

March 2020, Issue 96

M&A activity globally and in the U.S. was mixed in February. Overall, the number of deals continued to decline in both the U.S. and the rest of the world, while total deal value¹ showed signs of recovery relative to the low levels recorded in January. Globally, the number of deals decreased by 14.5%, to 2,344, while the total deal value increased by 44.6%, to \$255.23 billion. U.S. M&A activity was also mixed, with the number of deals decreasing by 17.3%, to 688, while total deal value increased by 28.7%, to \$100.53 billion. Average deal value increased overall—rising by 55.6% in the U.S., to \$146.1 million, and by 69.1% globally, to \$108.9 million. [Figure 1](#). Even the mixed dealmaking activity in February may be a waning trend, as the continued COVID-19 outbreak continues to impact the global economy and financial markets, resulting in an increasingly uncertain outlook for M&A in 2020. For our client memoranda on navigating this crisis, visit our [Coronavirus \(COVID-19\) Resource Center](#).

Strategic vs. Sponsor Activity

Strategic and sponsor activity was also mixed in February. The number of strategic deals decreased by 17.0% to 539 in the U.S. and by 16.5% to 1,995 globally. Meanwhile, strategic deal volume as measured by dollar value increased by 11.2% to \$62.81 billion in the U.S. and by 23.6% to \$161.56 billion globally. The number of sponsor-related deals decreased by 18.6% to 149 in the U.S., but remained relatively flat globally with a slight 0.3% decrease to 349 globally. Sponsor-related volume by dollar value increased by 74.4% to \$37.72 billion in the U.S. and by 104.7% to \$93.67 billion globally. [Figure 1](#) and Annex [Figures 1A–4A](#).

Crossborder Activity

Global crossborder volume fell across multiple measures in February 2020, and the number of crossborder deals fell to 12-month lows, decreasing in dollar value by 3.3% to \$48.99 billion, and in terms of number of deals by 11.2% to 541. U.S. inbound activity as measured by dollar value decreased by 73.3% to \$4.95 billion, and the number of U.S. inbound crossborder deals decreased in February by 28.9% to 86. U.S. outbound activity as measured by dollar value decreased by 50.8% to \$5.97 billion and the number of U.S. outbound crossborder deals decreased by 13.5% to 96. [Figure 1](#) and Annex [Figures 5A–7A](#).

Japan was the leading country for U.S. inbound activity in February by total dollar value (\$1.20 billion), and Canada was the leading country for U.S. inbound activity by total dollar value over the last 12-month period (\$48.79 billion). Canada retained its lead for U.S. inbound activity by number of deals in February (22) and over the last 12-month period (318).

Australia was the leading country of destination for U.S. outbound activity in February by total dollar value (\$1.86 billion), whereas the U.K. was the leading country for U.S. outbound activity by total dollar value over the last 12-month period (\$28.36 billion). The U.K. was the leading country of destination for U.S. outbound activity by number of deals in February (18), and retained its lead as the leading country of destination for U.S. outbound activity by number of deals over the last 12 months (249). [Figure 3](#).

U.S. Deals by Industry

Computers and Electronics was the most active target industry in February and over the last 12 months by number of deals (259 and 3,416, respectively) as well as the most active target industry by dollar value in February and over the last 12 months (\$31.67 billion and \$416.44 billion, respectively). [Figure 2](#).

U.S. Public Mergers

As for U.S. public merger deal terms in February 2020, average reverse break fees were below their 12-month levels (at 4.5% compared to 5.5%), while February average target break fees were below their 12-month average (at 3.2% compared to 3.6%). 25.0% of deals contained a go-shop provision in February 2020, while 12.5% of deals contained a go-shop provision over the last 12 months. [Figures 6, 7 and 8](#). Cash transactions comprised 62.5% of U.S. public mergers, above the 53.9% 12-month average. [Figure 9](#). Notably, there were no tender offers for U.S. public mergers in February, compared with the 12-month average of 17.1% of deals. [Figure 11](#). Hostile or unsolicited transactions comprised 11.1% of U.S. public mergers in February 2020, lower than the 12-month average of 12.0% 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](#)

