

Vendor Due Diligence

For an efficient disposal procedure

The disposal of a company or a business unit can lead to strains and inefficiencies on current operations. Vendors typically want to maximise the value realised from a sale, while at the same time running an efficient sale process. Purchasers want to know exactly what it is they're buying, and what risks they face in doing so.

By carrying out vendor due diligence, initiated by the vendor, the vendor can control the process and therefore decrease the strains and maximise the value of the transaction. KPMG Transaction Services cooperates with you as the vendor with an aim to achieve an efficient disposal process.

What is Vendor Due Diligence?

Vendor Due Diligence (VDD) is a due diligence exercise initiated by the vendor at the earlier stage of a sales process.

It answers many of the questions

a potential purchaser will ask, limiting the need for extensive multiple due diligence exercises by potential purchasers, thereby allowing management to focus on the key deal issues and running their business.

The work is done to satisfy a buyer's need for information and independent review. The work is done from a buyer's perspective. The VDD is an independent report produced with the aim to be used as decision making material by the potential buyers. The vendors due diligence reports prepared are included in the data room, available for use by potential purchasers as part of their own due diligence. The ultimate purchaser receives the reports as an addressee to form a part of their due diligence materials.

A VDD report can include financial, commercial, tax and operational analysis



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Advantages of a Vendor Due Diligence process

- The vendor maintains control over the sales process
- It can help simplify and shorten the sale process, from the time the Information Memorandum is issued to completion of the deal
- Potential opportunities in the business are highlighted, allowing the vendor to take these into account as part of negotiations with potential purchasers
- maximise obstacles in the current operations
- It warns the vendor of potential issues that could complicate the sale, or derail it altogether, allowing the vendor to mitigate these issues before the business is actually offered for sale
- Maximises value through

- A more efficient bidding process which attracts financial buyers
- Less possibility for the buyer to alter the agreement due to issues being identified late in the process
- Requests for representatives warranties and indemnities being reduced through more informed buyers

Our experienced due diligence professionals provide a written report containing a detailed analysis of the business for sale, including the key issues and opportunities a purchaser is likely to consider. It can explain how the business interacts with its markets and competitors, and examines the key drivers of financial performance.

It covers the important financial, accounting, tax, IT and commercial aspects of the business to be sold, and is signed over to the purchaser for their use and reliance.

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