

EY SaT Academy

EY-Parthenon Strategy Commercial Due Diligence

September 13th, 2022



SaT Academy – Strategy

Our agenda

September 13th, 2022

14:00 – 14:30



Introduction to EY-Parthenon Strategy

14:30 – 15:00



What is a Commercial Due Diligence?

15:00 – 17:45



Commercial Due Diligence Overview

Part 1: Market Assessment
Part 2: Competitive landscape
Part 3: Company assessment
Part 4: Business Plan

17:45 – 18:00



Tips & Tricks and Q&A



Matteo Scozzi

Senior Consultant – Milan

Joined in 2019

MSc in Management at Università Bocconi

Sector focus: Private Equity, Education and Agribusiness

Passions: Jazz music, Ironman Triathlon



Leonardo Balbi

Consultant – Milan

Joined in 2022

MSc in Management at Yonsei University Seoul

Sector focus: Private Equity and Education

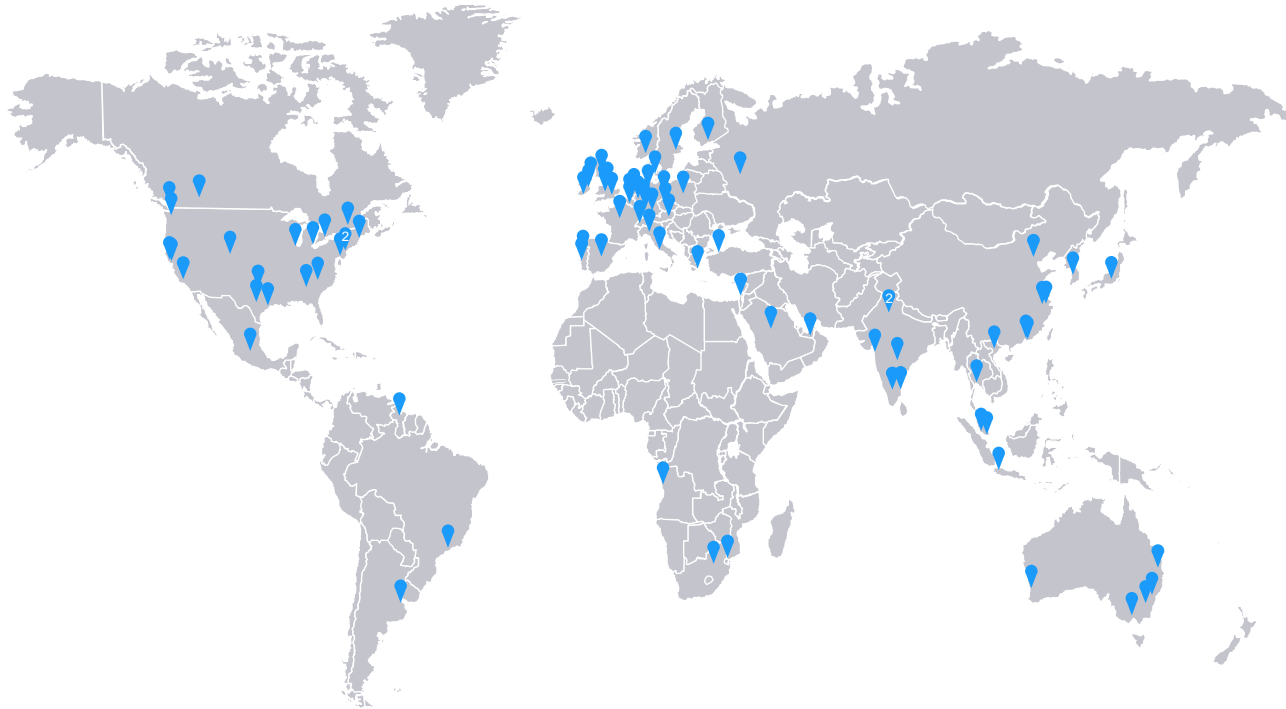
Passions: Journalism, literature

Agenda

- ▶ **EY-Parthenon Strategy**
- ▶ What is a Commercial Due Diligence?
- ▶ Commercial Due Diligence Sections
- ▶ Key project practices
- ▶ Q&A

Globally we are a team of 1,700+ consultants working together to help ambitious clients challenge the status quo

Our EY-Parthenon offices

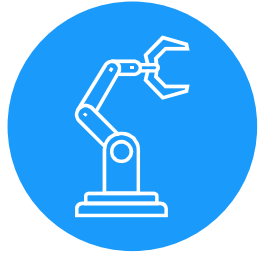


About us

- ▶ 40+ offices in more than 20 countries worldwide
- ▶ Comprehensive client roster in our sectors, covering the major market leaders and the up and coming challengers
- ▶ Combined with EY's global service offering and scale, we are best placed to help our client in their strategic decision-making and roll-out



