WILLIAM FRY

M&A REVIEW 2015

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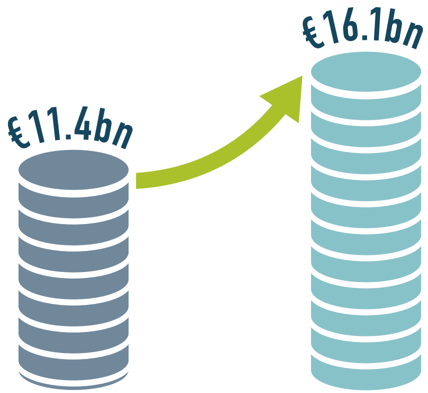
The combination of attractive Irish targets and keen investors seeking promising homes for capital underpinned a vibrant M&A scene last year and contributed to a rise in deal values.

KEY TRENDS IN IRISH M&A

M&A DEAL VALUE & VOLUME

Deal value in 2015 was **up 41%** on 2014 from **€11.4bn** to **€16.1bn***



*Figures exclude 2014's Medtronic/Covidien and 2015's Pfizer/Allergan deals – inclusive of these deals, deal value was up 316% from €45bn to €189bn

Deal volume in 2015 was down **13%** from **120** to **104** deals

OUTBOUND DEALS

THERE WERE **104** OUTBOUND DEALS IN 2015, ACCOUNTING FOR **50%** OF TOTAL DEAL VOLUME – THE **HIGHEST ON RECORD**

Ireland has the **highest proportion** of outbound M&A deals compared to European peers

50% Ireland   31% France   29% Germany   28% UK

PRIVATE EQUITY

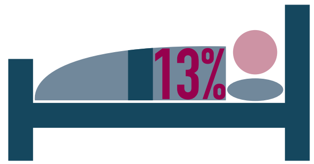
Deal value was **up** by **18%** from **€7.3bn** to **€8.5bn**

KEY SECTORS BY DEAL VOLUME

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

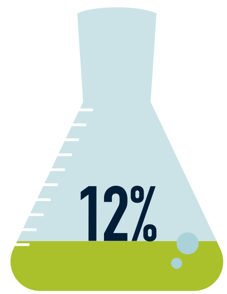
TELECOMS, MEDIA AND TECHNOLOGY

LEISURE



BUSINESS SERVICES

PHARMACEUTICALS, MEDICAL AND BIOTECH



FOREWORD

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Welcome to the fifth edition of the annual William Fry M&A Review, published in association with Mergermarket. In this edition, we examine the developments in Irish M&A during 2015 and look ahead to potential trends in the marketplace for 2016.

The 2014 M&A Review revealed how the Irish M&A market had a strong year after several conservative years. In 2014, M&A activity involving Irish targets rose 46% by volume year-on-year to 120 deals. In addition, 2014's deal value* of €45.3bn was the highest on Mergermarket record since 2000.

In 2015, this positive trend continued as the Irish economy enjoyed a second strong year and financing remained affordable and readily available, due in large part to the European Central Bank's (ECB) quantitative easing programme. In addition, the combination of attractive Irish targets and keen investors seeking promising homes for capital underpinned a vibrant M&A scene last year and contributed to a rise in deal values.

If we exclude the largest deals of 2015 and 2014 (Pfizer/Allergan and Medtronic/Covidien respectively), which evidence the strong performance in the pharmaceutical, medical and biotech (PMB) sector, then deal value in 2015 was up 41% on 2014 from €11.4bn to €16.1bn. Bohai Leasing's purchase of Avolon Holdings accounted for over a third of this total deal value (€6.5bn). The second biggest deal of the year was Activision Blizzard's purchase of King Digital Entertainment for €4.3bn.

In contrast to deal value, based on Mergermarket data, deal volume in 2015 was down 13% from 120 to 104 deals. Global M&A volume also experienced a decline in 2015, down almost 1% from 17,719 to 17,573 deals. Meanwhile, European M&A was down 2% to 6,507 deals from 6,667 deals in 2014, according to Mergermarket.

From a sectoral viewpoint, the technology, media and telecommunications (TMT) sector accounted for nearly a third (29%) of deals by volume in 2015. Dealmaking in this dynamic and fast-moving sector is undoubtedly being driven by the constant advances in technology. Convergence within the TMT space is creating new types of deals which capitalise on the velocity of change within the industry. The boom in fintech as a result of tighter regulation in the financial services sector is another important driver of activity.

*Irish M&A deal value and volume figures refer to transactions in which the target company's head office is in Ireland. Accordingly, domestic and inbound deals are included in Irish M&A figures while outbound deals are excluded.

Another sector of note in 2015 was business services, which made up 13% of all deals by volume in 2015, up from 6% in 2014, buoyed by four transactions involving consulting services companies.

Outbound activity was a further defining feature of Ireland's M&A narrative in 2015. Outbound deals in 2015 accounted for half of all M&A activity, up from 42% in 2014, and we expect to see this trend continuing in 2016.

In 2015, just over a third of Irish M&A activity related to inbound deals, representing a slight decrease in the level recorded for 2014. Notably, domestic deals have now dropped to their lowest level since 2010, accounting for only 15.9% of all M&A deals.

International indicators point to a more muted global economy in 2016. The turbulence in the Chinese economy, falling oil prices, equity market volatility and geopolitical security risks are certainly impacting on M&A activity and these macro-economic factors, as well as a potential Brexit, present challenges for dealmaking in Ireland. M&A activity in 2016 has started on a rather subdued note, as current uncertainties surrounding the global outlook threaten investor confidence and economic stability.

However, it is expected that, as the year progresses, market threats should be offset by Ireland's strong economic growth rates. The latest figures indicate that the Irish economy is forecast to grow by 4.5% and the ECB's quantitative easing programme will continue to stimulate lending and, in turn, encourage investment. As a consequence, the hope is that Irish M&A activity in 2016 should be robust enough to counter any headwinds.

