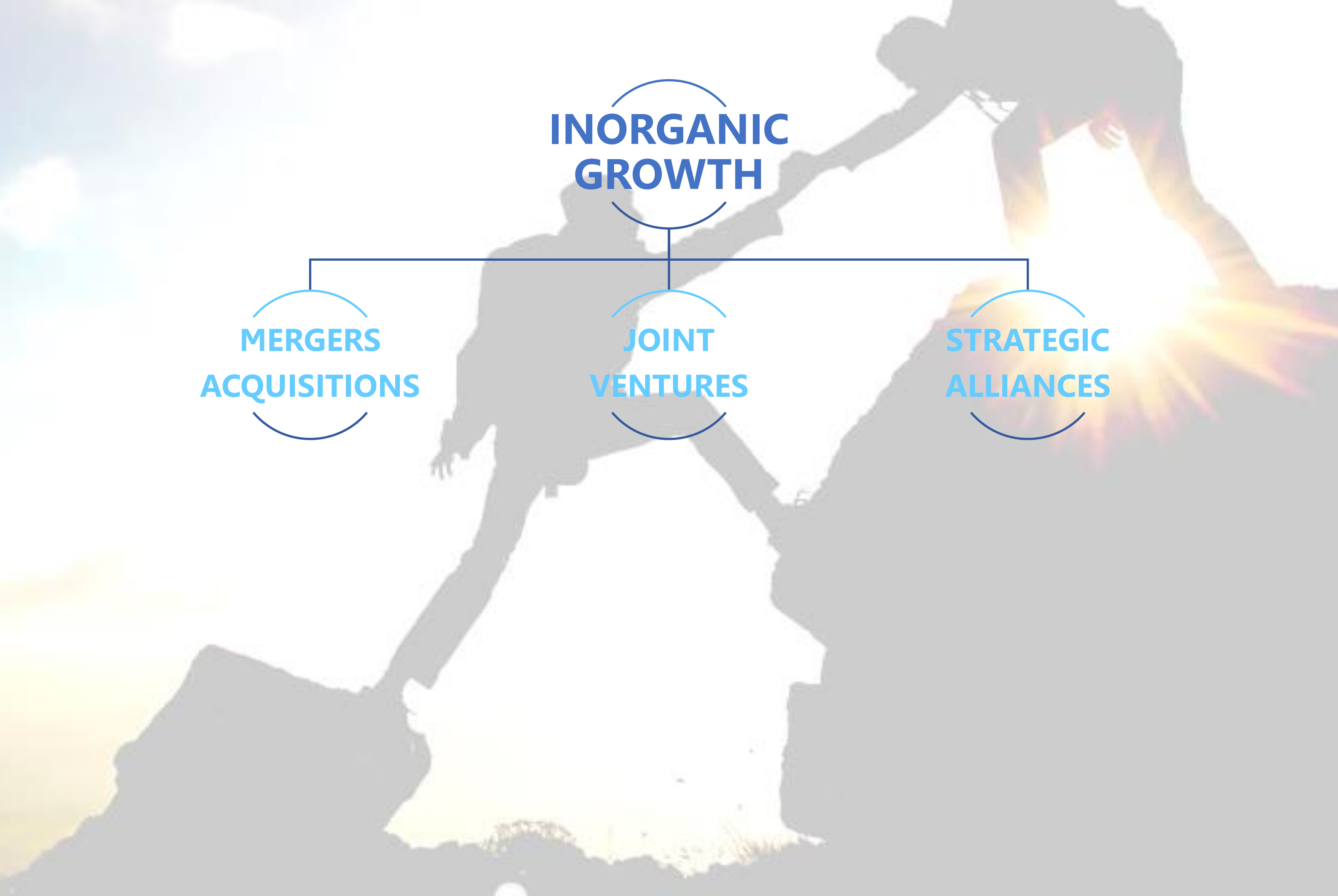
STRATEGIC DEAL RISK MANAGEMENT

LEGALIGENCE STRATEGIC CONSULTING LLP™

In today's corporate world alliances have become an important strategy for organizations to expand. Organizations are aggressively considering strategic alliances as a preferred form of growth along with other inorganic growth routes.

Legaligence helps you align deals with your strategic business objectives, maintain compliance and maximize the value. The deal types include Buying a business, Selling business and Partnerships.



❖ STRATEGIC DEAL RISK MANAGEMENT

Legaligence works closely with our clients in developing and implementing business strategies.