We have in-depth experience across a broad range of sectors around the globe



Advanced
Manufacturing
and Mobility



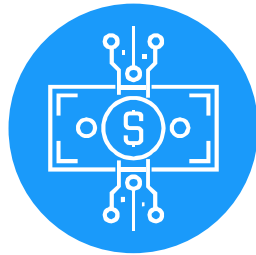
Consumer



Education



Energy



Financial Services



Government
and Real Estate



Health Science
and Wellness



Private Equity

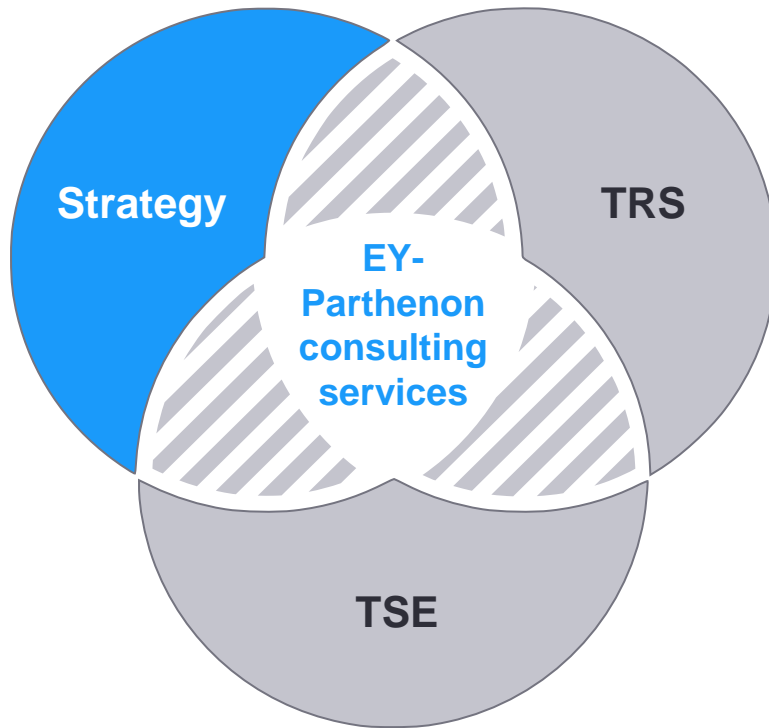


Technology, Media
and Telecom

We take a comprehensive view on Strategy – we start earlier and take the important strategic questions further



EY-Parthenon has three main areas – we belong to the Strategy Team



Strategy

- ▶ Corporate and BU strategy
- ▶ Commercial diligence (buy ad sell side)
- ▶ Purpose-led strategy and long-term value
- ▶ Business model reinvention
- ▶ Portfolio strategy
- ▶ New market entry opportunities
- ▶ Digital transformation
- ▶ Go-to-market strategy

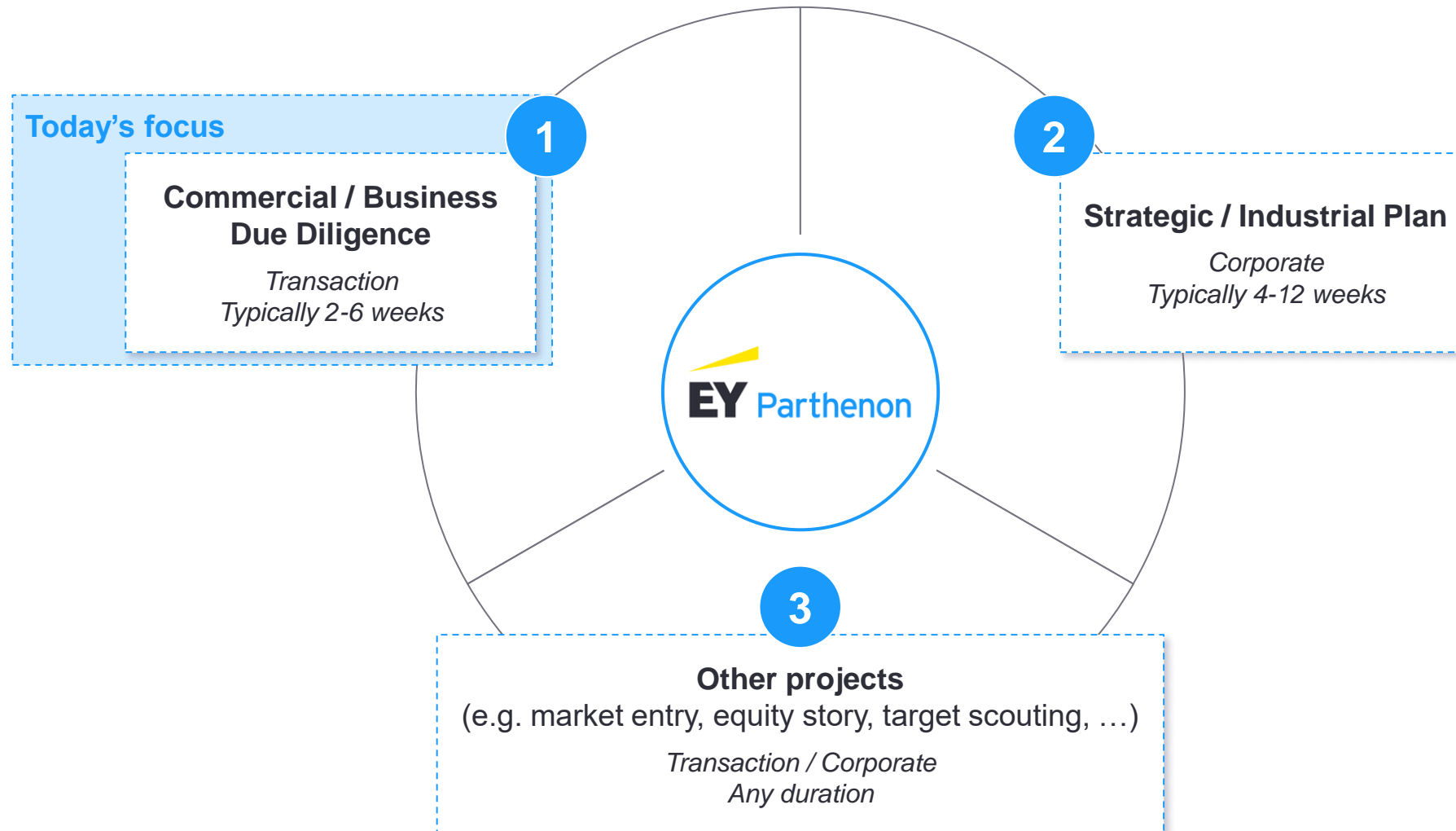
TRS

- ▶ Rapid performance improvement
- ▶ Private equity value creation
- ▶ Improving liquidity and working capital
- ▶ Restructuring and turnarounds
- ▶ Contingency planning and insolvency solutions
- ▶ Simplifying corporate structure

