

April 2020, Issue 97

As would be expected given the current environment, M&A activity globally and in the U.S. declined across almost all measures in March. Globally, the number of deals decreased by 3.2%, to 2,527, and total deal value¹ decreased by 17.5%, to \$210.25 billion. U.S. M&A activity also declined, with the number of deals decreasing by 17.2%, to 641, and total deal value decreasing by 48.4%, to \$52.05 billion. Average deal value declined overall—falling by 37.7% in the U.S., to \$82.1 million, and by 14.8% globally, to \$83.2 million. [Figure 1](#). The decline in dealmaking activity observed in February continues, and is likely to accelerate into April given the impacts of the COVID-19 outbreak on the global economy and financial markets. For our client memoranda on navigating this crisis, visit our [Coronavirus \(COVID-19\) Resource Center](#).

Strategic vs. Sponsor Activity

Strategic and sponsor activity both declined in March. The number of strategic deals decreased by 17.1% to 514 in the U.S. and by 0.1% to 2,244 globally. Meanwhile, strategic deal volume as measured by dollar value decreased significantly by 58.7% to \$26.24 billion in the U.S. and by 1.4% to \$160.69 billion globally. The number of sponsor-related deals also decreased by 17.5% to 127 in the U.S. and by 22.3% to 283 globally. Sponsor-related volume by dollar value also decreased considerably by 30.9% to \$25.82 billion in the U.S. and by 46.1% to \$49.57 billion globally. [Figure 1](#) and Annex [Figures 1A–4A](#).

Crossborder Activity

Global crossborder volume was more mixed in March 2020. The number of crossborder deals fell by 9.2% to 540, while increasing in dollar value by 75.3% to \$86.22 billion. The number of U.S. inbound crossborder deals decreased in March by 2.2% to 89 and U.S. inbound activity as measured by dollar value decreased by 23.7% to \$4.59 billion. The number of U.S. outbound crossborder deals increased by 2.9% to 107 and U.S. outbound activity as measured by dollar value increased significantly by 1,072.9% to \$49.86 billion, driven largely by the announced acquisitions of Willis Towers Watson plc by Aon plc for \$36.14 billion² and Qiagen NV by Thermo Fisher Scientific Inc. for \$11.17 billion. [Figure 1](#) and Annex [Figures 5A–7A](#).

China was the leading country for U.S. inbound activity in March by total dollar value (\$0.82 billion) and the U.K. was the leading country for U.S. inbound activity by total dollar value over the last 12-month period (\$42.80 billion). Canada retained its lead for U.S. inbound activity by number of deals in March (21) and over the last 12-month period (311).

The U.K. was the leading country of destination for U.S. outbound activity in March both by total dollar value (\$36.60 billion) and by total dollar value over the last 12-month period (\$57.31 billion). The U.K. was also the leading country of destination for U.S. outbound activity by number of deals in March (25), and retained its lead as the leading country of destination for U.S. outbound activity by number of deals over the last 12 months (253). [Figure 3](#).

U.S. Deals by Industry

Computers and Electronics was the most active target industry in March and over the last 12 months by number of deals (221 and 3,460, respectively) as well as the most active target industry by dollar value in March and over the last 12 months (\$13.00 billion and \$323.35 billion, respectively). [Figure 2](#).

U.S. Public Mergers

As for U.S. public merger deal terms in March 2020, average reverse break fees were below their 12-month levels (at 3.6% compared to 5.5%), while March average target break fees were above their 12-month average (at 3.9% compared to 3.6%). No deals contained go-shop provisions in March 2020, while 12.6% of deals contained a go-shop provision over the last 12 months. [Figures 6, 7 and 8](#). All cash transactions comprised 50.0% of U.S. public mergers, below the 55.0% 12-month average, and March 2020 is the second month in a row where there were no mixed or choice-election transactions. [Figure 9](#). Hostile or unsolicited transactions comprised 33.3% of U.S. public mergers in March 2020, significantly above the 12-month average of 13.3% 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.

² 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. Nationality is based on where a company has either its headquarters or a majority of its operations.

