

Anticipate the Play Operational Diligence



The greatest players in basketball have extraordinary court vision and awareness, the ability to anticipate the next play, and to adjust rapidly to competitor moves. In mergers and acquisitions (M&A), there's typically only one shot at doing a deal — and timing is everything. Increasingly, faced with constrained time frames and exclusivity windows for options, deal teams may focus more on financial and accounting diligence than operational diligence — a mistake that can result in a missed shot.

Corporate executives, investors, and other key stakeholders understand the risks of M&A transactions in the current economic and regulatory environment, knowing that deals may be closely scrutinized. So as more businesses look to emerging markets and other cross-border deals for global growth, the importance of identifying risks and validating the strategic and financial drivers of the deal increases. In this context, even when deals are rushed, operational diligence is imperative, both for acquisitions and divestitures. Companies that effectively address operational diligence can position themselves to outpace the competition.



Diligence validates anticipated opportunities as well as strategic and financial value

Delivering value in M&A requires focus and execution across the life cycle from strategy through integration and execution. Operational diligence informs the M&A decision process and sets the expectation for synergy capture.

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How we can help

As a leading M&A service provider for many of the top private equity firms and strategic buyers and sellers, Deloitte offers decades of operational diligence experience, deep functional knowledge, global resources, and effective diligence practices. Our Operational Diligence professionals can assist clients with critically evaluating a target's attractiveness through operational assessments and risk mitigation strategies. We link these findings to deal value for informed transaction decision-making, negotiations, and eventual strategic and financial value realization.

We work closely with our other M&A practices, such as M&A Strategy and Commercial Diligence, to provide insights at each stage of the M&A life cycle. We also leverage the audit, financial advisory, risk management, and tax services of Deloitte's network of practitioners to bring the targeted resources to our operational diligence engagements.

Our Operational Diligence services include:

Buy-side and sell-side diligence. We analyze key findings of the diligence process to identify financial and cost implications of the deal, including potential risks and opportunities.

Integration planning, synergy identification, and risk assessment. We develop synergy and timing estimates to align with the integration approach and timeline, and we conduct risk assessments and upfront integration planning to identify potential integration pitfalls.

Operational, functional synergy deep dive and validation. When a client conducts its own diligence, we can perform a deep-dive analysis of its team's results and, based on agreed-to parameters and our previous client engagements, test and validate them.

Diligence program management and execution. We can help a client establish an operational diligence approach, deliverables, and checklists that align with the client's priority focus areas based on the deal vision and rationale.

Potential bottom-line benefits

- Leverage effective diligence approaches, processes, and checklists that guide diligence efforts and summarize key findings for client leadership and key stakeholders.
- Evaluate and summarize relevant findings, including operational risks, financial and operational implications, and mitigation strategies.
- Gain access to deep functional, global knowledge and experience needed to perform detailed analysis and supplement core diligence teams.
- Leverage an initial view of the integration strategy to align value drivers and understand cost implications.

Ways you can get more value now

Identify what's important and link strategy with focus. It's important to clearly articulate the vision, strategy, and value of the deal for diligence teams and to prioritize areas they focus on so they can highlight risk and mitigation strategies that potentially might offset those risks.

Establish linkage between the financial deal model and operational diligence findings. If revenue and cost implications, including synergies, are not fully outlined and understood consistently by all diligence teams, decision-making in the deal process may be misinformed and misaligned expectations may emerge as the deal materializes.

Define high-level integration strategy and timeline upfront. Deals can fail to deliver value due to failed integration, so avoid focusing solely on existing target operations and make integration strategy a vital component upfront, aligning that strategy with deal vision, rationale, and timelines.

Don't relegate operational diligence solely to acquisitions. With a slightly different focus, operational diligence in divestitures can be equally important to delivering expected deal value.

The big idea

The more thorough and effective operational diligence is upfront, the more opportunity there is to set up the transaction to deliver against the deal's expectations.

Learn more

Operational diligence is a defining step in the M&A process. To learn more about how Deloitte can help, visit www.deloitte.com/us/OperationalDiligence, or follow us on Twitter at [@DeloitteStratOp](https://twitter.com/DeloitteStratOp).

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