M&A AT A GLANCE

Paul|Weiss

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Key Takeaways

- After two tough months, May dealmaking points to tentative recovery, though still markedly lower than May 2019. Overall, M&A activity was choppy, yielding few consistent trends and some surprising statistics.
- Global activity continued to decline by deal number and total deal value albeit more modestly. While U.S. deal numbers fell 16%, total deal value increased 31% over April, though at $24 billion is only 17% of last May's deal value. Similarly, crossborder activity remains low compared to a year ago.
- Somewhat surprisingly given reports of tightening credit markets, sponsor activity increased globally and in the U.S. by deal value and by number of deals, due to strong levels of minority-stake acquisitions. By contrast, strategic activity generally declined.
- While Computer and Electronics remains the most active sector for May and the last 12-months (LTM), both Mining and Retail entered the top-5 by dollar value in May, with huge increases over April. Distressed deals accounted for a large part of this month's rise in Retail dealmaking.
- In U.S. merger news: Tender offers constituted 67% of deals (compared to 18% LTM). There were no hostile deals (compared to 11% LTM). Further, we add new data on unaffected premiums and target advisory fees for these deals. Unaffected premiums hit 91% in May, compared to 36% LTM (likely reflecting merger consideration based on historical values as opposed to more recent prices). Total target advisory fees as a percentage of equity value was 2%, constituent with LTM levels.

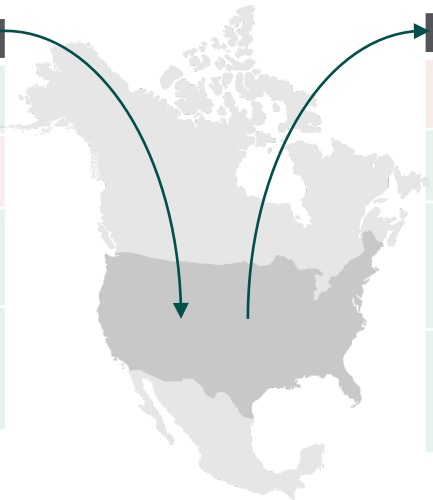
Strategic vs. Sponsor Activity

Global
Total
$113.2 billion – ▼ 6.7%
2,100 deals – ▼ 5.4%
Strategic
$87.5 billion – ▼ 16.7%
1,877 deals – ▼ 8.5%
Sponsor
$25.7 billion – ▲ 57.1%
223 deals – ▲ 32.7%

U.S.
Total
$23.5 billion – ▲ 31.3%
442 deals – ▼ 16.3%
Strategic
$17.0 billion – ▲ 28.0%
368 deals – ▼ 20.0%
Sponsor
$6.5 billion – ▲ 40.7%
74 deals – ▲ 8.8%

Crossborder Activity

U.S. Inbound	U.S. Outbound
$5.6 billion ▲ 126.5%	$3.5 billion ▼ 57.9%
59 deals ▼ 6.3%	90 deals ▲ 28.6%
leading country **Canada –** $2.4 billion **Canada –** 18 deals	leading country **Israel –** $0.9 billion **Canada and India[1] –** 14 deals
leading country last 12 months **U.K. –** $42.8 billion **Canada –** 280 deals	leading country last 12 months **U.K. –** $57.9 billion **U.K. –** 236 deals



Industry Activity

most deals
214 deals
Computers and Electronics

last 12 months
3,247 deals
Computers and Electronics

most dollar value
$6.8 billion
Computers and Electronics

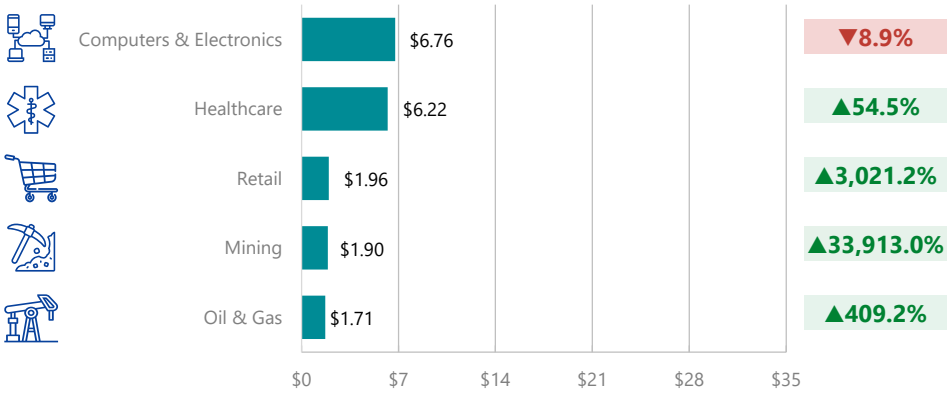
last 12 months
$454.8 billion
Computers and Electronics

All data is as of June 10, 2020 unless otherwise specified. 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.

