

OFFSHORE-i

Q1/2015



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

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INTRODUCTION



Cameron Adderley
Partner & Global Head of
Corporate

Welcome to this first edition of Appleby's Offshore-i report for 2015, in which we analyse the performance of the offshore deal markets in the first quarter of the year, and enter the fourth year of publishing this report. On the following pages we track the mergers, acquisitions and capital markets data for the world's major offshore centres, and consider the sectors and jurisdictions that continue to drive activity.

The first three months of the calendar year are invariably the quietest, and so we are not unduly concerned to see a drop-off in the volume of activity taking place in offshore markets in Q1 2015. This was a pattern repeated throughout all the world regions.

For the benefit of context, let us remember that 2014 was a stand out year for deal activity on many measures. It ended with an aggregate deal value for the year up 63% on 2013, with USD277bn spent on offshore deals as against USD172bn in the 12 months prior to that. What's more, the year was the highest on record for total deal value by some distance; the next highest figure was recorded in 2007 pre global financial crisis, when USD239bn was spent on offshore targets.

The cumulative deal value for the quarter remains bullish, and at USD68.3bn for the three-month period, it is the same as the preceding quarter, despite there being more than 150 fewer transactions. The result, clearly, is a bumper average deal size for Q1, standing at USD127m, which has been topped in only two quarters over in the past decade.

The message that emerges over the pages of this report is that the deals being structured via the offshore markets are getting significantly larger over time. In every major global region, the volume of transactions fell in Q1 2015, but only North America, Western Europe, Oceania and Offshore saw the value of deals stay the same or increase. In Q1, the offshore region ranks second globally in terms of average deal size, behind only North America, as transaction scales continue to grow. Offshore, there were 14 deals in Q1 each worth north of a billion dollars, including five deals worth over USD4bn, marking one of the best quarters for some time in terms of megadeals.

Globally, we see deal values increasing at a much higher rate than deal volumes, and we take this as evidence of shrewd acquirers becoming more selective of their targets. Buyers are increasingly willing to pay a premium for acquisitions that meet more exacting criteria, and at the same time, valuations are increasing as corporate profits return to health. As such, the deals that involve offshore structures are following a global trend, and getting larger.



Frances Woo
Group Chairman &
Managing Partner
Hong Kong

“The deals being structured via the offshore markets are getting significantly larger over time.”

INTRODUCTION cont'd.

Despite a blip in deal volumes, we therefore take cautious optimism from the numbers laid out here, safe in the knowledge that 2014 was clearly the best year for offshore deal activity on record, and that 2015 has got off to a similarly hot start. We are ever watchful of potential bumps in the road, be they the result of the still ongoing uncertainty in the Eurozone, tensions between the West and Russia, a UK General Election and slower growth in parts of Asia Pacific. At the start of this year, US President Barack Obama called the end of the financial crisis, but challenges remain for consumers in Europe and for fiscal authorities the world over. The mega deals may be making a comeback, but global transactional markets remain shallow and mixed and confidence has not yet got to the tipping point where volumes are increasing at a pace in line with values, and where mid-market M&A is bullish.

Offshore deal activity is robust, but ever-dependent on much larger constituents of the global M&A and capital markets. We nevertheless remain hopeful that 2015 will shape up to be another strong year.

We trust 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 wish to discuss any of the issues highlighted in further detail.

Appleby
May 2015

“2014 was clearly the best year for offshore deal activity on record, and 2015 has got off to a similarly hot start.”

EXECUTIVE SUMMARY

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

- There were **537 deals in the quarter**, the lowest quarter by deal volume since the start of 2008. The total is likely to edge higher with late reporting of deals.
- The **value of deals was USD68.3bn**, almost identical to the previous quarter and before that topped only a handful of times in the past 10 years. With value the same and more than 150 fewer deals than Q4 2014, average deal size is up to USD127m, one of the highest we have seen.
- This is **the fifth quarter in the last six to record more than 10 deals worth more than a billion-dollars**, after only four such quarters in the preceding decade. There were 14 billion-dollar deals in total in Q1 2015, including five deals worth in excess of USD4bn each.
- **The financial and insurance activities sector was once again on top**, thanks to three insurance-related deals featuring in the top 10 for the quarter. Deal value remains widely dispersed with 14 subsectors showing cumulative deal activity worth more than USD1bn.
- **Capital increases are the most popular deal type**, closely followed by acquisitions, which similarly represent about a third of total deal volume. Acquisitions dominate by deal value.
- As usual, **the Cayman Islands dominated deal volumes** as the top target, accounting for a quarter of all deals done offshore. Bermuda, the BVI and Hong Kong were largely level-pegging behind, while in value terms, Bermuda leads the way with a cumulative deal value of USD19bn, thanks to some large insurance deals.
- Q1 was one of the busiest quarters ever for outbound deals involving offshore acquirers, with **542 outbound deals worth USD84.7bn**, a sum that makes it the second biggest quarter yet recorded. Deal value jumped 32% from the previous quarter, which was part of a record-breaking 2014.
- The offshore region remains ranked sixth in the world by deal volume for Q1 2015, and stays in fourth for value activity. **By average deal size the region rose to second worldwide**, behind only North America, as a result of the run of megadeals using offshore jurisdictions.

Q1, 2015: SNAPSHOT

537	68.3 USD bn	Financial & Insurance Activities	Hong Kong	Capital Increase	Cayman Islands
Total number of deals	Total value of deals	No. 1 sector	Top acquirers	Favoured type of deal	Top target

LOOKING FOR OFFSHORE TRANSACTIONS ADVICE?

The Corporate 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 Shanghai. 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 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 59 partners, operating from 11 offices around the globe.

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 and capital markets activity in offshore jurisdictions in Q1 2015 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 1 January 2015 - 31 March 2015 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 publically known value. Not all deals are reported immediately, so the figures are subject to change as new information becomes available.