

Transactional insurance continues to deliver...

The Mergers & Acquisitions Risk Advisory Practice at HSBC Insurance Brokers is pleased to share with you a sample of recent M&A transactions* that have been supported by transactional insurance solutions. Either as stand alone or used in combination, Warranty & Indemnity, Tax Opinion Liability and Environmental Impairment Liability Insurances are becoming an integral method of risk transfer during transactions. As leaders in this specialist market we continue to deliver highly competitive coverage and premiums.

Electrical Manufacturer (Buyers)

Transaction: €230 million purchase of a global manufacturing and distribution company

Why W&I? Buyers unhappy with the size of the warranty cap offered by the Sellers

Structure: €25 million Buyers policy was put in place for 1 year and dropping to €15 million for years 2-7. This policy sat above a €9 million escrow

Benefits: Buyers protected to an adequate level. As there was a sizable escrow in place to be eroded first the premium was very reasonable

A selection of professionals we have worked with include:

C/M/S/ Cameron McKenna


Cavendish

DentonWildeSapte...


DLA PIPER


Dunedin


Gresham
Private Equity


Lovells


McDermott
Will & Emery


Pinsent Masons

TRAVERS SMITH

Property Fund (Buyers)

Transaction: £250 million purchase of a UK office building held in an offshore trust

Why W&I? Firstly the selling entity was a group of private individuals. Secondly, an onshore/offshore tax risk was identified

Structure: A combined Buyers W&I and Tax Opinion policy was put in place with an aggregate limit of £15 million

Benefits: Buyers protected from both a challenge by HMRC and any breach of the warranties

US Asset Management Firm (Buyers)

Transaction: \$55 million sale of a pan-Asian office services company

Why W&I? Management were rolling over and private equity house unwilling to give warranties

Structure: \$20 million Buyers policy put in place with very low attachment point. <1% of deal value

Benefits: Management had very small amount of exposure and above that Buyers were insured up to a level they felt comfortable with

Clothing Manufacturers (Sellers)

Transaction: £19 million sale of holding company and subsidiary to a trade Buyer

Why W&I? Companies owned by multiple shareholders, some of which had little to no knowledge of the business operations

Structure: Seller side W&I policy with a limit of insurance of £5 million

Benefits: Sellers gained comfort that amount realised by the sale was protected from any warranty claims brought by the buyers

* Specific details have been removed to preserve confidentiality.

Food Manufacturers (Sellers/Buyers)	Distribution Company (Sellers)	Eco Product Manufacturers (Sellers)
<p>Transaction: £25 million sale to trade</p> <p>Why W&I? Sellers structured the insurance so they could minimise their exposure. Sellers also concerned regarding previous sales of subsidiaries</p> <p>Structure: £5 million policy cover for sale of parent company and £5.5 million for any claim emanating from the historical disposals</p> <p>Benefits: Sellers were able to get a clean exit. Buyer was protected for any warranty claims from this transaction and previous disposals</p>	<p>Transaction: Sale of a UK company for £8 million</p> <p>Why W&I? Sellers looking to protect their warranty cap. They also had concerns over any s110 exposure from a pre-sale reorganisation</p> <p>Structure: £1.8 million Sellers policy covering all tax and general warranties</p> <p>Benefits: Sellers cap was insured so they able to invest their funds elsewhere. In addition to this, any tax loss arising out of the restructuring was also covered</p>	<p>Transaction: £9 million sale of UK manufacturing company to a trade buyer</p> <p>Why W&I? Sellers were warranting 100% of the consideration and were concerned about their exposure</p> <p>Structure: Sellers W&I policy structured to £3.1 million</p> <p>Benefits: This provided coverage for the selling shareholders up to a level that they felt comfortable with</p>

US Trade Buyer	Global Corporate	Indian Trade Buyer
<p>Transaction: £50 million purchase of a metal products distributor with operations across Europe</p> <p>Why EIL? Private equity seller was looking for a clean exit and due to the large number of sites detailed due diligence on each site was not possible</p> <p>Structure: On and off-site cover - 10 year policy with £10 million insured amount across all sites</p> <p>Benefits: Removed friction regarding the treatment of environmental risk in the Sale Agreement</p>	<p>Transaction: £200 million share purchase of company with over 70 leased sites across UK</p> <p>Why EIL? Several properties considered 'high' environmental risk due to historical use. FRI leases technically passed on freeholder's liability to tenant</p> <p>Structure: On and offsite cover - 10 year policy with £10 million insured amount across all sites</p> <p>Benefits: Concern over contingent liabilities associated with leases removed and deal was able to proceed unhindered</p>	<p>Transaction: £20 million purchase of pharmaceutical facility in the north of England</p> <p>Why EIL? Buyer concerned about exposure to liabilities arising from known conditions requiring remediation at the site. This was their first UK acquisition</p> <p>Structure: Off-site cover only until completion of remediation, when on-site cover reverts - 10 year policy with £10 million insured</p> <p>Benefits: Buyers' concerns regarding future environmental legislation were allayed</p>

Contact us

If you are interested in finding out more about how the M&A Risk Advisory Practice can add value to transactions you are involved in, please find our contact details below.

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