



# KPMG Pre-Deal PPA

More transparency for clear transaction decisions

A KPMG Deal Advisory Valuation product



# KPMG Pre-Deal PPA

## More transparency for clear transaction decisions

### The features at a glance



Calculation & visualization of transaction effects on balance sheet and P&L in just 5 steps



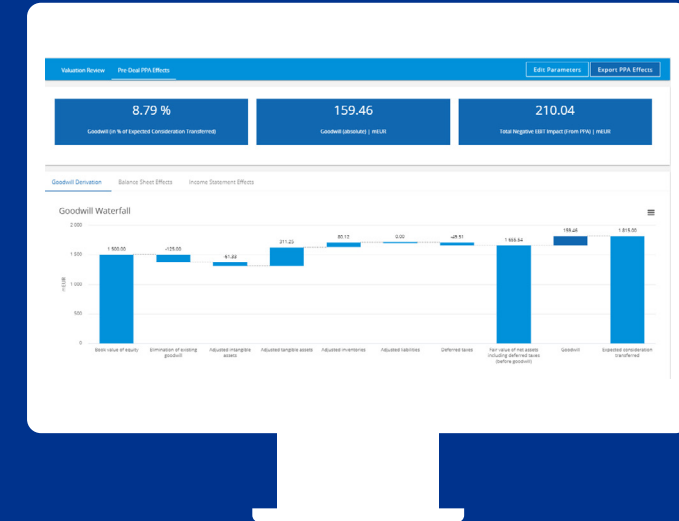
Valuation of assets with fair values gives transparency & can be used to explain the purchase price paid



Results at the click of a button through fully integrated calculation logic (IFRS 3). Adaptable parameters allow flexible scenario analyses



Integrated KPMG benchmark data from over 40 industries supports plausibility checks & the classification of results