❖ OBJECTIVES OF DEAL RISK DUE DILIGENCE

Legaligence Due diligence enables negotiating team to take critical decisions pertaining to the transaction. The process allows negotiating team to strategize the course of action and terms of negotiations going forward. It assists the buyer maximize his return on the deal and assists the seller get the best value on the deal.

The main objectives of our due diligence are:

- To investigate into the affairs of business as a prudent business person.
- To confirm all material facts related to the business.
- To assess the risks and opportunities of a proposed transaction.
- To reduce the risk of post-transaction unpleasant surprises.
- To confirm that the business is what it appears.
- To create a trust between two unrelated parties.
- To identify potential deal killer defects in the target and avoid a bad business transaction.
- To verify that the transaction complies with investment or acquisition criteria.

❖ KEY QUESTIONS THAT LEGALIGENCE STRATEGIC CONSULTING ADDRESSES IN TARGET DUE DILIGENCE

Business Overview	What is being sold? What is the history of the business?
Business Environment	What is its market, competitive, regulatory and technological environments? What are the business' resources?
Business Operations	What are the business' products/services? How does it address procurement, production, marketing & sales, distribution and support functions? What are its corporate governance policies and procedures?
Historical Revenues and Earnings	What is the quality and sustainability of historical revenue and earnings? What is the operating margin profile? What does the underlying cost structure look like?
Employee Benefits	What are the pension plans and benefit programs? Are there any funding obligations? Are there any significant differences between recorded expenses and cash contributions by company
Forecasts/ Projections	What view does management have of the business in the coming three years? How does forecasted underlying profit look? What are the key assumptions that drive management's forecast? Are the projections realistic based on historical performance? How do they compare to historical trends?
Integration/ Separation	What are the issues and opportunities inherent in the business being sold or being strategically aligned with? What are the separation considerations? What opportunities are there for the buyer to create value?
Historical Cash Flow	How much cash does the business generate and how does it use it? How does it manage its working capital? How does seasonality impact cash flows generation from the business? What is expected annual CAPEX and R&D?
Historical Assets/Liabilities	The quality of assets and liabilities. Are there any potential exposures? Are there any assets and liabilities that should be considered to be cash-like or debt-like for purposes of valuation?
Taxation	What is the company's tax "footprint"? Does the company have any direct or indirect exposures? Are there any planning opportunities to increase value? Are there mitigation strategies? Are there tax attributes that can be monetized?

❖ STRATEGIC DEAL RISK MANAGEMENT FRAMEWORK

Assessment of Internal Capabilities	Such deals are especially susceptible to operational and business risks and necessitate the most attention to performing due diligence to assess the availability and quality of internal resources, integrating the two companies, for capturing synergies. This is important for company's larger deal goals.
Determining Strategic Goals and Alignment	Inorganic growth opportunities are attractive opportunities but are risky too. It is important to evaluate a company's strategic and financial goals. The target identification depends on these objectives. In a transaction, our team establishes a comprehensive baseline of the business to assess if the deal will meet the desired objectives.
Setting Selection Criteria	Setting up criteria to meet the strategic objective: some of the key elements are market and geographic segments, post-deal market share, complementary product and service portfolios, cost reduction and synergy opportunities, business unit turnaround needs, and cultural fit.
Target Selection and Evaluation	Once the selection criteria are well defined, identification of the targets becomes easier. Once the target companies are shortlisted, Legaligence works closely with organizations to analyze strategic business alignment: – Value drivers including product mix, pricing, markets, capabilities, distribution channels and culture, Customer's perceptions and demand, Competitive dynamics, Sales and marketing performance, Regulatory environment, Top-line revenue and operational margin, clear imperative for the deal, significant added value and strategic fitment, target company's commitment, leadership buy-in and expectations etc.
Analysis of Value and Risks	Estimation of the financial and strategic value of the acquisition and analysis of the risks associated with the transaction to justify the investment. Legaligence conducts financial, tax, market, HR, IT & IT Security and Supply chain due diligence to help companies assess the value, risks and implications of a strategic deal in order that they can confidently go ahead.

DEAL STRATEGY	Our analysis of cash flows and other macro-economic factors specific to the targets industry helps our clients determine independent and fair valuation for the deal. We participate in negotiation to work out terms of payment and way forward based on our clients 'strategy. Our due diligence also helps in structuring the deal and building an integration plan. In case of strategic alliances and Joint Ventures, Legaligence due diligence helps our clients model the economics of various partnership options and also design the most suitable partnership structures.