

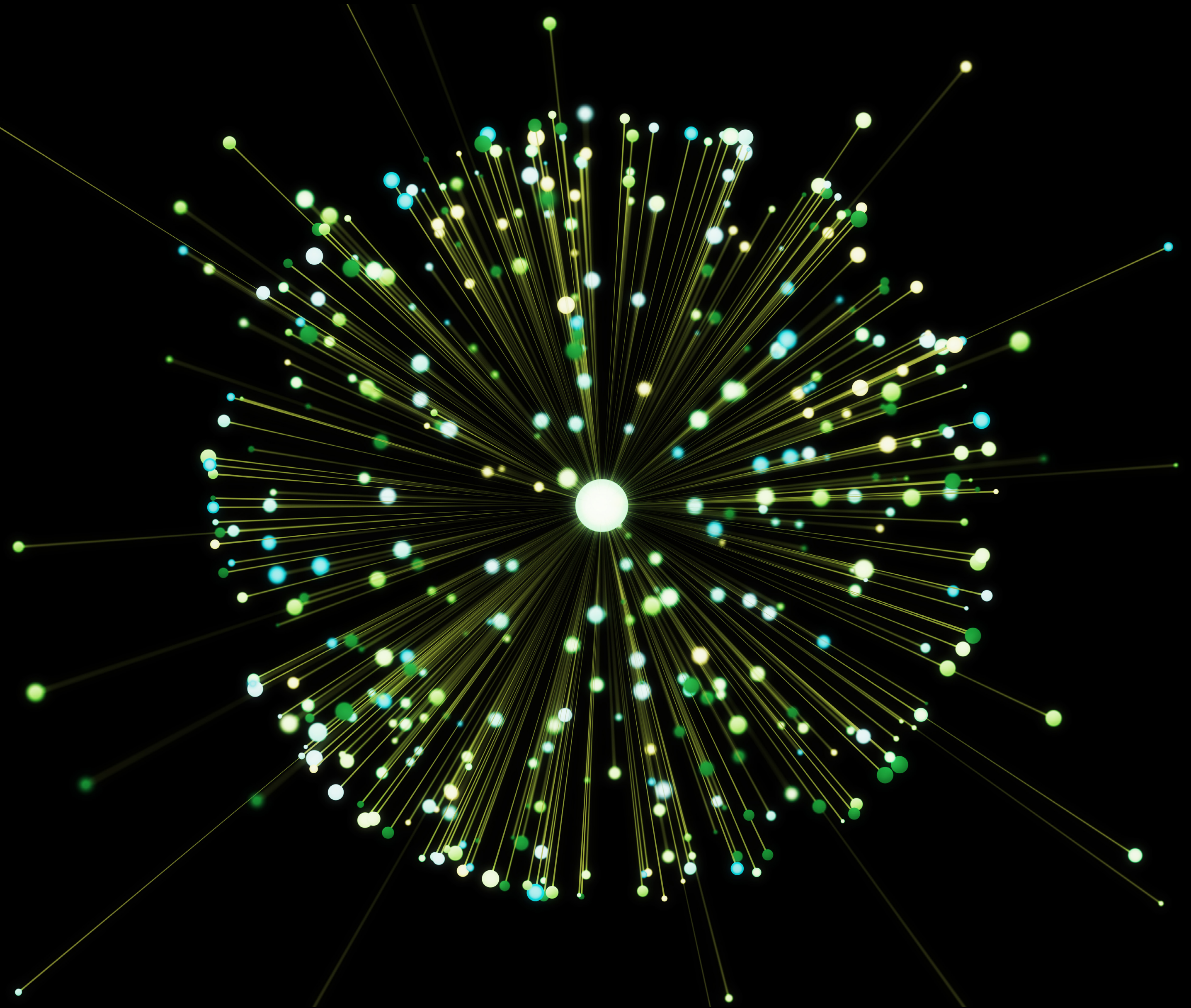
**Deloitte.**

# Deloitte Private Equity

A greater return on ideas

## Deal Execution

Diligence and execution services





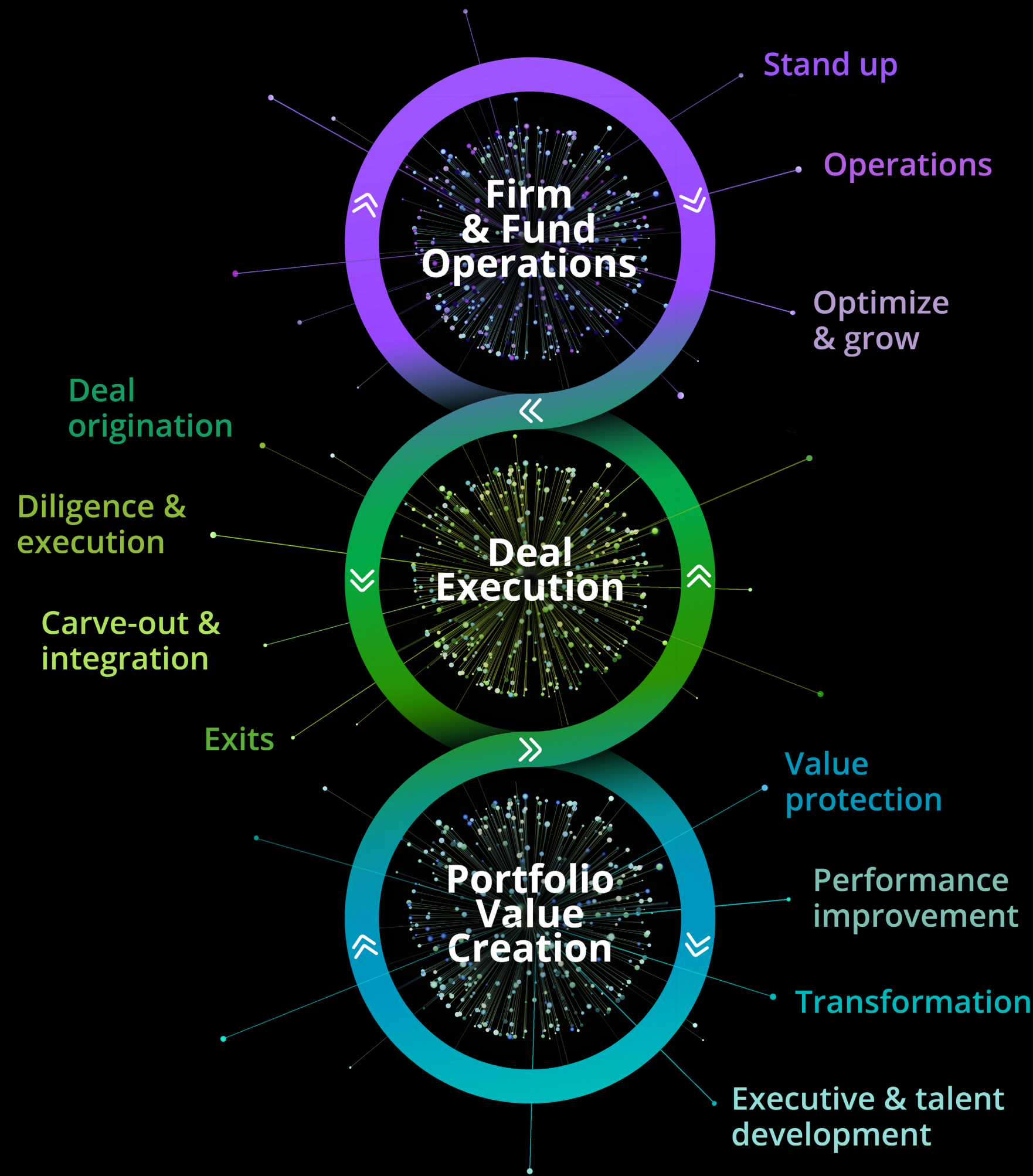
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# Introduction



## Delivering value – how we support PE firms and their portfolio companies across every stage of the lifecycle.

Our global network of practitioners support private equity firms and their portfolio companies in delivering greater returns across every stage of the investment lifecycle. We apply a proven, global, and multidisciplinary model to deliver fully integrated solutions that bridge the gap between strategy and execution – combining technical expertise with business acumen and industry-specific knowledge.