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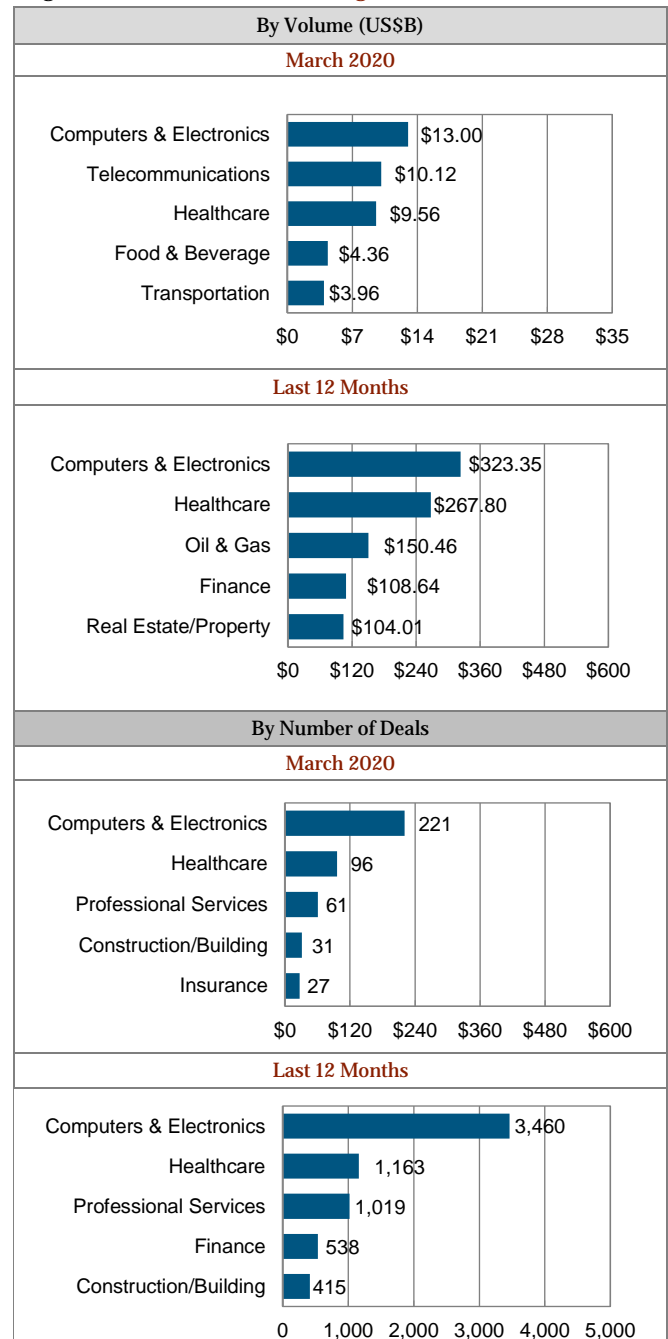
M&A Activity

Figure 1

March 2020	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	210.25	(44.71)	52.05	(48.82)
No. of deals	2,527	(84)	641	(133)
Avg. value of deals (US\$mil)	83.2	(14.5)	81.2	(49.1)
Strategic Transactions				
Volume (US\$B)	160.69	(2.31)	26.24	(37.26)
No. of deals	2,244	(3)	514	(106)
Avg. value of deals (US\$mil)	71.6	(0.9)	51.0	(51.4)
Sponsor-Related Transactions				
Volume (US\$B)	49.57	(42.40)	25.82	(11.57)
No. of deals	283	(81)	127	(27)
Avg. value of deals (US\$mil)	175.2	(77.5)	203.3	(39.5)
Crossborder Transactions¹				
Volume (US\$B)	86.22	37.04	Inbound 4.59 Outbound 49.86	Inbound (1.43) Outbound 45.60
No. of deals	540	(55)	Inbound 89 Outbound 107	Inbound (2) Outbound 3
Avg. value of deals (US\$mil)	159.7	77.0	Inbound 51.6 Outbound 465.9	Inbound (14.6) Outbound 425.1

