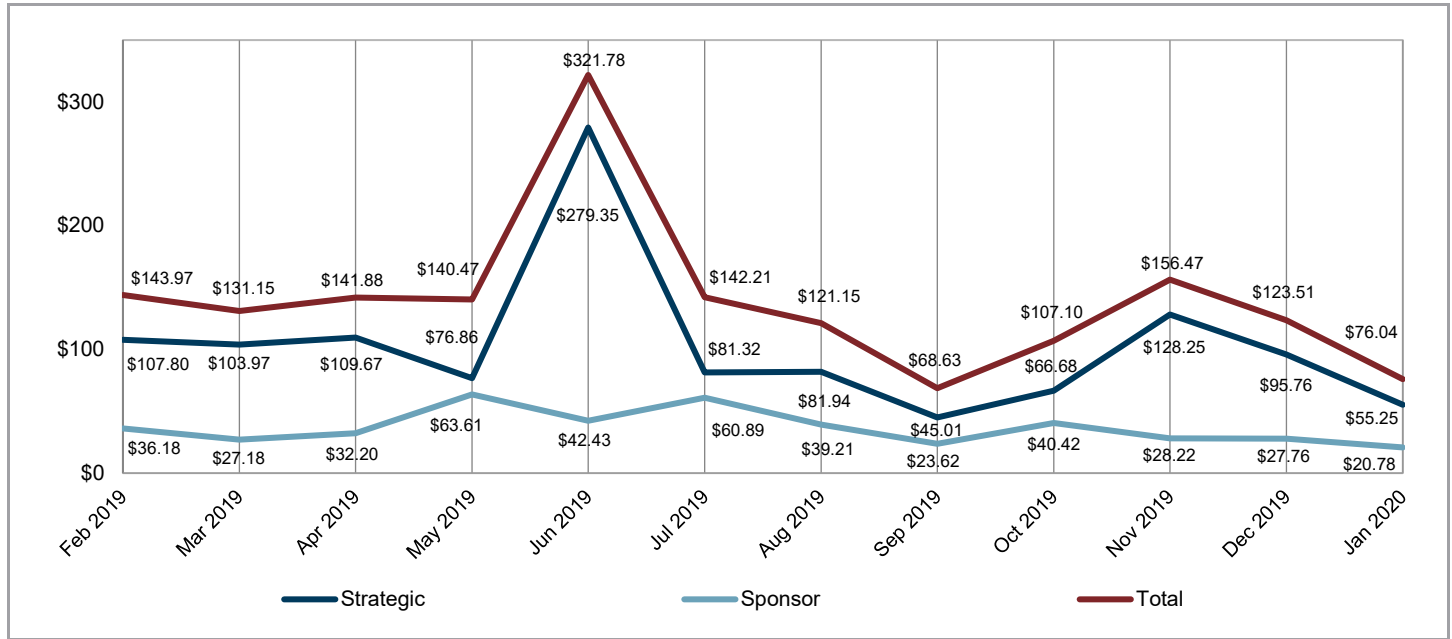
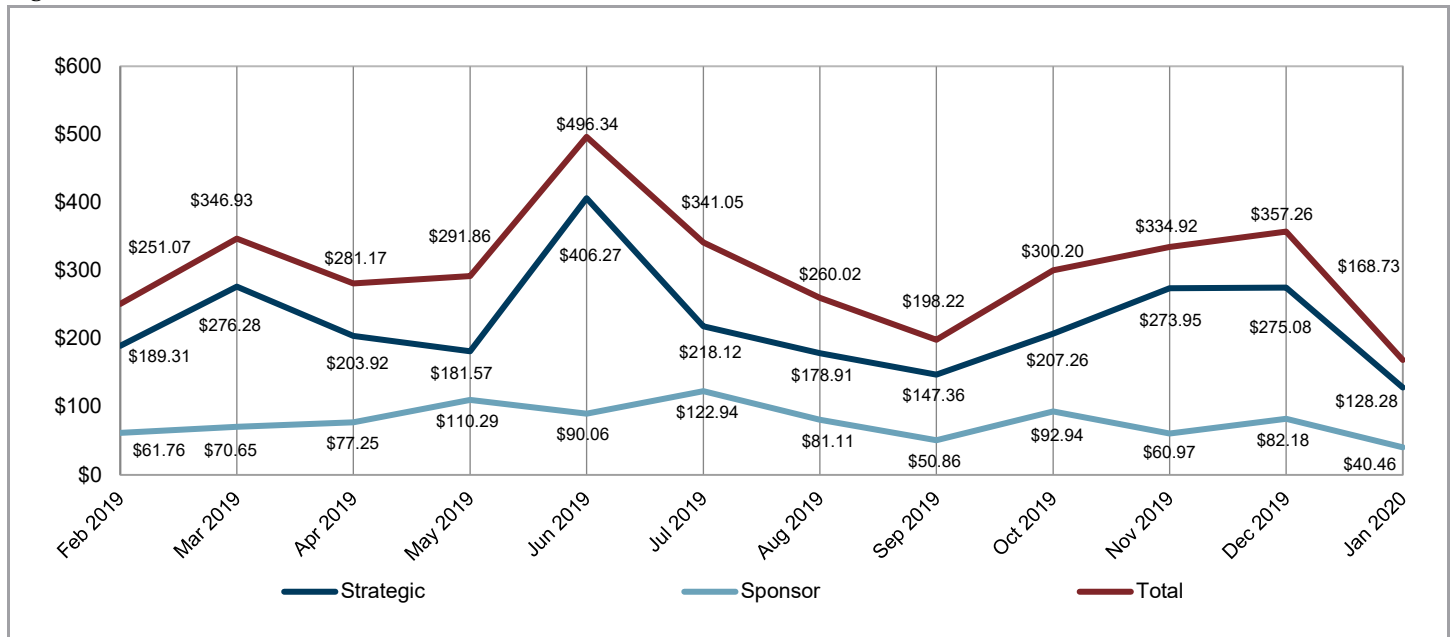


