July 2019, Issue 88

M&A activity in the U.S. and globally in June was mixed. While the number of deals decreased by 23.7% in the U.S., to 655 deals, and by 13.2% globally, to 2,487 deals, the total value of deals[1] increased significantly, by 122.3% in the U.S., to $313.89 billion, and by 63.2% globally, to $478.29 billion. The average value of deals increased in the U.S. by 191.2%, to $479.22 million, and globally by 10.2%, to $192.32 million. Figure 1.

Strategic vs. Sponsor Activity

The levels of strategic versus financial buyer activity were also mixed. The number of strategic deals decreased in the U.S. by 20.1% to 526 and globally by 10% to 2,196. Figure 1 and Annex Figures 1A—4A. However, strategic deal volume as measured by dollar value increased significantly in the U.S. by 306.4% to $279.45 billion and globally by 128.1% to $400.34 billion. The number of sponsor-related deals decreased in June 2019 by 35.5% to 129 in the U.S. and by 31.7% to 291 globally, respectively. Sponsor-related volume by dollar value decreased by 52.4% to $34.44 billion in the U.S. and by 33.7% to $77.95 billion globally. Figure 1 and Annex Figures 1A—4A.

Crossborder Activity

Crossborder deal volume by dollar value increased slightly by 2.1% to $72.58 billion, while the number of crossborder deals decreased globally by 12.2% to 568. The number of U.S. inbound crossborder deals decreased in June by 14.8% to 92, while the number of U.S. outbound crossborder deals increased by 13.2% to 120. U.S. inbound activity as measured by dollar value increased significantly by 82.1% to $21.77 billion, while U.S. outbound activity as measured by dollar value decreased by 29.2% to $6.75 billion. Figure 1 and Annex Figures 5A—7A.

Germany was the leading country for U.S. inbound activity in June by total dollar value, while Canada was the leading country for U.S. inbound activity over the last 12-month period ($10.06 billion and $71.96 billion, respectively). Japan was the leading country for U.S. inbound activity in June by number of deals, while Canada was the leading country for U.S. inbound activity over the last 12-month period (20 and 328, respectively). The U.K. remained the leading country of destination for U.S. outbound activity over the last 12 months by activity as measured by dollar value ($35.27 billion) and the leading country of destination for U.S. outbound activity in June and over the last 12 months by number of deals (20 and 270, respectively). Canada was the leading country for U.S. outbound activity in June by total dollar value ($2.98 billion). Figure 3.

Notably, Chinese outbound activity has decreased by 21.9% so far in 2019 compared to the same period last year. As reported in the financial press, this decrease is due to a number of regulatory and political considerations both in China and the U.S. that have had the effect of tightening outbound merger activity by Chinese companies.

U.S. Deals by Industry

Computers and Electronics remained the most active target industry in June and over the last 12 months by number of deals (248 and 2,498, respectively). Computers and Electronics was also the most active target industry over the last 12 months by activity as measured by dollar value, whereas Healthcare rose as the most active target industry in June by activity as measured by dollar value ($417.36 billion and $102.49 billion, respectively). Figure 2.

U.S. Public Mergers

As for U.S. public merger deal terms in June 2019, both average target break fees and average reverse break fees were above their 12-month levels (at 4.0% compared to 3.6% and 6.5% compared to 5.7%, respectively). No deals contained a go-shop provision. Figures 6, 7 and 8. Cash transactions comprised 55.0% of U.S. public mergers, in line with the 52.0% 12-month average. Figure 9. There were no hostile or unsolicited deals in June, compared to the 12-month average of 13.9%. 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.
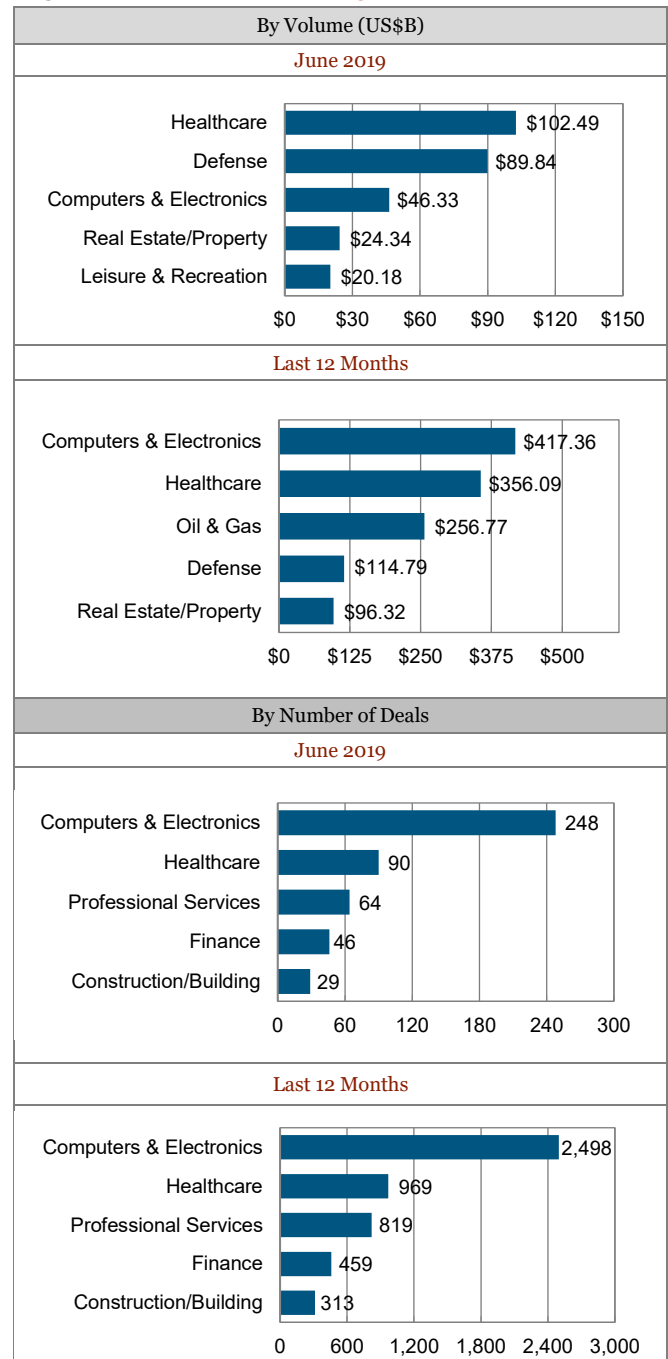
M&A Activity

