

M&A at a Glance - 2019 Year-End Roundup

2019 was the strongest year for U.S. M&A activity since 2015, but global M&A activity slowed compared to 2018 levels. Global deal volume¹ for the year was \$4.05 trillion, while U.S. deal volume was \$1.94 trillion (down 1.3% and up 11.2%, respectively, from 2018). Sponsor-related deal volume for the year was \$976.19 billion globally and \$482.77 billion in the U.S. (down 7.5% and 6.3%, respectively, from 2018). Strategic deal volume was \$3.07 trillion globally and \$1.45 trillion in the U.S. (up 0.9% and 18.6%, respectively, from 2018). [Figure 1.](#)

The average value of U.S. public mergers increased by 23.8% from 2018 levels (from \$3.64 billion to \$4.50 billion), and the average value of the ten largest U.S. public mergers increased by 19.8% from 2018 levels (from \$30.60 billion to \$36.66 billion) after two years of decline. [Figure 2.](#) This growth can be attributed to the increase in the number of deals over \$10 billion in 2019.

Overall, 2019 was a strong year for the U.S. M&A market, despite country-wide anxiety surrounding a potential recession, trade war escalation and other political and economic uncertainties. Though many reports have indicated that 2019 was a blowout year for M&A activity by all measures, we note that deal flow as represented by number of deals has declined over the course of the year and as compared to 2018.

Global crossborder deal volume decreased 13.7% relative to 2018. Crossborder transactions involving U.S. companies also decreased in 2019, with U.S. inbound and outbound transactions decreasing by 1.1% and 37.7%, respectively. [Figure 1.](#) Canada maintained its lead in both investments by volume and number of deals for inbound U.S. transactions. The U.K. remained the leading country in investments by number of deals for outbound U.S. transactions, while Canada took the lead for investments by volume. [Figure 3.](#)

In terms of M&A activity by sector, the top five U.S. target industries by volume for 2019 were Computers & Electronics, Healthcare, Oil & Gas, Chemicals and Finance. Telecommunications and Utility & Energy, which were among the top five target industries in 2018, dropped out of the top five target industries in 2019. The number of deals for each of these top sectors increased from their 2018 levels, although activity as measured by dollar value decreased for the Oil & Gas sector. [Figure 4.](#)

On the U.S. public merger front, there were a few noteworthy observations from 2019:

- The percentage of two-step transactions rose in 2019, increasing to 17.1% of U.S. mergers from 11.7% in 2018. [Figure 7](#)
- The percentage of U.S. public mergers that were hostile or unsolicited decreased from 16.7% in 2018 to 12.5% in 2019. [Figure 9](#)
- Reverse break fees overall declined slightly from 5.7% in 2018 to 5.5% in 2019. Similarly, reverse break fees in sponsor-related transactions increased from 6.6% in 2018 to 6.7% in 2019. However, reverse break fees in strategic transactions decreased from 5.2% in 2018 to 4.7% in 2019. [Figure 5.](#) In no big surprise, target break fees remained consistent with prior year levels, remaining steady at 3.6% from 2018 to 2019.
- The consideration mix remained roughly on par in 2019 as compared to 2018. The percentage of all cash transactions rose slightly after a two year decline, from 51.4% in 2018 to 52.9% in 2019; the percentage of all stock transactions rose from 29.1% in 2018 to 32.0% in 2019; and the percentage of cash and stock transactions also increased slightly from 11.2% in 2018 to 11.8% in 2019. [Figure 6.](#)
- The use of go-shop provisions in U.S. public mergers increased from 10.1% in 2018 to 12.5% in 2019. The use of go-shop provisions in mergers involving financial buyers increased significantly from 24.3% in 2018 to 45.5% in 2019, whereas the use of go-shop provisions in mergers involving strategic buyers decreased, from 6.3% in 2018 to 3.4% in 2019. The average go-shop window, as measured in days, for mergers involving financial buyers decreased from 37.8 days in 2018 to 35.2 days in 2019. [Figure 8.](#)

