

June 2019, Issue 87

M&A activity in the U.S. and globally for the month of May was generally consistent with April levels. The most notable changes in May were an increase in the number of sponsor-related deals by almost 75% to 187 in the U.S. and by almost 40% to 404 globally. The number of U.S. deals increased by 2.7%, to 760, while the number of global deals decreased by 5.2%, to 2,644. The total value of U.S. deals¹ decreased slightly by 1.1%, to \$138.88 billion, and the total value of global deals increased by 4.5%, to \$287.57 billion. Average value of announced public mergers decreased in the U.S. by 3.7%, to \$182.73 million, but increased globally by 10.2%, to \$108.76 million.² [Figure 4](#).

Strategic vs. Sponsor Activity

The number of strategic deals decreased in the U.S. by 9.3% to 573 and globally by 10.3% to 2,240. [Figure 1](#) and Annex [Figures 1A–4A](#). Strategic deal volume as measured by dollar value decreased in the U.S. by 39.5% to \$67.69 billion and globally by 14.7% to \$173.25 billion. The number of sponsor-related deals increased in May 2019 by 73.1% to 187 in the U.S. and by 39.3% to 404 globally, respectively representing the highest number of sponsor-related deals in the U.S. and second-highest globally in the past 12 months. Sponsor-related volume by dollar value increased significantly by 150.0% to \$71.19 billion in the U.S. and by 58.9% to \$114.32 billion globally. [Figure 1](#) and Annex [Figures 1A–4A](#).

Crossborder Activity

Crossborder deal volume by dollar value increased by 5.5% to \$69.03 billion, and the number of crossborder deals increased globally by 4.3% to 601. The number of U.S. inbound crossborder deals decreased in May by 3.8% to 101, while the number of U.S. outbound crossborder deals increased by 11.5% to 97. Similarly, U.S. inbound activity as measured by dollar value decreased by 30.3% to \$11.62 billion, while U.S. outbound activity as measured by dollar value increased by 94.7% to \$9.48 billion. [Figure 1](#) and Annex [Figures 5A–7A](#).

Canada was the leading country for U.S. inbound activity in May and over the last 12-month period by total dollar value (\$2.15 billion and \$71.08 billion, respectively) and number of deals (27 and 327, respectively). The U.K. remained the leading country of destination for U.S. outbound activity in both May and over the last 12 months by activity as measured by dollar value (\$3.11 billion and \$35.31 billion, respectively) and number of deals (19 and 281, respectively). [Figure 3](#).

U.S. Deals by Industry

Computers and Electronics was the most active target industry in May and over the last 12 months by dollar value (\$42.83 billion and \$395.93 billion, respectively) and number of deals (299 and 2,423, respectively). [Figure 2](#).

U.S. Public Mergers

As for U.S. public merger deal terms in May 2019, average target break fees were below their 12-month levels (at 3.0% compared to 3.5%), and reverse break fees were below their 12-month levels (at 4.8% compared to 5.7%). One deal was announced with a go-shop provision. [Figures 6, 7 and 8](#). Cash transactions comprised 60.0% of U.S. public mergers, above the 50.3% 12-month average, and no deals were choice-election transactions. [Figure 9](#). Further, hostile and unsolicited transactions represented 16.7% of announced U.S. public mergers, above the 14.4% 12-month average. [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 We would like to announce our new partnership with Deal Point Data, which will be the source of our data on U.S. public mergers on a going forward basis.

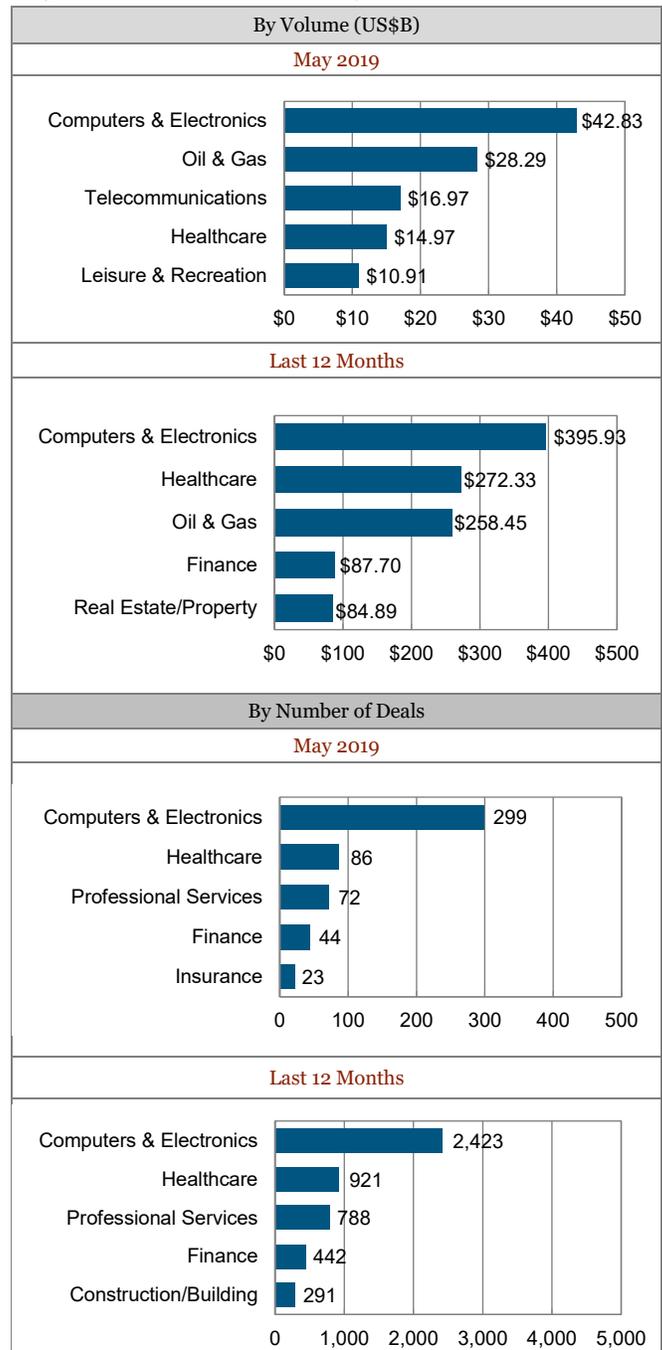
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M&A Activity

