

OFFSHORE-i

Q2/2015



EXPERT INSIGHT INTO THE WORLD OF OFFSHORE TRANSACTIONS

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INTRODUCTION



Cameron Adderley
Partner & Global Head of
Corporate

Welcome to the second edition of Appleby's Offshore-i report for 2015, in which we review the performance of the offshore deal markets in the second quarter of the year, and the impact that this has on overall activity in the first half. On the following pages we track the mergers, acquisitions and capital markets activity within the world's major offshore centres where Appleby conducts its business on a daily basis, and we consider the sectors and jurisdictions that are driving deal volumes and values.

The good news in this quarterly edition of our report is that it now appears, with the benefit of hindsight, that the drop-off in transactional activity that we witnessed offshore in the first three months of this year was nothing more than a blip. Our second quarter data shows the total number of deals once again comfortably breaching the 700 level, as they now have done for six of the last seven quarters.



Frances Woo
Group Chairman &
Managing Partner
Hong Kong

The first three months of any year are often the quietest, but we are nevertheless pleased to find that the slowdown seen at the start of this year does not look to be sustained. After all, Q1 2015 saw just 586 deals, marking the lowest quarterly deal volume in over two years, and yet Q2 2015 shows an increase in volume of 25% over the preceding quarter, recording 732 deals. That number makes this one of the busiest quarters for volume of deals in the last decade.

Meanwhile, the cumulative value of deals involving targets in the nine offshore jurisdictions being tracked continues to impress. In this quarter the total dollars spent on offshore targets tops USD90bn for only the fourth time in a decade, coming in at USD94bn against the eye-watering USD130bn recorded in Q1. The Q2 figure pushes average deal size to USD129m for this quarter, almost double the USD69m average we measured in the first edition of our Offshore-i report, published in 2012.

The abiding picture that emerges from our figures in this report, therefore, is of an offshore transactions market that continues to go from strength to strength. However, our markets are not immune to the vagaries of uncertainty that continue to plague the global macroeconomic landscape, where ongoing challenges such as those concerning disagreement between the West and Russia over Ukraine, the future of the European single currency and the devaluation of the RMB remain sources of concern.

The offshore jurisdictions are critical cogs in the wheels of worldwide flows of trade and investment, but are wholly dependent on the health of those much larger markets. And yet still the deals being structured via these markets continue to get significantly larger and more complex over time; and strength in depth continues to take hold in their transactional environments. Although no mega deals – defined as those valued in excess of USD5bn – were announced in Q2 2015, we see much deeper activity levels across the value ranges in the second quarter.

“In this quarter the total dollars spent on offshore targets tops USD90bn for only the fourth time in a decade.”

INTRODUCTION cont'd.

Globally, deal values are increasing at a much faster rate than volumes, as shrewd acquirers learn the lessons of the past and become more selective of their targets, and at the same time are more willing to invest large sums in the right deals. Buyers are willing to pay a premium for acquisitions that help them to achieve long term strategic ambitions, and in Q2 2015 offshore proved to be the fourth most popular world region as a destination for those acquirers. With its 25% increase in deal volume, offshore saw greater growth in deal activity from Q1 to Q2 than any other world region.

The year 2015 has got off to a flying start offshore, and with USD225bn in cumulative deal value recorded so far, already greatly exceeding any other six month period. We now hope to see the rest of the year following a similarly bullish direction.

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
September 2015

“2015 has got off to a flying start offshore, with USD225bn in cumulative deal value recorded so far, already greatly exceeding any other six month period.”

EXECUTIVE SUMMARY

Several interesting themes emerge from the offshore deal statistics that we outline on the following pages. In particular:

- There were **732 deals in the quarter, up 25%** on the 586 recorded in the first quarter of the year and meaning that six of the last seven quarters have now recorded more than 700 deals each.
- The **value of deals was USD94.4bn**, down on the massive total of USD130.6bn seen in the previous quarter but the third highest quarterly recorded in the last decade. The first half total of USD225bn far outstrips the previous record for a first half, which was USD159bn.
- **There were no fewer than 21 deals worth over a billion dollars each in Q2 2015**, six more than the previous record of 15 billion-dollar deals in a three-month period. This is the sixth quarter in the last seven to record more than 10 billion-dollar deals, after only four such quarters in the preceding decade.
- The **financial and insurance activities sector was once again on top**, thanks to insurance and reinsurance deals continuing to feature heavily offshore. Deal value remains widely dispersed with 20 subsectors showing cumulative deal activity worth more than USD1bn each, up on the 15 subsectors at that level in Q1.
- **Capital increases are the most popular deal type** once again, followed by minority stakes and acquisitions.
- As usual, **the Cayman Islands dominated deal volumes** as the top target, accounting for more than a third of all deals done offshore. Bermuda, the BVI and Hong Kong were largely level-pegging behind, and the same was true in value terms. The value of deals done in Cayman in Q2 stood at USD38bn, double that recorded in Q1.
- **Q2 2015 was another busy quarter for outbound deals** involving offshore acquirers, with 652 outbound deals worth USD79bn, as the offshore world continues to spend big. The average deal by an offshore acquirer was worth USD122m in Q2, the third highest average deal size recorded in any quarter since 2004.
- **Measured by average deal size, the offshore region is still second worldwide**, behind only North America. More money was spent on offshore targets than was spent on deals in Eastern Europe, Africa, the Middle East and South and Central America combined.
- **The offshore region remains ranked sixth in the world** by deal volume for Q2 2015, and stays in fourth for value activity.

Q2, 2015: SNAPSHOT

732	94.4 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, 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 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 Q2 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 April 2015-30 June 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 deal details are reported immediately, and the figures are subject to change as new information becomes available.