TSE

- ▶ Operational and IT diligence (buy ad sell side)
- ▶ Integration strategy planning and execution
- ▶ Divestiture strategy planning and execution (DivestCo and RemainCo)
- ▶ Value realization and tracking
- ▶ Operational and IT separation

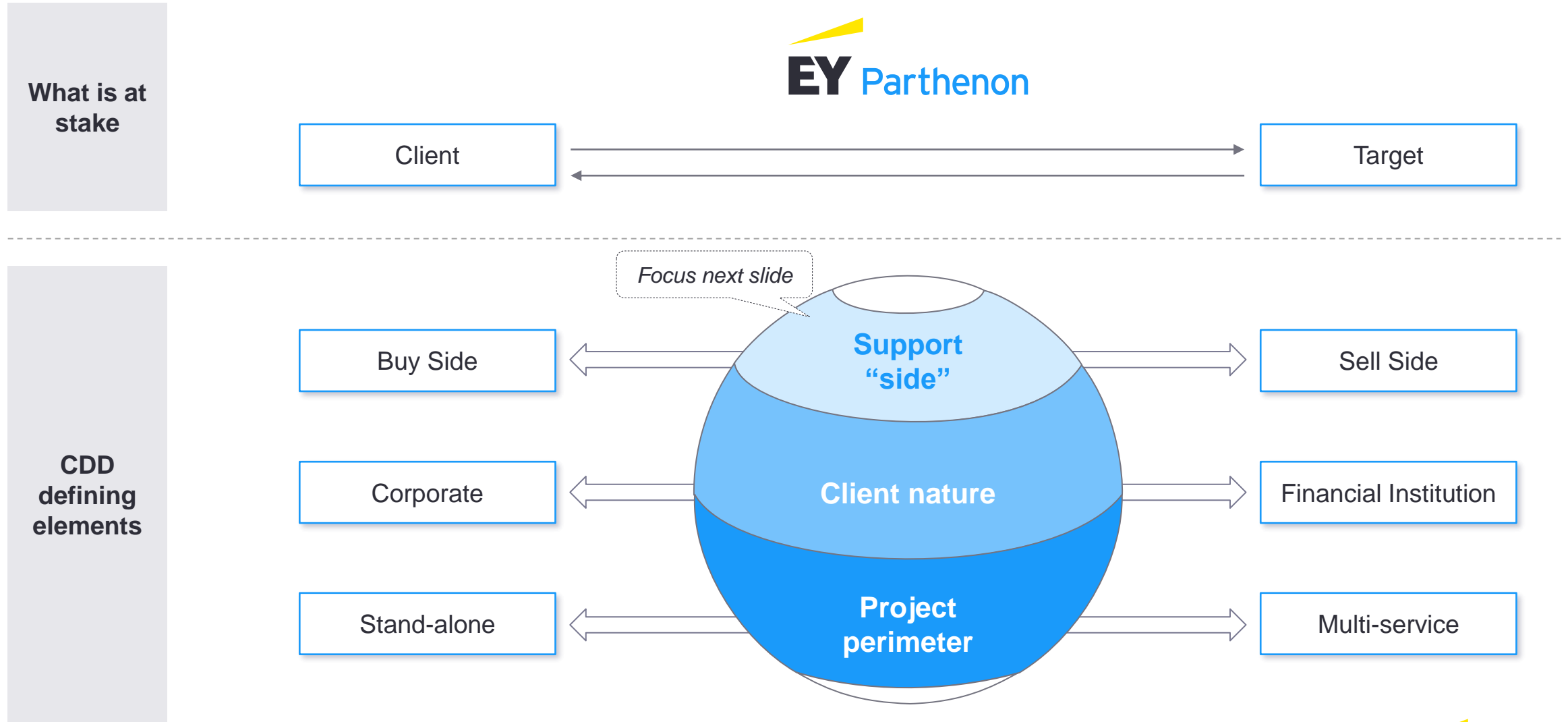
EY-Parthenon Strategy focuses mainly on Commercial Due Diligence and Strategic / Industrial Plan engagements, together with some other, more specific projects



Agenda

- ▶ EY-Parthenon Strategy
- ▶ **What is a Commercial Due Diligence?**
- ▶ Commercial Due Diligence Sections
- ▶ Key project practices
- ▶ Q&A

Commercial Due Diligences may have different specificities to be kept into consideration: support “side”, client nature, ...



