



Federation of European Accountants
Fédération des Experts comptables Européens

ACQUISITION & FINANCE

Role of the accountant / auditor

Presentation by INGE SAEYS

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ACCOUNTANT / AUDITOR

ADVISORY ROLE - DUE DILIGENCE WORK

Pre Signing Process

Negotiation Phase

Post Deal Follow - Up

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ADVISORY ROLE

Pre Signing Process

- Determination of the valuation of the company:
price \neq value
 - Strategy, synergy, opportunity costs, sentimental value, negotiation, percentage of investments
- Verification of synergy
- Judgement on the profitability and the possibility in generating cash flow
- Determination of the amount to finance, best structure of financing, sources of financing

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ADVISORY ROLE

Negotiation Phase

- Advice in : price setting, price negotiation, agreement, warranties

Post Deal Follow - Up

- Earn out, indemnification, merger or other restructurations

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DEONTOLOGICAL CODE

- INDEPENDENCE: Independence of mind
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Independence in appearance
- CONFIDENTIALITY
- LIABILITY ISSUE
 - Limited responsibility
 - Engagement letter
 - Disclaimer

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DUE DILIGENCE AUDIT

Assembling sufficient information in order to
make an investment decision.

An aid to work out what contractual protection
is required and what risks can be avoided.

Finally, determining the final price.

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TYPES OF DUE DILIGENCE

Pre signing due diligence

- After LOI, after confidentiality agreement
- Investment decision or walk out possibilities
- Impact on contract
- Scope

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TYPES OF DUE DILIGENCE

Pre closing due diligence

- Full scope due diligence
- Price setting
- Determination of risks / warranties / indemnities

Post acquisition due diligence

- Price setting , indemnities , earn out

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PREPARATION OF DUE DILIGENCE

- Understanding of the business
- Team
- Timing / planning
- Strategy
- Success depends on quality & quantity of information

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assembling *information* on different matters

- | | |
|---|--|
| <ul style="list-style-type: none">➤ Internal control➤ Accounting / bookkeeping➤ Fair view➤ Contracts➤ Out of balance sheet rights / obligations➤ Licenses➤ Lawsuits➤ Personnel | <ul style="list-style-type: none">➤ Production – products – suppliers➤ Environment➤ Taxes➤ Budget / Forecast➤ Property➤ Liability and insurance➤ ... <p>⇒ Based on a checklists</p> |
|---|--|

Work together with other experts!

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Communication

- The use of data – rooms
- Management team
- Exchanging information with client and other experts

Reporting

No two reports are ever identical

Long detailed report - Conclusions

Highlight problems – Summary memorandum

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CONCLUSION

- Measuring risk to minimise disaster
- Planning
- Clear communication
- Effective use of due diligence
- TRUST BUT VERIFY

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