



WILLIAM FRY

# MID-YEAR M&A REVIEW 2014



# OVERVIEW



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This review, published in association with Mergermarket, focuses on M&A activity in the first half of 2014. We also look at the likely trends for the remainder of 2014 based on recent developments.

In H1 2014, Irish M&A showed renewed impetus. The first half of the year saw 42 deals announced, a 31.3% increase on H1 2013's figures, and the second highest H1 result since 2008. Indeed, both Q1 and Q2 2014 saw higher or equal deal numbers than their 2013 counterparts.

Values witnessed an even more dramatic boost, with €39.3bn worth of deals announced in H1 2014 – the highest ever Mergermarket-tracked figure for a half-year period in Irish M&A. The key to this uplift was US-based medical device maker Medtronic's €33.9bn acquisition of healthcare company Covidien – the largest deal in Europe so far this year.

The Covidien deal is the most high-profile example of the inversion deals that have dominated Irish inbound M&A over the last year, particularly in the medical and

pharmaceutical sectors. This follows the trend in 2013, with Perrigo Company's €4.9bn purchase of Elan Corporation, and Actavis' €6.5bn deal for Warner-Chilcott. While controversial in the US political sphere, inversions afford overseas acquirers the right to re-register in Ireland and optimise their arrangements in a transparent environment, as well as giving such acquirers a foothold in Europe.

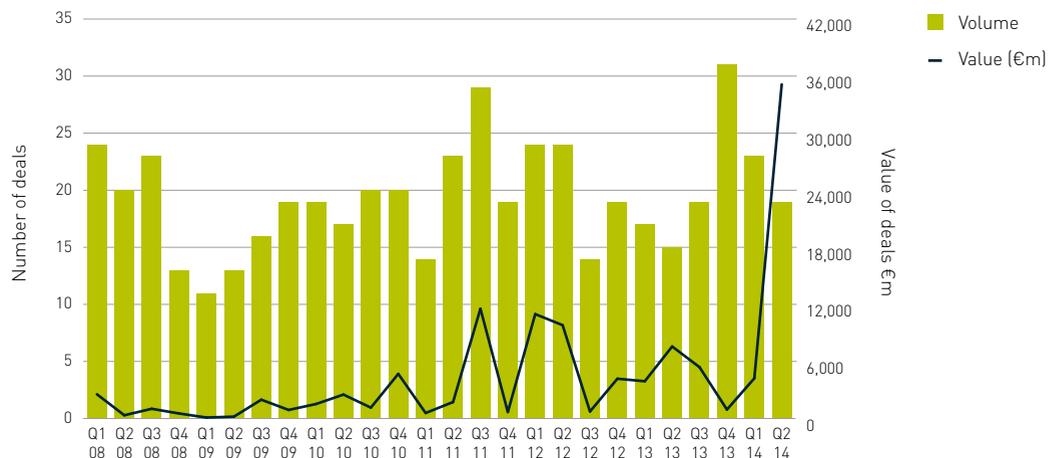
Encouragingly, opportunistic foreign buys are not the only drivers of this uplift in M&A figures. Bidders are looking to the country because of the quality of Irish targets. In particular, the consumer sector has been a big driver of this, with the nine deals conducted in

H1 2014 outstripping the sector's deal numbers for the whole of 2013. One of these deals, the Fyffes-Chiquita merger in the banana industry, will see US-based Chiquita Brands International access Dublin-based Fyffes' 16% market share of European banana distribution, the largest on the continent, as well as allowing the combined company to control 14% of the global banana market.

## NEW DRIVERS

The variety of deals in terms of sector and type has been a welcome trend so far in 2014. Seven different sectors made up the top 10 Irish M&A deals in H1. For instance, outside the landmark inversion deal

## IRISH M&A QUARTERLY TRENDS



## TOP 10 IRISH M&amp;A DEALS BY VALUE, H1 2014

Announced Date	Target Company	Target Dominant Sector	Target Dominant Country	Bidder Company	Bidder Dominant Country	Seller Company	Seller Dominant Country	Deal Value (€m)
15/06/2014	Covidien Plc	Medical	Ireland (Republic)	Medtronic, Inc.	US			33,916
14/03/2014	SkillSoft Limited	Services (other)	Ireland (Republic)	Charterhouse Capital Partners LLP	United Kingdom	SSI Investments III Ltd	US	1,673
25/03/2014	Bord Gais Energy Trading Limited	Utilities (other)	Ireland (Republic)	Centrica Plc; Brookfield Renewable Energy Partners L.P.; iCON Infrastructure LLP	Canada	Bord Gais Eireann Limited	Ireland (Republic)	1,100
19/03/2014	Vidara Therapeutics Research Limited	Medical: Pharmaceuticals	Ireland (Republic)	Horizon Pharma Inc	US	DFW Capital Partners	US	474
24/03/2014	CarTrawler Limited	Services (other)	Ireland (Republic)	BC Partners Limited; Insight Venture Partners	United Kingdom	ECI Partners LLP	United Kingdom	450
01/05/2014	XL Life Reinsurance (SAC) Ltd	Financial Services	Ireland (Republic)	GreyCastle Holdings Ltd.	Bermuda	XL Insurance (Bermuda) Ltd.	Ireland (Republic)	411
10/03/2014	Fyffes Plc	Consumer: Foods	Ireland (Republic)	Chiquita Brands International Inc	US			362
12/05/2014	Engine Lease Finance Corporation; Beacon Intermodal Leasing LLC	Financial Services	Ireland (Republic)	Mitsubishi UFJ Lease & Finance Company Limited	Japan	BTMU Capital Corporation	US	285
26/06/2014	Bank of Ireland Group (ICS distribution platform)	Financial Services	Ireland (Republic)	Dilosk Limited	Ireland (Republic)	Bank of Ireland Group	Ireland (Republic)	250
15/04/2014	AMT-SYBEX Group Ltd	Computer software	Ireland (Republic)	Capita Plc	United Kingdom			127