Shane O'Donnell
Head of Corporate & M&A

OVERVIEW

M&A deal value reached an all-time high across the globe in 2015, increasing 48% on the previous year to €3.98tn. Ireland played an important role in global corporate deal making in 2015, driven in large part by our strong economic performance over the past couple of years. According to the European Commission, Ireland's economy grew by 5.2% in 2014 and a further 6.9% in 2015, the highest rise of GDP in the EU. This positive economic climate ensured that Ireland was an attractive destination for inbound M&A and has also strengthened the position of Irish corporates looking overseas in 2015.

In 2014, Ireland saw deal volumes and values return to strong levels. The most notable deal of that year was medical technology firm Medtronic's purchase of healthcare products company Covidien for €33.9bn. Similarly, in 2015, there was one particular deal monopolising the M&A headlines. This was US pharmaceutical giant Pfizer's ambitious €172.6bn bid for Botox maker Allergan, announced in November.

Discounting the two biggest transactions, Irish deal value in 2015 was up 41% on 2014, and deal volumes were down 13%. This trend for higher deal values but lower deal volumes is certainly not unique to Ireland and reflects an overall trend in the global M&A markets in 2015. In an Irish context, in the wake of enhanced access to capital, there was evidence generally of renewed market confidence. Trade buyers and investors used excess capital to pursue larger deals, with strong competition for high-quality, strategically important targets.

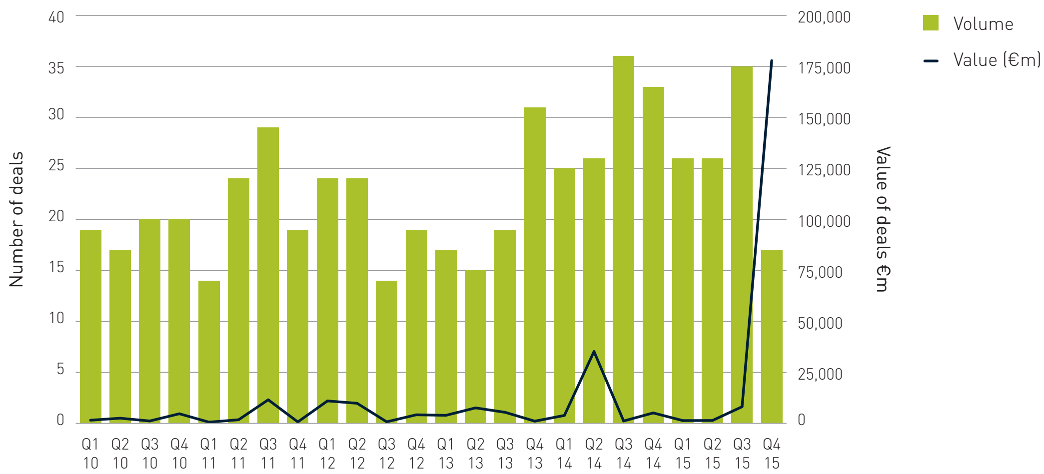
DEAL WATCH

Consolidation within the PMB sector continued to be a strong feature in the Irish M&A market in 2015. Irish-headquartered pharmaceutical companies Endo International, Shire and Mallinckrodt were all active in the M&A sphere, reflecting the focus for PMB companies on securing better returns for investors by acquiring important new drugs rather than relying on slower-paced in-house development. Including the Pfizer/Allergan deal, PMB deals accounted for 92% of all deals by value and 12% of all deals by volume in 2015.

The TMT sector also recorded a high level of M&A activity in 2015. Between 2008 and 2013, TMT deals constituted 18% of all deals as an average percentage volume. This rose incrementally to 21% in 2014 but significantly, in 2015, TMT represented nearly a third of all deals (29%).

Another important trend in 2015 was the re-emergence of the Irish corporate as an active acquirer of other high-performing businesses, both

M&A QUARTERLY TRENDS



within Ireland and overseas. This is in contrast to prior years, when private equity firms and international funds were to the forefront targeting distressed Irish assets. In August, bookmaker Paddy Power unveiled its €3.8bn plan to merge with UK-based rival Betfair. Meanwhile construction group CRH agreed to buy certain assets from European building materials companies Lafarge SA and Holcim for €6.5bn and also purchased US building products company CR Laurence for €1.1bn. CRH has commented that the assets from Larfarge and Holcim will support it in its goal of becoming the world's leading building materials company and the CR Laurence business will fit well with its own business supplying glass products to the North American glazing industry.

ECONOMIC AND FINANCING CLIMATE

Ireland's economy was given a significant boost by the European Central Bank's (ECB) €1.1tn quantitative easing programme which injected cash into the European banks and resulted in more favourable borrowing conditions. In addition, with quantitative easing depressing the value of the euro and Ireland's major trading partners, the US and the UK, recording healthy economic growth, Ireland's exporters had a particularly prosperous year in 2015. Ireland is an innovative and open economy where exports account for more than 80% of GNP: strong export levels together with healthy growth figures generally translate into buoyancy in the M&A market.

In addition to increased liquidity in the financial markets, Ireland continues to attract capital from other sources including debt financiers and private equity houses. The corporate bond markets have also been another good source of funds – for example, energy group ESB raised €500m with a 12-year bond priced at 2.125% in May 2015. In general, in 2015, there were more varied financing options available for funding transactions in Ireland at competitive rates. Debt funding is likely to continue to be an attractive source of finance for potential bidders in 2016, reflecting the ongoing availability of credit and the willingness of debt providers to extend credit to fund sound investment decisions.

An important trend in 2015 was the re-emergence of the Irish corporate as an active acquirer of other high-performing businesses, both within Ireland and overseas.

