

EY Transaction Forensics

Manage integrity risks and enhance capital delivery



The true M&A challenges

Managing integrity risks and securing capital

How organizations manage their capital today will define their competitive position tomorrow. The global nature and increased complexity of many M&A deals present unique risks to how companies manage their capital and transactions. A well-intended transaction can easily be derailed due to fraud, compliance issues or poorly-constructed contracts. Companies need to manage these integrity risks to minimize exposure to loss of deal value, costly regulatory sanctions and time-consuming post-closing disputes.

Regulatory pressure

Global regulators expect companies engaging in cross-border transactions to be mindful of bribery, corruption and third-party risks as a component of a broader analysis of compliance-related risks. For example, acquisition targets that were the subject of recent enforcement actions may be exposed to potential post-acquisition liability. The UK Bribery Act, the US Foreign Corrupt Practices Act (FCPA) and interpretations such as the US Department of Justice's "Halliburton Opinion" each emphasize the importance of conducting anti-bribery and anti-corruption (ABAC) due diligence on the part of directors and management.

Transaction disputes

Nearly one-third of all closed transactions end with a dispute between the parties. Contractual language surrounding post-closing accounting mechanisms and arbitration clauses in the purchase agreement should be carefully considered during pre-transaction planning. Deals can also lose value when the parties disagree on the application of the purchase agreement, such as disputes related to price adjustment or locked-box mechanisms. In some cases, transaction disputes are exploited by one of the parties to the deal. In others, disputes are a natural extension of the price negotiation.



Due diligence

Forensic due diligence

EY Transaction Forensics Services

- ▶ Assess the risks of fraud, bribery and corruption, money laundering, economic sanctions and conflicts of interest
- ▶ Perform fact-finding and transaction testing
- ▶ Conduct integrity diligence (e.g., background checks)
- ▶ Strategize recurring vs. nonrecurring risk mitigation
- ▶ Government contract due diligence

Driving M&A success

● Pre-acquisition services

Before closing any deal, both parties need to analyze a range of risks to minimize potential loss of deal value. These risks may include fraud, bribery, corruption, restrictions on trade and export, other conflicts of interest, third-party integrity, reputation, and regulatory investigations. We help organizations mitigate these risks during drafting and before signing to help protect and deliver transaction value.

Draft
contract

Signing
date

Completion
date

Pre-signing purchase agreement advice

- ▶ Advise on merits of different purchase-price mechanisms
- ▶ Support pre-signing negotiations (e.g., treatment of debt, cash and working capital, appropriate earn-out target, permitted leakage)
- ▶ Focus the outcome of commercial negotiations by working with you and your advisors to incorporate specific provisions within the purchase agreement

Pre-completion assistance

- ▶ Perform completion account trial runs (e.g., net working capital, earn-out)
- ▶ Assist with the estimation process of closing net debt and working capital for determining initial consideration payable at completion

