

OFFSHORE-i

2016



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

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## INTRODUCTION



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Welcome to our review of the deal activity across our region in 2016 in which we measure the impact of a turbulent political year globally on mergers and acquisitions offshore.

Last year was always going to be a tricky one for dealmakers to navigate, given the UK's referendum on Brexit, the US presidential election and ongoing concerns about the health of the Chinese economy. What is clear however, is that many of the key drivers of a healthy deal-making environment remain, with companies looking to supplement limited organic growth through M&A; to improve margins by realising synergies; and to take advantage of the low cost of capital by making acquisitions. China's growth may have slowed, after many years as the rocket propelling international deal volumes forward, but the market continues to be highly active, and the offshore world remains a prominent beneficiary.

The outlook for 2017 remains fraught with uncertainty, as dealmakers continue to digest and analyse the impact of Donald Trump's arrival in the White House, and how Brexit will ultimately play out. Alongside those macroeconomic dynamics, concerns over regulatory and tax risks, and national security threats, also continue to loom large, while European and American antitrust regulators are likely to remain steadfast in their increased commitment to closely scrutinise transactions and to crack down on deals that might have significant tax implications or risk harming national security.

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.

### March 2017

#### 2016 IN NUMBERS

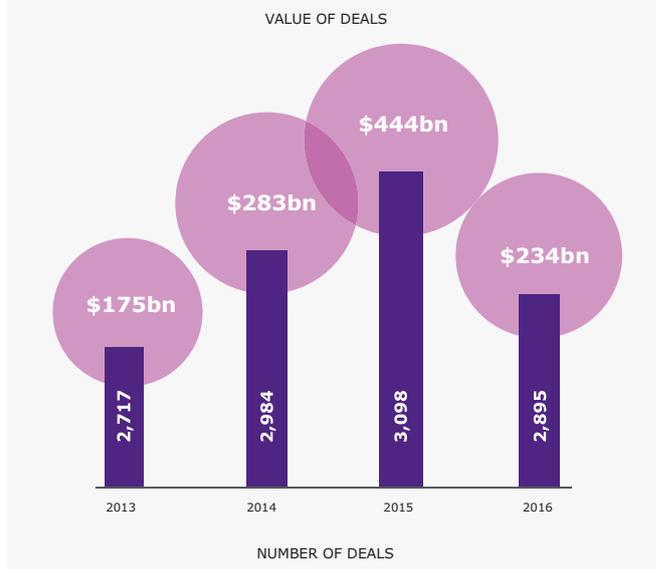
<b>USD 234 billion</b>	Total amount spent on Offshore deals, down on 2014 & 2015 but higher than previous years	
<b>2,895</b>	Total number of deals announced over the year, approximately 200 less than 2015	
<b>46</b>	The number of deals worth at least USD1 billion, double the total of five years ago	
<b>81</b>	The number of IPOs completed, the majority on the Hong Kong Stock Exchange	
<b>38</b>	The number of subsectors that had at least USD1 billion invested in them, a new record	
<b>USD 65 billion</b>	The amount spent on Finance & Insurance companies, the busiest sector	

## THE M&A ENVIRONMENT

It was already clear from the start of 2016 that offshore deal activity was going to struggle to keep up with the phenomenal levels of M&A volume and value that were generated in 2015. That 12-month period set records on both counts, recording over 3,000 deals worth USD444bn, and so 2016 had a lot to live up to. For the year as a whole, the cumulative value was USD234bn, but we consider the fall to be nothing more than a return to business as usual, in line with all the other major world regions, as transactions reset to the levels we had become used to before the 2015 outlier.

Deal-making has now slowed substantially amid considerable economic and political uncertainty in several key economies, with the most notable events being the Brexit decision in the United Kingdom, and the presidential election in the United States. However, given the predictions of some of the doomsayers about how horrendous the macroeconomic implications of both votes could have been, instead these latest M&A figures make for rather positive reading.

### DEALS BY VOLUME AND VALUE OVER TIME



### THE YEAR AHEAD

We now believe that four factors will determine whether M&A levels improve over the coming year:

#### The way in which the EU and UK officials make progress on establishing a new relationship during the course of 2017.



The Crown Dependencies of Jersey, Guernsey and the Isle of Man will likely have to negotiate their own terms with the EU. Depending on how discussions about customs, tariffs and trade barriers go, the three jurisdictions could be well placed to act as a trade intermediary and a valuable conduit for international capital flow.

#### Whether the new US administration adopts a less protectionist stance on international trade and immigration policy, while setting out plans for fiscal stimulus.



Chinese buyers in particular are subject to more stringent reviews on public interest and national security grounds and there has been talk about imposing punitive import duties and withholding taxes. However, if direct financial flows between the US and other economies are impaired, flows are more likely to be rerouted via offshore centres.

#### The way in which China continues to manage its economic slowdown.



As well as dealing with increased scrutiny of its deal-making activities in Europe and the US, the Chinese State Council intends to introduce restrictions on large outbound investments in order to curb outflows of capital that are putting downward pressure on the renminbi and draining foreign exchange reserves.

#### The progress that the Eurozone makes in continuing its economic recovery.



Investment in Europe from overseas continued unabated through 2016 and while UK M&A was curtailed by Brexit, Germany, Italy and Spain reported strong levels of activity.

## 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, 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.

## ABOUT APPLEBY

Appleby is one of the world's largest providers of offshore legal advice and services. We have approximately 470 people, including 60 partners, operating from 10 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 2016 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 for 2016 analysis is 1 January 2016 - 31 December 2016 inclusive. Deal status is as announced within the time period covered. Certain deals are subject to standard closing terms. 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 deal details are reported immediately, and the figures are subject to change as new information becomes available.