Figure 1

| May 2019 | Global | +/- From Prior Month | U.S. | +/- From Prior Month |
|---|--------|----------------------|--------------------------------|---------------------------------|
| Total | | | | |
| Volume (US\$B) | 287.57 | 12.51 | 138.88 | (1.49) |
| No. of deals | 2,644 | (144) | 760 | 20 |
| Avg. value of deals (US\$mil) | 108.8 | 10.1 | 182.7 | (7.0) |
| Strategic Transactions | | | | |
| Volume (US\$B) | 173.25 | (29.89) | 67.69 | (44.20) |
| No. of deals | 2,240 | (258) | 573 | (59) |
| Avg. value of deals (US\$mil) | 77.3 | (4.0) | 118.1 | (58.9) |
| Sponsor-Related Transactions | | | | |
| Volume (US\$B) | 114.32 | 42.39 | 71.19 | 42.71 |
| No. of deals | 404 | 114 | 187 | 79 |
| Avg. value of deals (US\$mil) | 283.0 | 35.0 | 380.7 | 117.0 |
| Crossborder Transactions¹ | | | | |
| Volume (US\$B) | 69.03 | 3.58 | Inbound 11.62 Outbound 9.48 | Inbound (5.05) Outbound 4.61 |
| No. of deals | 601 | 25 | Inbound 101 Outbound 97 | Inbound (4) Outbound 10 |
| Avg. value of deals (US\$mil) | 114.9 | 1.2 | Inbound 115.0 Outbound 97.7 | Inbound (43.7) Outbound 41.8 |

Figure 2 – Most Active U.S. Target Industries²



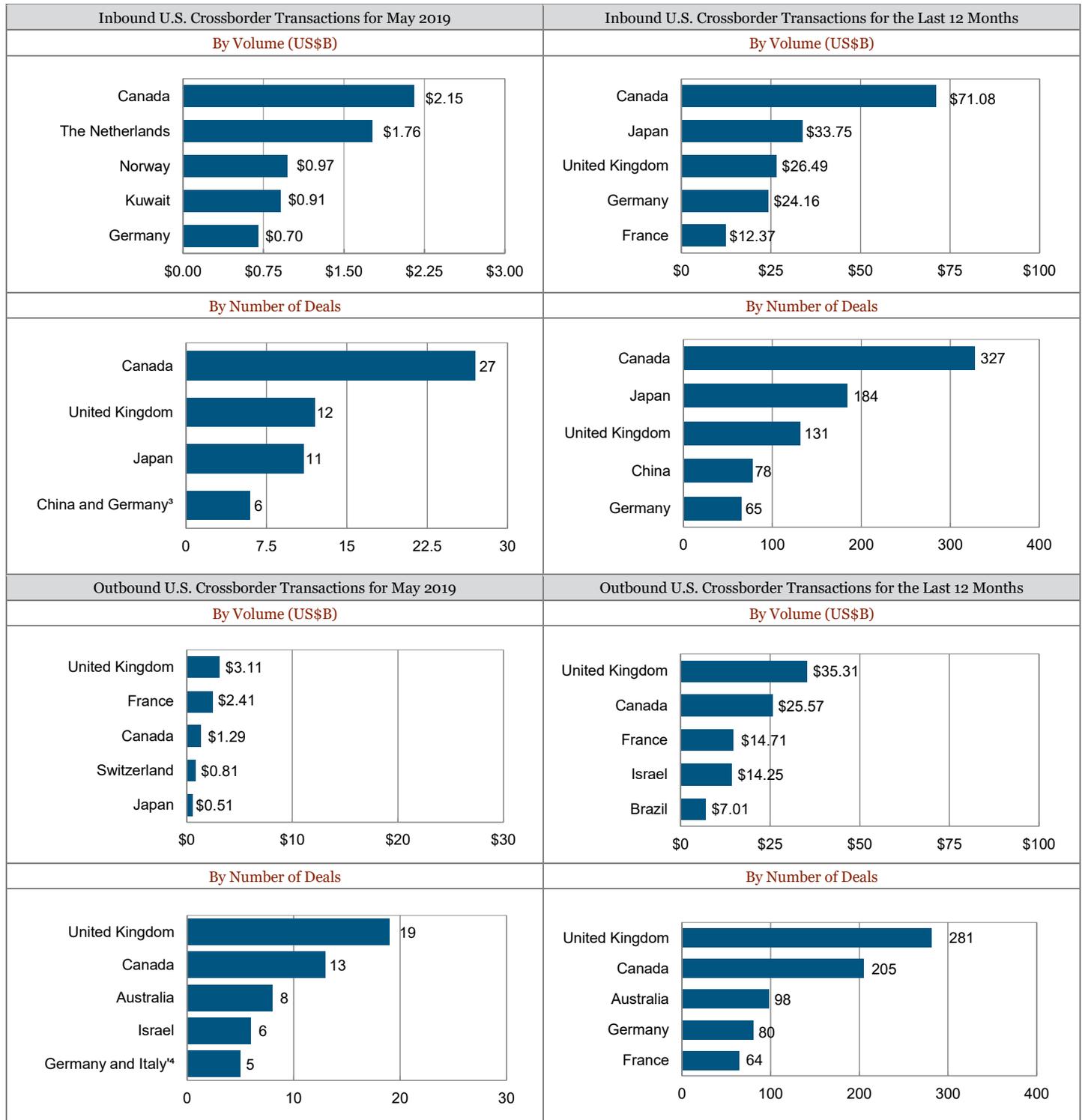
Figures 1-3 were compiled using Cortex, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Deal volume by dollar value and average value of deals are calculated from the subset of the total number of deals that include a disclosed deal value. 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 June 10, 2019 unless otherwise specified. "Last 12 Months" data is for the period from June 2018 to May 2019 inclusive. Data obtained from Cortex and Deal Point Data has not been reviewed for accuracy by Paul, Weiss.

