



Post-Deal Review & Investigation

What can remain undiscovered after a due diligence in your acquired target company?

The Current Challenges

Abundant liquidity

Investors triggered by the currently low interest rates divert liquidity to PE houses for reasonable investment returns.



Acceptance of inherent risk

In order to be considered as a potential buyer the investor must be willing to acceptance certain risks and blind spots the due diligence produced.

Sellers' market

With the competition comes market power for the sellers of the target companies. They can dictate the modalities of the transactions and the information shared.



Excess demand for target companies

With the available liquidity, PE houses or similar investors compete with each other for the few attractive target companies available on the market.



Fraudsters take advantage of this competitive situation. Key financials are modified beyond the possibilities granted and the changes are concealed. With limited information provided, investors will not be able to identify the fraudulent changes.

Potential Red Flags

Red Flags that might indicate hidden incorrect information are:



Small or mid cap target companies with strong focus on the management



Limited cooperation since acquisition



No board member representing the PE House installed



Patriarchy company culture



Manual consolidation of financial figures, e.g., based on excel



Subsidiaries in high risk countries (e.g., TI corruption index)



Heterogenous accounting systems, with limited/no supervision of local data



Small audit firm or below statutory audit threshold

Further insights are necessary to exclude the possibility of being victim of such a scheme.

The Solution

While you should always aim for a fraud testing during a thorough due diligence, access to the necessary information is determined by the seller. Yet after closing, you are in the driver seat.

PwC can support you to thoroughly check the investment after closing. During our **Post-Deal Review**, we close loose ends from the due diligence, evaluate the additional data now available, speak to staff that was previously shielded and address issues that could not be solved during the due diligence.

In case of irregularities of the Post-Deal Review, contradicting information and/or whistleblowing events of shielded staff, a **Post-Deal Investigation** provides essential information on the fraudulent scheme.

Identified deviations and/or a revealed fraud scheme may lead to an reduction of the purchase price, an insurance claim or even to a subsequent withdrawal from the investment.



Who is responsible?



What happened?



What is the damage?



Who knew about it?

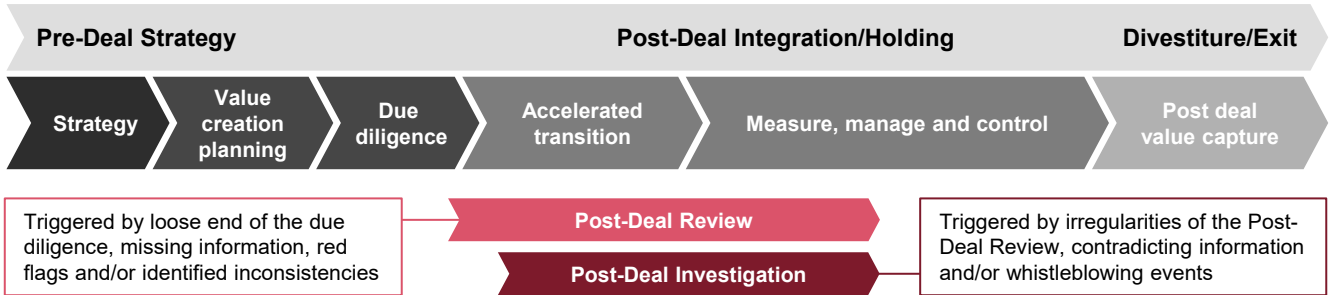


Is there damage to be recovered?



Post-Deal Review & Investigation

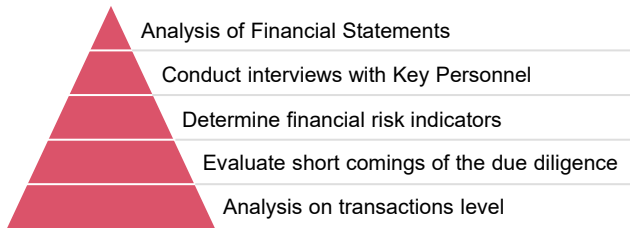
Post-Deal Reviews & Investigations in the Deals Lifecycle



Our approach

Post-Deal Review

The PwC approach of the **Post-Deal Review** is targeting available information top down. It might concluded the following tasks:



The granularity of items under review is decreased depending on already **identified findings**, the **level of confidence** gained in the top layers (“drilling down”) and the **request of the investor**.

Post-Deal Investigation

The approach on a **Post-Deal Investigation** is determined by the underlying issue to be investigated. Example tasks might comprise:

Investigative Analytics

We use computational processes to assess and mitigate your vulnerability. Artificial intelligence, machine learning, statistics and database system methods allow us to obtain insights, patterns and anomalies. The range of our investigative analytics capabilities reaches from **Domain Know-how to Red-Flag testing, Mathematical & statistical analytics, and Data mining & advanced analytics.**

Digital Forensics & eDiscovery

We identify, secure and analyze relevant data sources – including preserving digital evidence. We use different software solutions to **create images of data storage** and cache memories, **recover deleted data**, analyze log files and **reconstruct visited websites**, image and **analyze mobile phone data**, and identify **files which were modified by the user.**



When you're facing post-deal irregularities, an allegation, or crisis during the integration/holding period, it's essential to get the facts fast. We're here to support you at every stage – supported by our advanced forensic technology which works quickly to identify, extract, and analyse data and information to improve your position.

Your contacts



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