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The future of the deal

Introduction to operational due diligence

While financial, tax, and legal due diligences provide the basis to assess the current economic value and inform the SPA to protect the price paid, the operational due diligence (ODD) is more forward looking and answers the question "What are we going to do with it, when it is ours?". Our ODD approach is very versatile, covering analyses that provide inputs throughout the deal cycle. Given most activities increase after the SPA has been signed, our report is a key input for the integration blueprint and the day-1 check-list.

Key pillars of our operational due diligence approach

Key pillars of analysis

Operational assessment

Provides insights into the target's operating model and operational capabilities, performance, standard procedures and policies and identifies potential risk areas

Forecasts and upsides

Highlights the main risks and pinch-points underpinning management's future growth plans and seeks additional considerations to leverage during the deal negotiation

Synergy identification

Develops and validates major deal synergies, focusing on key areas such as baselining, one-off costs, planning and phasing

Separation impacts

Identifies major operational dependencies with seller (e.g., systems, infrastructure, assets, shared svc) and impacts for the separation and stand-alone operation

Our approach allows the buyer to gain a deeper understanding of the target's operations, organizational structure, risks and major considerations for the separation of the business (in case the deal is completed) and its sustainability into the future. Our analyses include the target's cost base, management's growth plans, CAPEX requirements, one-time costs and run rate to operate as stand-alone business; business performance and standards (KPIs, SOPs); and synergy validation and identification.

Benefits of the operational due diligence (non-exhaustive)

- ✓ Identify operational upsides and robustness of the target business
- ✓ Identify actions and investments needed by target management to accelerate value
- ✓ Determine major operational dependencies and one-time costs of separating the target business creation
- ✓ Validate the identified synergies to support deal valuation and identify additional opportunities
- ✓ Understand the target's historical and current performance and standards procedures, and pressure-test the planned performance improvement savings
- ✓ Validate supply chain capabilities (procurement, warehousing and distribution network and footprint)
- ✓ Determine potential organizational optimization opportunities

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