Most Active U.S. Target Industries[2]

Deal Value (US$B)

May 2020



+/- from last month

▼8.9%

▲54.5%

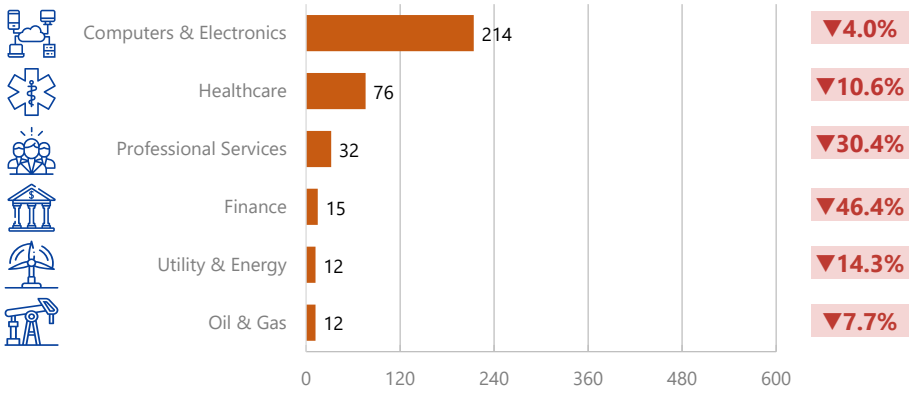
▲3,021.2%

▲33,913.0%

▲409.2%

Number of Deals

May 2020



+/- from last month

▼4.0%

▼10.6%

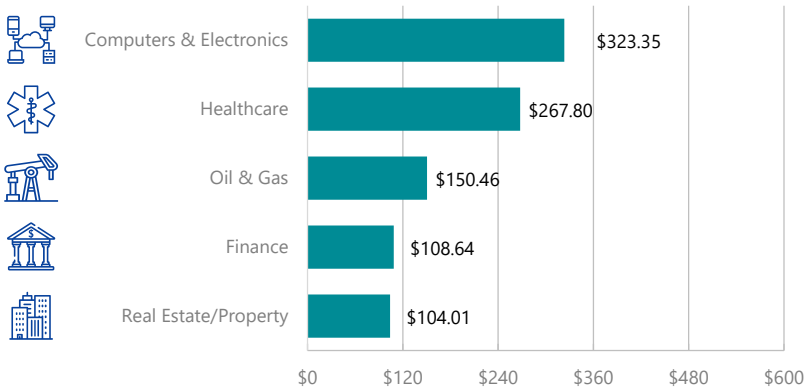
▼30.4%

▼46.4%

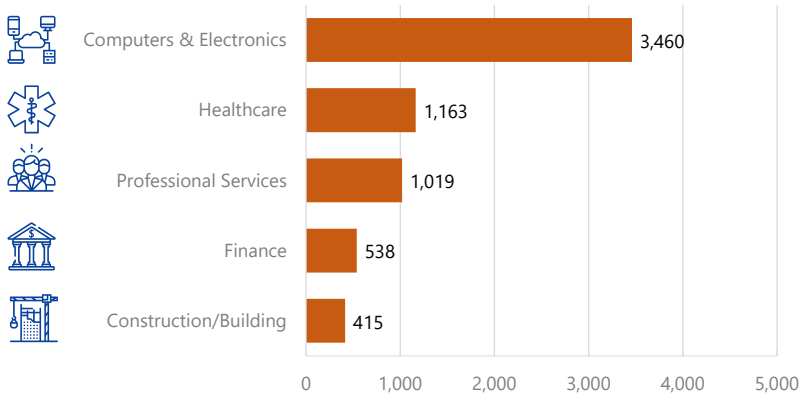
▼14.3%

▼7.7%

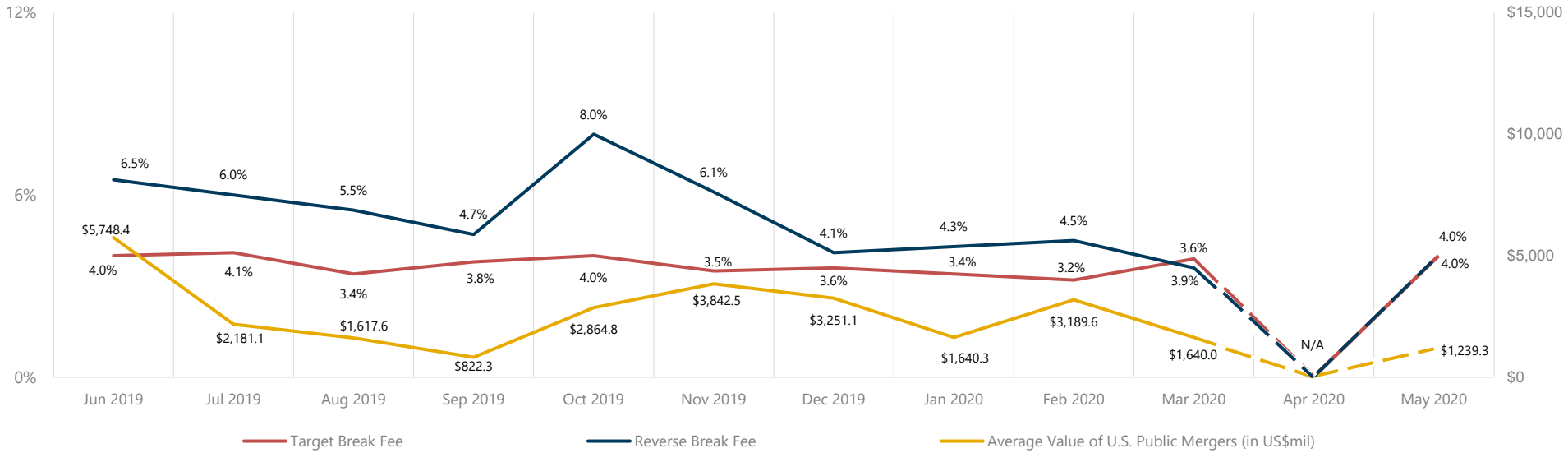
Last 12 Months



Last 12 Months



Average Break Fees as % of Equity Value[3]



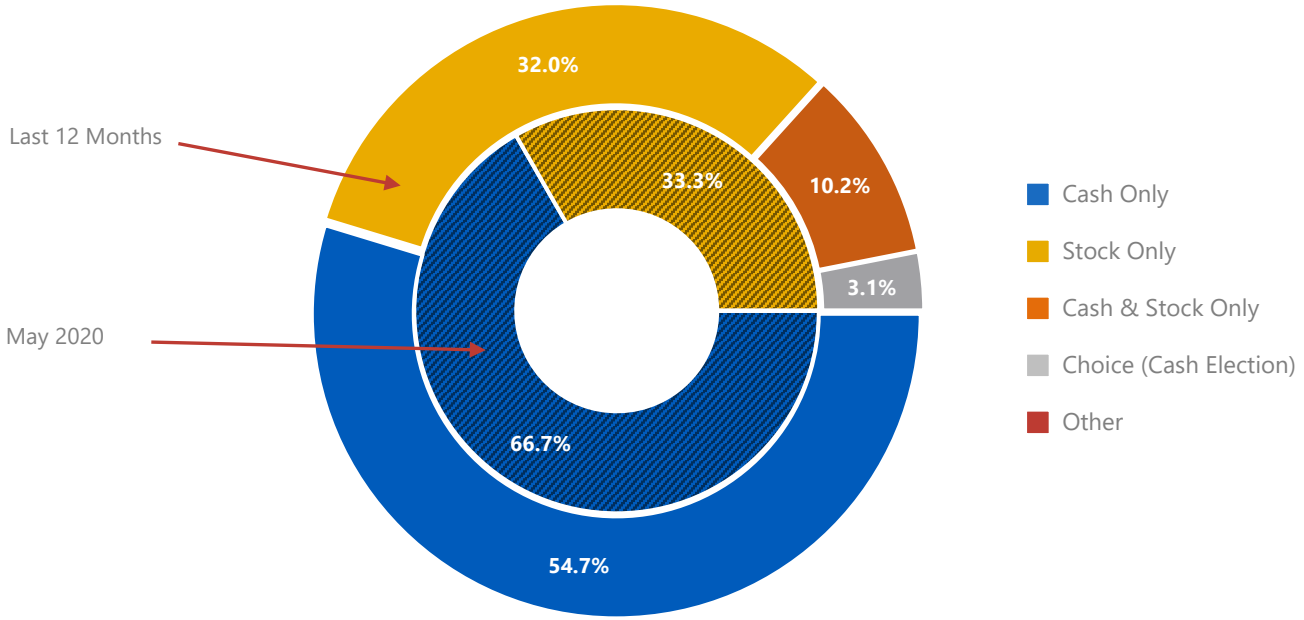
Average Break Fees as % of Equity Value[4]

	May 2020	Last 12 Months
Target Break Fee for All Mergers[5]	4.0	3.7
Reverse Break Fee for All Mergers[6]	4.0	5.7
Reverse Break Fee for Mergers Involving Financial Buyers[7]	N/A	6.8
Reverse Break Fee for Mergers Involving Strategic Buyers[8]	4.0	5.0

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

	May 2020	Last 12 Months
% of Mergers with Go-Shops	0.0	12.5
% of Mergers Involving Financial Buyers with Go-Shops[10]	N/A	46.2
% of Mergers Involving Strategic Buyers with Go-Shops[11]	0.0	3.9
Avg. Go-Shop Window (in Days) for All Mergers with Go-Shops[12]	N/A	34.3
Avg. Go-Shop Window (in Days) for Mergers Involving Financial Buyers with Go-Shops	N/A	33.2
Avg. Go-Shop Window (in Days) for Mergers Involving Strategic Buyers with Go-Shops	N/A	37.5