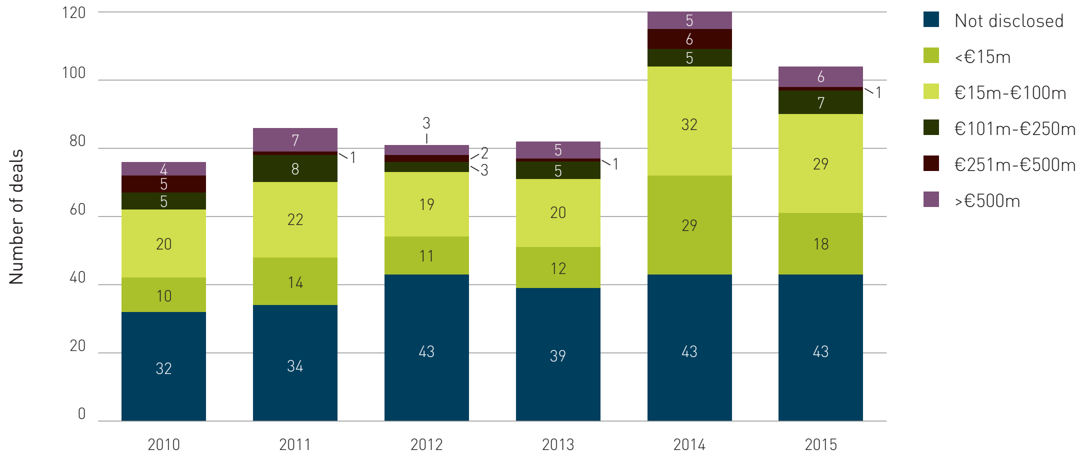
STRONG MID-MARKET PERFORMANCE

Deals at the mid-market level remained steady in 2015. There were 36 deals valued at between €15m and €250m. In contrast, there were significantly fewer deals at the lower end of the market – some 18 deals worth €15m or less in 2015 compared with 29 such deals in 2014.

These figures are further evidence of the position of mid-market companies as the consistent drivers of M&A activity in Ireland. These companies have usually reached a size where they either have the appetite and the funding capacity to grow their business by making bolt-on acquisitions or they have become attractive targets for acquirers seeking to add strategic value to their businesses. Interestingly, the activity at this level would also seem to indicate that the issue of scalability continues to impact Irish businesses who tend to exit at the mid-market level.

Some of the more interesting mid-market deals in 2015 included a consortium of investors (among them the Aga Khan) investing €65m for a 66.66% share of Curragh Racecourse joint venture with The Turf Club, the Dutch Infrastructure Fund's purchase of an increased stake in Eurolink Motorway Operation for €61m and food ingredient manufacturer Kerry Group's purchase of a 50% stake in LCK Nutrition for €23m.

M&A SPLIT BY DEAL SIZE



SECTOR ACTIVITY

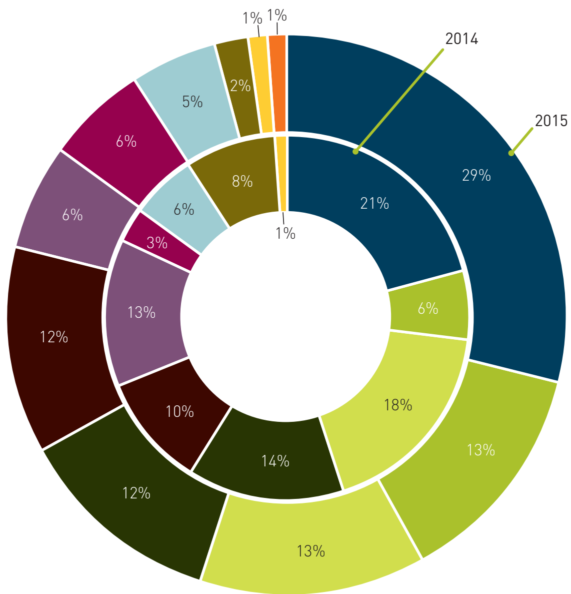
It is clear that PMB and TMT both had a strong performance in 2015. In addition, the volume of deals in the business services sector increased significantly year-on-year and, as this sector encompasses a range of people-orientated businesses, its growth is a positive indicator for the Irish jobs market. The Irish-domiciled insurance brokering giant Willis Group and financial management services provider Towers Watson merged into a €16bn global advisory, broking and solutions company Willis Towers Watson PLC. Commenting on the deal, Dominic Casserley CEO of the Willis Group said, "The combination fast-tracks each company's growth strategy and offers a truly compelling value proposition to our clients."

While leisure was one of the big M&A stories in last year's M&A Review and still maintains a respectable share of all deal volumes (13%), its share has dropped from 18% in 2014. Early 2015 saw the acquisition of Jurys Inn by private equity fund Lone Star in a deal worth over €900m. This was followed by other notable hotel transactions within the sector including the sale of Adare Manor to the McManus family for €30m, the purchase of Dawson Hotel by real estate investment company Tetrarch Capital for €18m and the purchase of the Castlemartyr Resort in Cork by British businessman and hotelier Martin Shaw for close to €14m. There now appears to be a period of consolidation in the leisure industry with hotel groups focusing on absorbing new acquisitions and driving efficiencies.

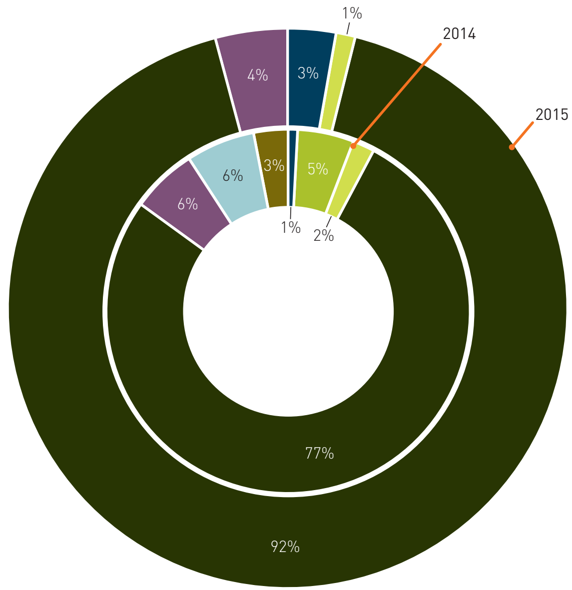
2015 was also a notable year in the property sector in Ireland with particularly strong levels of investment in commercial property. In addition to the steady supply of assets coming on to the market, there were also approximately €11bn of loan sales conducted including the much-publicised sale of the Project Jewel portfolio of loans by NAMA.