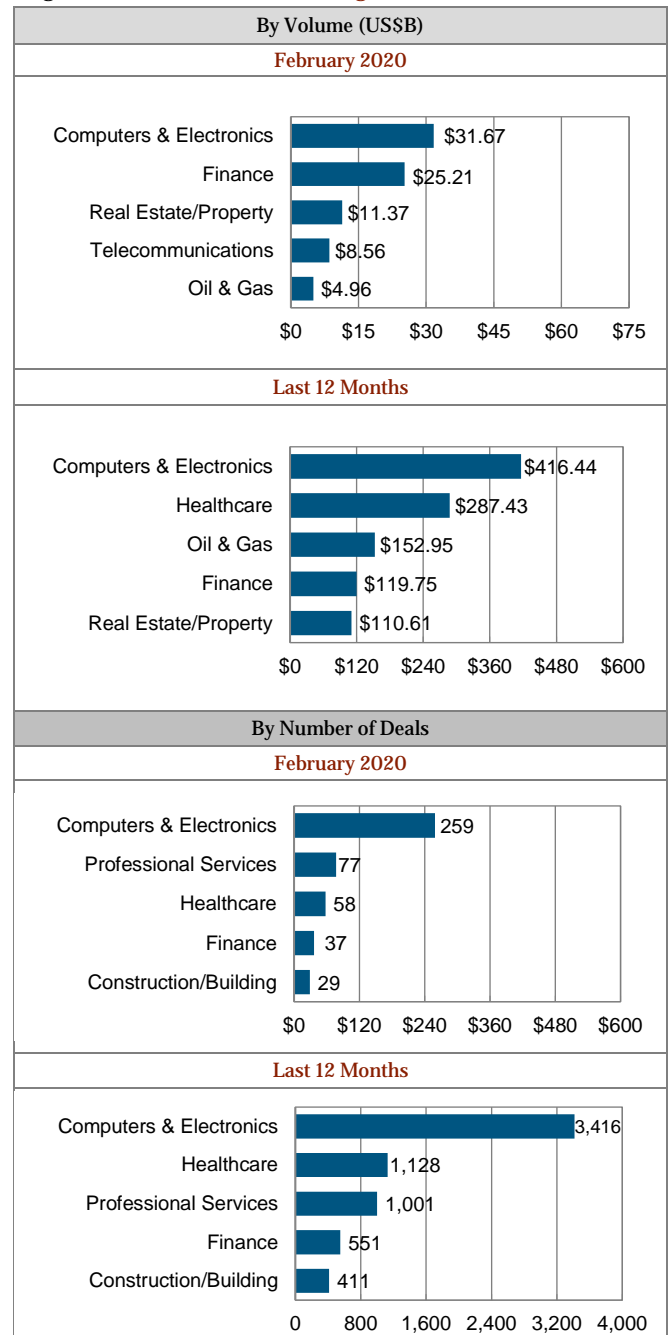
M&A Activity

Figure 1

February 2020	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	255.23	78.71	100.53	22.40
No. of deals	2,344	(396)	688	(144)
Avg. value of deals (US\$mil)	108.9	44.5	146.1	52.2
Strategic Transactions				
Volume (US\$B)	161.56	30.81	62.81	6.31
No. of deals	1,995	(395)	539	(110)
Avg. value of deals (US\$mil)	81.0	26.3	116.5	29.5
Sponsor-Related Transactions				
Volume (US\$B)	93.67	47.91	37.72	16.09
No. of deals	349	(1)	149	(34)
Avg. value of deals (US\$mil)	268.4	137.6	253.1	135.0
Crossborder Transactions¹				
Volume (US\$B)	48.99	(1.66)	Inbound 4.95 Outbound 5.97	Inbound (13.59) Outbound (6.17)
No. of deals	541	(68)	Inbound 86 Outbound 96	Inbound (35) Outbound (15)
Avg. value of deals (US\$mil)	90.6	7.4	Inbound 57.5 Outbound 62.2	Inbound (95.7) Outbound (47.2)

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 March 10, 2020 unless otherwise specified. "Last 12 Months" data is for the period from March 2019 to February 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 Industries²

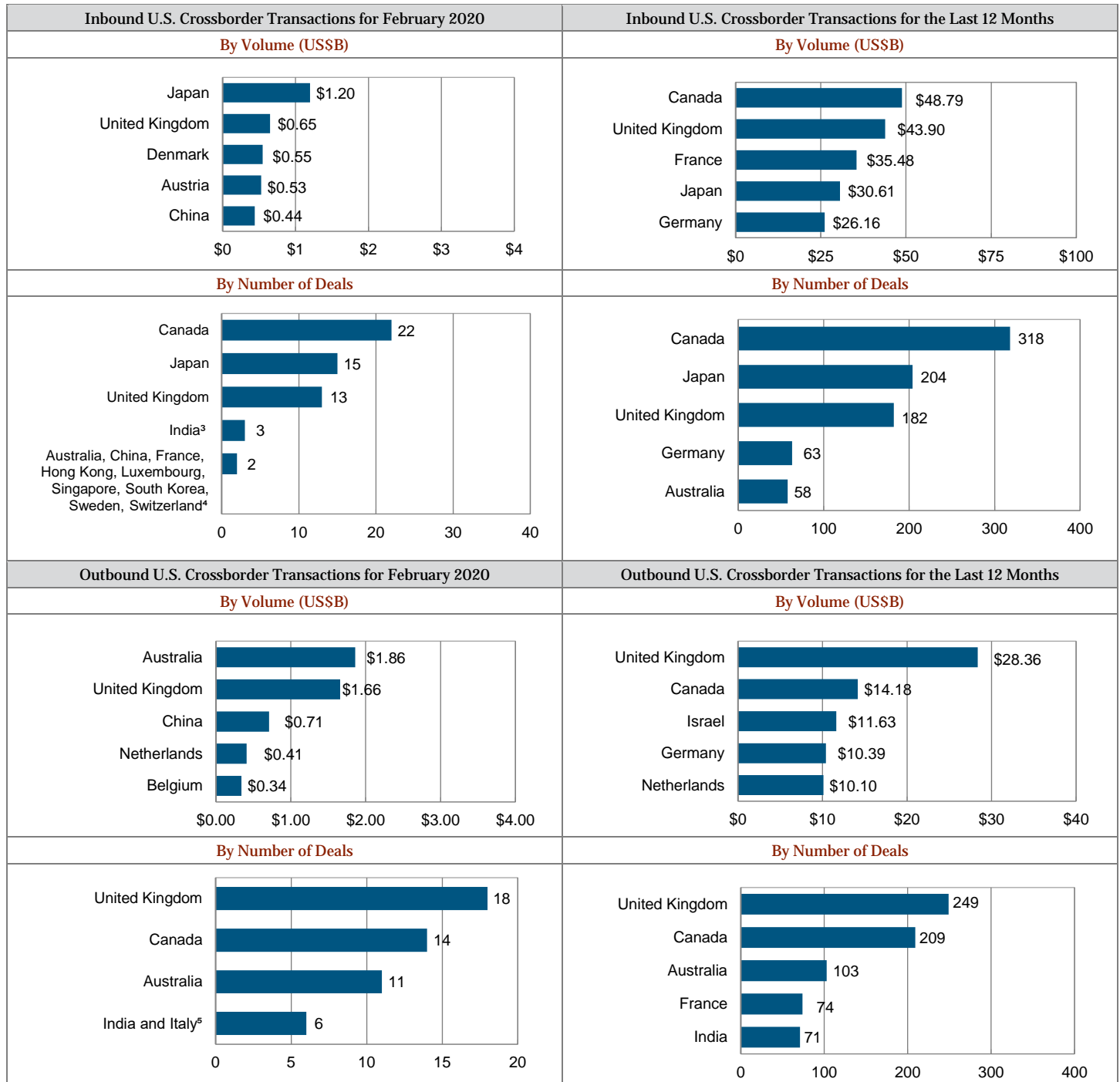


¹ Global crossborder transactions are those where the acquirer and the target have different nationalities. Nationality is based on where a company has either its headquarters or a majority of its operations. U.S. crossborder transactions are those transactions where the acquirer and the target have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