Figure 2A – Global Deal Volume (US\$B)





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Figure 3A – U.S. Number of Deals

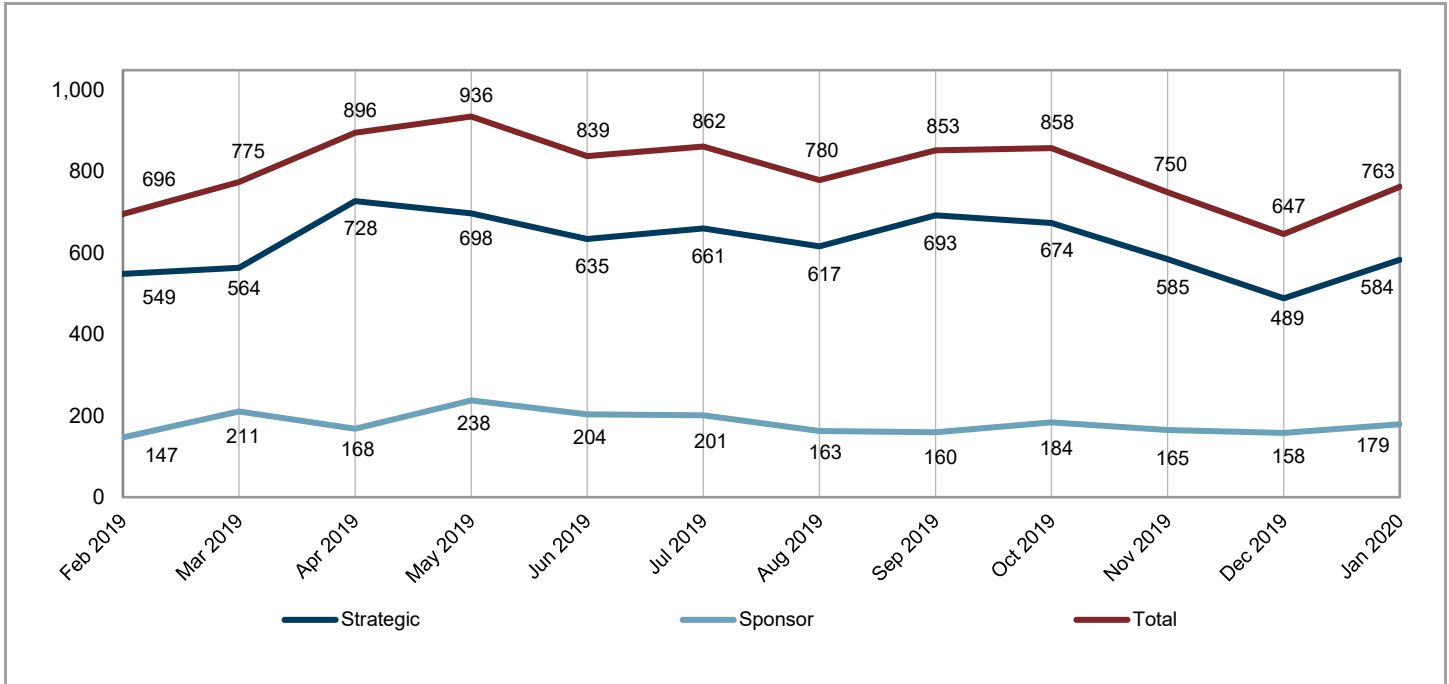
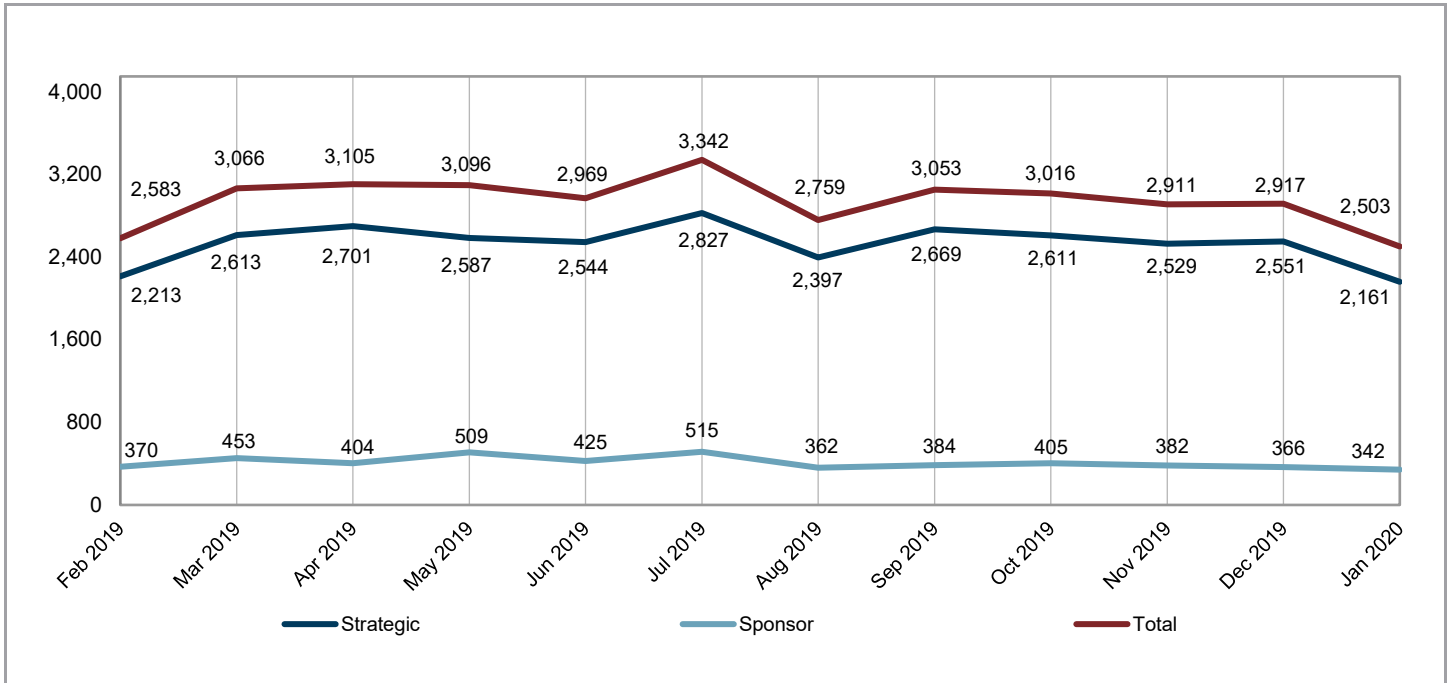