Figure 1

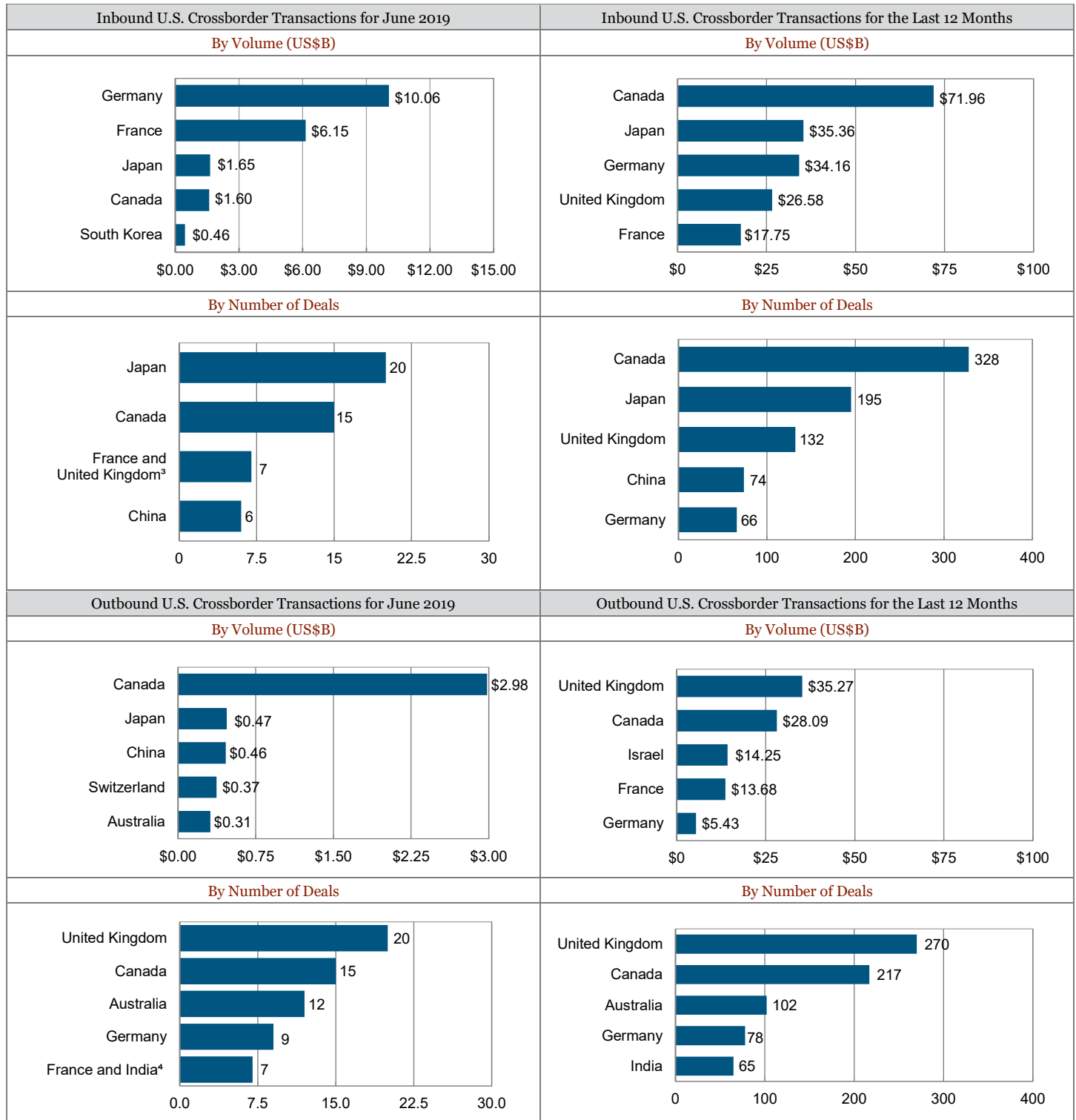| June 2019	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US$B)	478.29	185.23	313.89	172.71
No. of deals	2,487	(378)	655	(203)
Avg. value of deals (US$mil)	192.3	90.0	479.2	314.7
Strategic Transactions				
Volume (US$B)	400.34	224.83	279.45	210.69
No. of deals	2,196	(243)	526	(132)
Avg. value of deals (US$mil)	182.3	110.3	531.3	426.8
Sponsor-Related Transactions				
Volume (US$B)	77.95	(39.60)	34.44	(37.98)
No. of deals	291	(135)	129	(71)
Avg. value of deals (US$mil)	267.9	(8.1)	267.0	(95.1)
Crossborder Transactions[1]				
Volume (US$B)	72.58	1.50	Inbound 21.77 Outbound 6.75	Inbound 9.82 Outbound (2.79)
No. of deals	568	(79)	Inbound 92 Outbound 120	Inbound (16) Outbound 14
Avg. value of deals (US$mil)	127.8	17.9	Inbound 236.6 Outbound 56.3	Inbound 126.0 Outbound (33.7)