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

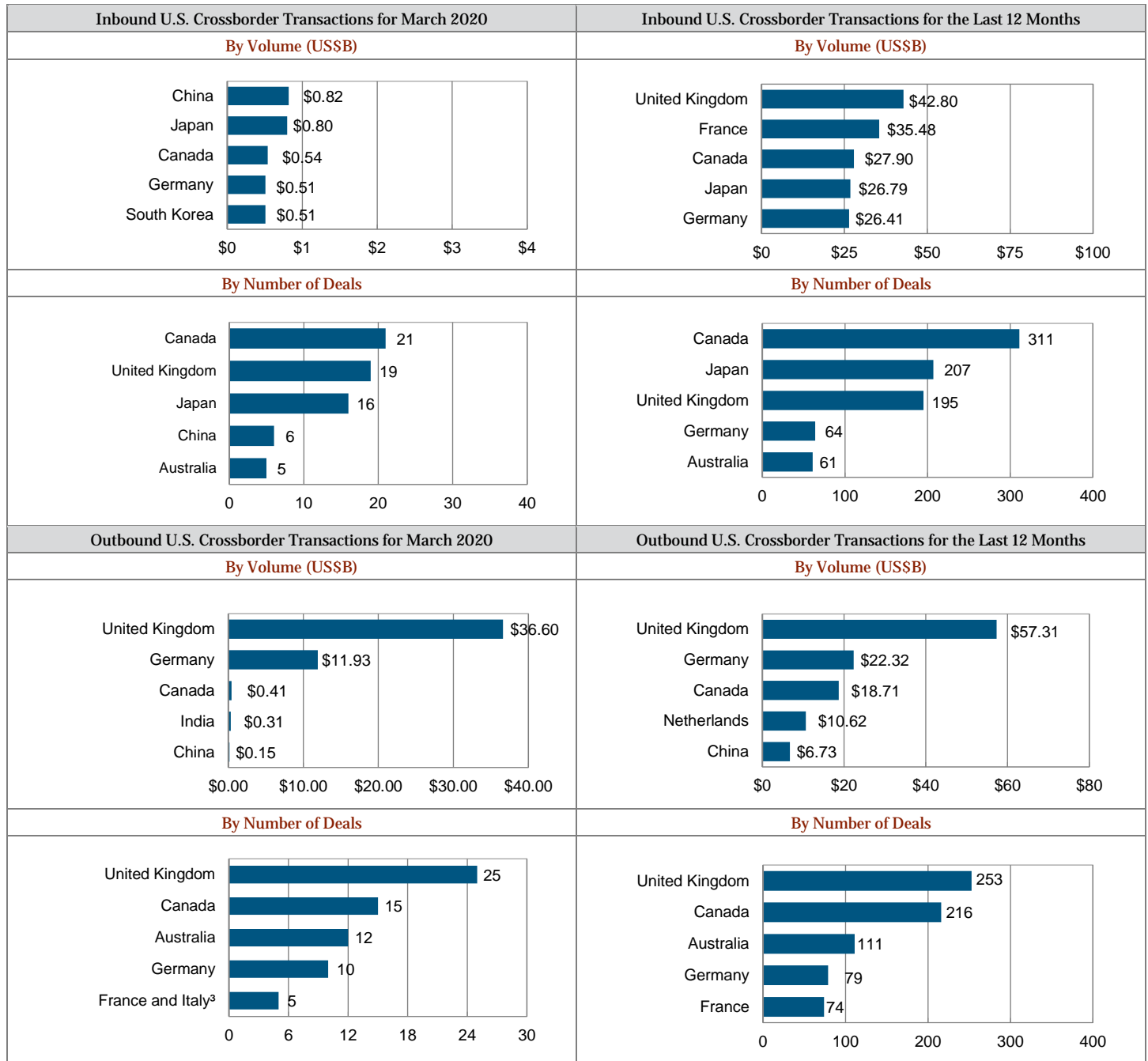


¹ Global crossborder transactions are those where the acquirer and the target have different nationalities. Nationality is based on where a company has either its headquarters or a majority of its operations. U.S. crossborder transactions are those transactions where the