



Take a bold, new path

Deal Advisory

We can help guide you through
a successful **Buy Side** transaction.

KPMG in Croatia



Supporting your growth agenda
by helping you buy the right
assets at the right price.

Your vision. Our proven capabilities.

A smart buyer is an informed buyer. Our integrated team of specialists provides unique insights throughout the acquisition lifecycle, combining knowledge, analytical tools and proprietary data to help fuel smarter, faster decisions.

We take a practical approach to helping you maximize value.

Real results achieved by integrated specialists.

The path to an acquisition is marked by many crossroads. As you arrive at each, there are a host of questions and considerations involved. Serving as an experienced, third-party advisor, KPMG can help you address the issues at hand.

From identifying target markets, technologies, products and potential targets to running an efficient transaction process, we can be

there every step of the way, helping you move forward with confidence and realize maximum value.

Learn more about the seven critical phases in planning and executing an acquisition.

Integrated services across the transaction lifecycle

- ¹Deal Strategy
- ²Option Identification
- ³Evaluation
- ⁴Deal Execution
- ⁵Pre-Close
- ⁶100 Days
- ⁷Value Realization

This document reflects a wide range of services and does not differentiate between those services that are permissible or not permissible for KPMG audit clients and their affiliates. In addition, certain software and technology services, joining with third parties in service delivery, are also subject to potential independence restrictions based upon the facts and circumstances presented in each situation.



¹ Deal Strategy

How can I maximize shareholder value/returns?

Develop the right acquisition strategy —
from high level to ground level.

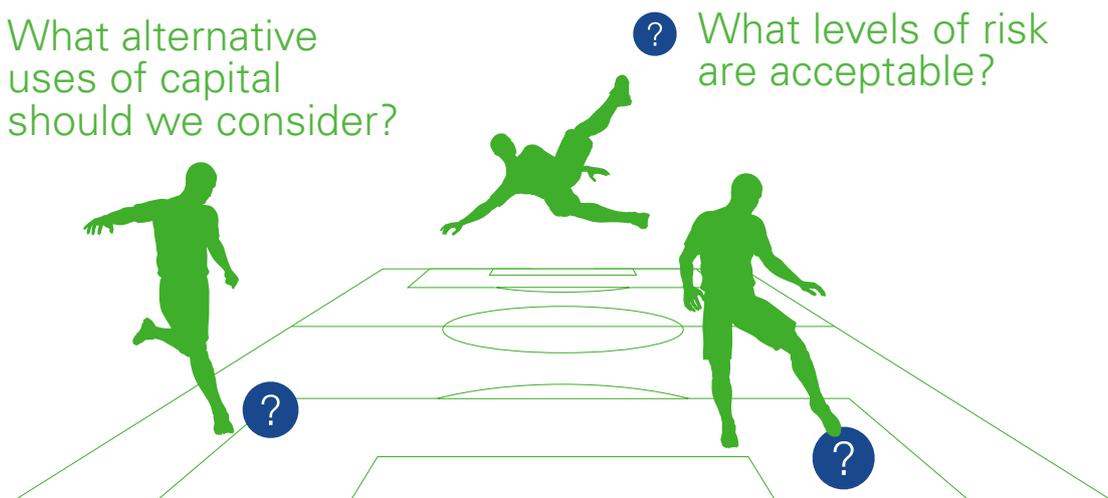
Every acquisition is an opportunity to maximize shareholder value and returns. Achieving the deal you want and the results you expect starts with developing a high-level deal strategy that fits your overall business strategy, delivers on key value drivers, and maintains or improves your competitive posture.

Addressing these and other issues can help you translate the strategic intent of an acquisition into actionable priorities and guiding principles for evaluation, planning and successful execution.

At the same time, you need a pragmatic, ground-level approach that begins with specific questions:

What alternative uses of capital should we consider?

? What levels of risk are acceptable?



How will we measure success?

FOSTERING A BETTER DEAL In choosing your targets, you want to be on the rising side of the product lifecycle. Base your deal decisions on analyst reports that not only describe current conditions, but also future industry trends, growth rates and, if appropriate, technology adoption curves.