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 July 10, 2019 unless otherwise specified. "Last 12 Months" data is for the period from July 2018 to June 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]

By Volume (US$B)

June 2019

Industry	US$B
Healthcare	$102.49
Defense	$89.84
Computers & Electronics	$46.33
Real Estate/Property	$24.34
Leisure & Recreation	$20.18

Last 12 Months

Industry	US$B
Computers & Electronics	$417.36
Healthcare	$356.09
Oil & Gas	$256.77
Defense	$114.79
Real Estate/Property	$96.32

By Number of Deals

June 2019

Industry	Deals
Computers & Electronics	248
Healthcare	90
Professional Services	64
Finance	46
Construction/Building	29

Last 12 Months

Industry	Deals
Computers & Electronics	2,498
Healthcare	969
Professional Services	819
Finance	459
Construction/Building	313

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[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

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

By Volume (US$B)

Germany	$10.06
France	$6.15
Japan	$1.65
Canada	$1.60
South Korea	$0.46

By Volume (US$B)

Canada	$71.96
Japan	$35.36
Germany	$34.16
United Kingdom	$26.58
France	$17.75

By Number of Deals

Japan	20
Canada	15
France and United Kingdom[3]	7
China	6

By Number of Deals

Canada	328
Japan	195
United Kingdom	132
China	74
Germany	66

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

By Volume (US$B)

Canada	$2.98
Japan	$0.47
China	$0.46
Switzerland	$0.37
Australia	$0.31

By Volume (US$B)

United Kingdom	$35.27
Canada	$28.09
Israel	$14.25
France	$13.68
Germany	$5.43

By Number of Deals

United Kingdom	20
Canada	15
Australia	12
Germany	9
France and India[4]	7

By Number of Deals

United Kingdom	270
Canada	217
Australia	102
Germany	78
India	65

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[3] Each of France and United Kingdom was the country of origin for seven transactions in June 2019.

[4] Each of France and India was the country of destination for seven transactions in June 2019.

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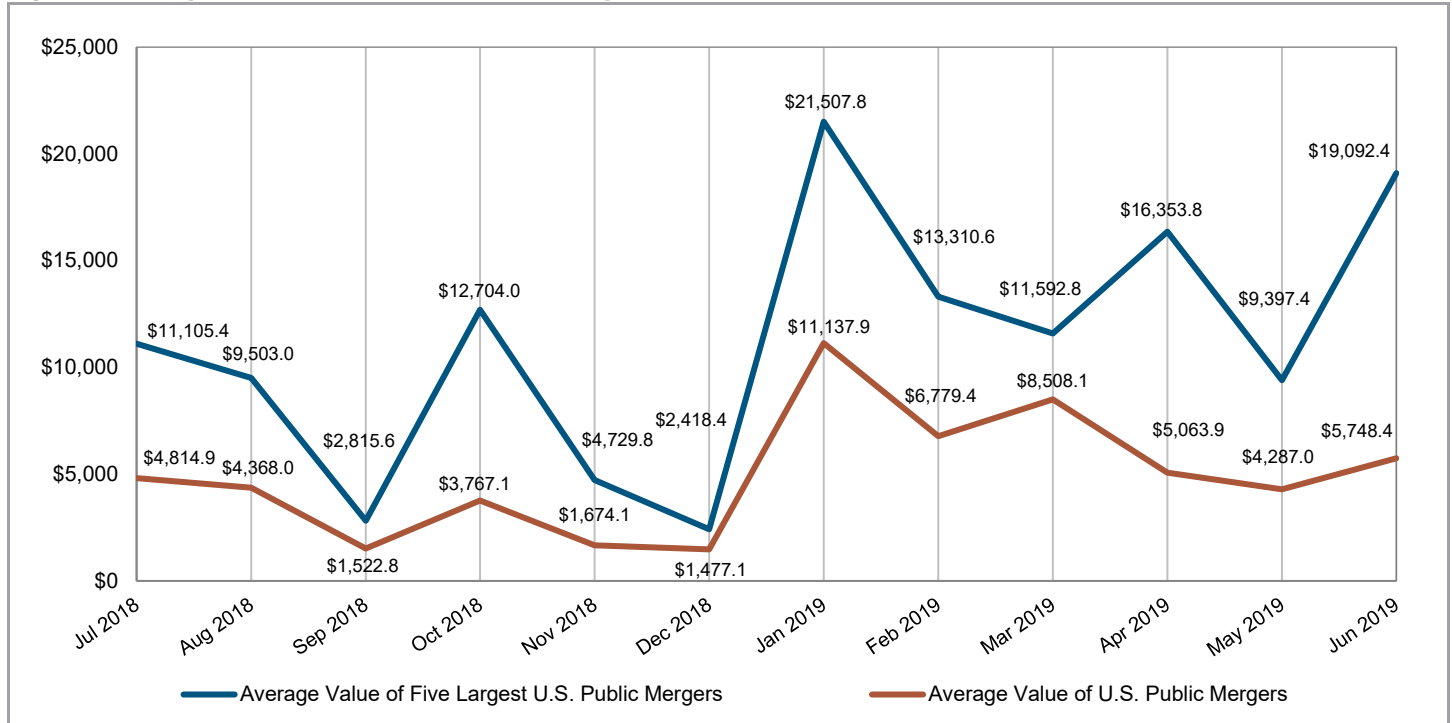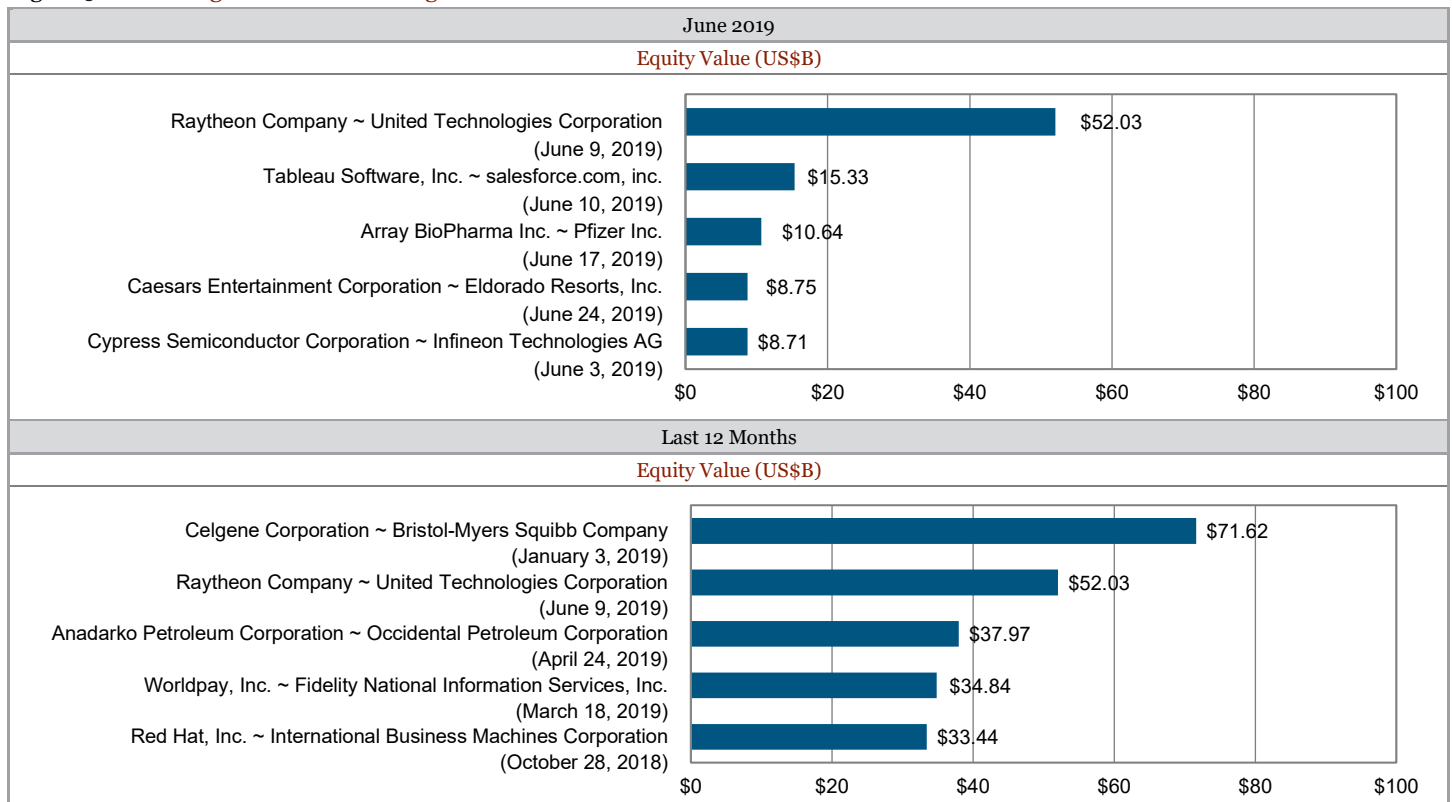Figure 4 – Average Value of Announced U.S. Public Mergers (in US$mil)

