

Lessons Learned

Dealmakers reveal the nasty surprises they've come across as part of their due diligence

Getting the financial piece "right" is the ultimate goal of every M&A transaction. Understanding the variables that affect the intrinsic value of an acquisition can save millions of dollars. A recent purchase of a company whose balance sheet carried an accrual to cover the unknown future costs of a regulated insurance product, showed how proper perspective and guidance are crucial in increasing value. The curious deal owner, working



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hard to create opportunity, utilized an in-depth thought process on risk, creating value efficiency for his investors. Since insurance is an expense item that falls directly to the bottom line, the insurance savings produced from his due diligence methods, were leveraged by the deal multiple, so to speak, and created a financial win. The owner drilled down to obtain the necessary expertise and analytical model-

ing and employed it to determine a more realistic accrual, making a material difference to the existing expense item and overall future return of the deal.

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