acquirer and the target have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

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



³ Each of France and Italy was the country of destination for five transactions in March 2020.

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

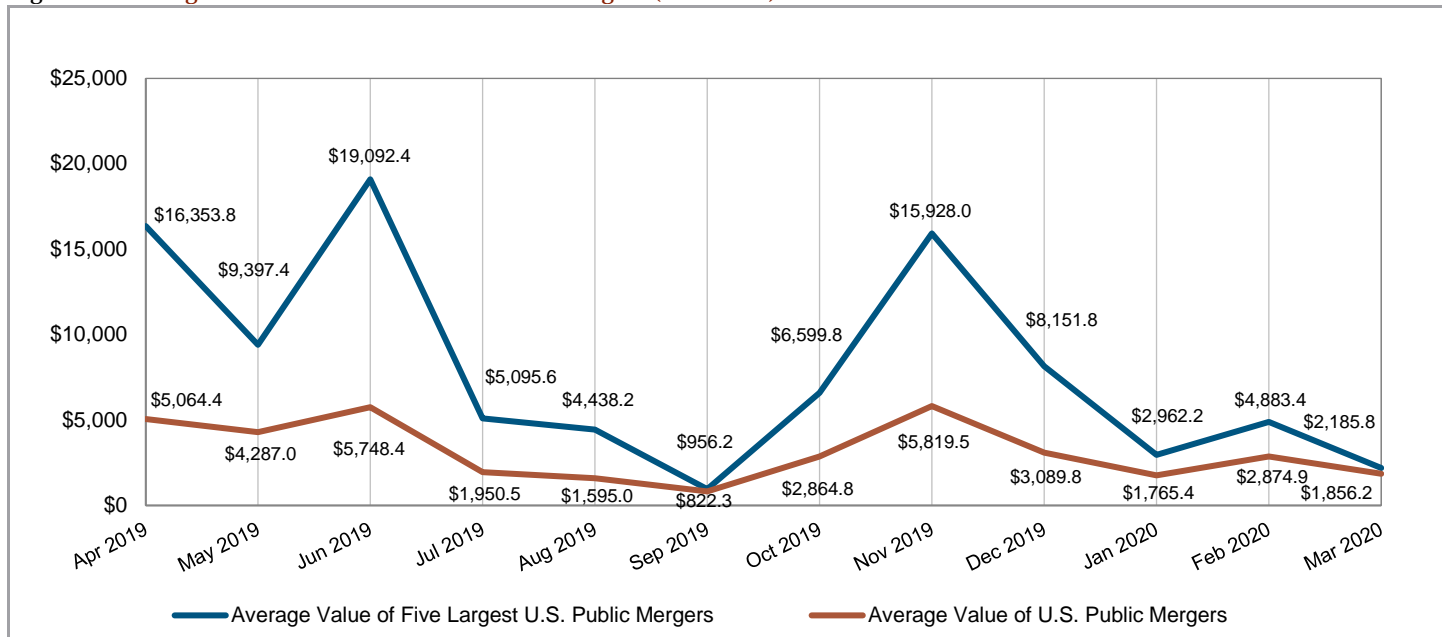
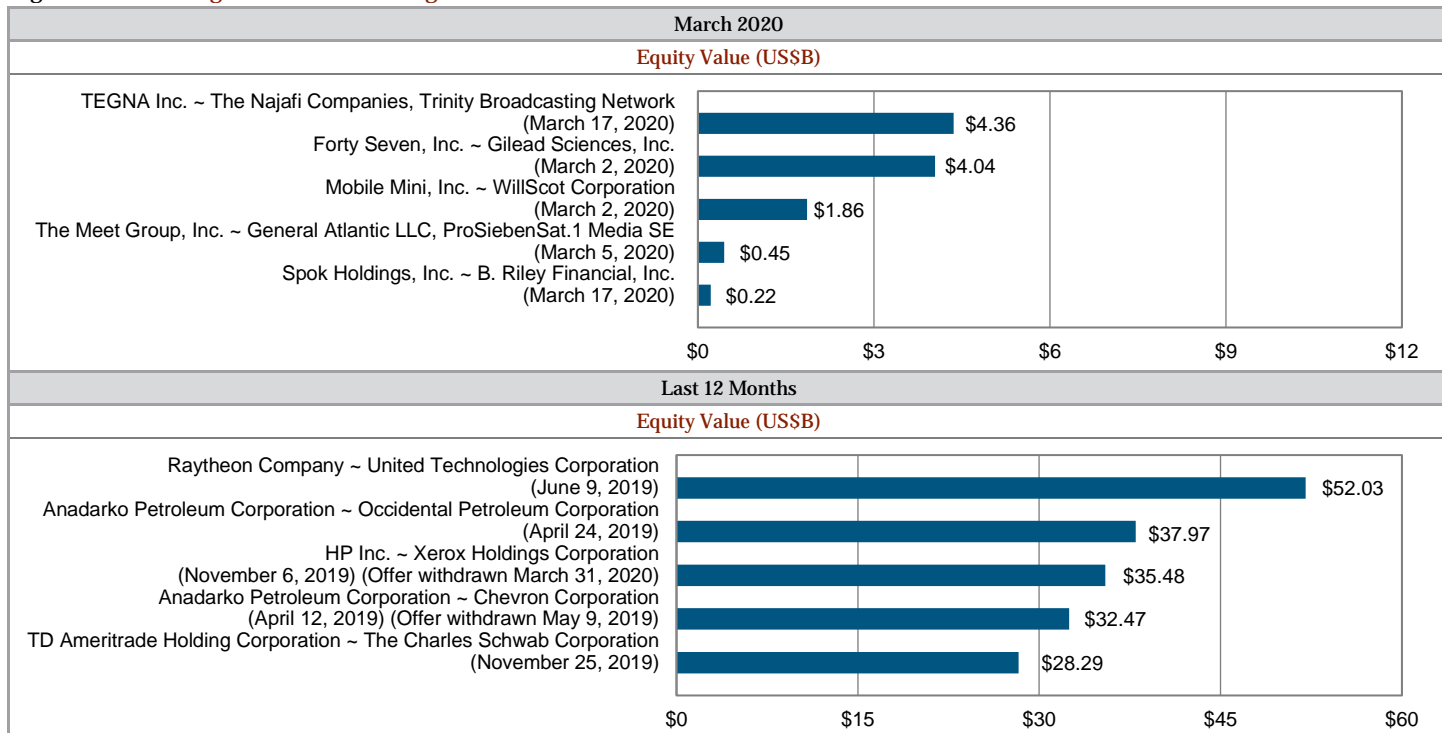


