

Initial situation

A German financial investor planned the acquisition of the majority stake in a mid-cap service provider for turn-key fibre optic networks in order to provide financing for further expansion. I-ADVISE was engaged to perform financial and tax due diligence work. Following the acquisition I-ADVISE provided additional services in the context of “Post-Acquisition-Support” for the new portfolio company.

Challenges

An initial screening of the data-room revealed that the quality of the company’s business plan did not meet investor’s requirements. In addition, we identified major weaknesses in the accounting and monthly reporting practices.

The subsequent contribution of additional capital to the portfolio company by a strategic investor as additional shareholder, required the preparation of a data-room including an integrated business model and adequate documentation which was not available at that time.

Planned add-on acquisitions required financial and tax due diligence work which could not be performed by the portfolio company’s own personnel.

Approach

As part of the due diligence I-ADVISE developed a detailed structure of an integrated financial model in cooperation with the M&A advisor of the seller.

Based on the findings of the due diligence, the I-ADVISE team supported the portfolio company with the insourcing of the accounting activity and the continuous improvement of the quality of the monthly reporting with a focus on the valuation of work-in-process.

The focused “red flag”-type due diligence work for the planned add-on acquisitions was performed by the team members involved in the initial due diligence who were thus already familiar with the industry specifics.

For purposes of regular mid-term planning and in the context of the capital contribution by the new strategic investor, the I-ADVISE team prepared a detailed integrated business planning model which considered the rather complex organisational group structure including a pro-forma consolidation.

Outcome

The pro-active approach of I-ADVISE enabled the seller to provide an adequate business plan in due course which avoided a substantial delay or even the termination of the transaction process.

Due to the in-depth experience of each team member and the consistency of the team throughout all projects, I-ADVISE was able to act as a “sparring partner” for the company and contribute substantially to the improvement of the accounting in general and the monthly reporting in particular.

Based on data-room information comprising a robust integrated business planning model, the portfolio company was able to raise additional equity from the strategic investor to finance future growth.

The focused due diligence work for the intended add-on acquisitions as performed by I-ADVISE served as a sound basis for a well-founded investment decision at reasonable transaction costs.

DÜSSELDORF:

Franz-Rennefeld-Weg 5
D-40472 Düsseldorf
T: +49 (211) 51 80 28 – 0
F: +49 (211) 51 80 28 – 28
www.i-advise.de

FRANKFURT:

Taunusanlage 1 (Skyper Villa)
D-60329 Frankfurt
T: +49 (69) 50 50 60 – 690
F: +49 (211) 51 80 28 – 28
www.i-advise.de