The revival in fortunes of the Irish property sector resulted in key construction industry players playing a significant role on the Irish M&A scene last year. The increase in deal volume from 3% to 6% in construction deals is an interesting development particularly since 2015 saw the highest volume of construction sector deals since 2007. Over 500 construction projects were commenced in Ireland in 2015, with €1.4bn reserved for industrial projects, €3.7bn due to be spent on commercial, retail and hospitality projects and a further €1.4bn earmarked for residential projects.

SECTOR SPLIT BY VOLUME



SECTOR SPLITS BY VALUE



Key for above two charts:

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

It is expected that recovery within the construction and property sector will continue throughout 2016 with the likelihood of secondary buy-outs from further loan portfolio disposals.

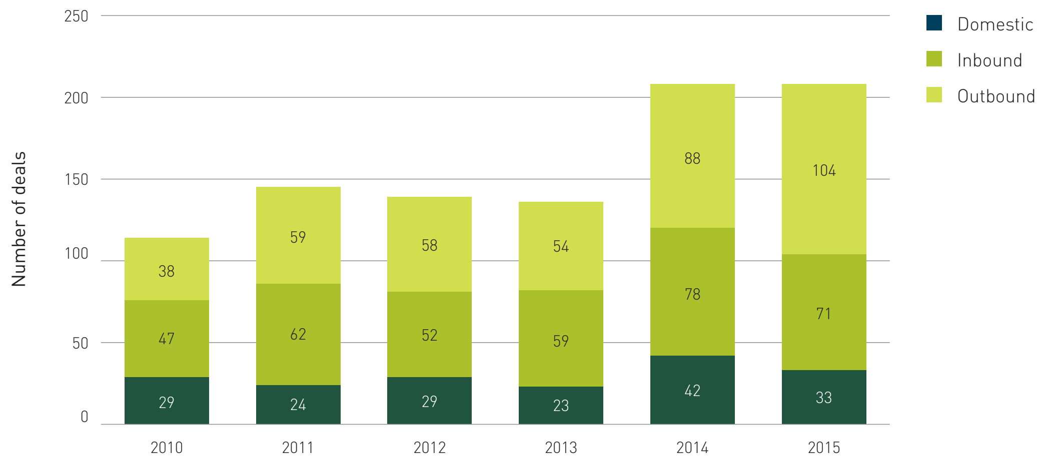
M&A BREAKDOWN: INBOUND ACTIVITY

The renewed confidence of Irish companies, particularly exporters, is evident from the increase in outbound M&A which was an important characteristic of the market in 2015.

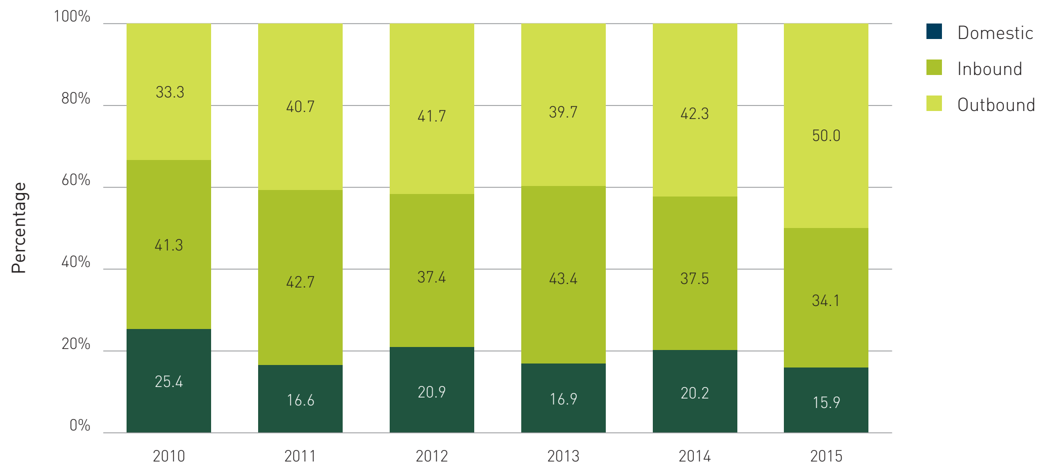
Meanwhile, although the percentage of inbound deals has decreased year-on-year, inbound M&A continued to be responsible for the biggest deals with nine out of the 10 largest deals by value in 2015 involving foreign bidders – four from the US, three from Europe and two from Asia-Pacific. After the Pfizer deal, the largest inbound deal of 2015 was the €6.5bn takeover of Irish aircraft leasing company Avolon Holdings by China's Bohai Leasing. Commenting on the deal, Chris Jin, chief executive of Bohai, remarked that Avolon had grown remarkably over the past five years and was a strong complement to Bohai's existing investment in the aircraft leasing sector.

A further transaction making the top 10 inbound deals of 2015 was Mitsubishi UFJ Financial Group's takeover of UBS Global Asset Management (Alternative Fund Services business) for €215m. One of the attractions of the target for Mitsubishi is understood to be that it is a fee-earning business, which will help to offset the effect of low interest rates on lending income in Japan.

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



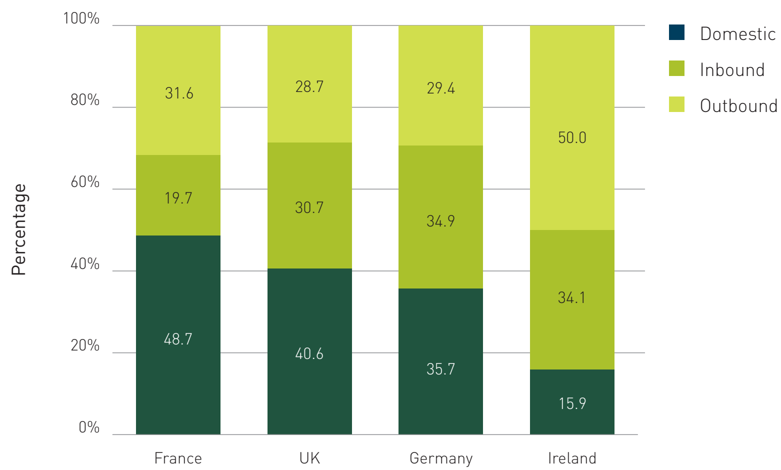
PROPORTION OF DOMESTIC, INBOUND AND OUTBOUND M&A



Another notable inbound deal was the takeover of Aer Lingus which completed in mid-August following the approval of the major shareholders in the airline, including the Government, of IAG's bid of €2.50 a share.

