

Due diligence in preparation for the merger of two credit institutions

Sector: Banking



MISSION



As a result of the persistently low interest rate environment and increasing regulatory requirements, transaction participants were subject to increasing cost pressure and declining earnings potential. Due to the negative outlook, sitting out the low-interest phase would have put the institutions in financial distress, so proactive efforts were made to find alternative solutions to meet the challenge. As a result, transaction scenarios had to be analyzed with the aim of determining and evaluating the profitability 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, which also reflected the essential interdependencies to the legal and tax due diligence. Other significant elements of our due diligence approach included:

- Analysis of the existing business model and evaluation of market potentials
- Creation of the due diligence checklist and preparation of the digital data room for the essential phases of due diligence
- Determination of opportunities and risks and preparation of a synergy case
- Analysis and acknowledgment 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 negotiations

RESULT



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 key elements of the transaction significantly reduced the risks prior to signing the contract and for the subsequent integration phase.

IMPACT



With the help of the holistic and structured due diligence approach and the associated analysis tools, it was possible to achieve a purchase price below the calculated marginal price. The function as a content sparring partner for the client and the role as a neutral contact for the seller side were key success factors.

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We look forward to your message.

