WILLIAM FRY

M&A REVIEW 2014

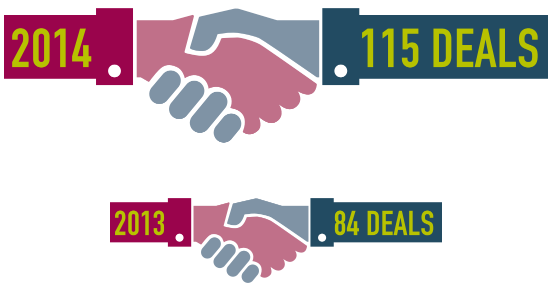
CONTENTS

2014 heralded a return to volumes and values not seen since before the financial crisis.

KEY TRENDS IN IRISH M&A

M&A DEAL VOLUME

M&A volume up **37%** in 2014 to **115** deals, compared to **84** in 2013

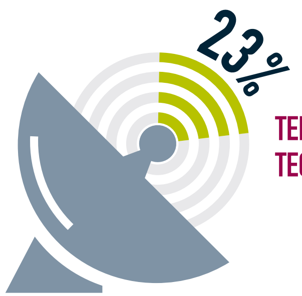


M&A DEAL VALUE

2014's M&A deal value of **€42.9bn** is the **highest** since 2000, up **139%** year-on-year from 2013

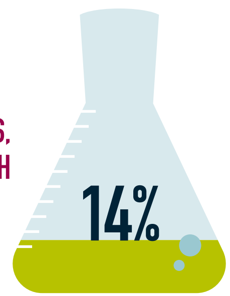
KEY SECTORS BY DEAL VOLUME

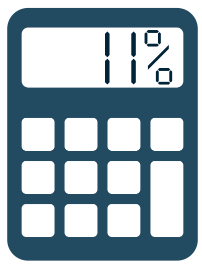
A number of key sectors saw **strong activity by volume,** including:



TELECOMS, MEDIA AND TECHNOLOGY

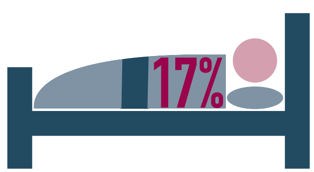
PHARMACEUTICALS, MEDICAL AND BIOTECH





FINANCIAL SERVICES

LEISURE



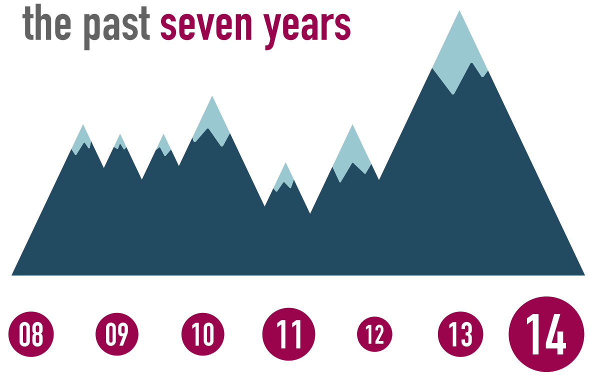
DEALS

INBOUND M&A AT THE **HIGHEST** ON RECORD

OUTBOUND DEALS AT THE **HIGHEST** ON RECORD

PRIVATE EQUITY

Private equity activity climbed to its **highest point** in terms of both volume and value in the past **seven years**



FOREWORD

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Welcome to the fourth edition of the annual William Fry M&A Review, published in association with Mergermarket. This report examines the developments and drivers of Irish M&A throughout 2014 and looks ahead to potential trends in the marketplace for 2015.

In previous editions of the M&A Review, we have noted a steady recovery in M&A activity in Ireland since 2009. Significantly, 2014 was marked by a return to volumes and values not seen since before the financial crisis. M&A activity involving Irish targets rose 37% by volume year-on-year (YoY) to 115 deals. In addition, 2014's deal value of €42.9bn was the highest on Mergermarket record (beginning in 2000).[1]

The significant boost in aggregate deal value was unquestionably driven by Medtronic's €33.9bn purchase of Covidien in late 2014. However, the sizeable increase in transaction volume, including stronger mid-market activity, marks an encouraging return to pre-crisis levels. This contrasts with our findings in previous editions of the M&A Review: transaction volume struggled to regain ground but value was sustained by a small number of very large transactions. In 2014, Irish M&A activity was strong across all deal size categories and notably the number of transactions with announced values under €100m jumped 81% YoY to 58 in 2014.

These positive developments in Ireland mirror the broader trend of M&A recovery seen across Europe - with the spectre of the sovereign debt crisis receding and interest rates at record lows throughout 2014, many countries in Europe saw a bounce in M&A figures.

Macroeconomic factors have undoubtedly contributed to the overall growth in M&A activity: the European Commission (EC) announced that Ireland was the fastest-growing economy in the EU in 2014, at 4.8% YoY GDP growth. This figure can be compared with a figure of just 1.3% for the EU as a whole over the same period.

[1] In this report, Irish M&A figures refer to announced transactions with Irish targets.

Financing conditions have also showed signs of moderate improvement during the past 12 months. While bank lending has largely remained sluggish since the sovereign debt crisis, other trends in financing, such as the rise in alternative finance providers, contributed to the strong M&A activity in 2014. With the European Central Bank (ECB) early 2015 announcement of a programme of quantitative easing, bond markets and leveraged buyouts will likely see increased activity in the coming months.

In Ireland, the recovery in M&A demonstrates not just a return to the pre-crisis status quo, but also dynamic and indigenous growth. Interestingly, total European M&A volume grew just 9% in 2014, compared to Ireland's 37% over the same period.

Ireland's M&A resurgence was due in part to the resilience of its sectoral strongholds. The financial services, telecoms, media and technology (TMT) and pharma, medical and biotech (PMB) sectors were consistent performers. Each of these sectors saw deal volume rise or remain steady in 2014.

In contrast to last year's report, when we noted that overseas acquirers were mainly using Ireland as a springboard for international expansion, 2014 was marked by a more encouraging domestic economic environment which has persuaded more Irish corporates to embark on cross-border transactions. There were many small to mid-sized strategic plays, with Irish companies looking to expand into both developed and emerging markets.

Increased private equity activity also spurred Irish M&A. Both buyouts and exits experienced surges in deal volume in 2014. The revival in buyouts was especially noticeable in the small to mid-sized deal category, with the number of buyouts under €100m increasing from eight in 2013 to 13 in 2014. This indicates that private equity funds are increasingly delivering funding for small to medium-sized enterprises (SMEs) and providing them with a crucial means of growth.

In 2014, private equity deal value increased tenfold YoY on the back of several large-cap deals. These included Charterhouse Capital Partners' €1.7bn buyout of online learning company SkillSoft and BC Partners' €450m purchase of a stake in car rental service CarTrawler. A number of Irish focused private equity funds have also been established and are active in the market, including Carlyle Cardinal Ireland, MML and AMP.

For all market participants, the Irish M&A landscape in 2014 was characterised by sustained growth in what appears to be a healthier marketplace.

