

PricewaterhouseCoopers' Transaction Services

Human resources due diligence

HR considerations in today's M&A environment

Accurately assessing the impact of compensation and benefit plans, employment contracts and agreements, severance and retentions, and compliance and legal issues is critical to understanding the value of an acquisition.

As companies increasingly become global, buyers are faced with addressing cultural differences, local practices, and customs and language hurdles in a transaction. Human resources diligence allows companies to assess whether deal synergies are present given the human capital at the target company.



How we help

The human resources professionals in PwC's Transaction Services practice have in-depth experience in helping both private equity and corporate clients evaluate the impacts of human resource issues on their transactions. They uncover benefits issues such as under-funded employer plans, identify synergy and cost-saving opportunities which flow into the buyer's integration plan and help develop compensation strategy to retain key individuals.

Benefit to you

Our clients will know up front if deal synergies are even possible given the human capital at the target company. Early diligence findings around the human capital of the target can help clients assess whether to abandon a deal even before entering negotiations, and avoid upfront hidden pension obligations.

How PwC helped one buyer receive a price concession due to the seller's benefit programs

A US strategic buyer who planned to acquire specific operations/assets in a carve-out transaction engaged PwC to perform employee benefits diligence to determine the reasonableness of allocated costs to the run-rate cost of benefits on a stand-alone basis.

Our Approach

PwC reviewed the cost of the seller's benefits as well as the proposed treatment for certain employee benefits. Consideration was given to whether the buyer would be required to sponsor mirror benefits for future service or whether employees might be moved to the seller's existing benefit platform. PwC's human resources specialists identified that the parent company had allocated the cost of employee benefit plans as a flat percentage of salaries and wages to estimate the cost, or participation, in the benefit programs.

The Outcome

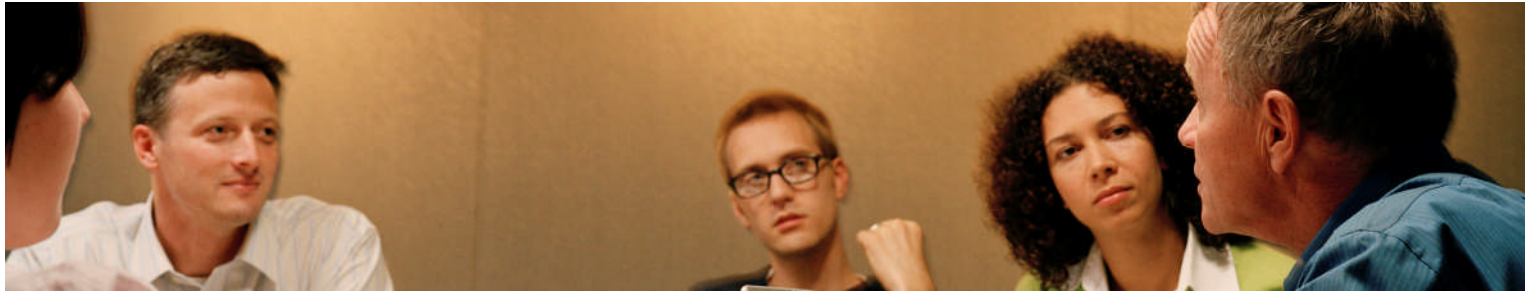
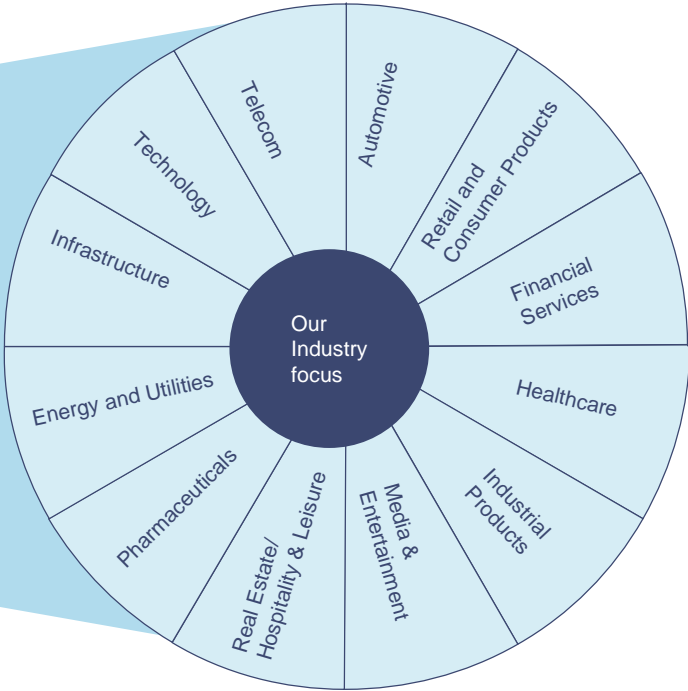
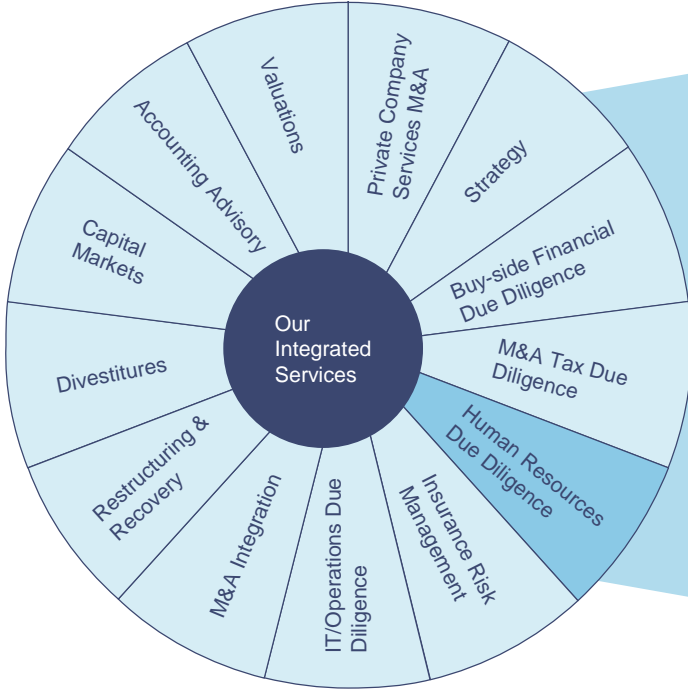
PwC estimated that the fringe rate for ongoing benefit programs differed from the historic allocation in the carve-out financials. The seller considered the cost differential in the purchase price.

For more information on our human resources due diligence, 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