[Return to Summary](#)

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



³ There were a total of four inbound U.S. cross border transactions involving private individual acquirers with “unknown” origin in February 2020.

⁴ Each of Australia, China, France, Hong Kong, Luxembourg, Singapore, South Korea, Sweden and Switzerland was the country of origin for two transactions in February 2020.

⁵ Each of India and Italy was the country of origin for six transactions in February 2020.

[Return to Summary](#)

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

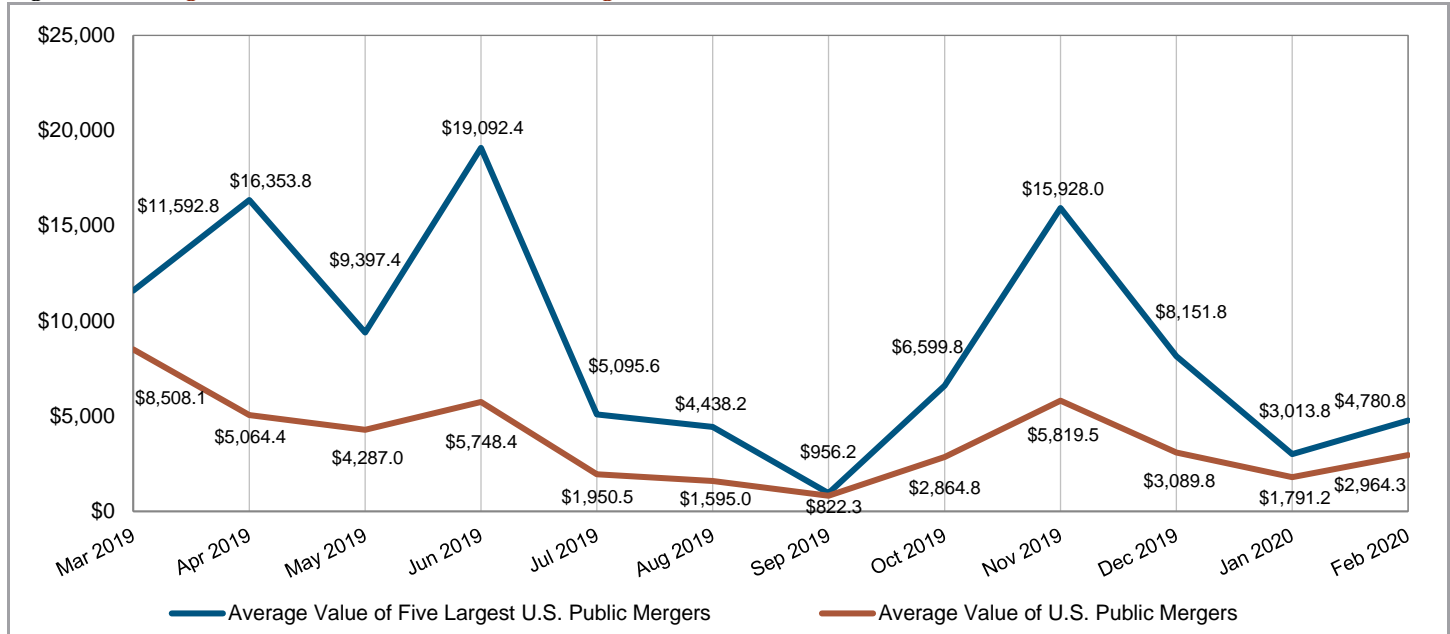
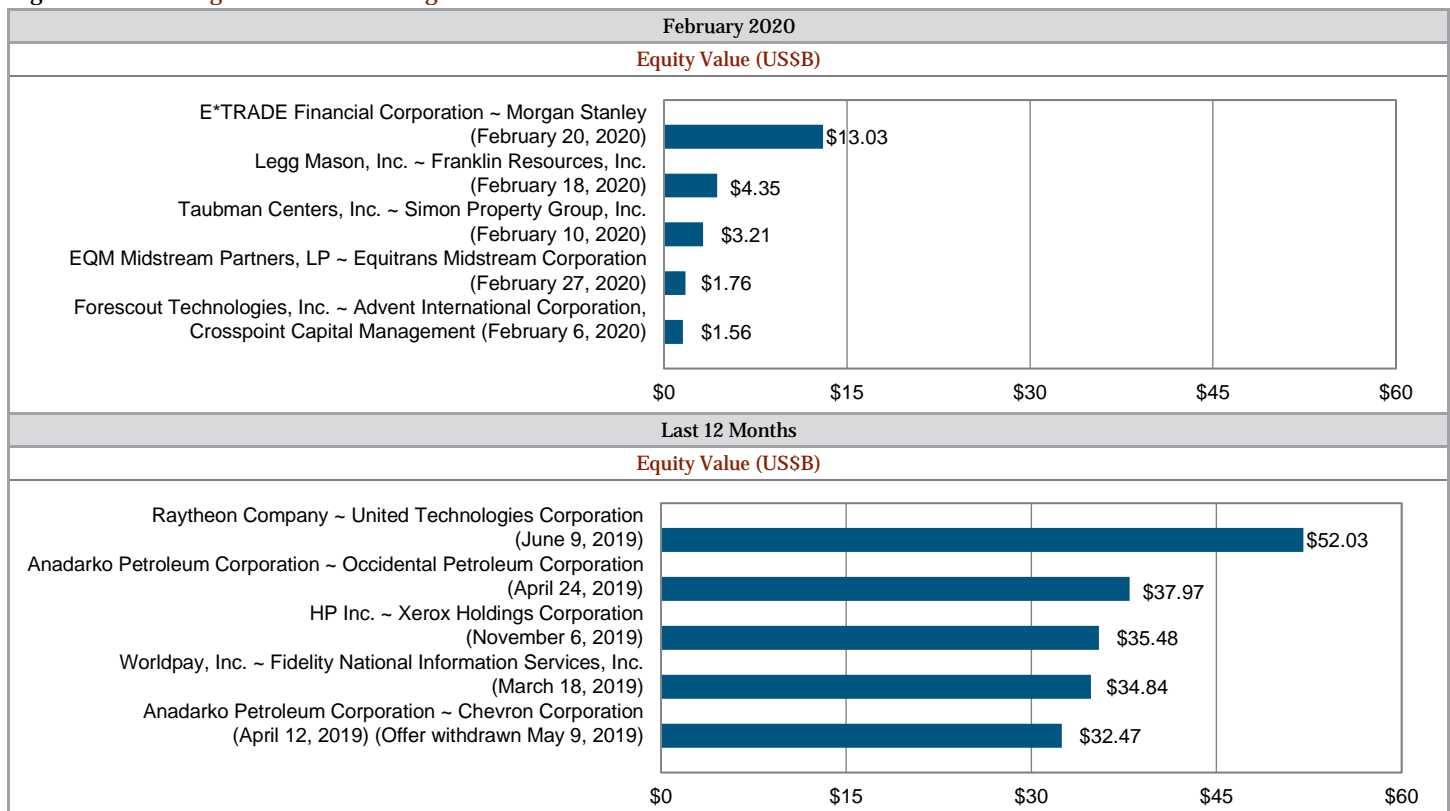