The percentage of inbound deals in 2015 was 34.1%, compared with 37.5% in 2014 while the percentage of domestic deals in 2015 was 15.9%, down from 20.2% in 2014 and at its lowest level percentage-wise in five years.

PROPORTION OF DOMESTIC, INBOUND AND OUTBOUND M&A BY COUNTRY



TOP 10 OUTBOUND M&A DEALS, 2015

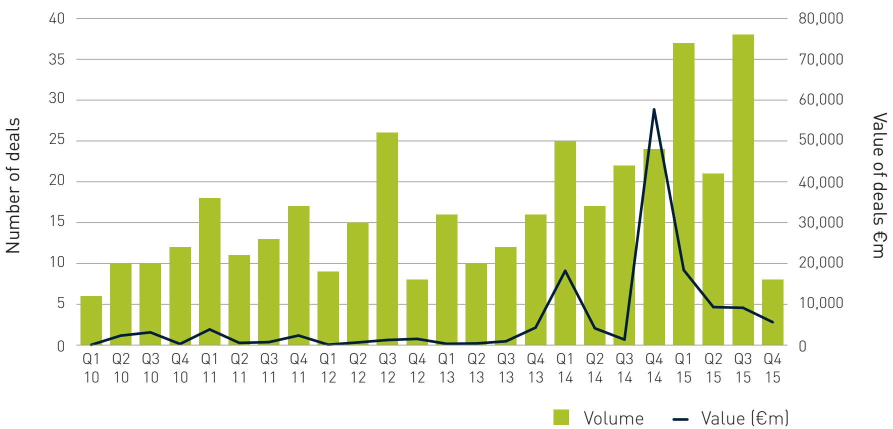
Announced Date	Target Company	Target Sector	Target Country	Bidder Company	Deal Value (€m)
18/05/2015	Par Pharmaceutical Holdings, Inc	Medical: Pharmaceuticals	USA	Endo International plc	7,142
02/02/2015	Holcim Ltd and Lafarge SA (Certain assets)	Construction	France	CRH Plc	6,500
02/11/2015	Dyax Corp	Biotechnology	USA	Shire Plc	4,678
11/01/2015	NPS Pharmaceuticals, Inc	Medical: Pharmaceuticals	USA	Shire Plc	4,191
08/09/2015	Betfair Group Plc	Leisure	United Kingdom	Paddy Power Plc	3,802
09/01/2015	Catlin Group Limited	Financial Services	Bermuda	XL Group plc	3,321
05/03/2015	Ikaria, Inc	Medical: Pharmaceuticals	USA	Mallinckrodt plc	2,081
17/06/2015	Kythera Biopharmaceuticals, Inc	Medical: Pharmaceuticals	USA	Allergan plc	1,606
10/08/2015	Therakos, Inc.	Biotechnology	USA	Mallinckrodt plc	1,209
27/08/2015	C R Laurence Co, Inc	Construction	USA	CRH Plc	1,135

TOP 10 INBOUND M&A DEALS, 2015

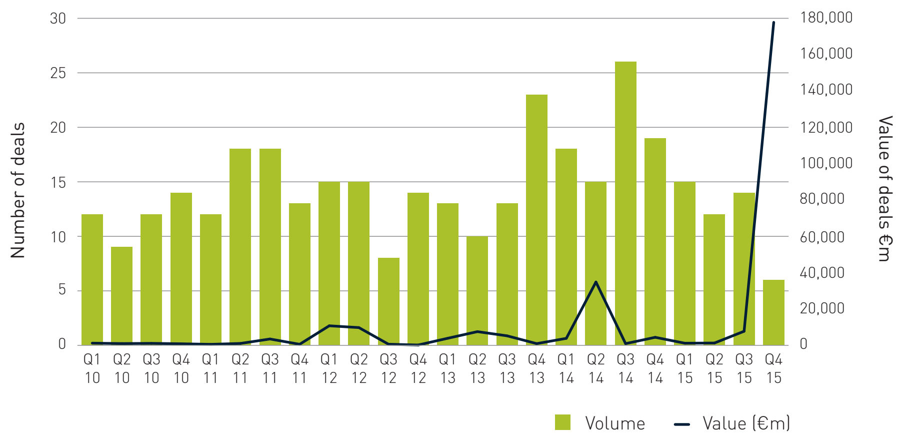
Announced Date	Target Company	Target Sector	Target Country	Bidder Company	Deal Value (€m)
23/11/2015	Allergan plc	Medical: Pharmaceuticals	USA	Pfizer Inc	172,639
03/09/2015	Avolon Holdings Limited	Financial Services	China	Bohai Leasing Co Ltd	6,519
02/11/2015	King Digital Entertainment Plc	Computer software	USA	Activision Blizzard Inc	5,300 (Mergermarket deal value 4,326*)
26/05/2015	Aer Lingus Plc	Transportation	United Kingdom	International Consolidated Airlines Group, SA	1,362 (Mergermarket deal value 817*)
26/01/2015	Jurys Inns Group Limited	Leisure	USA	Lone Star Funds	911
23/11/2015	Fintrax Group Holdings, Ltd.	Services (other)	France	Eurazeo SA	585
18/09/2015	MASTA Limited; United Drug Supply Chain Services; and Temperature Controlled Pharmaceuticals Ltd	Medical: Pharmaceuticals	USA	McKesson Corporation	408
27/07/2015	Mallinckrodt plc (Urology, contrast media and delivery systems imaging business)	Medical	France	Guerbet SA	246
18/06/2015	UBS Global Asset Management (Alternative Fund Services business)	Financial Services	Japan	Mitsubishi UFJ Financial Group, Inc	215
19/10/2015	UTV Television	Media	United Kingdom	ITV Plc	134

*Mergermarket calculates its deal value by deducting the net cash in the target company from the consideration paid

