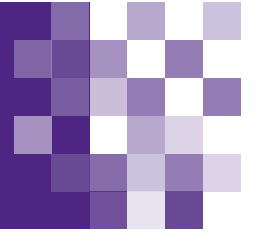


OFFSHORE-i

FIRST QUARTER 2014



**/EXPERT INSIGHT INTO
THE WORLD OF OFFSHORE
TRANSACTIONS/**

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INTRODUCTION



Cameron Adderley
Partner & Global Head of
Corporate & Commercial

Welcome to our first edition of Offshore-i for 2014, where we present our regular quarterly analysis of transactions data for the offshore markets. Here we review activity levels for the first quarter of 2014, which marks the start of the third year of publishing this report.

Offshore-i sets out to provide insights and useful data on the mergers and acquisitions taking place in the world's major offshore jurisdictions. These markets are key international financial centres and critical links in the global supply chain propping up trade and investments flows worldwide, and are the places where Appleby conducts its business on a day-to-day basis. Given the interdependence of offshore centres and much larger onshore economies, the analysis on the following pages can be said to represent a bellwether of activity that stretches far beyond the borders of the nine countries within its remit.



Frances Woo
Group Chairman &
Managing Partner
Hong Kong

On that basis, the most significant conclusion to be drawn from the M&A figures for the first quarter of 2014 is that we have definitely turned a corner away from a difficult five years following the global financial crisis in 2008/09. Whilst the number of deals done in Q1 2014 was down on the number done in the previous quarter as expected, the value of the transactions was up considerably. A historical look at our data shows the first quarter of the year is often the quietest in terms of both volume and value, and that Q1 volumes are always down on Q4. This break in the trend sets the stage for an active 2014 and a consistency in the positive uptrend we have seen for the last 12 months.

What's more, this first quarter represents the fifth consecutive three-month period in which offshore M&A deal values have increased, and is – barring one outlier – the highest value quarter since Q4, 2010. This quarter's average deal size for announced offshore transactions stands at USD110m, an average that has only been topped once since global recession set in, and that was in the anomalous quarter of Q4, 2012 when British Virgin Islands-listed oil exploration business TNK-BP was sold to Russian state-owned oil company Rosneft for USD56bn.

Today the offshore region, which ranks sixth on the list of world markets for Q1, 2014 by deal volume, sits comfortably in fourth position globally by the value of deals taking place on its shores. The value of transactions involving offshore targets was higher in the last quarter than in Eastern Europe (including Russia), and Oceania, which includes Australia, combined.

The year 2013 was characterised by a slow and steady increase in deal activity across our markets, as stability returned after 2012's Eurozone crisis and the uncertainty created by the US presidential elections and America's so-called "Fiscal Cliff". To see such a strong start to 2014 gives us confidence that M&A activity, buoyed by strengthening international capital markets, is now firmly back on our clients' agendas.

INTRODUCTION cont'd.

Whilst a sustained period of growth in M&A values can only be good news, not one of us has a crystal ball. There are potentially influential factors that we will be monitoring closely as the year progresses, among them the uncertainty around the escalation of tensions between Russia and the West over Ukraine. We know that the Asian markets in particular can be sensitive to this type of negative news happening elsewhere in the world.

Nevertheless, a year ago the markets were still focused on restructurings and insolvencies, and on the threat of a global triple-dip recession. Today, sentiment has quite noticeably shifted, with deal levels continuing to grow and IPO lawyers back in hot demand. In this quarter, deal values strengthened not only offshore but also in the global economy's heartlands of North America and Western Europe, on which we are all dependents. Offshore growth undoubtedly rests on the fortunes of these much larger markets, and so we follow those with interest.

We hope that you find our analysis on the following pages useful. Please don't hesitate to get in touch with your usual Appleby contact should you have any questions.

“This quarter represents the fifth consecutive three-month period in which offshore M&A deal values have increased, and is – barring one outlier – the highest value quarter since Q4 2010.”