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 – Deal Volume

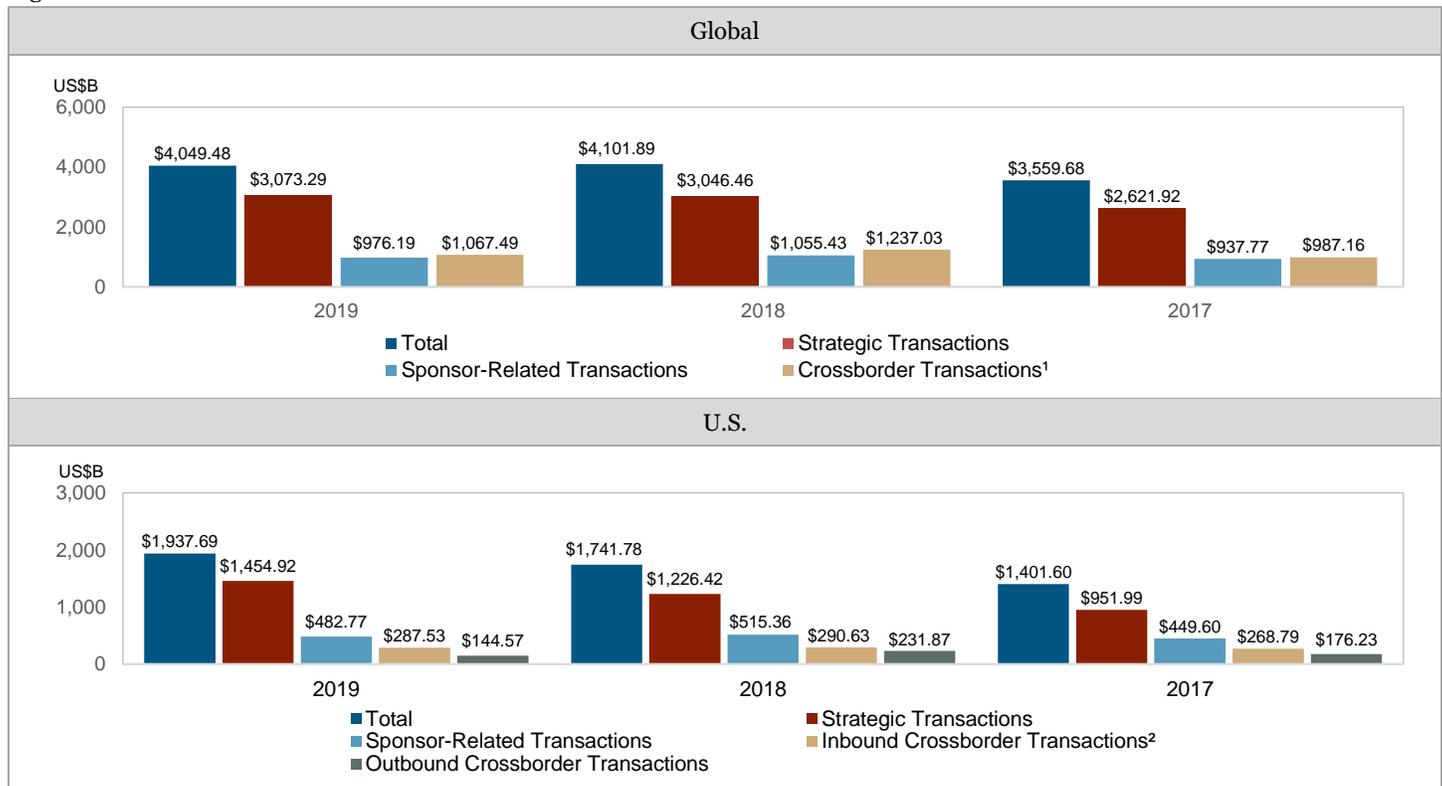
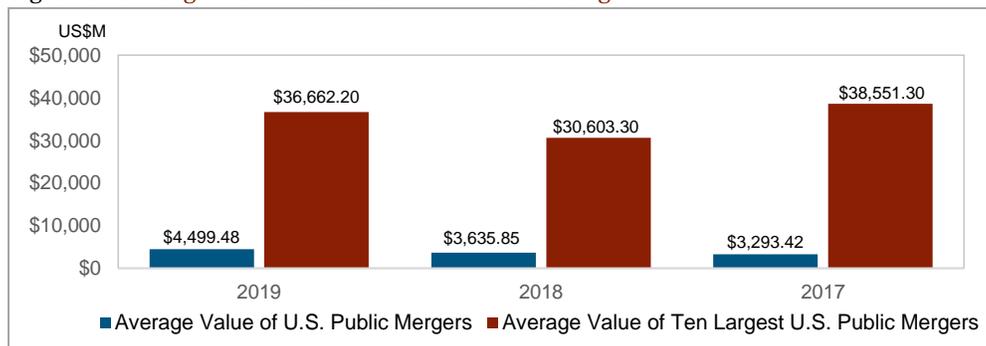


