

A due diligence analysis is a review of risks carried out with the "utmost care" within the scope of a company acquisition. The objective is aimed at systematically identifying opportunities and risks surrounding acquisition of a company and consequently ensuring the relevant buy or sell decision-making process.

The seller strives to realise the best possible price (for his / her life's work), while the buyer wants to obtain the most in-depth insight into the company prior to the acquisition.

Due diligence of company transactions

STRATEGIC ISSUES

An investor (private individual or company) that aims to expand vertically or horizontally raises the question of what he/she wants to achieve with the firm to be acquired:

- Realising growth
- Tapping new or supplemental markets
- Optimising procurement / sales / logistics
- Expanding R&D / patents / know-how
- Developing innovative, improved, supplemental products
- Acquiring highly skilled personnel, technical specialists
- Generating higher returns

Strategic issues also emerge for the seller, for example: Can the divestment result purely in the creation of liquidity, or guarantee of succession planning?

STEP-BY-STEP PROCESS

Subsequent to clarifying the strategic issues, the actual due diligence process then commences. Given positive results from the analysis, the phase of determining the price and structuring the contract follows.

Purpose	<ul style="list-style-type: none"> • Does the acquisition make sense? • Is it the right company? • Are there synergies?
Dealbreaker	<ul style="list-style-type: none"> • Risks threatening the transaction • Finance / tax / legal /commercial aspects
Transaction	<ul style="list-style-type: none"> • Financing • Contract structuring

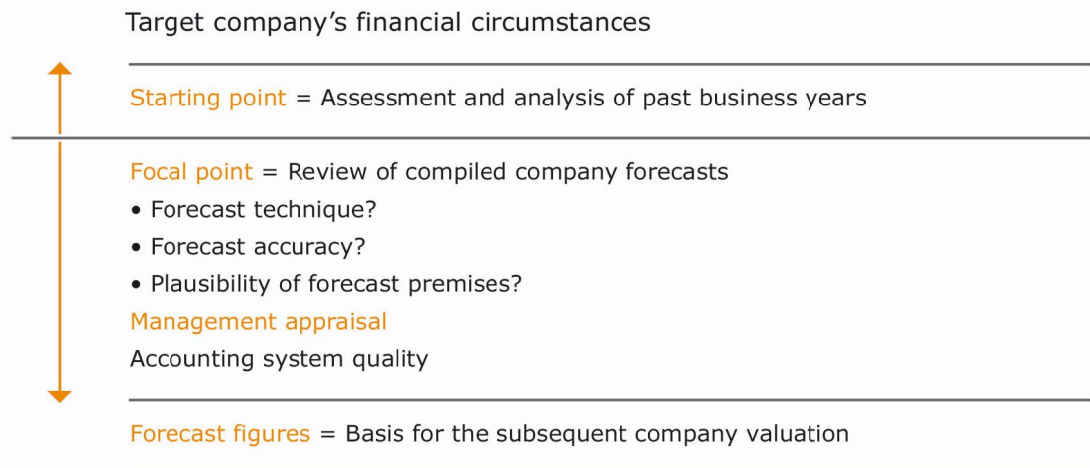
Unabhängig und objektiv

Eine Due Diligence ist vorzugsweise unter Einbezug einer neutralen Stelle durchzuführen. So können Preiserwartungen von Käufer und Verkäufer in einem realistischen Rahmen gehalten und durch eine objektive Sichtweise die oft vorhandene Emotionalität während der Transaktion verhindert werden.



The due diligence process basically differentiates between the four sub-categories of finance, tax and legal as well as commercial analyses, such as market and competitive situations. According to the circumstances, internal company experts or external specialists are included in the process.

Finances: Past business years constitute the starting point of financial due diligence. However, the budget forecast forms the core aspect.



tax and legal aspects: Regarding tax aspects, all past tax-related risks (e.g. federal direct tax, state and municipal taxes, value-added tax, stamp duty, etc.) are identified, on the one hand, and the transaction is assessed and optimised from the tax perspective, on the other.

The legal sub-category encompasses analysis of the general statutory conditions and risks relating to liability and guarantee, in addition to structure and preparation of the company acquisition contracts.

Test fields / deal breakers: The following test fields are covered (not exhaustive): Assets, revenues, costs, cash flow, liquidity, share capital, borrowed capital, financing structure, tax implications, strategy, market position.

As a rule, the past three to five business years as well as the subsequent one to three forecast years are subject to analysis in terms of any deal breakers, which could include hidden historical hazards or even unrealistic forecasts.

It is important to identify such deal breakers already at an early stage, if necessary, in order to terminate the entire process just at the initial stage.

Professional support and advice: The application of standardised checklists is indispensable in carrying out an efficient and effective due diligence process. However, adapting the due diligence to the respective situation also plays an important role, in order to purposefully utilise the available resources to the greatest possible extent.

We boast years of extensive experience enabling us to offer you a client-specific due diligence service as well as to tailor our analyses and reporting to your needs.

We offer you the following services:

For buyers of companies

- Due diligence execution / support
- Compilation of detailed report
- Assessment of acquisition price

For sellers of companies

- Providing support in preparing sales documentation, financial and business plans
- Processing all business documents significant for the due diligence
- Preparing the due diligence documentation in hardcopy or electronic form for the data space
- Developing a company valuation

Should you require any further information Please contact Mr. Arthur Exer (arthur.exer@abt.ch)