Usually, VDDs tend to be longer, both in terms of content and length of the engagement, and also have a significantly higher visibility in the market

At a glance: CDD vs. VDD

	Commercial (buy-side) Due Diligence	Commercial Vendor Due Diligence
Potential readers and impact on EY-Parthenon's reputation	Mainly your client (i.e. Private Equity fund or Corporate investor)	All parties that might be involved in a future bidding process, i.e. <ul style="list-style-type: none"> ▶ Your client Private Equity companies (future / existing clients) ▶ Other consultancies doing the (buy-side) CDD / FDD ▶ Investment banks, law firms (doing the legal DD) etc.
What the document will be used for	<ul style="list-style-type: none"> ▶ Understand whether the investment in the Target makes sense from the business perspective ▶ Justify the investment to the board / shareholders ▶ Raise capital for the investment 	<ul style="list-style-type: none"> ▶ Present and outline Target's specificities and attractiveness ▶ Spark interest in the potential investment ▶ Anticipate / answer to questions coming from the (potential) buyer(s)
Size of the document	Rather pragmatic document answering questions defined in the EA (often backed up by existing VDD)	Depending on client's preferences but usually rather extensive documents similar to an encyclopedia
Duration	Often rather short- to mid-term timeframe (2 to 5 weeks), depending on bidding deadline	Normally longer engagements (6 to 12 weeks) as a VDD is often planned well in advance and has a wider scope

Objective

Answer defined set of questions

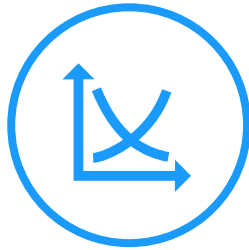
Answer all questions anyone in the bidding process might have and retain sovereignty of interpretation

CDDs are often part of a set of different due diligences – with specific focuses and operated by dedicated teams – advancing in parallel

Today's focus



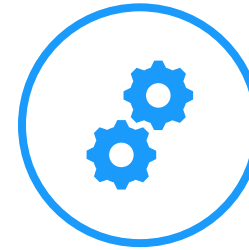
**Commercial
Due Diligence**



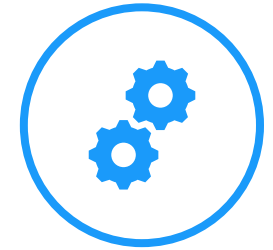
**Financial
Due Diligence**



**Tax
Due Diligence**



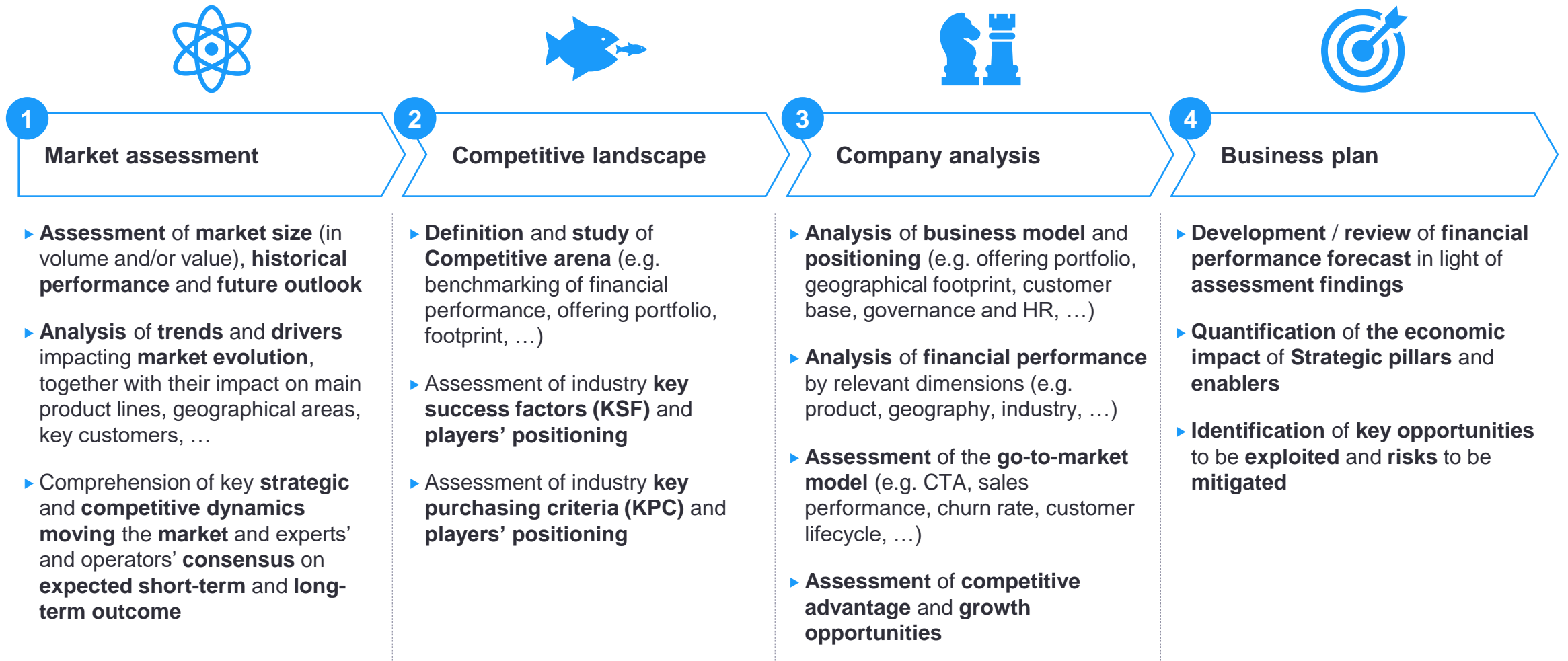
**Operational
Due Diligence**



**Technical
Due Diligence**

...and more

Commercial Due Diligences are often organized across 4 main sections: Market, Competition, Company and Business Plan