OUTBOUND M&A TRENDS BY QUARTER



INBOUND M&A TRENDS BY QUARTER



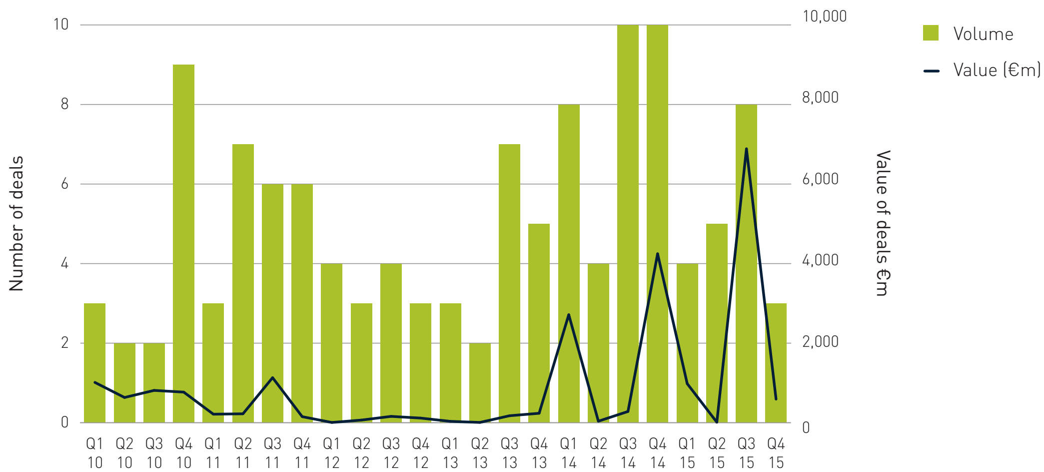
The renewed confidence of Irish companies, particularly exporters, is evident from the increase in outbound M&A.

PRIVATE EQUITY

In 2014, private equity was one of the big stories in Irish M&A as investors seized on the economic recovery to exit from existing investments and target new strong performers. Private equity deals in 2014 numbered 32, compared with 17 in 2013. Meanwhile, private equity deal value increased sixteenfold from €454m in 2013 to €7.3bn in 2014.

In contrast, private equity investors were less active in 2015, having involvement in 20 deals, a year-on-year decrease of 37%. It is clear that while financial investors are focused on making important strategic investments, they are competing with cash-rich corporates for the best targets. The increase in private equity deal value from €7.3bn to €8.5bn is further evidence of this trend.

PRIVATE EQUITY DEALS



In addition to encountering greater competition from corporate buyers, arguably the lower levels of financial investor activity in 2015 is reflective of the focus for private equity firms on delivering strong returns for their investor base, based on attractive deal values.

There was evidence of buyout firms' involvement in a number of interesting disposals in 2015, including Exponent Private Equity's €585m disposal of payment services group Fintrax to French investment company Eurazeo. Duke Street was also active on the market, selling its controlling stake in consumer payments provider Payzone Ireland, followed by the sale of home care provider, Baywater Healthcare to Air Liquide. We expect private equity firms and international funds invested in Ireland to be active sellers of assets in 2016 and, to a somewhat lesser extent, to continue to target acquisitions. The domestic private equity funds in particular are likely to continue to seize opportunities to buy assets matching their sectoral expertise.

TMT continues to be an area of significant interest to sponsor firms due to a combination of the strong growth of the sector and its potential to offer good future returns. In addition, assets in the infrastructure and energy sector may pique the interest of some private equity funds. Infrastructure and energy are expected to be areas of significant activity in the short term supported by the EU's Juncker Plan, which aims to stimulate growth in the European economy and jobs market through investment in infrastructure projects such as broadband and energy networks. The EU has reserved €315bn for investment in the plan over a three-year period commencing in 2015.

CHALLENGES IN THE GLOBAL MARKET

Early 2016 will present a number of challenges for the Irish M&A landscape, in particular due to macro-economic conditions. At a European level, there have been varying degrees of recovery from the financial crisis and many countries within the Eurozone continue to wrestle with sovereign debt issues. The market turmoil which accompanied the Greek bailout discussions in summer 2015 was proof that confidence remains fragile and it is clear that dealmaking remains susceptible to market factors.

December saw the release of yearly figures indicating the lowest annual growth in a quarter of a century for the Chinese economy, as it transitions from being reliant on manufacturing and investment to services and consumption. The International Monetary Fund (IMF) cut its global growth forecasts to 3.4% in 2016 and 3.6% in 2017, citing this sharp slowdown in Chinese trade among other factors.

In addition, rising US interest rates over the next year may precipitate increased strain on emerging markets. Meanwhile, weak global manufacturing production and trade together with tumbling commodities prices are further contributing to an unsettled economic picture for 2016.

Irish businesses will be acutely cognisant of this wider market volatility and of the impact which significant international developments will have on the Irish M&A market. However, despite the more pessimistic global outlook, many advanced economies continue to have positive financial conditions. In particular, commentators expect economic activity in the US to be resilient over the coming year and the IMF expects strengthening of private consumption in the Eurozone together with low oil prices and positive financial conditions to eclipse the effects of weakening net exports.

To sustain its attractiveness as a destination for foreign capital, Ireland needs to be resolutely focused on maximising its competitiveness and it will be incumbent upon the new Government to ensure conditions remain favourable and attractive to external investors and acquirers.

An additional challenge for acquirers will be targeting the right assets at the right price. With deal values nudging upwards on the back of abundant liquidity and corporates, and buyout firms competing fiercely for businesses, there is a risk of overheating in the market, which threatens the ability of acquirers to maximise the benefits and efficiencies of an acquisition. Acquirers can avoid this by ensuring that they have a firm strategic rationale for the transaction and by completing a rigorous and comprehensive commercial due diligence.

> To sustain its attractiveness as a destination for foreign capital, Ireland needs to be resolutely focused on maximising its competitiveness – the new Government must ensure conditions remain favourable and attractive to external investors and acquirers.

DEAL FOCUS: **PFIZER ENTRY INTO EUROPEAN M&A MARKET**

Some 18 months after its bid for UK rival AstraZeneca, US pharmaceutical giant Pfizer hit the front pages again when it announced that it was acquiring Allergan, the Dublin-headquartered maker of Botox wrinkle treatment (which merged with Actavis, earlier in 2015) for €172.6bn.

