November 2019, Issue 92

M&A activity in the U.S. and worldwide was mixed in October. The number of deals continued to fall with a decline of 11.2% in the U.S., to 744, and of 8.1% globally, to 2,708. At the same time, total deal value[1] rose by 37.5% in the U.S., to $99.29 billion, and by 47.2% globally, to $282.72 billion. Average deal value also increased by 54.8% in the U.S., to $133.5 million, and by 60.2% globally, to $104.4 million. Figure 1.

Strategic vs. Sponsor Activity

The number of strategic deals decreased in the U.S. by 15.6% to 583 and globally by 9.6% to 2,349, but strategic deal volume as measured by dollar value increased in the U.S. by 23.8% to $65.39 billion and globally by 27.4% to $197.49 billion. As the one consistent bright spot this month, sponsor-related deals showed gains across all metrics. The number of sponsor-related deals increased by 9.5% to 161 in the U.S. and by 2.6% to 359 globally, respectively, and sponsor-related volume by dollar value also significantly increased by 74.6% to $33.90 billion in the U.S. and by 129.7% to $85.24 billion globally. Figure 1 and Annex Figures 1A—4A.

Crossborder Activity

Crossborder activity also demonstrated strength in October, and increased significantly across most indicators. Crossborder deal volume by dollar value increased by 112.9% to $132.99 billion, whereas the number of crossborder deals decreased globally by 3.8% to 608. U.S. inbound activity as measured by dollar value increased by 49.6% to $33.90 billion, driven in part by the announced $16.23 billion proposed acquisition of Tiffany & Co by LVMH Moet Hennessy Louis Vuitton SE, while the number of U.S. inbound crossborder deals decreased in October by 14.1% to 97. U.S. outbound activity as measured by dollar value increased significantly by 246.0% to $17.02 billion, driven largely by the announced $8.88 billion acquisition of InterXion Holding NV by Digital Realty Trust Inc. The number of U.S. outbound crossborder deals also increased by 3.5% to 120. Figure 1 and Annex Figures 5A—7A.

France was the leading country for U.S. inbound activity in October by total dollar value ($16.23 billion), due again to the proposed offer for Tiffany & Co, while Canada was the leading country for U.S. inbound activity in October by number of deals (26). Canada was the leading country for U.S. inbound activity by deal value ($58.44 billion) and by number of deals over the last 12-month period (334 deals). The Netherlands was the leading country of destination for U.S. outbound activity in October by total dollar value ($8.88 billion) for the first time since June 2017, due to the $8.88 billion InterXion Holding NV acquisition. Canada was again the leading country of destination for U.S. outbound activity over the last 12 months as measured by dollar value ($29.73 billion), whereas the U.K. was the leading country of destination for U.S. outbound activity in October by number of deals (24) and over the last 12 months (264). Figure 3.

U.S. Deals by Industry

Computers and Electronics was the most active target industry in October and over the last 12 months by number of deals (285 and 3,100, respectively). Real Estate and Property was the most active target industry in October by dollar value, while Computer and Electronics was the most active target industry over the last twelve months ($19.45 billion and $412.42 billion, respectively). Figure 2.

U.S. Public Mergers

As for U.S. public merger deal terms in October 2019, average target break fees were slightly above their 12-month levels (at 4.0% compared to 3.7%). Average reverse break fees were, however, significantly above their 12-month levels (at 8.1% compared to 5.8%). The percentage of deals containing a go-shop provision also increased to 25.0% in October 2019, compared to the 12-month figure of 12.2%. Figures 6, 7 and 8. Cash transactions comprised 58.3% of U.S. public mergers, above the 52.4% 12-month average. Figure 9. Hostile or unsolicited transactions comprised 7.7% of U.S. public mergers in October 2019, significantly lower than the 12-month average of 13.5% of deals. Figure 12.

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[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.

