

May 2017, Issue 62

Global M&A activity in April 2017 declined by most measures from its March 2017 level, while the U.S. showed more mixed results. Globally, total deal volume, as measured by dollar value, decreased by 16.6% to \$253.91 billion, whereas in the U.S., a large increase in average deal size led to a 58.4% increase in total dollar volume to \$108.11 billion. The increase in U.S. volume came despite a 27.1% decrease in number of deals to 669, similar to the global decrease of 25.3% to 2,708 (a new 12-month low for number of deals globally).

Strategic vs. Sponsor Activity

Strategic activity largely drove the changes in M&A activity. Globally, strategic deal volume decreased by 17.6% to \$202.96 billion and the number of deals decreased by 26.5% to 2,414. In the U.S., strategic deal volume increased by 92.3% to \$87.09 billion, though the number of deals decreased by 29.6% to 540. Sponsor-related activity saw decreases in both deal volume (by 12.4% to \$50.96 billion) and number of deals (by 13.8% to 294) globally and decreases in deal volume (by 8.41% to \$21.02 billion) and number of deals (by 14.6% to 129) in the U.S. [Figure 1](#) and Annex [Figures 1A-4A](#).

Crossborder Activity

Crossborder deal volume in April 2017 decreased across all measures except for U.S. inbound deal volume. Globally, crossborder activity decreased in both deal volume (by 41.6% to \$69.95 billion) and number of deals (by 26.9% to 631). In the U.S., outbound activity decreased sharply in deal volume (by 83.1% to \$8.55 billion), and also decreased in number of deals (by 25.5% to 105). U.S. inbound activity increased in deal volume (by 28.1% to \$26.98 billion) but decreased in number of deals (by 28.9% to 108). [Figure 1](#) and Annex [Figures 5A-7A](#). In U.S. outbound activity by volume, the U.K. claimed the lead for April (\$5.43 billion), and the Netherlands maintained its spot as the 12-month leader (\$75.64 billion). In U.S. outbound activity by number of deals, Canada was the leading country of destination in April 2017 (20), while the U.K. maintained its 12-month lead (331). As for U.S. inbound activity by volume, Luxembourg was the leading country of origin in deal volume (\$7.52 billion for April 2017, driven by JAB Holding Co. SARL's pending \$7.49 billion acquisition of Panera Bread Company), while the U.K. maintained its 12-month lead (\$100.52 billion). Canada was the leading country of origin for U.S. inbound activity by number of deals in April 2017 (27), and maintained its 12-month lead (425). [Figures 3](#) and [5](#).

U.S. Deals by Industry

Healthcare took over Oil & Gas as the most active target industry in the U.S. by deal volume (\$37.25 billion) due to Becton, Dickinson & Co.'s offer to acquire C.R. Bard, Inc. for \$22.96 billion. Computers & Electronics remained the most active target industry in the U.S. by number of deals (184) and maintained its position as the most active target industry for the last 12 months, as measured by both volume (\$303.17 billion) and number of deals (2,539). [Figure 2](#).

U.S. Public Mergers

Turning to U.S. public merger terms, average target break fees were 3.4% in April 2017 (near the 12-month average of 3.6%), while average reverse break fees edged closer to the 12-month average (5.0%, as compared to 5.4%). [Figures 6](#) and [7](#). The use of cash consideration in April 2017 (50%) was below the 12-month average (64.1%). [Figure 9](#). The incidence of tender offers as a percentage of U.S. public mergers (14.3%) was also below the 12-month average (24.5%). [Figure 11](#). Finally, no hostile offers were reported in April 2017 (as compared to the 12-month average of 11.8%). [Figure 12](#).

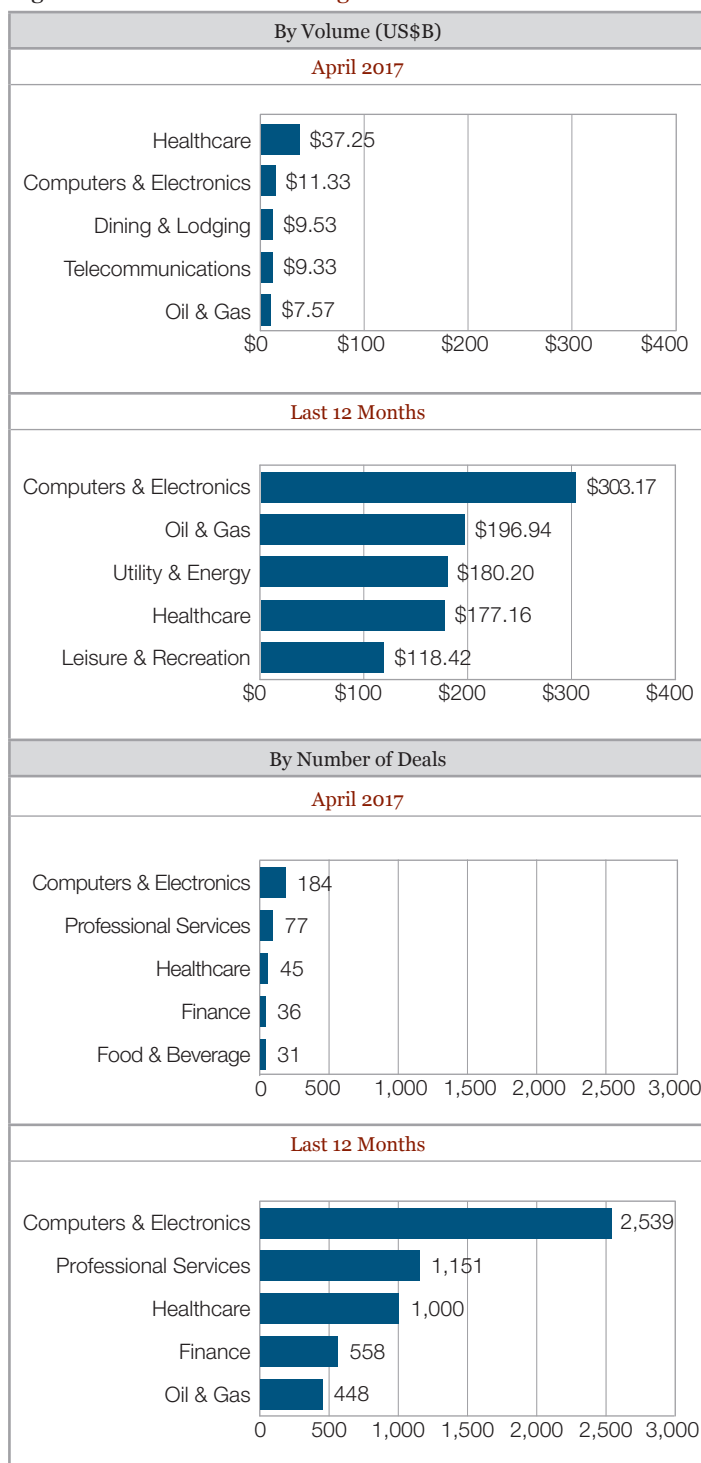
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M&A Activity