Form of Consideration as % of U.S. Public Mergers[13]



Tender Offers as % of U.S. Public Mergers

May 2020	66.7
Last 12 Months	18.0

Unaffected Premium %[15]

May 2020	91.3
Last 12 Months	36.2

Hostile/Unsolicited Offers as % of U.S. Public Mergers[14]

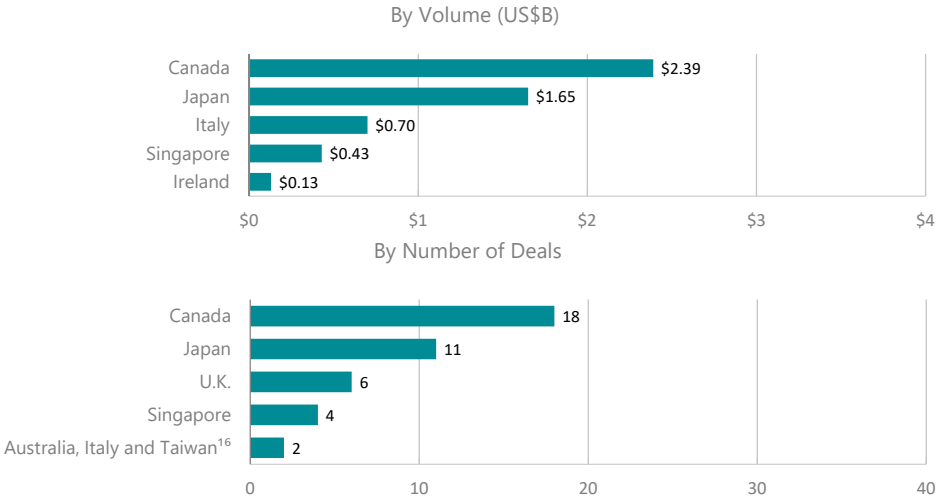
May 2020	0.0
Last 12 Months	10.8

Total Target Adviser Fee(s) as % of Equity Value

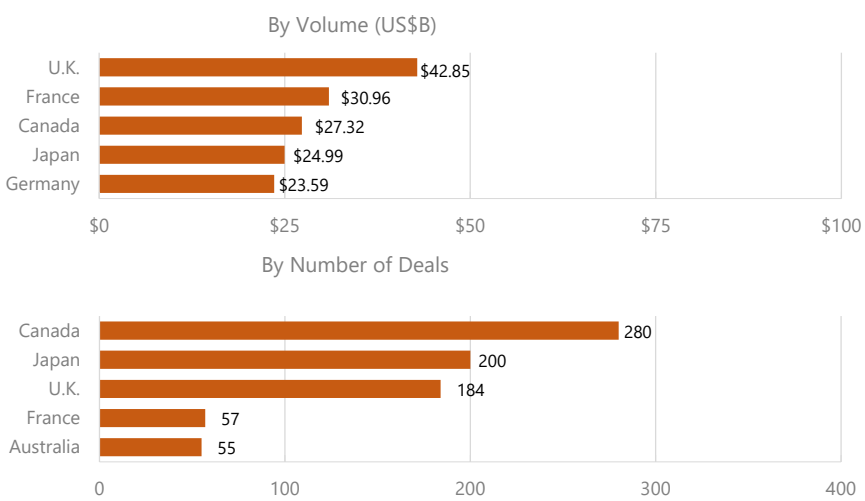
May 2020	1.7
Last 12 Months	1.4

Top 5 Countries of Origin or Destination for Inbound U.S. Crossborder Transactions