Shane O'Donnell
Head of Corporate & M&A

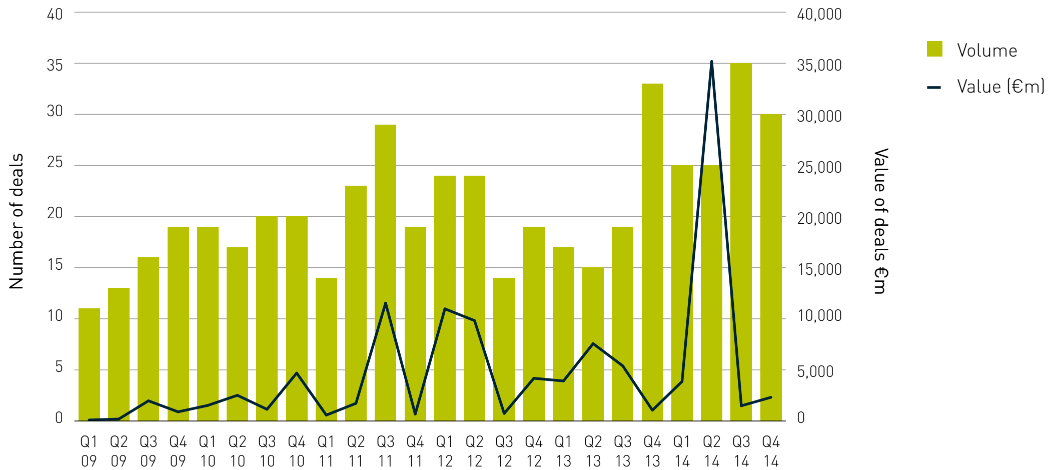
OVERVIEW

Overall, 2014 was a solid year for Irish dealmaking. The broader economic climate improved, helping to encourage businesses at home and abroad to consider Irish acquisitions. This has been influenced by a number of factors. Ireland became the first eurozone country to exit its bailout programme at the end of 2013. Also, the EC reported that the country's GDP had grown 4.8% YoY, the strongest growth rate in the EU. These positive developments have instilled confidence in international investors regarding the strength and resilience of the Irish marketplace.

Although bank lending continued to be somewhat restricted in 2014, debt markets proved to be a crucial source of financing for creditworthy businesses. The bond market is increasingly robust, with Ireland's first bond issue after the bailout exit achieving record low yields. In Europe overall, corporate bond issuances increased throughout 2014. In light of the ECB's January 2015 announcement of quantitative easing, the current low interest rate environment is set to continue, reducing financing costs further.

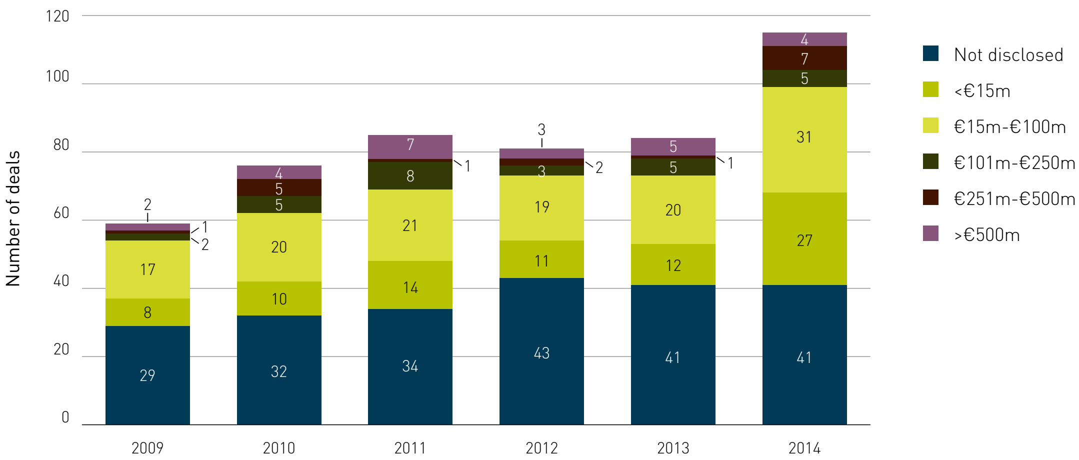
For SMEs who do not consider bond markets viable financing options, alternative finance providers, such as Bluebay Asset Management, have emerged, going some way towards addressing the funding gap left by more restrictive lending practices.

M&A QUARTERLY TRENDS



A sizeable share of 2014's deal value – €33.9bn – was generated by a single deal, medical technology firm Medtronic's announced acquisition of healthcare products company Covidien. Although the US Treasury Department and Internal Revenue Services have taken steps that will likely impact on the volume of transatlantic inversion transactions in 2015, Medtronic elected to continue to pursue Covidien, citing other strategic and financial rationale. José E. Almeida, Chairman, President and Chief Executive Officer of Covidien, stated at the time of the deal: "Covidien and Medtronic, when combined, will provide a compelling portfolio of offerings that will help improve care and surgical performance. This transaction provides our shareholders with immediate value and the opportunity to participate in the significant upside potential of the combined organisation."

M&A SPLIT BY DEAL SIZE



MID-MARKET BOUNCE BACK

The Covidien deal certainly had a distorting influence on the value figures in 2014: excluding this transaction, the remaining aggregate deal value of €9bn would be the lowest since 2009, with figures in the intervening years ranging from €9.9bn in 2010 to €25.7bn in 2012 (though previous years' values were also in certain cases inflated by one or two significant deals).

However, a significant increase in the volume of deals drove Irish M&A activity in 2014, particularly in the category of small to mid-sized transactions.

As noted in the third edition of the M&A Annual Review, 2013 was characterised by a flurry of megadeals and a high proportion of deals valued over €500m. In 2014, the deals valued over €500m remained constant, falling from just five deals to four. But there were fewer megadeals announced in 2014 – only Medtronic's purchase of Covidien was greater than €2bn compared with three deals of this size in 2013.

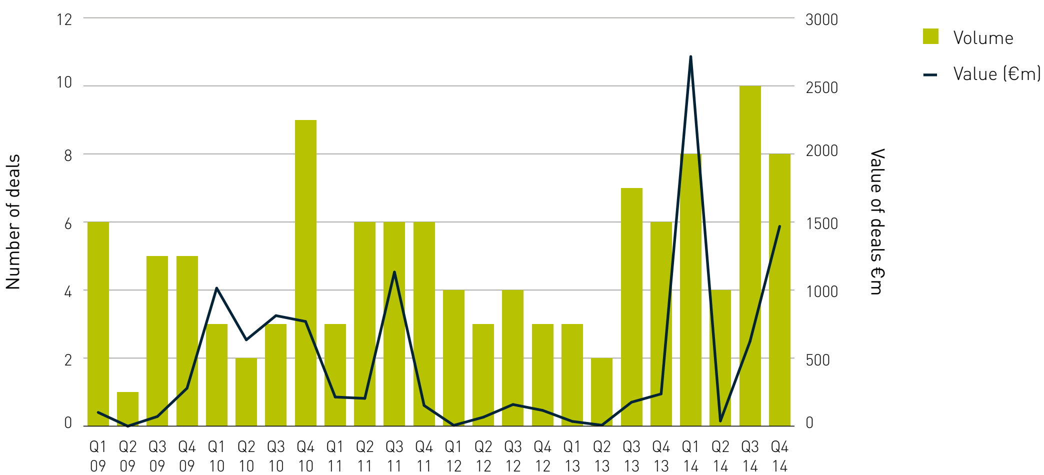
By contrast, 2014 saw a larger number of small to mid-cap deals: the number of deals under €100m increased 81% YoY in 2014 to 58 deals. There were also 16 deals valued between €100m and €500m, compared to 11 in 2013. This would seem to indicate that smaller and mid-sized businesses – the overwhelming majority of businesses in Ireland – are embarking on M&A for growth. Rather than individual deals boosting value figures, 2014's strong volume figures indicate that Irish M&A activity is being used in Ireland as a means of generating growth which points to a more vibrant and broad-based M&A landscape. This is a resoundingly positive sign for Ireland's business community and a significant vote of confidence which bodes well for a strong 2015.