Figure 5 – Five Largest U.S. Public Mergers



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M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁴

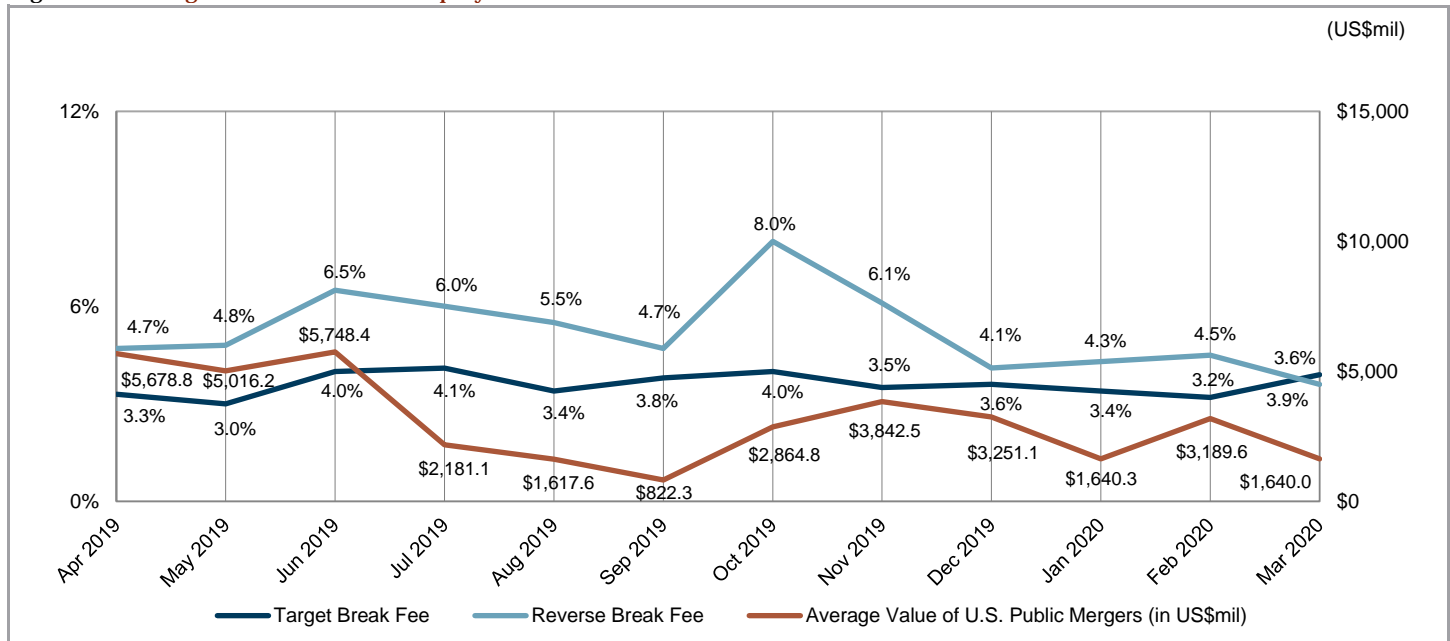


Figure 7 – Average Break Fees as % of Equity Value⁵

	March 2020	Last 12 Months
Target Break Fee for All Mergers ⁶	3.9	3.6

	March 2020	Last 12 Months
Reverse Break Fee for All Mergers ⁷	3.6	5.5
Reverse Break Fee for Mergers Involving Financial Buyers ⁸	0.0	6.6
Reverse Break Fee for Mergers Involving Strategic Buyers ⁹	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 Provisions¹⁰

	March 2020	Last 12 Months
% of Mergers with Go-Shops	0.0	12.6
% of Mergers Involving Financial Buyers with Go-Shops ¹¹	0.0	42.4
% of Mergers Involving Strategic Buyers with Go-Shops ¹²	0.0	4.2
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ¹³	N/A	34.4
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops	N/A	33.8
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops	N/A	36.0

⁴ Based on the highest target break fees and reverse break fees payable in a particular deal.

⁵ Financial and strategic categories are determined by Deal Point Data.

⁶ Four transactions in March 2020 had a target break fee.

⁷ One transaction in March 2020 had a reverse break fee.

⁸ Zero transactions in March 2020 involving a financial buyer had a reverse break fee.

⁹ One transaction in March 2020 involving a strategic buyer had a reverse break fee.

¹⁰ Financial and strategic categories are determined by Deal Point Data.

¹¹ One transaction in March 2020 involved a financial buyer.

¹² Three transactions in March 2020 involved a strategic buyer.

¹³ Zero transactions in March 2020 had a go-shop provision.

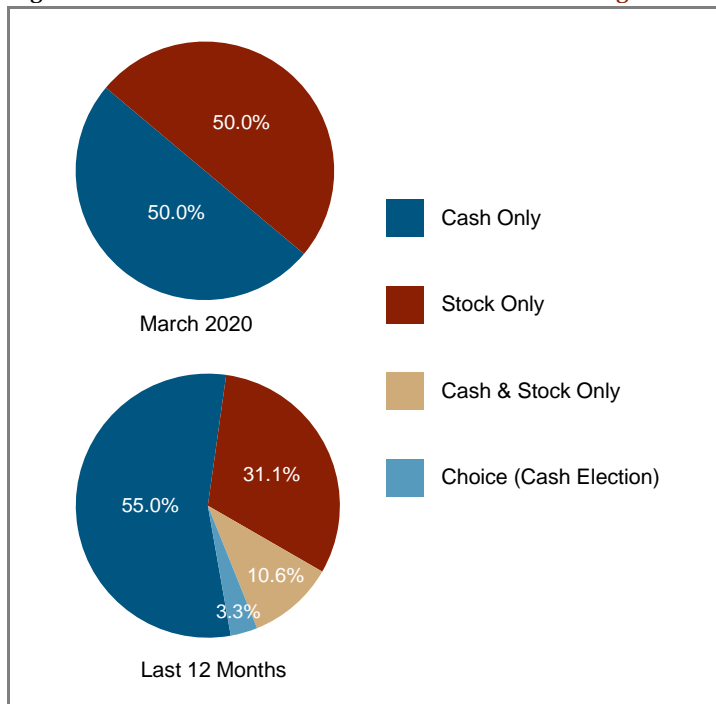
[Return to Summary](#)Figure 9 – Form of Consideration as % of U.S. Public Mergers¹⁴

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

March 2020 ¹⁵	100.0
Last 12 Months	97.1

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

March 2020	25.0
Last 12 Months	17.2

Figure 12 – Hostile/Unsolicited Offers as % of U.S. Public Mergers¹⁶

March 2020	33.3
Last 12 Months	13.3

¹⁴ Due to rounding, percentages may not add up to 100%.

¹⁵ There were only two partial or all stock transactions in March 2020.

¹⁶ 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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M&A Activity – 12-Month Trends

Figure 1A – U.S. Deal Volume (US\$B)