Ask the right questions

What is the role of M&A in our strategy?

The clearer you are on how an acquisition can best align with your organization strategy, the more rapidly and effectively you can assess potential targets. Defining your desired risk and reward profiles is key. So is knowing what value drivers are most important. KPMG can help you gain the insights you need through modeling and testing your portfolios of spend, identifying strategic implications of your acquisition, and helping to determine your success criteria.

How can I balance my risk appetite with potential upside opportunity?

The first step is to clearly define your risk/reward profile by identifying potential areas of investment, determining if you are prepared to do a deal, and assessing what kinds of deals are right for you.

How can I allocate my capital efficiently?

Having a clear capital allocation plan will help position you to gain maximum value, efficiency and impact from the deal. We can help you determine how much funding you need, when you need it and why.

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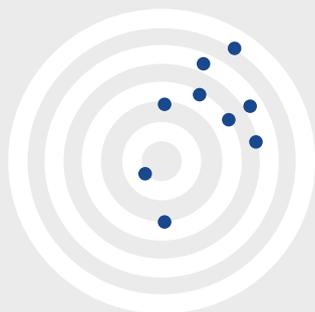
²Option Identification

What
businesses
can I acquire
in my target
markets?

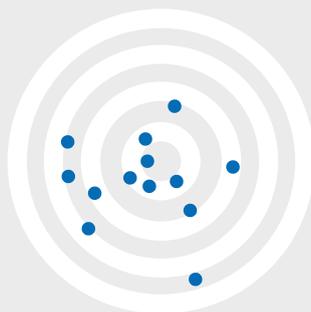
Identify and prioritize options in terms of structure, asset quality and risk.

Based on your portfolio strategy and other relevant factors, you will want to develop a comprehensive list of potential targets in terms of products, markets or specific geographies. In some cases, this list may be preceded by a list of target industries, each with potential target companies.

Products



Markets



Geography



Then you will need to shift your focus to a short list of approved targets to approach. In all cases, the development of your short list should be based on your overall strategic objectives and how well the target matches those. You should also consider financial risk, cultural fit, ability to execute the deal, your antitrust position and market dynamics.

Other important considerations at this stage should include your stakeholder buy-in and the willingness of the vendor to sell.

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Be sure that the numbers put together to justify a particular deal are realistic and accurately reflect market opportunities.

Ask the right questions

Who are my priority targets?

KPMG has the global network and sector expertise to help you uncover numerous potential targets in your select geographies, sectors, and sub-sectors. We can then help you evaluate these targets based on how well they align with your deal strategy, their availability and their ownership structures.

What is the seller/target's appetite for a transaction?

Understanding the motivations of potential sellers is an important part of prioritizing your targets. KPMG can help you identify and understand key sellers' goals and rationales. In addition, we can investigate company backgrounds, structures and market positions, initiate direct or anonymous contact, and facilitate the exchange of information.

How can I achieve stakeholder buy-in?

KPMG professionals can help you effectively manage stakeholders' expectations, communicate in ways that inspire buy-in, and identify what assurances may be required by regulators or public authorities.

What is my approach?

An effective first contact sets the stage for the transaction. We can help drive contact programs to inform key personnel, prepare and present a transaction rationale to the seller, and facilitate the phased exchange of information with the seller at the appropriate times.

