

September 2017, Issue 66

Global M&A activity declined in August 2017, with total deal volume, as measured by dollar value, decreasing 4.0% to \$277.65 billion and the number of deals decreasing 5.6% to 3,119. The U.S. remained a bright spot in the M&A market, however, with mostly gains from July levels. In the U.S., total deal volume increased by 38.1% to \$130.26 billion and the number of deals increased by 12.8% to 838.

Strategic vs. Sponsor Activity

In the U.S., strategic deal volume increased 29.3% to \$78.12 billion, and the number of deals rose 8.7% to 673. By comparison, global strategic deal volume increased by only 2.7% to \$203.21 billion, and the number of global deals declined 6.8% to 2,791. [Figure 1](#) and Annex [Figures 1A-4A](#). Sponsor-related activity showed the most marked differences between global and U.S. sectors, with U.S. sponsor-related deal volume and number of deals increasing considerably by 53.9% to \$52.14 billion and 33.1% to 165, respectively; while global sponsor-related deal volume dropped 18.5% to \$74.45 billion and number of deals increased 5.5% to 328.

Crossborder Activity

Crossborder deal volume fell to 12-month lows across multiple measures in August 2017, and the number of crossborder deals also declined. Globally, crossborder deal volume declined 48.9% to a 12-month low of \$59.14 billion, and the number of deals declined 16.2% to 721. In the U.S., inbound deal volume declined to a 12-month low, falling by 33.8% to \$13.34 billion, with the number of U.S. inbound deals remaining flat from the prior month at 125 transactions. Outbound U.S. deal volume declined by 58.1% to \$10.44 billion and the number of outbound U.S. deals increased by a mere 1.6% to 130. [Figure 1](#) and Annex [Figures 5A-7A](#).

In U.S. inbound activity, Japan was the leading country of origin for August, with \$6.96 billion in deal volume, propelled both by Softbank's \$1.00 billion and \$1.10 billion investments in Fanatics Inc. and Roivant Sciences Inc., respectively, and also its \$4.40 billion investment in WeWork Companies Inc. The U.K. retained the lead for U.S. inbound activity by dollar value over the last 12 months, with \$105.98 billion in volume. Canada was the leading country of origin by number of inbound U.S. deals in August, with 24 transactions, and continued as the leading country of origin for the number of inbound U.S. deals over the last 12 months, with 410 transactions. As for U.S. outbound activity, Norway led by total dollar value for the first time since the inception of this publication, with \$3.38 billion in deal volume, driven entirely by TransOcean Ltd.'s pending acquisition of Songa Offshore SE. Canada led U.S. outbound activity by number of deals, with 24 transactions. The U.K. maintained its position as the leader in outbound deal volume and number of deals over the last 12 months, with \$64.62 billion in volume and 316 deals. [Figure 3](#).

U.S. Deals by Industry

Utility & Energy was the most active target industry in the U.S. by dollar value in August (\$36.34 billion), followed by Healthcare (\$24.02 billion). Computers & Electronics remained the most active target industry in the U.S. by number of deals in August (253) and over the last 12 months (2,648). Oil & Gas retained its position as the most active target industry in the U.S., as measured by dollar value, over the last 12 months, with \$193.88 billion in volume. [Figures 2](#) and [5](#).

U.S. Public Mergers

As for U.S. public merger terms in August 2017, average target break fees matched its 12-month average of 3.5%, while average reverse break fees increased to 7.2%, above the 12-month average of 5.6%. [Figures 6](#) and [7](#). The use of cash consideration in August 2017 was at 53.3%, slightly below its 12-month average of 58.8%. [Figure 9](#). The incidence of tender offers as a percentage of U.S. public mergers was 20.0%, which is consistent with the 12-month average. [Figure 11](#). Finally, there were no hostile offers reported in August 2017, compared to the 12-month average of 9.1%. [Figure 12](#).

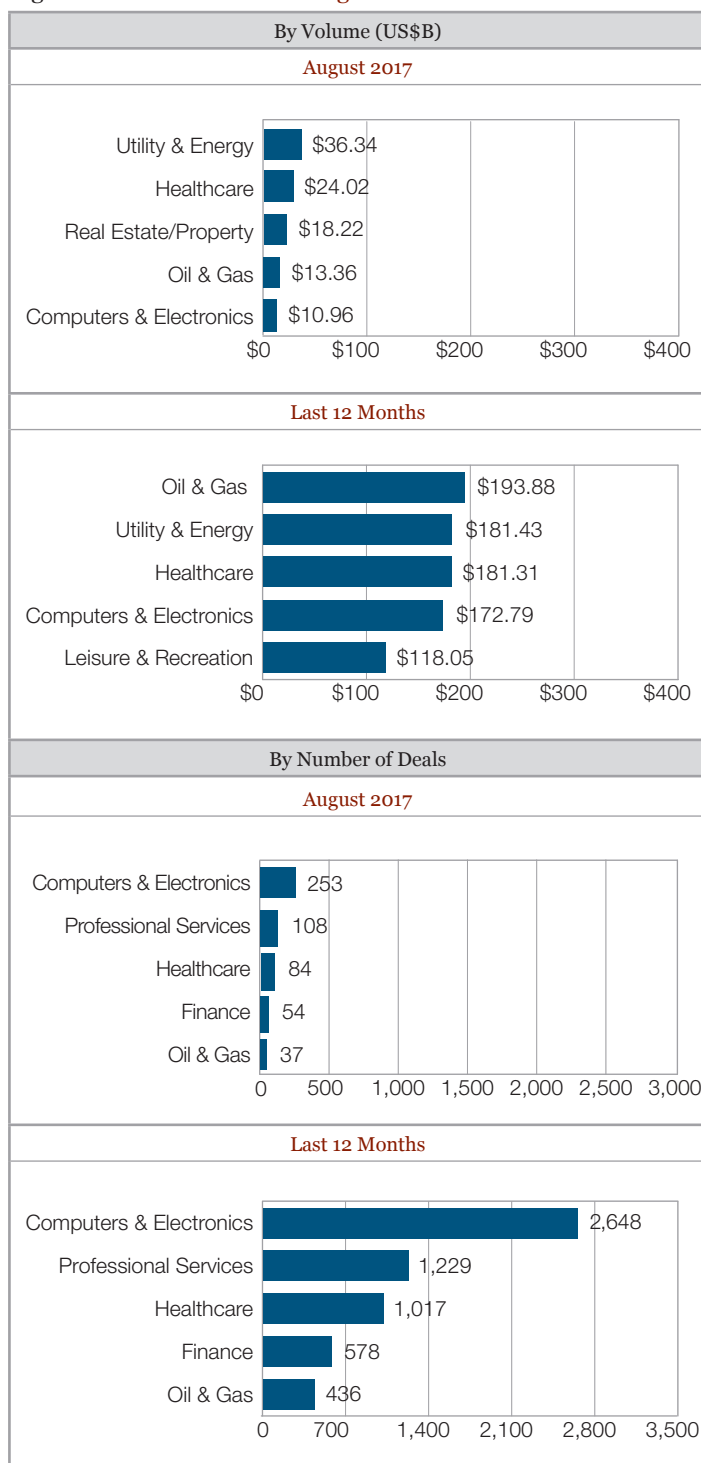
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M&A Activity

