

Foreign Suitors Snatching Up More US Companies

By **Chelsea Naso**

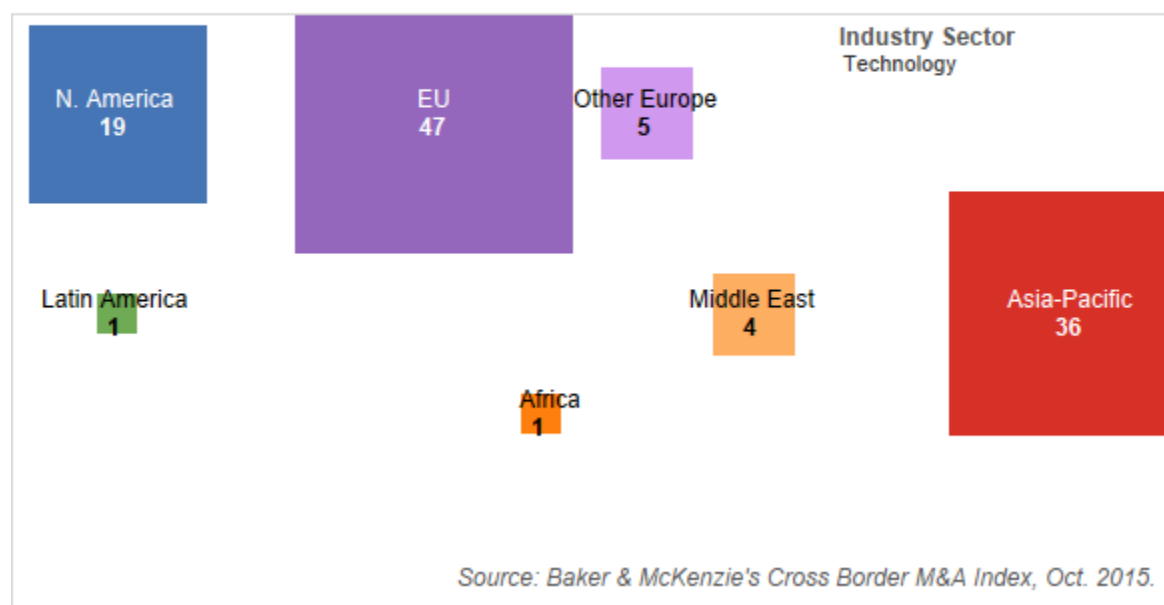
Law360, New York (October 23, 2015, 6:36 PM ET) -- The level of merger and acquisition activity involving foreign companies buying into the U.S. is approaching the record hit in 2007, despite soaring company valuations, as European and Asia-Pacific buyers hunt for more consumers, established brands or fresh technology, experts say.

Overall, cross-border merger and acquisition activity has jumped, increasing by 10 percent to \$375 billion even as deal volume dropped 16 percent to 1,230 during the third quarter of 2015, compared with the same period in 2014, according to Baker & McKenzie LLP's quarterly Cross-Border M&A Index.

And deals specifically targeting U.S.-based companies have grabbed the spotlight, as deal value climbed to \$344.5 billion by the end of the third quarter, leaving activity just shy of the \$380 billion worth of U.S. inbound deals from all of 2014, the busiest year by deal value on record since 2007.

Where The Crossborder M&A Action Is Coming From

Select an industry sector to see where the greatest number of crossborder M&A deals are originating.



Each region and industry has a slightly different story, but the increase in deals targeting U.S. companies speaks to a growing comfort with operating a company in the region, as well as the relative stability of the economic and political environment, explained Matthew Gemello, a Baker & McKenzie corporate partner.

“Foreign buyers are increasingly comfortable buying and owning assets in the U.S., particularly given the current — and favorable — economic and political environments in the U.S. Combine this increased comfort with the general uptick in cross-border deals, and we are seeing levels of inbound activity that are at or near the levels from the 2007 era,” Gemello said.

A greater access to financing, the volatility seen in emerging markets and the strategic benefits of tapping an established U.S. company or budding technology are also contributing to the surge in U.S. acquisitions, he noted.