Figure 2 – Average Value of Announced U.S. Public Mergers



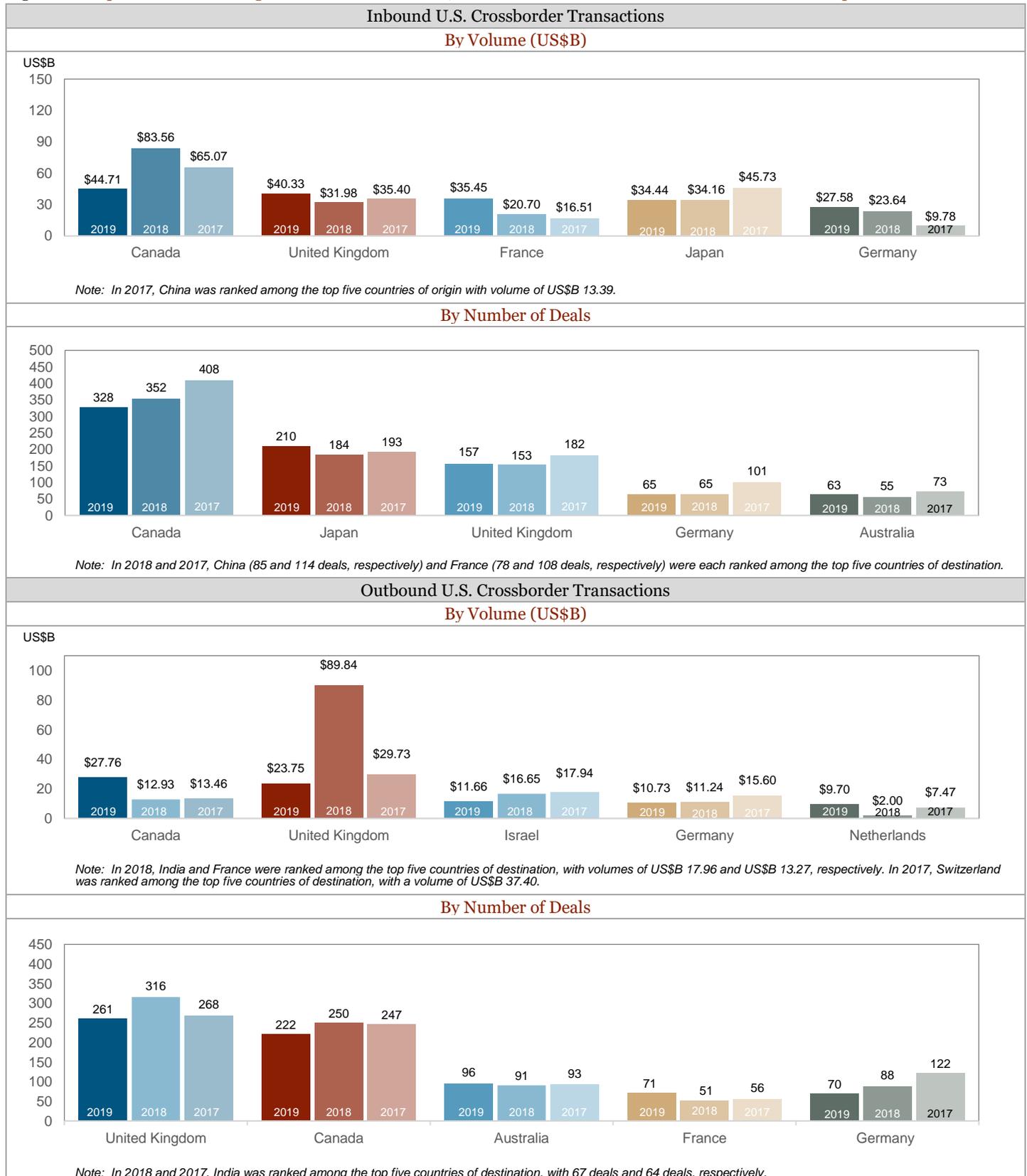
Figures 1, 3 and 4 were compiled using data from Dealogic, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Figure 2 was compiled using data from Deal Point Data, and is limited to mergers involving public U.S. targets announced during the period 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 January 10, 2020 unless otherwise specified. Data obtained from Dealogic 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.

² 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.