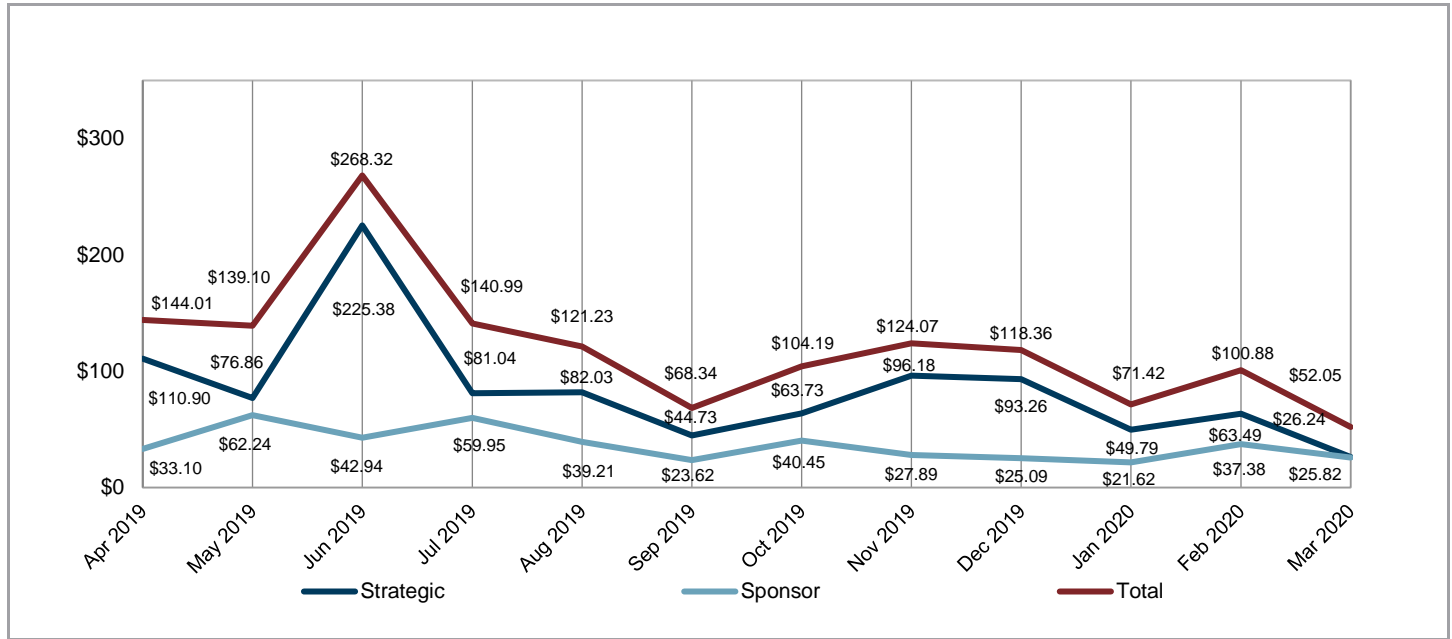
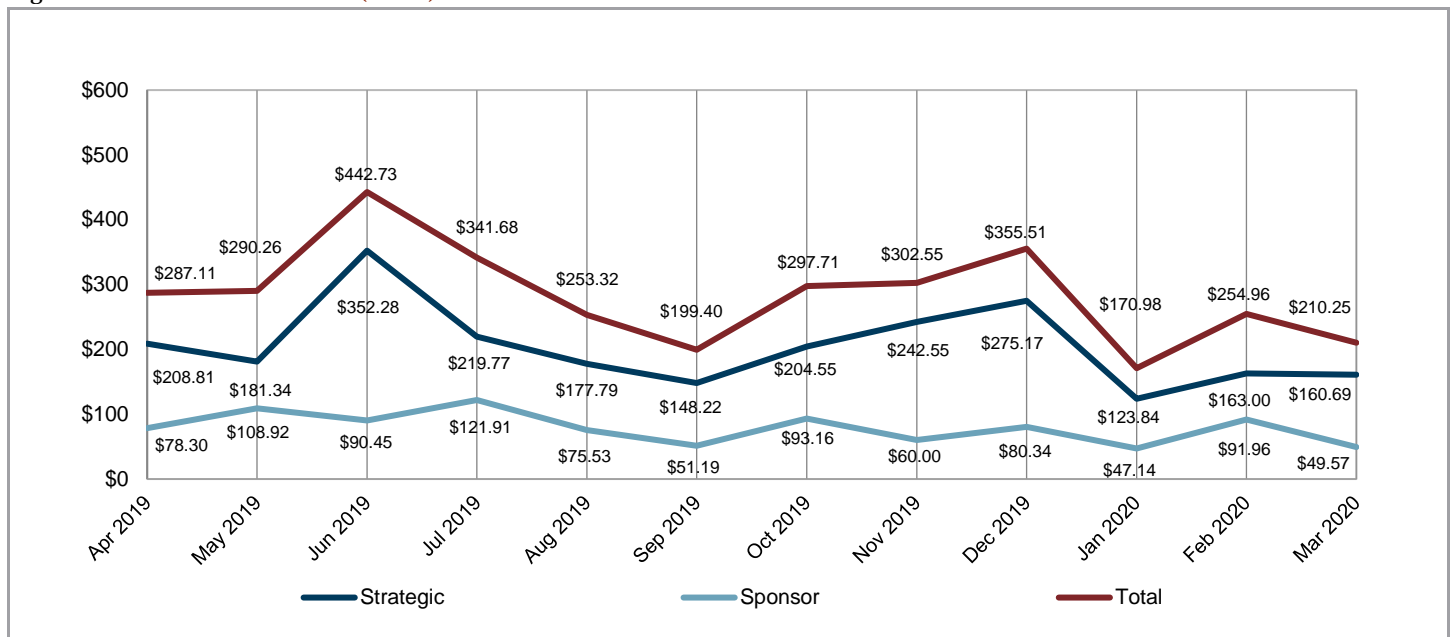


Figure 2A – Global Deal Volume (US\$B)



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Figure 3A – U.S. Number of Deals

