



Justin McKenna



Neil Keenan



Helen Higgins Whelan

Celtic Tigers

The Irish market is busy with a strong deal pipeline, bolstered by foreign investment and a stable economic environment. ACQ's Phil Grainger speaks to the Irish experts for their view on the market, and what they expect for the rest of the year.

Neil Keenan is a partner at Lavery Kirby Gilmartin, specialising in corporate and commercial work.

"Lavery Kirby Gilmartin is a commercially focused practice located on the south side of Dublin. Although we provide a full range of services, we specialise in corporate and commercial law and particularly M&A and other corporate transactions, banking, project finance (particularly in the renewable energy sector) and commercial property. We provide corporate advice to clients in all industry sectors but we have a particular interest and experience in the renewable energy, information technology and healthcare sectors and have a number of clients in these sectors.

"We had a busy year in 2007 and activity levels were reasonably buoyant in that year particularly on M&A and commercial property. We would like to mention in particular our work for Airtricity, an Irish headquartered wind energy company. We acted for them on their disposal of their North American operations in late 2007 which led on to the sale of the balance of their business in early 2008 to Scottish and Southern Energy Plc, the largest corporate deal so far this year in Ireland.

"M&A seems to have been quite buoyant in the information technology sectors with a number of notable deals, for instance Intel's acquisition of computer game company Havok for \$110m and there is good activity in the renewable energy sector with some smaller wind power operators having been sold as well as Airtricity.

"We have experienced a fairly sharp correction particularly with house prices starting to drop in 2007 and a steep reduction in construction activity. Having said that

in 2007 we did retain a good level of growth in our economy compared to neighbouring economies.

"We have had a very busy first quarter this year, particularly given our involvement in the Airtricity sale mentioned above which closed in February. While there has been some fall off in activity in the residential property market and in real estate related transactions, other commercial activity is remaining strong and there is an increase in corporate recovery and commercial litigation related activity.

"One notable feature over the last 12 months or so has been the interest among Irish companies in acquiring businesses and assets abroad particularly in the UK and the US where it is perceived that there is now value because of exchange rate fluctuations. Irish businesses are also looking further afield to places like China for opportunities.

"The credit crunch has undoubtedly affected business, bank funding is becoming more expensive and more difficult to get, the banks are taking a more detailed approach to due diligence and increasingly looking for personal guarantees or other security where they mightn't have insisted on this before. This makes establishing or expanding a business, whether organically or through acquisition all the more challenging.

"I think the property market will probably remain quiet for the rest of the year. I think mergers and acquisitions activity should remain relatively strong particularly among businesses who are finding conditions difficult and may be targeted by a larger competitor or who see benefits in synergies and cost sharing through merging with another company."

Helen H. Whelan is the head of the Corporate Law Department at O'Rourke Reid.

"We provide a bespoke and comprehensive multi-disciplinary service to our clients. Our main markets are in property, banking and insurance. We carried out a number of customised transactions during the course of 2007 representing mixed consortia including high net worth individuals and corporate investments. We have

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just opened a new 25,000 sq ft state of the art office in Leeds and in 2007 we opened a new office in Belfast. These developments will allow us to augment the high level of customer service that we provide to our clients in both the UK and Ireland.

"The Services Sector in Ireland grew by 18% in 2007. The Irish Services Sector represents approximately 4% of global service industry and earned €64bn in 2007. Activity is widespread but as always, the UK and Europe provide the greatest market opportunities given the broadly similar structures between Ireland and its European partners.

"The slowdown, particularly in the property and related sectors, started in Ireland in Q3. However the Irish economy continued to grow during 2006/07 although at a slower pace than during the boom "Celtic Tiger" years.

"Q1 started slowly but the pace of activity picked up well in February/March. We anticipate that activity will match 2007 with a probability of some growth towards the second half of the year when people will have had time to assess the effects of the credit crunch in their businesses.

"Businesses are reviewing acquisitions made during the boom years and looking to consolidate their core activities. We see these reviews creating ideal opportunities for management buyouts and hive outs of non-core activities.

"There has been an affect on business but in my opinion, there maybe a silver lining for Irish businesses. As I said earlier, the Irish slowdown particularly in property and related sectors started about a year before the credit crunch. Irish investors liquidated assets and therefore have cash available if they see an appropriate opportunity. The early start to the slowdown here means that many Irish investors are ahead of the curve in terms of reviewing financing arrangements. They have finished these reviews and are ready to go back into the market when the right transaction presents itself.

"The recent announcement of an agreement between the Finance Ministers of both Governments North and South in Ireland, allows financial services firms in the Republic to share the financial services sector boom by setting up back office operations in the North. There are currently around 9,000 job vacancies in the financial services sector here and over the next three to five years we anticipate strong growth in this sector in Northern Ireland. With offices in Dublin, Leeds and Belfast all in strong or growing financial services markets, this is where we see growth from our clients."

Justin McKenna is a corporate partner at Mason Hayes.

"2007 has been an exceptional year in terms of growth in activity, turnover and staff. On the corporate side, we represented Origin Enterprises in its IPO and AIM/IEX introduction – the only significant IPO in Ireland last year,

we represented Kerry Group in its purchase of Breeo Foods Treasury Holdings in its sale of its wind energy division to Viridian, Quinn group in its acquisition of BUPA and two signature deals with a real estate element, the Ballymore bond issue and Alburn acquisition of units in the Square in Tallaght.

"The energy and financial services sectors have been particularly active, although levels of business in every single sector in which we are active did not start to level of (as opposed to decline) until the end of 2007. Any decline in corporate transactional activity was experienced I'd say only by firms whose transactional practice has heavily weighted by real estate deals, which wouldn't include us.

"In comparison to the UK, our stock market and domestic construction sector took a hammering and like the UK, certain types of activity have diminished (debt capital markets work for example). Unlike the UK, Irish banks haven't had any significant write-downs but as with all banks over the world, there has been some evidence of tightening of credit. Tax revenues are down, particularly those based on property transactions and there is a definite slowdown in growth generally which will feed into all sectors.

"In Q1 2008, deals are a little slower and a little less plentiful, but we have been running at full speed to the point of death by exhaustion for about two to three years so a little moderation is actually welcome.

"We are watching the relocation of enterprises from the UK to Ireland on account of the more beneficial tax regime closely. Obviously, property based transactions are much less frequent and the tightening credit criteria has also been influenced by a decreasing willingness of banks to take property as security.

"The credit crunch has affected business in Ireland. In one transaction, by way of example only, the lending bank for a projected second phase requiring over €500m indicated that they were happy to do the deal but couldn't be certain of selling part of the debt down and would have to assume that it would be kept on their own books – and this would have an impact on pricing. For the right deal (e.g. a cashflow based deal) with the right buyer, there is still ample credit available, but the more marginal ones are slower to be funded and all deals are taking a bit longer to land.

"Until the current crop of international bank balance sheet propping up exercises washes through the system and banks' confidence in the extent of each others' balance sheet exposure to overleveraged products has been restored, which in my view will take into 2009, I don't think we will see a return to anything like the headlong rush of the last few years. However, the rationale for good strategic acquisitions and disposals (particularly management led deals) has not disappeared suddenly in a Death of the Celtic Tiger implosion gleefully predicted by some and we have a reasonably good pipeline for 2008." **ACQ**

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