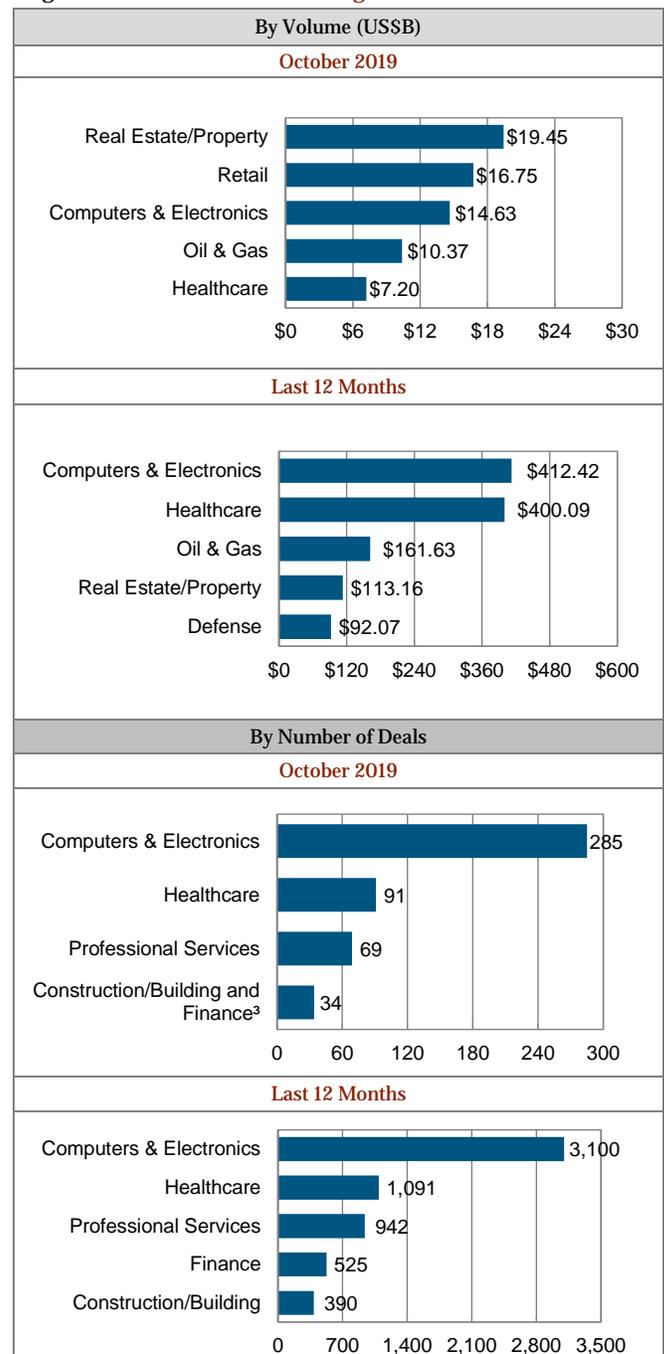M&A AT A GLANCE logo

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M&A Activity

Figure 1

October 2019	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US$B)	282.72	90.59	99.29	27.07
No. of deals	2,708	(240)	744	(94)
Avg. value of deals (US$mil)	104.4	39.2	133.5	47.3
Strategic Transactions				
Volume (US$B)	197.49	42.46	65.39	12.58
No. of deals	2,349	(249)	583	(108)
Avg. value of deals (US$mil)	84.1	24.4	112.2	35.7
Sponsor-Related Transactions				
Volume (US$B)	85.24	48.13	33.90	14.48
No. of deals	359	9	161	14
Avg. value of deals (US$mil)	237.4	131.4	210.6	78.5
Crossborder Transactions[1]				
Volume (US$B)	132.99	70.52	Inbound 33.90 Outbound 17.02	Inbound 11.24 Outbound 12.10
No. of deals	608	(24)	Inbound 97 Outbound 120	Inbound (12) Outbound 4
Avg. value of deals (US$mil)	218.7	119.9	Inbound 349.4 Outbound 141.8	Inbound 141.6 Outbound 99.4

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 November 11, 2019 unless otherwise specified. "Last 12 Months" data is for the period from November 2018 to October 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[2]**

Bar charts of Most Active U.S. Target Industries by Volume and Number of Deals

By Volume (US$B)
October 2019: Real Estate/Property $19.45, Retail $16.75, Computers & Electronics $14.63, Oil & Gas $10.37, Healthcare $7.20
Last 12 Months: Computers & Electronics $412.42, Healthcare $400.09, Oil & Gas $161.63, Real Estate/Property $113.16, Defense $92.07