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 China and Germany was the country of origin for six transactions in May 2019.

⁴ Each of Germany and Italy was the country of destination for five transactions in May 2019.

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

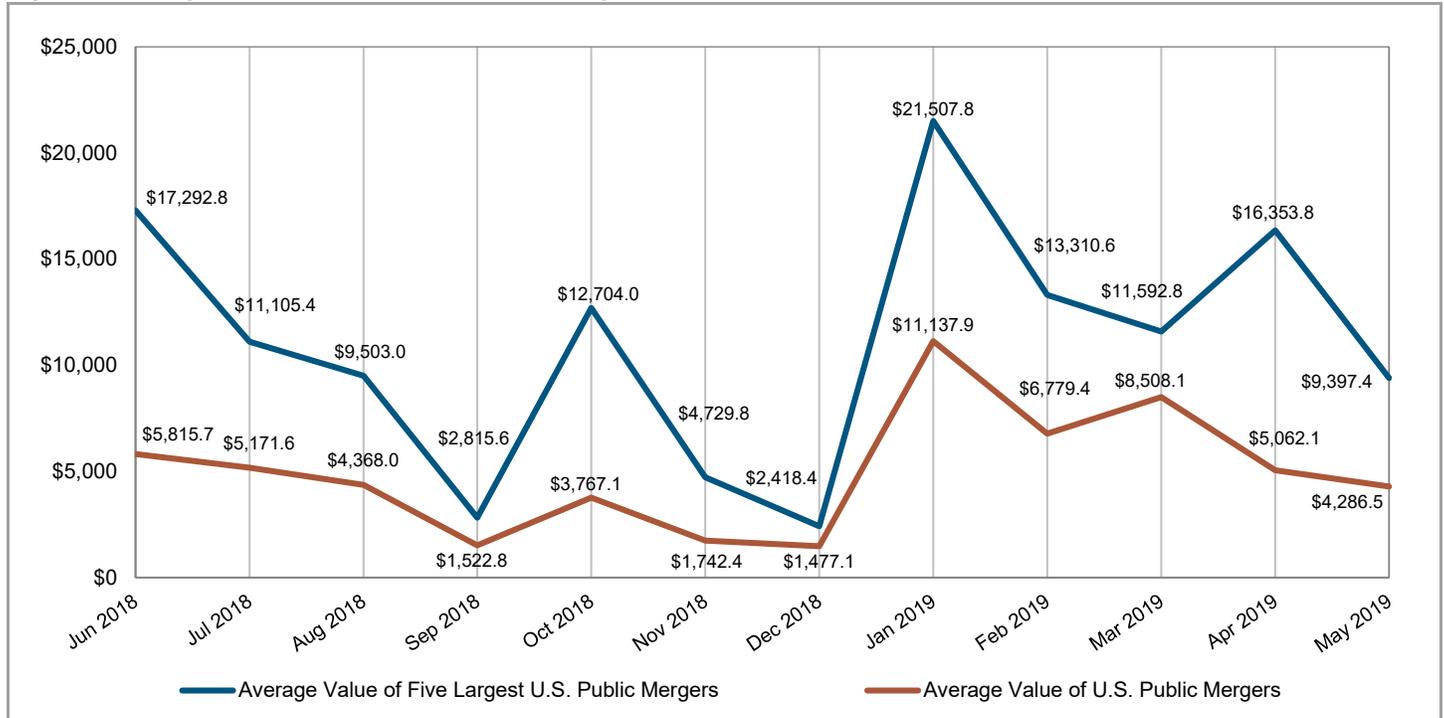
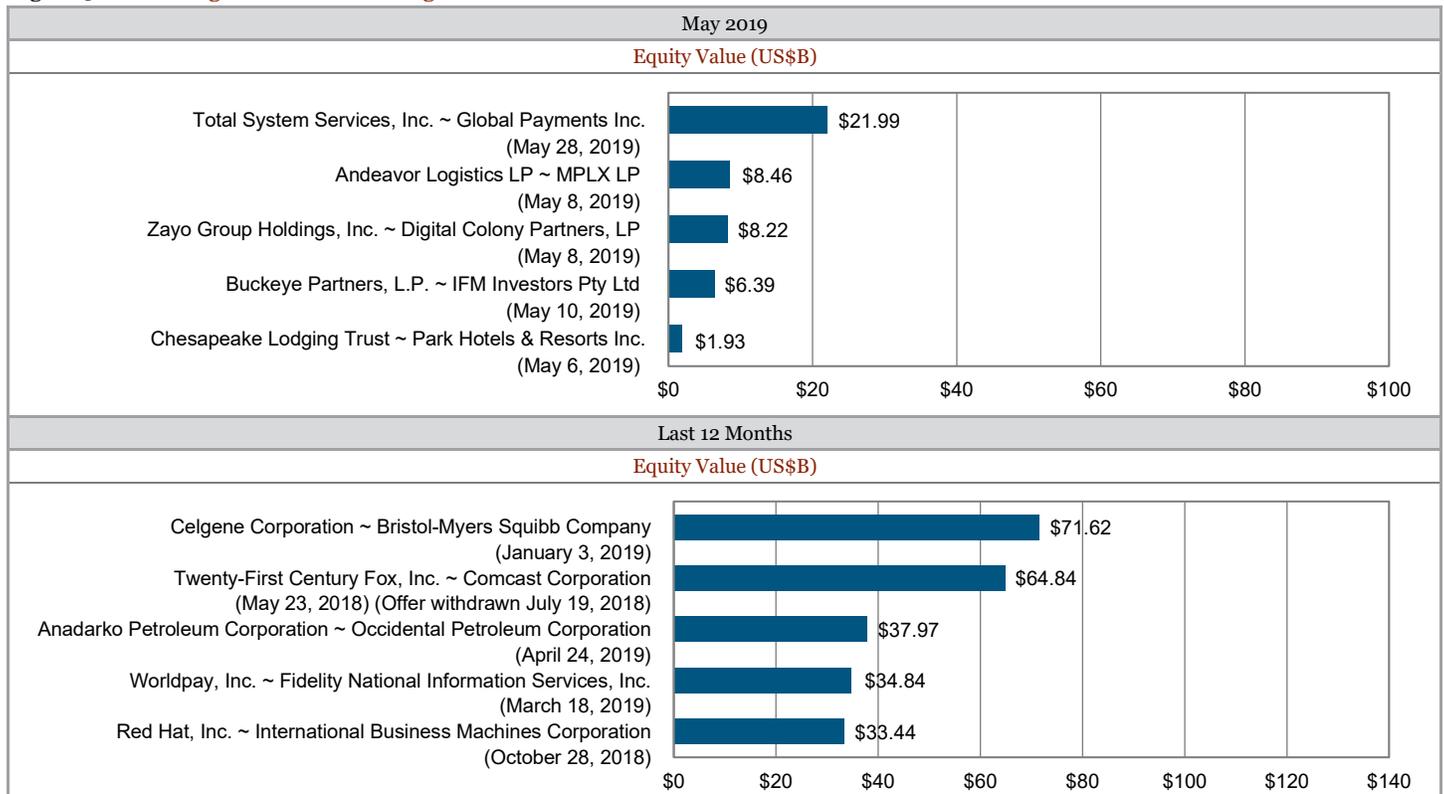