PRIVATE EQUITY LESSONS

Robust private equity activity has also been a significant component of Ireland's M&A resurgence.

In 2014 buyouts numbered 22, compared with 15 in 2013. Meanwhile, buyout value increased sevenfold, from €401m in 2013 to €2.8bn in 2014. Significantly, private equity represents a new avenue of funding

PRIVATE EQUITY DEALS



for businesses, especially mid-market participants. In an example, Ireland-based Lioncourt Investments acquired a 30% stake in Beechfield Nursing Homes in order to help the retirement home operator expand further in Dublin and the surrounding areas.

Although exits remain a small part of Ireland's M&A narrative, they were at their strongest level in 2014 since 2008. While 2013 saw only four exits valued at €54m, there were 11 exits in 2014 totalling €4.2bn. In the years immediately following the financial crisis, exit activity declined markedly throughout Europe, as private equity firms struggled to find buyers who would pay adequate premiums to repay investments. Volatility in equity markets also caused nervousness around initial public offerings as exit options. With these sentiments receding in 2014, Ireland experienced an increase in the number of corporate exits and secondary buyouts.

Several of the year's biggest exits involved private equity firms capitalising on investments made immediately after the financial crisis, further demonstrating a market recovery which is allowing private equity firms to generate solid returns on investments. For instance, in 2010, the Jordan Company and Nautic Partners made an initial investment of €380m in Milestone Aviation, a helicopter lessor. In October, these two firms announced plans to sell the company to GE Capital Partners for €1.4bn. The trends seen in both exits and buyouts during 2014 should encourage further private equity investment, with Irish assets increasingly showing themselves capable of generating solid returns for investors.

SECTOR APPEAL

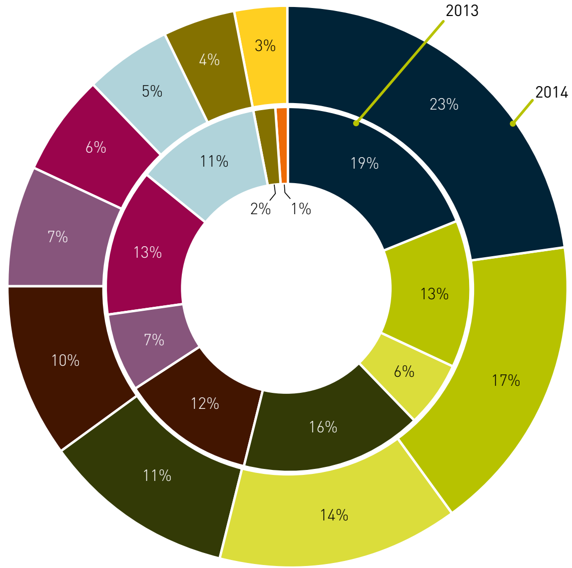
A number of Irish sectors experienced growth in 2014. TMT continued to be the biggest Irish M&A sector by volume in 2014, accounting for 23% of deals. TMT also increased in real terms, with 25 deals in 2014, compared to 16 in 2013. Computer software was the busiest sub-sector, with 16 deals valued at €302m. These transactions involved private equity and venture capital investors, along with trade buyers making strategic bolt-on purchases. In an example of the former trend, after a number of years of ownership under venture capital firms including Intel Capital, cloud-based mobile application developer FeedHenry was sold to Red Hat, a US-based software developer, for €64m, a deal underpinned by Red Hat's strategy to expand its mobile product offering.

In the financial services sector, M&A had a robust year, with volume remaining level at 13 deals, and value rising 59% YoY to €3bn. The sector's large-cap deals in 2014 were concentrated in the insurance, reinsurance and aircraft leasing sub-sectors.

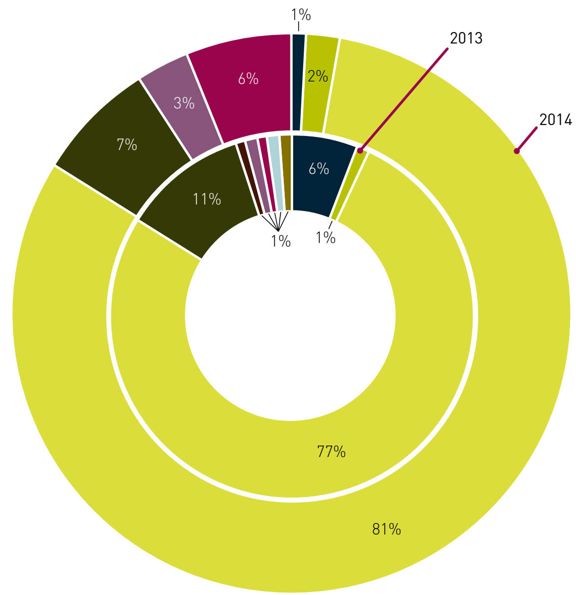
In terms of sector deal value, Medtronic's purchase of Covidien ensured that the PMB sector dominated the marketplace, comprising 81% of total deal value in 2014. PMB also experienced growth in volume, with the number of deals increasing from five in 2013 to 16 in 2014. Excluding the Covidien deal, all those with announced values were under €500m, pointing to vibrant mid-market activity. In a €118m deal, US-based medical technology firm Becton, Dickinson and Company announced plans in October 2014 to acquire Limerick's GenCell Biosystems, which develops technologies used in biological analysis, a deal driven by the acquirer's desire to grow its genomics portfolio.

The leisure sector was one of Ireland's busiest by volume in 2014, with the majority of transactions involving hotel targets. As a pro-cyclical industry, leisure saw a slump in investments during the economic downturn, largely due to declines in consumer spending. But the leisure sector witnessed a revival in 2014, with a steady stream of dealmaking. For instance, in the year's biggest leisure deal, Dalata announced in December 2014 its intention to purchase the majority of the Moran Hotel Group for €455m.

SECTOR SPLIT BY VOLUME



SECTOR SPLITS BY VALUE



Key for above two charts:

- TMT
- Leisure
- Pharma, Medical & Biotech
- Financial Services
- Consumer
- Energy, Mining & Utilities
- Business Services
- Industrials & Chemicals
- Transportation
- Construction
- Agriculture

EYES ON IRELAND

Inbound M&A remains a critical part of Ireland's M&A narrative, with nine out of the 10 biggest transactions in 2014 involving foreign bidders.