Figure 1

April 2017	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	253.91	(50.59)	108.11	39.86
No. of deals	2,708	(917)	669	(249)
Avg. value of deals (US\$mil)	194.3	24.4	543.3	330.7
Avg. deal multiple ¹	12.4x	1.1	13.9x	2.1
Strategic Transactions				
Volume (US\$B)	202.96	(43.38)	87.09	41.79
No. of deals	2,414	(870)	540	(227)
Avg. value of deals (US\$mil)	168.7	22.0	500.5	341.0
Avg. deal multiple ¹	12.2x	0.9	13.6x	1.7
Sponsor-Related Transactions				
Volume (US\$B)	50.96	(7.22)	21.02	(1.93)
No. of deals	294	(47)	129	(22)
Avg. value of deals (US\$mil)	490.0	(20.3)	840.9	220.5
Avg. deal multiple ¹	13.6x	2.1	15.0x	3.4
Crossborder Transactions²				
Volume (US\$B)	69.95	(49.85)	Inbound 26.98 Outbound 8.55	Inbound 5.92 Outbound (41.97)
No. of deals	631	(232)	Inbound 108 Outbound 105	Inbound (44) Outbound (36)
Avg. value of deals (US\$mil)	244.6	(46.2)	Inbound 574.1 Outbound 294.7	Inbound 268.9 Outbound (715.6)
Avg. deal multiple ¹	12.9x	2.1	Inbound 14.7x Outbound 15.0x	Inbound 1.7 Outbound 4.6

Figures 1-3 were compiled using data from Dealogic, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Figures 4 and 5 were compiled using data from FactSet MergerMetrics, and are limited to mergers involving public U.S. targets announced during the period indicated and valued at \$100 million or higher regardless of whether a definitive merger agreement was reached and filed or withdrawn. All data is as of May 10, 2017 unless otherwise specified. "Last 12 Months" data is for the period from May 2016 to April 2017 inclusive. Data obtained from Dealogic and FactSet MergerMetrics has not been reviewed for accuracy by Paul, Weiss.

Figure 2 - Most Active U.S. Target Industries³

¹ Ratio of enterprise value to EBITDA, trailing 12 months. This statistic is calculated using a smaller subset of deals for which this data is available.

