



Geography:
Singapore

Our Value Add:
Negotiation & Transaction Advisory

Client's Situation

- Our client is a mid-sized company in Singapore with two core business lines – equipment testing and equipment rental
- The Company's owners were approached by a leading US equipment servicing group with an offer to acquire only its testing business
- Our Client considered that if it were to agree to the sale of only its testing business, it would still have to maintain resources to continue running the rental business. It would also incur additional costs to replace common assets and employees which may be transferred to the buyer

Our Approach

- We discussed the Company's management on the cost implications if only one business line is sold. We also discussed the synergies between two business lines and the value of these synergies if the businesses were kept together. Among the synergies we identified were that both business lines had a number of common customers
- We estimated the potential additional revenue that could be generated from these common customers if the buyer were to acquire the both business lines as well as the incremental costs required by the buyer to undertake the rental business
- We developed a revised investment case for the entire company comprising both business lines and presented this case to the buyer in which we highlighted the merits of the case
- We also did an extensive review of our Client's financial statements prior to buyer's due diligence to identify any potential issues that could affect the preliminary valuation indicated by the buyer

Our Value Add

- We assisted our Client in addressing the issues that the buyer raised because of the revised deal parameters. This included demonstrating the additional revenue potential of the business line that was initially excluded and highlighting the potential loss of business if common customers were not secured because of the split
- In addition, we highlighted to the buyer that as the rental business was more profitable and was supported by longer term customer contracts, this business line should be valued at higher multiples
- We successfully negotiated with the buyer to acquire the entire business and the purchase consideration that our client received was increased because of the enlarged divestment and also from higher valuation for the more profitable and resilient rental business
- Our preparatory work on due diligence also helped our client identify various issues which could have negatively affect the purchase consideration and we worked with our client to resolve these issues prior to closing