

THE SOLUTION



Mergers & Acquisitions

IS YOUR M&A DEAL WORTH THE RISK?

DRIVING SUCCESSFUL GROWTH STRATEGIES USING COMPETITIVE INTELLIGENCE

Strategic growth by merger or acquisition is an integral part of the global business landscape. But failed deals happen all too often because the involved parties did not collect all the insights necessary to determine if and how to progress in the M&A process.

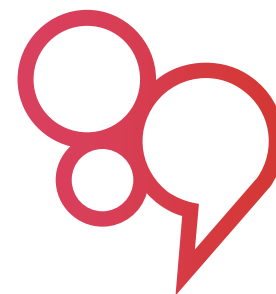
Failure to gather cultural intelligence in advance of a deal can mean the difference between robust ROI and financial loss. Avoiding potential landmines is critical when a large deal — whether hostile, friendly, or cross-border — is on the line. Cultural intelligence can make sure your efforts to grow, diversify, and increase market share are met.

When management needs to incorporate acquisitions or mergers into their growth strategy, a strategic partner who can provide in-depth cultural intelligence is essential.

THE PROBLEM

Part of the problem lies in the approach to M&A due diligence, which can fail to examine the target company in sufficient depth.

Most often, there is an emphasis on assets, finances, regulatory concerns, and perceived strategic fit. In this standard scenario, there is not an adequate examination of cultural issues, processes, operations, intellectual capital, and how to integrate two entirely separate groups of people into a single organization.



Valeo comes from the Latin to win.

KEYS TO BUILDING YOUR MAP
Below are topics we typically address in our M&A review. These may be completely customized to your unique requirements.

COMPETITIVE LANDSCAPE

What is out there?

- Which are the company's primary, as well as potential competitors?
- What are the advantages / disadvantages of the company's products and technologies compared to those of its direct competitors?

MARKETING & SALES ARRANGEMENTS

What is the messaging and identity?

- What are the sales representative, distributor, agency, and franchise agreements of the company?
- What are the standard company sales forms or literature — including price lists, catalogs, purchase orders, proposals, etc.?
- How are sales people compensated/motivated, and what effect will the transaction have on the financial incentives offered to employees?

PEOPLE MATTER

Culture, process, operations and integration are all people issues. This is one of the most important topics often left out of an M&A due-diligence, but can make the difference between success and failure.

- We uncover issues and potential challenges that may derail a deal
- From these insights, a more detailed study may be required

TECHNOLOGY & INTELLECTUAL PROPERTY

We determine the extent and quality of the target company's technology and intellectual property. We also look to understand:

- Is the company infringing on (or has the company infringed on) the intellectual property rights of any third party?
- Are any third parties infringing on (or have third parties infringed on) the company's intellectual property rights?

CUSTOMERS

Valeo will gain an understanding of the target's customer base and the sales pipeline.

We work to uncover:

- Who are the top 20 customers and what revenues are generated from each?
- What customer concentration risks are there?
- What issues may exist in retaining customers after the acquisition (including issues relating to the identity of the buyer)?
- How satisfied are the customers with their relationship with the target?
- What is the customer backlog?

THE SOLUTION

USE OUR MAP AS YOUR STARTING GUIDE

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VALEO'S APPROACH TO M&A DUE DILLIGENCE

As a first step, when clients are considering acquiring new partners, or a merger, they often need support in identifying potential candidates.

At Valeo, we help identify the range of possibilities anywhere in the world and explore options based on the minimum criteria our clients have established as a potential ideal fit.

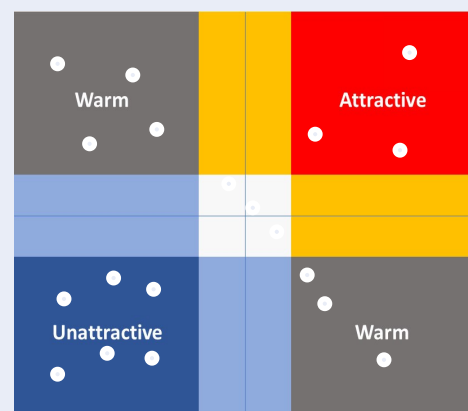
Once a refined list is determined based upon our initial research, our team of experts conducts a deeper dive to understand more about the non-financial attributes that drive successful M&As.

While we do not conduct the financial due diligence critical to a successful merger or acquisition, Valeo Strategy conducts an equally critical review into many other topics that will help mitigate risk, saving valuable resources and time.

