

May 2020, Issue 98

COVID-19 had a marked impact on M&A in April, extending the decline observed in March across all measures. Globally, the number of deals decreased by 24.2%, to 2,036, and total deal value¹ decreased by 44.3%, to \$118.34 billion. U.S. M&A activity also declined, with the number of deals decreasing by 32.2%, to 473, and total deal value significantly decreasing by 69.6%, to \$16.60 billion. Significantly, average deal value declined to \$58.1 million globally and to \$35.1 million in the U.S. (reductions of 26.5% and 55.1%, respectively). [Figure 1](#).

In a marked departure from the norm, no U.S. public deals with an equity value over \$100 million were announced in April, marking the first time this has occurred in the history of this publication. Even at the height of the last financial crisis in 2008, there was not a single month without a recorded transaction in excess of \$100 million, the lowest figure previously seen was two deals in December of 2008. The good news is that May has seen at least two deals announced so far, so we look forward to having more to report on in our next issue.

Strategic vs. Sponsor Activity

Strategic and sponsor activity both declined in April. The number of strategic deals decreased by 28.0% to 409 in the U.S. and by 21.6% to 1,876 globally. Meanwhile, strategic deal volume as measured by dollar value decreased by 57.9% to \$12.04 billion in the U.S. and by 36.6% to \$101.71 billion globally. The number of sponsor-related deals also decreased by 50.8% to 64 in the U.S. and by 45.0% to 160 globally. Sponsor-related volume by dollar value also decreased dramatically by 82.4% to \$4.56 billion in the U.S. and by 68.1% to \$16.62 billion globally. [Figure 1](#) and Annex [Figures 1A–4A](#).

Crossborder Activity

Global crossborder volume also declined in April. The number of crossborder deals fell by 29.5% to 389, while declining in dollar value by 70.0% to \$26.04 billion. The number of U.S. inbound crossborder deals decreased by 32.6% to 64 and U.S. inbound activity as measured by dollar value decreased by 53.0% to \$2.41 billion. The number of U.S. outbound crossborder deals decreased by 34.0% to 70 and U.S. outbound activity as measured by dollar value decreased significantly by 83.4% to \$8.27 billion. [Figure 1](#) and Annex [Figures 5A–7A](#).

Canada was the leading country for U.S. inbound activity in April by total dollar value (\$0.61 billion) and the U.K. was the leading country for U.S. inbound activity by total dollar value over the last 12-month period (\$43.26 billion). Canada retained its lead for U.S. inbound activity by number of deals in April (12) and over the last 12-month period (292).

India was the leading country of destination for U.S. outbound activity in April by total dollar value (\$5.79 billion), the first time it has ranked first in this category in 2019 and 2020. The U.K. was the leading country of destination over the last 12-month period (\$54.94 billion). The U.K. continued to retain its lead as the leading country of destination for U.S. outbound activity by number of deals, both in April and over the last 12 months (10 and 242, respectively). [Figure 3](#).

U.S. Deals by Industry

Computers and Electronics was the most active target industry in April and over the last 12 months by number of deals (213 and 3,364, respectively) as well as the most active target industry by dollar value in April and over the last 12 months (\$7.32 billion and \$318.51 billion, respectively). [Figure 2](#).

U.S. Public Mergers

As we noted above, because there were no public U.S. mergers with equity value over \$100 million in April, we are unable to report the monthly totals for the statistics in Figures 6-12 and average 12-month numbers do not provide a full picture given the lack of new data.

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.

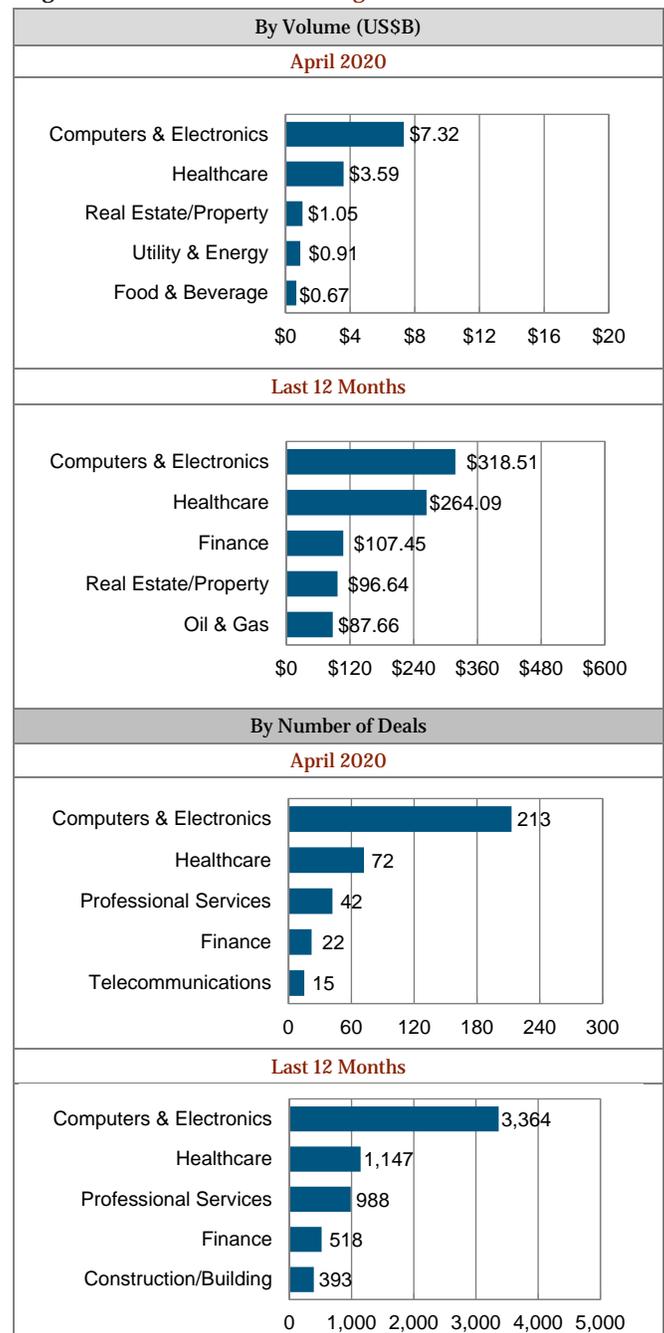
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M&A Activity