Inbound U.S. Crossborder Transactions for May 2020

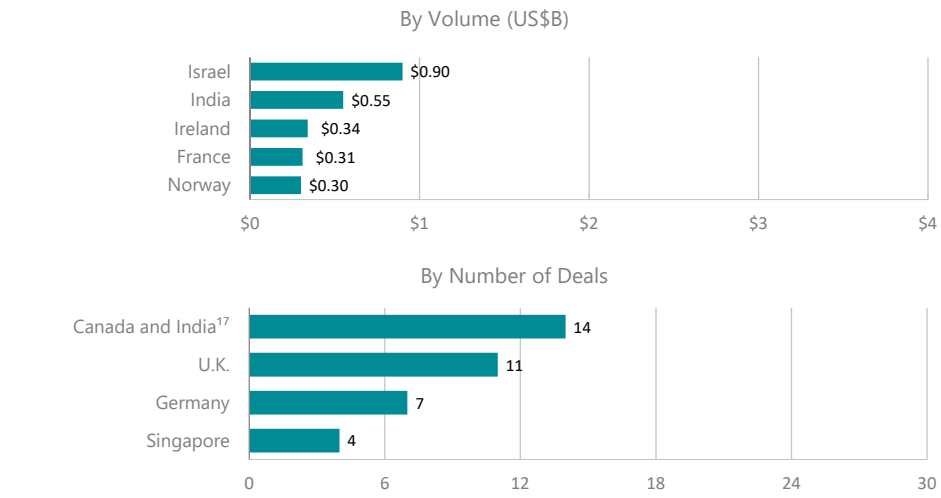


Inbound U.S. Crossborder Transactions for the Last 12 Months

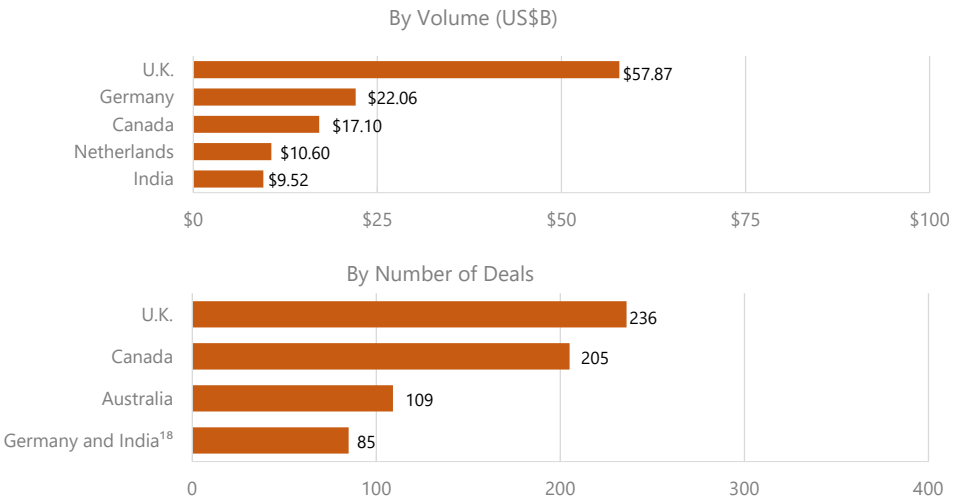


Top 5 Countries of Origin or Destination for Outbound U.S. Crossborder Transactions

