

October 2017, Issue 67

Continuing a relatively flat year so far, M&A activity showed mixed results in September 2017, with the global market switching positions with the U.S. from last month and generally faring better. In the U.S., total deal volume, as measured by dollar value, decreased by 31.2% to \$90.51 billion, while the number of deals increased by 7.8% to 927. Globally, deal volume increased by 1.5% to \$289.22 billion, and the number of deals increased by 6.7% to 3,456.

Strategic vs. Sponsor Activity

In the U.S., strategic deal volume increased by 4.9% to \$81.04 billion, and the number of deals increased by 12.1% to 771. Global strategic deal volume increased by 10.5% to \$228.72 billion, and the number of global strategic deals increased by 6.6% to 3,092. Sponsor-related activity showed significant declines in both U.S. and global markets, with U.S. deal volume and U.S. number of deals decreasing by 82.5% to \$9.47 billion (a 12-month low) and 9.3% to 156, respectively; globally, sponsor-related deal volume decreased by 22.5% to \$60.50 billion and the number of deals increased by 7.4% to 364. [Figure 1](#) and Annex [Figures 1A-4A](#).

Crossborder Activity

Crossborder activity fared considerably better in September 2017 for both the global and U.S. markets. Globally, crossborder deal volume increased by 51.0% to \$97.45 billion, and the number of deals increased by 7.6% to 805. In the U.S., inbound deal volume increased 14.7% to \$16.40 billion, and the number of inbound deals increased by 21.4% to 159. U.S. outbound deal volume increased by 58.3% to \$16.21 billion, and the number of U.S. outbound deals increased by 12.9% to 149. [Figure 1](#) and Annex [Figures 5A-7A](#).

In U.S. inbound activity, Ireland was the leading country of origin for September 2017, with \$3.57 billion in deal volume, propelled by CRH plc's proposed \$3.50 billion acquisition of Ash Grove Cement Co. The U.K. retained the lead for U.S. inbound activity by dollar value over the last 12 months, with \$96.09 billion in volume. Canada was the leading country of origin by number of U.S. inbound deals in September 2017, with 43 transactions, and continued as the leading country of origin for the number of U.S. inbound deals over the last 12 months, with 419 transactions. As for U.S. outbound activity, Israel led in September by total dollar value with \$3.47 billion in deal volume, driven by Intel Corp's \$1.63 billion proposed acquisition of the remaining stake in Mobileye BV, and by Teva Pharmaceutical Industries Ltd.'s sale of certain pharmaceutical rights to Foundation Consumer Healthcare LLC for \$0.68 billion and of The Cooper Companies, Inc. for \$1.1 billion. For U.S. outbound deal volume over the last 12 months, Germany became the leader with \$59.07 billion in volume. The U.K. was the leader in the number of U.S. outbound deals in both September and over the last 12 months, with 31 transactions and 320 transactions, respectively. [Figure 3](#).

U.S. Deals by Industry

Aerospace was the most active target industry by dollar value in September 2017 (\$39.84 billion) for the first time since the inception of this publication. This was driven mainly by United Technologies Corp's proposed acquisition of Rockwell Collins Inc. (\$24.50 billion). Computer & Electronics remained the most active target industry by number of deals in September (287) and over the last 12 months (2,733). Oil & Gas retained its position as the most active target industry, as measured by dollar value, over the last 12 months, with \$187.96 billion in volume. [Figures 2](#) and [5](#).

U.S. Public Mergers

As for U.S. public merger deal terms in September 2017, average target break fees declined to 3.3%, while average reverse break fees declined to 4.6%, below the 12-month averages of 3.5% and 5.5%, respectively. [Figures 6](#) and [7](#). The use of cash consideration in September 2017 was at 80.0%, significantly above its 12-month average of 58.0%. [Figure 9](#). The incidence of tender offers as a percentage of U.S. public mergers was 30.0%, which is above the 12-month average of 19.7%. [Figure 11](#). Finally, the incidence of hostile offers in September 2017 was at 10.0%, similar to the 12-month average of 9.4%. [Figure 12](#).