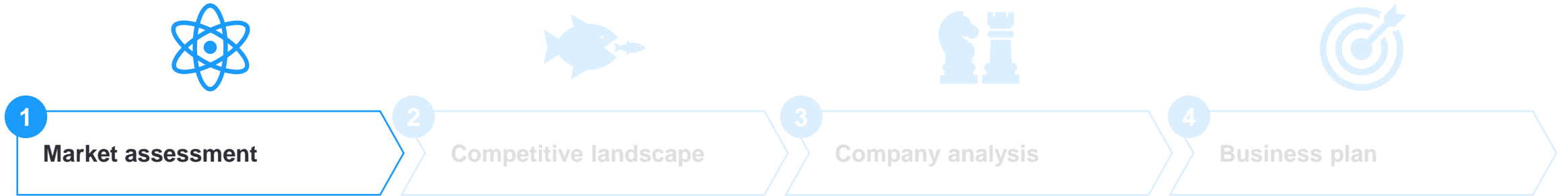
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- ▶ EY-Parthenon Strategy
- ▶ What is a Commercial Due Diligence?
- ▶ **Commercial Due Diligence Sections**
 - Market assessment
 - Competitive landscape
 - Company assessment
 - Business Plan development / assessment
- ▶ Key project practices
- ▶ Q&A

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CDD section 1: Market assessment



Analysis

Macroeconomic view

Market drivers

Market trends

Market outlook

Purpose

- ▶ Understanding the **underlying macroeconomic outlook** influencing the market evolution
- ▶ Understanding **markets / factors** which evolution is expected to impact the **market outlook**
- ▶ Identify **recent / foreseeable developments** in the sector highly likely to **shape the future** of the business
- ▶ Estimate the **value/size of the market** through a **top-down / bottom-up** approach and its **expected evolution**

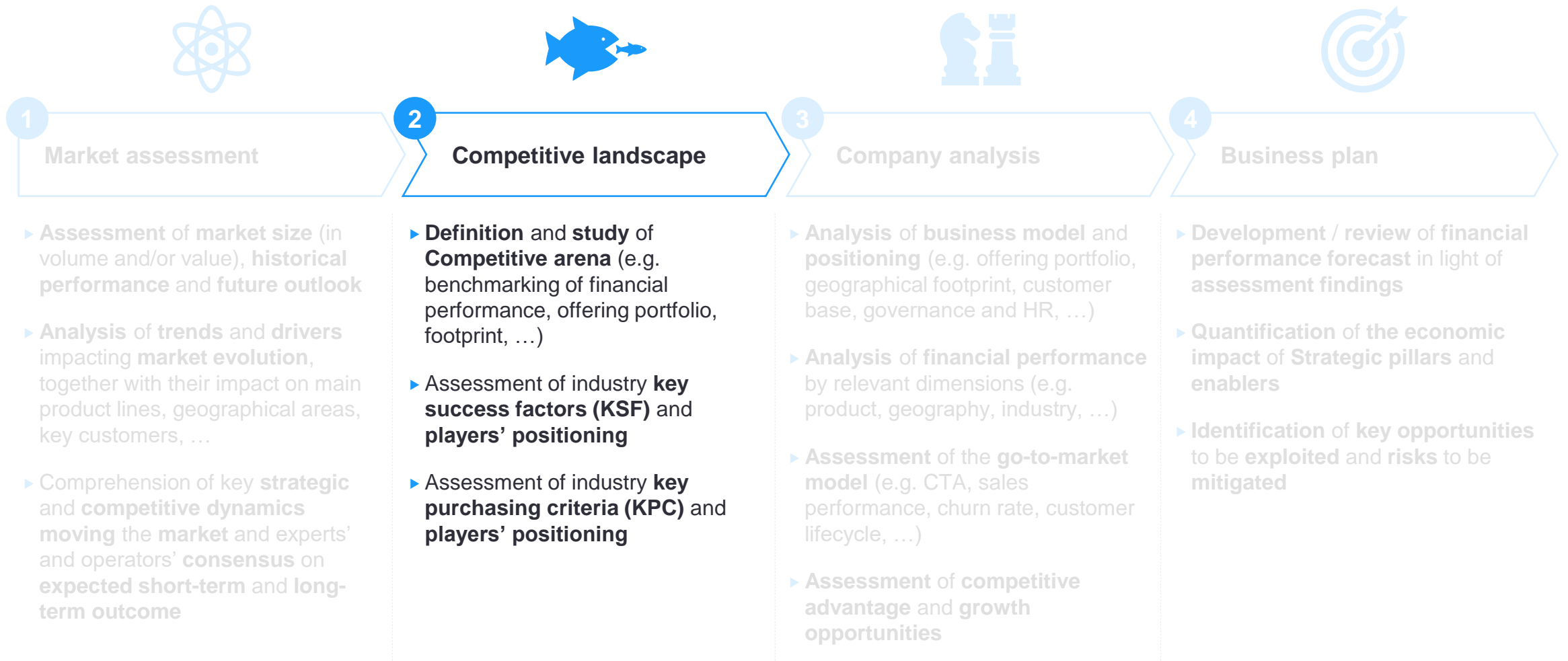
Examples (Education project)

- ▶ *GDP, Demographics, household income, unemployment rate...*
- ▶ *In the context of an education project: enrolments, interest in foreign languages...*
- ▶ *Rise of distance learning, EdTech being progressively incorporated in public schools...*
- ▶ *Total value of spending in pre-primary schools in Italy and future outlook*

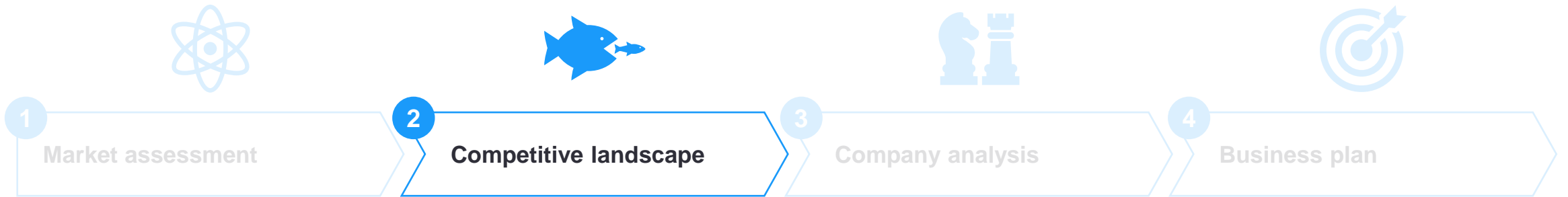
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CDD section 2: Competitive landscape