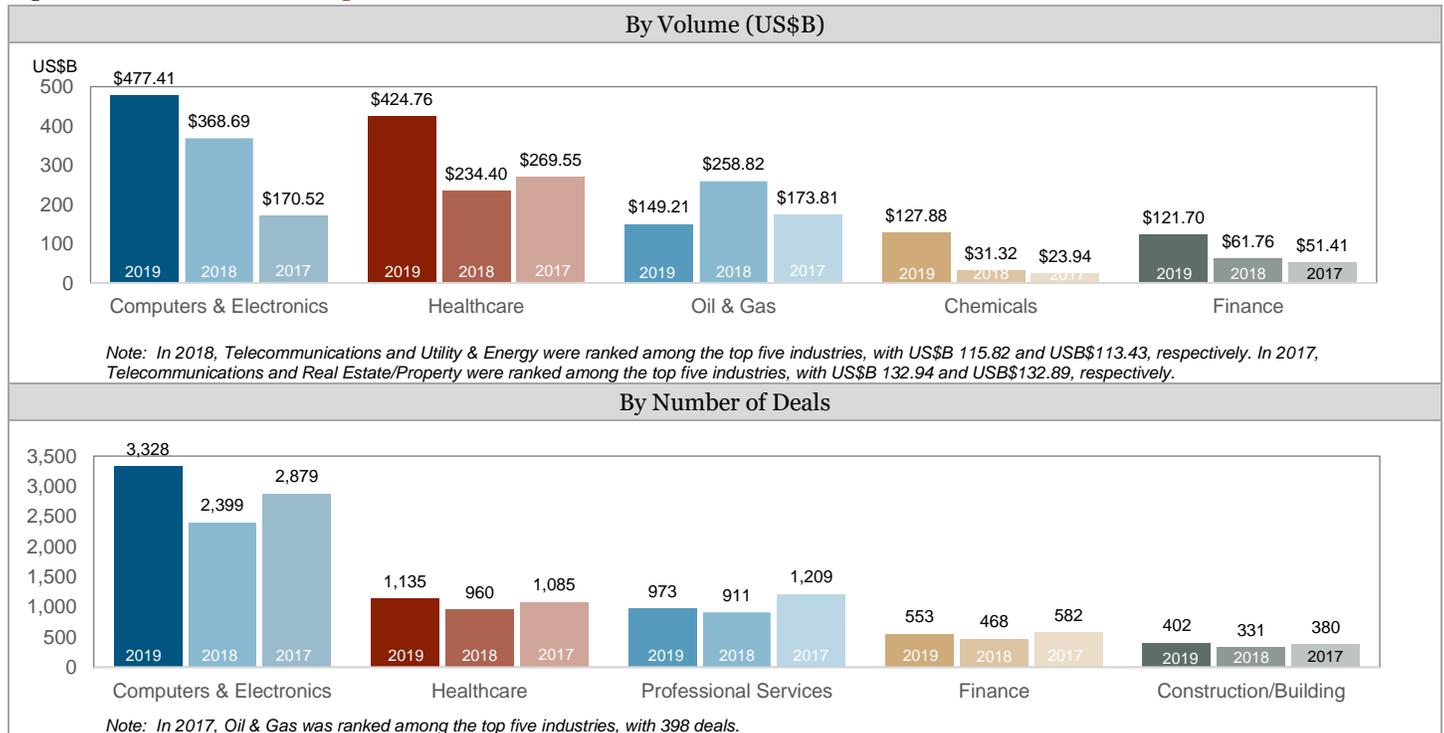
M&A Activity (Continued)

Figure 3 – Top 5 Countries of Origin or Destination for 2019 U.S. Crossborder Transactions and Prior Year Comparisons²



M&A Activity (Continued)