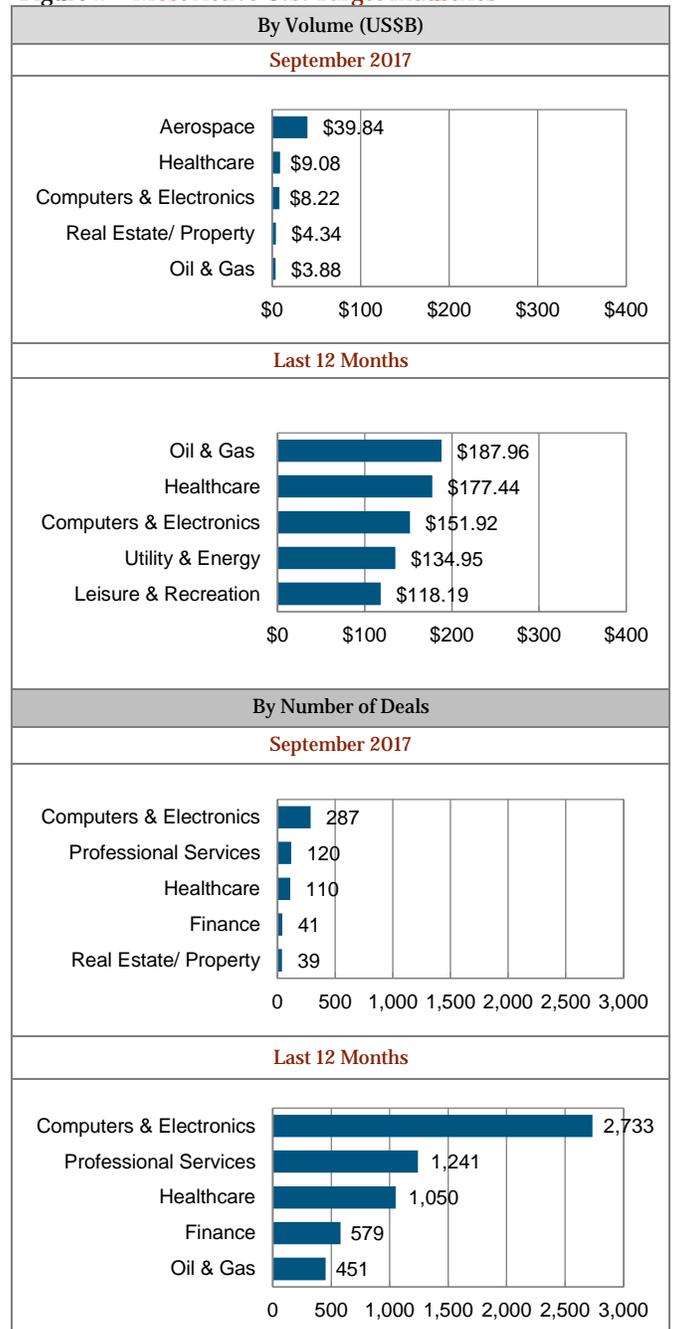
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M&A Activity

Figure 1

September 2017	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	289.22	4.17	90.51	(40.96)
No. of deals	3,456	217	927	67
Avg. value of deals (US\$mil)	163.2	(12.3)	248.7	(163.5)
Strategic Transactions				
Volume (US\$B)	228.72	21.73	81.04	3.80
No. of deals	3,092	192	771	83
Avg. value of deals (US\$mil)	137.5	0.7	241.2	(39.7)
Sponsor-Related Transactions				
Volume (US\$B)	60.50	(17.56)	9.47	(44.76)
No. of deals	364	25	156	(16)
Avg. value of deals (US\$mil)	560.2	(149.4)	338.1	(894.3)
Crossborder Transactions¹				
Volume (US\$B)	97.45	32.93	Inbound 16.40 Outbound 16.21	Inbound 2.09 Outbound 5.97
No. of deals	805	57	Inbound 159 Outbound 149	Inbound 28 Outbound 17