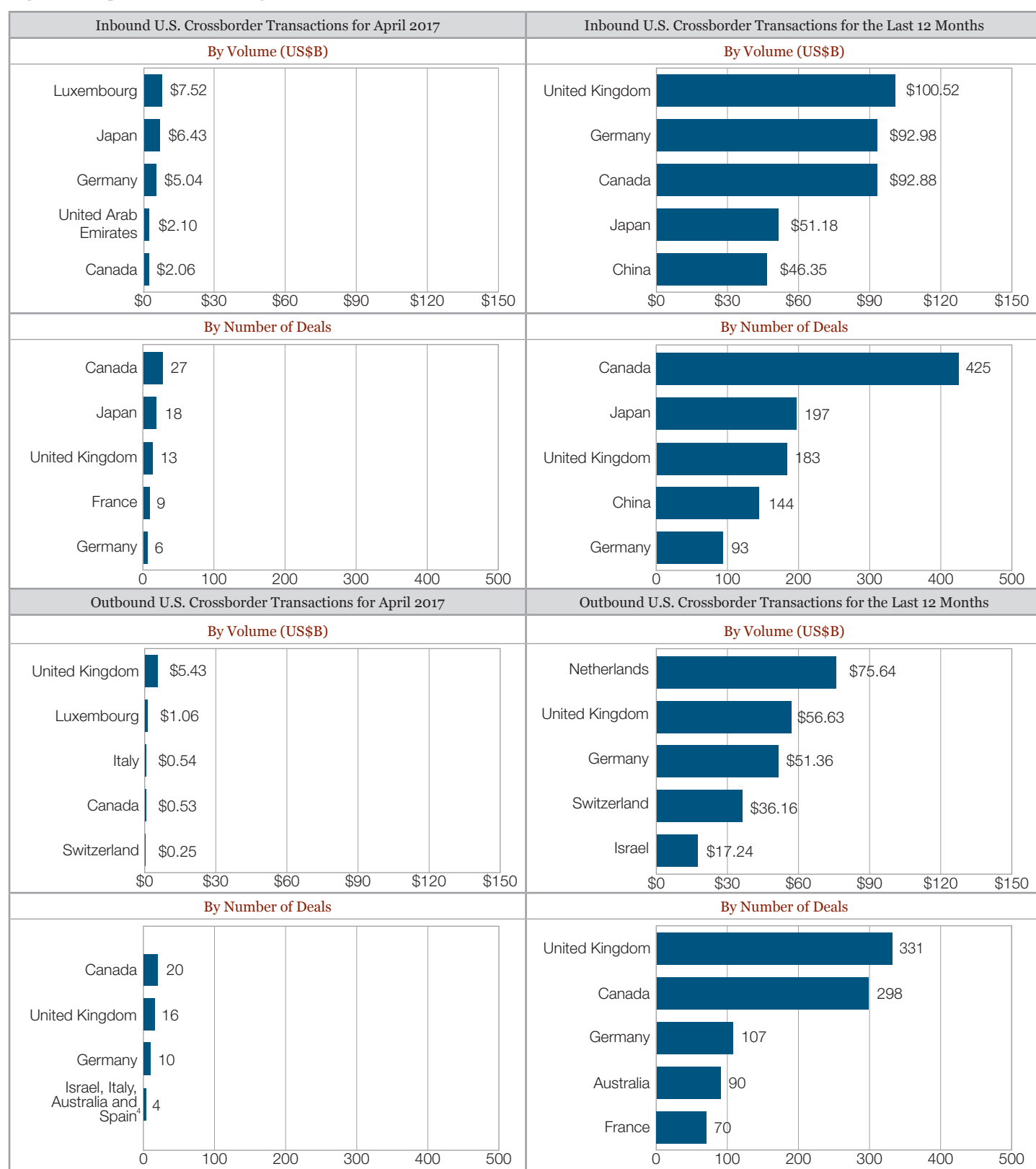
² Global crossborder transactions are those where the acquirer and the target have different nationalities. Nationality is based on where a company has either its headquarters or a majority of its operations.

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.

³ Industries categories are determined and named by Dealogic.

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

⁴ Each of Israel, Italy, Australia and Spain was the country of destination for four transactions in April 2017.

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M&A Activity (Continued)