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³ Evaluation

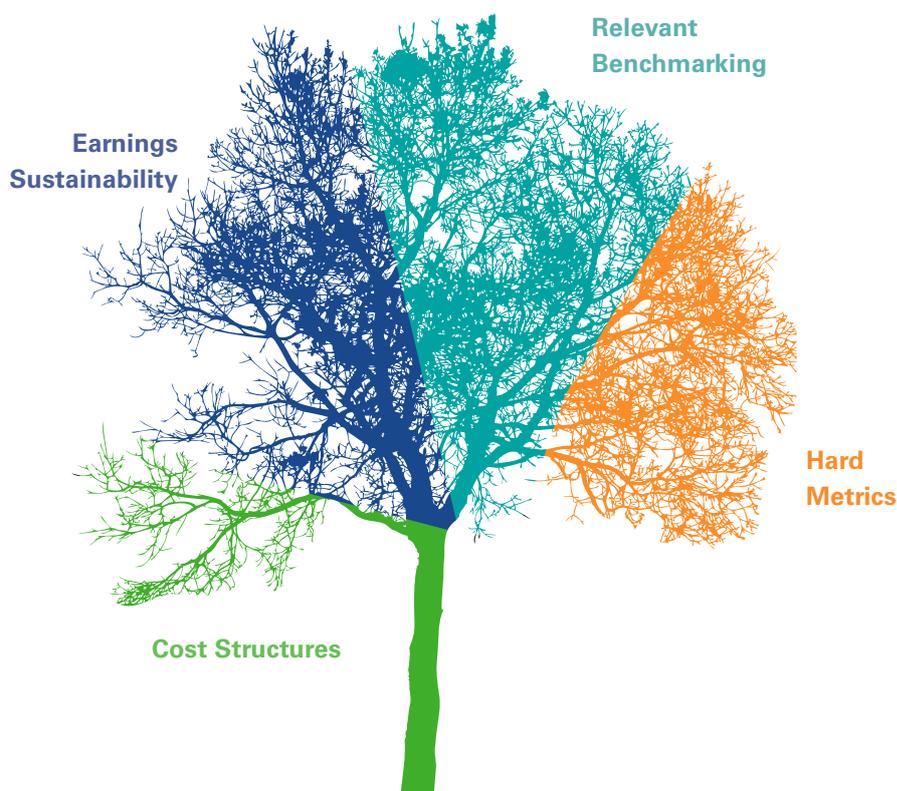
What is
the asset
worth to
me?

Consider the
future value to you.

Even the most tough-minded business leaders can ‘fall in love’ with a possible target and misjudge its present worth, potential value and long-term suitability as a strategic acquisition. No wonder that this stage can be stressful and far more complex than anyone might anticipate.

On the one hand, you want to be as realistic as possible and conduct rigorous due diligence that includes earnings sustainability, relevant benchmarking, cost structures and other hard metrics. At the same time, you do not want to overlook any potential synergies or hidden value that might not be recognized even by the asset’s current owners.

KPMG services employ tested methodologies designed to produce an accurate valuation model to help drive the assessment process. During evaluation, we can help you identify key risks. In some instances, we can help gather additional information for you to gain greater comfort around a potential risk, more certainty around delivering a particular upside, or increased confidence in making an adjustment to your valuation model. We can also help you assess the attractiveness of the deal from the point of view of both you and the seller. Criteria can include the speed of execution, securing the future of the employees or other drivers.



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To support an accurate evaluation, ask the advice of specialists who can give you insight into what it actually takes to integrate operations and cost-justify the deal.

Ask the right questions

What are the key value drivers of the standalone business?

Understanding the potential 'true' value of an asset can give you more confidence going into a deal and help ensure that you receive the value you expect. KPMG has a value framework that helps you gain greater insight into business and operating models.

What are the benefits of the acquisition to the enlarged group?

KPMG services are designed to identify synergistic benefits such as geographic and operational overlap as well as potential revenue enhancement opportunities.

How can I price this business?

When you possess an accurate assessment of the target as a standalone entity, you can be more confident in your decision making. KPMG services help to identify a peer group of comparable listed companies, derive market multiples, develop a high-level financial model, and identify potential issues or value gaps that need to be closed.

Am I ready to engage with the target/seller?

Knowing what is involved in the buying process and how to manage it effectively will put you in a position of strength. We can prepare a clear proposal and present it to the sellers, identify key players on the seller/target team, and determine how to help win them over at the earliest stage.

How can I continue to manage my stakeholders?

As the deal progresses, you tend to have more stakeholders requiring more interaction and management. KPMG services are designed to help you 'sell' the deal to stakeholders while providing the right information to the right parties at the right time.

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4 Deal Execution

How can I get the deal done at the right price?

Understand the potential risk factors and success factors for the deal.