By clicking on the icons on this page you will be able to access an overview of our services across all areas of private equity. We hope you find this information helpful, and we would be delighted to speak with you should you have any questions or require further information. Please feel free to get in touch with the key contacts for the services you require.

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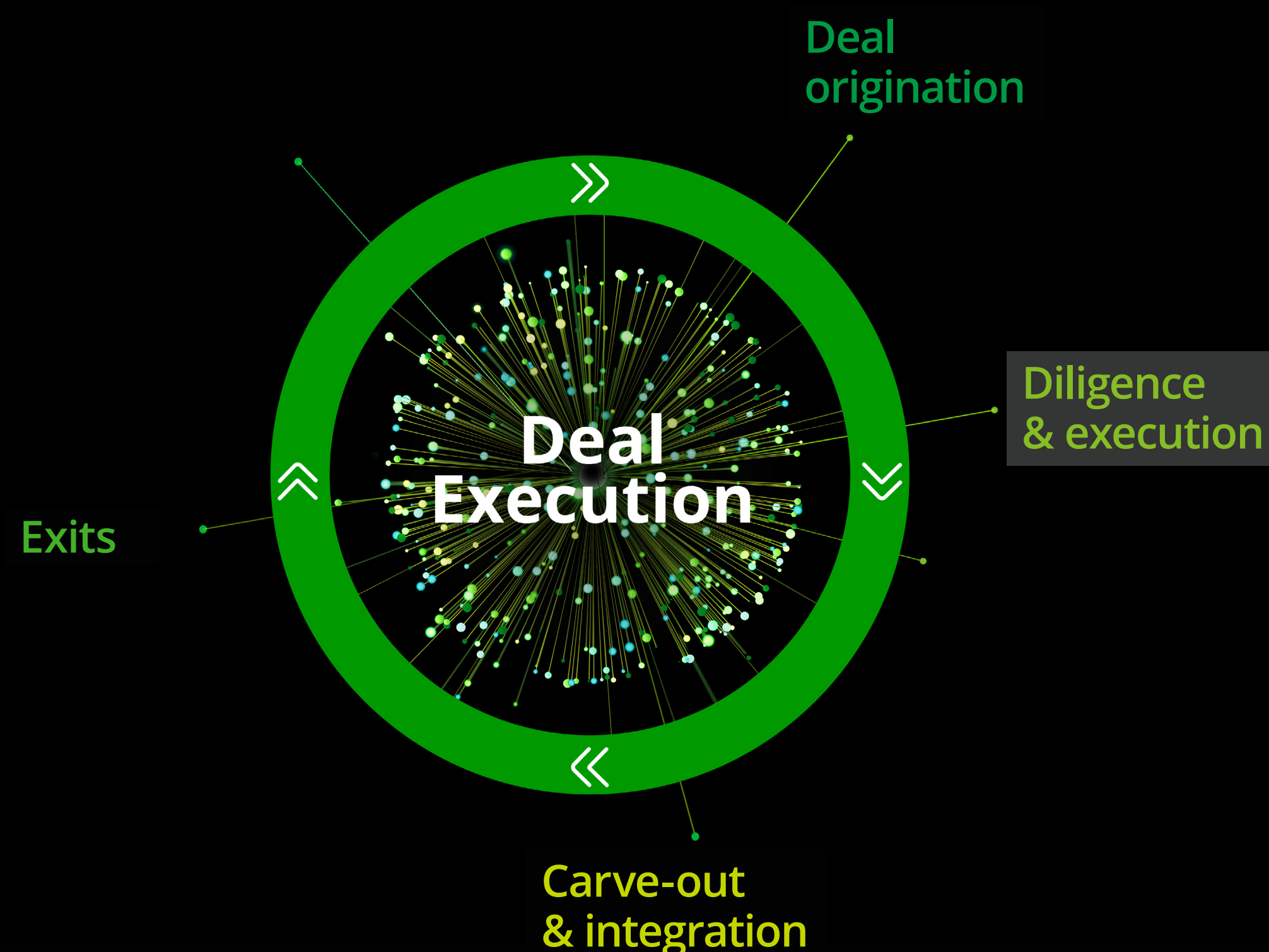
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[www.deloitte.com/privateequity](http://www.deloitte.com/privateequity)



## Steering successful M&A from deal identification to exit maximization.

Within this document, you will find the details for our Diligence and execution services. To find out more on Deloitte's wider service offering in Deal Execution, click on the service icons below.



