



THE POWER OF BEING UNDERSTOOD

DEAL ANALYTICS

Optimizing deal value by using data analytics to uncover key profit drivers

The mergers and acquisitions (M&A) landscape is competitive with plenty of cash to drive a stellar market for deal-makers; this in turn is causing valuation multiples to rise. As a result, investors are looking to ensure they are getting the best deal possible to maximize their return on investment.

The private equity or corporate investor's thesis is shifting toward growth, away from a cost-cutting mindset. Effectively analyzing sources of growth, or profit leakage, is paramount; however, many investors have yet to incorporate technology in their analysis and continue to rely solely on Microsoft Excel.

While traditional financial due diligence provides a clear, account-level picture of financial statement results and is currently the standard practice for private equity funds and other buyers, it can leave key questions regarding the target's growth and profitability metrics unanswered.

RSM's deal analytics provides a road map to answering pivotal questions facing businesses across all industries. For example, we have helped health care organizations assess readmission rates and average lengths of stay. We have helped shipping companies analyze average cost per mile of their routes. We have worked with retail organizations to measure revenue and profitability per square foot and software as a service (SaaS) companies to assess monthly recurring revenues and calculate customer acquisition costs. Better information and insight mean better deals. That's what the data-driven results of our deal analytics service deliver.

Utilizing advanced data analytics techniques, RSM is able to address essential business questions. Our deal analytics team will first assess your data analytics landscape with a few questions, such as:

- Who is performing your data analytics today? What type of tools are they using, and how much time is spent preparing the data vs. performing value-added analysis?
- Do you receive data at the SKU, customer and cohort, or bill of materials level?

- How is unstructured data incorporated into analysis (e.g., data from customer relationship management solutions, website hits, warranty logs, text files that include common customer concerns, etc.)?
- How do you aggregate your data to analyze performance?

We then transform data into meaningful analysis to help address the more pressing business and transaction-specific questions, for example:

- What is truly driving the company's growth? Product, market, segment, advantageous raw material pricing?
- Where are opportunities for profit enhancement?
- Where should we renegotiate with customers or vendors to improve profitability?
- What is included in the bill of materials that is driving underperforming products?
- Are there customers that are not profitable after considerable effort to serve them?
- Which products, services and customers are the top gainers compared to the parallel period? Which are the top decliners?

The answers to these questions can be as—or more—important than information gained through traditional financial due diligence.

RSM's deal analytics uncovers sources of growth or profit leakage before you buy or sell a company. Experienced industry professionals working with data scientists leverage advanced technology to extract actionable information from multiple, and often disparate, sources of big data. Applying advanced data analytics techniques, we synthesize the data to create interactive dashboards focused on your most relevant business and industry key performance indicators (KPIs).

Our advanced data analytics process includes building the analysis from the bottom up, from the most granular level, to compose the big picture of the business. This allows our clients to see the broader view, including business trends, while providing the functionality to zoom in and out of different aspects of the business. This type of data-driven insight provides you the information you need to optimize the value of the deal, allowing your team to focus its attention on the more critical aspects of closing it.

Whether you are a buyer seeking to accurately gauge the risks of a potential transaction or a seller looking to best position your company, RSM's deal analytics delivers the information you need to make solid, informed decisions to optimize value.

RSM's deal analytics primary offerings include:

- **Business performance assessment** – This offering provides a comprehensive performance analysis of the company to understand trends related to revenue, costs and volume at the most granular level of data available. These data-driven insights are focused in four key areas, each with predefined reports:
 - Concentration analysis – Sales and profitability by product, customer and geographic markets, as well as customer type, product categories and other key metrics
 - Customer and product sustainability – Top existing, new, lost and variable customers; existing, new and lost products; top gainers and decliners in customers and products
 - Revenue and gross margin bridges – Price-volume and gross margin analysis by customer, product, sales channel, delivery channel and product category
 - Product and customer stratifications – Breakdowns of sales, gross margin and volume by various groupings based on metrics such as dollar size, percentage of revenue and tenure

Using big data and complex data sets, we structure our analysis to focus on the most relevant industry and business KPIs. The analysis is designed to allow our clients to zoom out to see the big picture or drill down to understand specific business nuances. This helps clients to see outliers or anomalies in their business as well as understand changes to the business over time, and between different business or reporting units.

- **Business intelligence and advanced visualization** – To help our clients better leverage and compare multiple layers of data, we build interactive data visualization dashboards, utilizing complex databases, to create a clear one-stop-shop tool to support business decisions.

RSM understands M&A

RSM is a proven leader in transaction advisory services for private equity funds, as well as for strategic buyers and sellers. We understand where to look and what to look for to help buyers and sellers alike clarify both value and risk.

We also understand that any deal is a high-risk, high-pressure environment. Time matters. Our deep bench of national resources means we have professionals with the right industry experience ready where and when you need them. We can help with deals across the United States and, through RSM International, around the world. We deliver results quickly and accurately, getting you the information you need on deadline.

+1 800 274 3978
rsmus.com

This document contains general information, may be based on authorities that are subject to change, and is not a substitute for professional advice or services. This document does not constitute audit, tax, consulting, business, financial, investment, legal or other professional advice, and you should consult a qualified professional advisor before taking any action based on the information herein. RSM US LLP, its affiliates and related entities are not responsible for any loss resulting from or relating to reliance on this document by any person. Internal Revenue Service rules require us to inform you that this communication may be deemed a solicitation to provide tax services. This communication is being sent to individuals who have subscribed to receive it or who we believe would have an interest in the topics discussed.

RSM US LLP is a limited liability partnership and the U.S. member firm of RSM International, a global network of independent audit, tax and consulting firms. The member firms of RSM International collaborate to provide services to global clients, but are separate and distinct legal entities that cannot obligate each other. Each member firm is responsible only for its own acts and omissions, and not those of any other party. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

RSM, the RSM logo and *the power of being understood* are registered trademarks of RSM International Association.

© 2019 RSM US LLP. All Rights Reserved.

IS-NT-FAS-ALL-0119