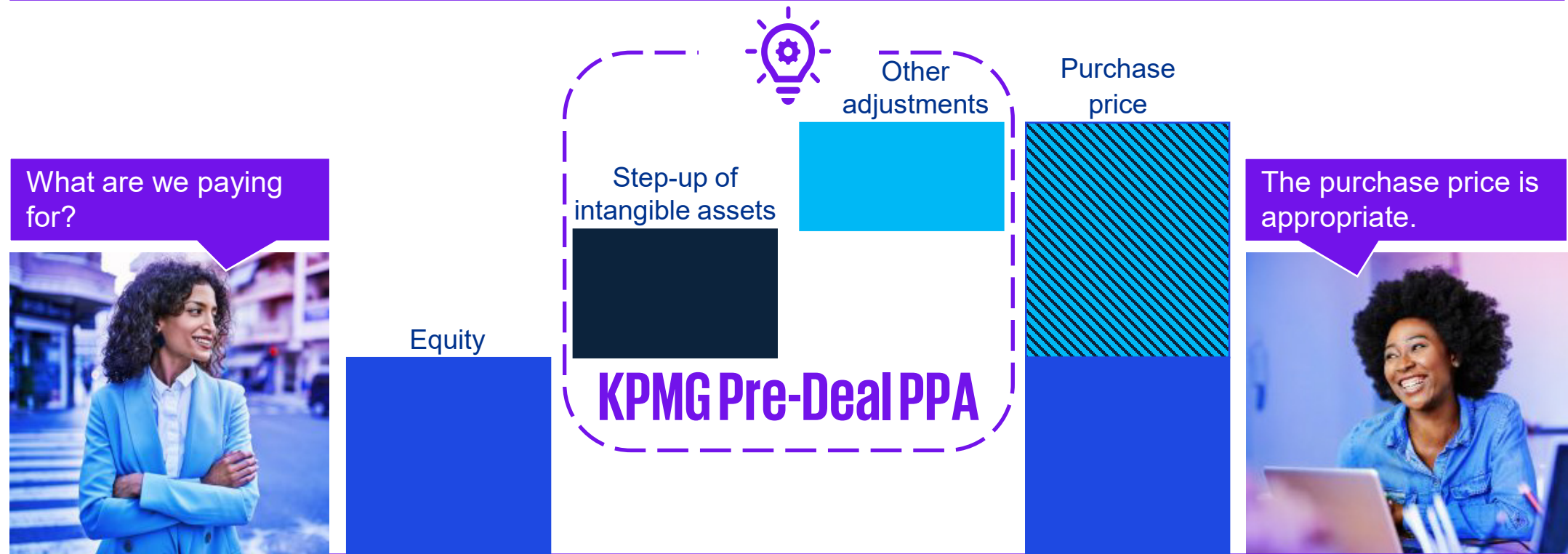


- ✓ Available at any time
- ✓ Fast results
- ✓ Flexible analyses
- ✓ Fair Value calculation
- ✓ Export to MS Excel



# KPMG Pre-Deal PPA supports buyers by providing them transparency over the value of acquired assets

## Benefits of a Pre-Deal PPA



With KPMG Pre-Deal PPA, the effects of a transaction on balance sheet and P&L of the buyer can be estimated before the actual acquisition. This greatly facilitates the determination of an appropriate purchase price.



# It only takes five steps, to determine the possible effects of a transaction

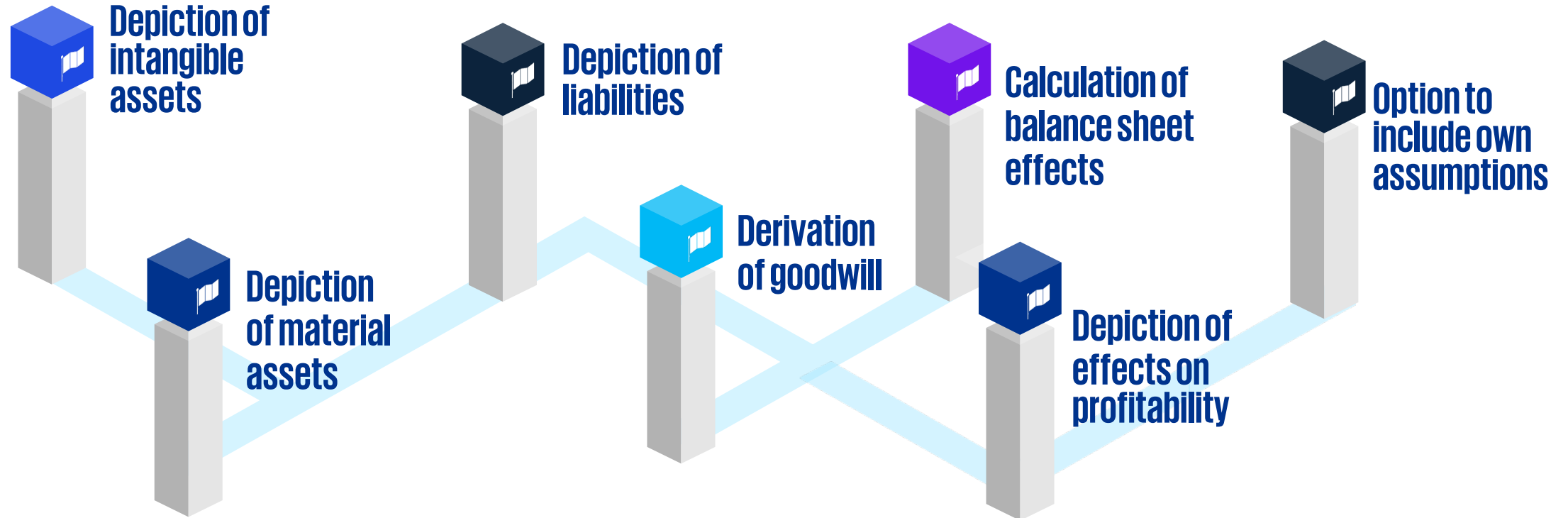


The tool offers a quick solution in the initiation phase of an acquisition, in which time is short and data availability is scarce. Clear guidance & short input process of the tool create room for scenario calculations & analyses.



