

Ireland's M&A market in 2019 has been dominated by Takeda's \$60bn acquisition of Shire, in the pharmaceutical sector. In the absence of new landmark deals, we expect total M&A around \$7.8bn in 2020, assuming an "orderly" Brexit process. But the near-term path for the Irish economy depends crucially on how Brexit pans out and a "no-deal" scenario constitutes a significant downside risk to our forecast.

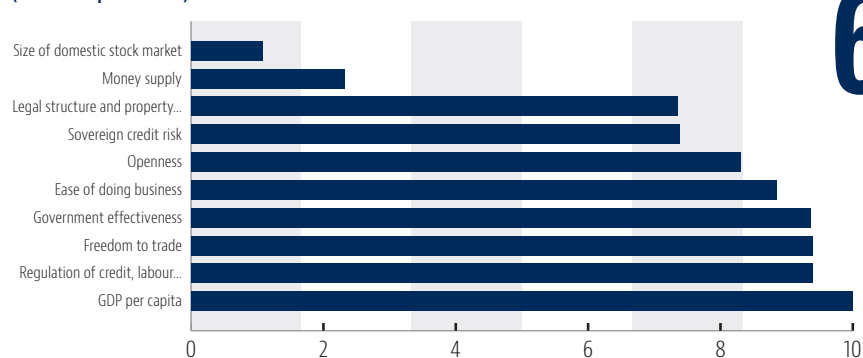
SUMMARY OF KEY DRIVERS (AVERAGE 2019-2022)

| | Ireland | Global |
|---|---------|--------|
| GDP growth (% annual) | 2.6 | 2.8 |
| Stock market capitalization (% of GDP) | 34 | 97 |
| Money supply (% of GDP) | 73 | 111 |
| Trade (% of GDP) | 111 | 45 |
| Ease of doing business (World Bank, DTF score, higher=better) | 79 | 77 |
| Legal structure (Fraser Institute) | 73 | 6.6 |
| Freedom to trade (Fraser Institute) | 94 | 74 |

Source: Oxford Economics

IRELAND – TRANSACTION ATTRACTIVENESS INDICATOR (10 = best performer)

Overall score
6.8



Source: Oxford Economics

The Transaction Attractiveness Indicator is an overall score calculated using a weighted average of the 10 factors included in the chart above. The score reflects the attractiveness of a country's current environment for M&A and IPO activity on a scale from 0 to 10. It's based on past transaction activity in that country and data on key economic, financial and regulatory factors that drive M&A and IPO activity, such as a country's sovereign credit risk, level of trade restrictions and ease of doing business rating by the World Bank. Because many of these factors change slowly over time, a country's current score is a strong indicator of whether it will have the right features to attract transactional activity in the future.

IRELAND – M&A AND IPO TRANSACTIONS

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|-------------|--------------|-------------|-------------|------------|--------------|--------------|
| Total M&A transactions (US\$bn) | 14.6 | 5.0 | 13.1 | 74.6 | 7.8 | 10.9 | 11.7 |
| % of Global M&A transactions | 0.4 | 0.2 | 0.4 | 2.6 | 0.4 | 0.4 | 0.4 |
| Domestic (US\$bn) | 0.5 | 0.4 | 5.0 | 6.6 | 1.5 | 2.2 | 2.4 |
| Cross-border, inbound (US\$bn) | 14.1 | 4.6 | 8.1 | 68.0 | 6.3 | 8.7 | 9.3 |
| Total volume of M&A transactions (Number of deals) | 159 | 175 | 215 | 188 | 135 | 163 | 170 |
| Domestic (Number of deals) | 57 | 50 | 64 | 45 | 30 | 39 | 41 |
| Cross-border, inbound (Number of deals) | 102 | 125 | 151 | 143 | 105 | 124 | 129 |
| Total IPO transactions (US\$m) | 0.0 | 649.6 | 0.0 | 0.0 | 0.0 | 291.8 | 312.7 |
| % Global IPO transactions | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.2 | 0.1 |
| Domestic (US\$m) | 0.0 | 649.6 | 0.0 | 0.0 | 0.0 | 175.3 | 187.8 |
| Cross-border (US\$m) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 116.5 | 124.9 |

Source: Oxford Economics, Reuters

IRELAND – FORECAST FOR THE ECONOMY

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|-------|-------|-------|-------|-------|-------|-------|
| Macroeconomic drivers | | | | | | | |
| Real GDP growth (% yoy) | 3.7 | 8.2 | 8.5 | 4.0 | 2.2 | 2.2 | 2.2 |
| CPI (% yoy) | 0.0 | 0.3 | 0.5 | 1.3 | 1.9 | 1.9 | 1.9 |
| Merchandise trade (% of GDP) | 103% | 97% | 101% | 105% | 112% | 113% | 115% |
| Financial drivers | | | | | | | |
| 10-year government bond yield (%) | 0.7 | 0.8 | 1.0 | 0.4 | 0.4 | 0.9 | 1.3 |
| Equity prices (LCU, end of year % change) | -4.0 | 8.0 | -22.1 | 21.2 | -4.2 | 5.2 | 4.3 |
| Stock market capitalisation (US\$bn) | 119.8 | 146.6 | 110.2 | 130.6 | 128.3 | 138.3 | 147.7 |

Source: Oxford Economics

IPO calculations account for the tentative Aramco listing in 2020 that has the potential to raise up to US 100 billion.