- **Deal origination services:** identify and qualify proprietary investment opportunities. Delivering insights to facilitate informed decision making – [discover more here](#).
- **Diligence and execution services:** creating optimal value through the deal process by identifying value drivers, improving deal structures and pricing, and mitigating risks. For further information, read on.
- **Carve-out and integration services:** turning complexities into streamlined value capture opportunities – [discover more here](#).
- **Exits services:** Maximizing deal returns requires the same level of focus and deal strategy on the way out as applied on the way in – [discover more here](#).



# Diligence and execution services

**Deloitte Private Equity** | Deal Execution | Diligence and execution

Understanding the investment thesis and risk profile and tailoring our diligence approach accordingly to answer your key investment questions. We leverage our bench of dedicated private equity professionals and proprietary tools to enable you to move efficiently through deal processes and help secure exclusivity or a winning bid, and negotiating a deal structured to optimize returns.

Our dedicated private equity teams can support you with:

**01**

Commercial  
due diligence

**02**

Operational  
due diligence

**03**

Finance due  
diligence

**04**

Tax due  
diligence

**05**

Cyber due  
diligence

**06**

Technology  
due diligence

**07**

Human  
resources  
due diligence

**08**

ESE due  
diligence

**09**

Data analytics

**10**

Sale and  
purchase  
agreement

**11**

Valuation  
services



# Commercial due diligence

Deloitte's commercial due diligence services help test a target company's claims about its position in the marketplace, financial stability, long-term viability, and hypotheses about future growth potential. The offering is highly customizable and can validate recurring revenue, revenue growth, and gross margin as well as conduct rapid primary research on its relative positioning in markets, sentiment amongst customers and suppliers, and differentiation versus competitors.

Working closely with Deloitte's cross functional network of practitioners (including strategy and operations, Financial Advisory, Audit and Assurance, and Tax and Legal), clients can also draw on Deloitte's range of alliance partners to bring deep business insights.

## How we can support

- Investment thesis vetting
- Testing of important inputs to the deal valuation/models
- Market sizing and growth
- Testing of the competitive position of the target (e.g., benchmarking, customer sentiment)
- Testing for deal synergies



# Operational due diligence

Deloitte's operational due diligence services are focused on providing clarity on operational continuity, risks, and value creation opportunities embedded in the investment thesis, including a holistic understanding of the growth and exit strategy and the required operational capabilities needed to execute that strategy, expand EBITDA, and optimize returns while managing risk. With a deep understanding of private equity portfolio strategies and transactions, Deloitte can assist private equity firms in making investment decisions on both the buy and sell side across a large range of deal archetypes.

## How we can support

- Diligence program management and execution
- Operational red flag assessments and functional deep-dive analyses
- Standalone assessments, carve-out and standup planning, carve-out and standup execution
- Integration planning, synergy identification, and integration risk assessment
- Management of stranded costs
- Value creation plan development
- Sell-side operational diligence and value creation



# 03

## Financial due diligence

Financial due diligence provides a comprehensive understanding of a target company's financial health. This process uncovers financial risks and opportunities and helps clients assess earnings and cashflows that underlay how private equity derives valuation. Deloitte's deep sector knowledge and data-driven capabilities during financial diligence helps private equity firms make informed decisions about an investment/divestment, negotiate deal terms, and plan effective strategies for post-acquisition growth and value creation. Deloitte has broad experience working for the buy or sell-sides to provide guidance and detailed insights about the target.

### How we can support

- Quality of earnings assessment
- Net working capital assessment
- Net debt assessment
- Data analytics (including customer retention, cohort analysis, etc.)
- Purchase agreement review



# 04

## Tax due diligence

Due diligence can surface potential tax issues and quantify any tax exposures early in the deal process, and identify available pre-closing and post-closing remediation steps. Deloitte's tax due diligence services provides a detailed view of a target group's current and historical (global) tax profile, identifies where contractual protections or tax insurance may be beneficial, and an overview of the target group's current and post-transaction global tax position, including the availability of tax assets within the group and where there will be tax cash amounts – both of which are important from an overall financial modelling perspective.