Figure 1¹

August 2017	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	277.65	(11.52)	130.26	35.96
No. of deals	3,119	(186)	838	95
Avg. value of deals (US\$mil)	177.4	(8.9)	418.8	33.9
Strategic Transactions				
Volume (US\$B)	203.21	5.42	78.12	17.68
No. of deals	2,791	(203)	673	54
Avg. value of deals (US\$mil)	139.1	1.6	288.3	(0.9)
Sponsor-Related Transactions				
Volume (US\$B)	74.45	(16.94)	52.14	18.27
No. of deals	328	17	165	41
Avg. value of deals (US\$mil)	715.8	(85.8)	1,303.5	362.8
Crossborder Transactions²				
Volume (US\$B)	59.14	(56.53)	Inbound 13.34 Outbound 10.44	Inbound (6.82) Outbound (14.46)
No. of deals	721	(139)	Inbound 125 Outbound 130	Inbound 0 Outbound 2
Avg. value of deals (US\$mil)	178.1	(106.8)	Inbound 196.1 Outbound 237.3	Inbound (128.9) Outbound (170.9)

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 September 11, 2017 unless otherwise specified. "Last 12 Months" data is for the period from September 2016 to August 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 Because the levels of reporting for deal multiple figures have been low, we have determined to exclude this metric from this and future issues of *M&A at a Glance*.

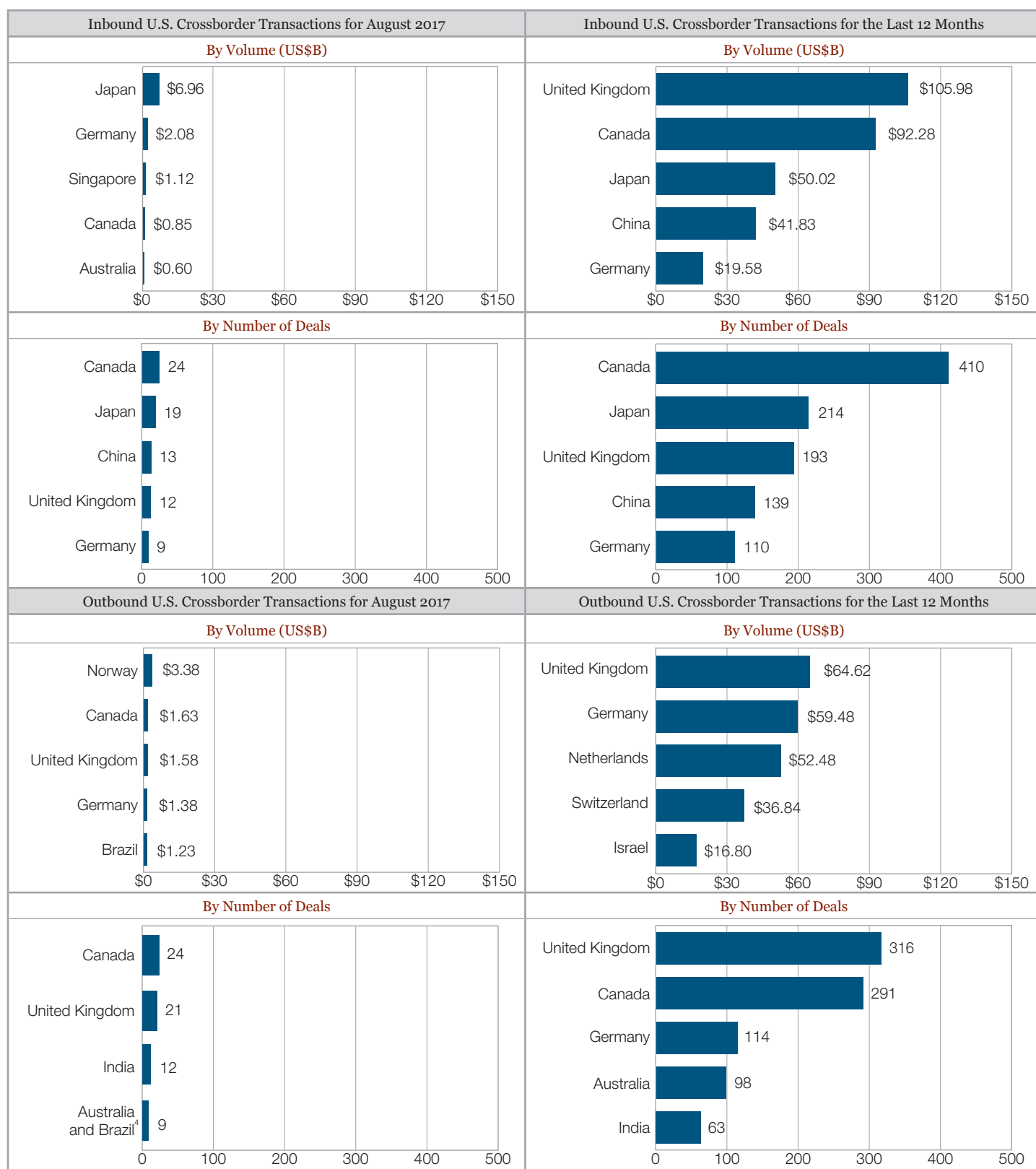
² Global crossborder transactions are those where the acquirer and the target have different nationalities. Nationality is based on where a company has either its headquarters or a majority of its operations. U.S. crossborder transactions are those transactions where the acquirer and the target have 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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M&A Activity (Continued)