Avg. value of deals (US\$mil)	258.5	68.7	Inbound 207.5 Outbound 300.3	Inbound 6.1 Outbound 62.1

Figure 2 – Most Active U.S. Target Industries²



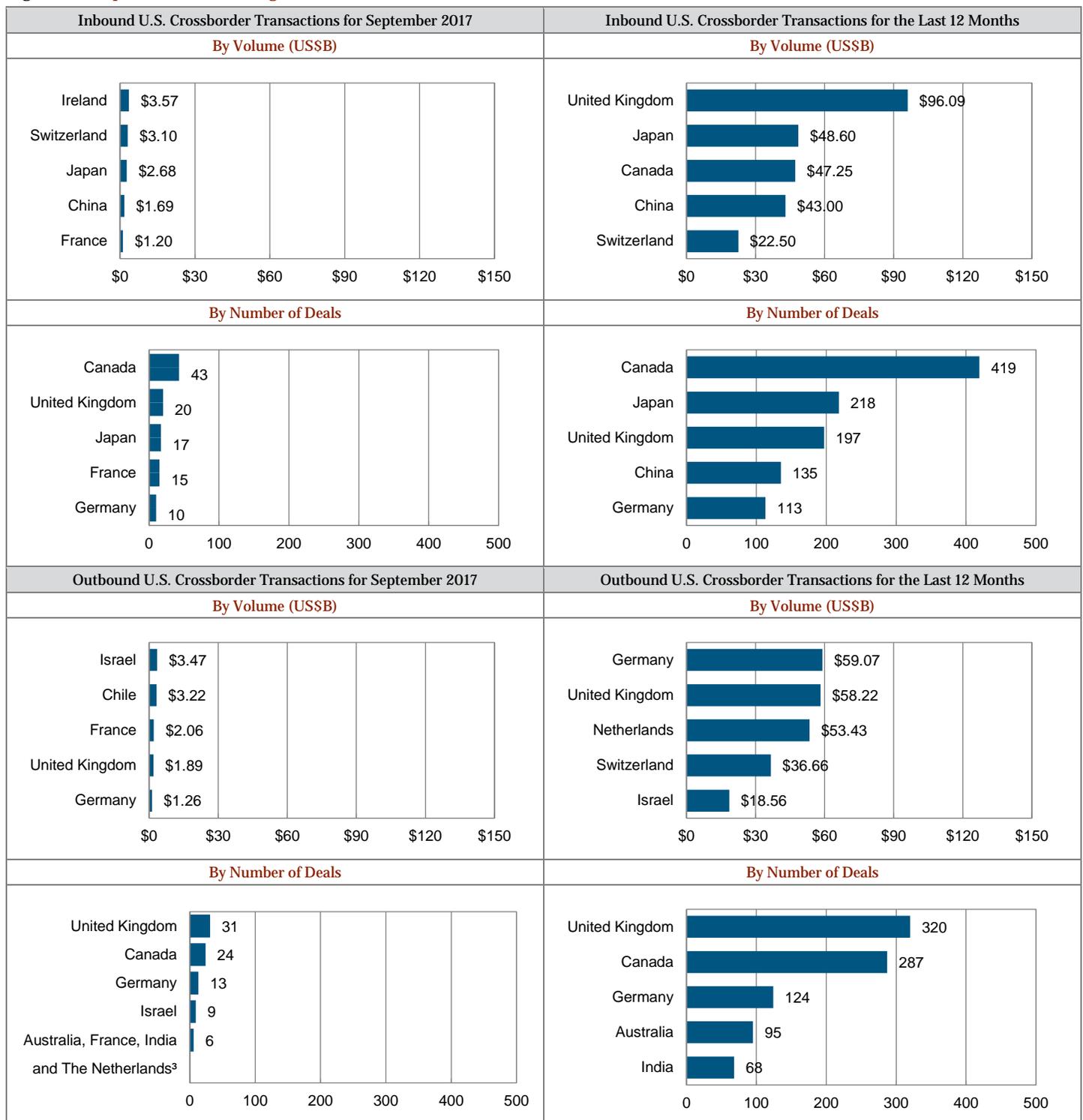
Figures 1-3 were compiled using data from Dealogic, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Figures 4 and 5 were compiled using data from FactSet MergerMetrics, and are limited to mergers involving public U.S. targets announced during 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 October 10, 2017 unless otherwise specified. "Last 12 Months" data is for the period from October 2016 to September 2017 inclusive. Data obtained from Dealogic and FactSet MergerMetrics 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 Dealogic.

