

Transaction Services

- Commercial and Financial Due Diligence
- Business Plan Analysis and Benchmarking
- Asset Valuation

WHAT'S IT ALL ABOUT?

With the deregulation of national markets, fierce competition and with investors and operators envisaging a worldwide business opportunity universe, the telecommunications marketplace is becoming increasingly global. However, these large investments are often accompanied by both great uncertainty about fair transaction prices and high risks. It is therefore crucial for prospective investors to perform a thorough due diligence before finalizing an M&A transaction.

The commercial and financial due diligence is the quantitative ingredient in transaction services. Its main purpose is to determine the fair transaction value of the M&A deal, equally important, however, is the identification of commercial and financial risks. These include market-driven revenue uncertainty, operational risks driving operational expenses (OPEX) and deviations from roll-out plans leading to an increase in capital expenditures (CAPEX). Also considered are accounting risks – an assessment of internal control is performed to determine whether there are significant deficiencies that result in more than a remote likelihood that a material misstatement of the company's financial statements will not be prevented or detected.

Business plan analysis and benchmarking are major tools of commercial and financial due diligence. However, we also provide business plan review services in more narrowly defined assignments.

While asset valuation is generally part of every commercial and financial due diligence, we also refer to this as a dedicated, more specialized service aimed at determining the fair value of an individual or set of individual tangible or intangible assets. For instance, we perform valuations of new and seasoned licences, as well as of groups of company assets. When applied to licence valuation, this service usually comprises licence bid support.

OUR APPROACH

In addition to previous periods' financial statements, which are used to compute past and current performance and to calibrate the forecasts, commercial and financial due diligence presupposes the existence of an adequate, consistent, long-term business plan adhering to professional standards, to be provided by the target operation's business. The business plan should ideally be provided in active spreadsheet format. The due diligence then includes a preliminary audit of the business plan model itself, aimed at obtaining reasonable assurance that the model is free from material computing errors.

If no business plan model is accessible, or if the business plan model provided does not fulfil minimum requirements with regard to consistency and computability, the due diligence needs to be based solely on projected values for the key business plan parameters. We would then recommend complementary use of our investor business plan development services, which provide a professionally developed, fully comprehensive, proven mature business plan model. If needed to secure project financing, bankable business plan negotiation and project finance services would provide the more conservative view of lenders.

Commercial and financial due diligence also requires thorough research of the target market, using publicly available data, analyst intelligence, as well as our consultants' knowledge base and network. This allows us to understand the target operation's market and competitive environment from a neutral perspective. Based on this knowledge, the business plan is then assessed beginning with the market section – the forecast of total market subscribers, technology migration, market segmentation, market share per operator, the target operation's subscriber base and composition, as well as average revenue per user (ARPU) for the various subscriber segments.

In market constellations where high future growth is anticipated, the ARPU forecast is checked against the total market penetration assumptions, using a top-down market ceiling estimation, based on an affordability model. In mature markets, this is replaced by a budgetary top-down computation of ARPU growth potential from new services.

OUR SERVICES

We offer a broad range of advisory services, as presented in our portfolio matrix. We position our individual solutions alongside services practices and service clusters.

	Strategy and Marketing	Corporate Finance and M&A	Operations and Technology Management
Transaction Services	Strategic Investment Management · Feasibility Study Strategic Due Diligence · Management Assessment Licensing and Regulatory Affairs	Commercial and Financial Due Diligence · Business Plan Analysis and Benchmarking · Asset Valuation Investor Business Plan Development Bankable Business Plan Negotiation · Project Finance	Network Infrastructure and Operations Due Diligence Roll Out Plan Review and Benchmarking Operations Plan Review and Benchmarking
Optimization Services	Going-to-Market Strategy · Segmentation · Target Marketing · Product · Pricing · Promotion · Sales Channels · Customer Care Organization Development Partner Selection and Sourcing	Financial Performance Measurement and Benchmarking Forecasting and Budgeting Service and Process Costing	Network and Process Performance Measurement and Benchmarking Business Process Reengineering · Process Audit and Improvement Shared Delivery · Regionalization and Centralization · Outsourcing and Managed Services
Innovation Services	Business Development · Growth and Transformation Mobile Virtual Network Operator · Mobile Virtual Network Enabler Value Added Services	Financial Modelling and Financial Engineering	Technology Appraisal and Roadmapping Network Planning and Migration Network Infrastructure Sharing



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