Figure 4 – Most Active U.S. Target Industries³



M&A Terms⁴

Figure 5 – Average Break Fees as % of Equity Value^{5, 6}

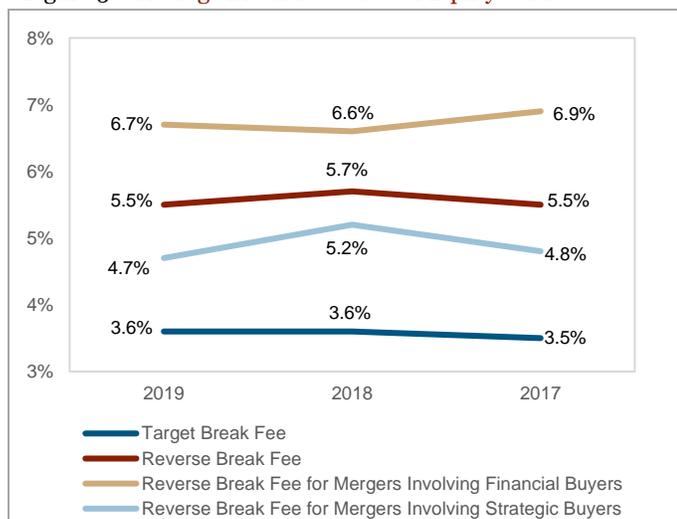


Figure 6 – Form of Consideration as % of U.S. Public Mergers⁷

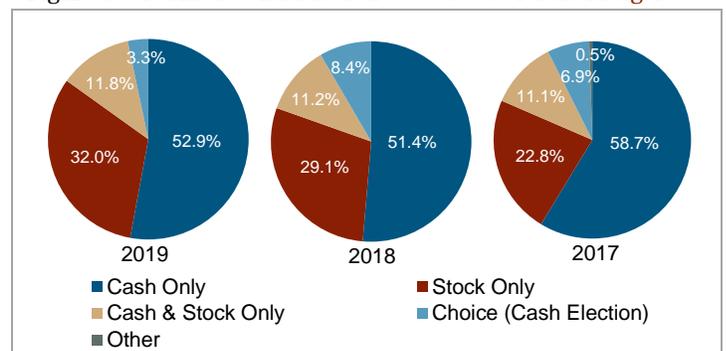
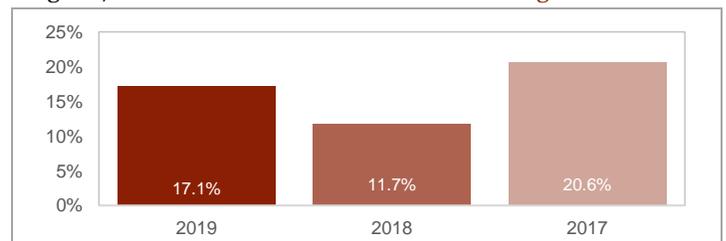


Figure 7 – Tender Offers as % of U.S. Public Mergers



³ Industry categories are determined and named by Dealogic.
⁴ Figures 5-10 were compiled using data from Deal Point Data. Figures 5, 6, 7, 8 and 10 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. Figure 9 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. Data obtained from Deal Point Data has not been reviewed for accuracy by Paul, Weiss.
⁵ Financial and strategic categories are determined by Deal Point Data.
⁶ Based on the highest target break fees and reverse break fees payable in a particular deal.
⁷ Due to rounding, percentages may not add up to 100%.

M&A Terms (Continued)

Figure 8 – U.S. Public Merger Go-Shop Provisions⁸

U.S. Public Merger Go-Shop Provisions			
	2019	2018	2017
% of Mergers with Go-Shops	12.5	10.1	7.4
% of Mergers Involving Financial Buyers with Go-Shops	45.5	24.3	15.6
% of Mergers Involving Strategic Buyers with Go-Shops	3.4	6.3	4.9
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops	34.9	37.9	37.0
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops	35.2	37.8	39.6
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops	33.8	38.0	34.4

Figure 9 – Hostile/Unsolicited Offers as % of U.S. Public Mergers

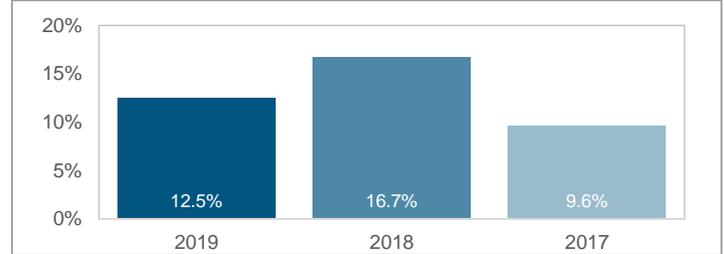
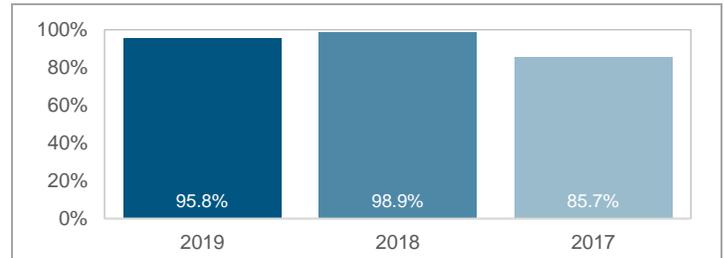


Figure 10 – % of Partial and All Stock Deals that Have a Fixed Exchange Ratio



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⁸ Financial and strategic categories are determined by Deal Point Data.

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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