Figure 1

April 2020	Global	+/- From Prior Month	U.S.	+/- From Prior Month
Total				
Volume (US\$B)	118.34	(94.10)	16.60	(37.91)
No. of deals	2,036	(649)	473	(225)
Avg. value of deals (US\$mil)	58.1	(21.0)	35.1	(43.0)
Strategic Transactions				
Volume (US\$B)	101.71	(58.60)	12.04	(16.56)
No. of deals	1,876	(518)	409	(159)
Avg. value of deals (US\$mil)	54.2	(12.7)	29.4	(20.9)
Sponsor-Related Transactions				
Volume (US\$B)	16.62	(35.50)	4.56	(21.35)
No. of deals	160	(131)	64	(66)
Avg. value of deals (US\$mil)	103.9	(75.2)	71.2	(128.1)
Crossborder Transactions¹				
Volume (US\$B)	26.04	(60.69)	Inbound 2.41 Outbound 8.27	Inbound (2.71) Outbound (41.55)
No. of deals	389	(163)	Inbound 64 Outbound 70	Inbound (31) Outbound (36)
Avg. value of deals (US\$mil)	66.9	(90.2)	Inbound 37.6 Outbound 118.1	Inbound (16.2) Outbound (351.9)

Figure 2 – Most Active U.S. Target Industries²



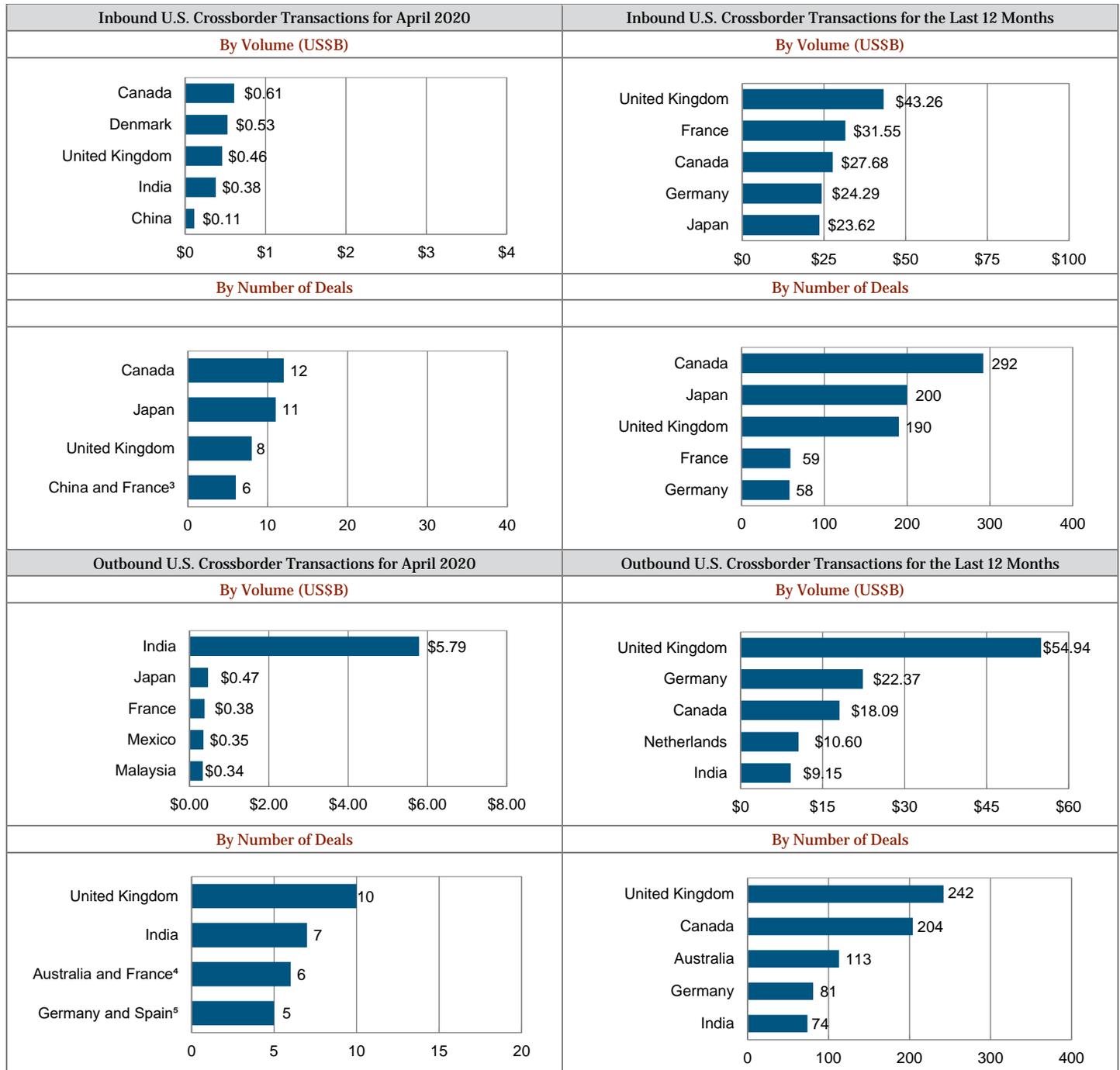
Figures 1-3 were compiled using Cortex, and are for the broader M&A market, including mergers of any value involving public and/or private entities. Deal volume by dollar value and average value of deals are calculated from the subset of the total number of deals that include a disclosed deal value. 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 April 11, 2020 unless otherwise specified. "Last 12 Months" data is for the period from May 2019 to April 2020 inclusive. Data obtained from Cortex 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. 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



