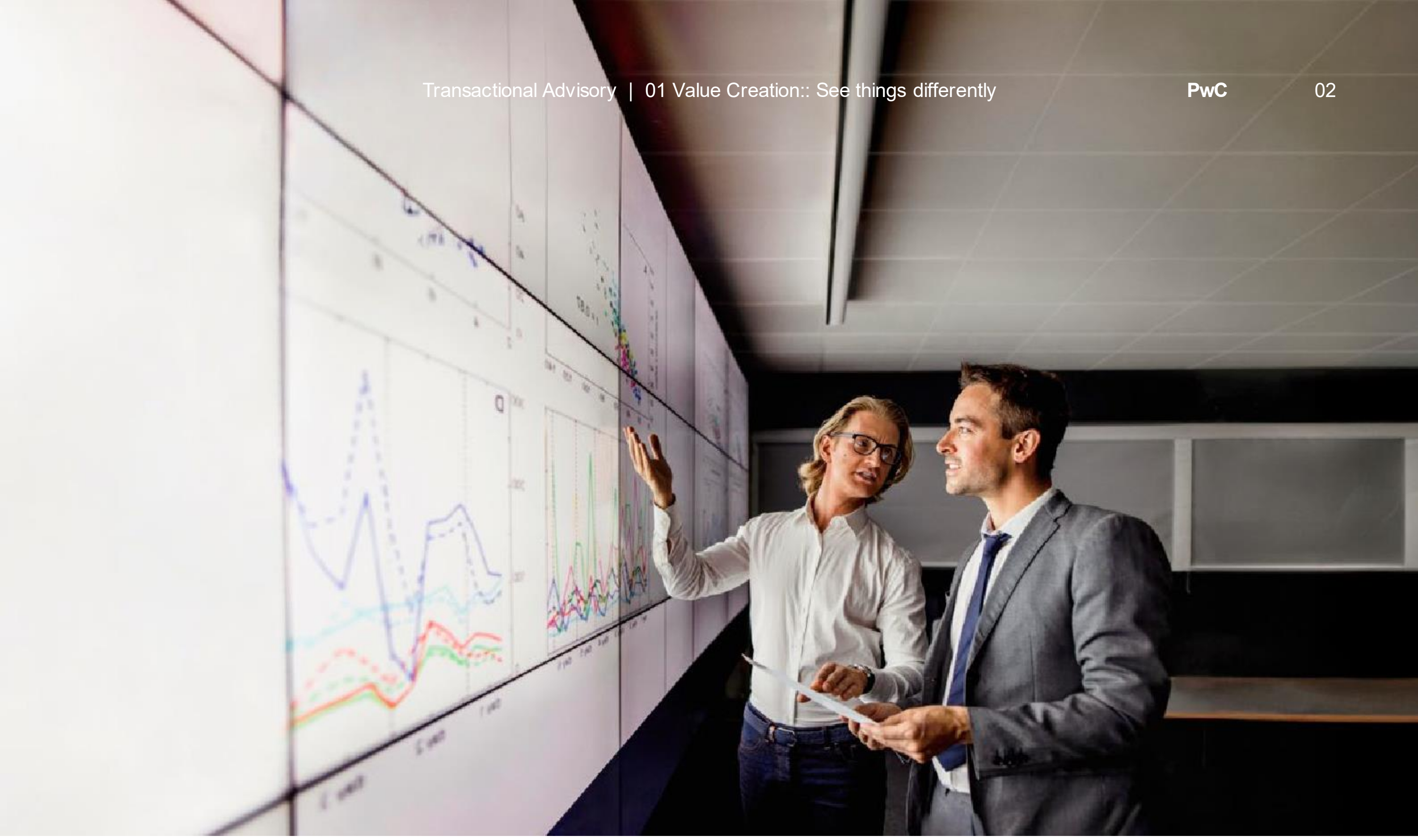
Transactional Advisory: Mergers & Acquisitions

Expert-led advisory on high-impact transactions and capital strategies



Value Creation:

See things differently

As a corporate or a private equity portfolio company, achieving transformational value through M&A is a challenging endeavour. We help clients to design and deliver value capture at the pre and post deal stage. Accelerating your integration process to ensure a smooth transition from start to finish.

When organic growth does not satisfy the needs of your stakeholders, or you would like to dispose of non-core assets, PwC Azerbaijan M&A Advisory team can help.

For our services we mobilized M&A experts from Azerbaijan, Turkiye, UAE, Saudi Arabia, Georgia, Kazakhstan, Uzbekistan PwC offices that can help you access new markets, assets, technologies, personnel, intellectual property and sources of finance.