Outbound U.S. Crossborder Transactions for May 2020

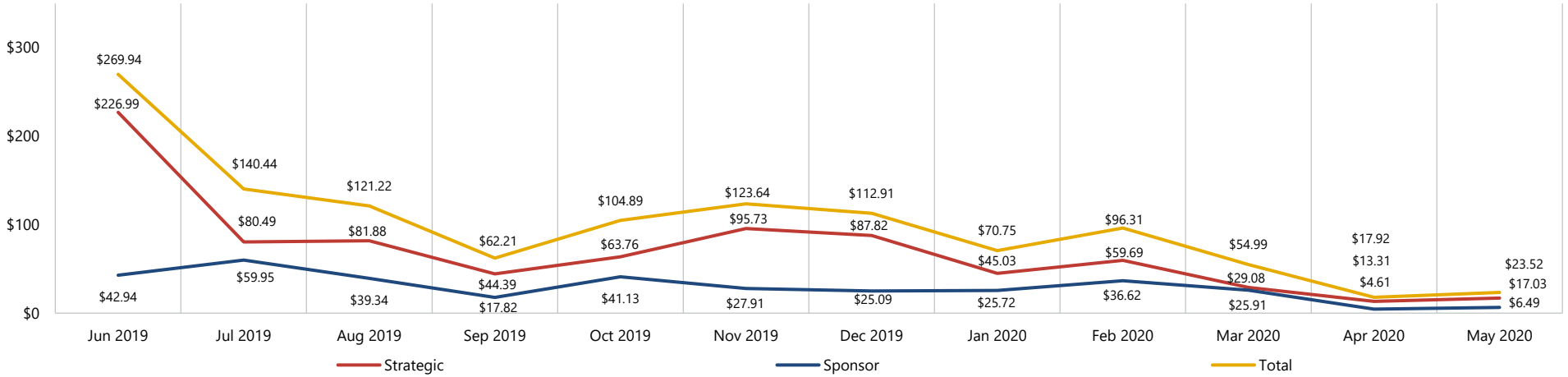


Outbound U.S. Crossborder Transactions for the Last 12 Months

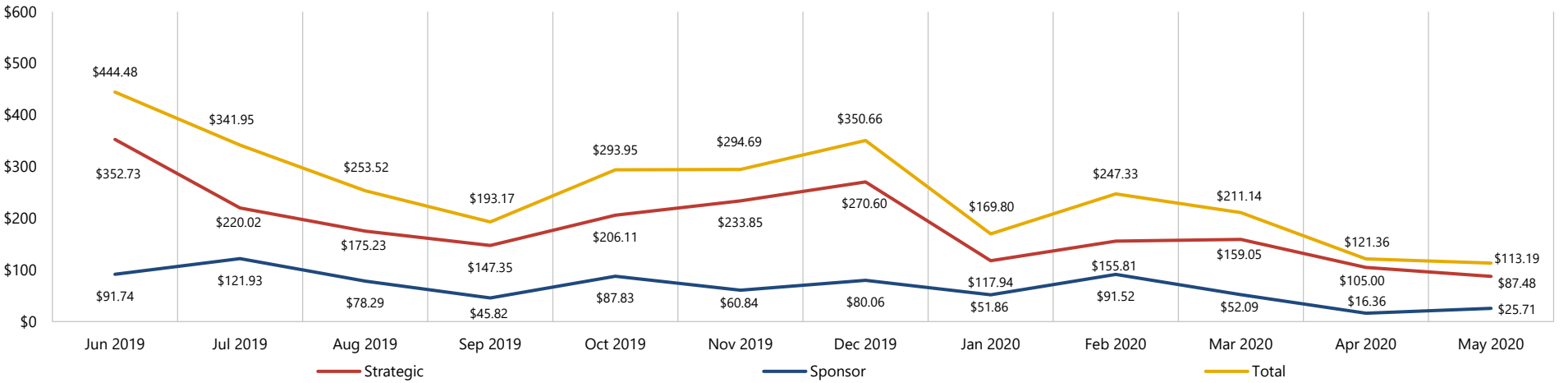


Appendix: M&A Activity – 12 Month Trends

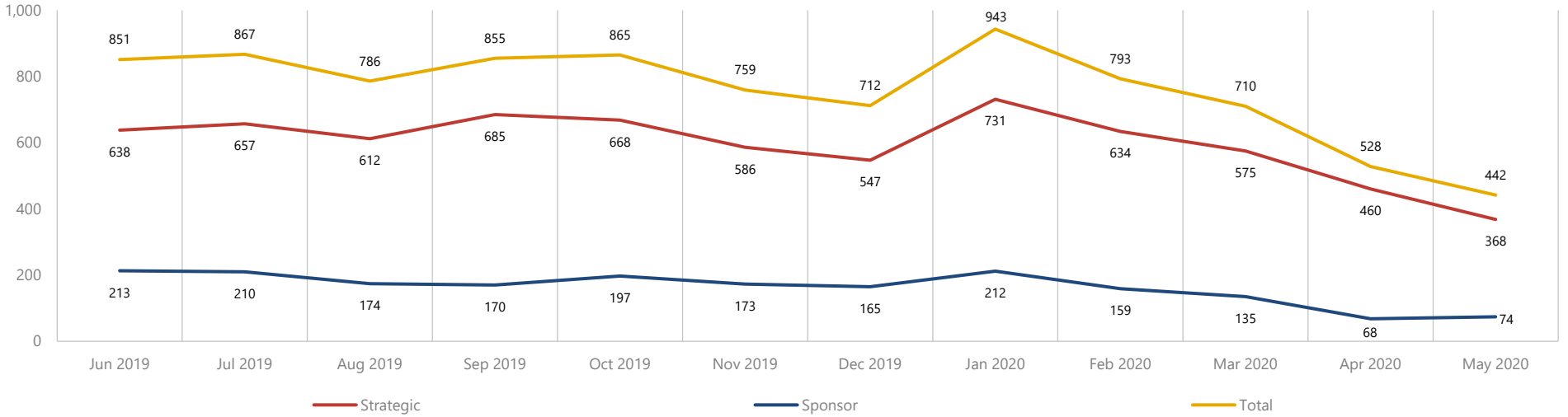
U.S. Deal Value (US$B)



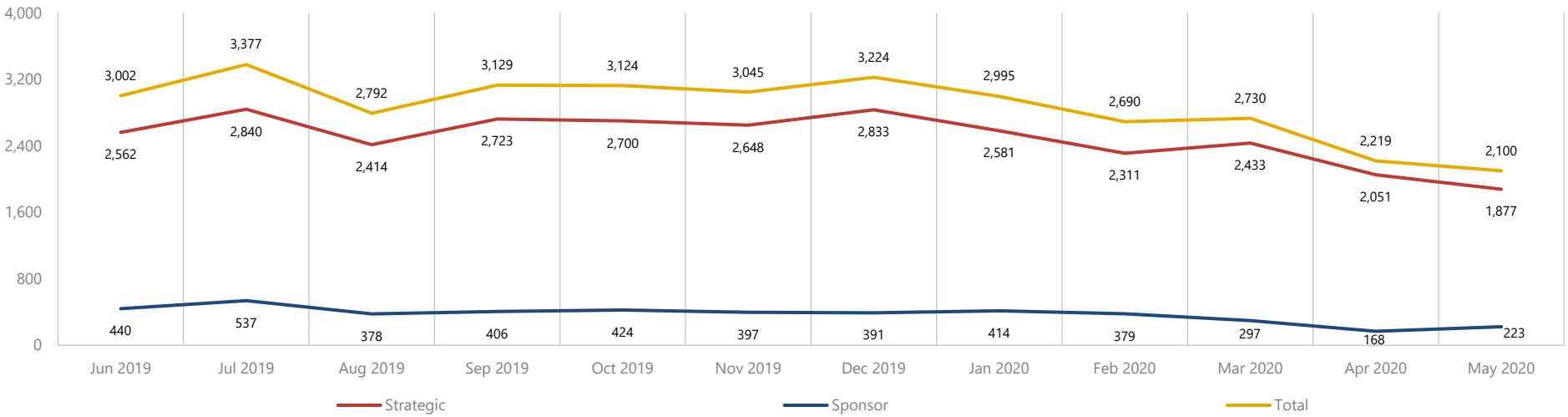
Global Deal Value (US$B)