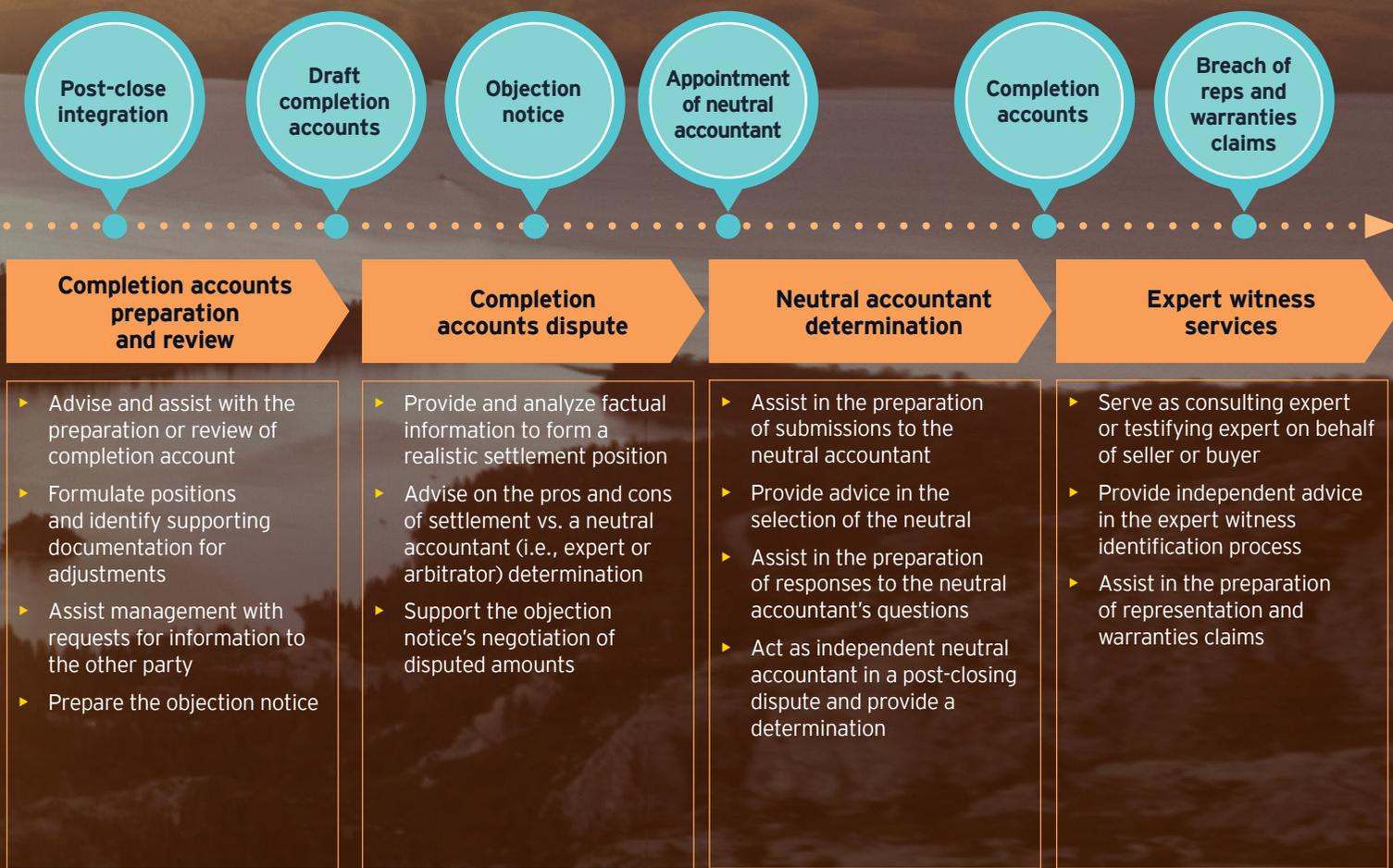
Investigation and compliance services

- ▶ Assist with the development of anti-fraud or ABAC compliance programs
- ▶ Conduct post-closing risk assessments; advise on compliance risk programs and perform compliance monitoring
- ▶ Leverage data analytics to perform enhanced due diligence with additional data from the acquired business, post closing
- ▶ Conduct fraud investigations

The journey to M&A success has peaks and valleys. Understanding the terrain, preparing for the unexpected and mitigating risks along the way are critical efforts to a successful transaction. At EY, we assist organizations and legal counsel in identifying and mitigating financial, operational and reputational risks inherent to M&A transactions.

● Post-acquisition services

Uncertainties related to valuations, working capital adjustments and earn-outs, along with increased investments in emerging markets, expose transacting parties to significant risks even after the deal is completed. We help organizations mitigate and resolve post-closing disputes and ease the purchase integration process by conducting appropriate risk mitigation exercises.



WHY EY?

Integrated service approach supported by global multidisciplinary teams

- ▶ Understand the interests of all stakeholders in any organization, enhanced by sector-specific knowledge
- ▶ End-to-end capabilities - from Day One readiness to integration planning to execution - to manage risks and drive the capital agenda
- ▶ Global network of resources who understand the local market norms, risk and regulatory environment

Extensive investigative and dispute experience

- ▶ Advising on transactions of all sizes - from start-ups to global conglomerates
- ▶ Experience gained from managing a significant number of ABAC due diligence engagements across all sectors
- ▶ Long history serving as independent arbitrators or experts on a wide range of M&A matters
- ▶ Recognized industry leader in managing transaction risks by numerous leading publications

Unwavering commitment to quality

- ▶ Collaborative and transparent project management approach that includes timely reporting and communication
- ▶ Globally consistent methodology that governs our project teams around the world

Cutting-edge technology to enhance quality and deliver efficiency

- ▶ Innovative use of forensic data analytics to detect fraud and noncompliance risks with precision and speed
- ▶ Leading eDiscovery and forensics resources to support investigations and disputes in a forensically sound and cost-efficient manner

Global presence

- | Americas: | Asia Pacific: | EMEA: | Africa: | India: |
|---------------------|---------------|------------|--------------|-----------|
| Atlanta | Adelaide | Amsterdam | Abuja | Chennai |
| Belo Horizonte | Auckland | Brussels | Cape Town | Hyderabad |
| Bogota | Bangkok | Bucharest | Durban | Mumbai |
| Boston | Beijing | Budapest | Johannesburg | New Delhi |
| Buenos Aires | Brisbane | Cologne | Nairobi | |
| Charlotte | Hanoi | Copenhagen | | |
| Chicago | Hong Kong | Dublin | | |
| Cleveland | Jakarta | Düsseldorf | | |
| Curitiba | Kuala Lumpur | Frankfurt | | |
| Dallas | Manila | Istanbul | | |
| Houston | Melbourne | London | | |
| Iselin | Perth | Madrid | | |
| Lima | Seoul | Manchester | | |
| Los Angeles | Shanghai | | | |
| Mexico City | Singapore | | | |
| New York | Sydney | | | |
| Quito | Taipei | | | |
| Rio de Janeiro | Tokyo | | | |
| San Antonio | | | | |
| San Francisco | | | | |
| San Jose | | | | |
| Santiago | | | | |
| São Paulo | | | | |
| Secaucus | | | | |
| Toronto | | | | |
| Washington Metro DC | | | | |

- Countries with EY presence
- Forensic labs
- Advanced security centers
- Forensic data centers
- Managed Document Review centers



EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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About EY Forensic & Integrity Services

Dealing with complex issues of fraud, regulatory compliance and business disputes can detract from efforts to succeed. Better management of fraud risk and compliance exposure is a critical business priority – no matter the size or industry sector. With approximately 4,500 forensic professionals around the world, we will assemble the right multidisciplinary and culturally aligned team to work with you and your legal advisors. We work to give you the benefit of our broad sector experience, our deep subject-matter knowledge and the latest insights from our work worldwide.

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