By Number of Deals
October 2019: Computers & Electronics 285, Healthcare 91, Professional Services 69, Construction/Building and Finance[3] 34
Last 12 Months: Computers & Electronics 3,100, Healthcare 1,091, Professional Services 942, Finance 525, Construction/Building 390
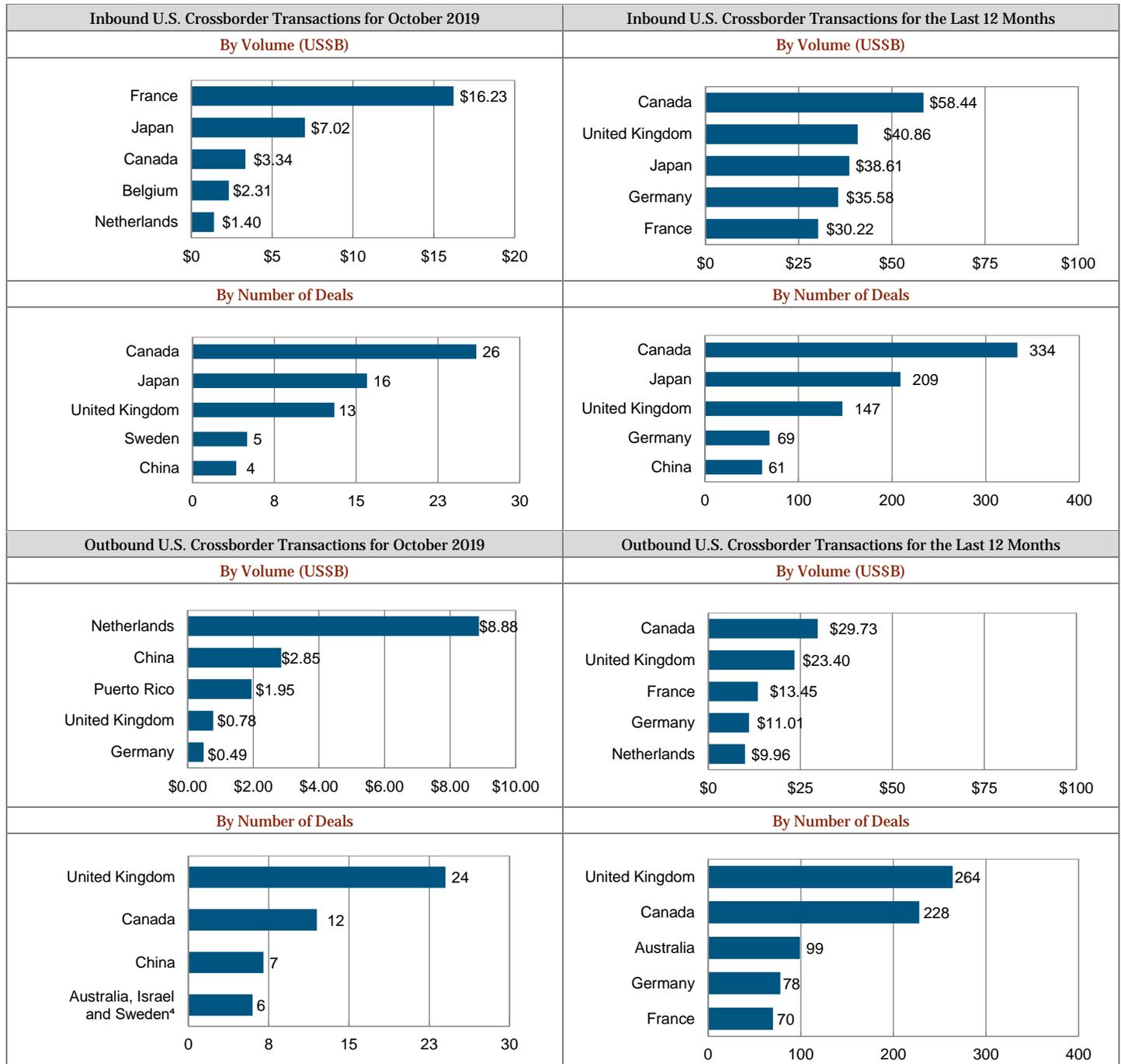
[1] Global crossborder transactions are those where the acquirer and the target have different nationalities. Nationality is based on where a company has either its headquarters or a majority of its operations. U.S. crossborder transactions are those transactions where the acquirer and the target have different nationalities and either the acquirer ("Outbound") or the target ("Inbound") has a U.S. nationality.
[2] Industry categories are determined and named by Cortex.
[3] Each of Construction/Budiling and Finance had 34 deals in October 2019.

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

Inbound U.S. Crossborder Transactions for October 2019	Inbound U.S. Crossborder Transactions for the Last 12 Months

By Volume (US$B)

Inbound U.S. Crossborder Transactions for October 2019 — By Volume (US$B):
- France: $16.23
- Japan: $7.02
- Canada: $3.34
- Belgium: $2.31
- Netherlands: $1.40

Inbound U.S. Crossborder Transactions for the Last 12 Months — By Volume (US$B):
- Canada: $58.44
- United Kingdom: $40.86
- Japan: $38.61
- Germany: $35.58
- France: $30.22

By Number of Deals

Inbound U.S. Crossborder Transactions for October 2019 — By Number of Deals:
- Canada: 26
- Japan: 16
- United Kingdom: 13
- Sweden: 5
- China: 4

Inbound U.S. Crossborder Transactions for the Last 12 Months — By Number of Deals:
- Canada: 334
- Japan: 209
- United Kingdom: 147
- Germany: 69
- China: 61

Outbound U.S. Crossborder Transactions for October 2019	Outbound U.S. Crossborder Transactions for the Last 12 Months

By Volume (US$B)

Outbound U.S. Crossborder Transactions for October 2019 — By Volume (US$B):
- Netherlands: $8.88
- China: $2.85
- Puerto Rico: $1.95
- United Kingdom: $0.78
- Germany: $0.49

Outbound U.S. Crossborder Transactions for the Last 12 Months — By Volume (US$B):
- Canada: $29.73
- United Kingdom: $23.40
- France: $13.45
- Germany: $11.01
- Netherlands: $9.96

By Number of Deals

Outbound U.S. Crossborder Transactions for October 2019 — By Number of Deals:
- United Kingdom: 24
- Canada: 12
- China: 7
- Australia, Israel and Sweden[4]: 6

Outbound U.S. Crossborder Transactions for the Last 12 Months — By Number of Deals:
- United Kingdom: 264
- Canada: 228
- Australia: 99
- Germany: 78
- France: 70

[4] Each of Australia, Israel and Sweden was the country of destination for six transactions in September 2019.

