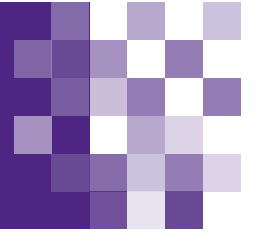


# OFFSHORE-i

FIRST 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 fifth edition of Offshore-i, which we produce on a quarterly basis to provide insights into the mergers and acquisitions activity going on in the major offshore jurisdictions around the globe, where we do the majority of our business.

In this report we analyse the transactions that took place in the first three months of 2013, and in many ways the analysis that you will read on the following pages makes for uneasy reading. The global economic downturn remains a real and present challenge in all of the world's major economies, and the offshore markets are no exception. What's more, speculation that a corner is being turned appears to be premature when considering the figures we have analysed for the first three months of 2013. This first quarter saw the lowest number of deals in the offshore region since Q1 2008, with just 448 transactions announced in the three-month period. The amount of money spent was down 73% on the last quarter of 2012 too, from USD104bn to USD28bn, with only one quarter – Q4 2011 – having seen a lower aggregate deal value since Q1 2009.



**Frances Woo**  
Group Chairman &  
Managing Partner  
Hong Kong

The fortunes of the offshore world are, of course, entirely entwined with those of the other major economic regions in which many of our clients operate, and despite positive economic signs emerging from the United States and a period of stability expected in China now that its political uncertainties have been addressed, global dealmakers remain apprehensive. We are cautiously optimistic that history will pick out 2013 as the year in which the international economy entered a gradual upward trajectory, but it did not begin in the first quarter. It is likely that the continuing uncertainty around the Eurozone, and particularly the Cypriot banking crisis in Q1, significantly dampened any dramatic uptick.

In all of our jurisdictions, despite conservatism still being the prevailing feature, we are seeing an increasing acceptance of a new reality when it comes to growth prospects, liquidity challenges and pricing levels. Experience tells us that Q2 is usually more robust than Q1 and we expect that to be the case again this year; indeed we hope to see volumes and values gradually strengthening in the months ahead.

Offshore companies remain active and are involved in transactions across sectors and geographies, and we find optimism in the relative health of strategic buyers, the US economy, the emerging markets and the energy sector. While the remaining nine months of 2013 look uncertain, the big questions that troubled investors in 2012 – namely the US presidential elections, changes of leadership in China and elsewhere, and the immediate threats posed by America's Fiscal Cliff, for example – are now behind us. As such we see confidence slowly, very slowly, returning during the course of the year ahead.

We hope that against this backdrop the figures in this report do not make our readers too downbeat, and that you find our analysis on the following pages useful. Certainly the evidence from our business is that pipelines are strengthening and activity levels are on the increase.

Please do not hesitate to get in touch with your usual Appleby contact should you have any questions.

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## EXECUTIVE SUMMARY

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

- There were 448 offshore deals completed with an aggregate value of USD28bn, representing a 28% drop in volumes and a disappointing 73% drop in values against the previous quarter.
- The average offshore deal size was USD62m for Q1 2013, which is lower than we have come to expect based on 2012 figures, but is consistent with the average deal size across 2010 and 2011, which stood at USD66m across those eight quarters.
- Unlike previous three-month periods, the start of 2013 saw just two deals announced offshore that were worth in excess of USD1bn (as against 10 such deals in Q4 2012).
- While financial services dominated in terms of deal volumes, accounting for 135 of the 448 deals done in the three-month period, the sector is not the frontrunner in terms of value. That is manufacturing which, with 70 deals, accounted for 16% of the deals done in the first quarter of 2013, and 26% of the USD27.9bn spent.
- The vast majority of deals that took place offshore in the first quarter were minority stake transactions, comprising 274 of the 448 deals completed, or 61% of the total. By value, minority stakes accounted for one of every two dollars spent offshore.
- The market for initial public offerings offshore remains steady. We saw eight IPOs announced in the quarter under review, as against 14 in the preceding three months.
- Cayman-incorporated targets were the most popular in our region in this quarter, accounting for 102 of the 448 transactions, or 23%. The volume of deals going into Cayman in Q1 2013 is almost the same as it was a year ago, but the value of those transactions has almost doubled, from USD6bn to USD11.9bn.
- There were 352 deals involving offshore acquirers in Q1 2013, as against 505 in the quarter before, and the aggregate value of those has dropped from USD73.6bn to USD25.2bn.
- Deal volume and value just about everywhere has shrunk in the first quarter of 2013 as against the last quarter of 2012, and the offshore region is no exception. Compared to a year ago, offshore deal volumes are down 10%, but this compares positively against a global average drop of 20%.

## 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 one of the world's largest providers 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 Q1 2013 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 01/01/2013 – 31/03/2013 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.