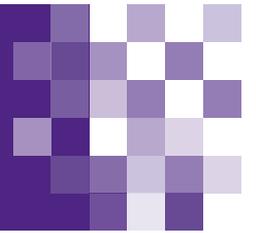


OFFSHORE-i

FOURTH QUARTER 2013



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

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INTRODUCTION



Cameron Adderley
Partner & Global Head of
Corporate & Commercial

Welcome to the eighth edition of Offshore-i, where we present our analysis of transactions data for the fourth quarter of 2013, and look back over our accumulated statistics to review the performance of our markets in the past year as a whole. This report sets out to provide insights and data on the mergers and acquisitions taking place in the world's major offshore jurisdictions where Appleby conducts its business on a day-to-day basis. As our publication turns two years old, we find these markets in better shape than they have been for some time.

The final three months of 2013 were busy for the offshore world, with considerable improvements over the previous quarter in terms of the number of deals, their cumulative value, and average deal size. The last quarter of the year is frequently the busiest, but every one of these indicators has improved over the course of the past 12 months, and as such we read a positive story into these year-end numbers.



Frances Woo
Group Chairman &
Managing Partner
Hong Kong

In Q4 2013 we saw 607 deals with a combined value of USD47.9bn, as against 572 in Q3 2013 with a cumulative worth of USD36bn. This 6% increase in volume and 32% change in value compared to the previous quarter is consistent with the story of a gradual upward trajectory that we have been witnessing in the M&A figures for the past three quarters. When we look back over the last three years, we find only three quarters that witnessed greater deal volumes, and only two in which more money was spent on offshore acquisitions. And this in a three-month period where no single large deal is distorting statistics, as we have seen on occasion in the past.

The year 2013 was characterised by a slow and steady increase in offshore deal work for our lawyers, and was broadly a period of stability in the wake of 2012's Eurozone crisis, US presidential elections, the challenges related to America's so-called 'Fiscal Cliff', and changes of leadership in China and elsewhere. While very real macroeconomic and geopolitical concerns continue to depress activity, we have seen M&A markets gradually strengthen.

Offshore companies have been busy and have been involved in transactions across a wide range of sectors and geographies. The return to form of the equity capital markets, and particularly the heating up of the IPO pipeline, has been a notable feature for 2013, as has the steadily growing frequency of deals in the USD1bn-plus range. The year ended with a cumulative 12-month deal value of USD151bn, an annual total topped only three times in the last decade.

INTRODUCTION cont'd.

Yet none of these numbers should give rise to undue bullishness. It is our belief that the offshore transactional climate, and indeed the global M&A environment, is improving, but it is a recovery that is fragile and to a certain extent lacks depth. In this edition of our report we have for the first time analysed the value range of transactions, and we find that while the number of USD1bn-plus deals (11) looks attractive in the fourth quarter of the year, that number is not matched in the USD500-1bn range, where there were just six deals. Of the 607 transactions that took place in 2013, some 453, or three in four, were valued sub-USD100m. The return of the mid-market deal engine is happening, but slowly.

One thing that is clear is that the offshore markets remain key international financial centres and critical links in the global supply chain propping up trade and investment flow worldwide. Indeed in a year when the world economy faced the very real prospect of entering a triple-dip recession, it is pleasing to see offshore activity continuing to grow in Q4, though concerning that deal value levels slackened in North America, Western Europe and Asia. Offshore growth undoubtedly depends on the fortunes of these much larger markets, but we think it is evident that the jurisdictions in which we operate will remain at the heart 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 return to form of the equity capital markets, and particularly the heating up of the IPO pipeline, has been a notable feature for 2013, as has the steadily growing frequency of deals in the USD1bn-plus range.”

EXECUTIVE SUMMARY

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

- There were **more deals in the fourth quarter** of 2013 than in any other quarter last year, with 607. Throughout the year deal volumes rose steadily quarter-on-quarter.
- The year ended with a cumulative **12-month deal value of USD151bn**, an annual total topped only three times in the last decade.
- The value of deals was USD47.9bn in Q4 2013, up 32% on the previous quarter. The **average deal size was USD79m**, and has only been higher in three quarterly periods over the last four years.
- There were **11 USD1bn-plus deals** in Q4 2013, almost double the number in the previous quarter, including two worth over USD2bn. Energy and natural resources deals feature heavily.
- **Financial services and insurance** continues to be the most active sector, while mining and quarrying was also busy, as were various manufacturing sectors.
- The largest type of deal by volume was a minority stake, but **acquisitions continue to grow in number** and were the biggest deal type by value, making up almost half of the deal value in Q4 2013.
- IPO activity remains encouragingly strong, with **62 IPOs pending or completed in Q4 2013 as against 28 in the same quarter of 2012**.
- **Bermuda as an offshore target had a breakout quarter** and more than doubled the value of deals done on its shores, almost equalling the USD15.6 bn deal value for Cayman.
- The **frequency of buying activity by offshore companies continues to grow** and the combined value of such deals was USD37.8bn in Q4 2013.
- Offshore ranks sixth amongst world regions for deal volume in Q4 2013; fifth for deal value; and **third for average deal size**. Only North America and South and Central America record larger average deal sizes.
- Looking at the volume of deals involving offshore targets, we find **29% of deals are completed by offshore buyers**, 47% by investors, and 25% by companies from the rest of the world.

Q4, 2013: SNAPSHOT

607	47 USD .9 bn	Financial services and insurance	Minority Stake	Cayman Islands
Total number of deals	Total value of deals	No 1 sector	Favoured type of deal	Top target

FY, 2013: SNAPSHOT

2,237	151 USD .3 bn	Financial services and insurance sector	Minority Stake deals	Offshore's World Region ranking
Total number of deals	Total value of deals	766 deals	59% of all deals	5th by value