Figure 5 – Five Largest U.S. Public Mergers



[Return to Summary](#)

M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁶

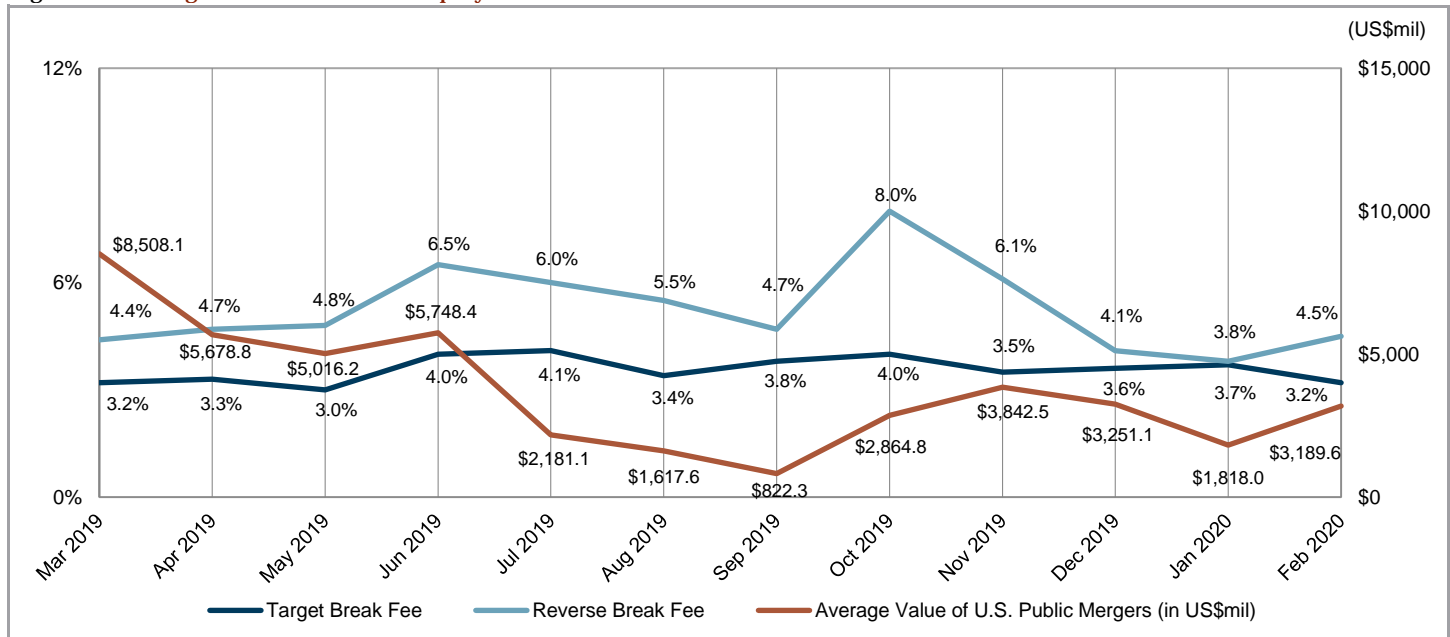


Figure 7 – Average Break Fees as % of Equity Value⁷

	February 2020	Last 12 Months
Target Break Fee for All Mergers ⁸	3.2	3.6

	February 2020	Last 12 Months
Reverse Break Fee for All Mergers ⁹	4.5	5.5
Reverse Break Fee for Mergers Involving Financial Buyers ¹⁰	7.2	6.6
Reverse Break Fee for Mergers Involving Strategic Buyers ¹¹	3.6	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.