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

⁴ Each of Australia and Brazil was the country of destination for nine transactions in August 2017.

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M&A Activity (Continued)

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

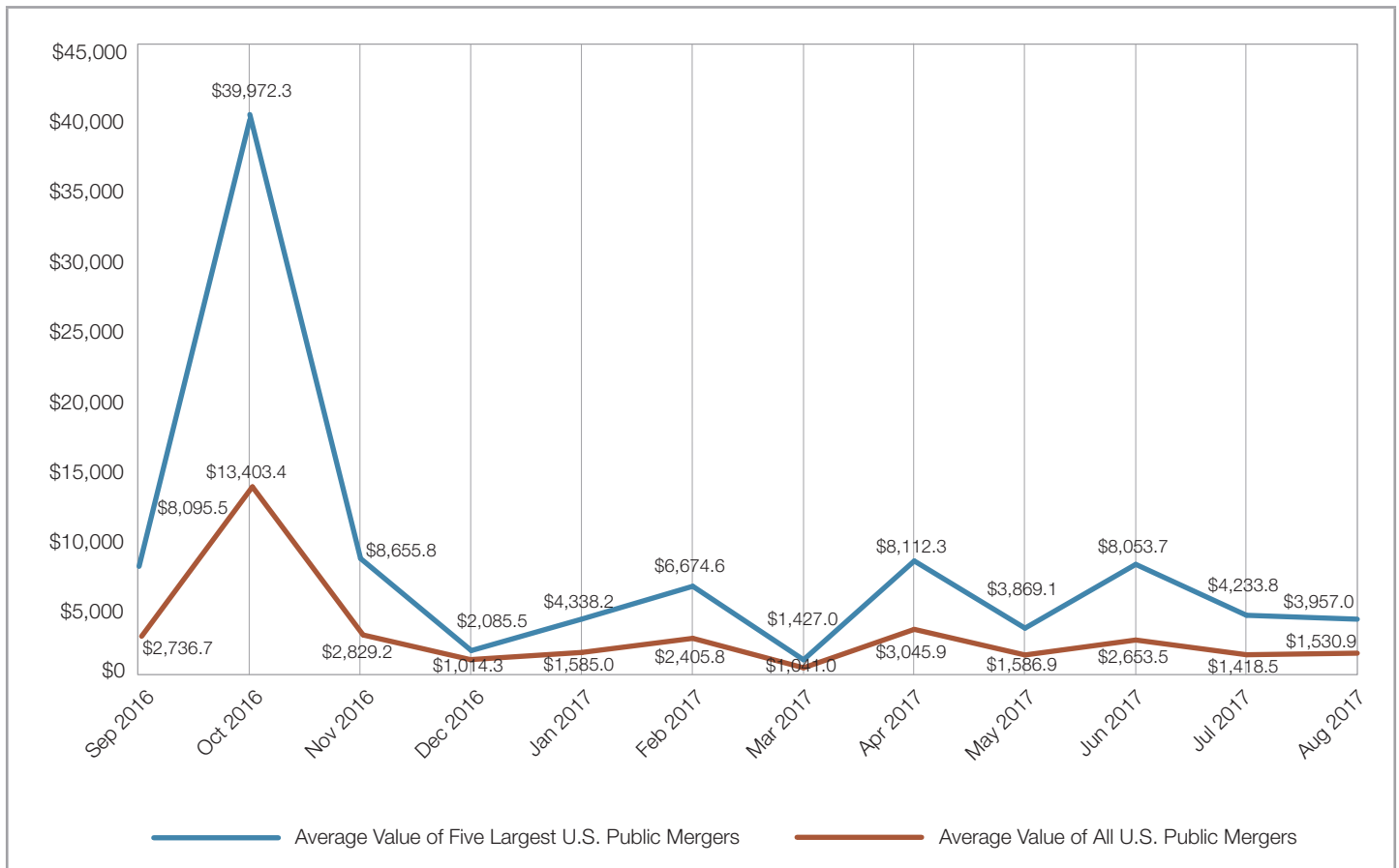
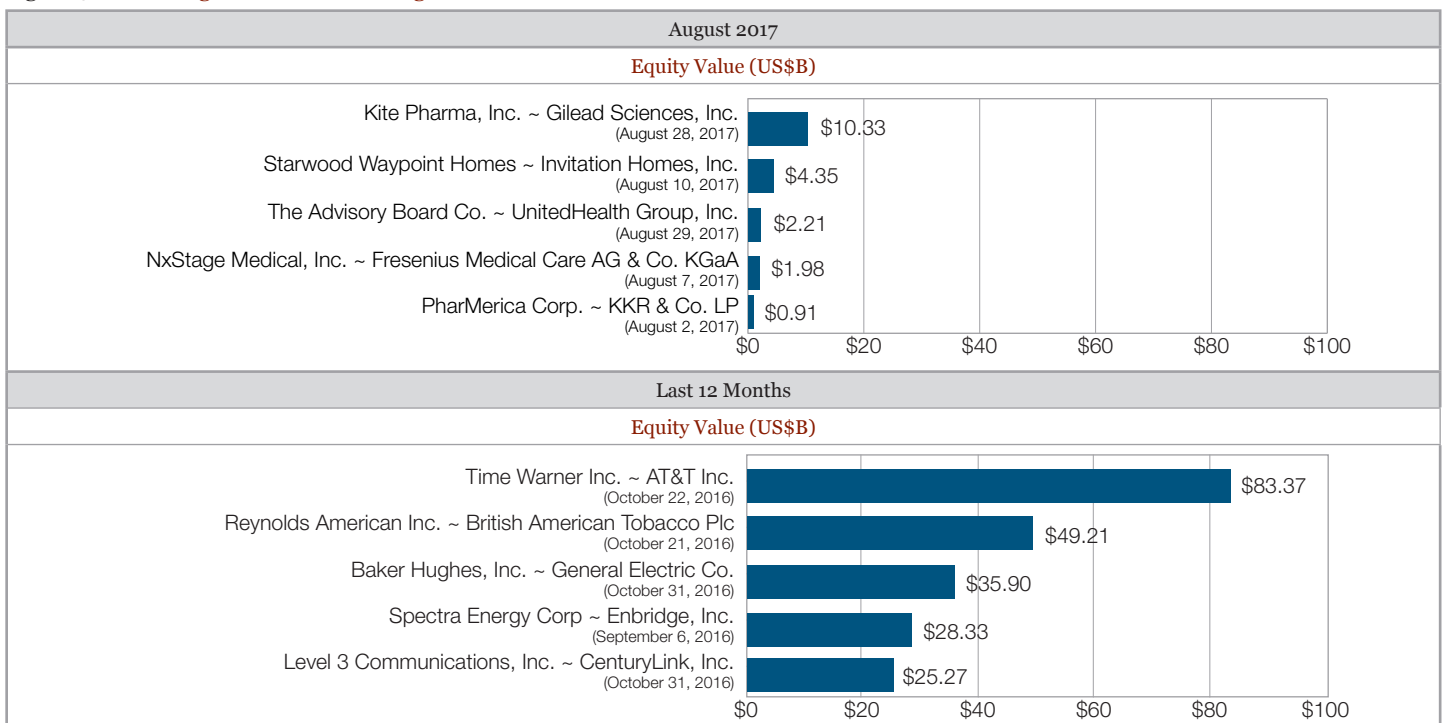