Figure 5 – Five Largest U.S. Public Mergers



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M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁵

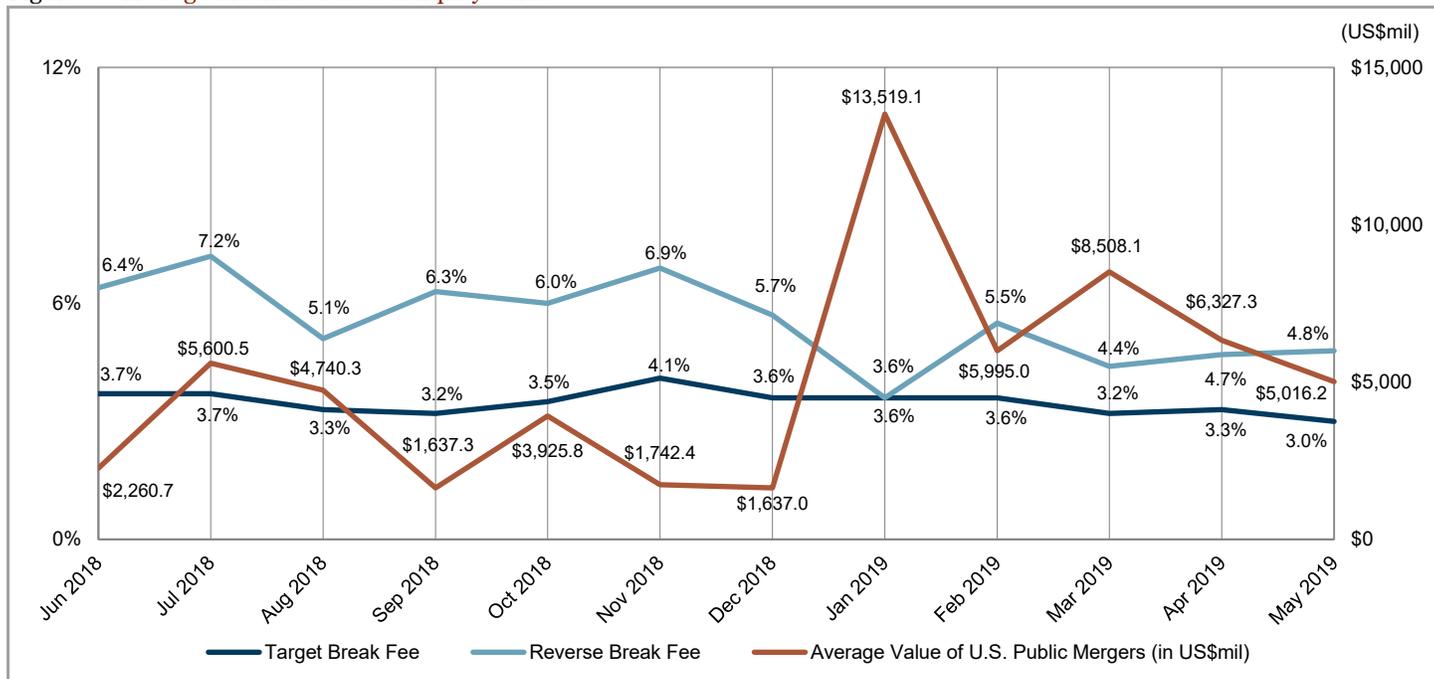


Figure 7 – Average Break Fees as % of Equity Value⁶

| | May 2019 | Last 12 Months |
|----------------------------------|----------|----------------|
| Target Break Fee for All Mergers | 3.0 | 3.5 |