Analysis

Competitors selection and funneling

Purpose

- ▶ Building a **longlist of competitors** which will be later filtered based on set criteria to get a **shortlist of highly relevant players**

Examples (Education Project)

- ▶ Longlist of 14k kindergartens in Italy, shortlisted to a pool of 20 private kindergartens offering more than 20h/week of classes in English

Competitors analysis

Positioning

- ▶ Analysis of the **competitors shortlisted** with a strong focus on their **positioning within the market**

- ▶ Analysis of a shortlist of private universities in the field of interpretation and translation with a focus on the bachelor and master degree offered

Business

- ▶ Analysis of **shortlisted competitors** with a focus on **business measures** (e.g. KPCs, sales performance, geographical coverage, ...)

- ▶ Analysis of a shortlist of private universities, including an analysis of footprint and performance in student attraction and retention

Financials

- ▶ Analysis of the **shortlisted competitors** with a focus on **financial performance**¹

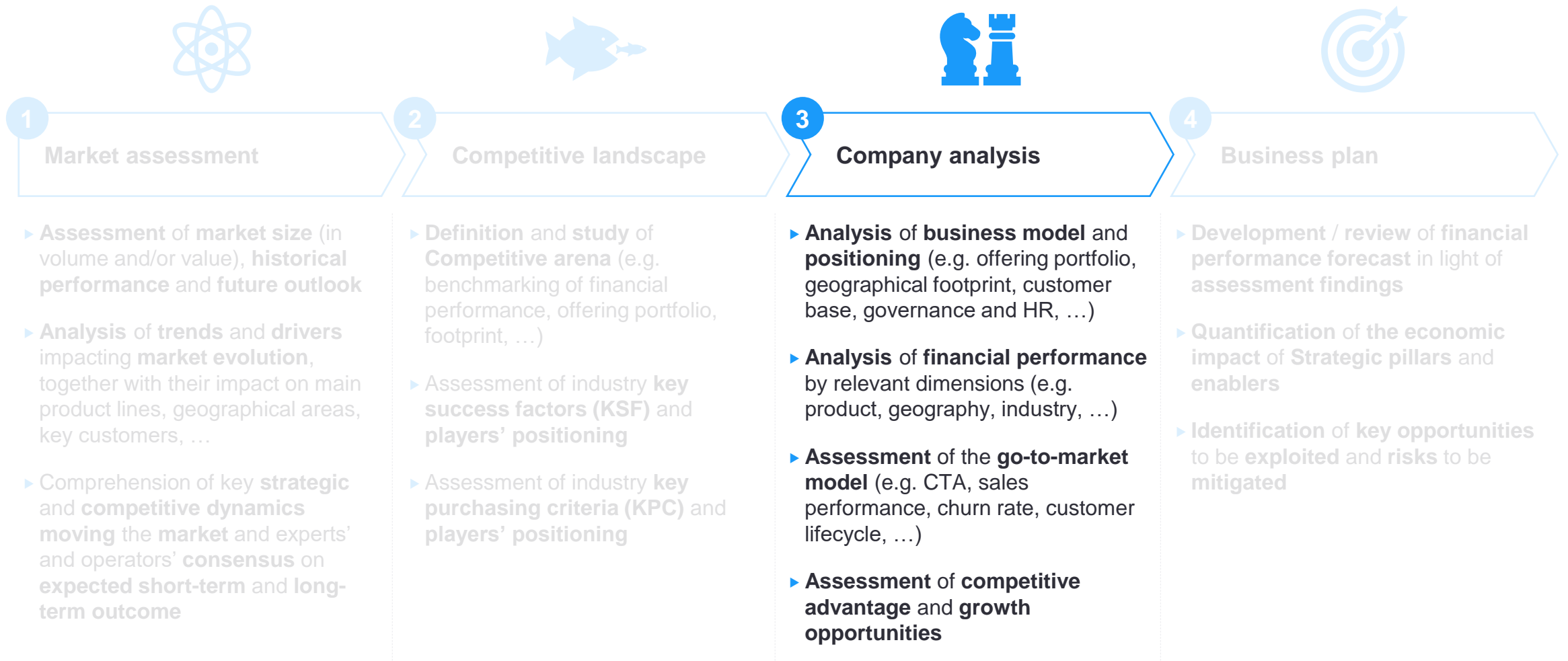
- ▶ Analysis of a shortlist of private universities with a focus on EBITDA margin and courses profitability

1. Usually limited to revenue, EBITDA and product / service / customer profitability

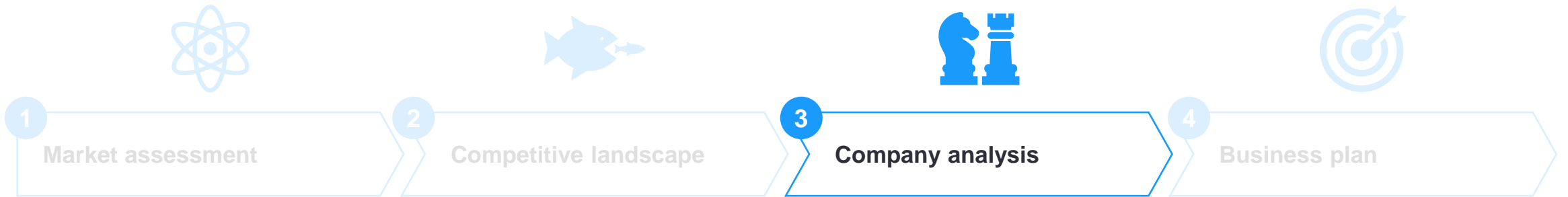
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CDD section 3: Company analysis



Analysis

Purpose

Examples

Company overview

- ▶ Understanding of **key characteristics** of the **company**, in terms of history, governance, positioning, ...