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

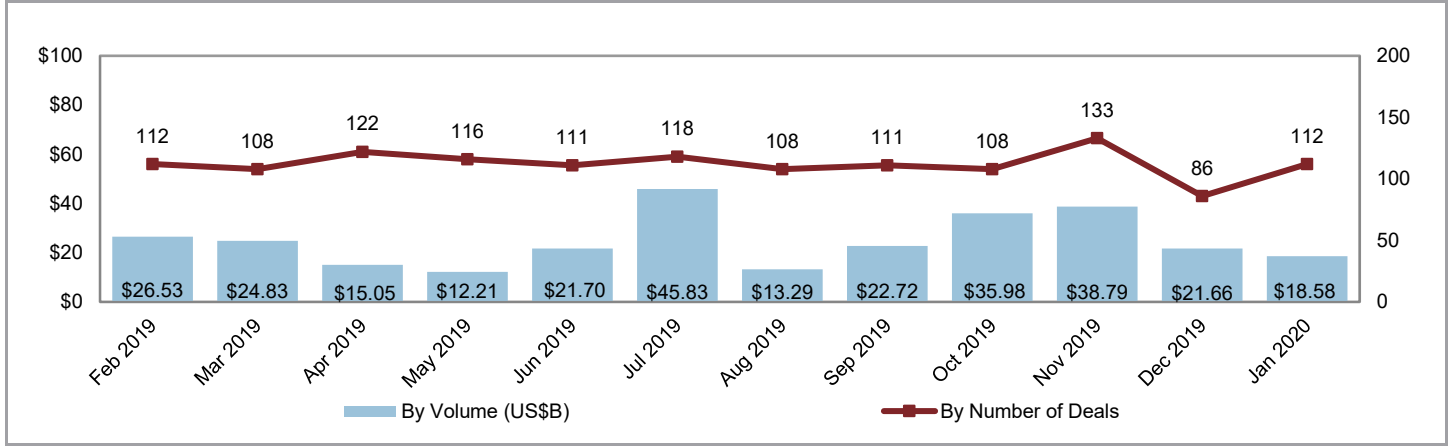


Figure 6A – Outbound U.S. Crossborder Transactions

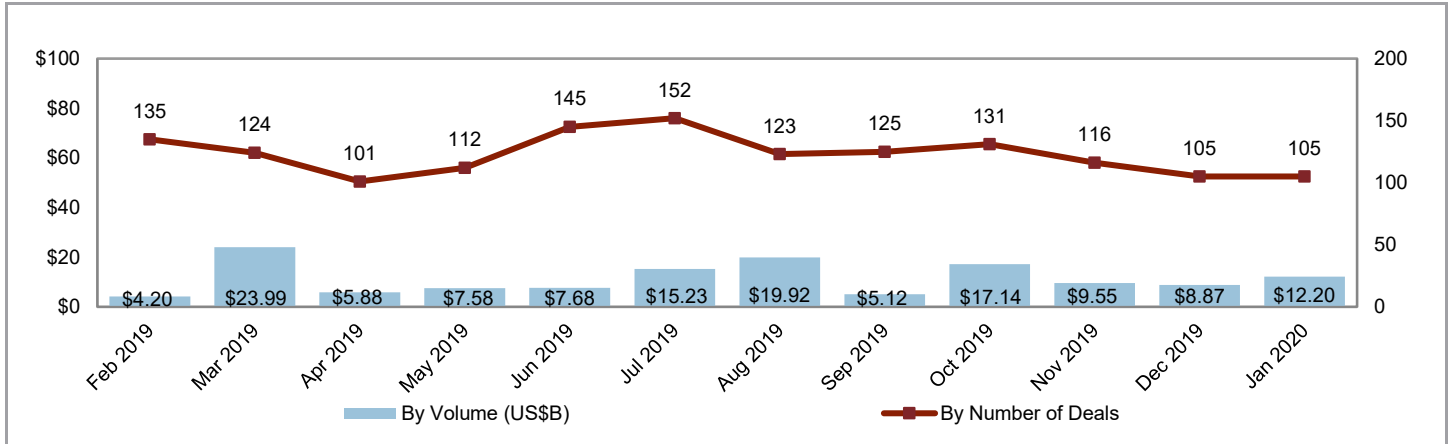


Figure 7A – Global Crossborder Transactions