³ Each of China and France was the country of origin for six transactions in April 2020.

⁴ Each of Australia and France was the country of destination for six transactions in April 2020.

⁵ Each of Germany and Spain was the country of destination for five transactions in April 2020.

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Figure 4 – Average Value of Announced U.S. Public Mergers (in US\$mil)⁶

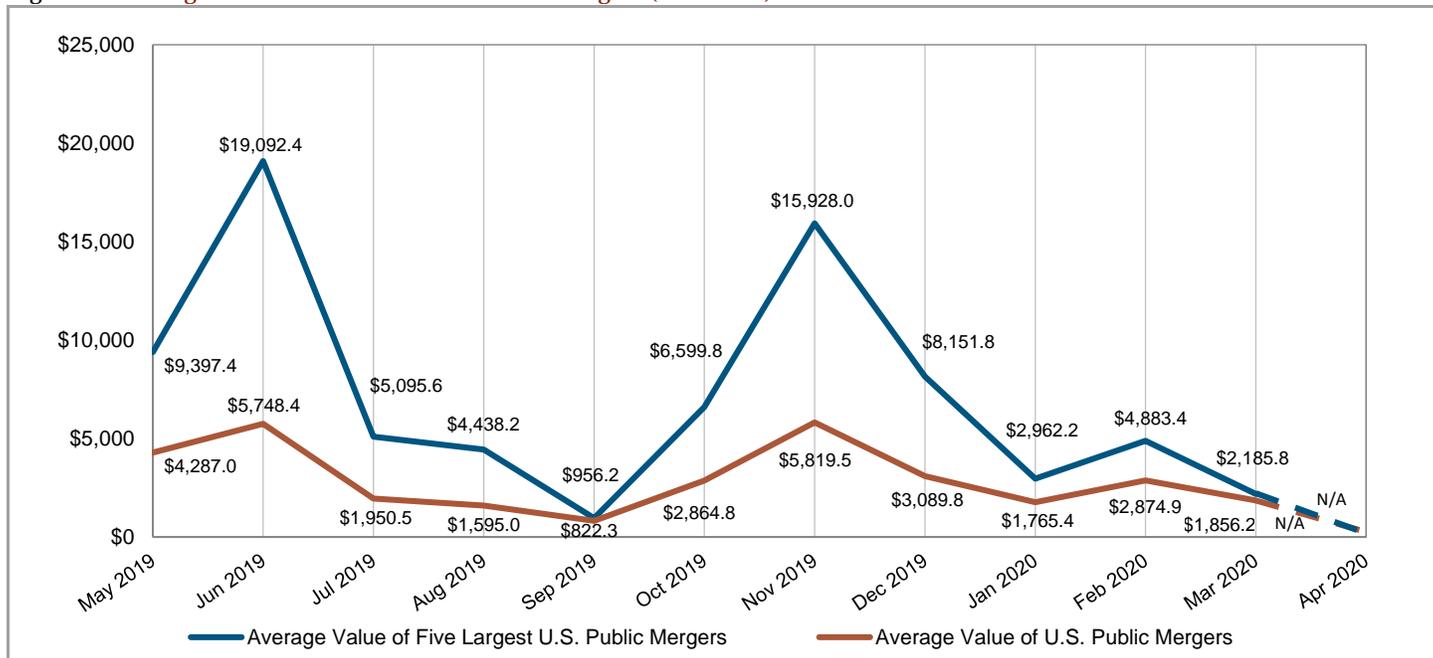


Figure 5 – Five Largest U.S. Public Mergers

April 2020	
Equity Value (US\$B)	
(None)	
Last 12 Months	
Equity Value (US\$B)	
Raytheon Company – United Technologies Corporation (June 9, 2019)	\$52.03
HP Inc. – Xerox Holdings Corporation (November 6, 2019) (Offer withdrawn March 31, 2020)	\$35.48
TD Ameritrade Holding Corporation – The Charles Schwab Corporation (November 25, 2019)	\$28.29
DuPont de Nemours, Inc. Nutrition & Biosciences RMT ⁷ – International Flavors & Fragrances Inc. (December 15, 2019)	\$26.20