for Covidien, the third most valuable deal in H1 2014 was a privatisation, with Bord Gais Eireann, the state-owned energy company, selling electricity and gas supplier Bord Gais Energy for €1.1bn to a group including UK multinational Centrica and Canada's Brookfield Renewable.

Elsewhere, US-based Horizon Pharma's €474m buyout of Vidara Therapeutics Research was driven

by Horizon Pharma's desire to expand its portfolios and markets and to create a more tax-efficient corporate structure.

In addition, there has been continued investment in Irish property. Commercial property (particularly office property) remains a key target, but there is also focus now on the leisure sector. For instance, Donald Trump's property company, Trump, recently

bought the Doonbeg golf and hotel resort for €15m. Dalata Hotel Group also boosted its portfolio with €30m-worth of hotel investments in June, following its initial public offering (IPO) three months earlier.

In terms of other transactions, acquirers controlled by Irish businessman Denis O'Brien have taken the opportunity at a smart time to buy companies that were leveraged in the boom times. Recent

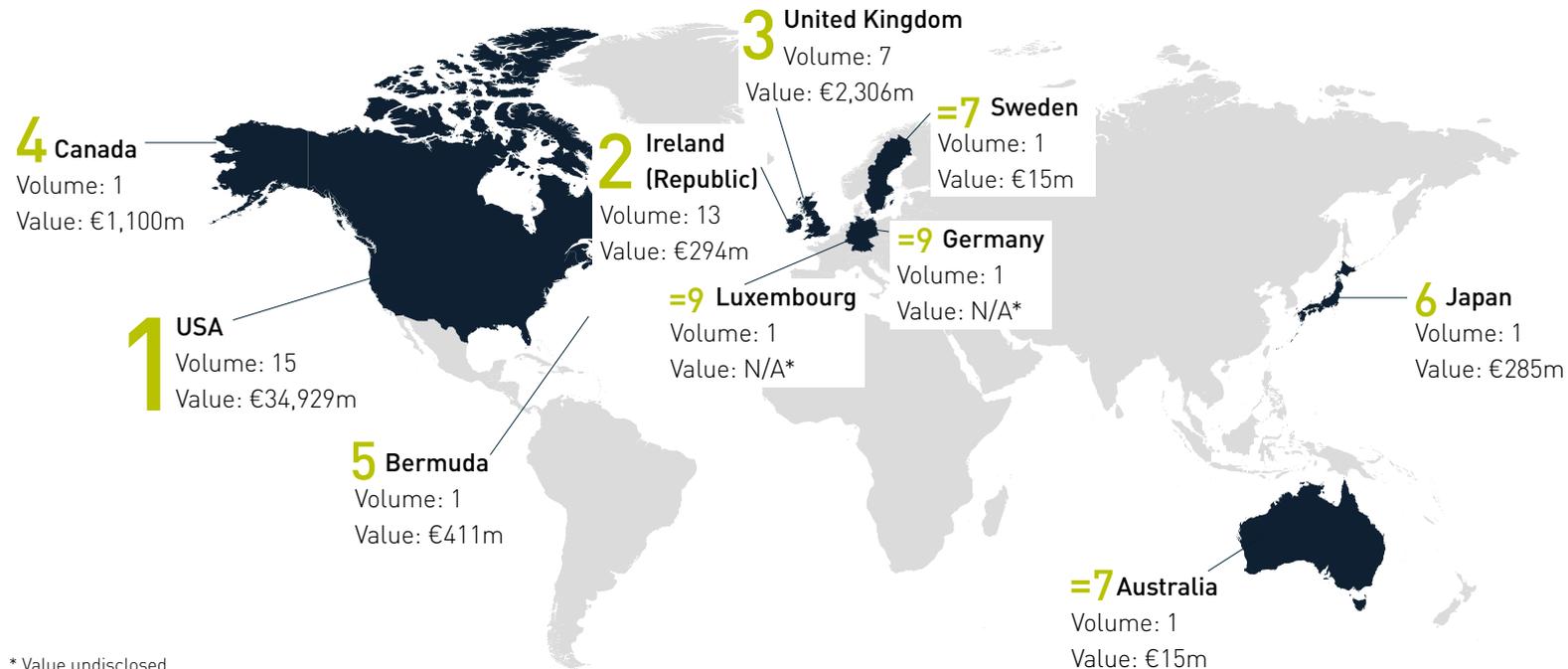
acquisitions include infrastructure support services group Siteserv, the Topaz Group, Ireland's largest petrol retailer, and the Beacon Private Hospital, the latter two deals taking place this year. This proves that Irish businesses, including those that became highly leveraged, are considered attractive opportunities for investors.