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



³ Each of Australia, France, India and The Netherlands was the country of destination for six transactions in September 2017.

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

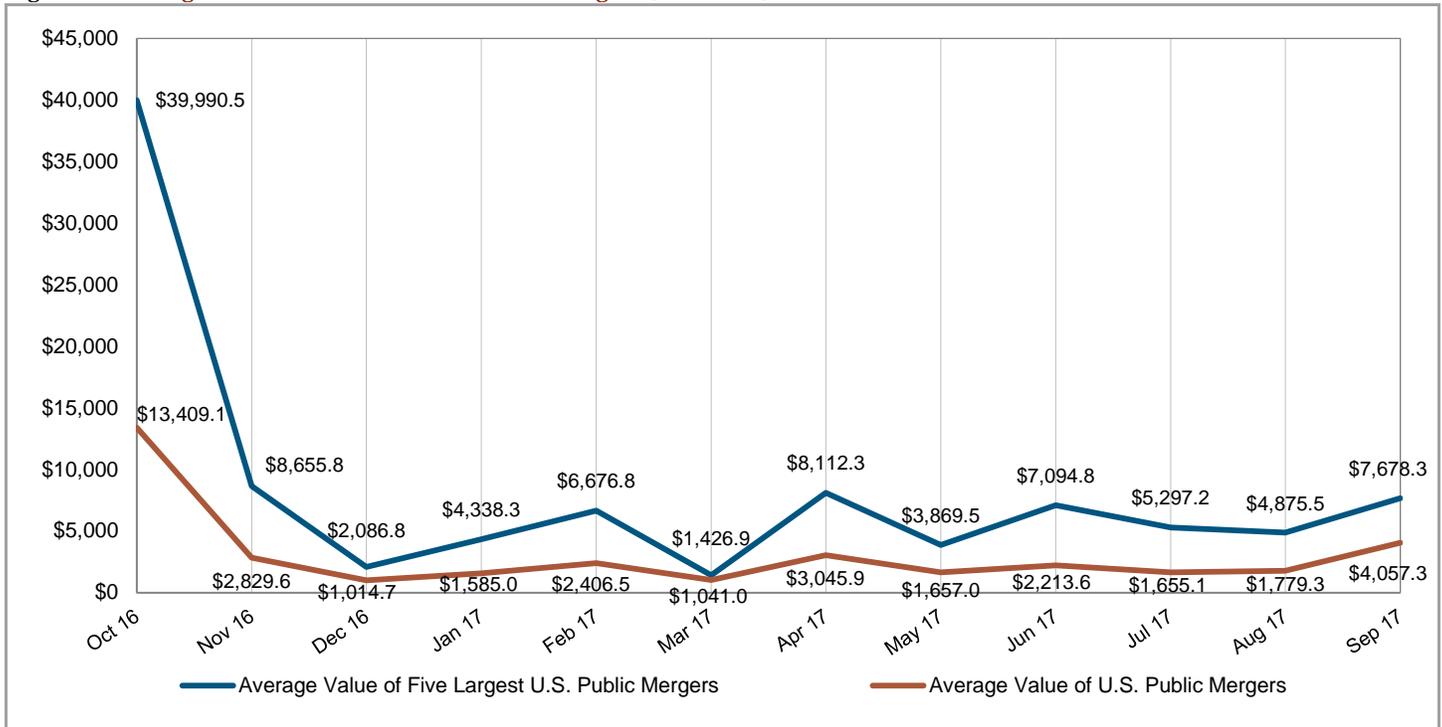
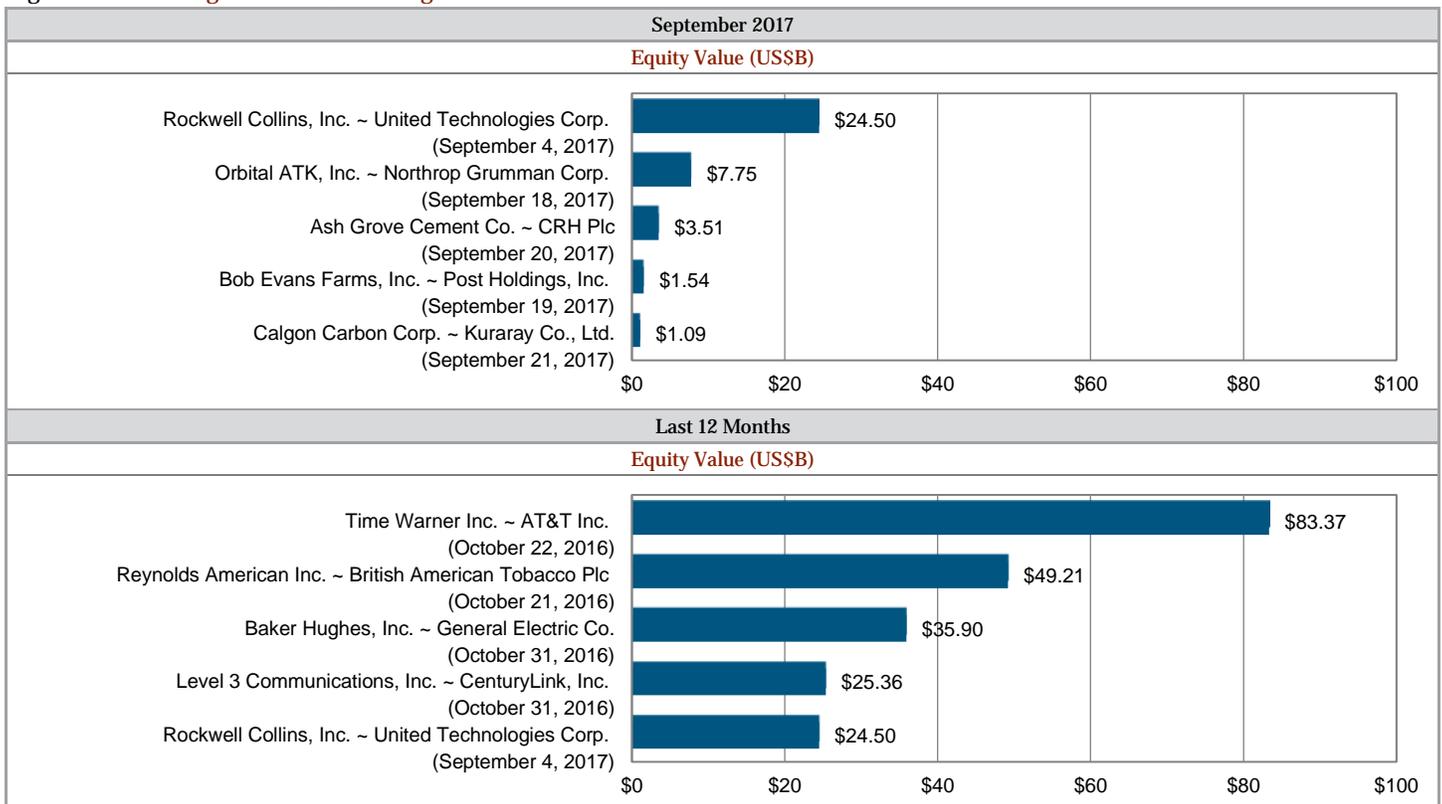


Figure 5 – Five Largest U.S. Public Mergers



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M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁴

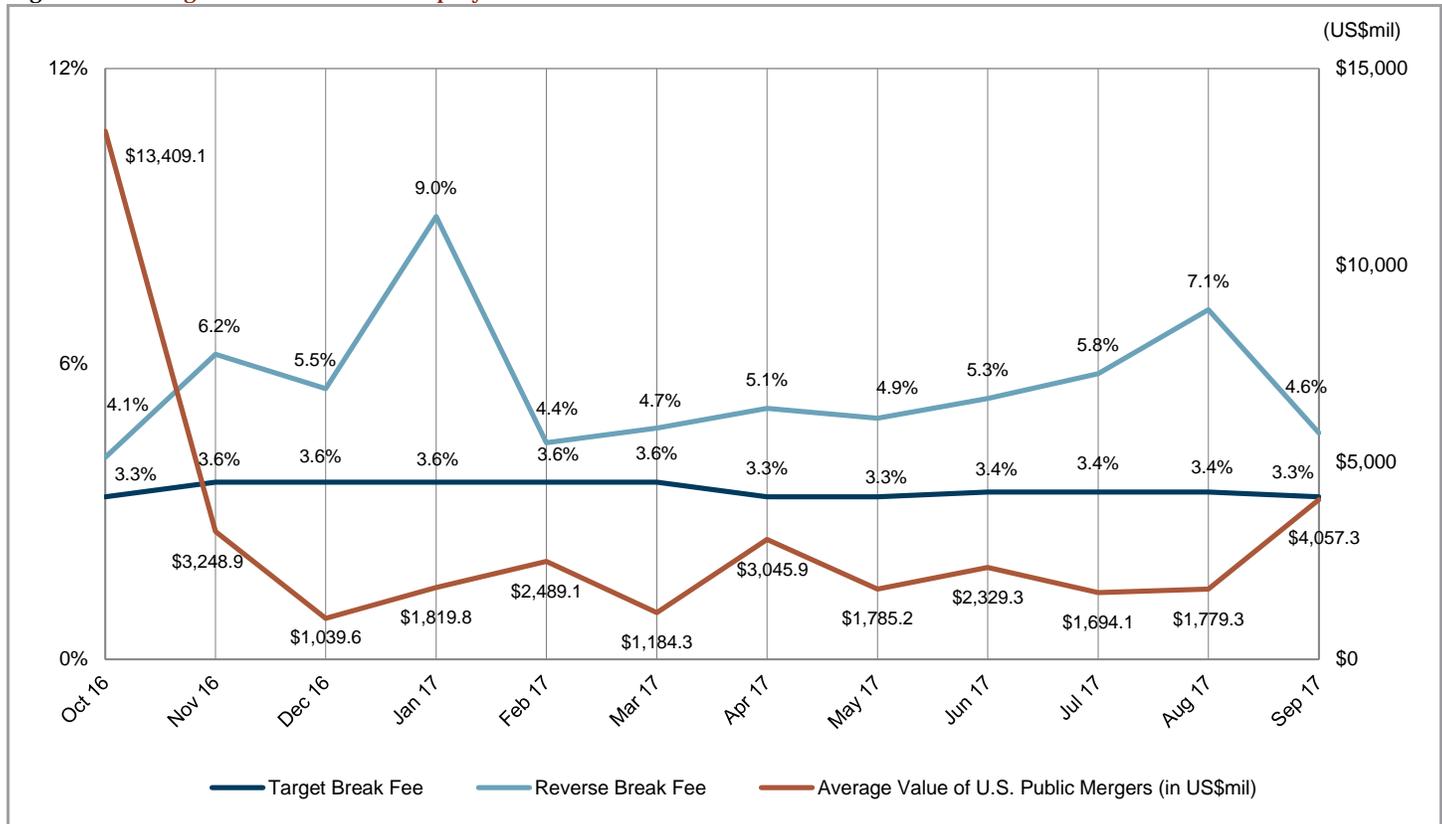


Figure 7 – Average Break Fees as % of Equity Value

	September 2017	Last 12 Months
Target Break Fee for All Mergers	3.3	3.5

	September 2017	Last 12 Months
Reverse Break Fee for All Mergers	4.6	5.5
Reverse Break Fee for Mergers Involving Financial Buyers ⁵	N/A	6.3
Reverse Break Fee for Mergers Involving Strategic Buyers ⁶	4.6	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.

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

	September 2017	Last 12 Months
% of Mergers with Go-Shops	10.0	8.5
% of Mergers Involving Financial Buyers with Go-Shops ⁷	N/A	31.0
% of Mergers Involving Strategic Buyers with Go-Shops	10.0	4.4
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops ⁸	15.0	35.6
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops ⁹	N/A	39.7
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops ¹⁰	15.0	30.3

⁴ Based on the highest target break fees and reverse break fees payable in a particular deal.
⁵ Zero transactions in September 2017 involving a financial buyer had a reverse break fee.
⁶ Three transactions in September 2017 involving a strategic buyer had a reverse break fee.

⁷ Zero transactions in September 2017 involved a financial buyer.
⁸ One transaction in September 2017 had a go-shop provision.
⁹ Zero transactions in September 2017 involving a financial buyer had a go-shop provision.
¹⁰ One transaction in September 2017 involving a strategic buyer had a go-shop provision.

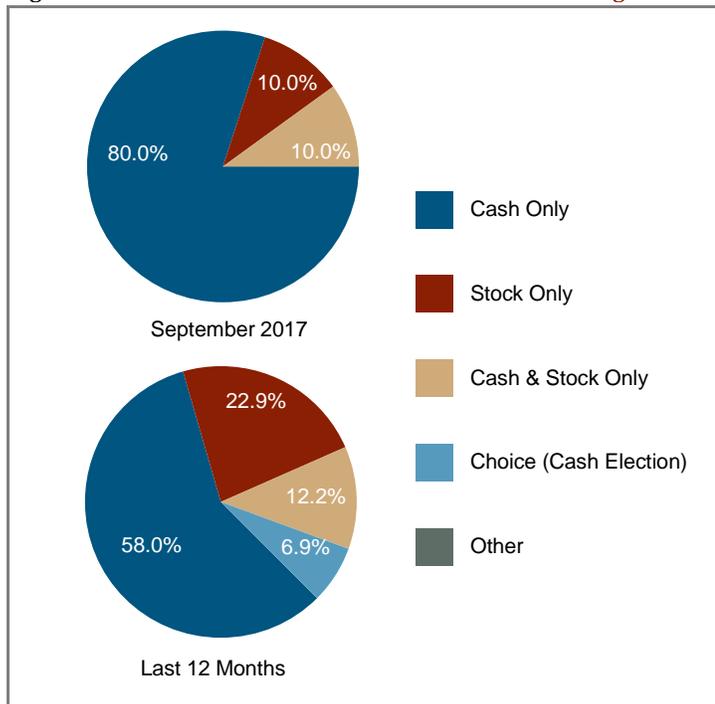
[Return to Summary](#)Figure 9 – Form of Consideration as % of U.S. Public Mergers¹¹