Total System Services, Inc. – Global Payments Inc. (May 28, 2019)	\$21.99

⁶ There were zero transactions seeking majority or full control of U.S. targets valued at \$100 million or higher in April 2020.

⁷ A Reverse Morris Trust (RMT) transaction consists of a spin-off of a subsidiary or other unwanted asset into a separate company, which is then merged or combined with a separate entity.

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M&A Terms

Figure 6 – Average Break Fees as % of Equity Value⁸

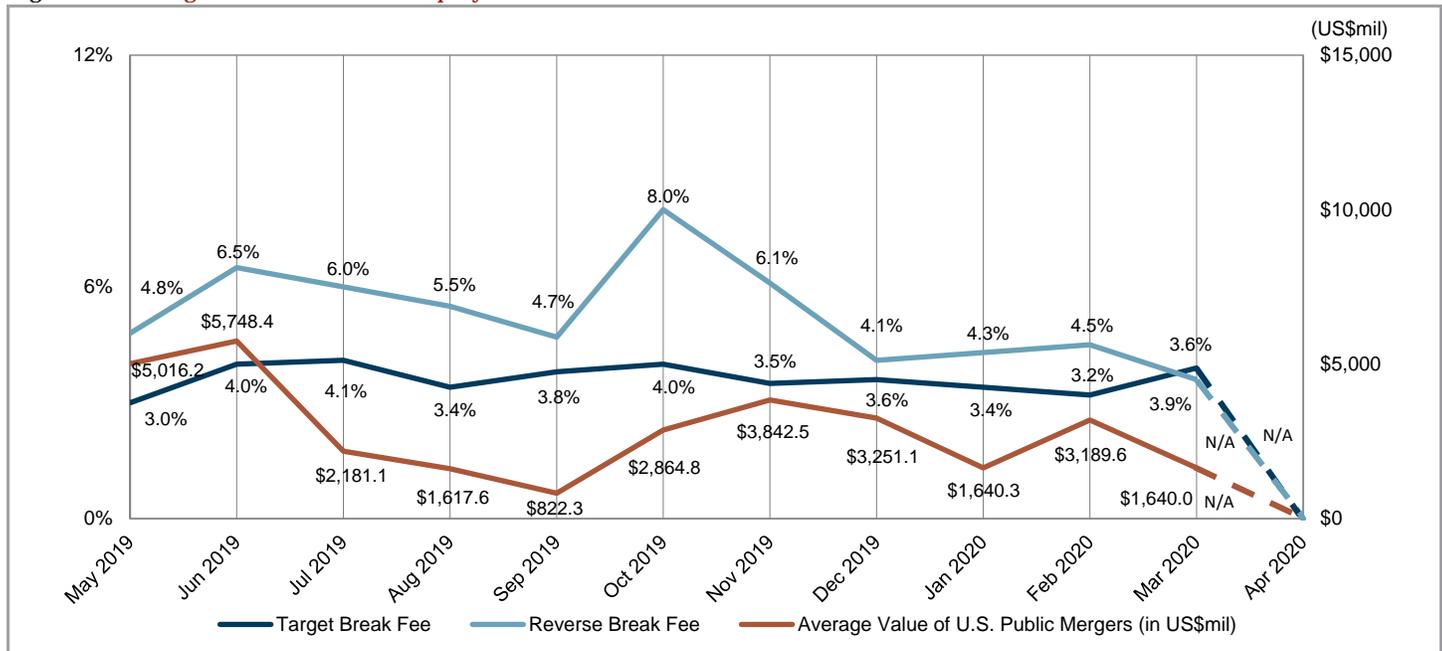


Figure 7 – Average Break Fees as % of Equity Value⁹

	April 2020	Last 12 Months
Target Break Fee for All Mergers	N/A	3.6

	April 2020	Last 12 Months
Reverse Break Fee for All Mergers	N/A	5.6
Reverse Break Fee for Mergers Involving Financial Buyers	N/A	6.7
Reverse Break Fee for Mergers Involving Strategic Buyers	N/A	4.9

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.