Figure 5 - Five Largest U.S. Public Mergers



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M&A Activity (Continued)

M&A Terms

Figure 6 - Average Break Fees as % of Equity Value⁵

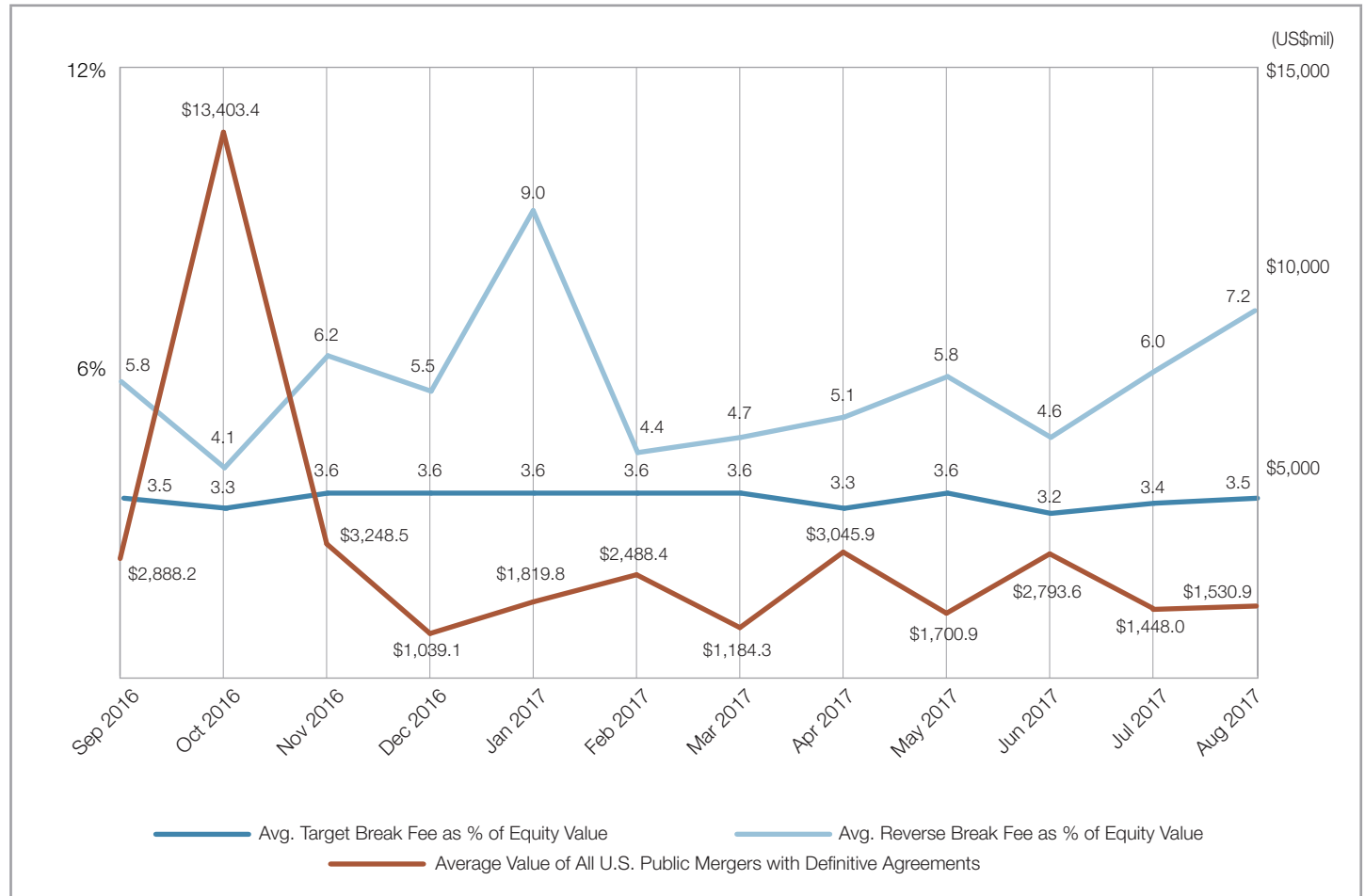


Figure 7 - Average Break Fees as % of Equity Value

	August 2017	Last 12 Months
Target Break Fee for All Mergers	3.5	3.5

	August 2017	Last 12 Months
Reverse Break Fee for All Mergers	7.2	5.6
Reverse Break Fee for Mergers Involving Financial Buyers ⁶	12.5	6.6
Reverse Break Fee for Mergers Involving Strategic Buyers ⁷	5.9	5.3

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.

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

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

⁷ Four transactions in August 2017 involving a strategic buyer had a reverse break fee.

⁸ One transaction in August 2017 involved a financial buyer.

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

	August 2017	Last 12 Months
% of Mergers with Go-Shops	0.0	8.8
% of Mergers Involving Financial Buyers with Go-Shops ⁸	0.0	32.3
% of Mergers Involving Strategic Buyers with Go-Shops	0.0	4.3
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ⁹	N/A	34.9
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ¹⁰	N/A	36.1
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ¹¹	N/A	33.1

⁹ No transactions in August 2017 had a go-shop provision.

¹⁰ No transactions in August 2017 involving a financial buyer had a go-shop provision.

¹¹ No transactions in August 2017 involving a strategic buyer had a go-shop provision.

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M&A Activity (Continued)

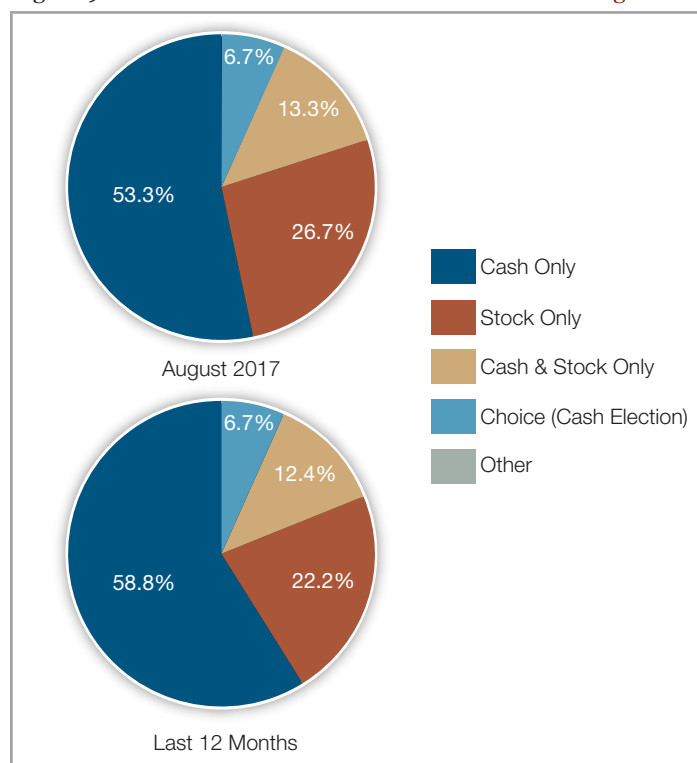
Figure 9 - Form of Consideration as % of U.S. Public Mergers¹²

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

August 2017	100.0
Last 12 Months	89.6

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

August 2017	20.0
Last 12 Months	20.1

Figure 12 - Hostile/Unsolicited Offers as % of U.S. Public Mergers¹³

August 2017	0.0
Last 12 Months	9.1

¹² Due to rounding, percentages may not add up to 100%.¹³ 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)