One useful tool is to create a landscape heat map. Heat maps allow us to develop a view of the market that streamlines the search process. The axis can be adjusted to fit unique needs.

KEY QUESTIONS TO ASK WHEN CREATING YOUR MAP

- What does the market look like, and how would a merger or acquisition help meet strategic goals?
- Looking at the “fringe” of our industry, are there new competitors emerging, are they offering new technologies to my market?
- Are there adjacent industries that we should consider to help reach our goals?
- Should we look at suppliers or distributors as acquisition targets?



This review identifies potential targets and helps focus the list.

STRATEGIC FIT

Are there synergies? Does this make sense?

- Will there be a strategic fit with the company, and is the perception of that fit based on a historical business relationship or merely on unproven future expectations?
- Does the company provide products, services, or technology that the buyer can benefit from?

FINANCIAL

How does this affect the bottom-line and can it be disruptive?

- What do the company's annual, quarterly, and (if available) monthly financial statements for the recent past reveal about its financial performance?
- Are the company's projections and assumptions for the future and underlying assumptions reasonable and believable?



EMPLOYEE & MANAGEMENT CONCERNS

Valeo develops a clear picture of the quality of the target company's management and employee base. We do this by obtaining or developing:

- The management organizational chart and biographical information
- A summary of any labor disputes
- Information concerning any previous, pending, or threatened labor stoppage
- Employment and consulting agreements, loan agreements, and documents relating to other transactions with officers, directors, key employees, and related parties
- A schedule of compensation paid to officers, directors, and key employees for the three most recent fiscal years showing separately salary, bonuses, and non-cash compensation (e.g., use of cars, property, etc.)
- A summary of employee benefits and copies of any pension, profit sharing, deferred compensation, and retirement plans
- A summary of management incentive or bonus plans not included in the above, as well as other forms of non-cash compensation

CULTURAL FIT

Cultural fit is often overlooked, but can be the most critical feature of a merger or acquisition.

Examples of insights we develop include:

- How do front line employees describe working at the company?
- Do the two companies offer a similar work environment? How are they different?
- What are the plans to incorporate the two companies? How should this combining of companies be positioned?
- Is this a merger of equals?

FEET ON THE GROUND OFFER THE BEST OPPORTUNITY FOR SUCCESS

Valeo's ability to deploy a team of in-country, local language experts who conduct primary interviews results in unique value.

Our seasoned team of experts provides experienced vantage points into the management structure, reputation, historical growth, internal culture, and other information that will provide you with an understanding of how ideal the fit with a potential target would be.

WHY CHOOSE VALEO STRATEGY GROUP?

In the world of M&A, getting granular is vital.

When working with the Valeo team, you will be supported by some of the industry's leading researchers and analysts who not only understand your industry, but also global business, and the financial and legal implications of M&A.

Timely market intelligence, captured directly from stakeholders, can make a difference in your M&A success. Beginning with your acquisition goals, we examine the market and competitive landscape and return highly-customized insights that will either validate your M&A plans or help you to avoid a toxic and costly business situation.



ABOUT VALEO STRATEGY GROUP

Valeo Comes from the Latin to Win.

At Valeo, our mission is to help our clients outmaneuver and outperform their competitors. For over a decade, many of the Global 2000 have turned to Valeo for critical insights that drive breakthrough strategies and increased market share. Top-level executives and other stakeholders utilize our resources to bring difficult-to-obtain insights about their competitors, potential customers, channel partners and global markets to their decision-making. We help to take the guesswork out of business and strategic planning, so your organization can achieve the best possible results in the shortest amount of time, and at less cost.

WHAT WE DO

- Conduct blinded qualitative research with customers, channel partners, competitors, and other market participants
- Regularly monitor competitor moves
- Bring fresh, outside perspectives to the team
- Size global markets and study their participants
- Analyze complex market findings
- Offer recommendations and implications
- Provide additional bandwidth to limited in-house resources

THE VALEO DIFFERENCE

We'll guide you through the maze of strategic options so you can forge ahead with confidence, knowing you are making the right choices every step of the way.

Our unique value comes from years of research and analysis experience combined with the ability to capture insights only trained researchers can. When working with the Valeo team, you will be supported by seasoned professionals who understand your industry and global business. Think about how factual, timely market intelligence, captured directly from competitors' current and recently separated employees, channel partners, and potential customers, can make a difference in your strategic planning. Beginning with your hypotheses, we examine the market and return highly customized insights that guide your choices and drive breakthrough strategies and market growth.



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