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

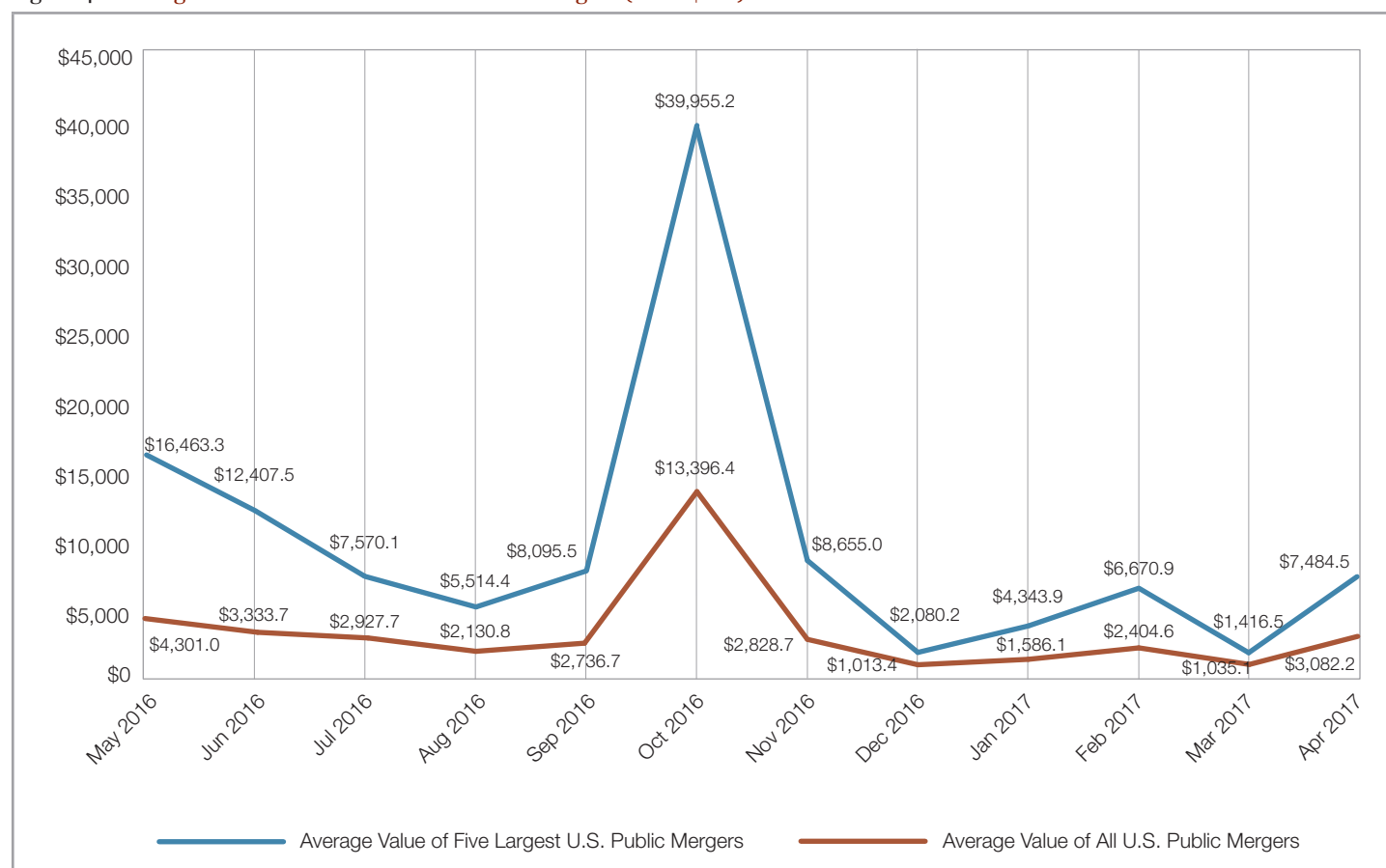
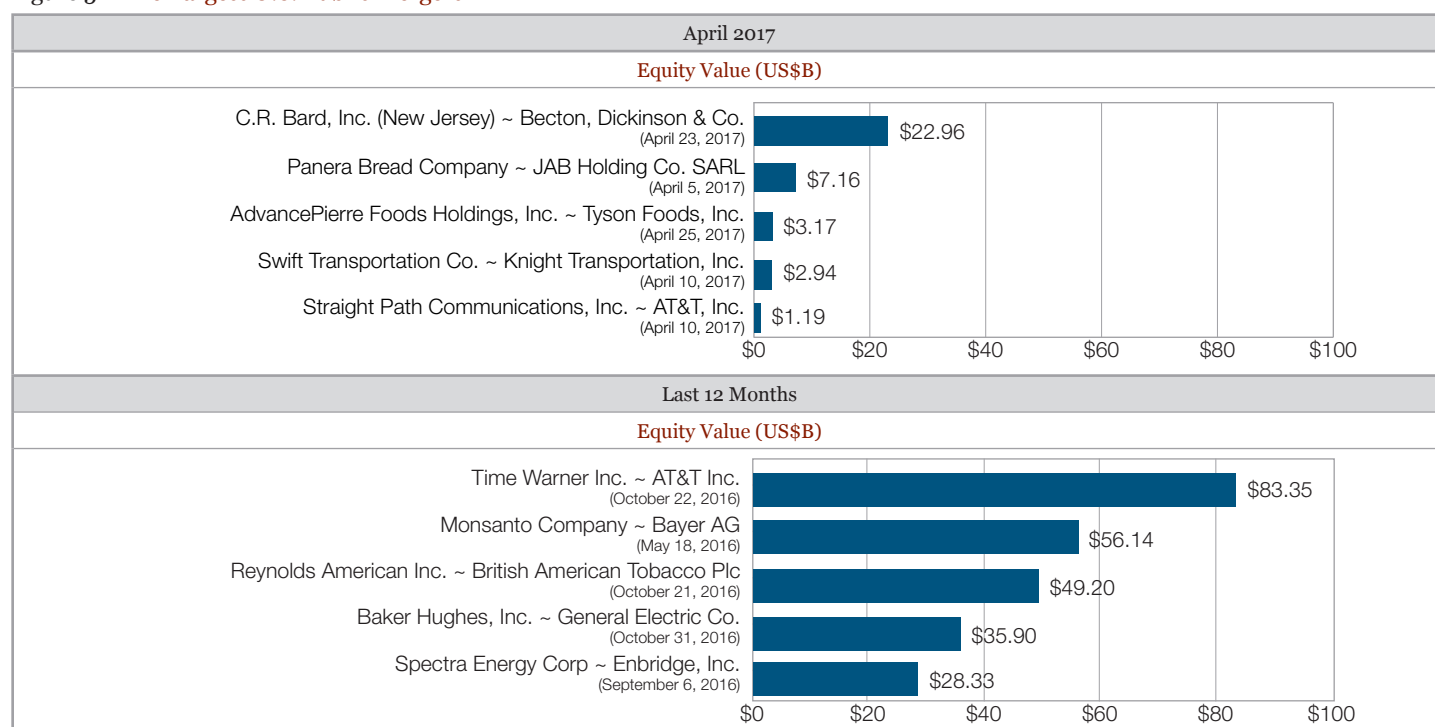


Figure 5 - Five Largest U.S. Public Mergers



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M&A Activity (Continued)