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

Legend:
— Average Value of U.S. Public Mergers
— Average Value of Five Largest U.S. Public Mergers

Data labels (Average Value of Five Largest U.S. Public Mergers): $4,729.8 (Nov 2018); $2,418.4 (Dec 2018); $21,507.8 (Jan 2019); $13,310.6 (Feb 2019); $11,592.8 (Mar 2019); $16,353.8 (Apr 2019); $9,397.4 (May 2019); $19,092.4 (Jun 2019); $5,095.6 (Jul 2019); $4,352.0 (Aug 2019); $956.2 (Sep 2019); $6,153.2 (Oct 2019)

Data labels (Average Value of U.S. Public Mergers): $1,599.0 (Nov 2018); $1,477.1 (Dec 2018); $11,137.9 (Jan 2019); $6,779.4 (Feb 2019); $8,508.1 (Mar 2019); $5,064.4 (Apr 2019); $4,287.0 (May 2019); $5,748.4 (Jun 2019); $1,981.3 (Jul 2019); $1,575.3 (Aug 2019); $822.3 (Sep 2019); $2,699.0 (Oct 2019)

Figure 5 – Five Largest U.S. Public Mergers

October 2019 — Equity Value (US$B):
- Tiffany & Co. ~ LVMH Moet Hennessy Louis Vuitton SE (October 28, 2019): $14.50
- Liberty Property Trust ~ Prologis, Inc. (October 27, 2019): $9.66
- Anixter International Inc. ~ Clayton, Dubilier & Rice, LLC (October 30, 2019): $2.73
- Ra Pharmaceuticals, Inc. ~ UCB S.A. (October 10, 2019): $2.26
- Jagged Peak Energy Inc. ~ Parsley Energy, Inc. (October 14, 2019): $1.62

Last 12 Months — Equity Value (US$B):
- Celgene Corporation ~ Bristol-Myers Squibb Company (January 3, 2019): $71.62
- Raytheon Company ~ United Technologies Corporation (June 9, 2019): $52.03
- Anadarko Petroleum Corporation ~ Occidental Petroleum Corporation (April 24, 2019): $37.97
- Worldpay, Inc. ~ Fidelity National Information Services, Inc. (March 18, 2019): $34.84
- Anadarko Petroleum Corporation ~ Chevron Corporation (April 12, 2019) (Offer withdrawn May 9, 2019): $32.47

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M&A Terms

Figure 6 – **Average Break Fees as % of Equity Value[5]**

Figure 7 – **Average Break Fees as % of Equity Value[6]**

	October 2019	Last 12 Months
Target Break Fee for All Mergers	4.0	3.7

	October 2019	Last 12 Months
Reverse Break Fee for All Mergers[7]	8.1	5.8
Reverse Break Fee for Mergers Involving Financial Buyers[8]	8.6	6.9
Reverse Break Fee for Mergers Involving Strategic Buyers[9]	7.3	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.

Figure 8 – **U.S. Public Merger Go-Shop Provisions[10]**

	October 2019	Last 12 Months
% of Mergers with Go-Shops	25.0	12.2
% of Mergers Involving Financial Buyers with Go-Shops[11]	75.0	39.4
% of Mergers Involving Strategic Buyers with Go-Shops[12]	0.0	4.4
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops[13]	30.3	36.8
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops[14]	30.3	35.5
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops[15]	N/A	40.4