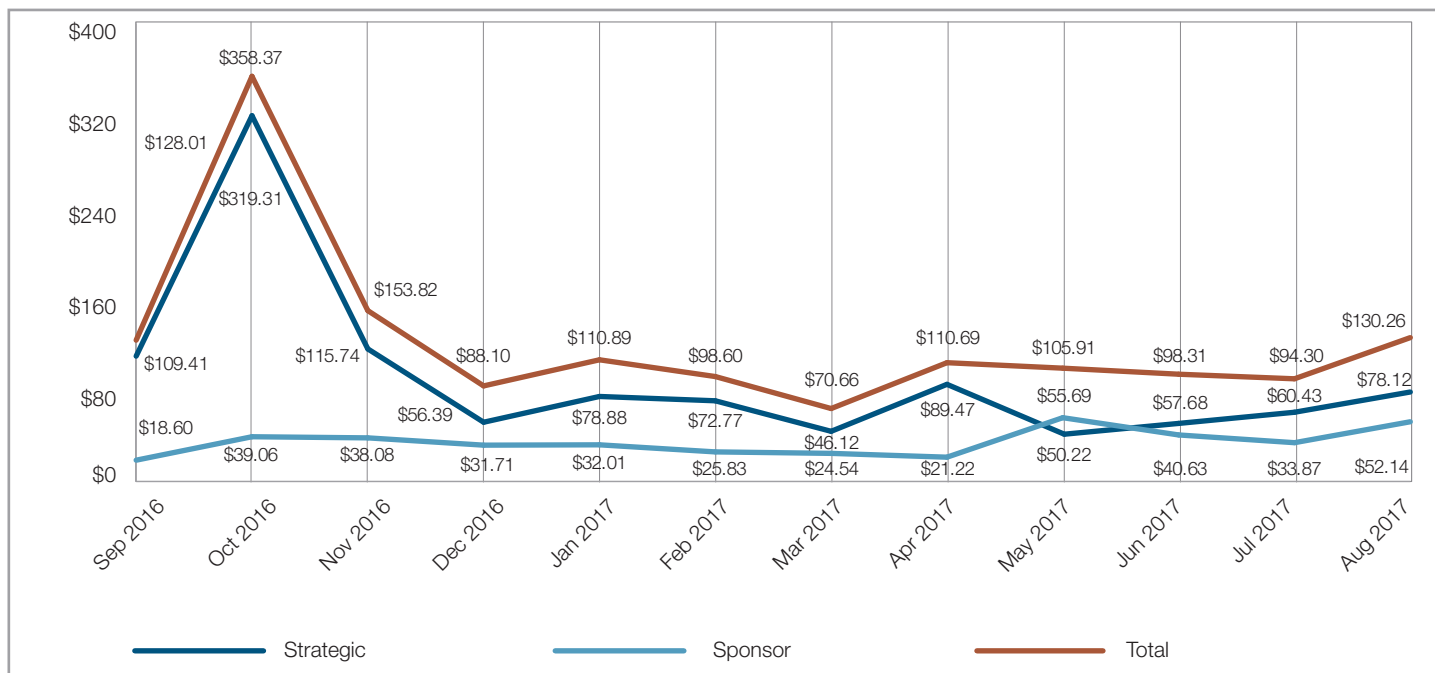


Figure 2A - Global Deal Volume (US\$B)