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

September 2017 ¹²	0.0
Last 12 Months	87.9

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

September 2017	30.0
Last 12 Months	19.7

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

September 2017	10.0
Last 12 Months	9.4

¹¹ Due to rounding, percentages may not add up to 100%.¹² There were only two partial or all stock transactions in September 2017.¹³ 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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This publication is not intended to provide legal advice, and no legal or business decisions should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:



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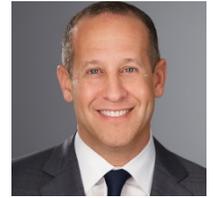
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M&A Activity – 12-Month Trends

Figure 1A – U.S. Deal Volume (US\$B)

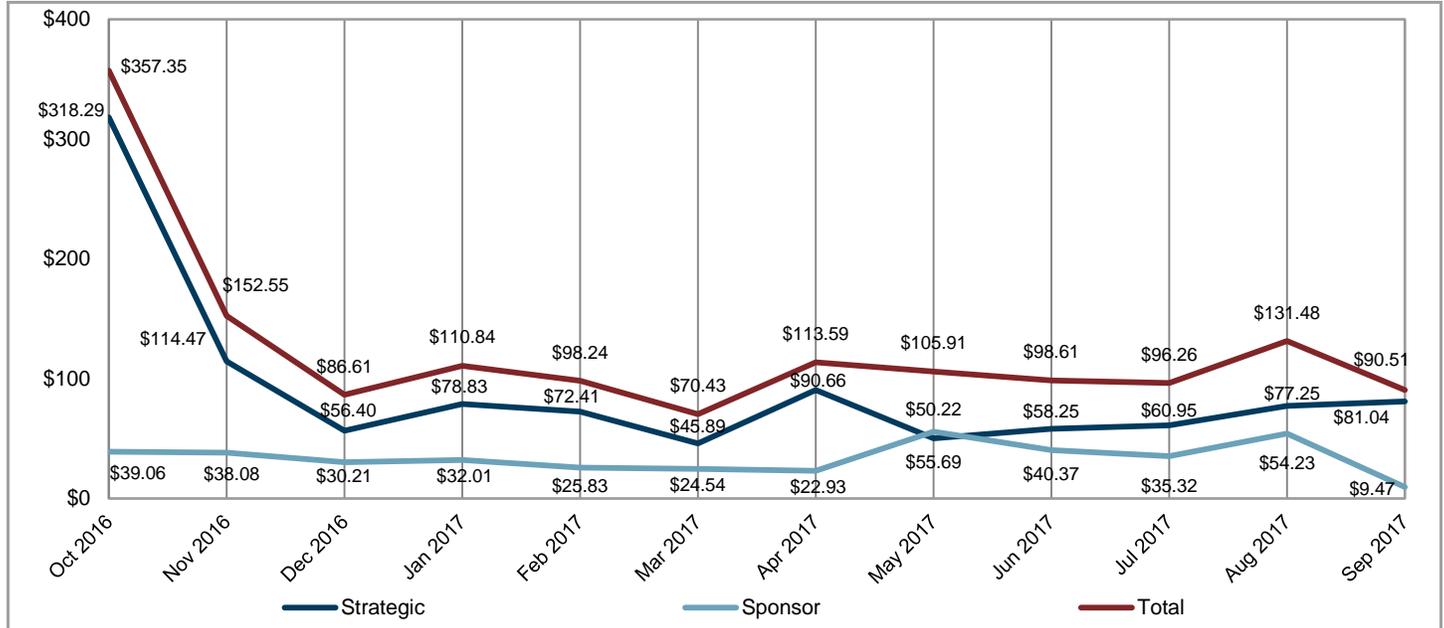
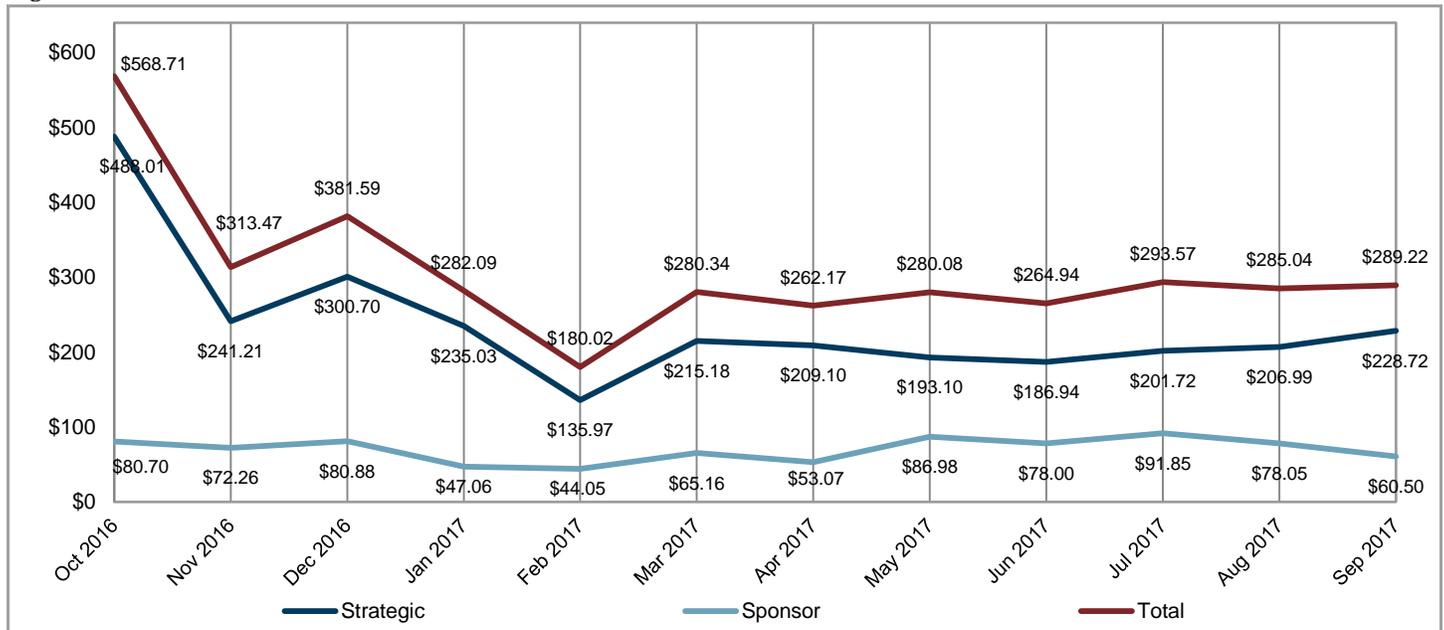