Figure 5 – Five Largest U.S. Public Mergers

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M&A Terms

Figure 6 – Average Break Fees as % of Equity Value[5]
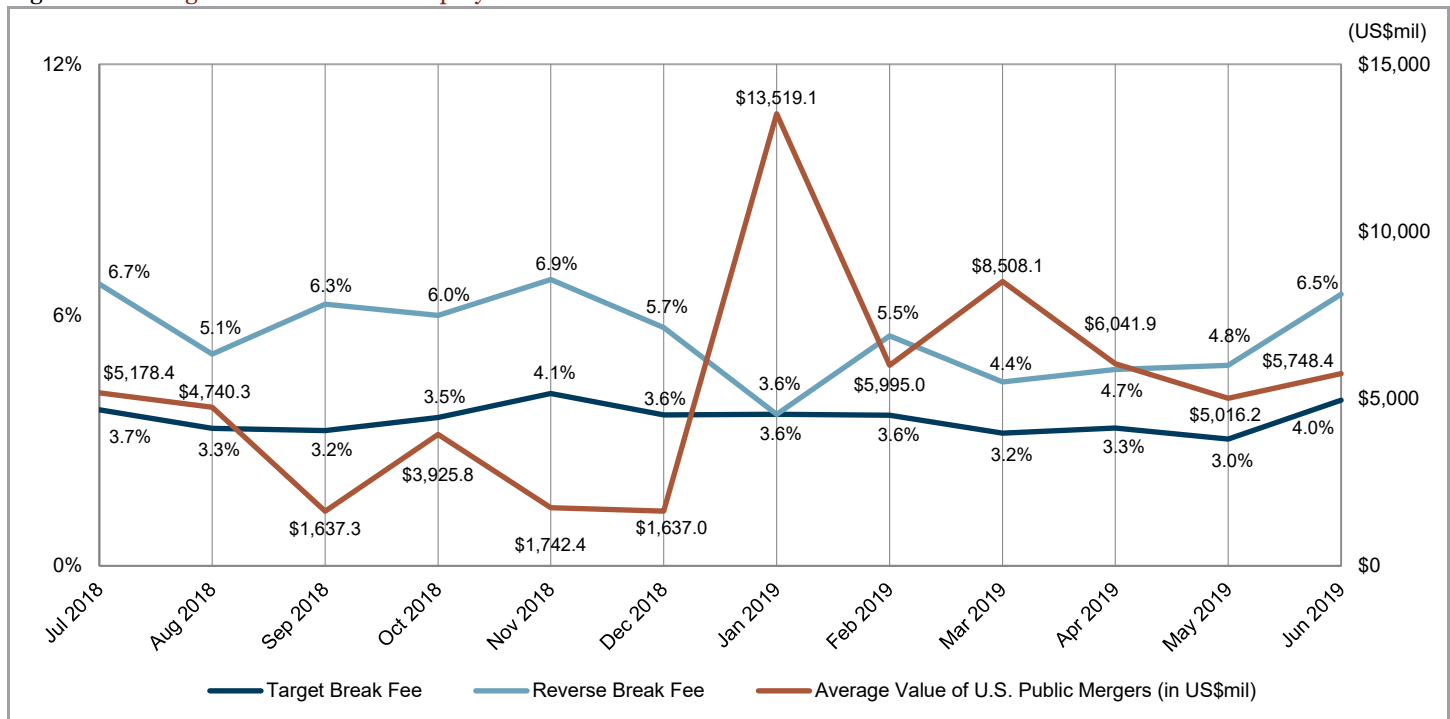
Figure 7 – Average Break Fees as % of Equity Value[6]

