Deloitte.

Private Equity Lifecycle

Episode 2: Acquired –
Get the most out of the first 100 days

The initial phase of a transaction marks a pivotal moment. For Private Equity-backed enterprises, the first 100 days following the acquisition are of great importance. To ensure a seamless and thriving operation, several crucial factors demand attention during this critical period. This publication sets out the key points to be considered in the 100 days post transaction.

Deloitte's Private Equity practice provides advice throughout the Private Equity Lifecycle and beyond. This series of publications highlights the key points to be considered at each stage of the lifecycle, paying particular attention to how to manage assets effectively with the goal of adding value on exit.

What happens after the transaction is completed?

During a transaction, the PE investor team and it's advisers will consider how to achieve the desired structure for the life of the investment. Once put in place, these often-complex structures require the portfolio company to actively manage any obligations to enable the structure to operate as intended. This can be a daunting task for those new to private equity. Below are some of the key points that should be considered during the first 100 days:

- **Review tax structure and due diligence reports** to identify and implement post transaction structuring steps, and to appropriately consider any risks identified during diligence. The management team needs a deep understanding of the structure. Throughout (often lengthy and complex) structure reports, there will be items that need to be actioned post-signing and/or completion. These can include employment of key personnel, tax group requirements and VAT registration obligations. It is also vital that any points raised as red flags within due diligence are addressed appropriately also with a view on a future exit.

- **A management equity plan** is obviously a key consideration for the management and the investor alike. In most cases, tax rulings, filings and valuation exercises are undertaken, typically post-signing. The company should consider the tax position, and participants should obtain their own tax advice to ensure they are comfortable with the overall proposal.

- A **review of transaction costs** should be undertaken from a VAT and corporate income tax perspective. During a transaction with many parties involved, there is always the risk of a cash outflow for the business due to an over or under claim of VAT, even when costs are factored into the funds flow.

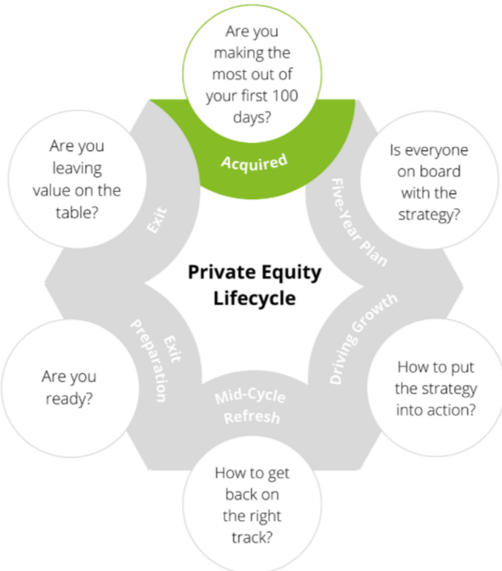
In addition, the corporate income tax treatment of these costs should be analysed in light of the tax relief that may be available, particularly for costs that relate to the raising of finance. From both a VAT and corporate income tax perspective, transaction costs are a hot topic for tax authorities and often require immediate attention by management teams'.

- Analyse **the impact of related party debt** and obtain appropriate **withholding tax clearances**. In most PE transactions, there will be an element of external and/or shareholder debt. The treatment of interest expenses is complex and there are a number of rules and restrictions in place. These include earning stripping rules; ATAD 2/anti hybrid rules; transfer pricing and limitations on related party debt. The withholding tax position on the payment of interest will also need to be considered and, in many cases, withholding tax clearances should be put in place to manage taxes effectively.
- Typically, an acquisition of a PE-backed business is facilitated through a series of holding companies. This is due to certain regulatory requirements, including banking arrangements. The business will need to consider the **management of the holding company**, including statutory reporting.
- For the statutory accounts of the purchasing company, the accounting of the acquisition will need to be finalised and included within the financial statements. There will also be requirements to produce consolidated audited accounts, prepare purchase price accounting and/or convert to IFRS reporting.

Our specialist team provides advice to PE-backed companies, assisting management by explaining the structure, highlighting the critical obligations to assist the client in effectively completing the complex tasks at hand, so that management can look forward to the next phase of the PE-backed lifecycle … Establish a 5-year plan.

We understand this can be a new challenge for many businesses, especially after the intensity of a transaction. We offer our expertise and guidance to support businesses as they begin their journey on the Private Equity Lifecycle.

Discover all phases of the 'Private Equity Lifecycle' or get in contact with Dirk Baken or Sjoerd Hasselmann.



Contact

Dirk Baken
Partner
M +31 (0)88 2888 626
E dbaken@deloitte.nl

Sjoerd Hasselman
Director
M +31 (0)88 2888 067
E shasselmann@deloitte.nl

www.Deloitte.nl