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[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]   Seven transactions in October 2019 had a reverse break fee.
[8]   Four transactions in October 2019 involving a financial buyer had a reverse break fee.
[9]   Three transactions in October 2019 involving a strategic buyer had a reverse break fee.
[10]   Financial and strategic categories are determined by Deal Point Data.
[11]   Four transactions in October 2019 involved a financial buyer.
[12]   Eight transactions in October 2019 involved a strategic buyer.
[13]   Three transactions in October 2019 had a go-shop provision.
[14]   Three transactions in October 2019 involving a financial buyer had a go-shop provision.
[15]   Zero transactions in October 2019 involving a strategic buyer had a go-shop provision.
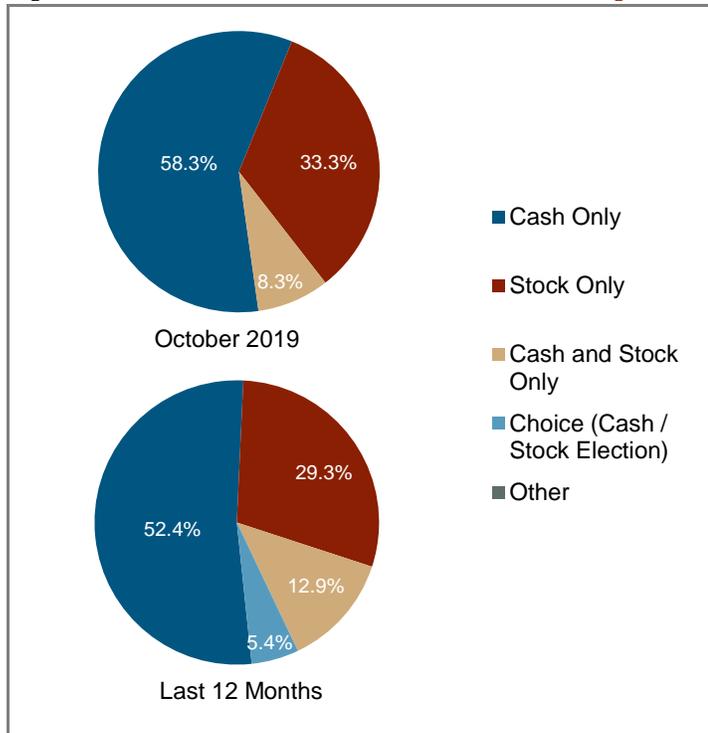
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Figure 9 – Form of Consideration as % of U.S. Public Mergers[16]

October 2019

- Cash Only
- Stock Only
- Cash and Stock Only
- Choice (Cash / Stock Election)
- Other

Last 12 Months

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

October 2019[17]	100.0
Last 12 Months	95.7

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

October 2019	0.0
Last 12 Months	15.0

Figure 12 – Hostile/Unsolicited Offers as % of U.S. Public Mergers[18]

October 2019	7.7
Last 12 Months	13.5

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

[17] There were five partial or all stock transactions in October 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).

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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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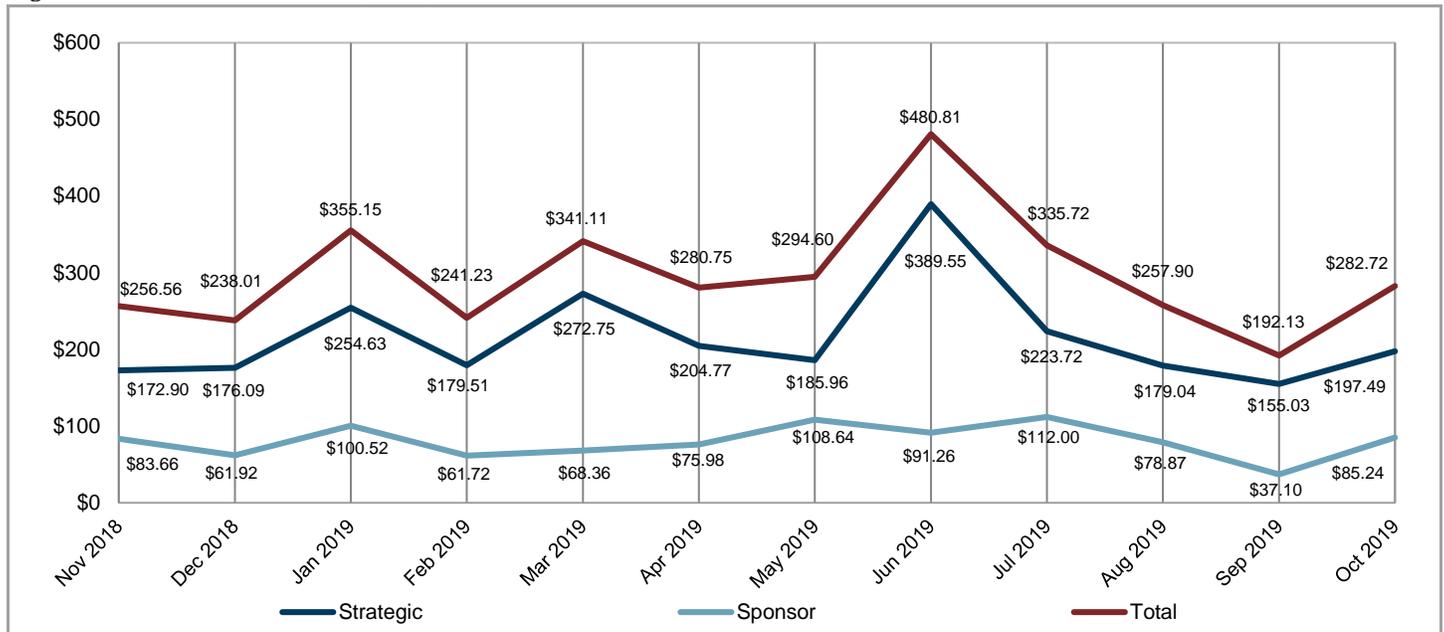# M&A Activity – 12-Month Trends