We provide a full range of M&A advisory services across all industry sectors, from acquisitions through to raising finance. We are able to deploy local teams at short notice - teams that combine our deep industry expertise with local knowledge to focus on your deal.

Your challenges and requests

Do you want to increase the value of your company?

Do you want to know how potential internal optimizations or external acquisitions can support you in achieving this goal?

Are you looking for attractive targets to expand your portfolio with new products and services?

Do you want to enter new geographical markets or invest in new business interests?

If these questions are relevant to your business, then…

…you need to identify potential market segments and target companies, and research the accessibility to the market and assess the target company's market share. However, that's not where your analysis should end:

You also need to thoroughly understand the shareholder, customer and supplier relationships. You need to evaluate relevant brand values, estimate risks and analyze company figures. And you need to evaluate potential synergies that would be achieved by successful integration.

There are many possible ways to increase the value of a company. Effective decision-making is dependent upon an analysis that correctly identifies potential added value, identification of the right transaction targets and the accurate estimation of risks.

Requests we got from Azerbaijani companies

- They want rapid access to new markets, assets, technologies, personnel, intellectual property, and sources of finance.
- They want to restructure the asset base of businesses by disposing of underperforming assets/parts of the business.
- They want to realize the value of business.
- They want to raise money for expansion (debt or equity raising, acquisition finance, etc.).
- They want help with setting direction and business planning, which may result in an M&A transaction.
- They want to identify a right partner for their joint venture plans.
- They want to identify a right buyer for their business entity on sale.
- They want to originate solid businesses available for sale or equity investments (Deal origination)
- They want to raise equity or debt to finance their acquisitions,.

How we can support

We provide:

- Expert advice throughout the transaction
- Proven ability to help you find the right buyer for your business, or help you identify the right acquisition target to fit with your strategic ambition
- Benefit of access to specialists in the rules and regulations governing publicly listed companies
- National and international network of practitioners with local knowledge.

PwC's M&A advisory services include

Advice on all aspects of acquisitions, disposals, private equity transactions and finance raising, including:

- Deal execution
- Deal origination
- Valuation of assets
- Preparing business plans and financial modelling of projections
- Capital raising, debt raising, and private equity financing
- Debt restructuring
- Co-ordinate other advisers (e.g., lawyers, due diligence providers, etc.)
- Exit strategy reviews
- Strategic advice and assistance with deal planning

Analyzing your deals options

We can help you assess and quantify various investment options:

You would need to "see what is out there" before making a foray into the market or selling your business. Buyers would need to identify and screen potential investment opportunities, including evaluating the potential valuation ranges and the type of acquisitions. Sellers would need to understand the potential buyers of their business and the potential valuation challenges and exit strategies available to them.

Buy-side M&A advisory - target identification and screening

Based on a prospective buyer's acquisition criteria, we can help identify a list of potential targets and provide you with a market and strategic perspective on each of these targets. We can also give you an unbiased, independent view on the valuation issues to assist with your deal negotiation strategy on potential targets.

- Process management,
- Identification of adequate targets,
- Financial analysis and valuation of a target company,
- Assess historical tax and other risks,
- Seek solutions and protection,
- Preparation of non-binding and final offers.

We accompany and guide you through the entire acquisition process from the search for a target to closing the deal:

- Support when developing the acquisition strategy and criteria
- Identification of suitable target businesses
- Initiating contact with the target business
- Agreement on confidentiality and arrangement of an initial meeting
- Indicative business valuations
- Support on the proposal strategy and the preparation of a Letter of Intent (LOI)
- Coordination of due diligence and additional advisors
- Support preparing a binding offer or a term sheet
- Support during the negotiation of contracts

Sell-side M&A advisory – buyers/investors identification and screening

If you want to sell your business, we can identify potential investors and facilitate introductions through leveraging on global network. We can also support you throughout the sales process as your financial advisors.

- Organization and management of the sales process,
- Identification of potential buyers,
- Preparation of necessary documentation, including a teaser and an informational memorandum.