- ▶ *Historical milestones, value chain coverage, Governance / organigram, ...*

Business model / performance

- ▶ Understanding of the **company's business model**, product/service/customer **portfolio**, **go-to-market**, geographic **footprint**, ...

- ▶ *ABC analysis (customers), revenue and business model assessment, KPCs, geographical footprint, sales strategy...*

Financial performance

- ▶ Understanding of the company's **historical** and **forecasted economic performance** on several key levels

- ▶ *Historical and forecasted performance - revenue and profitability by BU, Client, Product / service, country, ...*

Strategy

- ▶ Identification of the company's **distinctiveness** and **competitive advantage**, together with **growth pillars** and **enablers**

- ▶ *SWOT analysis, Porter analysis, KSFs, Vision, mission, Strategic pillars, Enablers, ...*

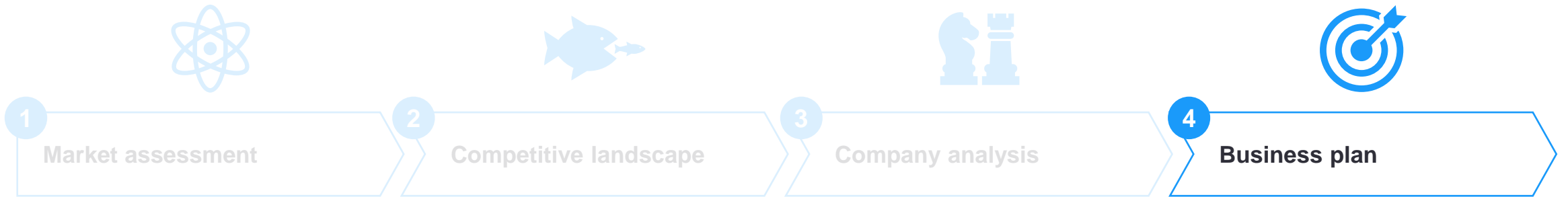
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CDD section 3: Company analysis



Analysis

Purpose

Examples

Assumptions

- ▶ Understanding of **key assumptions** underlying the **BP Forecast**, market and business implications, ...

- ▶ Management / EY-P assumptions

BP Forecast

- ▶ Layout / assessment of **forecasted performance** in terms of **top line, profitability, cost**, ...

- ▶ BP Forecast for key P&L measures and industrial KPIs / performance

Sensitivity analysis

- ▶ Understanding of BP forecasted performance sensitivity to different scenarios

- ▶ Optimistic, Base and Pessimistic scenarios of BP Forecast for key P&L measures and industrial KPIs / performance

Other

- ▶ Various add-ons (e.g. Synergies, upside potential, opportunities and threats, ...)

- ▶ Various add-ons...

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There are several things to know when working on a CDD, in order not to get lost and to be fully proficient...



...together with some tips to keep in mind to be successful!



STRUCTURE

Invest time in **structuring the analysis beforehand** as it will save you time later



BE SYNTHETIC

Slides must be **concise** but **powerful** enough to deliver **one strong and coherent message**



FOCUS

Do not boil the ocean, instead focus on what is key and **learn to prioritize**



TELL A STORY

Each slide must contribute to **telling a compelling story**



LISTEN AND ADAPT

Client feedback might suddenly steer the analysis and project schedule, **be flexible**



BE ALWAYS READY AND BACKED-UP

Each output must be **client-ready** and **backed up** by well-organized data



DON'T LOSE PERSPECTIVE

Always keep in mind the **final goal of the project** and let it guide your analysis