Figure 1A – U.S. Deal Volume (US$B)
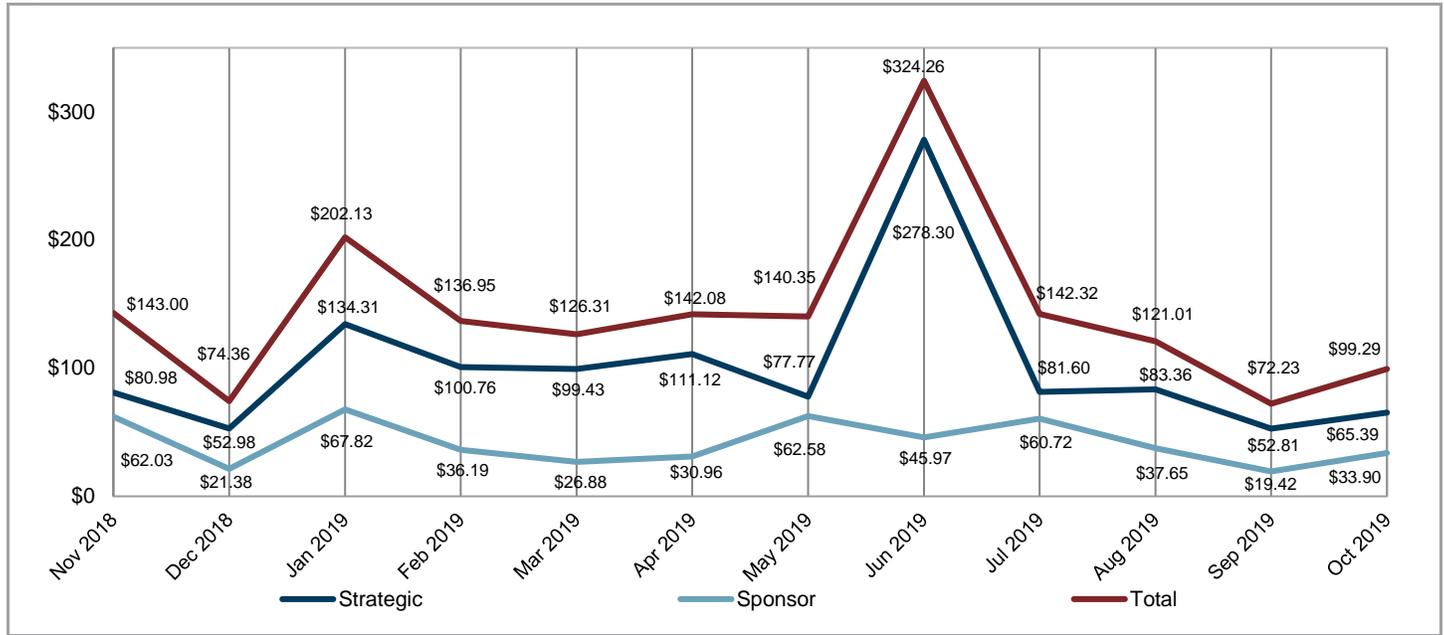
Figure 2A – Global Deal Volume (US$B)
