Navigating Uncertainty: Enhancing Shareholder Value Through Strategic Dealmaking

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Enhancing Shareholder Value through Strategic Deal Making

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Introductions

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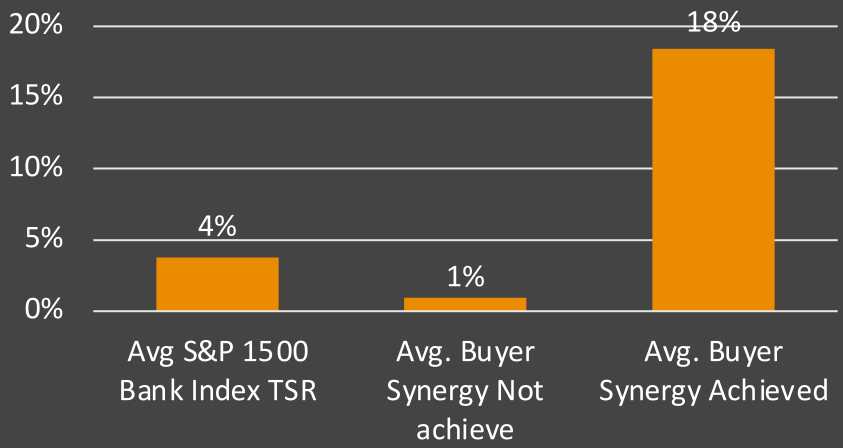
4 in 10 CEOs don’t think their organizations will be economically viable in 10 years’ time, if they continue on their current course

Banks who execute deals well generate 4.5x more shareholder return than industry average

77% of buyers that achieve their synergy targets generate higher shareholder returns than the market average.

14% higher shareholder returns for Banks who hit their synergy targets compared to the S&P 1500 bank index.

Avg. TSR by Synergy Achievement Category (2 yrs After Deal Announcement)[1]



Source: CapIQ, PwC Analysis

[1] Reflects deals from 2000 to 2021 (n=287)

Do the RIGHT DEAL

Use the deal to TRANSFORM the business model

EXECUTE the integration well

Does your deal model, synergy expectations, and risk assessment justify the deal premium?

Deal Hypothesis	**Cashflow is Key**
Portfolio Optimization	**Regulatory Hurdles**

Typical Deal Metrics:
- Cost saves in the 25% - 35% range
- Control premiums in the 10% - 30% range

Common Deal Pitfalls:
- Deal completion bias
- Over estimating synergies
- Optimistic seller projections
- Unidentified compliance risks
- Business ownership of diligence process

Know what you are buying and don't be afraid to walk away

As a brief aside… FDIC assisted transactions offer a unique opportunity but also come with challenges

Opportunity to Investors

1. Large deposit base
2. Targeted demographic
3. Synergies and other cost savings
4. Immediate scale
5. Accretive to EPS & TBV
6. Strategic assets to accelerate existing growth strategies

Unique risks & complexity

1. Aggressive bid timeline
2. Limited diligence
3. Talent retention & employee pressures
4. Deposit stabilization
5. Target business volatility and liquidity management
6. Financial reporting burden
7. Regulatory pressures

Deal Timeline (indicative)

Traditional Deal Timeline

6-12 months

Performing valuation analysis → Negotiations → Letter of intent → M&A due diligence → Purchase and sale contract → Closing

FDIC Assisted Deal Timeline

1-2 weeks

4 in 10 CEOs don’t think their organizations will be economically viable in 10 years’ time, if they continue on their current course[1]

[1] PwC CEO Survey 2023

Create a bank with a >30% ROE and a <30% efficiency ratio… A deal is a perfect time to transform the business model

Imagine revolutionizing your business:

- **Customer transactions seamlessly occur without the need for operational intervention.**
- **Administrative tasks are streamlined without the use of a console.**
- **All customer activities are securely authenticated and thoroughly audited.**
- **Each operational function is supported by a virtual assistant.**

Consider this choice: Let a deal become a distraction for your organization or leverage it strategically within a comprehensive transformation strategy. <u>Leading organizations integrate deals seamlessly into their broader transformation plans.</u>

Five areas of integration successful M&A organizations get right

Just 14% of the respondents in our **2023 M&A Integration Survey** indicated achieving significant success, measured by reporting success across strategic, financial and operational areas.

1. Recognize the importance of experience and have an Integration Playbook
2. Plan operating models early (inc. sales, capital, liquidity, risk management)
3. Focus on value creation
4. Commit to change management and talent retention
5. Use digital capabilities to transform

Questions executives should ask themselves and their leaders

How does the transaction or the transformation align with our strategic plan?

Where do we prioritize time and efforts to drive the most value?

What is the value creation story and how do we share that message internally and externally?

Who will drive the change and is our organization ready to enable it?

Thank you

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