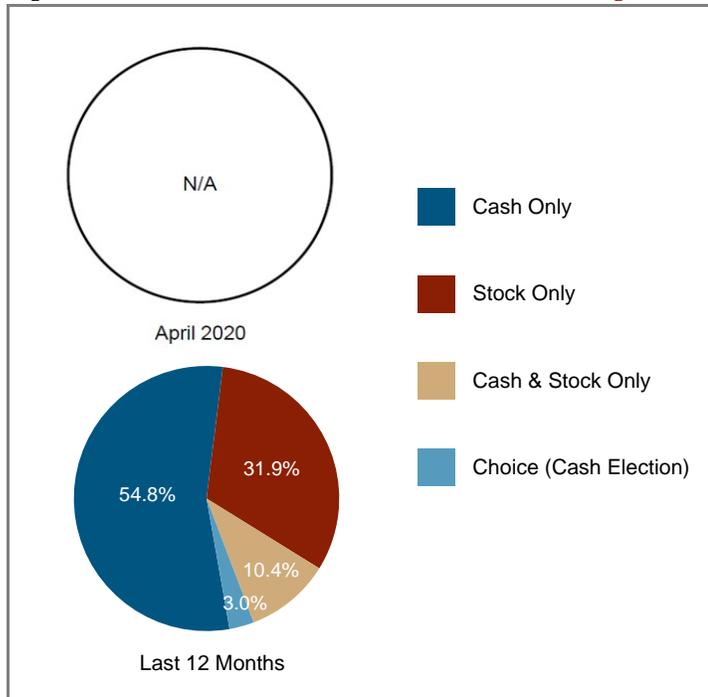
Figure 8 – U.S. Public Merger Go-Shop Provisions¹⁰

	April 2020	Last 12 Months
% of Mergers with Go-Shops	N/A	12.6
% of Mergers Involving Financial Buyers with Go-Shops	N/A	43.3
% of Mergers Involving Strategic Buyers with Go-Shops	N/A	3.8
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops	N/A	34.0
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops	N/A	32.9
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops	N/A	37.5

⁸ Based on the highest target break fees and reverse break fees payable in a particular deal.

⁹ Financial and strategic categories are determined by Deal Point Data.

¹⁰ Financial and strategic categories are determined by Deal Point Data.

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April 2020	N/A
Last 12 Months	98.4

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

April 2020	N/A
Last 12 Months	16.3

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

April 2020	N/A
Last 12 Months	11.5

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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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)