### BUOYANT CAPITAL MARKETS

Irish companies are finding that the capital markets are becoming more receptive to listings. For instance, Irish games company King Digital Entertainment, the company behind the successful app "Candy Crush Saga", had a \$500m listing in March. Green REIT, the first Irish REIT, which

floated in 2013, raised a further €400m this year. This followed on from last November's \$476m IPO of Hibernia REIT. In the same month, Shannon-based engineering company Mincon Group dual-listed on the Irish and London stock exchanges, raising €50m. Following these successes we expect to see more capital markets activity in the near future.

### TOP 10 BIDDER COUNTRIES OF IRISH TARGETS H1 2014



\* Value undisclosed

## APPETITE FOR M&A AMONG FOREIGN AND DOMESTIC ACQUIRERS

High-value deals are still dominated by foreign players entering Ireland. Indeed, nine of the top 10 deals involved overseas corporates buying/merging into the country. This highlights the positive sentiment among overseas acquirers towards Ireland, with the economy improving and valuations continuing to be attractive.

Even so, it is encouraging to see a greater proportion of domestic M&A taking place. In H1 2014, nearly one-third (31%) of all deals were domestic, compared with 27% in the whole of 2013. This is being driven by highly competitive domestic markets in need of consolidation. In the consumer foods space, 2014 has already seen deals such as the management buyout of Freshways from Kerry Foods, and WHW Bakeries' acquisition of Irish Pride Bakeries. The highly competitive nature of this market has driven these moves, and we expect this trend to continue into the future.

## A FEW SPEED-BUMPS AHEAD

Despite the broadly positive climate for M&A, Ireland faces a number of challenges that could put a damper on dealmaking. For instance, the levels of public and private debt in Ireland remain troubling. While banks are increasingly showing a willingness to lend, credit to SMEs remains tight. The

Oireachtas (the Irish parliament) has been active in trying to kick-start lending to these businesses, and, in July, introduced a Bill to provide for the creation of a publicly owned bank, to be called the Strategic Banking Corporation of Ireland, that could lend up to €5bn to Irish SMEs. The Bill is currently making its way through the Oireachtas.

We are also seeing transactions more frequently being structured as auction processes. The fact that acquirers are competing to acquire Irish assets demonstrates their desirability. However, on the down side, auctions increase the cost burden on potential bidders, as many go through the process and its associated costs without getting the desired asset, resulting in what will effectively be a dead-weight loss in terms of advisers' fees and other costs.

## THE IRISH M&A HORIZON

Ireland's M&A at present is looking much healthier as we enter the latter stages of 2014. Encouragingly, a range of factors – both macro and micro – are pointing to a brighter future.

The country is still attracting foreign investors, demonstrated by the fact that US companies remain the top buyers in Ireland. In addition, the first half of 2014 saw the second-highest number of deals for a H1 since 2008. Encouragingly,

domestic M&A is also rising, with nearly one-half of all transactions in H1 2014 being "home-grown" purchases. It is no longer just a case of investors and companies coming to Ireland looking for distressed assets "on the cheap"; it is a story of companies and investors buying healthy companies with excellent growth prospects.

The increase in volume, value and diversity of Irish M&A is positive. As we noted in our Review of 2013 issued earlier this year, challenges remain, particularly around debt levels, but the increased prominence of both domestic M&A and key foreign players is paving the way for a healthier and more active market, with quality businesses being targeted for the growth opportunities they offer.

## ABOUT THE RESEARCH

The underlying data to this report comes from the Mergermarket database. Historical data contained in this report includes deals announced from 01/01/2008 to 30/06/2014, excluding lapsed or withdrawn bids or deals valued below €5m.

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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 Silicon Valley, 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 290 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 (Irish Law Awards)
- Legal Comprehensive Law Award (LegalComprehensive 2014)
- IP Law Firm of the Year in Ireland (Corporate Intl. Magazine Global Award 2014)
- Employment Lawyers/Employment Team of the Year (Irish Law Awards 2014)
- Best Insurance Law Firm of the Year (Monthly Finance – Global Awards 2014)
- Tax Law Firm of the Year in Ireland (Acquisition International 2014)
- European Transfer Pricing Firm of the Year (ITR European Tax Awards 2014)

### Recent directory commentary includes:

- "This team brings a wide range of skills to the table and the quality is consistently high across all of the lawyers. Once of the most conscientious firms I have dealt with." (Chambers Europe 2014)
- William Fry is "in the premier league" their "service cannot be faulted." (Legal 500 EMEA 2014)

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