	June 2019	Last 12 Months
Target Break Fee for All Mergers	4.0	3.6

	June 2019	Last 12 Months
Reverse Break Fee for All Mergers	6.5	5.7
Reverse Break Fee for Mergers Involving Financial Buyers[7]	6.5	6.7
Reverse Break Fee for Mergers Involving Strategic Buyers[8]	6.6	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.

Figure 8 – U.S. Public Merger Go-Shop Provisions[9]

	June 2019	Last 12 Months
% of Mergers with Go-Shops	0.0	11.3
% of Mergers Involving Financial Buyers with Go-Shops[10]	0.0	32.3
% of Mergers Involving Strategic Buyers with Go-Shops[11]	0.0	5.9
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops[12]	N/A	37.5
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops[13]	N/A	38.5
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops[14]	N/A	36.0

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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]   Five transactions in June 2019 involving a financial buyer had a reverse break fee.
[8]   Six transactions in June 2019 involving a strategic buyer had a reverse break fee.
[9]   Financial and strategic categories are determined by Deal Point Data.
[10]   Five transactions in June 2019 involved a financial buyer.
[11]   Zero transactions in June 2019 had a go-shop provision.
[12]   Zero transactions in June 2019 involving a financial buyer had a go-shop provision.
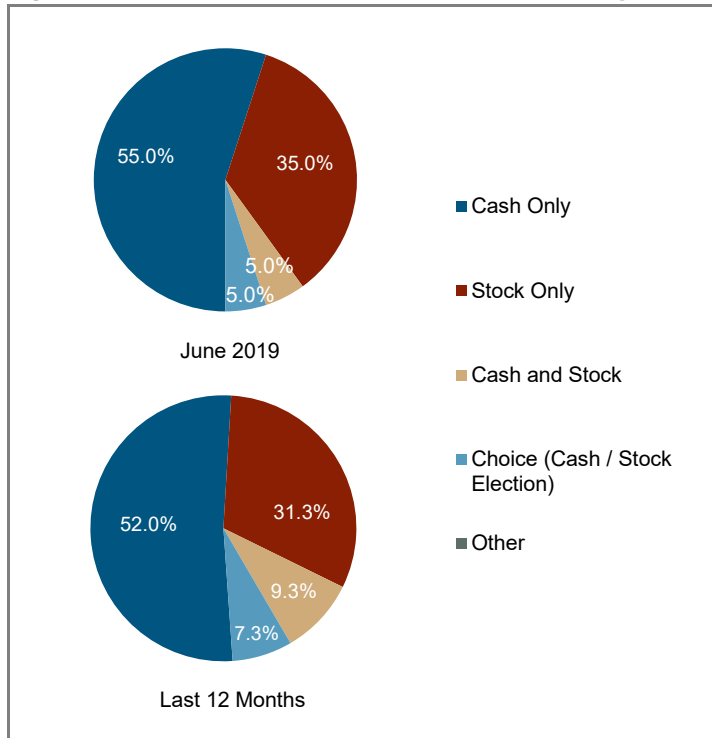[13]   Zero transactions in June 2019 involving a strategic buyer had a go-shop provision.

Figure 9 – Form of Consideration as % of U.S. Public Mergers[15]

June 2019
- 55.0% Cash Only
- 35.0% Stock Only
- 5.0% Cash and Stock
- 5.0% Choice (Cash / Stock Election)

Last 12 Months
- 52.0% Cash Only
- 31.3% Stock Only
- 9.3% Cash and Stock
- 7.3% Choice (Cash / Stock Election)

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

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

June 2019[16]	100.0
Last 12 Months	95.7

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

June 2019	20.0
Last 12 Months	14.0

Figure 12 – Hostile/Unsolicited Offers as % of U.S. Public Mergers[17]

