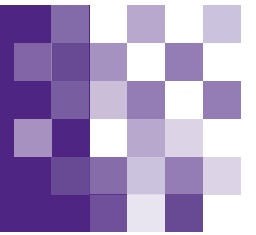


OFFSHORE-i

SECOND QUARTER 2013



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

**CONTENTS/
INTRODUCTION [1]
EXECUTIVE SUMMARY [2]**

INTRODUCTION



Cameron Adderley
Partner & Global Head of
Corporate & Commercial

Welcome to the sixth edition of Appleby's Offshore-i, which we produce on a quarterly basis to provide insights into the mergers and acquisitions activity going on in the major offshore markets, where we do the majority of our business.

In this report we analyse the transactions that took place in the second quarter of 2013 across all of the key offshore jurisdictions around the globe. Never before has it been as clear to us that the international financial centres in which we operate play a crucial role as links in the global supply chain, supporting trade and investment flows worldwide. When it comes to the value of deals completed in the second three months of the year, at USD31.6bn the offshore region ranks sixth globally. During Q2 2013, businesses incorporated within offshore borders were the subject of transactions worth more than those into Oceania and Africa combined.

The second quarter of 2013 presents a positive picture. The number of deals done, and the value of those deals, remained broadly flat as against Q1, giving room for hope that there may be some stabilisation of transactional activity levels after several years of volatility. In the offshore markets we see a figure of about 500 deals per quarter emerging as a norm for deal volumes, and with our data recording 493 deals in Q2, as against 491 in Q1, we feel comfortable asserting that business confidence is now stabilizing.

Further evidence to support this comes from two areas: first, at USD64m for Q2, 2013, average deal size is ahead of the average deal size for five of the last eight years. It is also higher offshore than it is in all but two other world regions, with only the United States (USD119m) and South and Central America (USD109m) recording more depth in their deal markets for the quarter.

Second, when we look at the contribution of the top 10 offshore deals to overall activity in Q2 2013, we see that they accounted for just a third of the cumulative deal value overall, as they did in Q1 2013. We believe that this indicates that genuine substance is returning to the mid-market and activity is returning across the spectrum of business sizes. Numbers for past quarters have been distorted by one-off mega deals.

Over the following pages we share a set of relatively upbeat observations of the fortunes of the offshore world, whilst at the same time recognising that our markets are entirely entwined with the ebbs and flows of the other major economic regions in which our clients operate. The signs from the United States are currently largely positive, but global dealmakers are not yet fearless. Continued concerns about the strength of the Eurozone and the robustness of certain Southern European economies show no signs of retreating, and are compounded by the macroeconomic debates in Germany ahead of its forthcoming leadership elections.

However, across Appleby, we see a healthy pipeline of transactions, and we expect continued dealflow through the summer and into the autumn. Our M&A lawyers are busy around the world, and we continue to believe that confidence is slowly returning to the boardrooms of the corporations that drive international capital flows.

We hope that the figures in this report give our readers cause to be upbeat, and that our analysis is useful. Please don't hesitate to get in touch with your usual Appleby contact should you have any questions.



Frances Woo
Group Chairman &
Managing Partner
Hong Kong

EXECUTIVE SUMMARY

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

- In the second quarter of 2013 there were 493 deals announced offshore, with a combined value of USD31.6bn. This puts the quarter slightly **ahead of Q1 2013**.
- In Q2 2013 **average deal size stood at USD64m**, and that figure is the same for the year to date. If this is maintained to year end, or improved, deal sizes in 2013 would be greater than they have been in at least five of the last eight years.
- In this quarter there were only three deals valued north of USD1bn. Instead, the majority of money was spent in the mid-market on transactions valued between USD200m-700m. We see this **strengthening of the mid-market** as a crucial step towards recovery.
- **Finance and insurance deals continued to power the offshore M&A** markets. In Q2 2013 there were 168 deals in that sector with a combined value of USD 10bn, up quite considerably on Q1 2013, when there were 147 deals in the sector worth USD6.5bn.
- The pursuit of **natural resources assets** by developing economies stands alongside the financial services industry in driving activity among offshore businesses.
- The most popular deal type was the **minority stake transaction**, of which there were 295 that contributed USD11.5bn to the cumulative deal value for the quarter.
- The three largest deals of Q2 2013, and the only three to exceed a USD1bn price tag, were **acquisitions**, demonstrating the gradual return of investors willing to put money to work in riskier whole-business deals.
- **Acquisition activity led by companies incorporated offshore rebounded in Q2 2013** after a weaker first quarter, and there were 426 deals with a cumulative value of USD34bn, up 11% in terms of volume and 29% by value.
- **Hong Kong acquirers spent the most money in Q2 2013**, with an aggregate deal value of USD13.7bn that represented 40% of total spending by offshore acquirers.
- In the second quarter we saw **more money spent where offshore companies were acquirers than where they were targets**, perhaps suggesting a relative strength among our markets.
- **By average deal size the offshore region ranks third globally**, behind only North America and South and Central America in Q2 2103.

SPOTLIGHT ON IPO ACTIVITY

- **Initial Public Offering (IPO) activity is looking increasingly bullish**, with both the volume and value of IPOs up considerably in Q2 2013. During the quarter we saw 17 deals with a cumulative value of USD2.4bn.
- Q2 2013 was **the best quarter since 2011 for IPOs and planned IPOs**, with 39 deals worth USD4.1bn.

Q2, 2013: SNAPSHOT

493

Total number of deals

32^{USD}_{bn}

Total value of deals

64^{USD}_m

Average deal size

Minority Stake

Favoured type of deal

Cayman Islands

Top destination

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 Q2 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 01/04/2013 – 30/06/2013 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.