M&A Terms

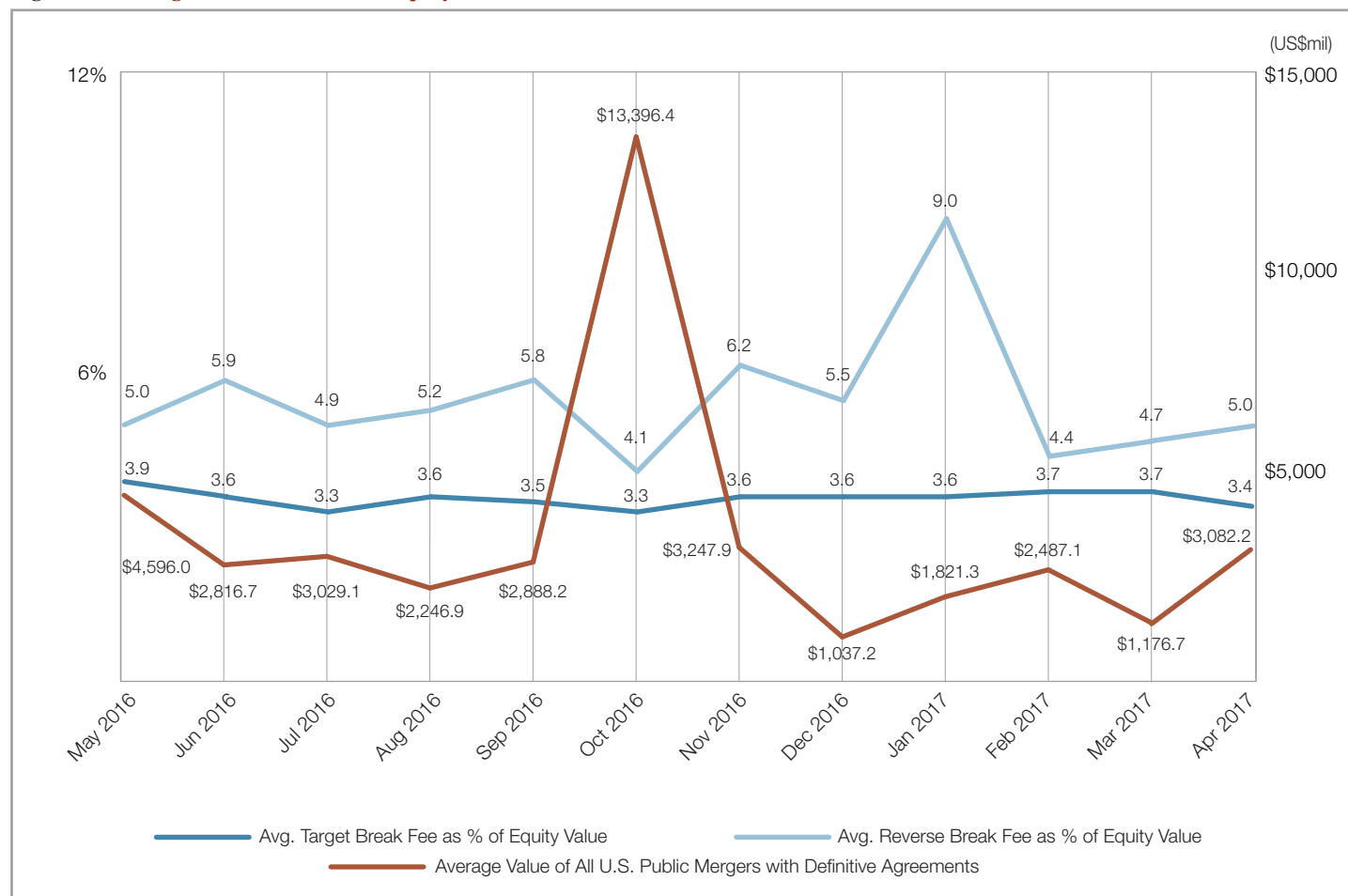
Figure 6 - Average Break Fees as % of Equity Value⁵

Figure 7 - Average Break Fees as % of Equity Value

	April 2017	Last 12 Months
Target Break Fee for All Mergers	3.4	3.6

	April 2017	Last 12 Months
Reverse Break Fee for All Mergers	5.0	5.4
Reverse Break Fee for Mergers Involving Financial Buyers ⁶	4.1	6.5
Reverse Break Fee for Mergers Involving Strategic Buyers	5.1	5.1

Figures 6-12 were compiled using data from FactSet MergerMetrics, and are limited to select mergers involving public U.S. targets announced during the period indicated, valued at \$100 million or higher and for which a definitive merger agreement was reached and filed (unless otherwise indicated). Data obtained from FactSet MergerMetrics has not been reviewed for accuracy by Paul, Weiss.

Figure 8 - U.S. Public Merger Go-Shop Provisions

	April 2017	Last 12 Months
% of Mergers with Go-Shops	7.1	10.4
% of Mergers Involving Financial Buyers with Go-Shops ⁷	100.0	45.2
% of Mergers Involving Strategic Buyers with Go-Shops	0.0	3.7
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ⁸	35.0	34.3
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ⁹	35.0	34.4
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ¹⁰	N/A	34.2

⁵ Based on the highest target break fees and reverse break fees payable in a particular deal.

⁶ One transaction in April 2017 involving a financial buyer had a reverse break fee.

⁷ One transaction in April 2017 involved a financial buyer.

⁸ One transaction in April 2017 had a go-shop provision.

⁹ One transaction in April 2017 involving a financial buyer had a go-shop provision.

¹⁰ Zero transactions in April 2017 involving a strategic buyer had a go-shop provision.

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M&A Activity (Continued)

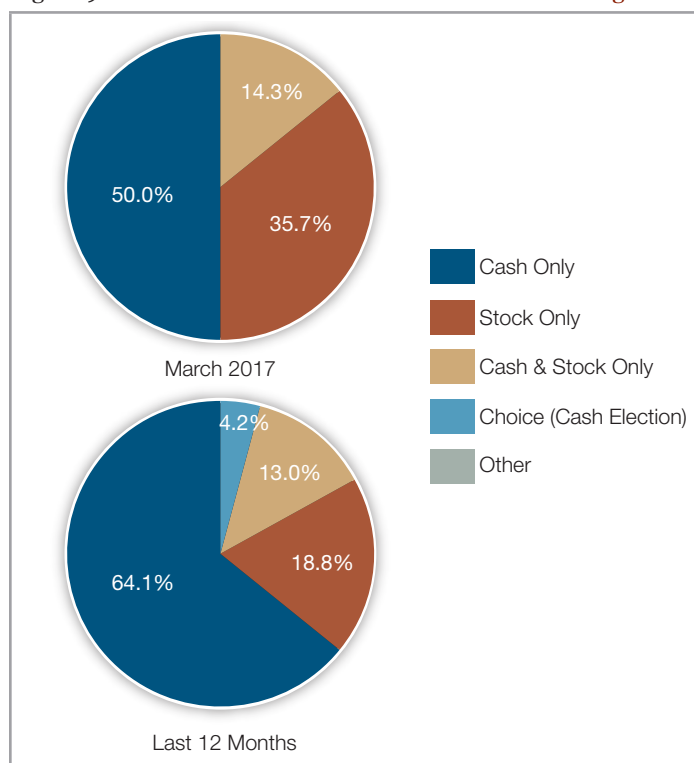
Figure 9 - Form of Consideration as % of U.S. Public Mergers¹¹