June 2019	0.0
Last 12 Months	13.9

[14] Due to rounding, percentages may not add up to 100%.
[15] There were only seven partial or all stock transactions in June 2019.
[16] 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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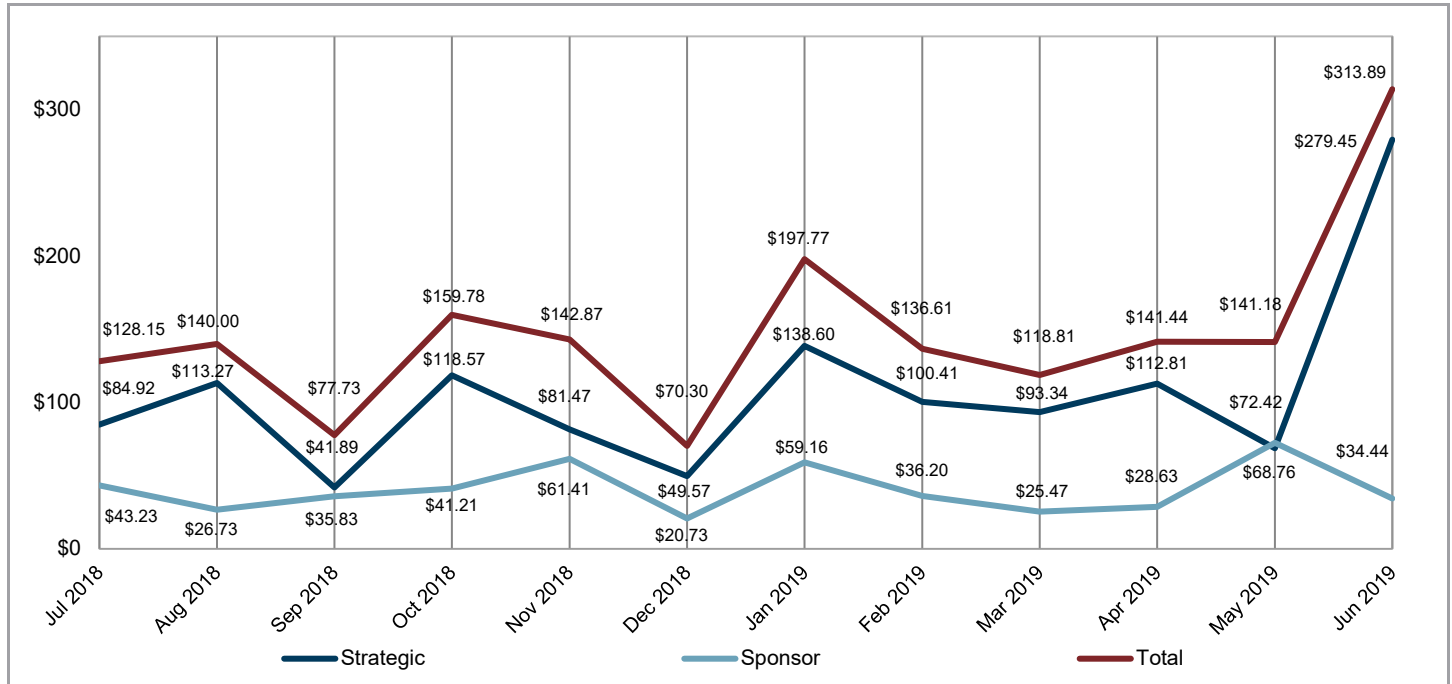## M&A Activity – 12-Month Trends
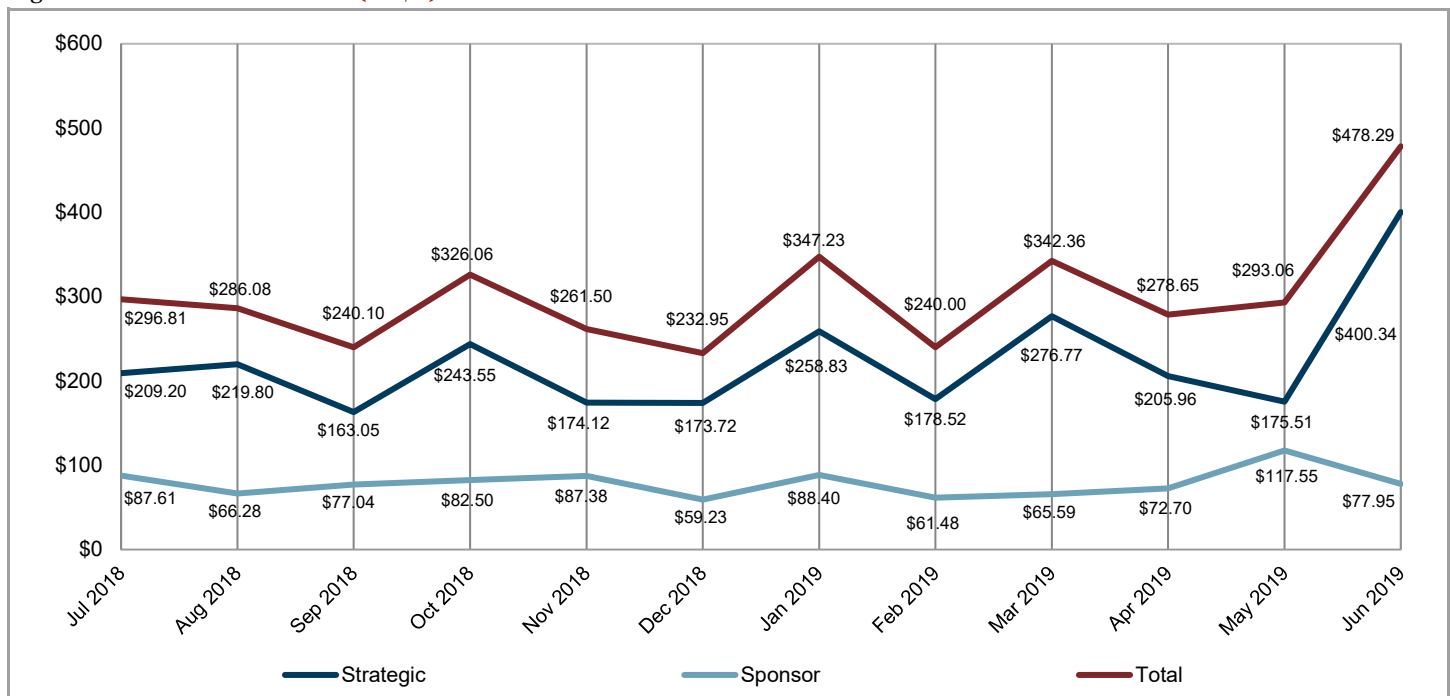
Figure 1A – U.S. Deal Volume (US$B)

