

Commercial due diligence

For financial and corporate clients pursuing an acquisition strategy, commercial due diligence helps verify your investment hypothesis.

In our view, many investors in the Middle East are more likely than their European or North American counterparts to make an investment decision based on an untested hypothesis. But the lower level of publicly-available information does not mean that acquisition decisions should be ill-informed.

Commercial due diligence reviews the Target's historical and forecast performance from the perspective of its markets, its customers, its competitors and its internal capabilities. It therefore provides the investor with a detailed, objective and fact-based review of the Target's strategic risks and opportunities, as well as a quantitative assessment of the growth projections used as a basis for the transaction.



Typically, commercial due diligence would cover:

- A review of **market demand**, verifying the level of market growth in the business's specific products/services
- Analysis of the **competitive** environment, to assess the level of competition in the market and verify the Target's particular competitive position
- Analysis of key **customers** and the strength of the Target's relationships. Often, we conduct customer referencing to provide high quality independent feedback
- An understanding of the drivers of historical **trading performance**. For example, to what extent was growth impacted by market changes, new products, competitor action or regulatory changes?
- Conclusions on the **achievability of forecast projections**, with specific adjustments where we believe that the level of risk is too high, or where we believe there to be hidden upside

Our conclusions on financial projections can feed into the financial due diligence workstream to ensure that the profit and cash impact of any adjustments are accurately modelled, giving you a clear view of the impact on valuation.

PwC's commercial due diligence services are supported by industry knowledge, our extensive network of clients and contacts and our primary research capabilities, all of which help us overcome the challenges of finding answers in data-poor environments. Our team has worked with many of the leading private equity investors in Europe, North America and the Middle East and is well versed in the deal process and the requirement for speed, accuracy and reliability.