

Making successful exits

*Vendor Assistance and
Vendor Due Diligence*



Vendor Assistance (VA)

Vendor assistance provides tailor made solutions to assist you in successfully completing your divestments. Our vendor assistance specialists work alongside company management and their lead advisers throughout the process.

Vendor assistance is more suitable in situations where there is likely to be only one potential buyer, and can be less time consuming than vendor due diligence.

The term, VA, encompasses a wide range of advisory services. Typically we will provide a Value Issues Report summarising key issues likely to influence the value which can be realised from the disposal. The Report should not be provided to potential bidders at any stage.

Our clients also benefit from

- advice and assistance on preparing the business for disposal;
- assistance in operational carve out planning and assessing the financial implications on the exit business in a stand alone state;
- advice on and assistance with identifying and documenting the basis of carve out financial information;
- advice on and assistance with your preparation of Finnish GAAP or IFRS financial statements;
- performing financial analysis of the historical results and trends of the business;
- assistance in developing an appropriate tax structure for the disposal;
- advice and assistance with your preparation of a data room;
- reviewing and providing comments on information to be provided to potential buyers.

Where does Vendor Assistance fit into your disposal process?

Pre divestment review

- Assess the business definition
- Assess quality of historical earnings
- Analyse market position and business strategy
- Assess operational risks and mitigating factors
- Assess cost saving opportunities
- Identify carve-out issues
- Identify hidden areas of value
- Consider structuring issues
- Divestment tax planning

Divestment preparation

- Assist lead adviser with Information Memorandum preparation
- Carve-out audits
- Define/evaluate transition support services
- Develop plans for cost savings
- Develop proforma financials and prepare bridge analysis
- Data room assistance

Completion

- Assist with management presentations
- Assist with drafting contract, warranties, indemnities etc.
- Completion adjustment advice/negotiation for Vendor

Vendor Due Diligence (VDD)

When a company is up for sale - or selling off one of its parts - it helps to be able to show an in-depth report on its financial health to potential buyers. This is called vendor due diligence.

PwC provides comfort to both buyers (acquirers) and sellers (vendors) with an independent and objective view of the business, encompassing its performance and prospects. Vendor due diligence aims to address the concerns and issues that may be relevant to even the most demanding purchaser.

Potential bidders will seek to rely on the report rather than carrying out their

own due diligence. Consequently the scope of work must be wide enough to ensure that the report deals with all areas of focus that a general purchaser would wish to undertake due diligence on. During the preparation of a VDD report we meet with management to discuss our initial findings so that mitigating actions can be taken where necessary.

Vendor due diligence is suitable in situations where there are likely to be a large number of buyers, typically in an auction process.

Where does Vendor Due Diligence fit into your disposal process?

Develop sale strategy

Undertake VDD

- Identify problem areas
- Pre-empt acquirer issues
- Address and package problems/issues
- Liaise with Investment Bank lead adviser on preparation of Information Memorandum

Auction process

Round one:

- Information Memorandum issued
- Indicative bids received

Round two:

- VDD issued in final draft to short listed bidders
- Data room access
- Management presentation
- Draft SPA issued
- Final bids

Negotiation / completion

Exclusivity/preferred bidder status awarded

- VDD team switches to acquirer
- Legal and “Top-up” financial due diligence work for acquirer

The advantages

Benefits to Vendor of VA and VDD

- Validate perceived value drivers and likely negotiating issues up front
- Early warning of deal threatening issues: allows management early ownership of deal issues and time to address problems
- Control over disclosures in the bid phase and all subsequent deal phases
- Helps the vendor retain the pace and initiative throughout the sales process

Additional benefits of VA

- Security that offers have been received in full knowledge of those contentious issues the vendor has elected to disclose
- Provides support resources that will reduce the draw on target management time (and hence target commercial performance)
- Facilitates management's understanding of the sale process

Added benefits of VDD

- Addresses problem areas upfront so bidders cannot price chip in final round
- Typically greater level of comfort for acquirer than traditional due diligence
- Bidders get fast access to information enabling you to receive more credible bids early on in the process
- Speeds up the process by avoiding multiple buyers asking the same questions
- Enables you to keep more bidders in the sales process which drives competition up.

Contacts



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