

# WP Advisory

Case Study – IT Due Diligence

WP Advisory provides best-in-class management consulting services to middle market companies. We are a small team of senior executives with significant industry experience.

# Introduction

## Case Study – IT Due Diligence

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# Summary

- A middle market PE firm was looking to acquire, carveout, and integrate with an existing complementary technical manufacturing portfolio company. The parent company was a Fortune 50 firm looking to sell off the division to the PE firm and minimize support of the transaction to enable efficient sale and transition. The PE firm needed strategic advice regarding acquisition and direction after the transaction was complete.
- Before the valuation and transaction could proceed a detailed integrated due diligence effort was needed with emphasis on IT systems and infrastructure including how their status would affect price and long-term operations.
- Successful IT & Operations assessment occurred on-time with recommendations to proceed with acquisition transaction and adjustment to pricing as detailed in the final analysis. Cost projections for integration and minimal data porting issues resulted in a recommendation to proceed with the transaction.

# Role and Responsibilities

- Role
  - Project Management Office Lead
- Responsibilities
  - Planning and coordinating the execution of all pre-investment IT and Operational due diligence activities, assessment of target company health and impact on valuation
  - Pre-investment IT assessment of systems, infrastructure, personnel, and policies
  - Execution of discovery phase including coordinating knowledge transfer, management interviews, and investor updates
  - Analysis of findings and quantitative assessment of financial impact on future operations or merger options
  - Generation of detailed report, investor slide deck, and investor presentation of due diligence findings
  - Follow up with recommendations and projections to investor firm

# Challenges

- Fortune 50 firm selling niche 2,000 person manufacturing division to a PE firm looking to integrate target company with existing complementary portfolio firm resulting in multiple options for acquisition strategy.
- Investor uncertain if target company would best operate as an independent firm or be integrated with complementary firm after carveout.
- ERP system was JD Edwards which tracked all supply chain, warehouse management, and sales operations which would need to be ported and integrated into same platform for easiest transition. Analysis of ERP systems and support of critical function resulted in recommendation to proceed.
- Parent company provided leased desktop end user point which was nontransferable to acquiring company necessitating replacement services and impacting price of company.

# Outcome

- IT due diligence resulted in a minimal risk scenario that would be carved out and then integrated with existing portfolio company.
- Detailed assessment of integration cost projections allowed the PE firm to adjust proposed acquisition cost by approximately 5-7% and plan for future implementation.
- Implementation road-maps projections were provided and in alignment with the operational and financial cut-over windows.

# Contact

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