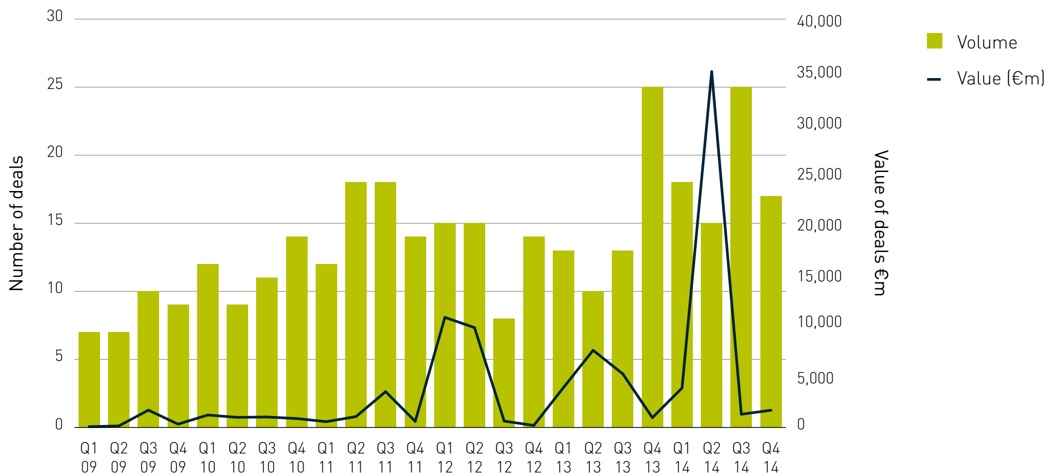
In comparison with 2013, inbound deal volume in 2014 increased 23% YoY to 75 deals, while transaction value more than doubled to €41.7bn over the same period.

The overwhelming majority of buyers in 2014 were either based in the US (52%) or Western Europe (35%). These deals were largely aimed at helping companies expand their geographical reach and benefit from Ireland's position as a launchpad for international activities. For instance, French company CNP Assurances announced plans to purchase a 51% stake in the life and non-life insurance subsidiaries of Santander Consumer Finance for €290m. This transaction will provide CNP with a foothold in new markets, including Germany and the Nordics.

There is also an emerging trend in which buyers from further afield – particularly Asia – are demonstrating an interest in acquiring Irish assets. After a slight increase in dealmaking in the mid-2000s, activity involving Asia-Pacific buyers levelled off following the financial downturn. In more recent years, Asia-Pacific buyers have undertaken a handful of acquisitions annually. There were four such deals in 2014, with a combined value of €306m, accounting for 5% of overall inbound activity.

A number of deals involving Asia-Pacific buyers took place within the aircraft leasing sector. Asia-Pacific is experiencing demographic shifts in key economies, increasing demand for commercial aircraft, and is seeing regulatory changes which have opened up airline industries to international carriers. Importantly, Ireland has a dominant position in the aircraft leasing space, managing half of the world's leased aircrafts. There was strong activity in the sector last year, with Dublin based Avolon listing on the New York Stock Exchange, and AWAS, owned by UK-based private equity firm Terra Firma Capital Partners, conducting a strategic review of its business.

INBOUND M&A TRENDS BY QUARTER



Consequently, a number of Asia-Pacific buyers are targeting Ireland-based companies in this sector. The largest such deal in 2014 was the announcement by Japan's Mitsubishi UFJ Lease & Finance Company of plans to buy Ireland-based Engine Lease Finance Corporation and Beacon Intermodal Leasing for €285m. Engine Lease Finance Corporation and Mitsubishi UFJ Lease & Finance Company have launched a joint venture, Deucalion MC Engine Leasing, targeting investment in leased aircraft engines. Given the structural drivers behind the increase in aircraft leasing activity in Asia-Pacific, the space will likely see continued activity in 2015.

We expect 2015 activity to be generated by businesses seeking key strategic opportunities to support organic growth.

SPOTLIGHT: IRELAND LOOKS OVERSEAS

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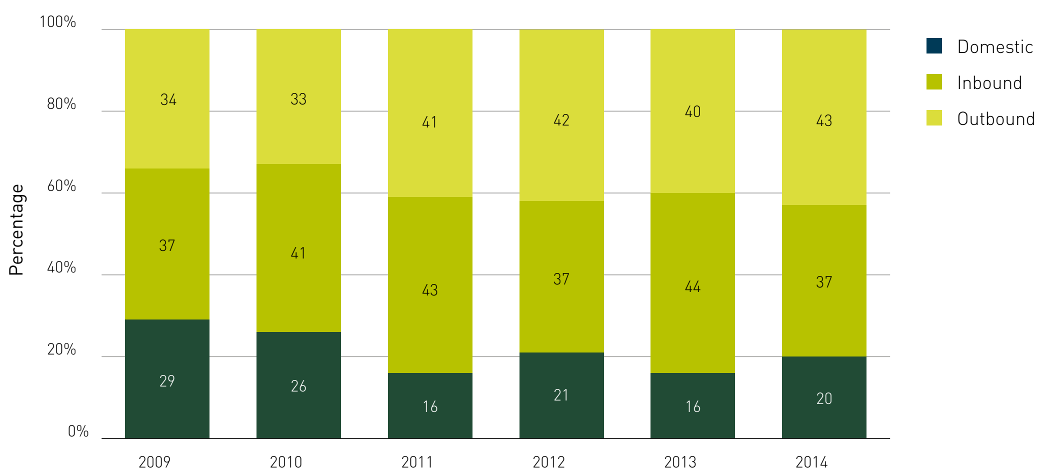
While the attractiveness of Irish companies as potential targets for M&A has made headlines in recent years, the gradual increase in outbound M&A activity since 2009 has largely gone unreported. However, there was a shift in Irish M&A dealmaking in 2014, as outbound activity overtook both inbound and domestic M&A as a proportion of total Irish M&A activity. In the past six years, this has only occurred on one previous occasion (in 2012). In absolute terms, the number of outbound Irish M&A deals was the highest on record.

"As with other segments of M&A, increased confidence and a resurgent economy have seen Irish companies pursue growth overseas," notes William Fry partner David Carthy.

Outbound value was largely driven by several key players in the PMB sector. In particular, Ireland-based Actavis spent over €67bn on two deals: the acquisition of US-based Allergan and US company Forest Laboratories. These two transactions made up the vast majority of total Irish outbound deal value. In terms of volume, PMB outbound

PROPORTION OF DOMESTIC, INBOUND AND OUTBOUND M&A



deal numbers also followed an upward trajectory, with 22 deals in 2014 compared with 10 in 2013.

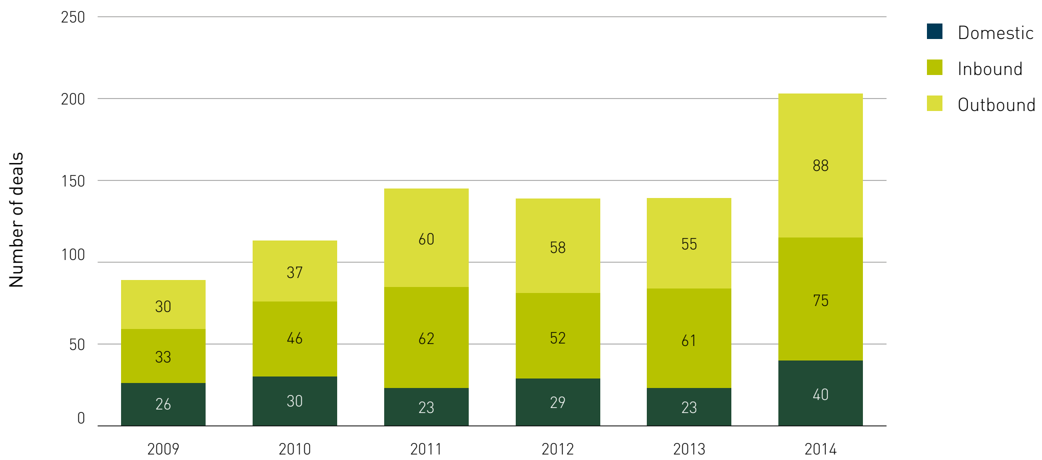
The increase in outbound PMB spending is partly driven by now-inverted companies targeting growth. Actavis, for example, undertook a transatlantic inversion in 2013. In addition, pharma giant Mallinckrodt, a spin-off of Covidien (which re-domiciled in Ireland in 2008), acquired US-based Questcor for €3.6bn, in order to broaden its portfolio of speciality pharmaceuticals. Given the number of inversions into Ireland in the PMB sector over the past few years, we expect that the sector will continue to drive significant Irish outbound activity in the short term.

