

In Brief*

Due diligence advice for banks done with experience, focus and speed

In today's economic climate, lending and then monitoring loans is among the most critical and risk-laden banking activities.

Challenges facing lenders

- Evaluating the quality of a client's revenues and earnings and bridge back profits to cash flow
- Assessing a client's debt service capability and working capital
- Gaining a view of a client's operations and systems
- Understanding a client's existing key contracts and potential exposure

Credit managers need access to quality data and a high degree of confidence of its integrity whether they are evaluating a business pre-loan, monitoring the health of a company with an existing loan, or assessing a carve-out or divestiture by a current client. And, it needs to happen quickly.

Increasingly, credit managers at banks are looking for assistance to evaluate the quality of an existing or prospective client's revenues and earnings, while also evaluating the sustainability of the projected cash flows. Today, it often goes even deeper. It is also valuable to have a view into an organization's debt service capability and working capital as well as a look at the quality of its operations and systems.

PwC can add value and confidence to your lending processes. The PwC advantage combines our transaction services and operational effectiveness expertise with our significant financial services experience. The value to you is quality due diligence, trusted advice and our ability to work under tight timelines.

Our value proposition

Improve risk management through broader due diligence

- Reduce the risk of “surprises” during the term of the loan
- Identify modifications to business plans and/or valuation models
- Normalize historical EBITDA to provide a more sustainable view under a variety of scenarios
- Identify key risk areas that may require monitoring
- Identify areas of improvement in management of the business
- Identify issues that may require adjustments to the lending terms
- Assess exit strategy and downside risk
- Assist with ongoing monitoring activities when appropriate

Achieve comfort by outsourcing to consultants with technical and industry experience

- Outsourced diligence provides an independent, objective assessment and allows a bank’s relationship managers to focus on developing new business opportunities.
- Insight and advice from technical experts with deep experience in financial and operational due diligence, assessing credit quality, understanding loan covenants, accessing the capital markets and valuing, negotiating and structuring deals, and divestments and exit strategies.
- Senior financial services consultants who have worked in the industry both in Alberta, nationally and internationally.
- Complementary expertise in all aspects of an organization’s operations, including: finance, strategy, technology, change management, supply chain, outsourcing, performance management and benefits realization.
- Augments bank’s efforts to prepare credit submissions, assist in ongoing monitoring of activities if appropriate and facilitate loan syndication process where appropriate.

Solutions that are effectively scoped and tailored

- Hands-on collaborative approach tailored to your specific needs in a cost effective manner.
- Experienced professionals will ensure efficient use of time and resources.
- High level, value added analysis versus reams of detailed financial analysis.
- Broad due diligence provides 360 degree view of a client’s financial and operational health versus a more narrow focus.
- Reports prepared from a proprietary reporting tool with a consistent and easy to read look

Our services

Financial due diligence

- Evaluate quality and integrity of information
- Assess quality of revenues/earnings/assets/working capital under various sensitivities
- Challenge Management's assumptions for projections
- Provide lending term points

Sustainable cash flow

- Assess quality of historic cash flow
- Identify underlying business/industry drivers and risks
- Analyze trends, opportunities and threats including products, customers, suppliers and competitors
- Assess future prospects and cash flow projections of the company – ability to service loan

Asset conversion cycle

- Evaluate cash conversion cycle and working capital management including seasonality
- Assess operational capabilities, performance and execution
- Assess program management and integration
- Assess effectiveness of Management in turning opportunities into revenue

Quality, existence and value of collateral

- Evaluate quality of accounts receivable.
- Analyze inventory patterns and valuation
- Identify fixed asset components, value and capex levels
- Understand foreign assets – collateralizing limitations
- Identify debts that could take priority over Bank in an insolvency situation
- Understand recoverable value of secured assets and identify issues that could impact recovery
- Identify unrecorded liabilities

Operations due diligence

- Evaluate quality of operations, processes and outputs and provide recommendations on improvement
- Identify critical processes, capacity and scalability and recommend internal control improvements

Taxation due diligence and structuring

- Evaluate tax exposures

Information Technology / Systems due diligence

- Assess IT management, processes and infrastructure
- Assess reliability and scalability of the company's information systems

Our team

In Alberta, PwC has assembled a team with local, national and global hands-on experience in helping our clients build sustainable value. Our clients include public and private companies and leading national and international private equity funds. We invite you to connect with our Transaction Services (TS) Partners or Banking Specialists to discuss your unique needs:

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