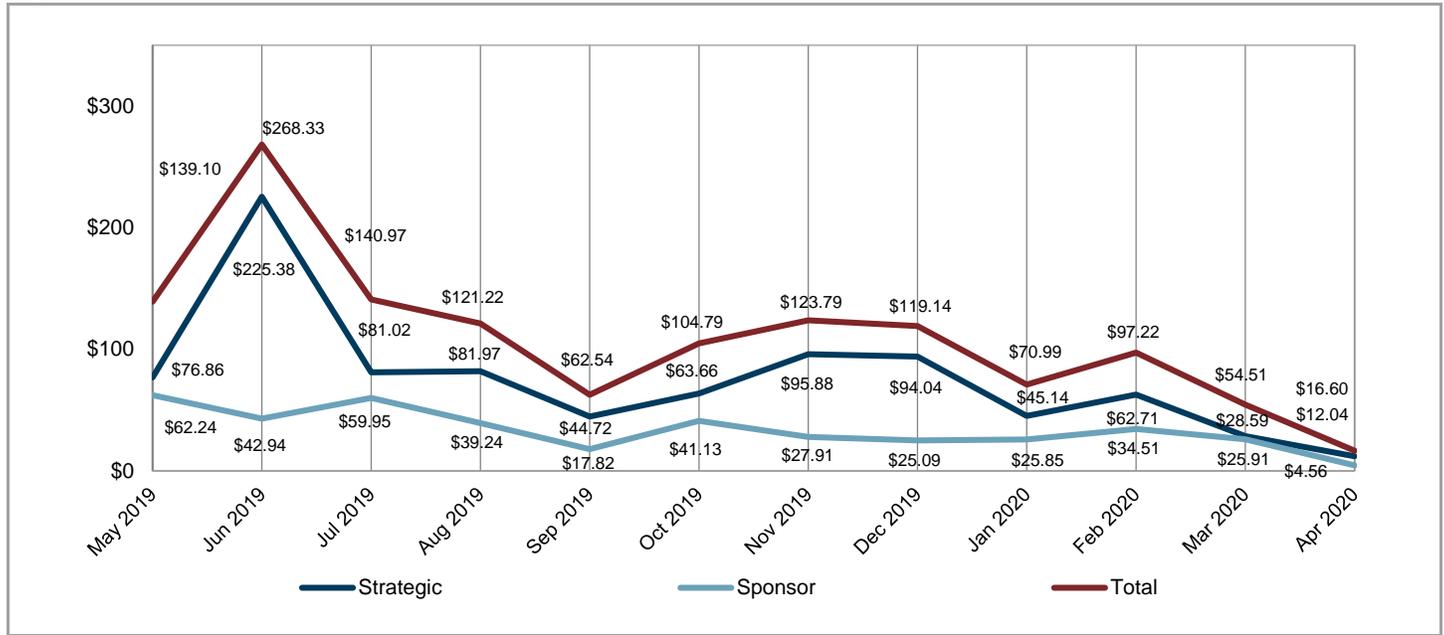
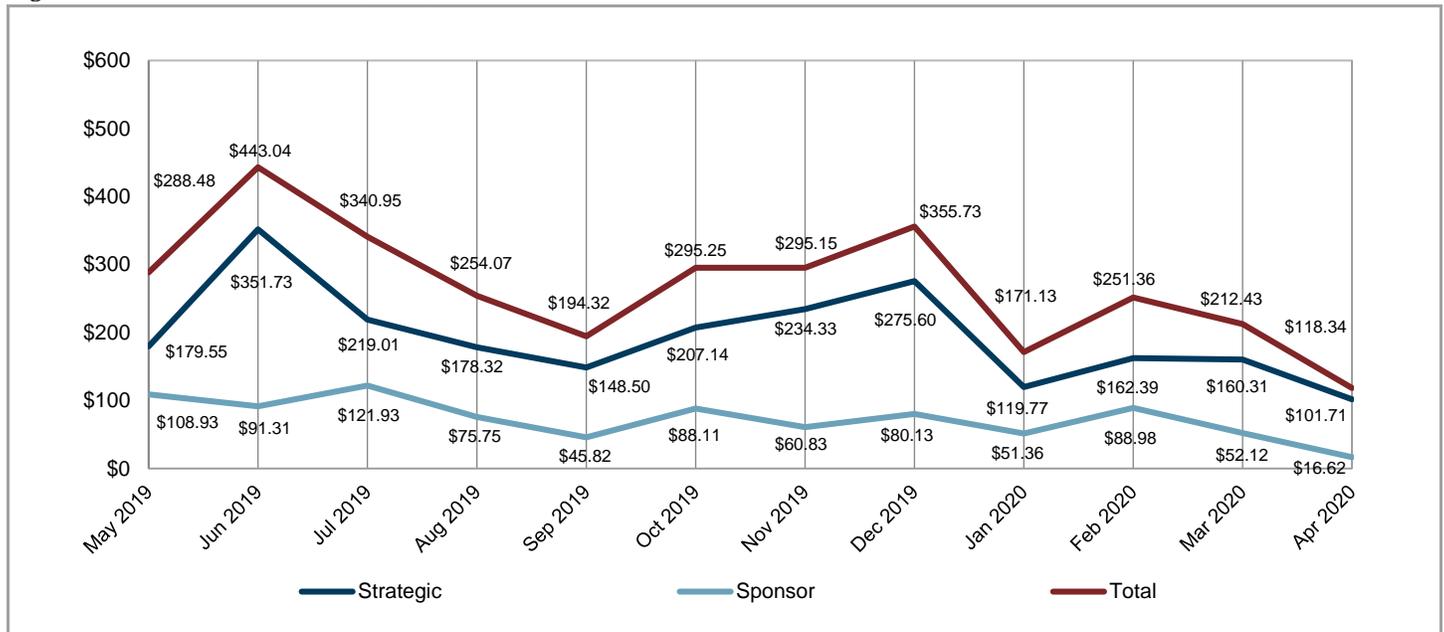


Figure 2A – Global Deal Volume (US\$B)



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Figure 3A – U.S. Number of Deals