| | May 2019 | Last 12 Months |
|---|----------|----------------|
| Reverse Break Fee for All Mergers | 4.8 | 5.7 |
| Reverse Break Fee for Mergers Involving Financial Buyers ⁷ | 5.9 | 6.7 |
| Reverse Break Fee for Mergers Involving Strategic Buyers ⁸ | 3.7 | 5.3 |

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.

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 Three transactions in May 2019 involving a financial buyer had a reverse break fee.
⁸ Three transactions in May 2019 involving a strategic buyer had a reverse break fee.
⁹ Financial and strategic categories are determined by Deal Point Data.
¹⁰ Four transactions in May 2019 involved a financial buyer.
¹¹ Six transactions in May 2019 involved a strategic buyer.
¹² One transaction in May 2019 had a go-shop provision.
¹³ One transaction in May 2019 involving a financial buyer had a go-shop provision.
¹⁴ Zero transactions in May 2019 involving a strategic buyer had a go-shop provision.

Figure 8 – U.S. Public Merger Go-Shop Provisions⁹

| | May 2019 | Last 12 Months |
|--|----------|----------------|
| % of Mergers with Go-Shops | 10.0 | 13.3 |
| % of Mergers Involving Financial Buyers with Go-Shops ¹⁰ | 25.0 | 39.3 |
| % of Mergers Involving Strategic Buyers with Go-Shops ¹¹ | 0.0 | 7.0 |
| Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ¹² | 30.0 | 37.5 |
| Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ¹³ | 30.0 | 39.1 |
| Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ¹⁴ | N/A | 35.3 |

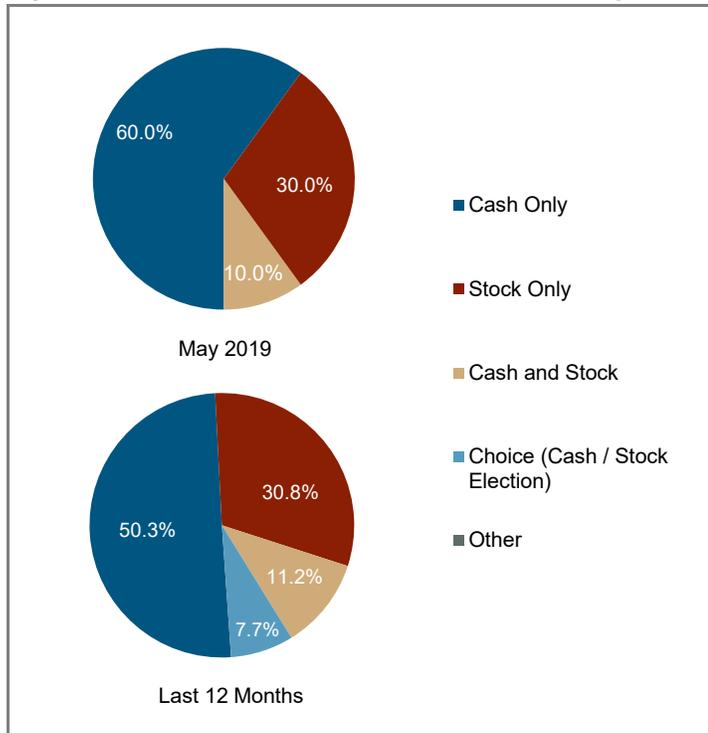
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Figure 10 – % of Partial and All Stock Deals That Have a Fixed Exchange Ratio

| | |
|------------------------|-------|
| May 2019 ¹⁶ | 100.0 |
| Last 12 Months | 95.0 |

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

| | |
|----------------|------|
| May 2019 | 10.0 |
| Last 12 Months | 12.6 |

Figure 12 – Hostile/Unsolicited Offers as % of U.S. Public Mergers¹⁷

| | |
|----------------|------|
| May 2019 | 16.7 |
| Last 12 Months | 14.4 |

¹⁵ Due to rounding, percentages may not add up to 100%.

¹⁶ There were only three partial or all stock transactions in May 2019.

¹⁷ 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)