TOP TEN OUTBOUND DEALS

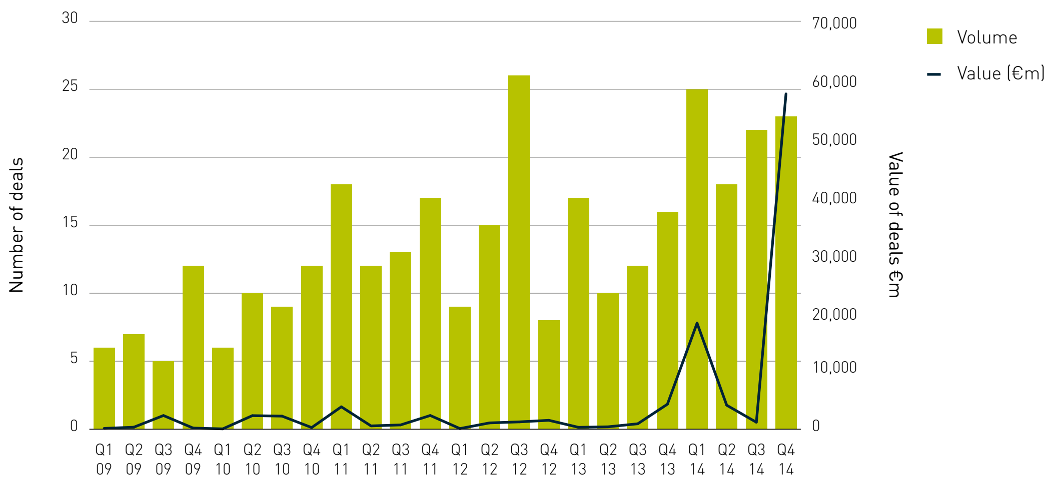
An examination of the top 2014 outbound deals reveals that PMB had a monopoly in the €1bn-plus market. Indeed, the five deals with a value in excess of €1bn were worth €76.3bn in total, 97% of the entirety of Irish outbound M&A in 2014, and were all in the PMB sector.

Nonetheless, other industries have also been targeting overseas acquisitions. For instance, there were 18 deals in the consumer sector in 2014 compared with eight in 2013. Much of this growth can be attributed to an increase in M&A activity in the food sub-sector, with 11 of the

DOMESTIC, INBOUND AND OUTBOUND M&A, NUMBER OF DEALS



OUTBOUND M&A TRENDS BY QUARTER



TOP 10 OUTBOUND M&A DEALS, 2014

Announced Date	Target Company	Target Sector	Target Country	Bidder Company	Deal Value (€m)
17/11/2014	Allergan, Inc	Pharma, Medical & Biotech	USA	Actavis plc	50,539
18/02/2014	Forest Laboratories Inc	Pharma, Medical & Biotech	USA	Actavis plc	16,813
07/04/2014	Questcor Pharmaceuticals, Inc	Pharma, Medical & Biotech	USA	Mallinckrodt Plc	3,603
06/11/2014	Omega Pharma Belgium NV	Pharma, Medical & Biotech	Belgium	Perrigo Company plc	3,600
09/10/2014	Auxilium Pharmaceuticals, Inc	Pharma, Medical & Biotech	USA	Endo International plc	1,768
11/02/2014	Cadence Pharmaceuticals, Inc	Pharma, Medical & Biotech	USA	Mallinckrodt Plc	878
18/08/2014	Cameron International Corporation (Centrifugal Compression Division)	Industrial & Chemicals	USA	Ingersoll-Rand Plc	635
06/10/2014	Durata Therapeutics, Inc	Pharma, Medical & Biotech	USA	Actavis plc	504
10/12/2014	Industrial Safety Technologies LLC	Industrial & Chemicals	USA	Scott Safety	266
11/10/2014	Vicwest Inc	Industrial & Chemicals	Canada	Kingspan Group Plc; Ag Growth International	261

18 consumer deals taking place in this space. The food industry is evidently strategically important to the Irish economy, with over 600 food and drink firms in Ireland exporting to 150 countries. Dealmaking in the space was primarily driven by Irish food businesses striving for scale and expansion into new markets. According to the Department of Agriculture, Food and the Marine, Ireland exports 85% of the agri-food it produces, with food and drink exports increasing 12% last year.

In one notable example, an agreement between Ireland's Dawn Meats and French farming co-operative Terrena saw the former acquire 49% of Terrena's beef processing division Elivia. Commenting on the deal, Dawn Meats CEO Niall Browne said: "Size is a prerequisite to win in international markets where quality, efficiency and traceability of meat are essential attributes. This agreement will bring our two groups the scale necessary to promote our steady growth in exports." Dawn Meats' second acquisition of 2014, purchasing UK-based beef processing company Jaspers, was also driven in part by increasing European demand.

The concept of 'co-opetition' (whereby businesses which compete in some arenas co-operate in others) is also an increasing driving force in the food space. For instance, an EU-funded programme launched in 2013 is helping to foster co-operation among 90 food and drink manufacturers based in Ireland, Northern

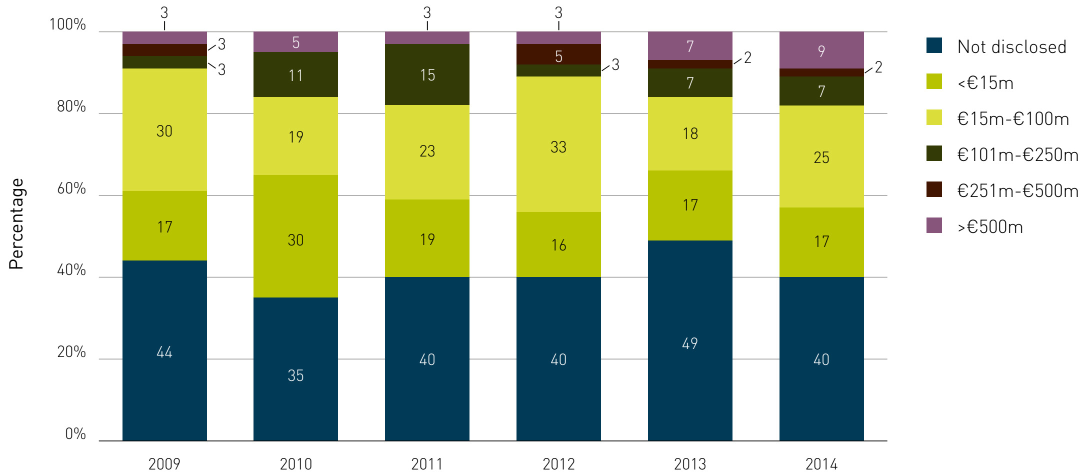
Ireland and Scotland, with the aim of increasing exports, particularly to Europe and the US, by €30m. As these businesses find synergies and seek to grow, we expect to see further cross-border consolidation in the food space.

