

## HORIZONTAL ACQUISITION - SABB merger with Alawwal Bank

- Executed in 2019
- Estimated to reduce combined costs by 10-15%
- Plan for 2 year integration
- 3<sup>rd</sup> largest bank; 1 million retail customers
- 2<sup>nd</sup> largest corporate bank by assets
- Share swap 1 for 0.485 SABB shares
- SABB shareholders with 73%; Alawwal shareholders with 27% of combined entity
- Premium of 23.5% on Alawwal share price



# VERTICAL ACQUISITION - Aramco acquisition of SABIC

- Acquired 70% of SABIC from Public Investment Fund for \$69bn
- Aramco pays PIF \$70bn cash; balance in 9 instalments over 8 years; \$3bn contingent payment
- 30% remains listed; SABIC remains separate company
- Downstream strategy to grow integrated refining and petrochemicals
- SABIC brings advanced chemical technology



## DIVERSIFICATION - ACWA Power's Growth Strategy

- ACWA power has in recent years completed several minority acquisitions, including
- 5% of Hajr Electricity Production Company, going to 22.5%
- 10% stake in Qurayyah Investment Company
- CEO talks about strategy of geographical as well as product diversification



# Comparison of the 3 deals

ASPECT	DESCRIPTION	SABB	ARAMCO	ACWA
<b>Type of transaction</b>	Horizontal, vertical, diversification, cross border, leveraged buyout	Horizontal	Vertical	Cross border
<b>Economic synergies</b>	Cost savings, revenue growth, new product line, new market, existing market consolidation	Cost savings	New product line	New markets
<b>“Soft synergies”</b>	Acquisition of new resources and capabilities	Retail knowledge	Advanced chemistry	N/A
<b>VRINS TEST</b>	Acquired Resources and capabilities that are Valuable, Rare, Inimitable, Non Substitutable	Combination of HSBC international knowledge with local market knowledge	N/A	N/A
<b>Cultural Fit</b>	Compatibility of the corporate cultures of the organisations, national cultural factors in cross border acquisitions	HSBC track record of success across cultures	Saudi deal	Knowledge of emerging markets
<b>Deal Structure</b>	Acquisition for cash, share swap, any special features	Share swap	Cash acquisition	Cash acquisitions
<b>Funding of transaction</b>	From balance sheet of acquiror, from share issue, leverage finance structure in place	Share swap	Acquiror balance sheet	Acquiror balance sheet
<b>Management &amp; Governance of acquisition process</b>	Quality of decision making process and organisation: dedicated M&A department, evidence of discipline and second opinion, effective board oversight	M&A department, disciplined teams	N/A	M&A group
<b>Post acquisition integration</b>	Effective post acquisition plan and effective execution of this	Two year plan in place	Remain separate companies	Portfolio type investments