Pfizer's apparent determination to pull off a mega-merger with a European business yielded a positive result. While US politicians were critical of Pfizer's move, CEO Ian Read has outlined that the move gave the company a stronger competitive advantage.

For Allergan, the deal will mean that its products, including Botox as well as the Alzheimer's drug Namenda and the dry-eye medication Restasis, will have access to approximately 70 additional markets. According to predictions from Allergan and Pfizer, the merger will increase earnings per share by 10%, excluding special items, in 2019.

Given the level of consolidation within the PMB sphere, there is a market view that many of the most obvious strategic alliances in this sector have now taken place. There is an expectation that parent PMB companies will begin to examine opportunities for spin-offs and de-mergers in 2016 as companies will be keen to deliver payoff to shareholders on the back of their initial investments.

Pfizer's apparent determination to pull off a mega-merger with a European business yielded a positive result.

TMT IN THE SPOTLIGHT

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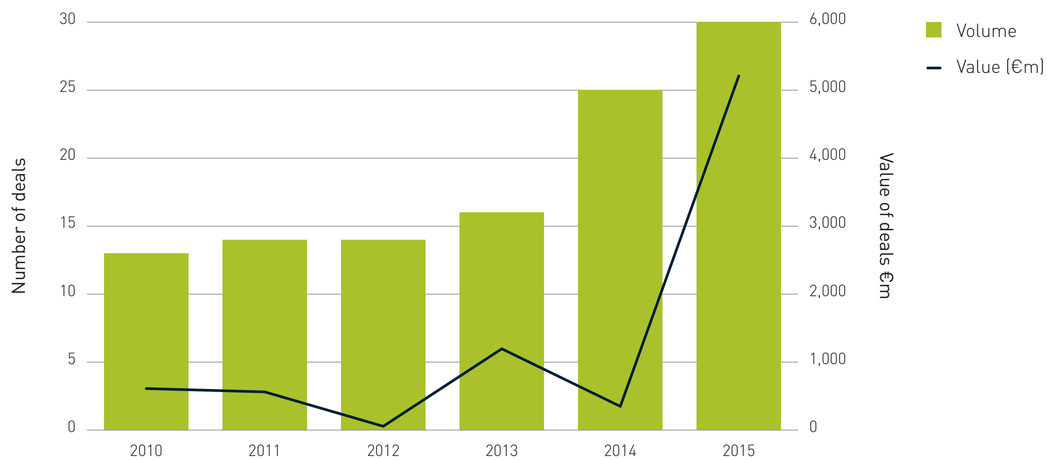
Dealmaking momentum within the TMT sector continued in 2015 with TMT remaining the biggest Irish M&A sector by volume. In total, TMT was responsible for nearly a third (29%) of deals last year, up from 21% in 2014. Frequently, acquirers are multinationals interested in buying niche Irish companies which can serve as strategic bolt-ons, according to William Fry partner Andrew McIntyre.

The interest surrounding the TMT sector is closely linked to the technological revolution and the heavy reliance that even the most traditional sectors now have on technology. The potential growth of companies within this sector is vast. Over four billion people, more than half the world's population, are expected to be internet users by 2020, according to the United Nations' Broadband Commission. Furthermore, there will be 6.1 billion smartphone users globally in 2020, up from 2.6 billion in 2014, according to TMT company Ericsson.

Unsurprisingly, activity in the TMT M&A space is largely driven by transactions with values of €50m – €100m. The targets are often venture-backed technology companies with venture capitalists aiming to exit and realise strong returns for their

TMT M&A TRENDS BY YEAR



limited partners on the back of a track record of sustainable earnings. Acquirers are frequently using an acquisition strategy to target new market entry, increased market share and/or access to valuable industry insight which can afford a competitive advantage. Music streaming company Spotify's recent acquisition of the Irish mobile music discovery app Soundwave is a good example of this trend. The acquisition will give Spotify an opportunity to incorporate talented and like-minded people into its team, while simultaneously bolstering its own product on the music discovery front.

A further example of this phenomenon is the sale of social games company King Digital Entertainment. The €4.3bn deal, announced in November 2015, and which completed in February 2016, involved UK-based private equity firm Apax Partners selling to US interactive entertainment group Activision Blizzard. The acquiring company said in a statement, "The addition of King's highly-complementary business will position Activision Blizzard as a global leader in interactive entertainment across mobile, console and PC platforms, and positions the company for future growth."

There is ample evidence of private equity's focus on Irish TMT businesses including the investments which regulatory software firm Fenergo attracted from Aquiline Capital Partners and Insight Venture Partners, and the investment in payment firm CurrencyFair by Octopus Investments. According to William Fry partner Myra Garrett, these deals demonstrate that private equity firms see the potential for good returns in the buoyant Irish fintech sector, as regulatory interventions continue to require financial institutions to invest in new and innovative technologies.

An important trend seen in the Irish TMT sector over the past few years is the propensity for private equity firms to sell out to larger private equity firms who in turn engage in efficient roll-up strategies, targeting small companies operating within the same market with the aim of reducing costs through economies of scale.

Given the pace of technological change, TMT is likely to be an area of considerable M&A activity for the foreseeable future, with private equity firms and multinationals competing to secure the Irish tech businesses with the brightest prospects.

Private equity firms see the potential for good returns on the burgeoning financial technology scene, as regulatory interventions continue to require financial institutions to invest in new and innovative technologies.

IRISH OVERSEAS AMBITIONS

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2015 saw Irish outbound M&A reach its highest level since 2010 accounting for half of the total Irish M&A activity. This was a continuation of a trend highlighted in last year's report: 2014 marked a shift in Irish M&A dealmaking with outbound activity overtaking both inbound and domestic M&A for the first time. Undoubtedly, the significant strengthening of Ireland's economy in 2015 has facilitated this growth and has increasingly led Irish businesses overseas for acquisition targets, says Ken Casey, William Fry partner.

Interestingly, a recent survey of CEOs conducted by PwC found a drop in confidence about the global economy. However, half of M&A deals involving Irish companies for the year were outbound, compared with 28% in the UK, 31% in France and 29% in Germany.

