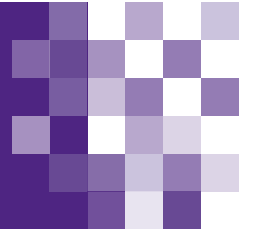


OFFSHORE-i

THIRD QUARTER 2014



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

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INTRODUCTION



Cameron Adderley
Partner & Global Head of
Corporate & Commercial

Welcome to the third edition of Offshore-i for 2014, where we present our quarterly analysis of the mergers and acquisitions data for the offshore region. On the following pages we review deal activity from July to September 2014.

Offshore-i has grown in breadth and depth since we began publishing in 2012 and now offers a plethora of data on the transactions taking place in the world's major offshore jurisdictions and their significance. These markets, where Appleby conducts its business on a day-to-day basis, are important cogs in the wheels of the worldwide flows of trade and investment.

This report focuses its attentions on nine principal offshore jurisdictions, but the interdependence of these markets and the much larger onshore economies that typically grab headlines is clear. Activity offshore represents a useful indicator of the health of the M&A markets worldwide, and a significant proportion of the globe's largest transactions pass through these shores.



Frances Woo
Group Chairman &
Managing Partner
Hong Kong

In this quarter, we see the end of what had been six consecutive quarters of growing cumulative deal values offshore – since the start of 2013 we had seen the amount of money spent on offshore M&A rise steadily to USD89bn in Q2 2014. That figure dropped off in the third quarter of 2014, falling to USD48bn, signalling a dip in what has been an exceptional year so far. Outside of this year, Q3 2014 holds up well, with a greater quarterly deal value seen just once each year since 2008, and the pipeline of transactions we see ahead gives us ongoing cause for optimism. Deal volumes are 8% down this quarter. Such a drop off is certainly not significant, and when looked at alongside healthy deal values, makes this a sturdy set of three-month figures.

Caution is, as always, never far from our minds. The high flying first half of the year may yet prove to be an anachronism. Faltering growth in China and other parts of Asia continues to fuel hesitancy. Austerity measures in place in so many of the developed nations are biting consumer confidence, and a pending general election in the United Kingdom will bring with it its own uncertainties in the months ahead. Nevertheless, 2014 looks set to be one of the best years for offshore M&A for some time, and perhaps for the past decade.

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 have any questions.

Appleby
November 2014

“Outside of this year, Q3 2014 holds up well, with a greater quarterly deal value seen just once each year since 2008...”

EXECUTIVE SUMMARY

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

- **There were 626 deals in the quarter**, down on the 677 recorded in Q2 2014 but likely to creep higher as late deal news is incorporated. This three-month period maintains the run of 600-plus deals per quarter that started in 2013.
- **The value of deals was USD48.1bn**, which represents a 46% drop on the previous quarter, but is up 25% on the third quarter of last year. With no megadeal to prop up the numbers, this is the lowest quarter of what has been an exceptional year so far.
- **Current trends put 2014 well ahead of the average deal size high-point of 2007**, with the average running at USD102m for the first nine months, compared to 2007's peak annual average transaction value of USD100m.
- **This is the fourth quarter in a row with nine or more billion-dollar deals**, after only four such quarters in the previous 10 years. There were nine deals worth in excess of USD1bn this quarter, including three worth more than USD2bn.
- **The financial and insurance sector was the busiest** in the third quarter, returning to the top after being overtaken by information and communications, and manufacturing, last quarter. The manufacture of food products, publishing, construction and information services are consistently high sub-sectors for activity.
- **The most popular type of deal was once again minority stake transactions**, which accounted for more than half of all offshore deals. In value terms, acquisitions dominated, while, after several quarters of major activity, IPO activity slowed right down in Q3.
- **The Cayman Islands saw 155 deals worth a total of USD13.7bn**, accounting for 25% of all offshore deals and 29% of all dollars spent on offshore targets. Cayman saw slightly fewer deals than it usually does, with the Crown Dependencies enjoying strong quarters for deal volume.
- **With USD61.9bn spent overseas by offshore companies** this quarter, it was another busy quarter for outbound deals, dominated by the USD17bn acquisition of a stake in Sinopec Marketing by Chinese investors. There were 10 deals by offshore acquirers worth in excess of USD1bn, with China the main target for offshore outbound deals.
- **The offshore region remains ranked sixth in the world by deal volume** for Q3 2014, but dropped two places to sixth for value activity. Average deal size also dropped two places to fourth worldwide, having got up to second last quarter.

Q3, 2014: SNAPSHOT

626	48 USD bn	Financial & Insurance Activities	Hong Kong	Minority Stake	Cayman Islands
Total number of deals	Total value of deals	No. 1 sector	Top acquirer	Favoured type of deal	Top target

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, Shanghai 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.

ABOUT APPLEBY

Appleby is one of the world's largest providers of offshore legal, fiduciary and administration services. We have around 800 people, including 68 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 Q3 2014 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 01/07/2014 – 30/09/2014 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 publicly known value. Not all deals are reported immediately, so the figures are subject to change as new information becomes available.