Figure 2A – Global Deal Volume (US\$B)



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Figure 3A – U.S. Number of Deals

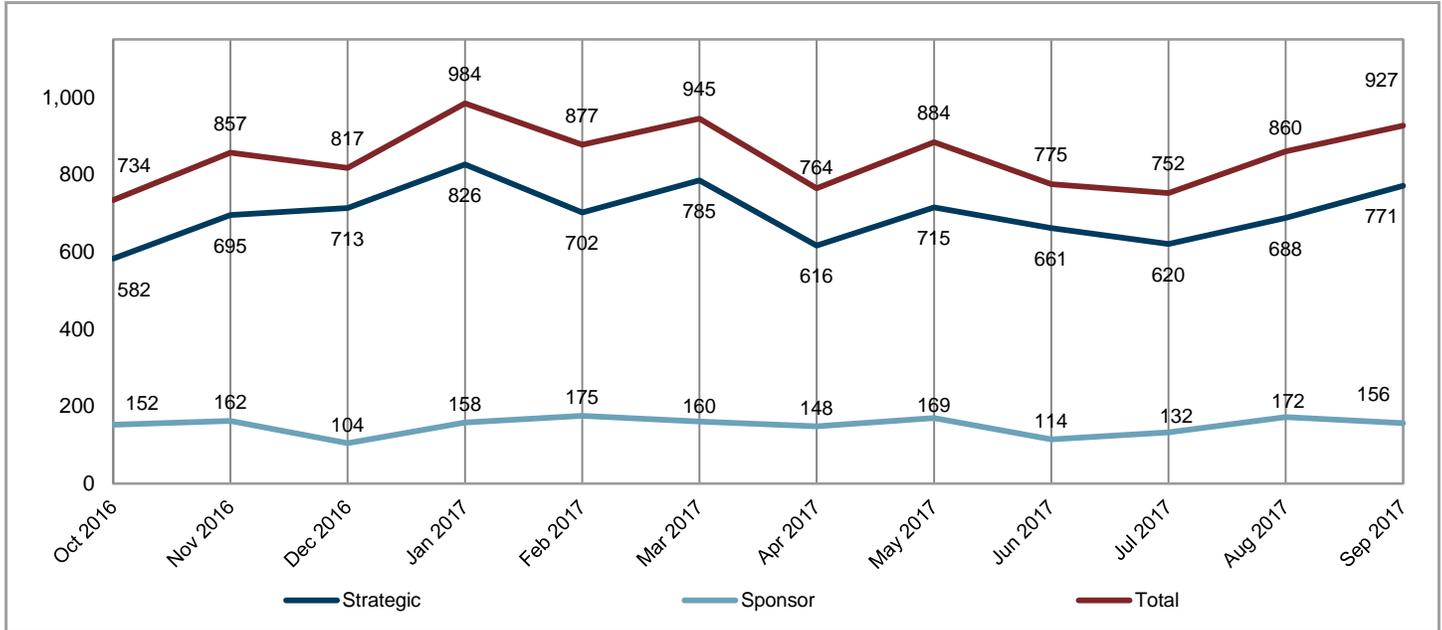
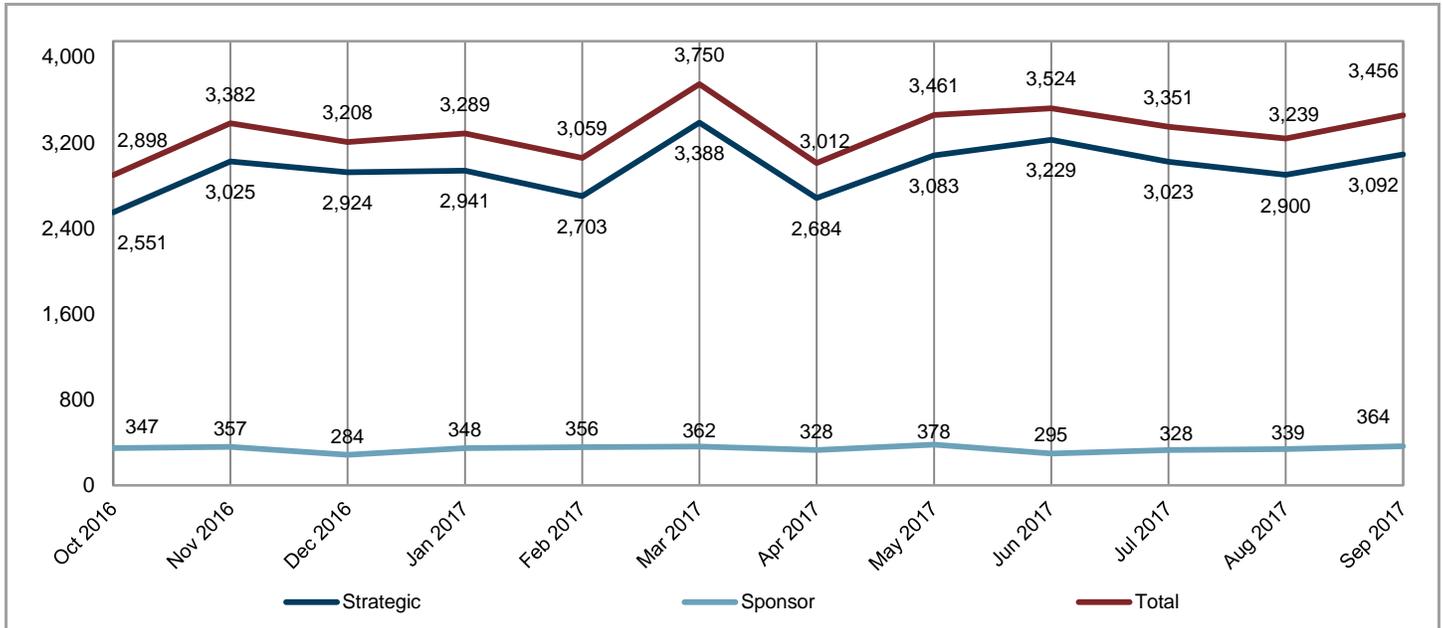