Proper due diligence becomes critical at this stage, helping to drive the development of a customized governance program for deal execution. Due diligence can also help you determine the target's value after acquisition as opposed to the value determined for negotiation or other purposes.

You need to validate the basis for valuation, review the target's underlying earnings and current trading performance, and estimate

potential increases in value and/or revenue after the deal. Other issues on down the road might include risks related to revenue, technology integration and operational requirements, financing needs, and anything else that might affect deal negotiations.

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Depending on what due diligence has revealed, you might want to change your deal structure — for example, from a stock acquisition to an asset acquisition — so your tax posture can be improved.

Ask the right questions

How can I refine and validate my view of value?

KPMG services can help you refine and validate findings through additional diligence, and revise scenario analyses based on opportunities and risk factors, synergy assessments, and improvement plans. In turn, you can effectively present your understanding of deal value to stakeholders.

How can I conclude on all issues raised pre-signing?

At this point, your options might include walking away from the deal, accepting the risk now and mitigating it later, adjusting the price, conducting forensic analysis, or using a 'clean team' to assess commercially sensitive information. We can advise you on which path to take.

How can I secure competitive financing?

Your goals are to increase competitor tension and secure preferred terms. Our services are designed to provide independent, strategic financing advice around tactics and timetables for dealing with lenders and effectively structuring the financing.

How can we make our proposal the most attractive?

Knowing how to develop and present a winning proposal can help give you an edge. KPMG services can support the development of a proposal that helps demonstrate a clear understanding of the seller's objectives, reflects your position accurately, and addresses timing, cultural protocols, execution risk and deliverability.

What is my negotiation strategy?

Having a well planned, comprehensive negotiation strategy can give you more confidence when you come to the table. Our services are designed to help you establish designated roles and responsibilities, boundaries and delegated authorities, a view of pricing range and a knowledge of 'must haves' versus 'nice to haves'.

How do the findings inform our post-deal planning?

KPMG services can help you explore ways to build up synergies and performance improvement plans in a more granular fashion and identify issues that might impede the timing and increase the cost of implementation.

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⁵ Pre-Close

How can I plan for a successful 'Day One'?

Provide clear guidance over decision making and accountability, both on 'Day One' and throughout the integration.

You need to take firm control of the new business on ‘Day One’ but without disrupting ‘business as usual’. Our services can help you transition the business into your ownership by securing critical individuals, maintaining close dialog with the target management team, and identifying key transaction services agreement (TSA) processes, responsibilities and timetables.

We can also help provide sufficient visibility of operating performance in the interim period between signing and closing through defined and stipulated reporting requirements to maintain operational integrity.

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Effective communication involves not only content, but timing. Make sure that board members, management, staff employees, the media and other parties receive the information they need according to a carefully planned schedule.

Ask the right questions

What do I need to be ‘Day One’ ready?

You need to take firm control of the new business on ‘Day One’. Our services help you prepare by focusing plans on critical areas like finance, HR, legal, treasury and IT, in addition to supporting the control of operations and helping to minimize business disruption.

How do I mobilize for implementation?

You need to maintain integration momentum and address ‘business as usual’. KPMG services can help you devise a high-level

operational program that addresses both by identifying critical path items and long lead-time items, determining high-impact quick wins, and helping you create the post-deal organizational management structure.

How do I complete the deal?

A number of final requirements occur between signing and closing the deal. To address them, our services are designed to help identify ongoing regulatory, reporting and labor law requirements, coordinate with legal advisors and the seller on key milestones, and prepare funds flow in order to reflect appropriate cash flows to completion.

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⁶ 100 Days

What is my plan for delivering the deal value?

Execute according to plan —
but stay flexible if further adjustments are required.



You need to ensure that business and integration teams maintain a focus on synergy realization, problem resolution and value creation — all while minimizing disruption to your business. Key considerations should include:

- + Have you met your transaction value targets?
 - + Can you identify additional opportunities to create value that were not apparent prior to the deal close?
 - + Have your acquisition costs been in line with expectations?
 - + Are financial systems integrated and consistent in terms of revenue recognition policies, charge structures, data sources, reporting formats and other critical areas?
 - + Have you realized the operating and financial synergies you expected for the first 100 days?
 - + Are you properly implementing integration structures, governance policies and effective processes that will minimize disruption to your business during the integration phase?
- In addition, communications programs should now be fully underway to inform employees, suppliers, customers, analysts and the press about the transaction, including its scope, ramifications to stakeholders, and its effect on the industry.