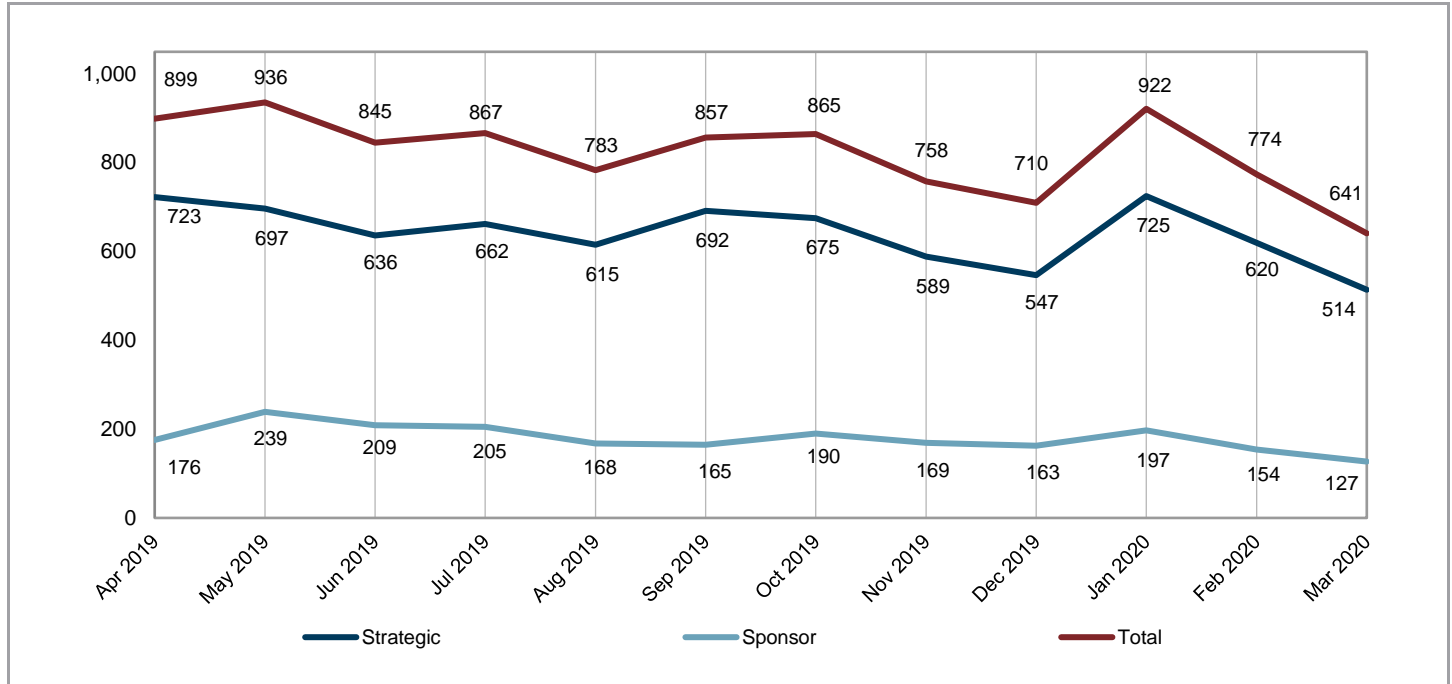
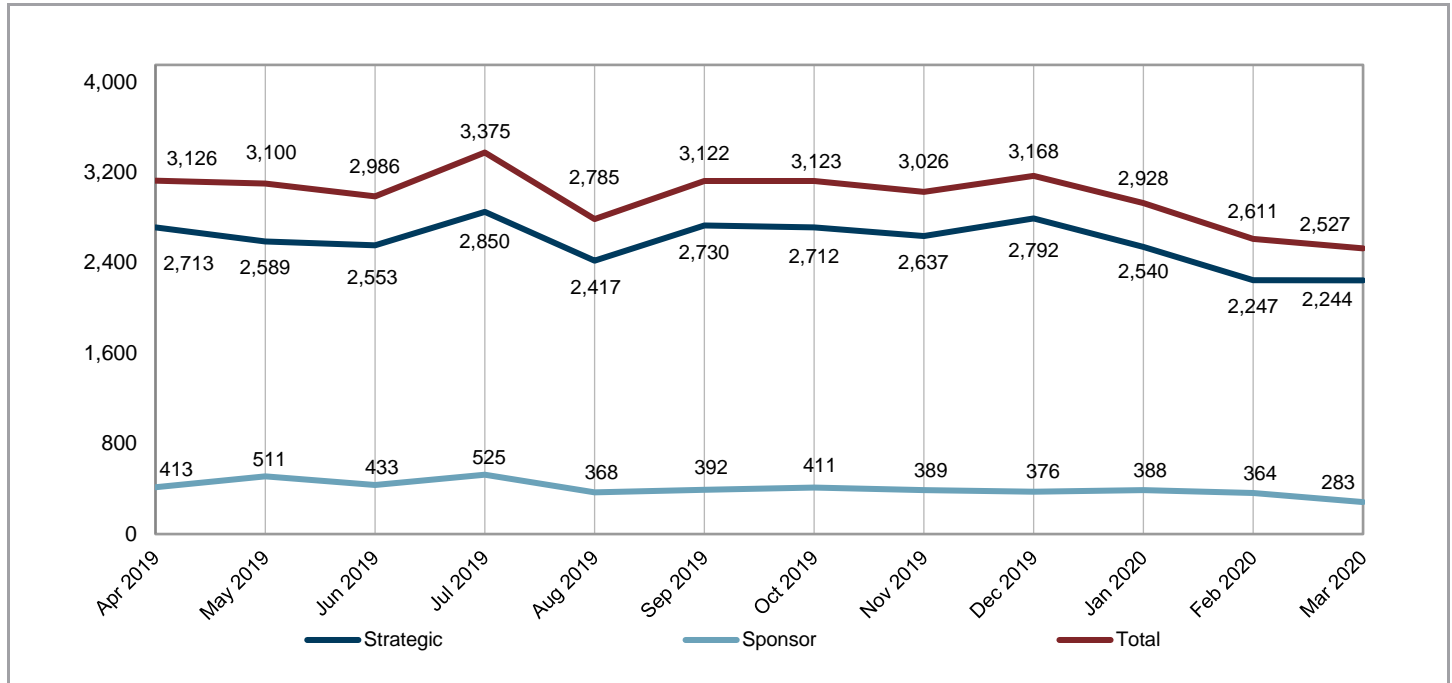