Figure 2A – Global Deal Volume (US$B)

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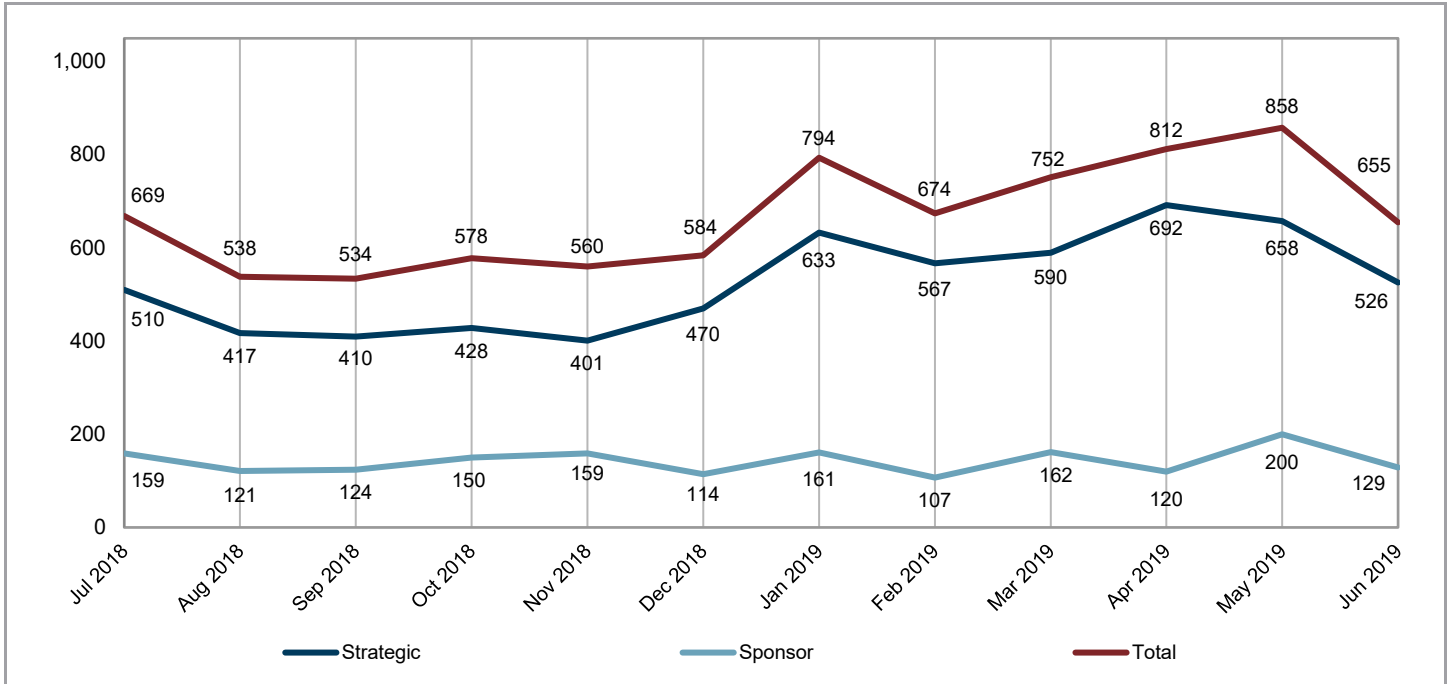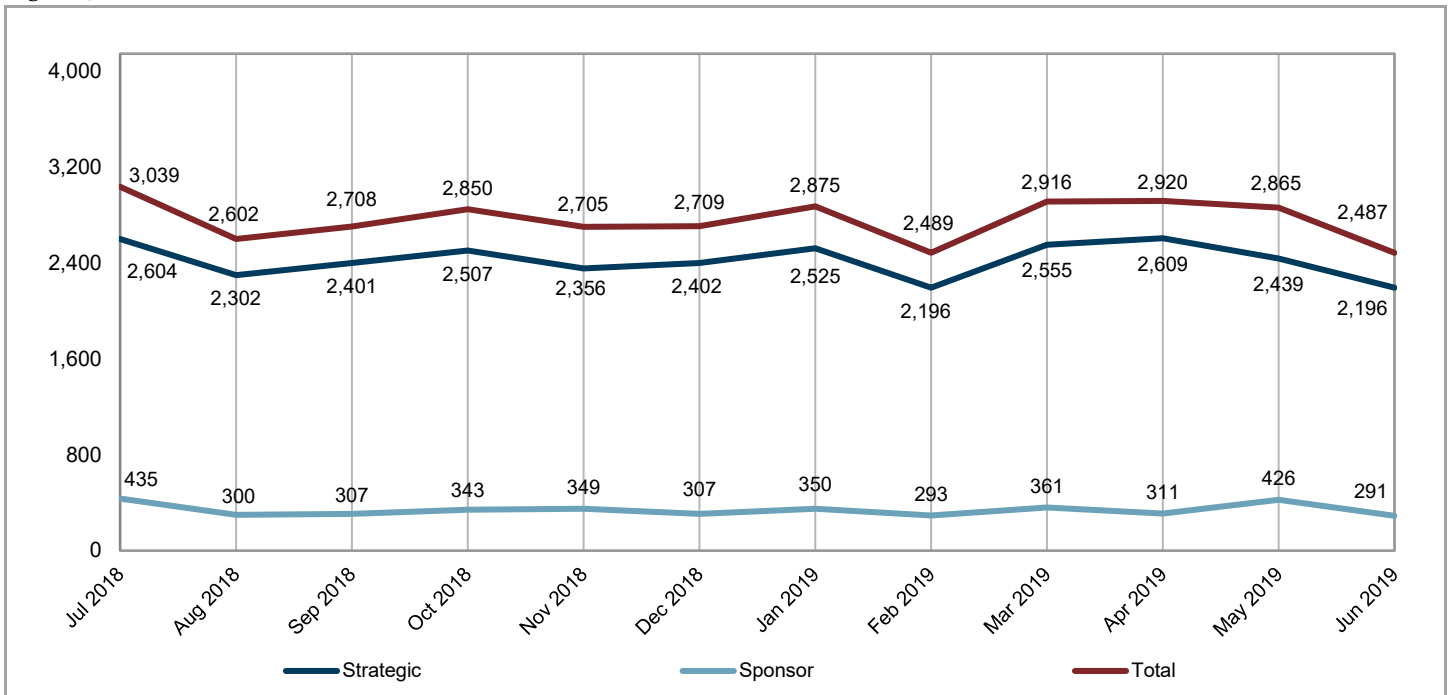Figure 3A – U.S. Number of Deals

