WIP

DUE DILIGENCE

STUDIES

April 21, 2020

A

DUE DILIGENCE

INTRODUCTION

WHY DUE DILIGENCE?

- Buying a business is a calculated risk. What may seem attractive from the outside may look entirely different once an acquirer takes full control. That’s why due diligence is such an important step in the M&A process.
- Done right, it helps acquirers minimize risk and gives them confidence that they can actually create sustainable value through the acquisition.

STEPS IN DUE DILIGENCE?

- Due diligence has become dramatically more complex over the last two decades. In some cases, acquirers will have to cope with as many as ten different work streams tied to due diligence in the course of evaluating a single deal.
- Typical steps of commercial due diligence include:

B

DUE DILIGENCE

INTRODUCTION

- Markets and Competition. What is the overall situation of the objective? In what capacity will the exchange help the acquirer explore industry solidification or make new open doors for development?
- Review of Target Business Plans**.** Are the top-line development suspicions excessively aspiring? Have the cost suppositions been pressure-tested against feasible benchmarks or conceivable outside stuns?
- Synergy Valuation. This is perhaps the most important part in the due diligence process. What sort of significant worth can the acquirer open, either by changing the manner in which the procurement is overseen or by incorporating it with the acquirer's center business?
- Process Support. What's the most ideal approach to keep steady over the due diligence process? In what capacity will the acquirer deal with the various partners included, including speculation financiers, legal counselors, and regulators?

C

DUE DILIGENCE

INTRODUCTION

- Integration Blueprint. Is the acquirer planning ahead for the integration even before the deal has closed. Has a clean team been established? Are you developing the post merger integration (PMI) roadmap for the first 100 days?
- Regulatory Support. Are there any regulatory issues to consider, and how will they be resolved?

Due Diligence with Minimal Risk

- There are six steps to a structured M&A process. The first three steps help identify promising companies that can bring value to the corporate portfolio. The next three steps, explained below, take the buyer through the due diligence process, negotiation, and pre-close integration planning.

Due Diligence Info-graphics

- A major turning point where acquirers can create or destroy value is setting the right price, based on a realistic assessment of the synergies the acquirer can deliver and a detailed plan for integration after close.

D

DUE DILIGENCE

INTRODUCTION

- <u>Conduct due diligence.</u> Due diligence is the all-important assessment process that defines the potential synergies and the value at stake in the deal.

- <u>Negotiate and sign.</u> After a comprehensive due diligence, the acquirer can confidently attribute a financial value to each risk and opportunity. The result? A negotiation strategy grounded in facts, not gut feelings, with clear criteria for how much to bid and when to walk away.

- <u>Prepare PMI and reviews.</u> Acquirers shouldn't wait for the closing to start planning for the ultimate integration. PMI planning should be an integral part of negotiating the deal. It will ensure preparation to rapidly realize the available synergies—which is an important factor in market reaction to the deal.

E

DUE DILIGENCE

SCOPE

Scope varies with kind of Transaction it has evolved by practice and requirements of the transaction

Commercial Due Diligence

Company Analysis

- Corporate Governance & Details of Shareholders
- Background of the target company
- Constitutional Documents and Corporate Records

Pipeline Analysis:

- Product Pipeline
- Agreements and Contracts
- Agreement Licenses and Approvals

Technological Due Diligence

- Manufacturing & technology
- Intellectual Properties IPR & Licenses

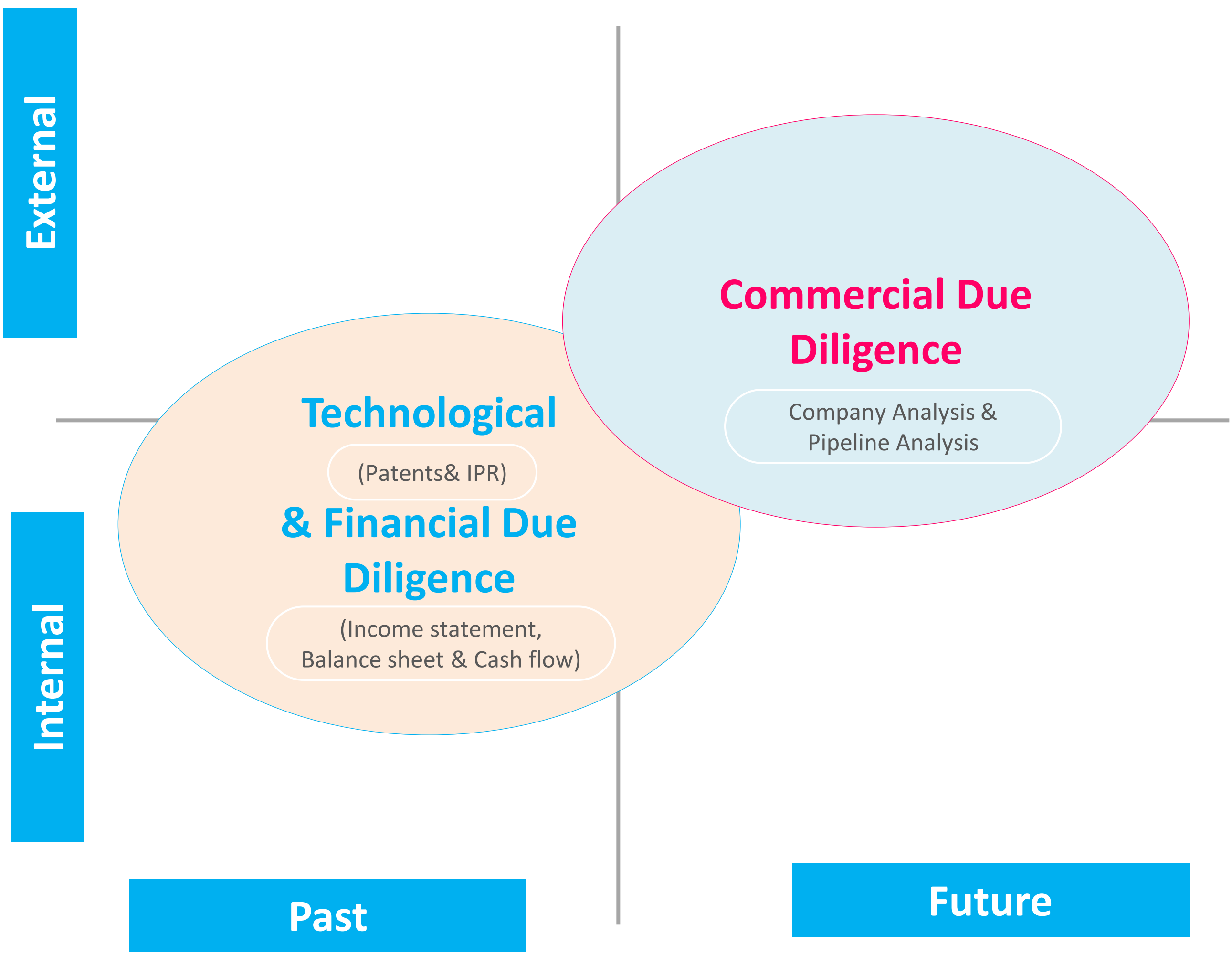
Financial Due Diligence

- Share Capital–Clear title of shares to be acquired
- Properties–Owned and Leased
- Loans and Borrowings and Guarantees extended Investments Litigations Employees and Personnel Insurance Coverage

E

DUE DILIGENCE

SCOPE



A unique combination of Commercial Due diligence, Technological due diligence and Financial Due diligence is the key to assess the organization. This entails a detailed understanding of internal and external parameters and assessment of past ad future aspects

4A

FINANCIAL DUE DILIGENCE

- Business Information
- Company Data
- Company Revenues
- General Project Information
- Project Revenues & Returns
- Operational Information
- Operations Management
- Economic Analysis & Research
- Resource Management
- Risk Management
- Credit Risk
- Counterparty Risk
- Price Risk
- Liquidity Risk
- Operational Risk
- Operational Information
- Compliance & Internal Auditing
- Judicial & Legal

4B

COMMERCIAL DUE DILIGENCE

- Company Background & History
- Capitalization Of The Company
- Company Revenues
- Company Profits & Margin Trends
- Comparison With Competitors
- Comparison With Industries
- Ratio Analysis
- Assessment Of The Management
- Details Of The Shareholders
- Analyzing The Consumer Market
- Assessment Of Customers
- Assessment Of Suppliers
- Assessment Of Government Bodies
- Product Pipeline
- Agreements And Contracts
- Agreement Licenses And Approvals

4C

TECHNOLOGICAL & LEGAL DUE DILIGENCE

- Basic Information
- Scalability Of The Technology
- Future Of The Technology
- Applicability Of The Technology
- Cost Effectiveness Of The Technology
- Efficiency & Safety Of The Technology
- Debts Of The Company
- Intellectual Property Rights
- Pending And Potential Lawsuits
- Leases
- Warranties
- Long-term Agreements
- Contracts
- Distribution Agreements
- Compensation

VISIT HERE FOR MORE