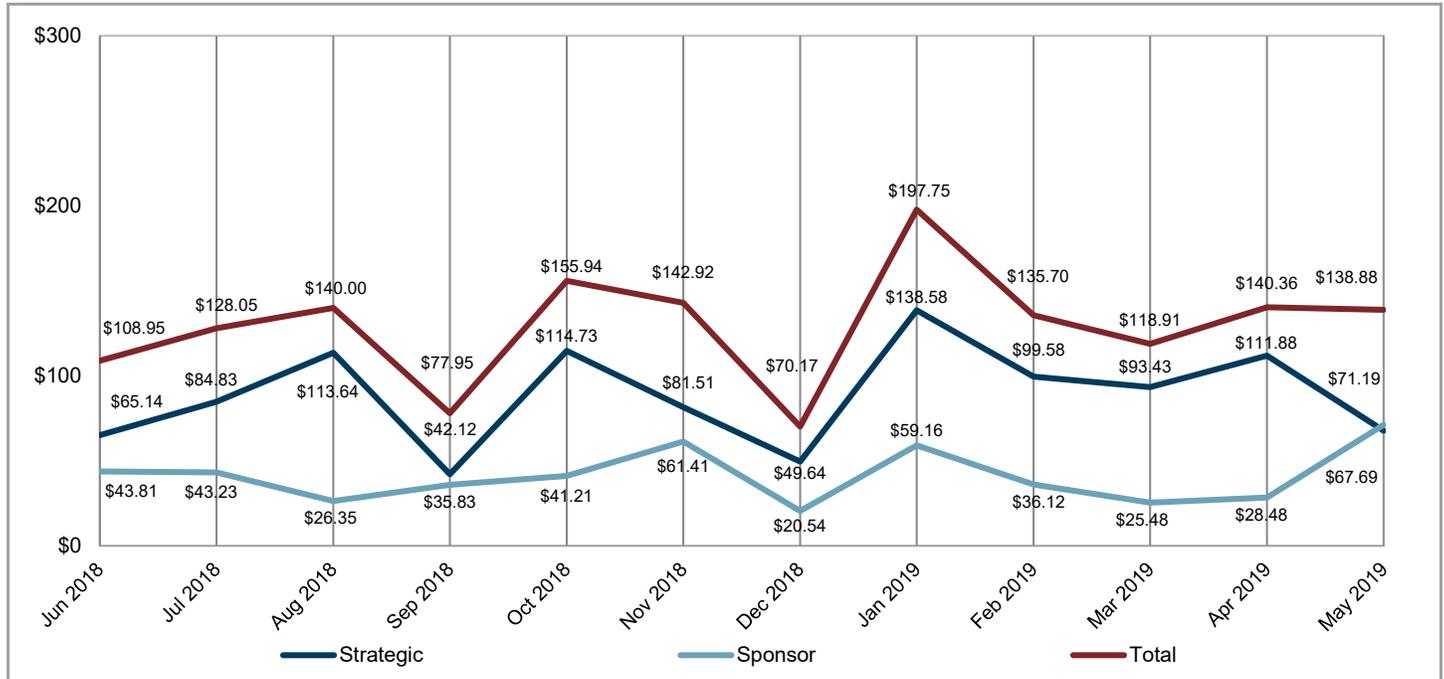
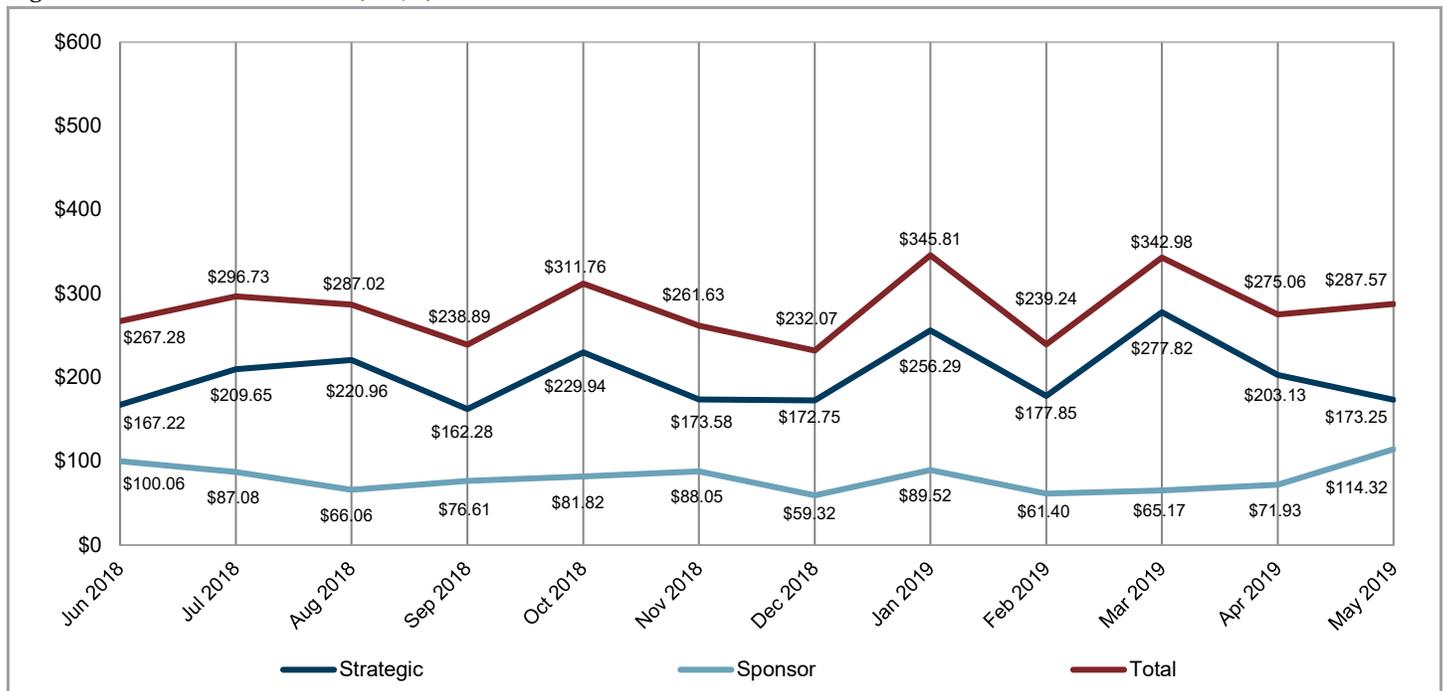