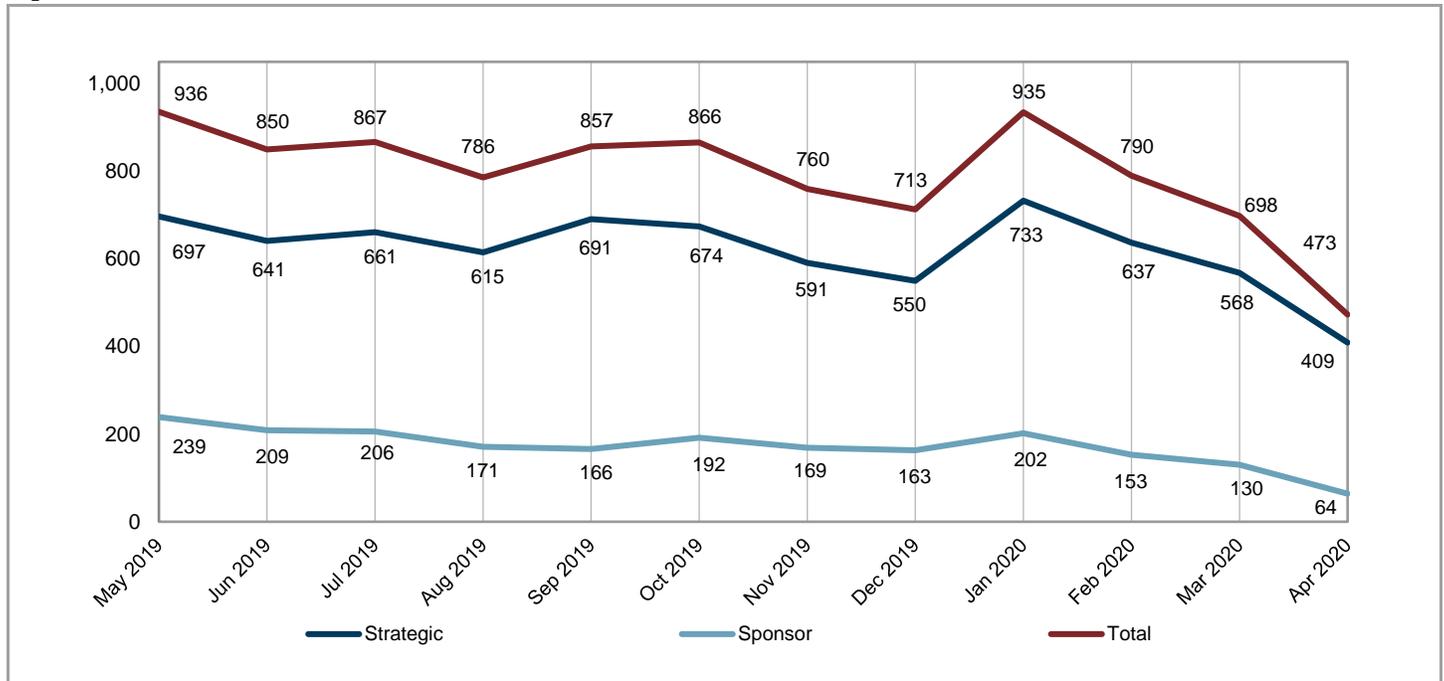
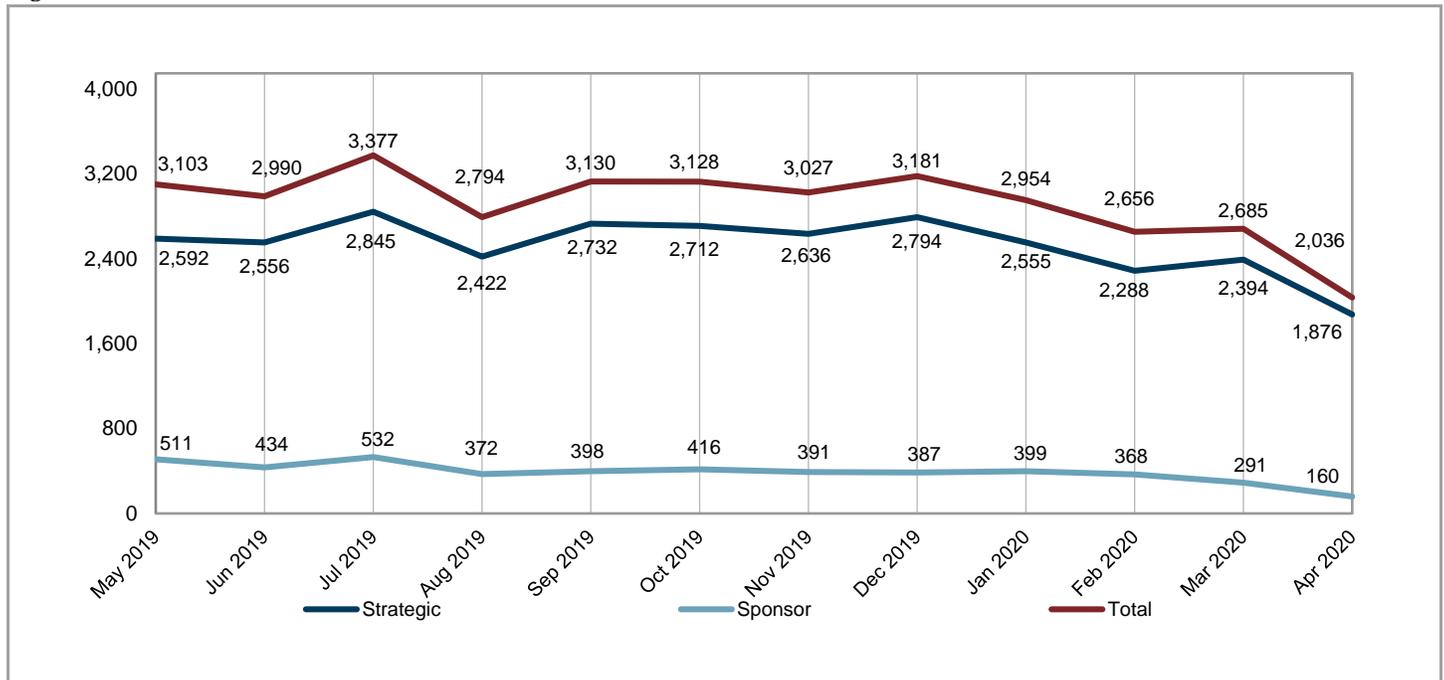