Figure 8 – U.S. Public Merger Go-Shop Provisions¹²

	February 2020	Last 12 Months
% of Mergers with Go-Shops	25.0	12.5
% of Mergers Involving Financial Buyers with Go-Shops ¹³	100.0	45.2
% of Mergers Involving Strategic Buyers with Go-Shops ¹⁴	14.3	4.1
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ¹⁵	37.5	34.4
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ¹⁶	30.0	33.8
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ¹⁷	45.0	36.0

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 February 2020 had a target break fee.

⁹ Four transactions in February 2020 had a reverse break fee.

¹⁰ One transaction in February 2020 involving a financial buyer had a reverse break fee.

¹¹ Three transactions in February 2020 involving a strategic buyer had a reverse break fee.

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

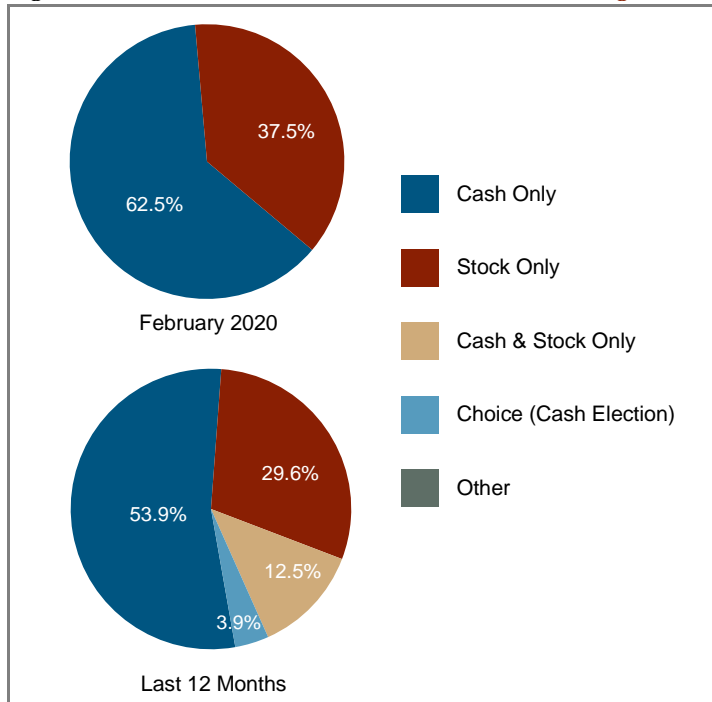
¹³ One transaction in February 2020 involved a financial buyer.

¹⁴ Seven transactions in February 2020 involved a strategic buyer.

¹⁵ Two transactions in February 2020 had a go-shop provision.

¹⁶ One transaction in February 2020 involving a financial buyer had a go-shop provision.

¹⁷ One transaction in February 2020 involving a strategic buyer had a go-shop provision.

[Return to Summary](#)**Figure 9 – Form of Consideration as % of U.S. Public Mergers¹⁸****Figure 10 – % of Partial and All Stock Deals That Have a Fixed Exchange Ratio**

February 2020 ¹⁹	100.0
Last 12 Months	97.1

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

February 2020	0.0
Last 12 Months	17.1

Figure 12 – Hostile/Unsolicited Offers as % of U.S. Public Mergers²⁰

February 2020	11.1
Last 12 Months	12.0

¹⁸ Due to rounding, percentages may not add up to 100%.

¹⁹ There were three partial or all stock transactions in February 2020.

²⁰ 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 Medicines Company in its \$9.7 billion sale to Novartis; 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 \$3.7 billion sale to Natura & Co.; KPS Capital Partners in its \$1.8 billion acquisition of Howden from Colfax; Ingersoll-Rand in the \$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:

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 F. Mi and associates Feiran Felicia Chen, Logan DeSouza, Vincent P. Iacono, Jade Magalhaes, Eliana Wasser, Ceecee Q. Yao and law clerks Stacy Hwang and Allyson N. Kaleita contributed to this publication.

Our M&A Partners

[Matthew W. Abbott](#)

[Neil Goldman](#)

[Carl L. Reisner](#)

[Michael Vogel](#)

[Edward T. Ackerman](#)

[Bruce A. Gutenplan](#)

[Justin Rosenberg](#)

[Ramy J. Wahbeh](#)

[Scott A. Barshay](#)

[David K. Lakhdhir](#)

[Kenneth M. Schneider](#)

[Steven J. Williams](#)

[Angelo Bonvino](#)

[John E. Lange](#)

[Robert B. Schumer](#)

[Betty Yap](#)

[Ellen N. Ching](#)

[Brian C. Lavin](#)

[John M. Scott](#)

[Kaye N. Yoshino](#)

[Rachael G. Coffey](#)

[Xiaoyu Greg Liu](#)

[Brian Scrivani](#)

[Tong Yu](#)

[Ariel J. Deckelbaum](#)

[Jeffrey D. Marell](#)

[Kyle T. Seifried](#)

[Taurie M. Zeitzer](#)

[Ross A. Fieldston](#)

[Alvaro Membrillera](#)

[Sarah Stasny](#)

[Brian P. Finnegan](#)

[Judie Ng Shortell](#)

[Tarun M. Stewart](#)

[Adam M. Givertz](#)

[Kelley D. Parker](#)

[Laura C. Turano](#)

[Return to Summary](#)

M&A Activity – 12-Month Trends

Figure 1A – U.S. Deal Volume (US\$B)