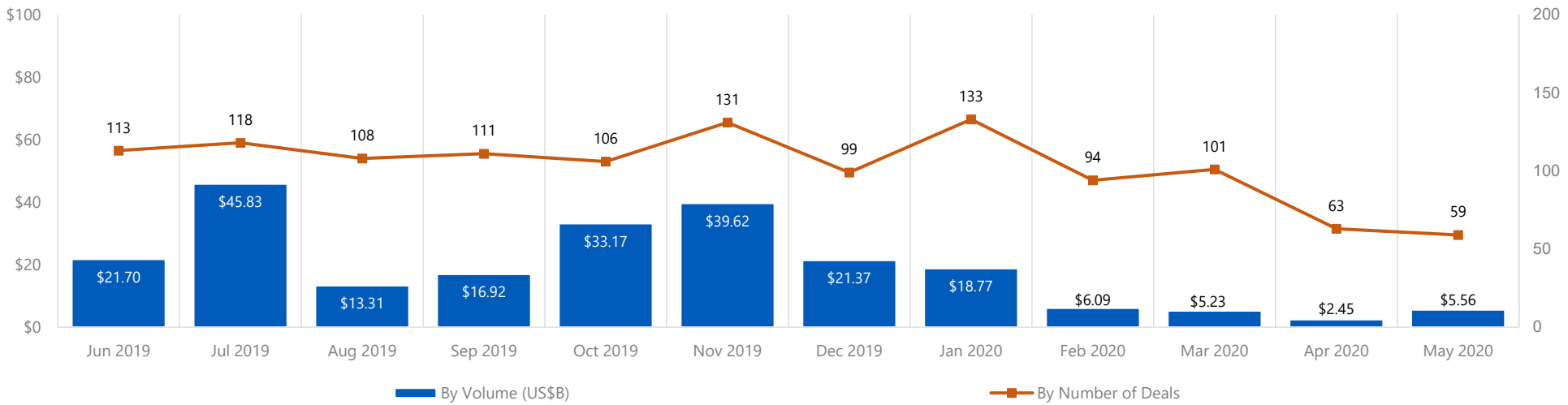
U.S. Number of Deals



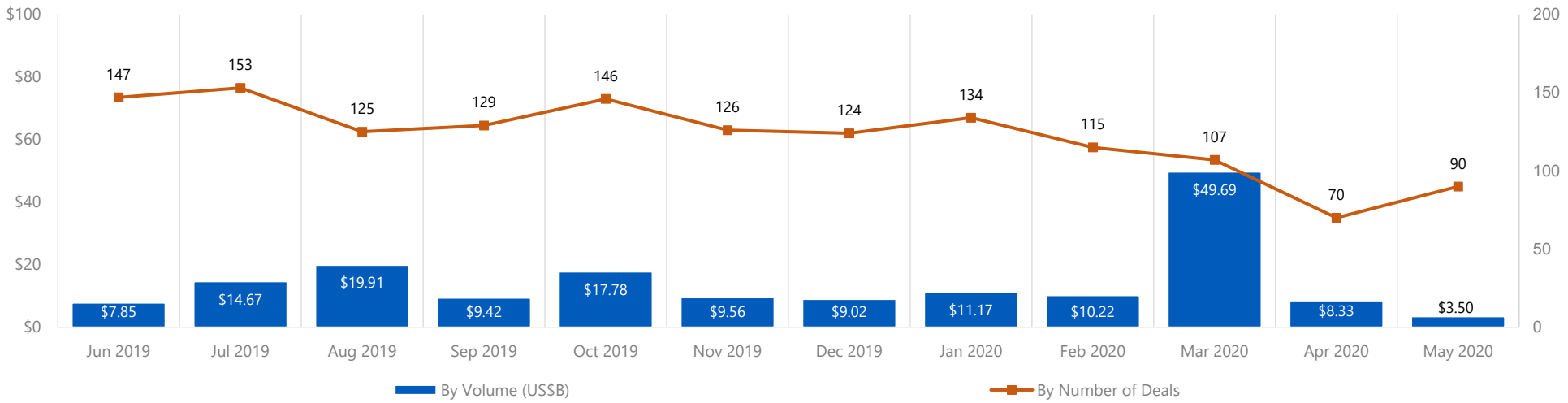
Global Number of Deals



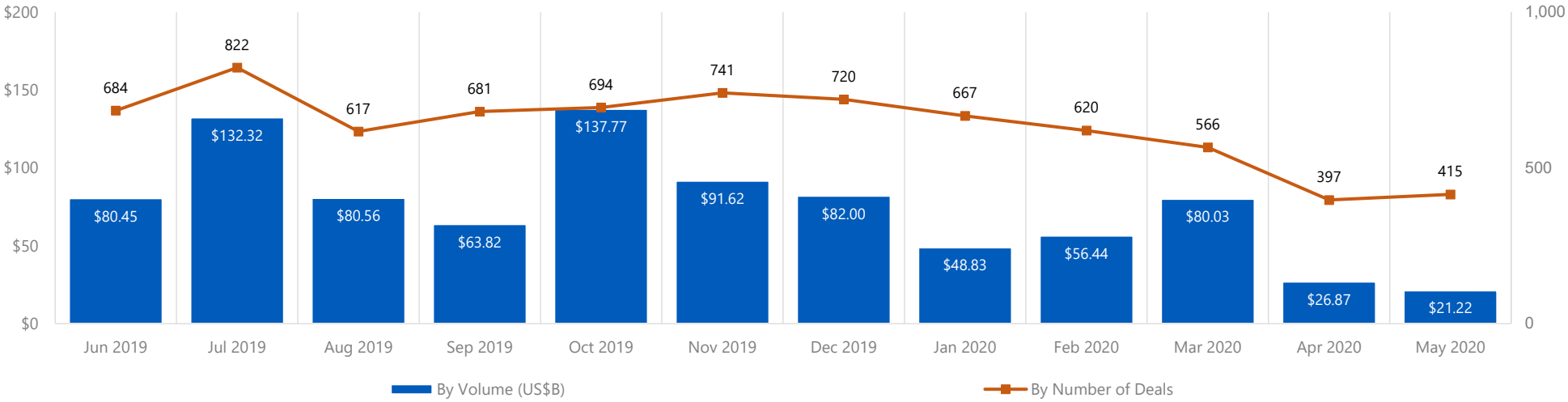
Inbound U.S. Crossborder Transactions



Outbound U.S. Crossborder Transactions



Global Crossborder Transactions



Endnotes

1 Each of Canada and India was the country of destination for 14 transactions in May 2020.
2 Industries categories are determined and named by Cortex.
3 Based on the highest target break fees and reverse break fees payable in a particular deal.
4 Financial and strategic categories are determined by Deal Point Data.
5 Three transactions in May 2020 had a target break fee.
6 One transaction in May 2020 had a reverse break fee.
7 Zero transactions in May 2020 involving a financial buyer had a reverse break fee.
8 One transaction in May 2020 involving a strategic buyer had a reverse break fee.
9 Financial and strategic categories are determined by Deal Point Data.
10 Zero transactions in May 2020 involved a financial buyer.
11 Three transactions in May 2020 involved a strategic buyer.
12 Zero transactions in May 2020 had a go-shop provision.
13 Due to rounding, percentages may not add up to 100%.
14 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).
15 Unaffected Premium % indicates the difference between the current price per share offered as consideration in the transaction and the "unaffected price," reflected as a percentage. The "unaffected price" is the target's closing stock price on the date that is one calendar day prior to the first public disclosure regarding a potential deal involving the target and on which the target's stock price was unaffected by the news of the deal.
