

# Due diligence in preparation for the merger of two credit institutions

## Branch: Banking

### SITUATION



As a result of the persistently low interest rate environment and increasing regulatory requirements, the transaction participants were subject to increasing cost pressure and decreasing earnings potential.

Due to the negative outlook, sitting out the low-interest phase would have put the institutions in financial distress, so that proactive efforts were made to find alternative solutions to overcome the challenge.

As a consequence, transaction scenarios had to be analysed with the objective of determining and evaluating the economic viability of a possible merger of the two institutions.

### APPROACH



On behalf of our client and in close coordination with his trusted legal and tax advisors, we conducted the due diligence for the purchase object. For this purpose, we followed an integrated and holistic approach, within the framework of which the essential interdependencies with the legal and tax due diligence were also taken into account.

Other significant elements of our due diligence approach included:

- Analysis of the existing business model and assessment of the market potentials
- Preparation of the due diligence checklist and preparation of the digital data room for the key phases of due diligence
- Identification of opportunities and risks and preparation of a synergy case
- Analysis and appraisal of selected financial ratios and final valuation of the purchase object
- Determination of the fair purchase price and drafting of the letter of intent as the basis for the final purchase contract

### SOLUTION



As a result, the due diligence not only created the necessary transparency but also revealed the qualitative and quantitative synergy potential in a structured manner.

The risks associated with the acquisition of the target company were sufficiently identified and measures to manage the risks were developed, so that a solid foundation was laid for the subsequent purchase price negotiation. Furthermore, the structured preparation of the essential elements of the transaction significantly reduced the risk of signing the contract in the subsequent integration phase.

### ADDED VALUE



With the help of the holistic and structured due diligence approach and the associated analysis tools, it was possible to contribute to achieving a purchase price below the imputed marginal price. Assuming the function of a sparring partner for the client and acting as a neutral contact for the seller were key success factors.

### Contact

In case you have become curious:  
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