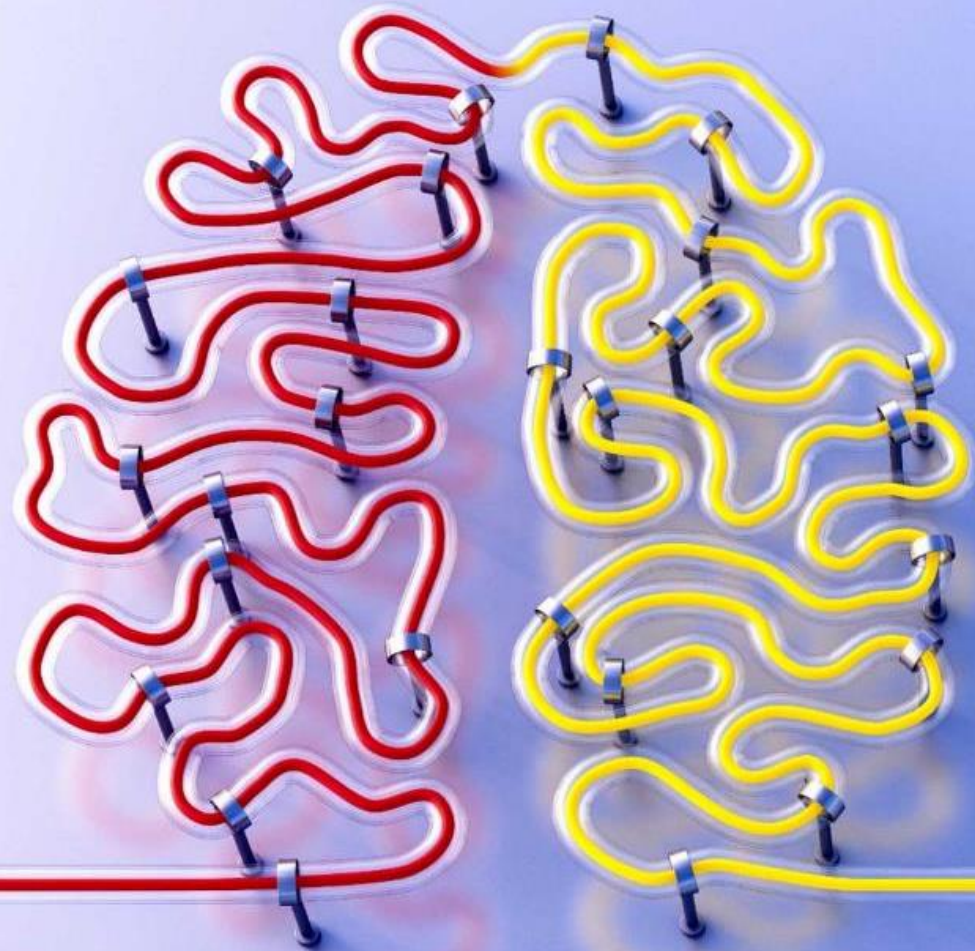


PROTECT CONFIDENTIALITY

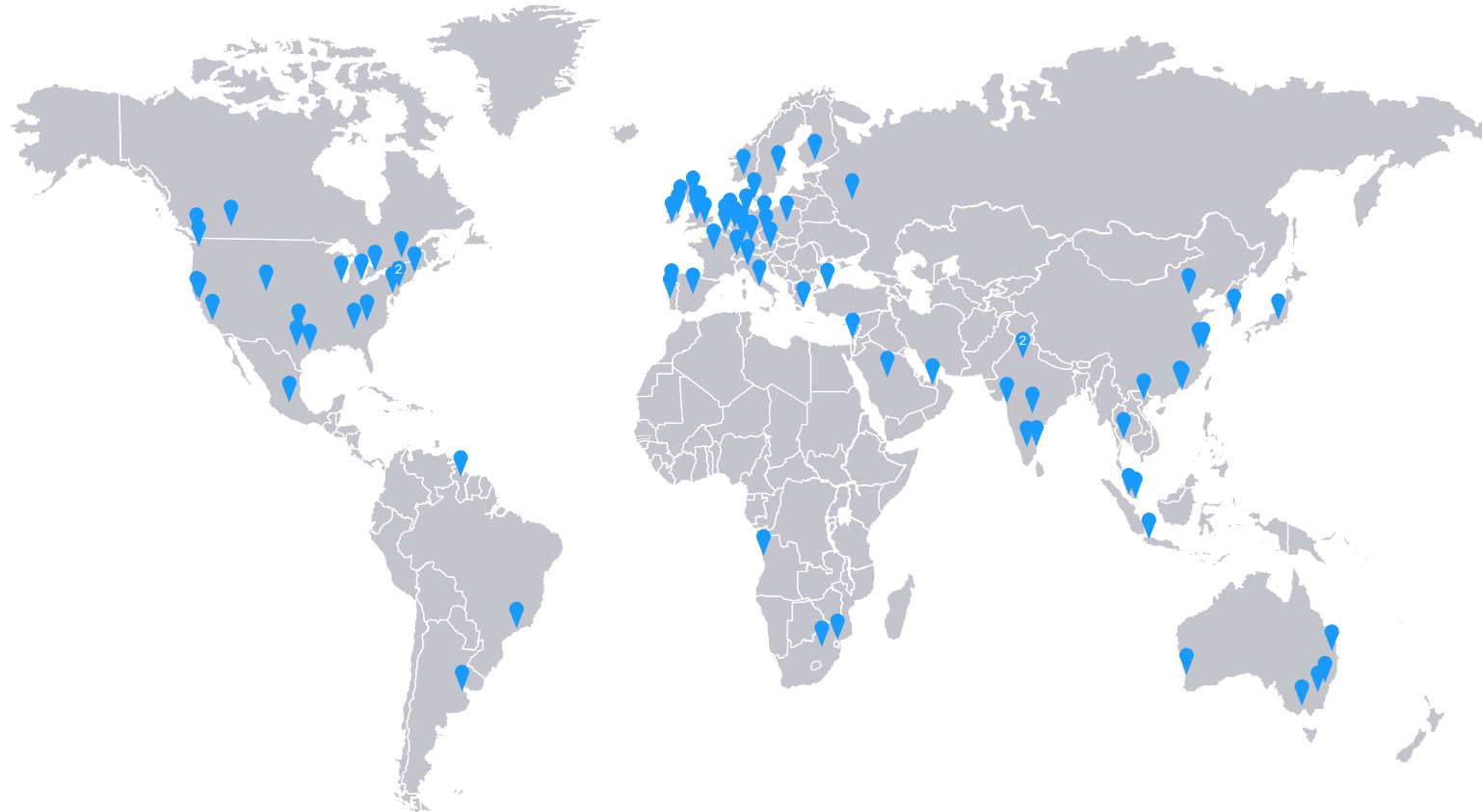
Confidentiality is key as we are dealing with sensitive information

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- ▶ Key project practices
- ▶ **Q&A**



Do you have any
questions?



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