Figure 4A – Global Number of Deals



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Figure 5A – Inbound U.S. Crossborder Transactions

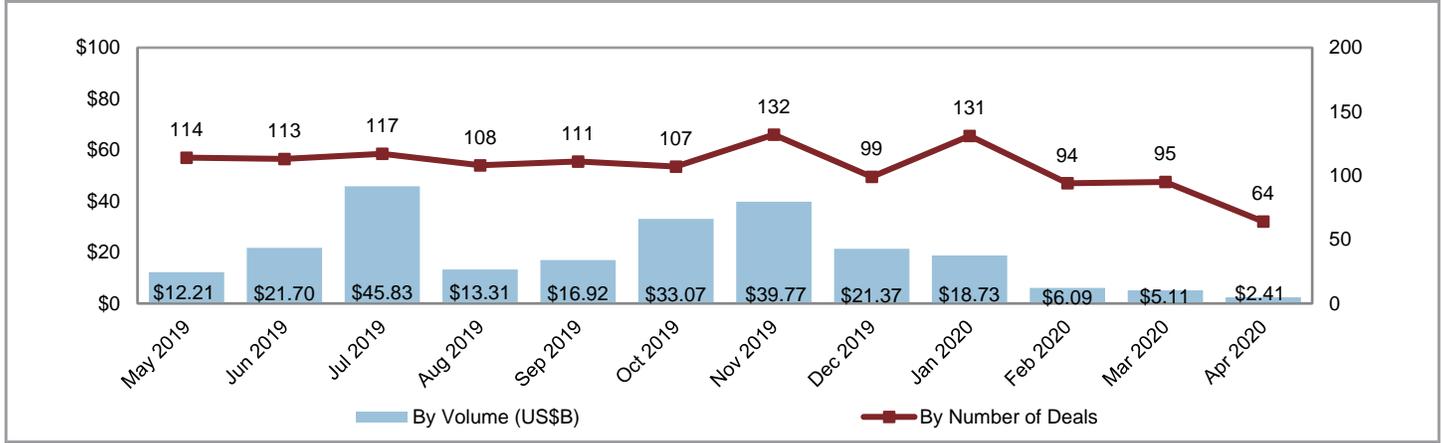


Figure 6A – Outbound U.S. Crossborder Transactions

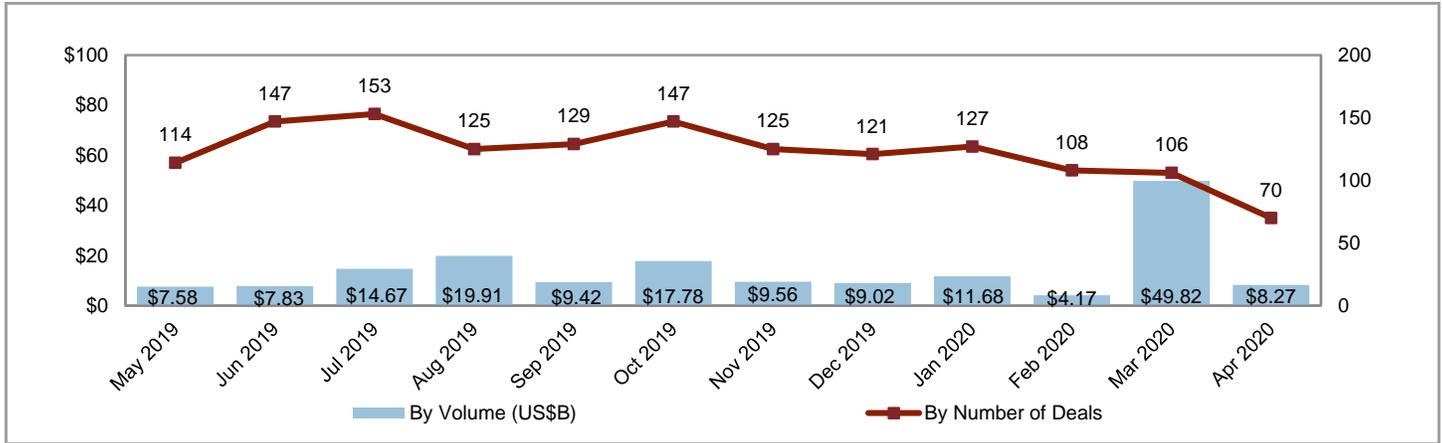


Figure 7A – Global Crossborder Transactions