# Pre-Deal PPA offers reliable results through a fully integrated calculation logic based on IFRS 3

## Scope of results



For the calculations, the online solution uses a KPMG database with relevant valuation parameters from over 40 different industries. This ensures a valid assessment and renders time-consuming research regarding valuation assumptions obsolete.

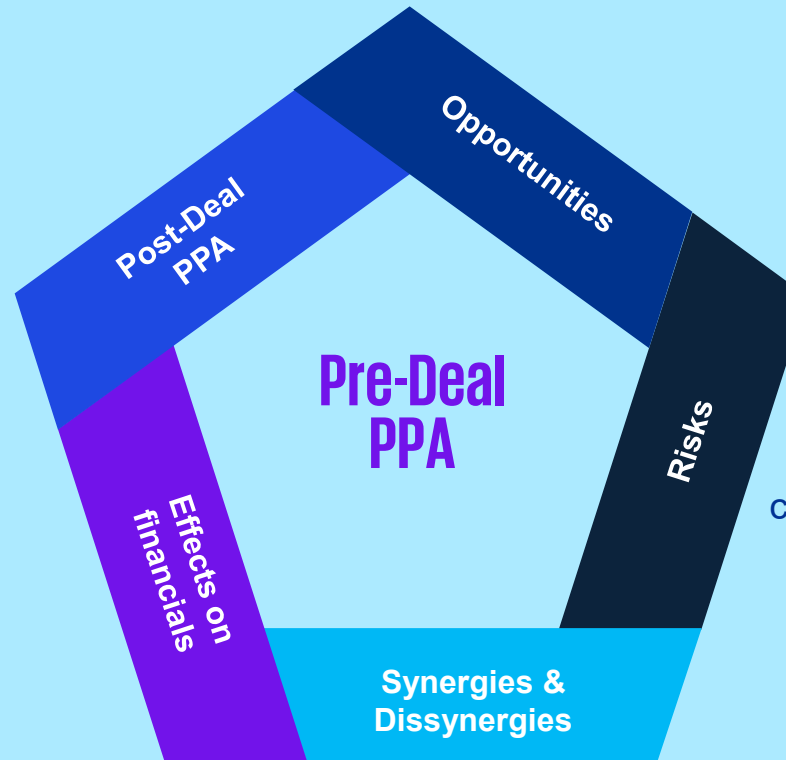


# A Pre-Deal PPA should be an integral part of any due diligence process

## Additional advantages of a PPA within the transaction process

Facilitation of a **Post-Deal PPA** as well as providing an alternative basis for the preparation of financial statements if no final purchase price allocation is available as of the balance sheet date

**Significant effects** of the transaction on **balance sheet & income statement** figures in the consolidated financial statements. Use of the identified **discretionary leeway** for accountants.



Allocation of **profit potentials** to assets & liabilities relevant to the purchase price

Identification of possible **risks** (e.g. consideration of contingent liabilities and unfavorable contracts in the purchase price)

Identification and consideration of attributable **synergies & dissynergies** to relevant assets / debts as well as impact on purchase price



# Sneak peek into the tool

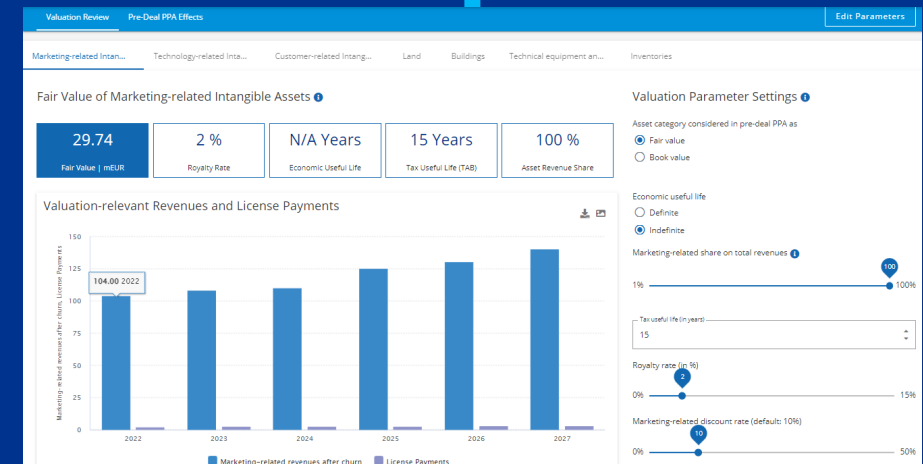
The screenshot shows the 'General Parameters' step of the KPMG Pre-Deal PPA Assessment tool. The interface includes a progress bar at the top with five steps: 1. Assessment Info, 2. General Parameters (active), 3. Business Planning, 4. Balance Sheet, and 5. Other Parameters. Below the progress bar, the 'Target Information' section contains several input fields: 'Industry' and 'Sub-industry' (dropdown menus), 'Financial year end (select a month)' (dropdown menu), 'Currency' (dropdown menu), 'Corporate tax rate (in %, default: 16)' (input field), 'WACC (long-term average in %)' (input field), 'Cost of debt (in %)' (input field), 'Time to maturity of the cost of debt (in years)' (input field), and 'Share to be acquired (in %)' (input field).