International expansion was also a catalyst for Irish outbound deals in the industrial and chemicals sector. In August, rock-drill producer Mincon announced that it had purchased majority stakes in three companies worldwide: Canada's Rotacan and two Australian companies, ABC Products and Omina Supplies. The three acquisitions afford Mincon the opportunity to "increase and diversify its product offering and extend its distribution network," according to CEO Kevin Barry.

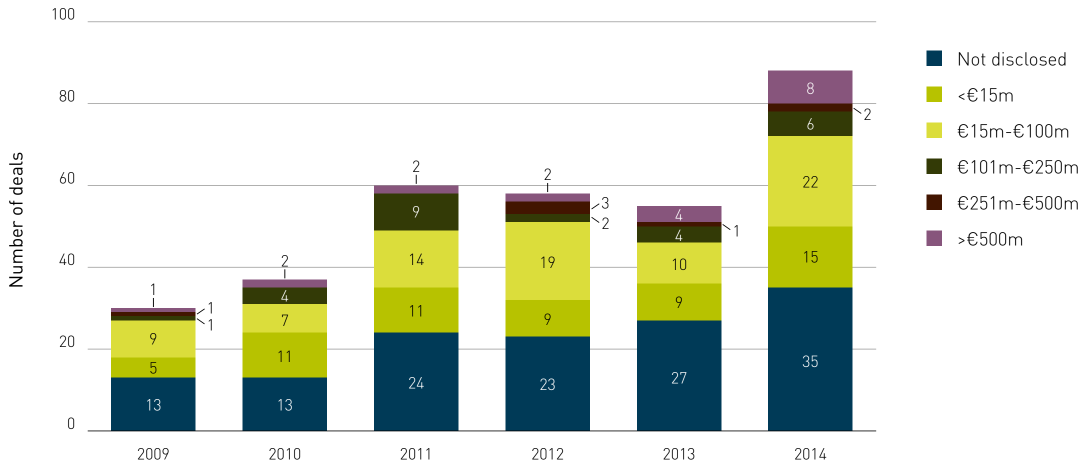
One striking aspect of Irish outbound activity in 2014 was the prevalence of €500m-plus deals. There were eight such deals in 2014, making up 9% of total Irish outbound activity, up from 7% in 2013. Furthermore, the number of deals above €500m in 2014 and 2013 combined equalled the total number from 2008 through 2012.

According to William Fry partner David Fitzgibbon: "The increase in large-cap activity was undoubtedly driven by recent PMB transactions, but also demonstrates that Irish businesses have

PROPORTION OF OUTBOUND DEAL SPLITS



OUTBOUND DEAL SPLITS, NUMBER OF DEALS



the means and the appetite to pursue growth on a competitive scale globally."

In a comparison between outbound M&A activity in 2013 and 2014, it is clear that Irish companies were more actively seeking acquisitions in Europe, with the number of deals increasing from 26 in 2013 to 45 in 2014. "The increase in Irish outbound activity within Europe is the result of improving fundamentals and increased confidence among Irish acquirers in Europe's economic recovery," says William Fry's David Carthy.

Nonetheless, as in 2013, Irish outbound activity was predominantly centred on the US in 2014, with 32 deals worth €75.9bn, representing 36% of Irish outbound activity by volume as well as 94% of value. While this focus on the US was likely due in part to inversions, it also reflects the continued attractiveness of the US as a target market more generally for Irish corporates.

"Ireland's interest in the US also reflects a global readjustment toward rapid-growth markets, with many companies looking to refocus on developed powerhouses," notes David Fitzgibbon. Indeed, unlike 2013, which saw a handful of deals in

2013

Target Countries	Volume	Value (€m)
USA	16	4,710
United Kingdom	10	210
Australia	3	5
Canada	3	12
Germany	2	-
Italy	2	656
Netherlands	2	-
Spain	2	12
Ukraine	2	109
Bangladesh	1	8

2014

Target Countries	Volume	Value (€m)
USA	32	75,954
United Kingdom	22	432
Denmark	3	18
Italy	3	13
Spain	3	157
Sweden	3	49
Canada	2	268
France	2	138
Cyprus	2	60
Australia	2	54

Ukraine and Bangladesh, the top ten Irish outbound destinations for 2014 were all developed economies.

The combination of recovery in mature economies, a slowdown in emerging markets and instability across various regions have directed Irish companies to safer plays in the M&A space.

In addition, the surge in outbound M&A figures in 2014 indicates renewed confidence among Irish businesses, underpinned by a rejuvenated domestic economy and positive macroeconomic developments globally.

SPOTLIGHT: IRELAND'S PRIVATE EQUITY PROFILE

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Private equity in Ireland experienced a welcome revival in 2014. There were 30 deals with a combined value of €4.8bn in 2014, compared with 18 deals worth €455m in 2013. In an interesting comparison with pre-crisis activity levels in this sector, there were only 18 private equity deals valued at €581m in 2008.

Private equity firms received record commitments from investors in 2014, largely due to the convincing performance from private equity funds when compared with other investment opportunities over the past few years. With additional cash to deploy, European private equity firms embarked on an increasing number of buyouts. Crucially, as businesses emerge from the recession, private equity investors have some visibility on future earnings, making it easier to set valuations and negotiate with vendors.

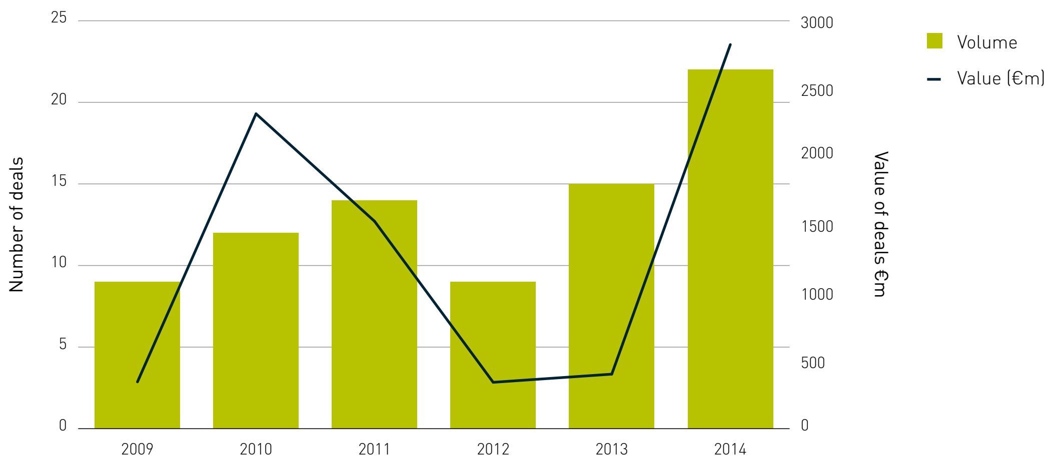
This European trend was mirrored by the Irish experience, with increased numbers of transactions and higher price tags. In particular, there was a dramatic resurgence in the number of buyouts in 2014, with 22 buyouts totalling €2.8bn. These volume and value figures were at the highest levels since 2006, when there were 22 buyouts valued at €6.8bn. "Buoyant debt markets and record-low interest rates have ensured that there is financing available for buyouts," according to Eavan Saunders, partner at William Fry.