We accompany and manage the entire divestiture process from internal preparation to closing of the deal:

- Business and market analysis (SWOT analysis) and development of an attractive equity story,
- Financial analysis, earnings normalization adjustments, and development of the business plan,
- Indicative business valuations,
- Identification of the best strategic investors and financial investors globally and preparation of an investor longlist
- Preparation of professional transaction documents (declaration of confidentiality, teaser, information memorandum, management presentation)
- Contact with investors (anonymously) via our global PwC network,
- Managing a structured divestiture process and creation of competition among bidders
- Set-up and management of a virtual data room
- Arranging and actively participating in investor/management meetings
- Support negotiating contracts through to signing/closing

Deal structure advice

The structure of a deal should not impede future growth. Our extensive network of specialists can assist with the structuring of your deal. Fast and effective service enables you to achieve maximum value creation following an acquisition

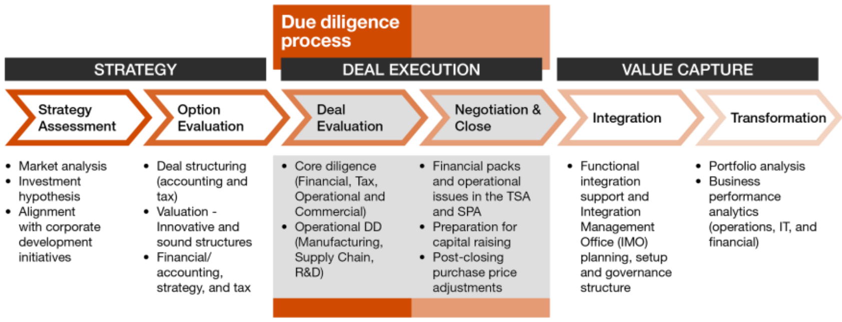
We can provide advice on your proposed deal structure (i.e., mergers and acquisitions, alliance, minority interest, or joint ventures), including the tax impact of different deal structures and advise on purchase price accounting or other accounting matters (i.e., equity, deferred or contingent compensation).

Share Purchase Agreement (SPA), Shareholders Agreement (SHA), Joint Venture Agreement (JVA)

Finding a good deal is hard, but getting it closed the way you want it could be more complex. Now that the due diligence is done, you have a list of commercial and pricing considerations as well as various key risks highlighted in the due diligence reports. How will the sales and purchase agreement (SPA) safeguard your interests against all the risks identified?

In any transaction, the Sale and Purchase Agreement (SPA) represents the outcome of key commercial and pricing negotiations. Purchasers and Sellers are becoming increasingly sophisticated in seeking to exploit the potential value to be gained through the negotiation and execution of the SPA.

Key considerations during a transaction



Your concern

How does the purchase price mechanism work?

Which closing mechanism is suitable - locked box or completion accounts?

How do I define cash, debt, potential "debt-like" items, working capital, normalization adjustments to earnings, leakages and permitted leakages?

How do I ensure all the key risks identified during the due diligence are reflected in the SPA?

How can I be sure that my proposed adjustments will not compromise the deal?

How do I ensure the relevant transaction taxes reflect the commercial position and do not result in unintended additional taxes?

How do I ensure the business is properly run between signing and handover?

How will the SPA clauses affect my financials post transaction?

Typical considerations:

- you are contemplating the disposal of a business and wish to consider the relative merits of 'locked box' and other completion mechanisms
- you are making a disposal and wish to guard against price erosion by exploring options for potential price adjustments and post-completion mechanisms
- you are acquiring and wish to ensure that potential 'debt-like' items and other financial risks have been identified and appropriately addressed within the SPA
- your transaction includes completion accounts or other post-completion price adjustments (e.g., an earn-out), and you wish to position the adjustment statement to your advantage and to minimize the opposing party's potential to manipulate price.
- the adjustments to be made between Enterprise Value and Equity Value, and in formulating the arguments and counter-arguments required to justify your proposed approach.
- analysis of the working capital requirements of the target business to determine the normalized working capital for your negotiation of the SPA.
- working with legal, tax, and financial due diligence teams to mitigate risks identified during the due diligence phase and effectively consider those risks in agreements.
- negotiating the accounting aspects of the SPA, including aspects such as the pricing mechanism, relevant representations and warranties, and any dispute resolution mechanisms related to the purchase price adjustment.
- Non-competition: prohibits creating or participating in a competing venture.
- Non-solicitation/non-dealing: prohibits soliciting or canvassing clients or customers of the target business.
- Non-poaching: prohibits poaching employees.
- Reputation: prohibits using the same or a confusingly similar name used by the target business.

In any transaction, a significant proportion of deal value can be won or lost through SPA, SHA, and JVA negotiation. We can assist you and your advisers in deriving optimum value from agreements. Our team provides expert support at all stages of a transaction from pre-deal work through to post-completion support.

We are committed to help our clients to capture lasting value in deals. We work with strategic and financial investors to raise capital and complete acquisitions, divestitures and strategic alliances/joint ventures.

PwC is one of the world's leading transaction consultancies because we use our global network of experts and our own deep knowledge to create value for our clients. Together, we can identify your next acquisition target and determine whether the transaction would create sustainable added value for your company. We believe your deal is our deal. Together, we will make your deal a success – even in times of great change.

About PwC

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Thank you