During the first nine months of the year, U.S. companies have seen an increase in interest from Asia-Pacific bidders, which have already inked a total of 148 deals in the U.S. in 2015, the report found.

Through the end of the third quarter, Japanese bidders announced a total of 53 acquisitions of U.S. companies together worth \$29.5 billion so far this year, lifting that country to the third-most active U.S. acquirer, the report found.

Japanese buyers increasingly targeted U.S. property and casualty insurance companies, inking 10 deals during the first nine months of 2015 compared with two deals announced in 2014, the report found. An insurance deal — Meiji Yasuda Life Insurance Co.’s nearly \$5 billion deal for U.S.-based StanCorp Financial Group Inc. — currently stands as the year’s largest U.S. acquisition by a Japanese buyer, according to data tracked by Dealogic.

Japan wasn’t the only Asia-Pacific country to ramp up its U.S. acquisitions this year, however. China also climbed the charts, becoming the fourth-largest bidder for U.S. companies, a trend buoyed in part by **continued consolidation** in the semiconductor space, while India jumped two spots to become the 10th-most active U.S. acquirer with a focus on the life sciences sector, the report found.

The uptick comes as more countries outside the U.S. and the European Union are taking the lead on expanding their services globally and looking to gain access to U.S. consumers, brands and workforce, explained Cleary Gottlieb Steen & Hamilton LLP partner Benet O’Reilly.

“It used to be American companies and European companies taking the lead in taking their businesses and making them global,” O’Reilly said. “Now, there are a lot of companies in Brazil, China, India and other countries that want to play that leadership role and take what they developed in their jurisdictions and use their expertise and build it globally.”

The increase in deals from Asia-Pacific bidders was not enough to unseat the EU member states as the most active acquirers of U.S. companies. A total of 492 U.S. acquisitions were inked by EU bidders during the first three quarters of 2015, accounting for more than half of all U.S. inbound activity, the report found.

The EU also backed three of the five largest bids for U.S. targets this year, including Irish drugmaker Shire PLC’s \$33.77 billion unsolicited bid for Illinois-based biotech Baxalta Inc., France-based telecommunications giant Altice NV’s \$18.98 billion deal for Cablevision Systems Corp. and the

Netherlands' NXP Semiconductors NV's \$16.66 billion offer for Texas-headquartered Freescale Semiconductors Ltd.

Those deals landed as the second-, third- and fourth-largest U.S. inbound bids in the third quarter, as well as for the first nine months of the year, according to Dealogic.

Hefty valuations and a strengthening U.S. dollar have not been enough to keep foreign strategic suitors at bay, as the long-term benefits of a broader client base, diversification of assets and added human capital were likely enough to tip the scales, noted Mayer Brown LLP partner Kevin Sheridan.

"Telecom, insurance and pharma are three sectors where product and market growth/diversification strategies seem to be driving non-U.S. investors to U.S. targets despite very high valuations," he said.

That held true for the health care industry in particular, which saw Israel-based Teva Pharmaceutical Industries Ltd. fork over \$40.5 billion for Allergan PLC's generics business in July, marking the year's largest U.S.-targeted deal during the first nine months of 2015, according to Dealogic.

Teva's deal was just one of 82 offers — together worth \$93.8 billion — for U.S. health care companies, the report found. U.S. targets accounted for 59 percent of all health care deals inked during the first nine months of 2015.

While deals in the U.S. health care industry drew widespread attention, the technology industry was actually the most active for foreign bidders by deal volume, according to the report. During the first nine months of 2015, a total of 113 inbound deals were inked, including 47 by EU buyers and 36 by Asia-Pacific buyers.

And with competition continuing to heat up in the tech sector, cross-border deal-making is primed to soar even higher, Gemello noted.

"This is an incredibly dynamic industry, and to maintain a competitive advantage requires technology companies in particular to remain proactive in their business development strategies. The level of innovation in Silicon Valley is well known, creating a robust pool of talent and resources that is very attractive to overseas buyers," he said.

--Editing by Sarah Golin and Philip Shea.