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

April 2017	85.7
Last 12 Months	91.8

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

April 2017	14.3
Last 12 Months	24.5

Figure 12 - Hostile/Unsolicited Offers as % of U.S. Public Mergers¹²

April 2017	0.0
Last 12 Months	11.8

¹¹ Due to rounding, percentages may not add up to 100%.¹² 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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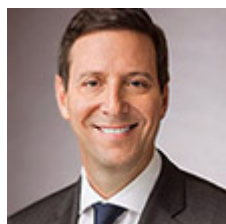
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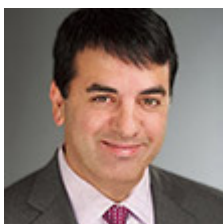
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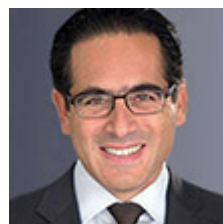
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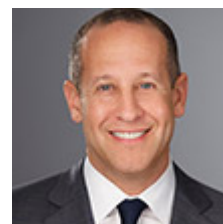
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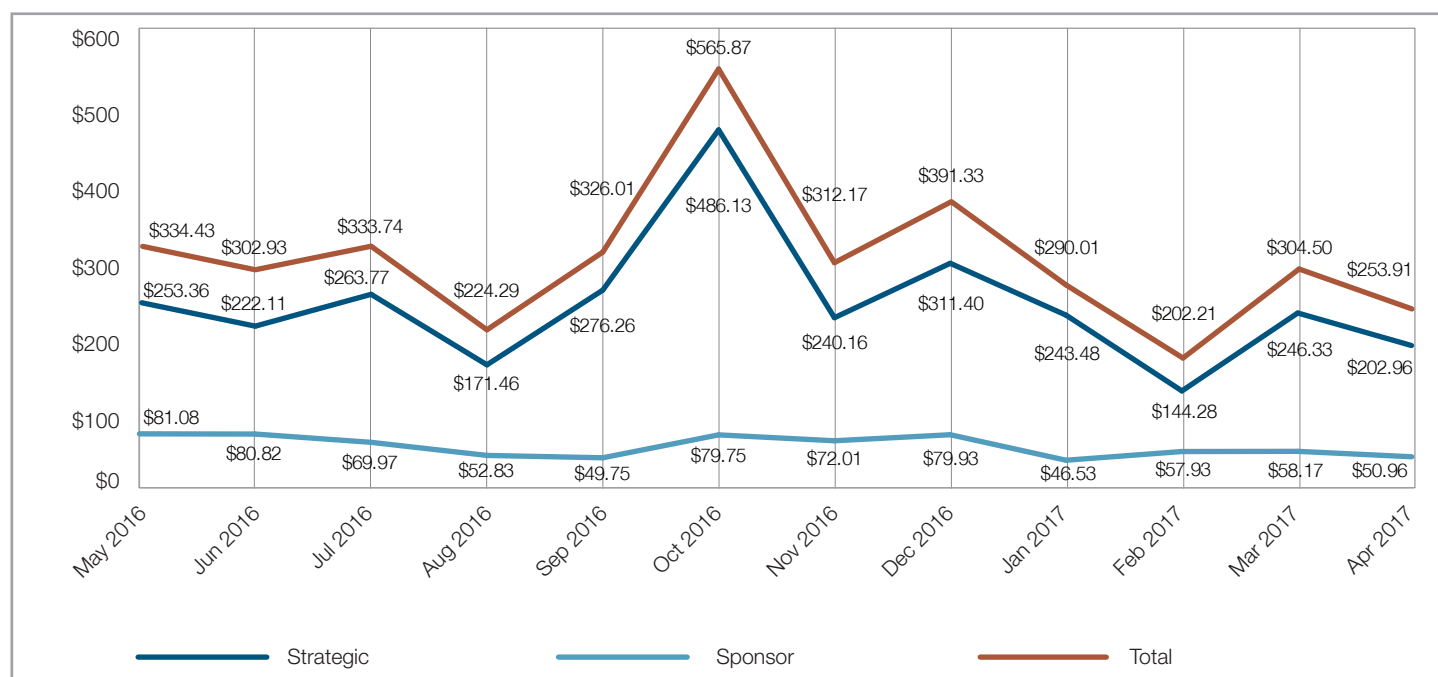
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M&A Activity – 12-Month Trends