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions



Figure 6A – Outbound U.S. Crossborder Transactions

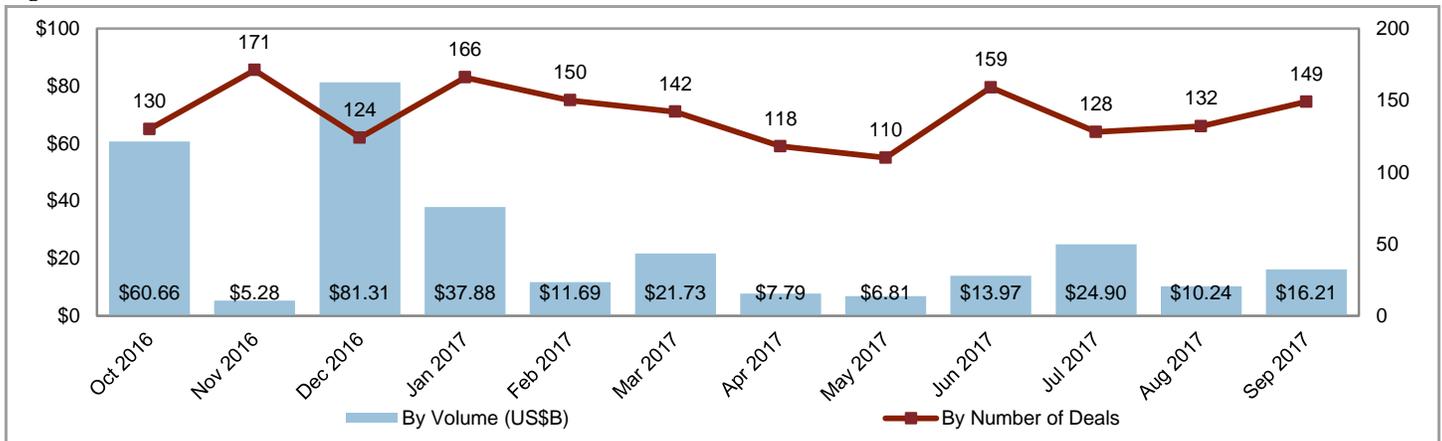


Figure 7A – Global Crossborder Transactions