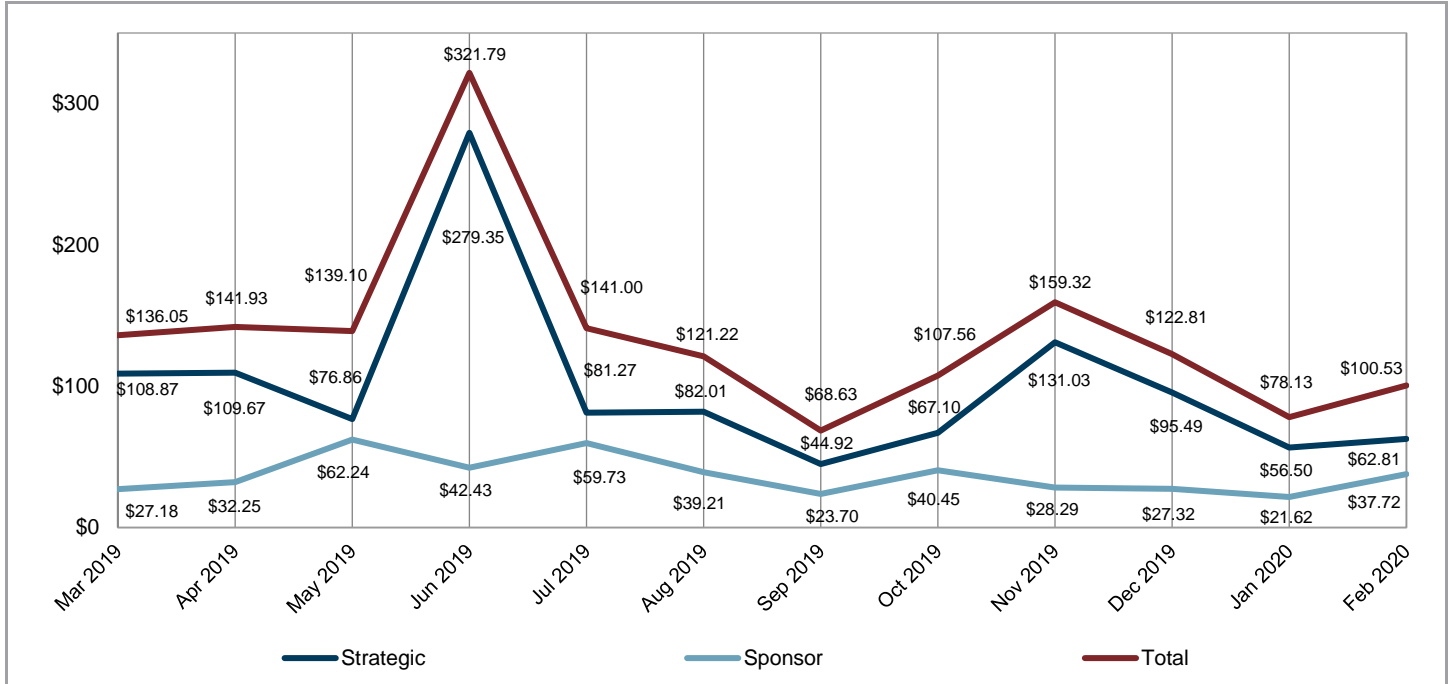
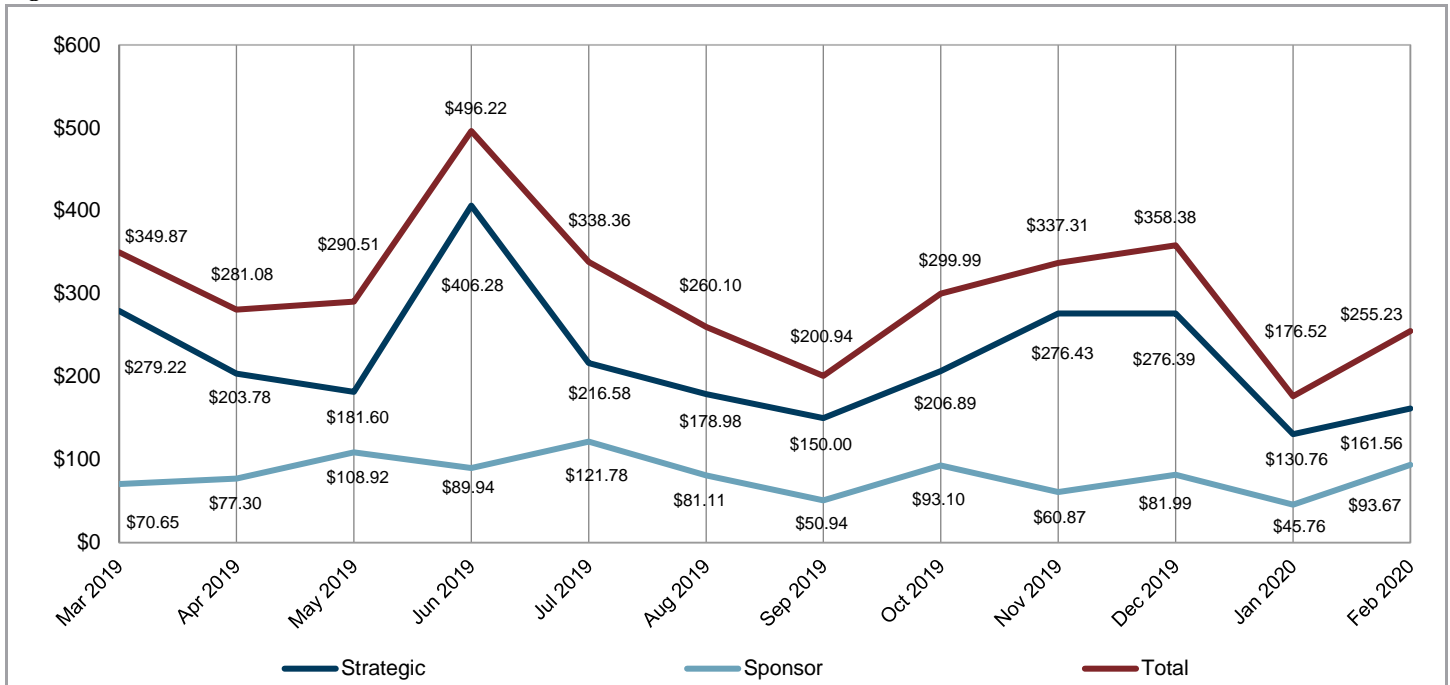


