

DirectorConnect

Your corporate governance community*

*connectedthinking

PRICEWATERHOUSECOOPERS 

Top 10 M&A diligence considerations for directors

1. **Be true to your strategy.** M&A activity can be used as a tool to help your company fulfill its strategy by adding capabilities, expanding geographically and achieving faster short-term growth.
2. **Effective communication to the Board and market are essential for a successful transaction.** Management must be able to adequately articulate how the transaction fits into the overall corporate strategy and must also be able to communicate the deal rationale to the market.
3. **Process is essential to keeping the deal on track.** Make sure management has a comprehensive plan that includes planning, executing, integrating and communicating the deal.
4. **Ensure that management has assembled the right team to complete the due diligence, drawing from internal expertise and external advisors.** The team must develop an in-depth understanding of the target's financial performance as well as their strategic, operational and structural strengths and challenges in order to determine if they align to the value being attributed to the deal.
5. **Ensure that management has a solid plan to maintain their focus on the core business during the transaction.** A transaction can take up considerable management attention and the Board must ensure that the core business has a sustained focus despite the distractions of a deal.
6. **Understand the deal's synergistic potential.** Management should have a robust forecast of how the transaction will be accretive. Throughout the deal evaluation, management should apply a rigorous and disciplined process to identify and realistically quantify potential synergies.
7. **Dialogue with management to ensure that the benefits of identified synergies are achieved.** Often it is the success of the post deal integration, within the first 100 days and beyond, that most influences shareholder value. The Board and management will need to actively dialogue on this topic before and after closing the deal.
8. **Optimizing financing, taxation and accounting structures can be key to achieving transactional value.** Management should adequately consider all alternative structures to complete the deal.
9. **There is more to consider than just the deal.** It is essential to ensure that management anticipates and manages all regulatory requirements including securities and competition requirements. Management must be able to complete the quarterly certifications on accounting controls and procedures as required under Bill 198 or Sarbanes-Oxley, including those related to the acquisition.
10. **Consider fiduciary duties and shareholder value.** When considering the sale of a division or all of the company, the Board needs to ensure that management has adequately prepared the business for sale and is maximizing shareholder value. To adequately fulfill fiduciary duties, the Board may need to obtain independent legal advice or a fairness opinion.

To speak to a PwC professional contact:

John W. Nyholt, Partner, National Leader, Transaction Services
john.nyholt@ca.pwc.com 416 815 5086