

Fairness opinion services

Third-party financial advice that can improve corporate governance and avert litigation*

Although fairness opinions are not legally required or mandated by regulatory requirements such as OSC Rule 61-501, both public and private companies are increasingly seeking them to support key financial and business decisions to stakeholders.

The demands of increased regulations and the threat of costly lawsuits are placing increased pressure on boards of directors to ensure corporate governance remains a priority. Boards must justify their financial and business decisions to stakeholders, especially in sensitive transactions including takeovers, sales, reorganizations and acquisitions. Since they are accountable, boards need solid, reliable financial advice to ensure their decisions lead to enhanced performance, better returns and reduced risk.

One way to meet this need for diligence and avoid litigious situations is through the use of fairness opinions. Fairness opinions are provided by financial advisors who assess the fairness of a proposed transaction from a financial point of view to all or a specified set of shareholders. While fairness opinions are an important factor relied upon by boards to assess the fairness of an offer, they do not comment on whether the price offered is the best price.

To address subjective fair value measures and the impact on financial statements, and to comply with existing and proposed legislation such as Bill 198 and Sarbanes-Oxley (SOX), companies must ensure that fairness opinions are obtained from a credible, objective and independent source. Independent valuation advice can provide more legitimacy for board decisions—both in fact and appearance—and stand up in court if necessary.

How can PwC help?

As an independent valuator, PwC is a market leader in providing fairness opinions for both public and private companies. Our professionals offer a high degree of rigor and diligence in their analyses to help boards and special committees arrive at an informed decision. We have helped companies determine the fairness of numerous transactions including:

- Blocked mergers – We can provide important documentation to strengthen legal positions and support a merger recommendation process even before getting in front of a judge.
- Unsolicited offers for a public corporation's shares – A fairness opinion can help the board determine whether or not an offered price is fair to shareholders and other relevant stakeholders, thus containing possible litigious situations that may arise.

Who to call

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- Hostile takeovers – Our services can provide additional corroboration, better compliance with standards and enhanced transaction support for offers.
- Proposed transaction – We can provide the expert support boards need to effectively carry out their fiduciary duties if they lack the valuation expertise to fully assess the merits, risks and value associated with a proposed transaction.

Valuation advice from an independent financial advisor can assure stakeholders that the decisions boards make are fair and reasonable. Regardless of whether the company is undergoing a major transaction or considering the financial impact of a business decision, a fairness opinion helps ensure that the next actions taken are the right ones.