Figure 2A – Global Deal Volume (US\$B)



[Return to Summary](#)

Figure 3A – U.S. Number of Deals

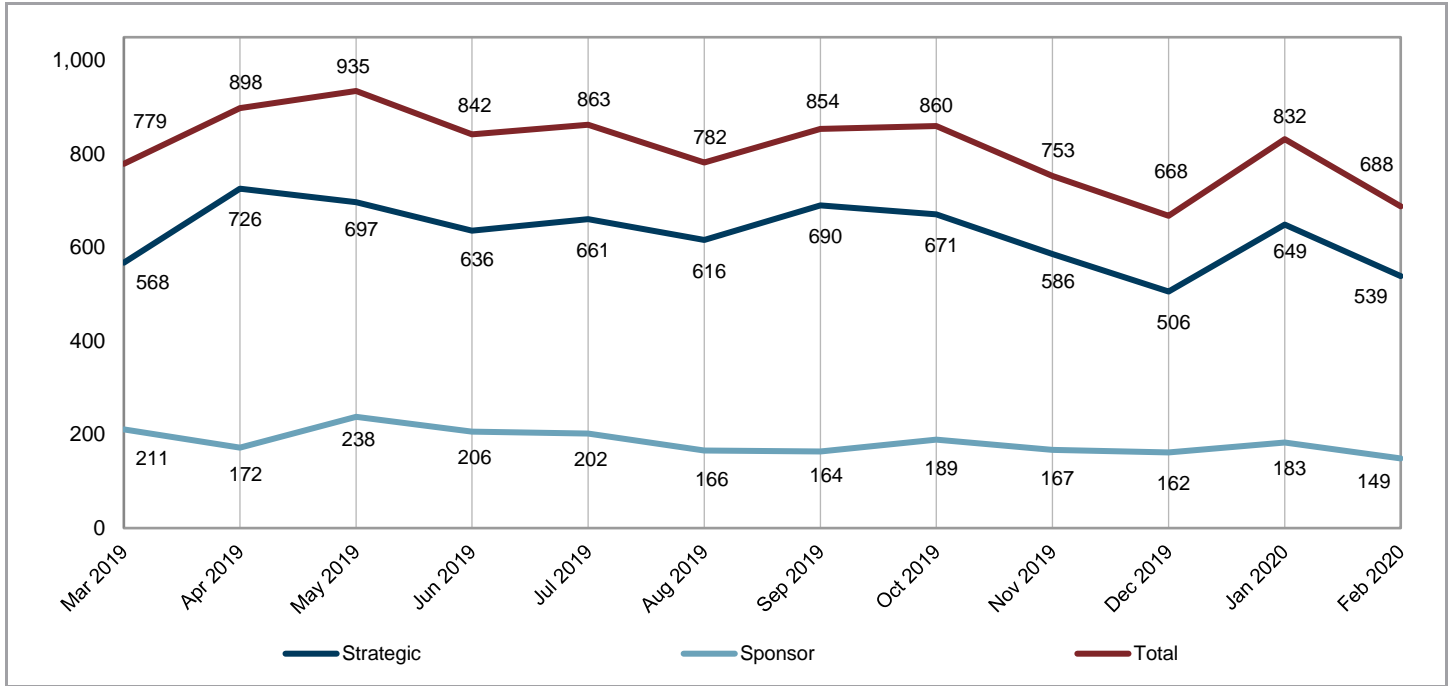
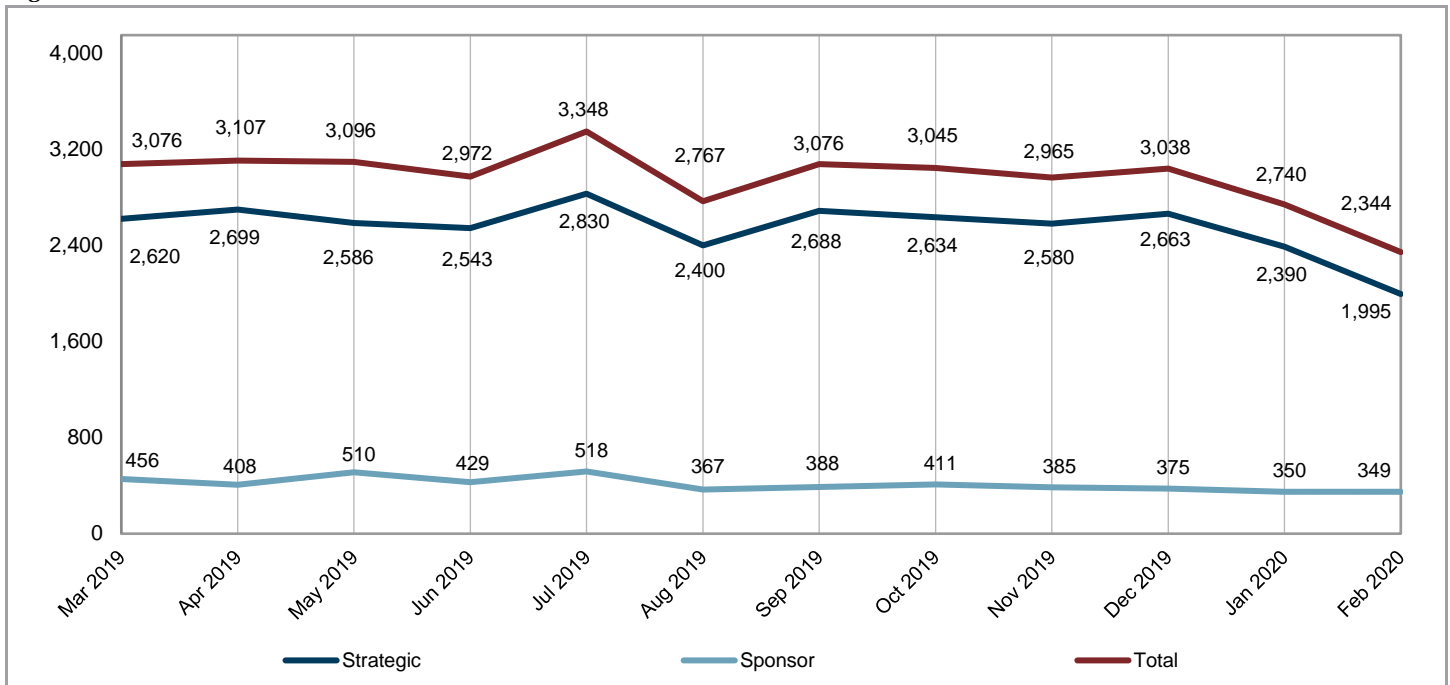