In 2014, private equity funds appeared eager to seize the opportunity to tap into Ireland's continuing growth through acquisitions of high potential companies. For instance, in mid-2014, the UK's Carlyle Group and Dublin-based Cardinal Capital raised a €292m fund, the Carlyle Cardinal Ireland Fund, which is dedicated to growth capital and private equity buyouts in Ireland. This fund has received a €125m commitment from the Irish National Pensions Reserve Fund and support from Enterprise Ireland. According to Robert Easton, who heads the Carlyle Cardinal team, "this successful fundraising process reflects the promise in the Irish economy." Additionally, two other private equity funds, MML Capital Partners and Australia's AMP Capital, have established Ireland-focused funds over the past few years, both with commitments from Irish governmental organisations. All three funds have already made strategic plays for Irish targets and are actively targeting similar transactions in the market.

Private equity deals of all sizes saw increases in 2014. There were 13 buyouts under €100m in 2014, compared to eight in the previous year. Also, while there were no buyouts over €250m in 2013, there were three such deals in 2014. This scale of activity demonstrates that private equity firms were willing to provide growth capital for faster-growing companies and to pay premiums for more mature businesses.

Another encouraging sign has been the prevalence of buy-and-build transactions in 2014, demonstrating private equity firms' focus on growth among their portfolio companies. For instance, Greenstar (owned by Cerberus European Investments) acquired a number of waste management businesses last year. Also, Valeo Foods, which is owned by CapVest and Lioncourt Investments, announced its acquisition of the Robert Roberts and Kelkin food businesses from DCC for €60m. Completion of this transaction will see Valeo Foods adding to its range of food brands and cementing its position as Ireland's leading ambient food business.

TOTAL PRIVATE EQUITY BUYOUTS



CONTINUED POST-CRISIS TRENDS

Distressed private equity buys were a notable fixture of the post-crisis Irish M&A landscape. While there was a decrease in distressed sales over the second half of 2014, private equity firms remained keen to acquire distressed assets as they came to market. The continued trading of non-performing loans was, in particular, still a distinct feature in the later part of 2014 and it is clear that buyers continue to view portfolio loan sales as representing a good value investment opportunity.

In the largest buyout of a formerly trade-owned company, US-based Lonestar purchased Ireland's Start Mortgages from Investec for €339m. The deal sees Investec exiting its riskier and struggling sub-prime mortgage business and focusing on its core banking and asset management divisions. For its part, Lonestar focuses on strategic investing in distressed assets and has already purchased a number of distressed property loan portfolios in Ireland, demonstrating its significant commitment to the Irish market.

GEOGRAPHICAL DIMENSIONS

While a number of international private equity firms made investments in Ireland in 2014, activity was driven primarily by buyers from two regions: all 15 inbound deals had US or UK-based acquirers. According to William Fry partner Eavan Saunders: "This is unsurprising, given the high concentration of global private equity firms in the US and the UK and the close business and cultural ties between Ireland and these markets." In one notable example, US-based KKR Financial Holdings purchased a minority stake in Ireland's Lease Corporation International's (LCI) helicopter unit for €77m. This deal will help the target gain scale and market share in the helicopter leasing industry.

SECTOR TRENDS

Buyout activity was scattered across a range of sectors, with the year's 22 transactions involving nine target industries. However, in contrast to the European experience, where the majority of private equity deals were seen in industrials and chemicals, Ireland's private equity activity was concentrated around human capital-intensive sectors. The computer software space generated the majority of deals, with four in 2014, and the deals largely involved smaller target businesses, with a total deal value of €35m.

Many of these computer software deals were aimed at helping target companies expand either their geographical reach or their product offerings. An example of this was the purchase of waste technology company AMCS Group by Highland Capital Partners for €23.5m. After the announcement, AMCS CEO Jimmy Martin commented that the deal "will enable us to drive forward our plans to grow our business and expand our operations in existing and new markets."

The highest value activity was in the business services sector, with two deals totalling €2.1bn. The smaller of these deals involves the UK-based BC Partners and Insight Venture Partners purchasing a stake in CarTrawler for €450m.

There were two deals with an aggregate value of €351m in the financial services sector, compared with one deal totalling €102m just a year previously.

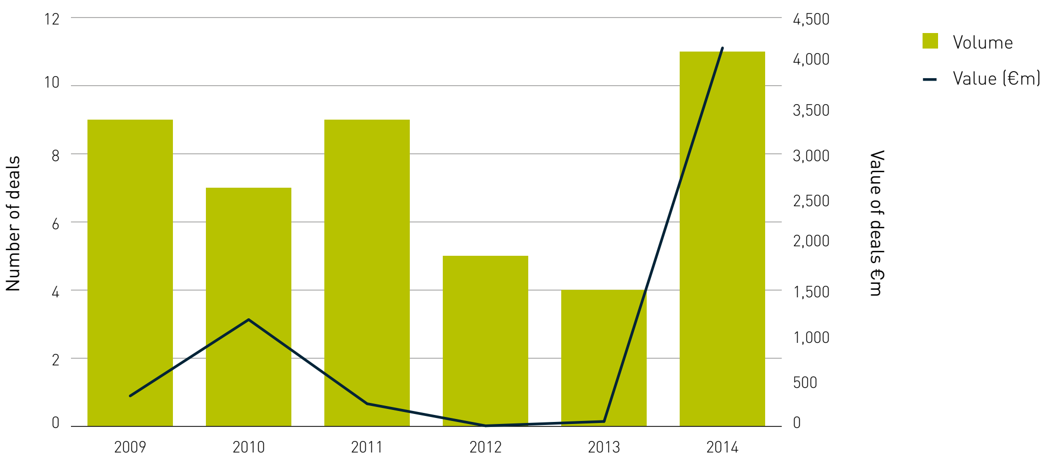
BUOYANT EXIT ACTIVITY

In 2014, exit activity had its best performance since 2008. While there were four exits valued at €54m in 2013, there were 11 in 2014 which totalled €4.2bn. All 11 exits saw buyers from major markets – either the US or the UK – buying into Ireland's fastest-growing, human capital-intensive industries: the business services, computer software and PMB sectors.

In one of the biggest exits of the year, US-based Horizon Pharma purchased Ireland's Vidara Therapeutics, a speciality pharmaceuticals firm, from DFW Capital and Altiva Capital. Following completion of the €474m deal, Horizon Pharma redomiciled in Ireland to take advantage of a more hospitable business climate and is expected to become profitable for the first time in 2015.

> Buoyant debt markets and record low-interest rates have ensured that there is financing available for buyouts.

TOTAL EXITS



SECONDARY BUYOUTS

In North America and Europe, secondary buyouts enjoyed a period of growth post-2009, as private equity firms struggled to find trade buyers willing to pay pre-crisis premiums. However, secondary buyouts remained a small part of Ireland's private equity story and Ireland has only seen a handful of secondary buyouts over the past 10 years, with annual combined deal values of less than €400m.

2014 saw a partial reversal of that trend. While there were only three secondary buyouts in 2014, two of these transactions were among the top ten deals of the year and the combined value of secondary buyouts totalled €2.2bn. These secondary buyouts saw private equity firms challenge for assets which are expected to see substantial growth.