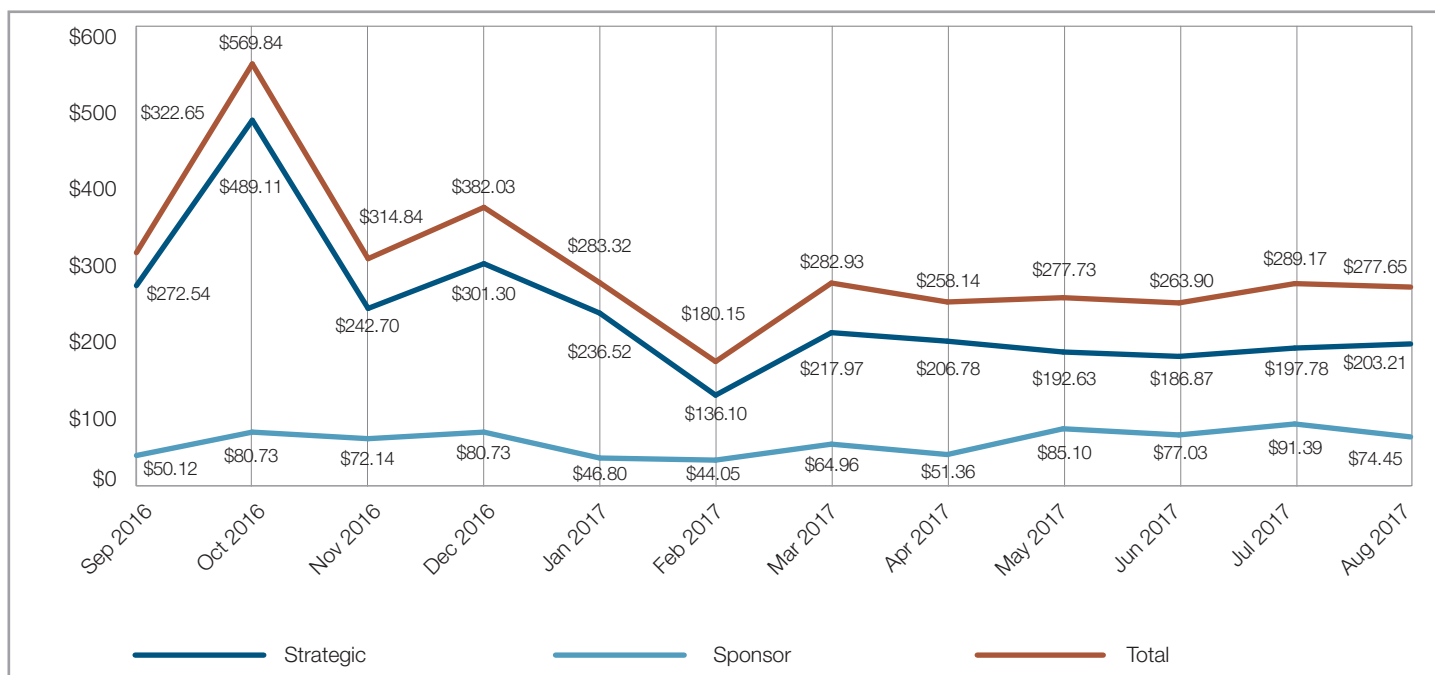


Figure 3A - U.S. Number of Deals

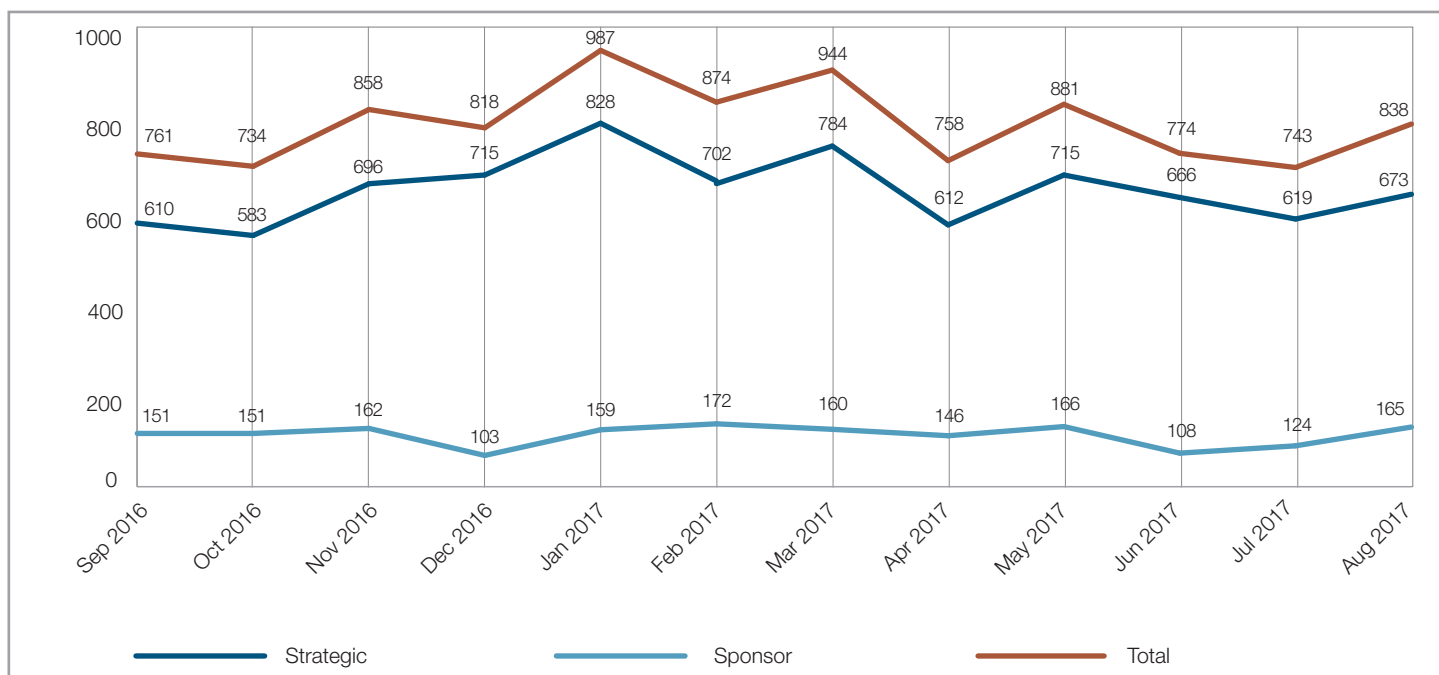


Figure 4A - Global Number of Deals

