



WILLIAM FRY MID YEAR M&A REVIEW 2012



WILLIAM FRY

OVERVIEW

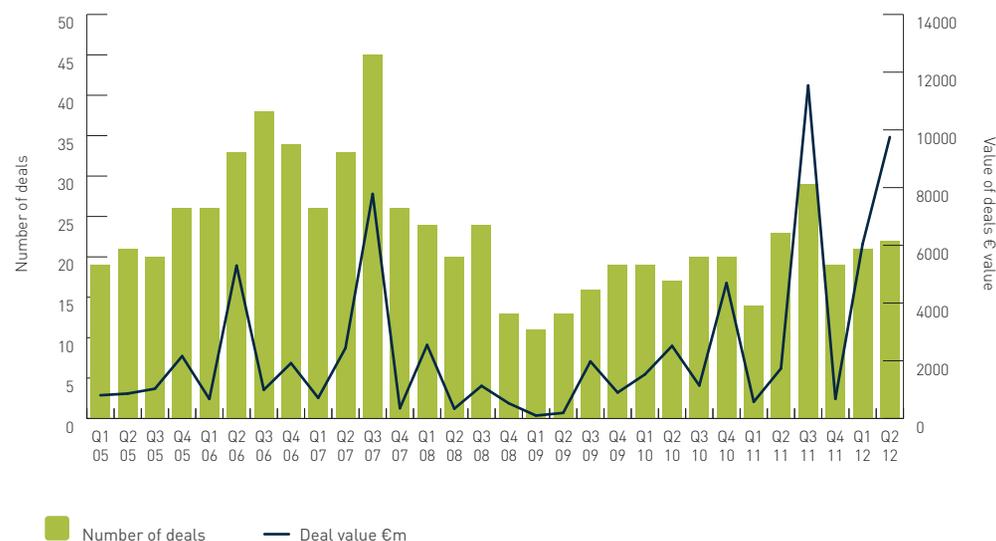
Our mid-year M&A Review, published in association with mergermarket, gives a snapshot of the activity in the M&A market during the first half of 2012. We also outline, based on current patterns, the likely trends for the remainder of 2012.

M&A activity in Ireland was resilient through the start of 2012, with 43 deals worth €15.8bn announced in the first two quarters, representing a 16% increase in volume and a nearly seven-fold increase in

value when compared against the 37 deals worth €2.3bn announced in the same period last year. These statistics exclude the latest Ryanair bid for Aer Lingus which, though still undergoing regulatory analysis, has lapsed.

The drivers identified in our 2011 M&A Review remain firmly in place. Foreign acquirers, key buy-side drivers in 2011, account for more than half of the ten largest deals of H1 2012, including the €9.3bn acquisition of Cooper Industries Plc

Overall Irish M&A



Top 10 Irish M&A Deals, H1 2012

Date	Status	Target Company	Target Sector	Target Country	Bidder Company	Bidder Dominant Country	Seller Company	Seller Dominant Country	Deal Value €m
May-12	P	Cooper Industries plc	Industrials & Chemicals	Ireland (Republic)	Eaton Corporation	USA			9,342
Jan-12	C	SMBC Aviation Capital Limited (formerly RBS Aviation Capital)	Financial Services	Ireland (Republic)	Sumitomo Mitsui Financial Group, Inc.	Japan	Royal Bank of Scotland Group plc	United Kingdom	5,732
Jun-12	P	Endesa SA (Irish operations)	Energy, Mining & Utilities	Ireland (Republic)	Scottish and Southern Energy plc	United Kingdom	Endesa, S.A.	Spain	320
Mar-12	P	IFG Group plc (International Division)	Financial Services	Ireland (Republic)	AnaCap Financial Partners LLP	United Kingdom	IFG Group plc	Ireland (Republic)	84
Mar-12	P	Siteserv plc (company's assets)	Construction	Ireland (Republic)	Denis O'Brien (Private Investor)	Ireland (Republic)			45
Apr-12	C	The Kildare Hotel, Spa and Country Club (49% Stake)	Leisure	Ireland (Republic)	Michael Smurfit (Private Investor)	Ireland (Republic)	Gerry Gannon (Private Investor)	Ireland (Republic)	40
Jan-12	P	Neontar Ltd	Financial Services	Ireland (Republic)	Investec plc	United Kingdom			32
Mar-12	P	Eclipse Scientific Group Ltd; Advanced Micro Services Laboratories Ltd	Pharma, Medical & Biotech	Ireland (Republic)	Australian Laboratory Services Pty. Ltd	Australia	Environmental Scientifics Group (ESG)	United Kingdom	31
Jun-12	C	Daiwa Securities Trust & Banking (Europe) PLC; Daiwa Europe Fund Managers (Ireland) Limited	Financial Services	Ireland (Republic)	Sumitomo Mitsui Trust Bank Limited	Japan	Daiwa Securities Group Inc	Japan	30
Mar-12	P	TBS International plc (Majority Stake)	Transportation	Ireland (Republic)	TBS International Plc (Existing Lenders)	Ireland (Republic)			30

P = Pending C = Completed

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by US-based diversified industrials group Eaton Corporation. The Eaton/Cooper deal may be regarded as something of an exceptional deal for the Irish market insofar as it involved the acquisition of one of a limited number of companies that “redomiciled” to Ireland when the holding company regime was introduced during the 2000s. It also single-handedly propels the industrials & chemicals sector to first place as the most significant sector for M&A in value terms, representing 59% of aggregate deal value for the first six months of 2012.