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

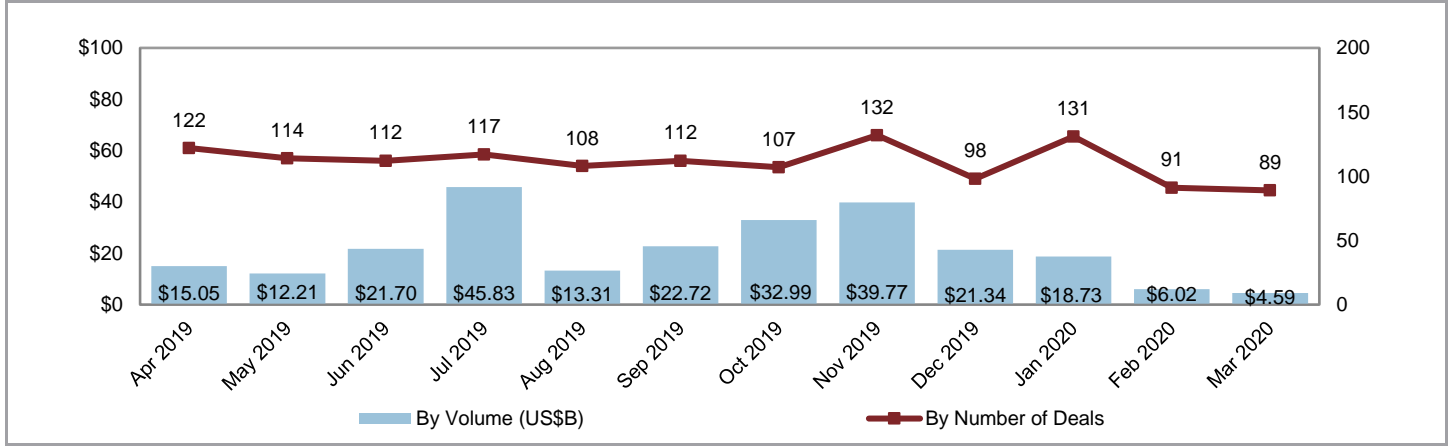


Figure 6A – Outbound U.S. Crossborder Transactions

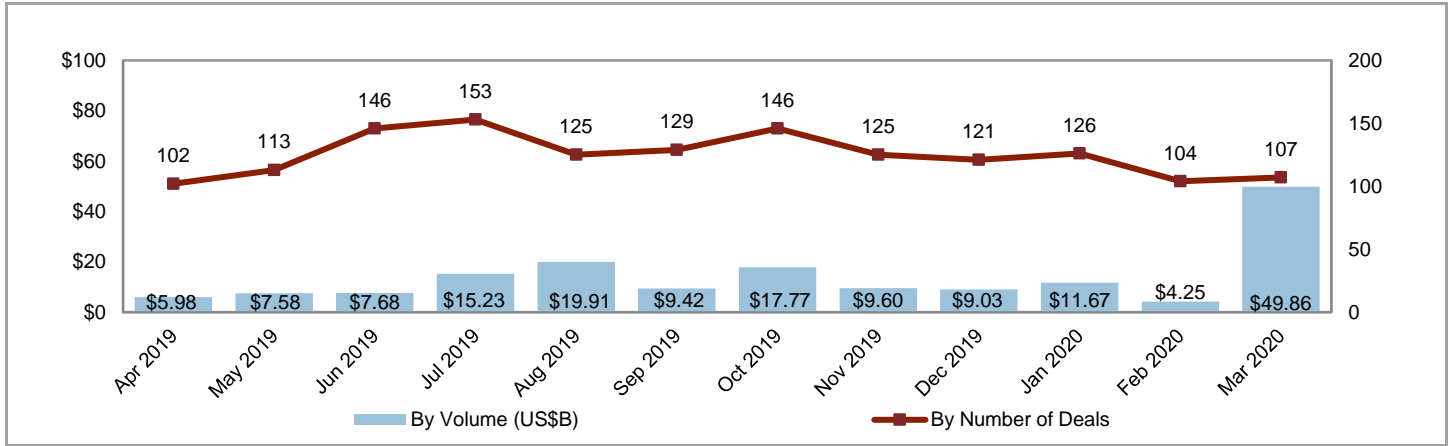


Figure 7A – Global Crossborder Transactions