Life sciences dominated Irish outbound M&A by value with six of the biggest deals taking place in the PMB or TMT sectors. Pharmaceutical giant Shire announced two major purchases – biopharmaceutical company Dyax Corp for €4.7bn and NPS Pharmaceuticals for €4.2bn. Mallinckrodt plc was also active within the PMB sector, acquiring Ikaria Inc., and Therakos Inc. The remainder of the top 10 outbound deals were in the construction, leisure and financial services sectors.

Activity in the leisure and financial services sectors remained steady. Paddy Power's merger with fellow bookmaker, UK-based Betfair, will create one of the world's largest online gambling businesses, with over 7,000 staff and more than €1.6bn in sales. The combined group, which will be called Paddy Power Betfair, will be headquartered in Dublin. Paddy Power shareholders will own 52% of the combined business with Betfair investors owning the rest. Betfair chairman Gerald Corbett said that the deal made "huge strategic sense".

Insurance company XL selected a target in one of 2015's more unusual locations when it bought Bermuda-based specialty insurance and reinsurance company Catlin for €3.3bn. Explaining the rationale for the purchase, XL CEO Mike McGavick emphasised Catlin's strategic importance, saying the acquisition would enable the company to "provide more – and even better – answers for the world's most complex risks while enhancing our opportunities to create value for shareholders and better serve clients and brokers".

Another notable transaction included the €202m acquisition by Glanbia of Thinkthin, a US firm specialising in protein bars. According to its latest half-year results, performance nutrition accounted for 38% of total earnings, eclipsing its ingredients division for the first time. This deal is expected to be earnings accretive for Glanbia in 2016 and represents a strong and strategic addition to the group's portfolio of market-leading nutrition brands.

While 2015 was generally a strong year for Irish outbound M&A, there was a drop-off in deals in the fourth quarter of the year, which echoed the trend in M&A globally, most likely linked to the notable market volatility in summer 2015. Building on the further economic growth expected in Ireland, it is likely that outbound activity will continue to be a key feature of the M&A narrative of 2016. Confidence within the boardrooms will see Irish companies continuing to focus their efforts on seeking attractive overseas targets in order to increase their market share, improve revenues and reduce costs, according to William Fry partner David Fitzgibbon.

OUTLOOK FOR 2016

Global macro-economic developments are undoubtedly impacting on the early pace of dealmaking in 2016. The continued slowdown of Chinese growth has rattled the markets over the past six months and heavily impacted those businesses and countries relying on supplying commodities to China.

In December 2015, Christine Lagarde, managing director of the IMF, predicted that global economic growth would be disappointing and uneven in 2016 and she also commented that the outlook for the medium term had deteriorated due to low productivity, ageing populations and the effects of the global financial crisis dampening growth. If global confidence is faltering, it will certainly impact on the number of blockbuster deals such as those which have made headlines over the past couple of years.

In addition, the possibility of Britain leaving the EU would certainly have consequences for many European economies and, in particular, Ireland. In the short term, the uncertainty surrounding Britain's EU membership could result in currency instability.

Yet despite these challenges, assuming some stabilisation in global market conditions, certain economic factors will most likely work in Ireland's favour in 2016 resulting in stronger levels of M&A activity in Ireland as the year progresses.

With the anticipation of further growth in the Irish economy, domestic and international companies and investors will be seeking to build on the continued confidence in the market in seeking out valued acquisitions. Irish businesses will continue to be attractive to acquirers from the US and Europe. Assuming some stabilisation in the Chinese market, it is also likely that we will continue to see Asian buyers making strategic acquisitions in Ireland in sectors of interest such as aircraft leasing, asset management and financial services, and food and food technology.

Further, it is hoped the effect of the uncertainty regarding a Brexit on Irish trade should be capable of being managed, and in particular the referendum in June 2016 should allieviate the impact of currency instability.

The European Commission has forecast that the Irish economy will grow a further 4.5% in 2016 and that the euro area in general will continue its recovery by growing 1.7%. Furthermore, the extension of the ECB's quantitative easing programme should continue to ensure more cost-efficient access to capital, and in turn create more attractive dealmaking conditions.

Besides benefitting from positive growth predictions and the continuation of quantitative easing, Ireland also has a competitive economy with some particularly buoyant sectors including financial services, PMB and TMT. Businesses in these sectors will be under pressure to grow and generate good returns and we also expect to see an increase in energy-related activity in response to the pressure exerted by low oil prices.

While mindful of the impact of global developments, the hope is that strong consumer sentiment and the ready availability of finance will drive activity in the Irish M&A space over the course of 2016. In particular, companies in the sectoral strongholds with accumulated cash reserves and strong balance sheets are likely to be of particular interest to international investors and to sustain a healthy M&A market for 2016.

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 31/12/2015, 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 sectors.

With a staff of over 450, 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:

- Irish Law Firm of the Year – Chambers Europe Awards 2015
- Ireland's most innovative law firm and the sixth most innovative European law firm (non-UK) – Financial Times Innovative Lawyers Report 2015
- Reverse Merger and Redomiciliation Deal of the Year; IPO Deal of the Year; Equity Capital Markets Deal of the Year; and MBO Deal of the Year – Finance Dublin Deals of the Year 2015
- Mergers & Acquisitions Law Firm of the Year – Ireland – Lawyers Worldwide Awards 2015
- Most Outstanding Corporate Law Firm – Ireland – M&A Awards 2015 Corporate LiveWire
- Corporate Finance Law Firm of the Year – Ireland – 2015 Corporate Intl Magazine Legal Awards
- Leading Client Care Law Firm of the Year – Ireland – ACQ Global Awards 2015

Recent rankings include:

- Number one law firm for Irish M&A deal volume in two of the last three years.
- Consistently ranked in tier one by all legal directories – Chambers Global, Legal 500 EMEA and IFLR1000.

Recent directory commentary includes:

- "The legal advice is always given in a digestible, user-friendly format, and the team understands market practices well, not just in Ireland but internationally. It is sophisticated in what it does." – Chambers Europe 2015
- William Fry's team has "tremendous industry knowledge and experience." – Legal 500 EMEA 2015

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