For example, in the second-biggest Irish M&A transaction of the year, Charterhouse Capital Partners agreed to purchase Skillsoft, an Ireland-based provider of education software, from US-based SSI Investments III for €1.7bn following a competitive auction process. Educational content and technology is a space tipped to grow rapidly over the next few years, with several high-profile private equity transactions taking place globally in this sector. Since completion of the transaction, Skillsoft has expanded by acquiring SumTotal Systems, which specialises in human capital software.

Based on the strong activity in 2014 and the diverse drivers underpinning it, we expect the resurgence in private equity activity to continue for the coming year. A combination of low interest rates across Europe and the US and improved fundamentals in Ireland has provided private equity firms with the impetus to pursue opportunities in Ireland. According to the European Venture Capital Association, €233bn in investments have been made since 2007, which suggests that a wave of new deal activity can be expected in the years ahead.

In addition, global sovereign wealth funds and public pension funds are also considering investments which were traditionally the domain of private equity firms. While this trend is only beginning to manifest itself in Ireland, we expect alternative buyers to become more prominent and to help generate an increase in dealmaking in 2015.

In terms of exits, 2014's strong showing has demonstrated that there are buyers, both trade and institutional, willing to pay premiums for Irish portfolio companies. We can expect to see a steady stream of exits and secondary buyouts in the mid-term. This is likely to provide further assurance to private equity firms about the long-term health of potential Irish investments, and to help bolster strong growth in 2015.

A combination of low interest rates across Europe and the US and improved fundamentals in Ireland has provided private equity firms with the impetus to pursue opportunities in Ireland.

OUTLOOK

2014's positive momentum is set to continue into 2015, with anticipated M&A activity across a range of sectors. In contrast to last year's edition, when we reported that a large proportion of activity would be generated by non-core asset sales, we expect 2015 activity to be generated by businesses seeking key strategic opportunities to support organic growth. In our 2013 M&A Review, we also forecasted that foreign investors would be driving deal flows in 2014. This year, however, we anticipate that M&A will be driven equally by domestic buyers.

Macroeconomic factors are aligned to support these predictions. For M&A in Ireland, European developments such as quantitative easing should encourage companies to take advantage of relatively inexpensive finance, with opportunities for further M&A transactions and leveraged buyouts. Furthermore, investment in eurozone countries will likely become more appealing to non EU-based investors, given the current strength of other currencies relative to the euro. We are already seeing proof of this in the level of M&A activity that has occurred so far in 2015. In the last months of 2014 and early weeks of 2015, Jazz Pharmaceuticals has been the subject of takeover rumours, PMB giant Shire has been targeting further acquisitions, and CRH agreed to buy assets of Holcim and Lafarge.

2015 SECTOR ACTIVITY

Examining the Mergermarket Heat Chart, which tracks 'company for sale' stories written over the past six months, we expect robust activity across a number of sectors. Of these, leisure is predicted to be the busiest in 2015. This forecast tallies with M&A undertaken in 2014, as leisure was one of the most active industries by volume, and saw 20 announced deals (all with hotels as targets). Given that this sector is being driven by continuing dynamics, such as an increasingly healthy property market, we expect to see similar activity into 2015.

PMB is also set to remain one of the busiest sectors in 2015. In the third edition of the report published in 2013, we forecasted that PMB would continue to move from strength to strength, and this was reflected in 2014's announced figures. These findings are unsurprising: according to IDA Ireland, nine of the world's ten biggest pharmaceuticals companies are based in Ireland, and Ireland is home to approximately 120 pharmaceuticals firms. In addition, in recent years many pharmaceutical companies globally have sought to develop more specialised portfolios. They have done so through a series of acquisitions and divestments in order to fortify themselves against emptying pipelines and patent expirations.

TOP M&A DEALS HEAT CHART, 2014

Sector	
Leisure	10
Pharma/Med/Biotech	7
TMT	5
Business Services	4
Energy/Mining/Utilities	4
Industrials/Chemicals	4
Construction	3
Consumer	3
Financial Services	3
Agriculture	1
Real Estate	1
Transportation	1
Grand Total	**46**

Hot

Cold

Another key facet of the PMB sector is the healthcare sub-sector, with the healthcare IT space in particular experiencing a period of growth. This is largely due to the broad range of new medical devices coming to market and increasing demand for automated records and at-home services.

TMT is also tipped for increased activity. Deal volume in the sector has increased steadily since 2007, and technology continues to be a key industry, with computer software one of Ireland's busiest segments for M&A. Ireland is one of Europe's primary technology hubs, with a sizeable number of the world's largest technology companies based in the country. This is in part due to Ireland having a highly skilled workforce, as well as fostering a business climate which supports research and development, evidenced by the successful Web Summit hosted in Ireland in recent years. With innovation being fundamental to success in the technology sector, global firms will continue to target Irish opportunities.

Further, pro-cyclical industries are set to gain steam on the back of improving economic fundamentals. In particular, the consumer sector should see steady gains in the coming months, with improving employment figures and low inflation, leading to more positive consumer sentiment. Retail Ireland predicts that consumer spending will increase by 2.7% YoY in 2015, compared to 1.3% in 2014, which should also help to pave the way for further growth in this sector.

Private equity activity in Europe is also set to expand more generally this year, as limited partners have committed record levels of capital to general partners. While this has already contributed to a rise in Irish buyouts in 2014, it will also likely help generate stronger figures in 2015.

The message from 2014 is clear: the international business community is recognising the strength of Irish corporates and the country's position as a launchpad into Europe. The data shows that institutional buyers have confidence in Ireland's growth prospects over the mid-term, and that strategic buyers are willing to pay the premiums typically sought by private equity firms.

ABOUT THE RESEARCH

The underlying data to this report comes from the Mergermarket database. Historical data contained in this report includes deals announced from 01/01/2009 to 31/12/2014, excluding lapsed or withdrawn bids or deals valued below €5m.

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ABOUT WILLIAM FRY

As one of Ireland's largest law firms, William Fry offers unrivalled legal and tax expertise across the full breadth of the business sector. We advise a substantial number of leading Irish and international companies, covering both the public and private sector.

With a staff of over 400, the firm operates a large international practice with offices in Dublin, London, New York and Silicon Valley and regularly acts in cases involving other jurisdictions, including the United Kingdom, the United States, Asia, the Netherlands, Germany, France, Spain, Italy, Poland and Eastern Europe.

M&A is core to our practice at William Fry. Our team has top tier credentials, a wealth of experience and an impressive depth of expertise. We are consistently involved in the most sophisticated and complex corporate transactions in Ireland, including large cross-border deals. We focus on identifying and delivering on our clients' priorities.

Recent awards include:

- Law Firm of the Year (Irish Law Awards 2014)
- Equity Capital Markets – Deal of the Year – Initial Public Offering (Finance Dublin Magazine's Deals of the Year 2014)
- Equity Capital Markets – Deal of the Year – Refinancing / Restructuring (Finance Dublin Magazine's Deals of the Year 2014)
- Best in Corporate Disputes – Ireland (Acquisition International 2015)

Recent directory commentary includes:

- "This team brings a wide range of skills to the table and the quality is consistently high across all the lawyers. One of the most conscientious firms I have dealt with." Chambers Europe 2014
- "William Fry consistently delivers in-depth and accurate legal advice with speed and cost-effectiveness." Legal 500, EMEA 2014

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