Figure 2A – Global Deal Volume (US\$B)



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Figure 3A – U.S. Number of Deals

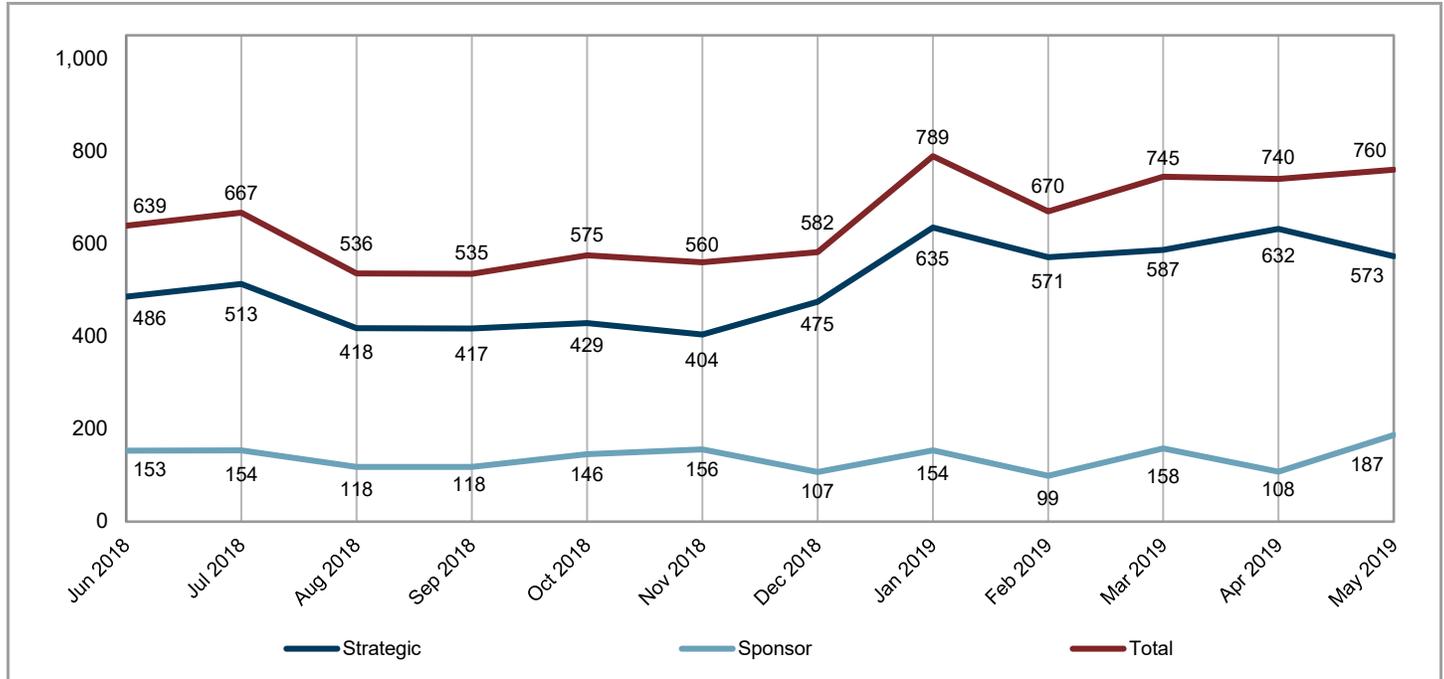
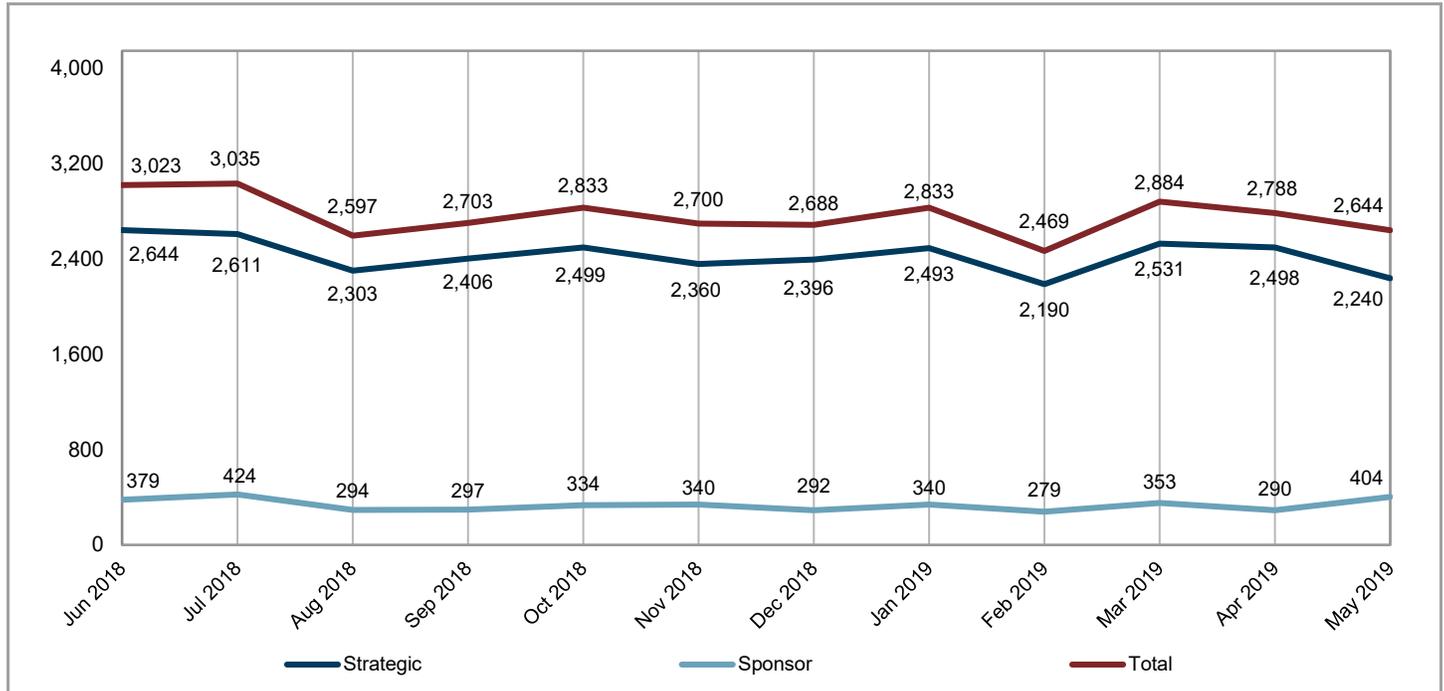