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

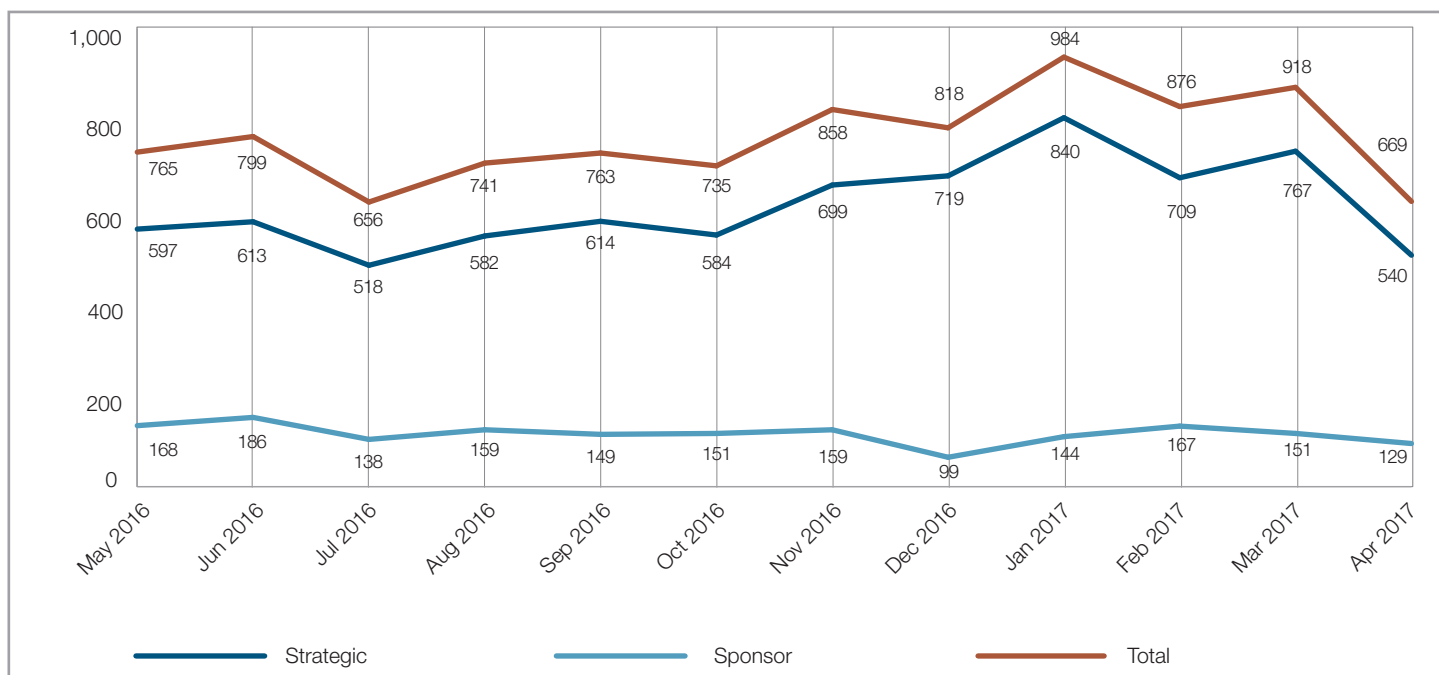


Figure 4A - Global Number of Deals

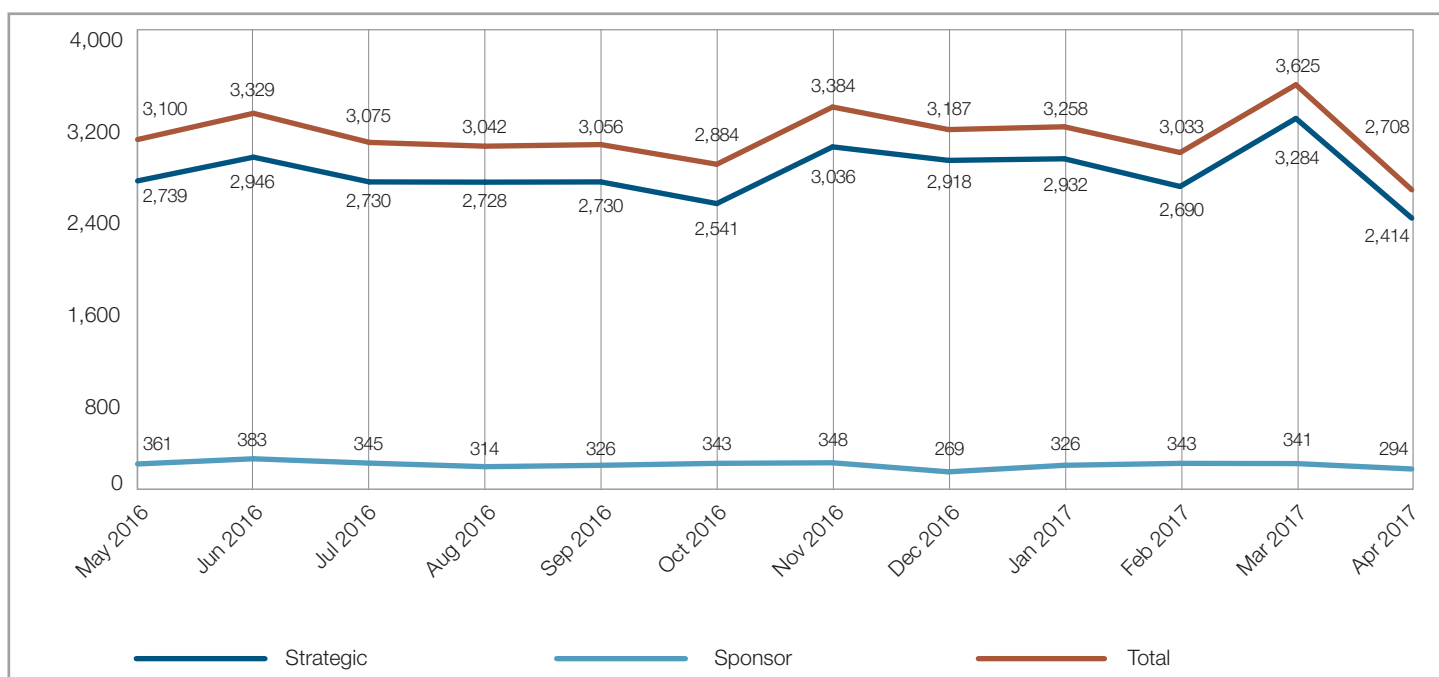


Figure 5A - Inbound U.S. Crossborder Transactions

