

# *Assessing Deal Value*

## Transaction value advice

*Helping you enhance value  
by optimising your  
approach to the valuation  
process*







## *Improving Deal Success*

Recent economic uncertainty has yielded excellent opportunities for buyers and sellers to find value in the deal market. But transactions carry risks, therefore our valuation specialists help you improve deal success. Detached from deal financing and not being incentivised by whether a deal closes or not means our interests are properly aligned with your ultimate objective: the creation of shareholder value.

### ***Do you have the tools to answer these questions?***

- What will my equity returns be?
- Have I taken an integrated approach to valuation that considers the industry specific, potential synergy, tax and accounting impacts on value?
- Does my deal model capture the risks and opportunities impacting the business?
- How do I convert due diligence findings into value?
- Have the methodology, assumptions and integrity of my deal model been independently checked?
- Will my Board or non-executive directors need an independent, unbiased view?
- Are my deal advisors appropriately focused on value, in balance with sourcing or financing the deal?
- Is there a gap between intrinsic value and market value of the business?
- How does value transfer in a joint venture impact ownership structure?
- Do controlling rights carry a premium?
- What are the values of puts and calls on the business?

### ***We help our clients in:***

- Mergers & acquisitions
- Joint ventures
- Disposals
- IPOs

We help our clients to gain independent, objective insights on value to help management negotiate a better price on deals. This could be through enhanced diligence to review your deal models, advice on your bid strategy and helping you assess the price throughout the diligence process. It can be used whether the deal model is developed by you, by your lead advisor or by PwC.

# Assess the gap between market and intrinsic value and better connect diligence to valuation

M&A studies indicate that many acquisitions fail to generate value for buyers, yet surveys suggest deal makers believe the opposite is true. Best practice in valuation can help mitigate the risks of mispricing a transaction and improve the odds of deal success.

## Value perspectives

What is a target business worth? That question should be answered from the perspective of “value to whom?”. There is no such thing as intrinsic value. Rather, there is value in the hands of one operator, or value in the hands of other operators. Failure to consider the value of a target business from the perspective of different potential operators is a common trap for companies involved in transactions.

## A logical component of diligence

Due diligence exercises share the common goals of uncovering risks and maximizing realization of returns. As a component of diligence, value diligence helps meet these goals by exploring the gap between market value (what must be paid to close a transaction) and intrinsic value (what something is really worth). Deal success requires buyers to be on the right side of the intrinsic/market value relationship—it is the fundamental equation of “buy low, sell high.”

Value diligence helps clients improve their valuation process by:

- Uncovering how misaligned interests caused by natural bias can impact deal value
- Identifying mathematical, design, and/or methodology errors in models

- Exploring upside and downside cash flow scenarios, including probabilities of each and consideration of complex options as necessary
- Improving the connectivity of all diligence findings to value
- Analyzing required returns based on the components of systematic risk
- Sensitizing value output to changes in key value drivers

Value diligence explores these areas and others to sharply define the gap between market and intrinsic value. And value diligence evaluates the amount and timing of expected value creation from synergies, which facilitates post-close synergy tracking.

## Examples of how our work can be tailored to your needs

### Value diligence

Challenge the risk of bias or inaccuracies and convert diligence findings to value

- Analyse key industry value drivers relative to historical and peer observations to improve upside and downside scenario forecasting
- Assess business and market risks in cash flows or discount rate
- Analyse country risk factors
- Review the deal model in terms of logic and accuracy, application of valuation methodologies, and other factors
- Provide a deeper understanding of market multiples based on relative profitability, growth, and risk
- Address “deal killers” and mitigate risks through purchase agreement terms and closing mechanisms

### Deal valuations

PwC prepares deal models to add rigour and an objective view to pricing negotiations

- Assess value of target to current owners and to different bidders
- Independently review the estimates of synergies, including quantification of risk-adjusted synergies
- Increase transparency of intrinsic versus market value gap
- Provide fairness opinions to support fiduciary responsibilities of Board members
- Quantify risks from due diligence and adjust value as new information emerges throughout the deal process
- Provide a value range to support your negotiations

### Deal structure modelling

Objective assessment of how deal structure and financing impact value

- Analyse financing requirements and ability to service
- Quantify stakeholder returns under various deal structures, including tax implications
- Assess impact that price, deal financing, purchase accounting, tax structure, and other considerations may have on earnings per share
- Provide pro-forma financial statement analysis, including income statement, balance sheet, and cash flow statement
- Analyse the economic value added (EVA) per year based on deal model to track value realised post-integration
- Analyse structuring of contingent consideration to align buyer and seller interests and value perceptions



---

## **Contacts:**



### ***Sorin Petre, CFA***

Partner  
Head of Valuation and Strategy  
Phone: +40 21 225 3629  
[sorin.petre@ro.pwc.com](mailto:sorin.petre@ro.pwc.com)



### ***Ileana Gutu, CFA***

Senior Manager  
Valuation and Strategy  
Phone: +40 21 225 3602  
[ileana.gutu@ro.pwc.com](mailto:ileana.gutu@ro.pwc.com)

