

PricewaterhouseCoopers' Transaction Services

Commercial due diligence

Uncovering the risks and upsides of a deal

Identifying commercial risks or upsides in a deal will frequently have a material impact on either price negotiation or deal viability. Organizations can increase their chances of making successful, value creating deals by conducting appropriate due diligence on the market and competitive dynamics underpinning investment theses.

Performing such assessments can dramatically reduce risk and increase value for prospective acquirers.



How we help

The commercial due diligence specialists within PwC's Transaction Services practice challenge and validate target management forecasts in the context of the commercial environment of the business. We analyze the attractiveness of the target's market and the strength of its competitive positioning to provide an impartial assessment of the source and sustainability of revenues and margins.

Benefit to you

Our clients benefit from reduced risk, increased value and lower costs associated with prospective transactions. Many of our projects have resulted in findings that had a material impact on either the bid price or the viability of the deal – revealing flaws in the investment thesis as well as potential deal-breakers. Our issues-driven process is tailored to focus on “go/ no-go” topics, saving our clients time and money. Commercial due diligence also helps clients confirm the value in deals where our work validates the investment thesis and uncovers potential upsides – giving clients the confidence to aggressively pursue the best opportunities.

How PwC helped one organization validate a specific deal in the telecom industry

Our client needed to ensure that its acquisition target was able to achieve projected international long distance (I-LD) pre-paid card revenue and profit.

Our Approach

We developed market growth projections for the I-LD card market and tested the feasibility of the target's implied market share gains. We also identified margins earned by competitors in the I-LD market and drivers of differences.

The Outcome

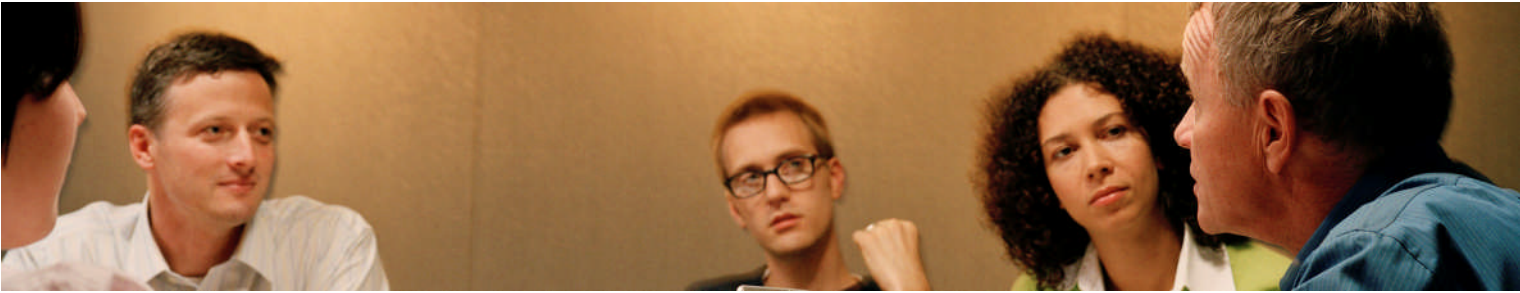
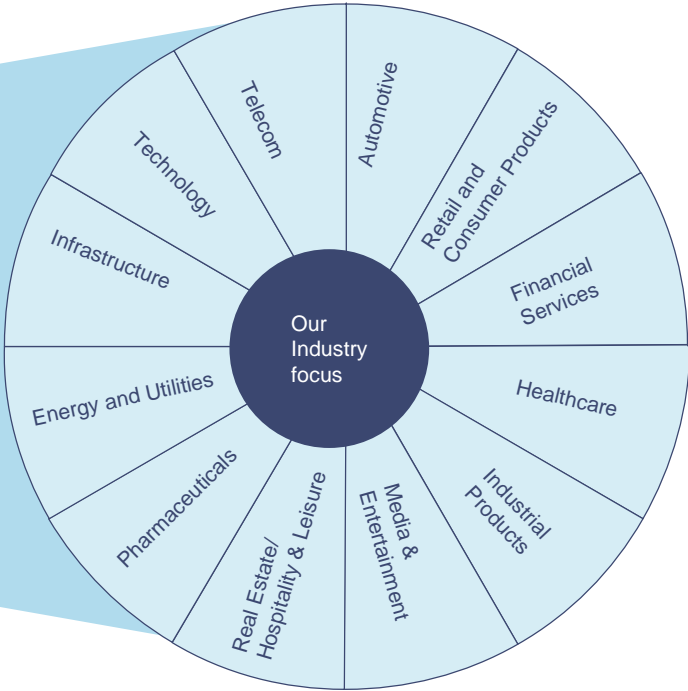
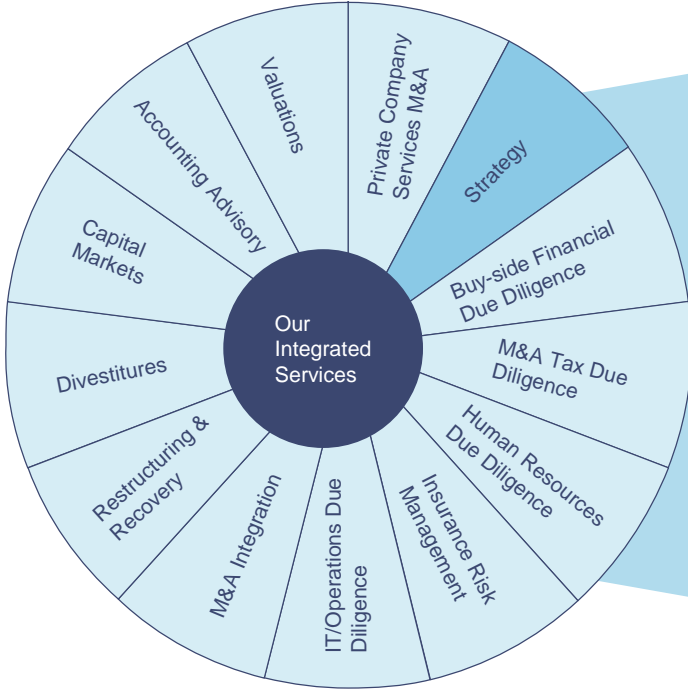
The target's revenue projections implied taking significant market share in a price-driven, slow-growth market where the incumbents had established distribution relationships. We found that the margin differences were driven by size and resulting pricing power, and the margin projections were deemed unlikely given they would exceed those of the target's largest competitor. With this knowledge, the client was able to successfully renegotiate the terms of the merger agreement.

For more information on our commercial due diligence services, contact

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PricewaterhouseCoopers' Transaction Services

A tailored approach that provides clients with the right balance of transaction, functional, and industry expertise across the value chain



About Transaction Services

The PricewaterhouseCoopers Transaction Services practice provides due diligence for M&A transactions, along with advice on M&A strategy and integration, divestitures and separation, valuations, accounting, financial reporting, and capital raising. With approximately 1,000 deal professionals in 16 cities in the U.S., experienced teams are deployed with deep industry and local market knowledge, and technical experience tailored to each client's situation. The Transaction Services team can be involved from strategy to integration and employ an integrated business approach to uncover the realities of a deal. The field-proven, globally consistent, controlled deal process helps clients minimize their risks, progress with the right deals, and capture value both at the deal table and after the deal closes.

For more information, visit www.pwc.com/ustransactionservices