EXECUTIVE SUMMARY

There are a number of key themes that emerge from the statistics outlined on these pages. In particular:

- There were **572 deals in the quarter**, which was down on the previous quarter but considerably busier than the first quarter of 2013, which saw 528 deals. The first quarter of the year is nearly always the quietest in terms of deal volumes.
- The value of deals was USD62.9bn, one of the highest quarters we have seen. This was up 14% on the previous quarter, which was the highest of last year, and marks **the fifth consecutive quarter for deal value growth**.
- The average transaction offshore in Q1 was worth USD110m, which compares to an average of USD76m since the start of 2010. **Only one quarter has topped this one for average deal size in the last seven years**.
- There were **15 deals worth in excess of USD1bn** this quarter, including five worth more than USD2bn, and these big deals spanned a wide range of sectors.
- **Financial services and insurance** continues to be the most active sector, while retail, construction and media and publishing also feature heavily.
- The largest type of deal by both volume and value was **minority stake transactions**, which make up almost half of deal value this quarter.
- There were 34 IPOs announced in the quarter, worth USD11.7bn. In the past decade, that cumulative value has only been topped on five occasions, and **this quarter's average IPO size of USD345m has only been beaten once in the last decade**.
- **Cayman attracted 164 deals with a cumulative worth of USD20.7bn**, thereby accounting for 29% of the deals done offshore in the quarter, and for exactly a third of the dollars spent.
- With USD52bn of offshore acquirer deals, this quarter has in fact been beaten only twice in the past four years for the amount of money being invested by businesses incorporated offshore. **Five of the 10 largest acquirer deals involved Bermuda-based businesses**.
- In this quarter, **the offshore region** trailed only North America, Western Europe and the Far East and Central Asia in terms of deal value. More money was spent offshore than was spent in Eastern Europe, which includes Russia, and Oceania, which includes Australia, combined.

Q1, 2014: SNAPSHOT

572	63 USD bn	Financial services & insurance	Minority Stake	Cayman Islands	Bermuda
Total number of deals	Total value of deals	No. 1 sector	Favoured type of deal	Top target	Top acquirer

LOOKING FOR OFFSHORE TRANSACTIONS ADVICE?

The Corporate & Commercial group at Appleby is among the largest and most widely recognised in the offshore world. Our multi-disciplinary teams advise a large number of FTSE 100 and Fortune 500 companies on all aspects of corporate and commercial law, focusing on mergers and acquisitions, corporate restructurings, joint ventures, capital markets and investment funds.

Our lawyers are part of a truly international practice operating from our offices in Bermuda, the British Virgin Islands, the Cayman Islands, Guernsey, Hong Kong, Isle of Man, Jersey, London, Mauritius, the Seychelles, Shanghai and Zurich. Our network enables us to service our clients all over the world, including the key developing regions and, in particular, the BRIC economies.

Appleby's cross-border Corporate & Commercial team works closely with our global Fiduciary & Administration group, which provides offshore company incorporation, management and administration services to our domestic and international clients in all locations.

ABOUT APPLEBY

Appleby is one of the world's largest providers of offshore legal, fiduciary and administration services. We have around 800 people, including 68 partners, operating from 12 offices around the globe. This includes the key offshore jurisdictions of Bermuda, the British Virgin Islands, the Cayman Islands, Guernsey, Isle of Man, Jersey, Mauritius and the Seychelles, as well as the international financial centres of London, Hong Kong, Shanghai and Zurich. Together, our teams service clients based all over the world.

We advise global public and private companies, financial institutions, and high net worth individuals, working with them and their advisers to achieve practical solutions, whether in a single location or across multiple jurisdictions.

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RESEARCH METHODOLOGY

This report details mergers and acquisitions activity in offshore jurisdictions in Q1, 2014 using data from the Zephyr database, published by BvD. The offshore region covers target companies in Bermuda, British Virgin Islands, Cayman Islands, Hong Kong, Guernsey, Jersey, Isle of Man, Mauritius and Seychelles.

The date range is 01/01/2014 – 31/03/2014 inclusive. Deal status is as announced within the time period covered. Where necessary, deal values have been converted to USD at a rate set by Zephyr. Not all deals have a publicly known value. Not all deals are reported immediately, so the figures are subject to change as new information becomes available.