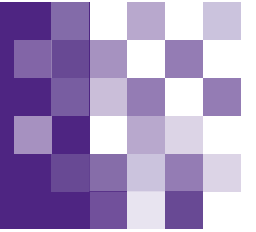


# OFFSHORE-i

FOURTH QUARTER 2012



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

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## INTRODUCTION



**Cameron Adderley**  
Partner & Global Head of  
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Welcome to our fourth edition of the Appleby Offshore-i, where we look at transactions data for the fourth quarter of 2012 and take the opportunity to review last year as a whole. We hope this edition once again provides insights and useful data on the mergers and acquisition activity going on in the world's major offshore jurisdictions, where Appleby conducts business on a daily basis.

The final three months of 2012 were relatively busy for our markets, with significant upticks in activity both in terms of deal volumes and value. The last quarter is typically the busiest of the year, so we remain cautious about suggesting that we have turned a corner out of the depressed levels of M&A seen since 2009. This said, the fourth quarter's 27% increase in the number of deals against the preceding three months was easily the biggest rise quarter-to-quarter in the last three years and can only be cause for optimism. Quarterly deal values also took a significant leap up by 202% to USD102bn, and though the bulk of this was attributable to the USD56bn sale of BVI-listed TNK-BP, even excluding this deal the quarter was the third strongest of the last three years.

While we remain positive about activity levels going forward, there is no escaping the fact that the numbers we are publishing here show 2012 was another challenging year for M&A in our markets. Despite the surge in activity for the last quarter, 2012 overall had 14% fewer deals than 2011, and 26% fewer than 2010.

2012 was peppered with uncertainty, most notably around the Eurozone crisis, the US presidential elections, and changes of leadership in China and elsewhere. Moving forward into 2013, the outlook is far from clear, and very real questions remain around the single European currency, America's challenges related to the so-called 'Fiscal Cliff' and China's continuing growth.

All of these factors continue to depress activity, and only a brave forecaster would predict market conditions improving to any significant degree in the year ahead. Nevertheless, we are optimistic that the M&A markets in which we operate will gradually strengthen, not least as a result of the relative health of strategic buyers, the emerging markets, and the energy sector.

Offshore companies remain active and are involved in transactions across a wide range of sectors and geographies. In particular, the Cayman Islands continue to attract the greatest volume of acquirers, while simultaneously generating considerably more valuable deals than the preceding quarter.

Cayman also continues to see increasing levels of investment by hedge funds and private equity funds in insurance/reinsurance vehicles. This activity, coupled with Cayman's historical close ties with the hedge funds industry, creates a strong pipe line for 2013.

Offshore jurisdictions generated two of the world's largest transactions in 2012; those of TNK-BP and Jersey-based Glencore's USD33bn purchase of Xstrata. The number of deals coming out of our region also grew faster than any other world region apart from the Nordic States in Q4, 2013. As a result, we see plenty of reasons to be cautiously hopeful going forward. As M&A activity gradually creeps northwards, the markets in which we operate will remain front and centre of whatever deal activity there is.

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.

**"The number of deals coming out of our region grew faster than any other world region apart from the Nordic States in Q4 2013."**

## EXECUTIVE SUMMARY

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

- Compared to the previous quarter, there was a **27% increase in the volume**, and a massive **202% increase in the value**, of deals done in the fourth quarter involving offshore targets, with 590 deals done that were cumulatively worth USD101.8bn. The last quarter of the year is often the busiest, but the increase we saw in volume alone was easily the biggest rise quarter-on-quarter that we've seen in the last three years.
- The full year 2012 was not a strong one for volumes of offshore M&A, however, with 14% fewer deals than 2011 and 26% fewer than 2010. Thanks in part to the massive TNK-BP sale, the **value of deals rose 42% in 2012** as against 2011.
- The **average deal size of USD173m is the largest figure** we have since in the last 12 quarters.
- The **financial services and insurance** sector continued to dominate **offshore M&A activity**, accounting for 30% of all the deals done. This sector was considerably busier in Q4 than the preceding quarter, with 14 more deals and spending up USD14.5bn.
- **Minority stake transactions remain the most popular deal type** by volume, though acquisitions overtook them in terms of value, accounting for 70% of all the money spent in our markets in Q4, or USD71.1bn.
- There were **28 IPOs and planned IPOs in the last quarter of 2012**, as against 43 in the same quarter of 2011. We are aware of 14 planned IPOs, however, and the money raised in IPOs increased from USD450m to USD992m between Q3 and Q4, which we hope signals a gradual return of investor appetite.
- **Cayman remains the most attractive destination** for investors looking offshore, while the TNK-BP deals meant the British Virgin Islands were the busiest market by value, accounting for 59% of dollars spent offshore in Q4. The value of deals was also up significantly in Hong Kong and in Guernsey.
- Where offshore companies are acquirers, we see numbers up both in terms of volume and value, suggesting buyers from our markets are in rude health. **The biggest number of deals involving offshore acquirers continues to come from the BVI**, with 139 in Q4 2012 compared to 164 in Q4 2011.
- **The offshore region ranks fifth globally by value of M&A deals**, and the region's cumulative deal value is on par with that of Eastern Europe, the Nordic States, Africa and the Middle East combined.
- **Offshore's average deal size for the quarter, at USD173m, is second only to South and Central America's**, and far outstrips those of North America, Western Europe and the Far East and Central Asia.

## Q4, 2012: SNAPSHOT

<b>590</b>	<b>101.8</b> US\$ bn	<b>Financial Services</b>	<b>%</b> Minority Stake	<b>Cayman Islands</b>
<b>Total number of deals</b>	<b>Total value of deals</b>	<b>No. 1 sector</b>	<b>Favoured type of deal</b>	<b>Top destination</b>

## 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 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, including Shanghai.

## ABOUT APPLEBY

Appleby is the world's largest provider of offshore legal, fiduciary and administration services. We have around 770 people, including 75 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 Q4 2012 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 01/10/2012 – 31/12/2012 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 are reported immediately, so the figures are subject to change as new information becomes available.