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

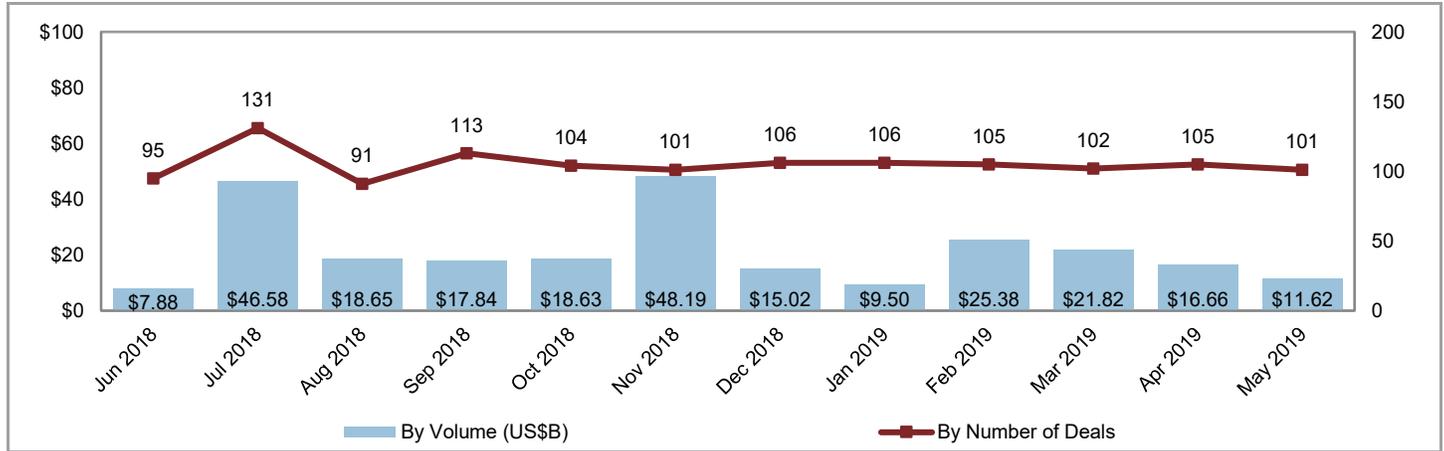


Figure 6A – Outbound U.S. Crossborder Transactions

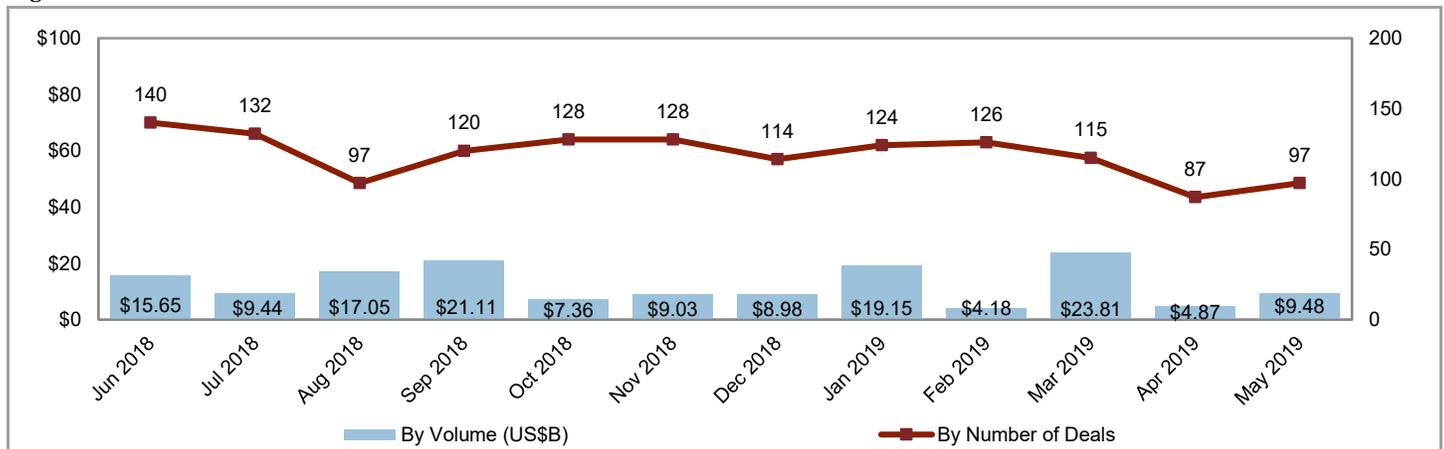


Figure 7A – Global Crossborder Transactions