Ongoing consolidation in the financial services sector - another key theme of activity during 2011 - continues and much of the activity we are seeing at the moment comes from larger banks’ non-core asset sales. In the first quarter, for instance, Royal Bank of Scotland Group Plc (RBS) sold its Ireland-based aviation finance arm, RBS Aviation Capital, to Japan-based Sumitomo Mitsui Financial Group in a €5.7bn deal. The deal reflects the broader trend of capital-raising by banks. It also reflects the trend of Asian buyers raising their European profile. Another Japanese acquirer, Sumitomo Mitsui Trust Bank Limited, announced its €30m acquisition of Daiwa Securities Trust and Banking (Europe) Plc (and Daiwa Europe Fund Managers Ireland Limited) in the second quarter.

Ongoing consolidation in the financial services sector on a local scale is also evident. Recent examples include the €84m acquisition of IFG Group’s international division by UK-based private equity firm AnaCap Financial Partners, the €32m acquisition by Investec of the NCB Group, the Irish corporate finance and wealth management firm, and the acquisition by Davy of the Bloxham private client and fund management business.

Corporate disposal activity extends beyond the financial services space. Endesa SA, the Spain-based utilities group, sold its Irish operations to Scottish and Southern Energy plc for €320m, making the acquirer the third largest electricity generation capacity owner in Ireland and an electricity supplier to approximately 500,000 customers on the island. In the healthcare space, UK-based Environmental Scientifics Group sold its Eclipse Scientific Group and Advanced Micro Services businesses to Australian Laboratory Services, an analytical lab testing subsidiary of Campbell Brothers Limited. The €31m deal reflects the acquirer’s desire to grow its global food and pharmaceuticals laboratory services business in the UK and Ireland.

The ongoing undercurrent of distress means that there are deals coming to market today stemming from restructurings and

insolvency. This is particularly pronounced in the leisure and construction sectors, both of which feature on the list of the half-year’s largest M&A deals.

Across the board there is a general sense that the difficulties of the past few years have caused companies, distressed or not, to focus on becoming leaner and more streamlined. An example of this is eircom Group, the State’s largest telecommunications company, whose restructuring plan was announced at the tail end of the second quarter. The plan will see eircom’s senior lenders acquire the company in a debt-for-equity swap transaction that will reduce the company’s debt by 40%.

OUTLOOK



Ireland has taken huge strides to address its sovereign and bank debt problems. This has been recognised internationally. However, the future remains challenged by uncertainties surrounding the Euro. Despite the relatively healthy start to the year, M&A activity levels for the remainder of the year are less predictable than one would like. That said, there are encouraging signs worth noting at this point, including the fact that during the summer the government successfully revisited capital markets again for the first time since the funding crisis with the auction of treasury bonds.

In the real economy, in June the NCB Purchasing Managers' Index – a benchmark measure for the health of the manufacturing sector – posted its highest reading since Q2 2011, which helped boost the rate of job creation to its highest level in over 12 years. More generally, foreign acquirers have demonstrated their faith in the country by pouring in record levels of investment even while retreating from other more volatile eurozone economies.

The government's concerted effort to boost tourism under its National Development Plan (NDP) for 2007 to 2013 is also a point of interest. Tourism is earmarked as a key component of Ireland's recovery programme, and those with foresight could find attractive

opportunities among the widespread restructurings which are currently taking place in the leisure and construction markets.

Ireland's sovereign debt will be a focal point in the coming months, as will developments in other European countries, but on the whole we expect the rest of 2012 to be characterised by a healthy appetite from foreign strategic acquirers in export-driven markets like industrials & chemicals, and by opportunistic investors seeking turnaround or restructuring opportunities.

ABOUT THE RESEARCH

The underlying data to this report comes from the mergermarket database. Historical data contained in this report includes deals announced from 01/01/2005 to 31/12/2011, excluding lapsed or withdrawn bids or deals valued below €5m.

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ABOUT WILLIAM FRY

William Fry is one of Ireland's largest law firms and has been a top tier firm in the corporate and M&A markets for many decades. With offices in Dublin, London, New York and Mountain View, California, we offer unrivalled corporate and commercial expertise and experience across the full breadth of the business sector. Our results-focused and innovative team of more than 270 high calibre lawyers and tax professionals and 110 support staff have worked on the highest profile corporate and commercial transactions and legal challenges of recent years.

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 2012 (Irish Law Award)
- European Private Equity Tax Team of the Year (International Tax Review's Annual European Tax Awards)
- Advised on Equity Capital Markets Deal of the Year 2012 and Most Innovative Deal of the Year 2012 (Finance Dublin Deals of the Year)

Recent directory commentary includes:

- "William Fry is fabulous. It understands the issues clients face and ensures transactions progress smoothly". (Chambers Europe, 2012)
- "William Fry's 'first class' team is capable of 'devising and delivering a solution' that clients are happy with". (Legal 500 EMEA, 2012)

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