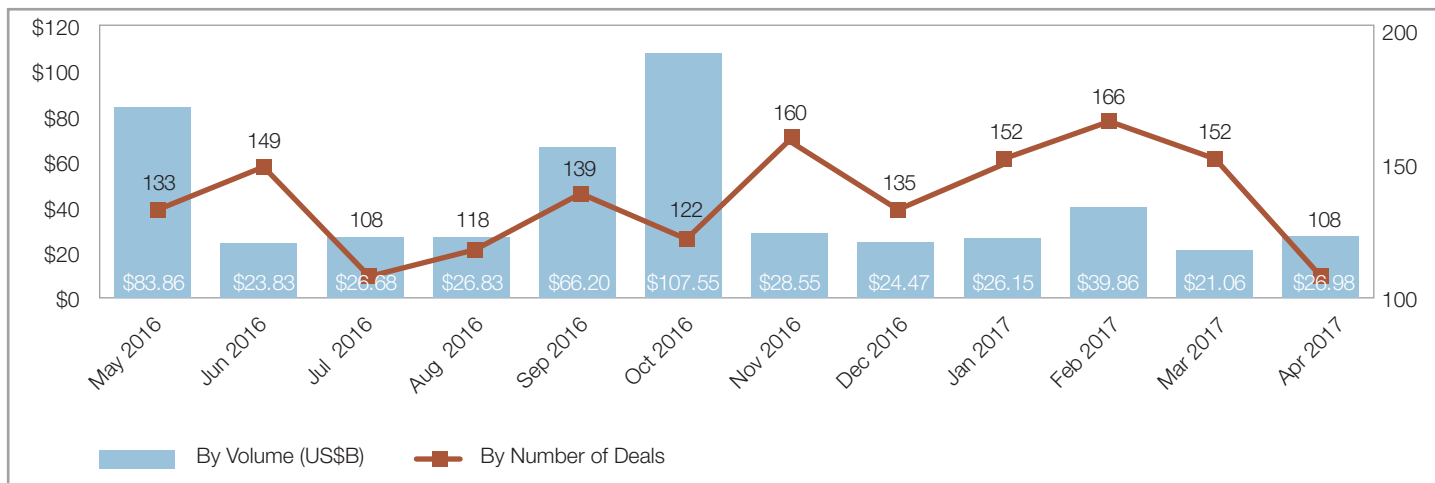


Figure 6A - Outbound U.S. Crossborder Transactions

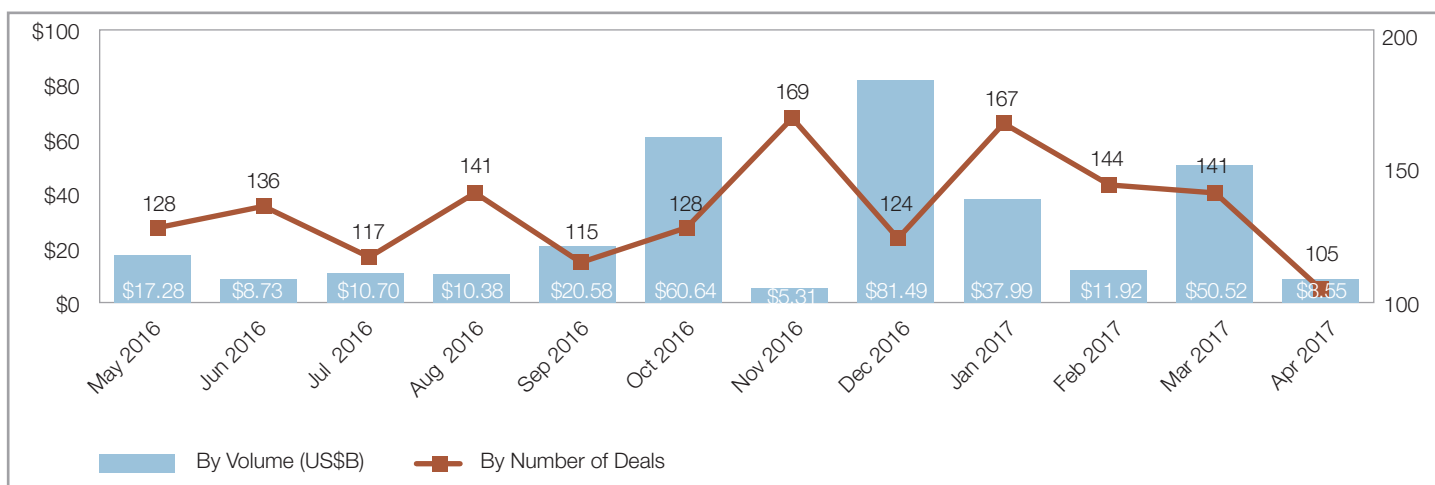


Figure 7A - Global Crossborder Transactions