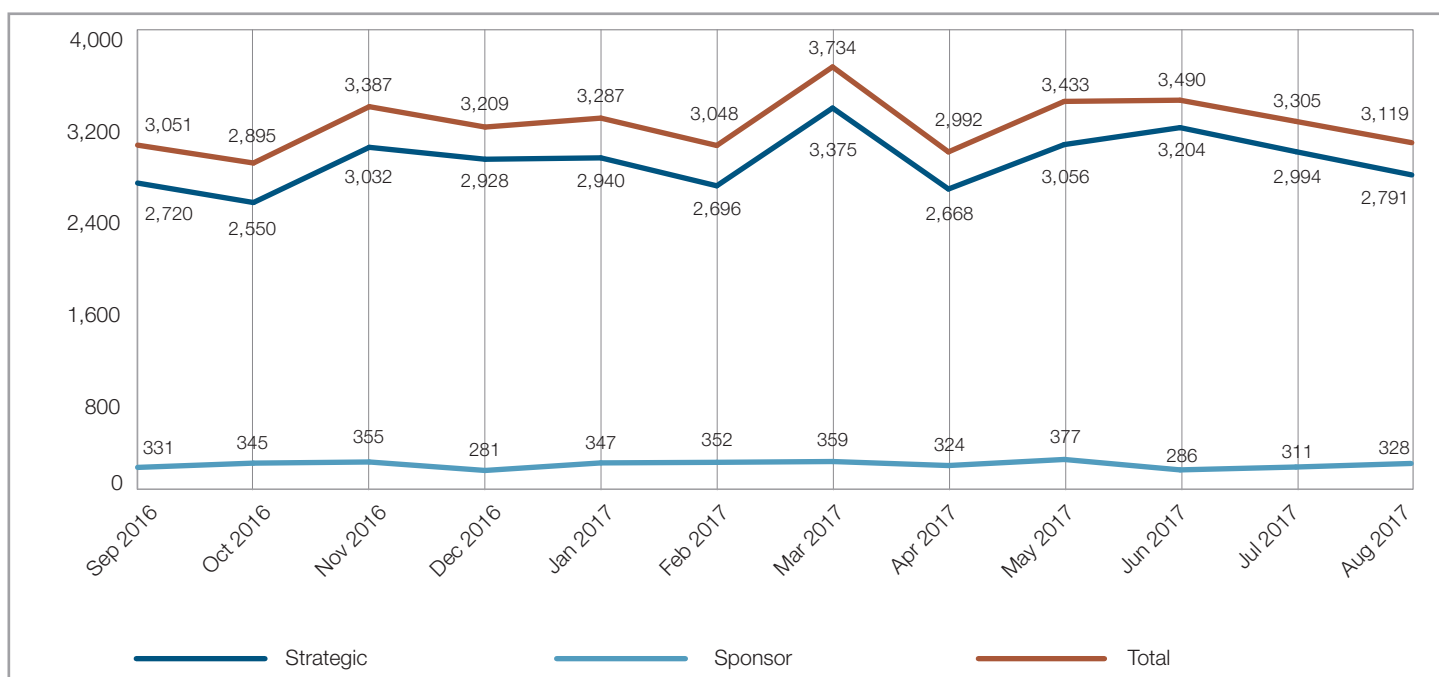


Figure 5A - Inbound U.S. Crossborder Transactions

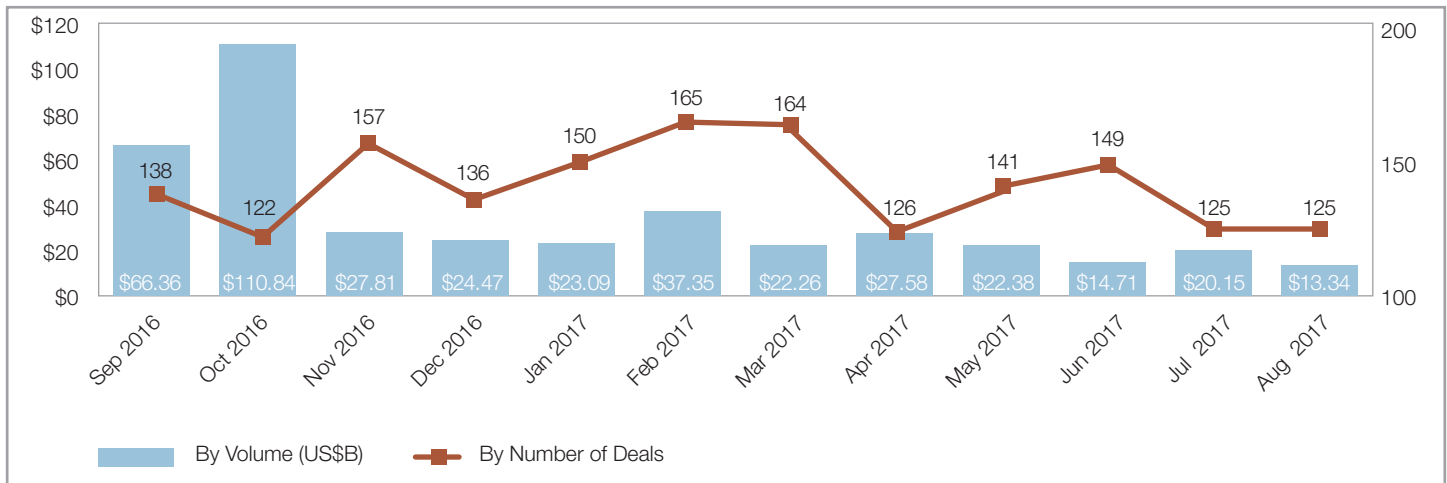


