

Client's challenge

A large, publicly traded commercial payer required reliable due diligence information before it could proceed with plans to purchase another health benefits company. The window of opportunity for securing the required information was limited to two days, compounding the typical challenges of an acquisition.

PricewaterhouseCoopers (PwC) was engaged to provide the due diligence services needed to determine the deal value and the purchase agreement terms. Access to information, including physical data and audit work papers, was available only during a two-day management presentation by the target company.

PricewaterhouseCoopers' Advisory solution

An existing strong relationship with the client's senior executives contributed to the selection of PwC to handle this time-sensitive engagement. Additionally, PwC's knowledge and experience in financial and buy-side due diligence was known by the client as a result of successful work previously completed.

To begin the aggressive timeline, PwC assembled a team of finance and tax partners, managers and senior associates from the Transaction Services practice and the firm's Merger & Acquisition Tax practice. With the team in place, PwC completed a series of detailed analyses of the target company's two previous fiscal years and for a time period prior to the sale's completion.

The engagement team identified several non-recurring and unusual transactions that were adjusted to "normalize" earnings. A quality of net assets analysis identified an additional liability for class-action litigation. Additionally PwC analyzed the target company's financial forecasts for the nine months prior to the sale and compared them to the same period for the previous year. Through this analysis, PwC discovered that a planned increase in premiums and a decrease in administrative expenses as a percentage of revenue would drive the forecasted revenues for the target company.

Impact on the client's business

PwC's engagement team successfully gathered the necessary information within the two-day window. This enabled the team to quickly identify and communicate to the client the significant deal drivers. Based on the engagement findings, the client was able to finalize its purchase of the health benefits company.

The resulting new company provides services to a much larger membership in an expanded geographical area and anticipates additional growth through new accounts.

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