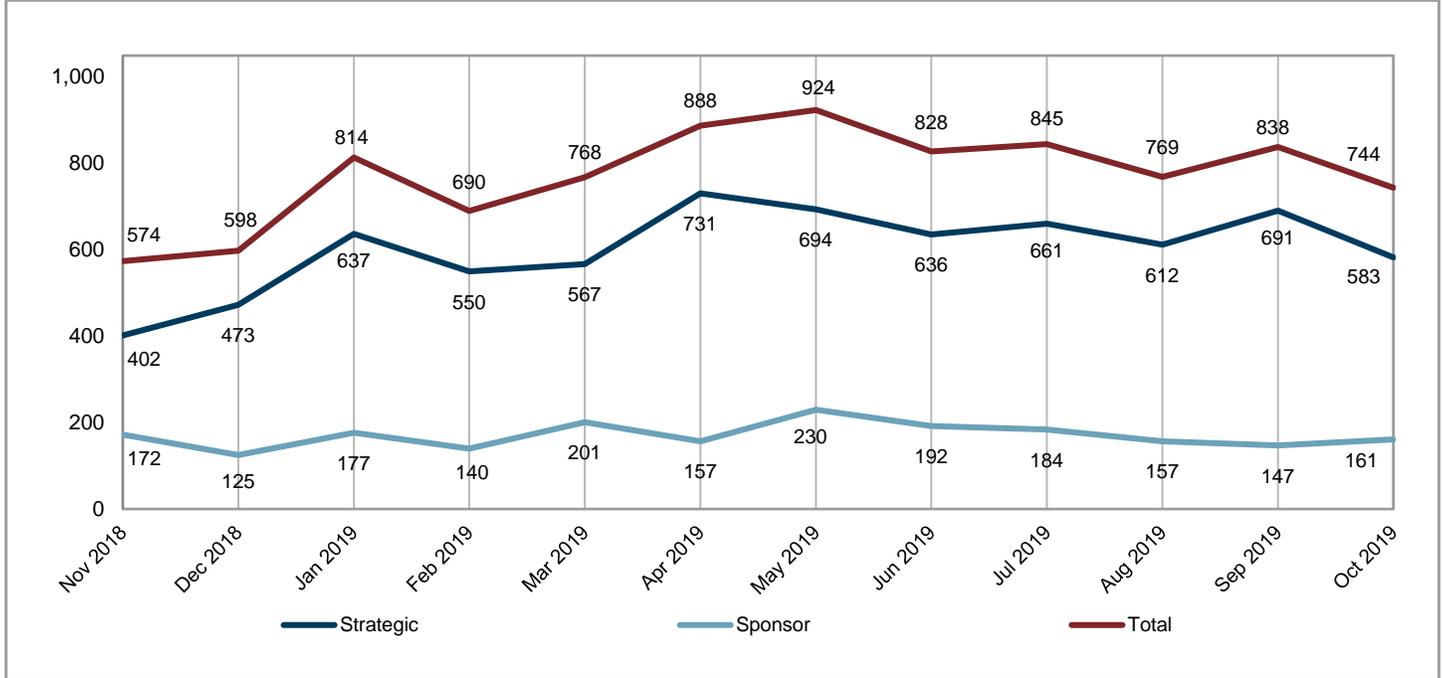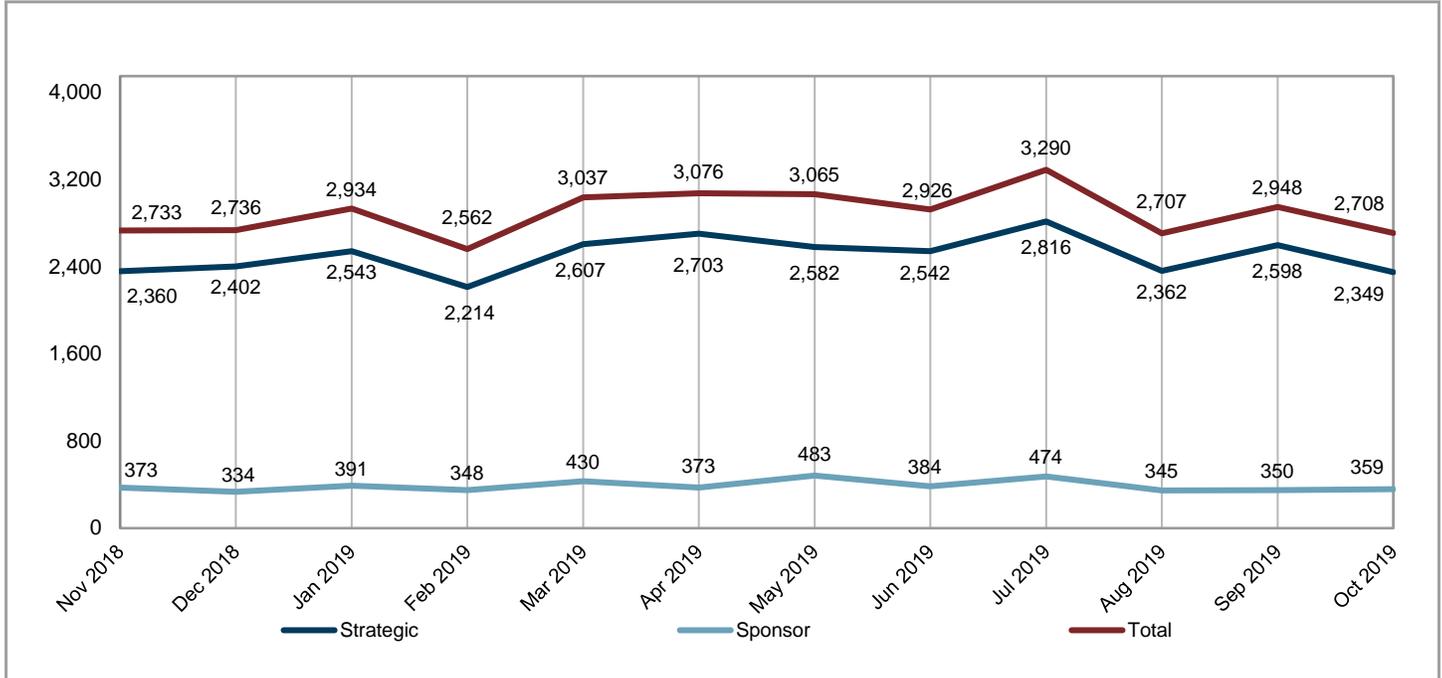
Figure 3A – U.S. Number of Deals