### How we can support

- Tax due diligence memorandum
- Tax factbook
- Cash tax analysis
- Funds flow analysis



# 05

## Cyber due diligence

An increase in data breaches and evolving privacy/cybersecurity regulations around the globe, have shown that cybersecurity is imperative during the entire M&A lifecycle. Private equity firms can leverage Deloitte's knowledge to better understand the target asset's risk posture and the pragmatic steps that they can take to achieve sufficient safeguards and transact securely. To help clients make fully informed decisions, Deloitte draws on its industry experience to highlight key matters and navigate any blockers in the due diligence phase. Throughout the diligence process, the cyber security posture of the target is assessed and pragmatic solutions provided to maintain deal value, identify deal disruptors, and help plan future investment.

### How we can support

- Risk assessment and dashboarding
- External open-source intelligence
- Surfacing of technical debt/informed negotiation
- Identification of deal disruptors and required safeguards
- Investment prioritization and realization timeline
- M&A deal strategy and readiness



# Technology due diligence

Technology diligence is a critical factor in deal success and increasingly a key factor in achieving post-deal business value creation objectives. Deloitte's portfolio of technology due diligence offerings (both buy and sell-side) not only assess risks but also explore opportunities for value creation arising from shifts in IT strategy, application portfolios, infrastructure, product software technologies, technology development and support processes, and operating models. Deloitte has a wide range of technology diligence and downstream technology implementation and operational services that can provide a tailored approach in the support of private equity firms and their portfolio companies.

## How we can support

- Corporate technology assessment
- Corporate cybersecurity assessment
- Proprietary software product and platform diligence
- AI/ML technology assessment
- Digital platform assessment
- Vendor due diligence and seller readiness
- Separation/integration assessment including potential synergies/dis-synergies, Transition Service Agreement/ Reverse Transition Service Agreement requirements, and related considerations



# Human resources due diligence

Much of a target's performance is linked to its people and the way the organization is designed to allow for employees to perform. Besides the standard analyses on legal and labor aspects, Deloitte can offer significant insights to private equity firms about the financial implications of the target's organization, current compensation and benefits, culture, and HR practices. As with any other due diligence approach, Deloitte focuses on minimizing risks and providing key inputs for clients to leverage in the negotiation phase.

## How we can support

- Analysis of compensation and benefits structure, policies, and procedures
- Review of talent structure, demographics, turnover, contract agreements, etc.
- Mapping of regulatory risks associated with the target's former and current management practices as well as compliance established agreements
- Assessment of HR function and organization structure



# ESG due diligence

During transaction diligence, environmental, social, and governance (ESG) factors can have a profound impact on business performance, value, and risk profile. Deloitte's ESG due diligence on both the buy and sell-sides informs private equity firms of ESG regulatory compliance concerns as well as strategic opportunities, and is delivered across all stages of the deal lifecycle as well as at the portfolio company and fund levels. The approach includes identifying material ESG findings, building strategies to manage ESG data, planning for decarbonization, performing climate change scenario analyses (e.g., business resilience), and determining the actions necessary to enhance ESG performance. Deloitte's deep sector knowledge enables private equity firms to make informed ESG management decisions and create value leveraging ESG activities from acquisition through divestiture.

## How we can support

- Identification of key ESG risks and opportunities relevant to the target business
- ESG governance, policies, processes, and performance review and comparison against industry peers to gain insight into ESG maturity
- Insights into how ESG risks and opportunities, combined with the target's maturity, might impact deal valuation
- Outline of steps the target could undertake post-close to address key ESG findings



# Data analytics

Data analytics facilitates more efficient allocation of resources to refocus on value-adding analyses for strategic investment decisions. Deloitte combines classic due diligence with data analytics to analyze significantly larger and more diverse data sets and shorten the time to insights with consideration of more expansive inputs. Deloitte's dedicated private equity data analytics practice backed by powerful digital tools and infrastructure enables fast and reliable data processing and visualization. Custom and customizable dashboards offer dynamic views to meet the needs of a variety of stakeholders including private equity deal and management teams, financing sources, and potential investors, supporting clients throughout the entire transaction process.

