

## Case Study

**Sector:** Chemicals

**Jurisdiction:** Kingdom of Saudi Arabia

**Deal value:** c.USD 500m

**Issue:** PE Buyer requiring covenant strength

### **Background:**

A private equity fund was buying a significant, specialist chemicals operator in the region. Acquiring from an international private equity seller, the buyer required a strong financial covenant standing behind warranties on this large, regulated business.

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### **Issue:**

Like many large operating companies, this target had a mixture of historic issues and important contracts; all of which are material to the business. For confidentiality reasons we cannot be specific with details.

Buying from an international private equity and management sellers, the buyer (a prudent fund) faced limited financial recourse available from the sellers. We had previously insured the current seller when it bought the business several years ago. The sellers and their lawyers approached us and asked us if we would prepare a quotation for M&A insurance so that they could propose a covenant solution to the buying fund.

We were able to provide an insurance proposal which was attractive to the buyer, at which point we were appointed by the buyer to provide insurance at signing of the transaction.

The selling fund was looking for a clean exit so that it could distribute the sale proceeds to its investors.

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### **Solution:**

An insurance policy was issued for the benefit of the buyer with a limit of c. USD 100m million which gave it a broad range of protection under the general and tax warranties/indemnities.