Figure 6A - Outbound U.S. Crossborder Transactions

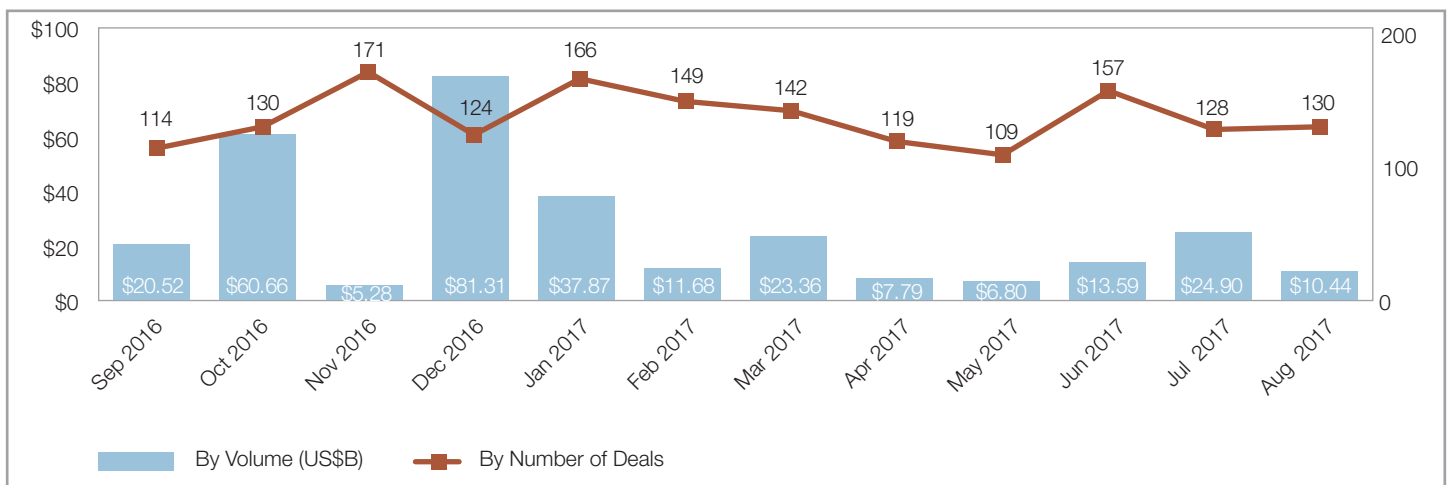


Figure 7A - Global Crossborder Transactions

