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Corporate Transformation: Harvesting Operational Benefits to Increase Transaction Value

Sell-side due diligence

Alvarez & Marsal (A&M) is often brought in by management teams and Boards to take a clean sheet of paper approach to challenging the business model and cost structure for our clients.

We have found that in instances where the ultimate resolution is to carve out a piece of the company for disposal or an outright sale of the company, we are able to not only increase EBITDA, we are able to enhance the overall transaction value for the seller.

With global transactions [hitting a record \\$2 trillion](#) in the first five months of 2018, and few signs of a slowdown in sight, “sell-side due diligence” on behalf of the seller has proven to be very valuable.

An A&M independent analysis can make a significant difference in ongoing negotiations and potential buyers’ diligence surrounding the transaction because it lets the seller maintain control over the process, helps them avoid surprises and minimizes the transaction timeline. These analyses may also show how costs can be reduced and working capital released, indicating the upside potential to the deal. A&M’s *outsider’s view* can also help to clarify where synergies may lie.

“We have been able to help our clients substantially increase transaction value because the buyer is more comfortable that their EBITDA projections are believable,” says [Joe Berardino](#), Managing Director of A&M’s Corporate Transformation Services practice.

Building Confidence and Clarity

A&M’s sell-side due diligence service offers a distinct difference by leveraging the Firm’s deep operational, industry and functional expertise along with our leading financial accounting and tax services to enhance the value of your transaction while minimizing operational disruption to your business. Our work will support value assertions with credible and readily available analyses for potential buyers.

“Companies have numerous adjustments in different cost areas that can make it difficult for a buyer to decipher what’s going on,” says [Craig McClory](#), Managing Director with A&M in Chicago. “Sell-side due diligence will provide the early-identification of potential deal issues from a buyer’s perspective such that you can proactively take mitigating actions. We have a stable of CPAs around the world in our Global Transaction Advisory Group, led by [Paul Aversano](#).”

An operational review then looks at what changes would drive the biggest improvements in profitability and/or potential synergies from a proposed transaction and what specific actions the company needs to take to achieve the savings.

“This is not window dressing with no substance – it’s sustainable and ongoing,” says McClory.

Reducing the Executional Risk of the Transaction

A&M recently helped a client complete a sale of its business, creating \$1 billion of value for investors. The firm was initially hired to work on the transformation of the company’s procurement processes, however other takeover deals in the industry brought the option of a sale to the fore.



CORPORATE TRANSFORMATION SERVICES

FROM THE INSIDE OUT

“We had already been on the ground for 18 months and we were working on some of the savings,” says [Geoffrey Pollak](#), Managing Director with A&M in Atlanta. “There were two approaches: what could they achieve as an ongoing concern on their own, and what could they do with a strategic buyer?”

As part of the second approach, A&M set out the estimated synergies that could be achieved with a number of different corporate buyers.

“It really helps when a buyer comes in doing their financial and operational due diligence, and in this case, all the potential buyers elected to see our document. You have investment bankers on both the buy-side and sell-side of the proposed transaction finding a highly credible and detailed analysis of actions that will drive substantial value,” adds Pollak.

“Because of our restructuring heritage, we think like an activist in stripping away the bloat that has built up, typically in the center, thereby reducing cost and freeing up working capital to invest in the customer relationship,” says Berardino. “This ‘muddy boots’ walk through the company’s operations is much more difficult and often meets resistance from incumbent management, but at the end of the day, unearths substantial value.”

Stay informed about the key issues driving companies to seek meaningful, lasting change in [From the Inside Out](#), our corporate transformation newsletter.

GOT A QUESTION? CONTACT AN INFLUENCER ANSWERS ARE ONE CLICK AWAY



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ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to make change and achieve results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services.

With over 3,000 people across four continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, help organizations transform operations, catapult growth and accelerate results through decisive action. Comprised of experienced operators, world-class consultants, former regulators and industry authorities, A&M leverages its restructuring heritage to turn change into a strategic business asset, manage risk and unlock value at every stage of growth.

When action matters, find us at: www.alvarezandmarsal.com