Figure 4A – Global Number of Deals

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Figure 5A – Inbound U.S. Crossborder Transactions
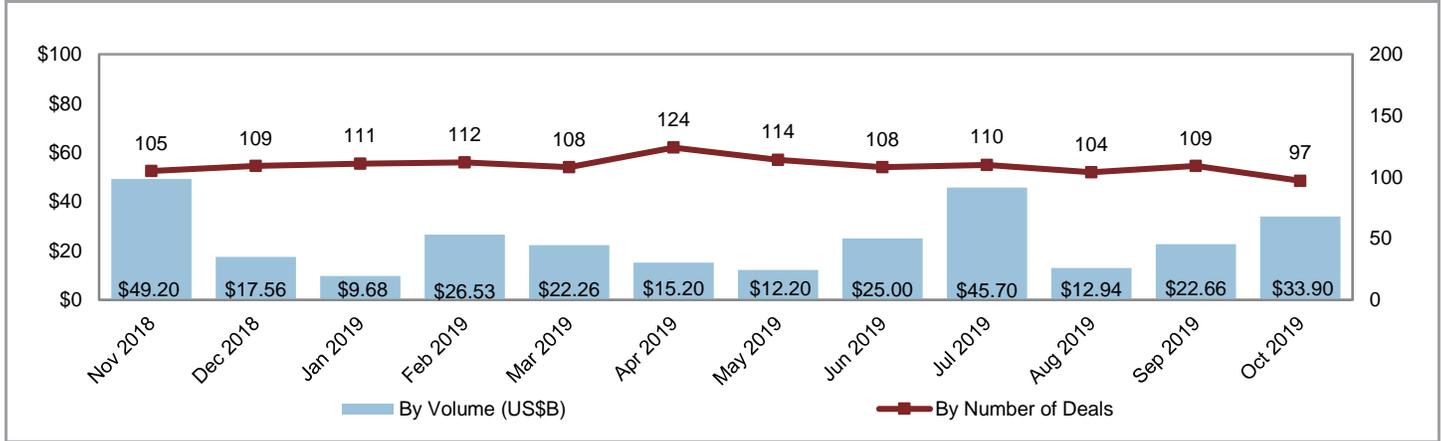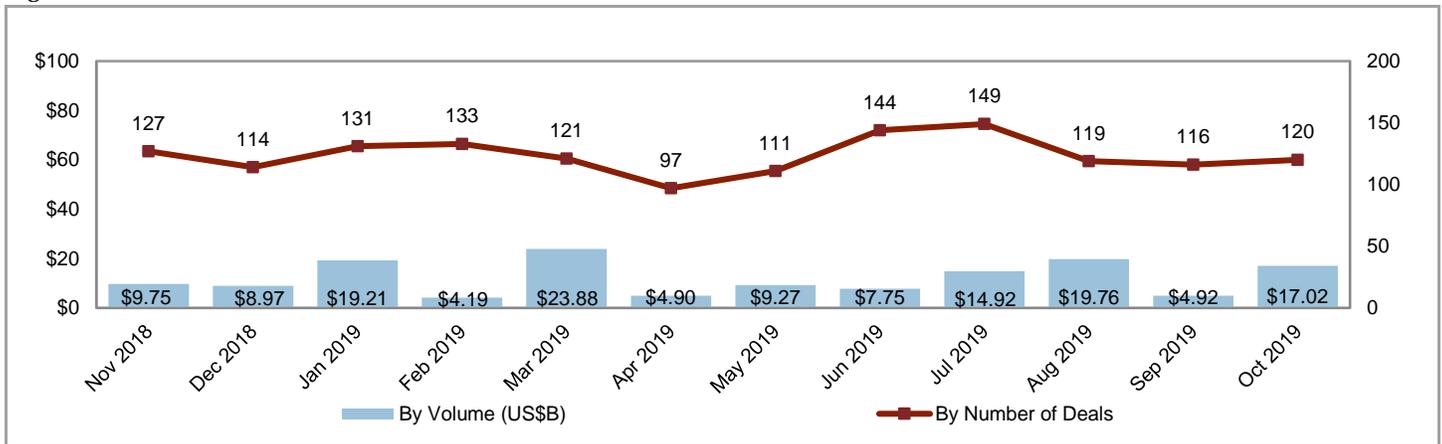

Figure 6A – Outbound U.S. Crossborder Transactions

Figure 7A – Global Crossborder Transactions