16 Each of Australia, Italy and Taiwan was the country of origin for two transactions in May 2020.
17 Each of Canada and India was the country of destination for 14 transactions in May 2020.
18 Each of Germany and India was the country of destination for 85 transactions over the last 12 months.

The charts on p. 1–2 and 5–9 were compiled using Cortex, and are for the broader M&A market, including public and private transactions of any value. Deal volume by dollar value and average value of deals are calculated from the subset of deals that include a disclosed deal value. The charts on p. 3–4 were compiled using Deal Point Data, and include acquisitions seeking majority or higher 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. "Last 12 Months" data is for the period from June 2019 to May 2020 inclusive. Data obtained from Cortex and Deal Point Data has not been reviewed for accuracy by Paul, Weiss.

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Matthew W. Abbott
+1-212-373-3402
Email

Scott A. Barshay
+1-212-373-3040
Email

Angelo Bonvino
+1-212-373-3570
Email

Ariel J. Deckelbaum
+1-212-373-3546
Email

Jeffrey D. Marell
+1-212-373-3105
Email

Robert B. Schumer
+1-212-373-3097
Email

Taurie M. Zeitzer
+1-212-373-3353
Email

Counsel Frances F. Mi, associates Feiran Felicia Chen, Logan DeSouza, Allyson N. Kaleita, Jade Magalhaes, Eliana Wasser and Ceecee Q. Yao and law clerk Stacy Hwang contributed to this publication.

Our M&A Partners

Matthew W. Abbott
Edward T. Ackerman
Scott A. Barshay
Angelo Bonvino
Ellen N. Ching
Rachael G. Coffey
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