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Monitor and adjust, if necessary, any TSAs you have developed with the seller to help ensure 'business as usual' operations over the 100-day period. This includes action plans to exit those TSAs on a timely basis.

Ask the right questions

How can I protect value?

KPMG services can help you identify and undertake the actions required to support value. These include clarifying the degree of integration desired, designing a program governance structure to assess opportunities across the business, and designing and implementing Key Performance Indicators (KPIs) and performance metrics.

How can I embed the change into 'business as usual' activity?

As you shift from integration to a single organization, our services help support your emerging needs. We can help you develop a 1-, 2- and 3-year operating models for the enlarged business that helps manage accountability for synergy targets, support

integration opportunities, and monitor benefits according to plan.

How can I balance delivering value quickly and valuing our people?

Addressing HR issues in both your company and the acquired company will help you start acting as one sooner. Our services are designed to assist in speeding up the process by helping to develop a single, clear communications plan, and provide a scalable assessment of cultural integration issues and management performance.

How can I finalize financial and accounting matters?

To help stop loss of value after the deal, we can assist you in preparing timely completion statements and support warranty claims. We can also help you meet financial reporting requirements for areas such as purchase price allocations and taxes.

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⁷ Value Realization

How can I maximize value?

Carefully monitor operations and integration to improve speed to value.

Even after the first 100 days, you need to keep up the energy and momentum that you have maintained across the transaction lifecycle. Otherwise, you might be looking at the possibility of significant value erosion.

Now is the time to ensure that the integrated organization is operating correctly and efficiently. You should also verify that an exit strategy for any transition services has been developed and is being carried out in an effective manner.

You also need to support value realization through constant efforts to identify, prioritize and realize cost reduction opportunities. Equally important, you should take care to capture additional synergies that might not have been identified at the time of acquisition.

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DEAL**

After the deal, a number of ‘tweaks’ are often required, especially on the tax side — for example, the elimination of subsidiaries to improve tax effectiveness. The overall transition to the new financial reporting and accounting system is equally important. In most cases, the corporate structure needs to be adjusted. This can involve consolidating, rationalizing or re-organizing departments and functions such as sales, HR, procurement and IT.

Ask the right questions

How can we keep the momentum?

The key to maintaining momentum and improving speed to value is having a ‘best practices’ approach that is repeatable, scalable, sustainable and flexible. Our services are designed to deliver quick wins in terms of the initial financial and qualitative impact at the acquired company.

How can I ensure that the benefits get delivered?

To help ensure that you realize all the benefits you identified in the evaluation phase of the deal, you need to identify and track those benefits, and increase them wherever possible. To those ends, our services are designed to help you follow up on those high-value initiatives that are more difficult or time consuming to realize.

What have I learned from this acquisition?

What you learn along the way can help improve day-to-day business activity and be applied to the next transaction. We can conduct a debrief with the deal team and other advisors, compile a post-deal integration review, maintain an M&A playbook that incorporates lessons learned from each transaction, and create training to address skills gaps.

What is my plan for the non-core areas of the enlarged business?

Non-core areas of the enlarged business can affect value realization for the deal. KPMG professionals can help conduct a business review to assess the long-term value of the acquired assets, determine how to release the value for non-core assets, and prepare the carve-out of non-core assets for divestment.

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Deal Advisory

How can I continue to create, enhance and preserve value?

From mergers and acquisitions to divestitures, the key to any transaction is to realize its full expected value. And that means being able to answer critical questions at every phase of the transaction lifecycle.

KPMG's Deal Advisory professionals can help you know what questions to ask and how to find the answers.

For more information on Buy Side and other Deal Advisory services, please visit:

www.kpmg.hr

or

www.kpmg.com/dealadvisory

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Deal Advisory

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