Figure 4A – Global Number of Deals



[Return to Summary](#)

Figure 5A – Inbound U.S. Crossborder Transactions

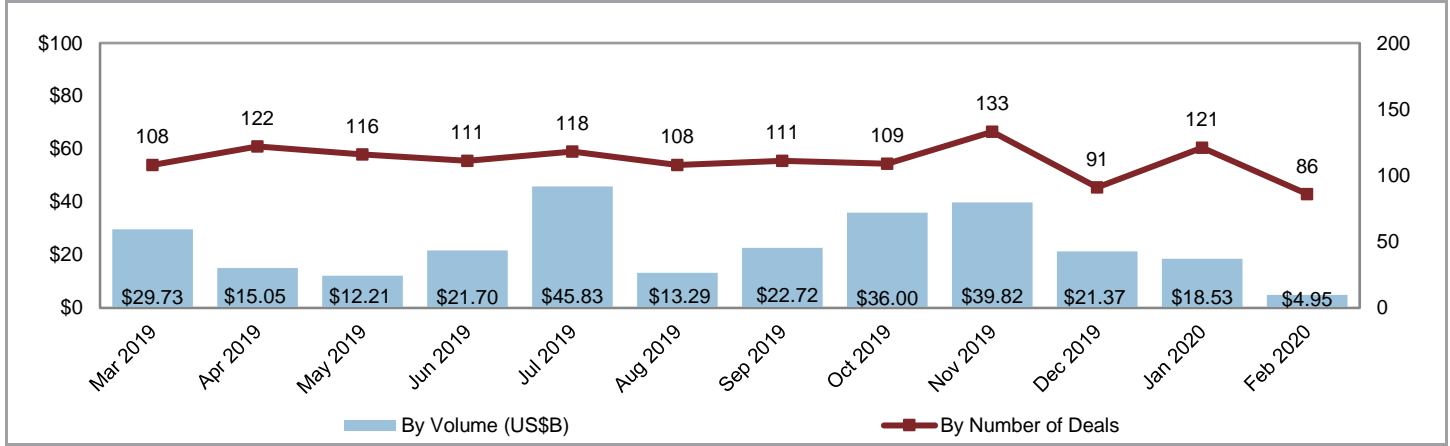


Figure 6A – Outbound U.S. Crossborder Transactions

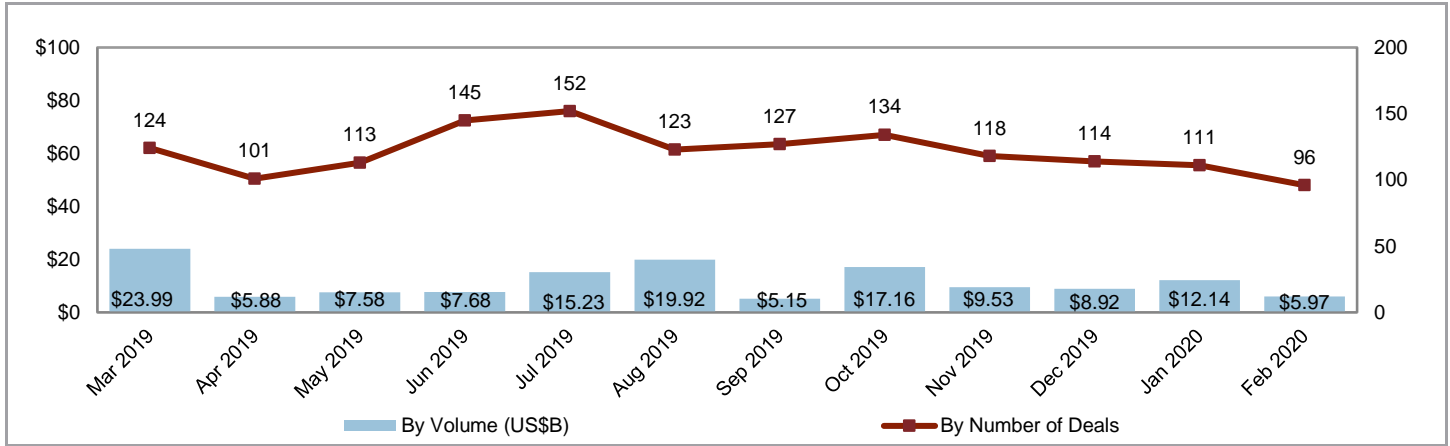


Figure 7A – Global Crossborder Transactions