## How we can support

- Customer-level ARR/retention analyses & dashboards (SaaS and non-SaaS capabilities)
- Customer/product/transaction-level price, margin, and quantity analyses & dashboards
- Customer lifetime value (CLV) analyses
- Product penetration analysis
- Bookings to billings conversion analysis
- Headcount cost structure analysis
- Inventory costing and product/transaction-level procurement analyses
- Cohort analyses
- Dynamic evaluation of operational KPIs
- Same-store analysis and profitability
- Cash waterfall/collection velocity analysis
- Contract backlog and pipeline conversion to revenue
- Shopping cart analysis and profitability



## Sale and purchase agreement (SPA)

There is considerable deal value to be gained or lost from the negotiation and execution of the SPA and associated equity price adjustment discussions. Whether selling a business and seeking to achieve a clean exit at a predictable and favourable price, or acquiring a business and aiming for appropriate remedies in place when the target company's financial position is not as expected, establishing robust financial terms in the SPA are key in achieving these goals. As pricing discussions in relation to cash, debt and working capital become increasingly sophisticated, a detailed understanding of common challenges and practices as well as areas of judgement can drive real value and create a commercial advantage in a transaction. Our SPA team can work with you to maximize and protect this value, working closely with our financial and tax diligence teams as well as your legal advisors by identifying critical accounting and commercial challenges and crystallizing into real value through the negotiation and drafting of the SPA and purchase price adjustments.

### How we can support

- Assessment of appropriate price mechanism (locked box versus completion accounts)
- Presentation assistance of proposed price mechanism
- Determining a favourable (yet credible) position in relation to key equity value matters
- Assistance with developing arguments for more judgmental positions
- Consideration of financial warranties in the SPA
- For a locked box mechanism, assistance with the presentation of balances in the pricing schedule
- For a completion accounts mechanism, assistance through agreeing the process of the completion accounts, and by drafting a robust set of specific accounting policies
- Post-signing assistance in the completion accounts process, including the interpretation of the specific accounting policies on completion accounts deals



# Valuation services

With deep experience in valuing, modeling, and analyzing business interests and their underlying assets, Deloitte provides transformative insights to turn critical and complex matters into opportunities for growth, resilience, and long-term advantage. Deloitte combines specialist valuation skills with commercial and industry knowledge to provide valuation advice for PE firms and their portfolio companies, help them navigate the M&A lifecycle, and execute deals with confidence.

## How we can support

- Deal advisory valuation support
- Preparation of financial models for deal evaluation
- Purchase price allocation services
- Reorganization/recapitalization security valuation and value realization strategies
- Intellectual property and intangible assets
- Tax valuations



# Related services

Please click links in the table below to explore the breadth of Deal Execution services we offer. Please get in touch should you require further information.

Covered in this document			
Deal origination	Diligence and execution	Carve-out and integration	Exits
<ul style="list-style-type: none"><li>• Sourcing investment opportunities</li><li>• Investment thesis support</li><li>• Buy-side corporate finance</li><li>• Sell-side corporate finance</li><li>• Debt and capital advisory</li><li>• Tax and deal structuring</li></ul>	<ul style="list-style-type: none"><li>• Commercial due diligence</li><li>• Operational due diligence</li><li>• Finance due diligence</li><li>• Tax due diligence</li><li>• Cyber due diligence</li><li>• Technology due diligence</li><li>• Human resources due diligence</li><li>• ESG due diligence</li><li>• Data analytics</li><li>• Sale and purchase agreement</li><li>• Valuation services</li></ul>	<ul style="list-style-type: none"><li>• Carve-out diligence and business plan</li><li>• Day 1 planning and certification</li><li>• TSA identification and development</li></ul>	<ul style="list-style-type: none"><li>• Exit strategy and equity story</li><li>• IPO Readiness and assist</li><li>• Exit value maximization and readiness</li></ul>

NAVIGATION



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**Deloitte Private Equity** | Deal Execution | Diligence and execution

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