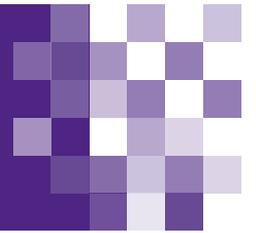


OFFSHORE-i

THIRD 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 this seventh edition of Offshore-i, our quarterly report and insight into mergers and acquisitions activity going on in the major offshore markets.

In this report we analyse the transactions that took place in the third quarter of 2013 across all of the key offshore jurisdictions around the globe. Our findings indicate a marked stabilisation of transaction levels within offshore borders with the number of deals done, and the value of those deals, broadly consistent with the first two quarters of 2013.

The offshore transactional markets, which as key international financial centres represent critical links in the global supply chain of trade and investment flows worldwide, are finally exhibiting signs of robustness after several years of volatility. That is a development we have been looking out for since we began our Offshore-i series, and we view it as a critical requirement of a sustainable macroeconomic recovery.



Frances Woo

Group Chairman &
Managing Partner
Hong Kong

During the third quarter of 2013 the value of deals completed in the offshore markets totalled USD34.5bn, which is broadly flat against the second quarter of the year, when the total was USD35.6bn. Given that our figures are a snapshot and further Q3 deals will be recorded in the coming weeks, it is likely that the third quarter will end slightly up on Q2 this year.

In terms of volume, there were 538 deals in Q3 2013 as against 523 in Q2 2013 and 504 in Q1 of the year. The trends we identified in our last report around consistent quarterly volumes of about 500 deals, and quarterly values in the region of USD30-35bn, are proving sustainable. At these levels, businesses incorporated within offshore markets continue to be the target of transactions worth more than those of businesses incorporated in Africa, the Middle East, Oceania and South and Central America. Our market is one of only two global regions that saw deal volumes increase in the past quarter.

Other trends that we have identified in past reports are also reaffirmed by this quarter's figures, most notably the strong story that is emerging from average deal sizes. Over nine months in 2013 the average deal value is USD65m which, if it persists for the remainder of the year, will be ahead of the average deal size for seven of the last ten years. Looking at just the third quarter our average deal size (USD64m) means transactions in our markets were larger than those done in Western Europe and all other world regions except the Americas.

Finally, the 10 largest offshore deals now consistently represent a steady third of the cumulative deal value overall, in contrast to the choppy markets of 2012 when in one quarter the top 10 transactions represented 73% of all activity; a clear sign of figures being distorted by just a few so-called 'mega deals'. Today, offshore M&A markets are strengthening and deepening, with transaction levels in the mid-market gathering force after several years typified by many small deals and a limited number of multi-billion dollar transactions achievable only because of atypical circumstances.

INTRODUCTION cont'd.

Over the following pages we share our current observations on the fortunes of the offshore world, and whilst we are moderately upbeat about the prospects for our region, we do not shy away from recognising that we are entirely interconnected to the global economy. The other major economic regions in which our clients operate are critical to the offshore revival, and whilst the signs from the United States economy have been broadly positive throughout 2013, the budgetary impasse that caused the shutdown of the federal government in October may yet impact confidence and deal flow around the world.

Likewise, the international political climate remains unpredictable, as tensions surface over the handling of the Syrian conflict, for example, and stock markets and currencies, particularly in Asia, remain under pressure amid fears that the Federal Reserve might taper its quantitative easing programme. The Eurozone, though strengthening, still faces major sovereign debt challenges, particularly in the Southern European states.

However, across the Appleby Group we are witnessing a healthy pipeline of transactions for the rest of 2013 and into 2014. We hope that the statistics outlined in this report, and our accompanying commentary, proves useful in giving our readers cause to share our cautious optimism. Please do not hesitate to get in touch with your usual Appleby contact should you have any questions.

“Today, offshore M&A markets are strengthening and deepening, with transaction levels in the mid-market gathering force after several years typified by many small deals and a limited number of multi-billion dollar transactions.”

EXECUTIVE SUMMARY

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

- In the third quarter of 2013 there were 538 deals announced offshore, with a combined value of USD34.5bn. This puts the quarterly activity levels slightly **ahead of Q2 2013**.
- In Q3 2013 **average deal size stood at USD64m**, and that figure is almost the same for the year to date, which is USD65m. If this is maintained to year end, or improved, deal sizes in 2013 will be greater than they have been in at least seven of the last ten years.
- There are six deals worth over USD1bn this quarter. The **top 10 deals make up just over a third of the total value** of the quarter, a consistent ratio for 2013 that we see as a positive sign of depth returning to the markets.
- **Deals are taking place across the value chain** and with some consistency of spread: with USD8bn-worth of USD1bn-plus deals, and then USD6bn-worth of each of four other categories: sub-USD100m, USD100-250m, USD250-500m and USD500-1bn.
- **Financial services and insurance** continues to be the most active sector, with manufacturing also particularly busy this quarter.
- Minority stake deals continue to be the most prominent, and **IPOs and buyouts are making a comeback**.
- Q3 2013 was **a strong quarter for the Cayman Islands**, followed by Bermuda, Hong Kong and the BVI. Guernsey and the Isle of Man also performed well against a year ago.
- **Acquisition activity led by companies incorporated offshore increased in volume** but dropped in value, and there were 512 deals with a cumulative value of USD26.8bn, up 14% in terms of volume and down 21% by value.
- **Hong Kong acquirers again spent the most money in Q3**, with an aggregate deal value of USD8.4bn that represented 31% of total spending by offshore acquirers.
- **By average deal size the offshore region ranks third globally**, behind only North America and South and Central America in Q3.

Q3, 2013: SNAPSHOT

538

Total number of deals

34

 USD .5 bn

Total value of deals

Financial services and insurance

No 1 sector

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 Q3 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 01/07/2013 – 30/09/2013 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.