Figure 4A – Global Number of Deals

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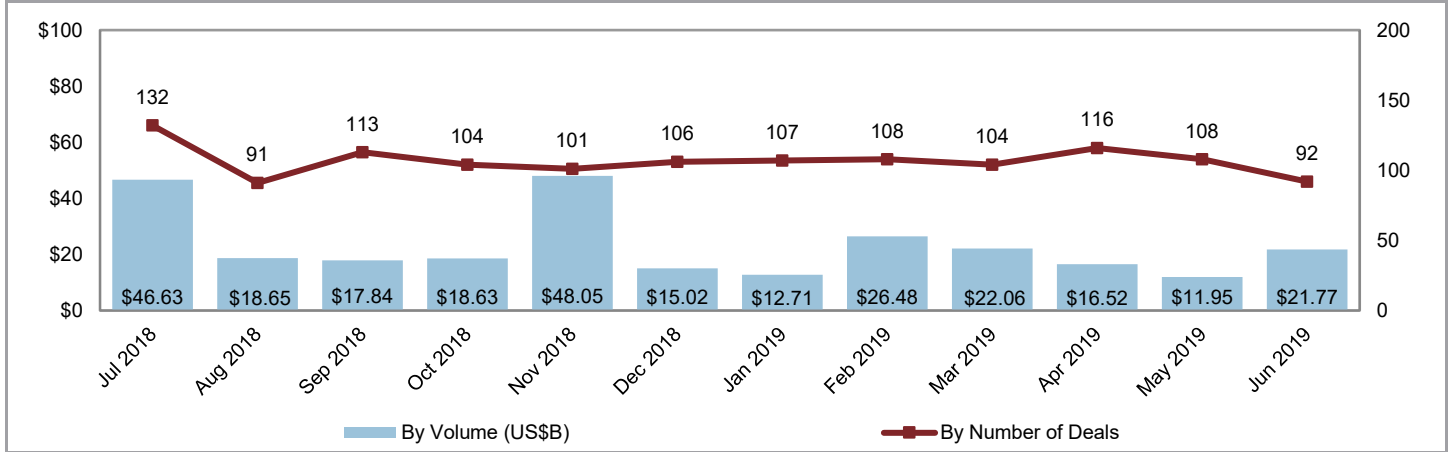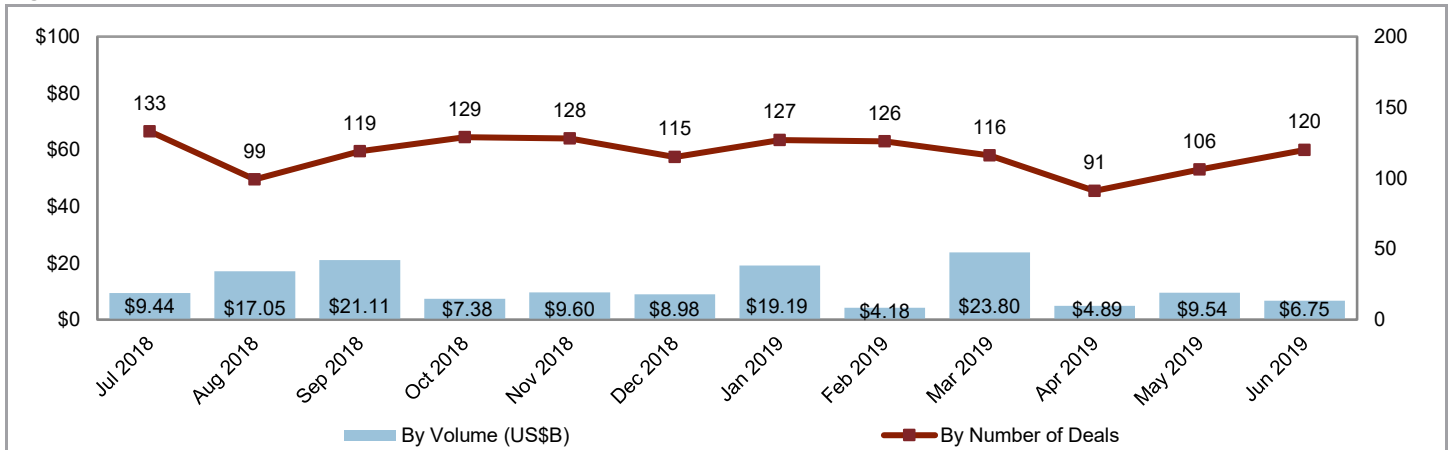Figure 5A – Inbound U.S. Crossborder Transactions

Figure 6A – Outbound U.S. Crossborder Transactions

Figure 7A – Global Crossborder Transactions