## Easy handling

The KPMG Pre-Deal PPA guides users through an efficient, well-structured process to obtain a Pre-Deal Purchase Price Allocation in just five steps.

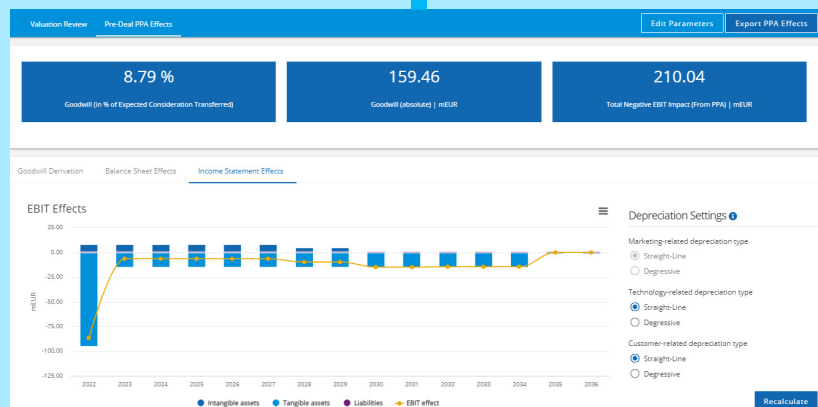
## Tailor-made calculations

Extensive options for customization regarding the adaptability of all relevant parameters allow flexible scenario calculations.





# Reliable data & clear presentation

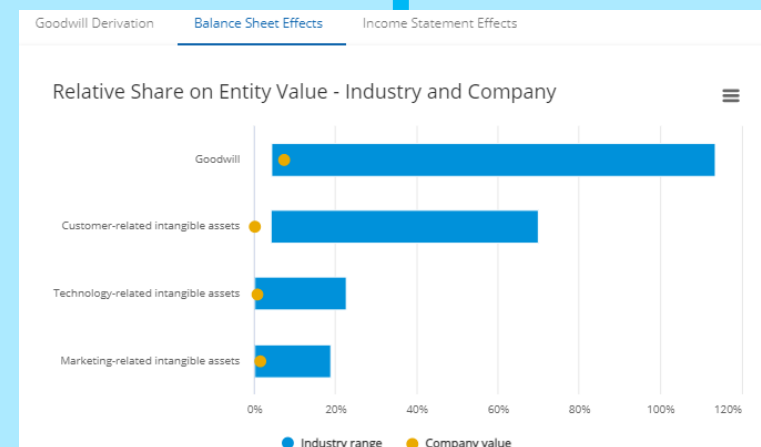


## Dependable results

Thanks to the fully integrated calculation based on IFRS 3, reliable data in accordance with KPMG valuation standards, is available at the push of a button. The inclusion of PPA-benchmarking data from over 40 industries allows a valid assessment without the need for cumbersome research.

## Comprehensive Visualization

To simplify the analysis and interpretation of acquisition effects, KPMG Pre-Deal PPA offers not only result tables, but also comprehensive visualizations.



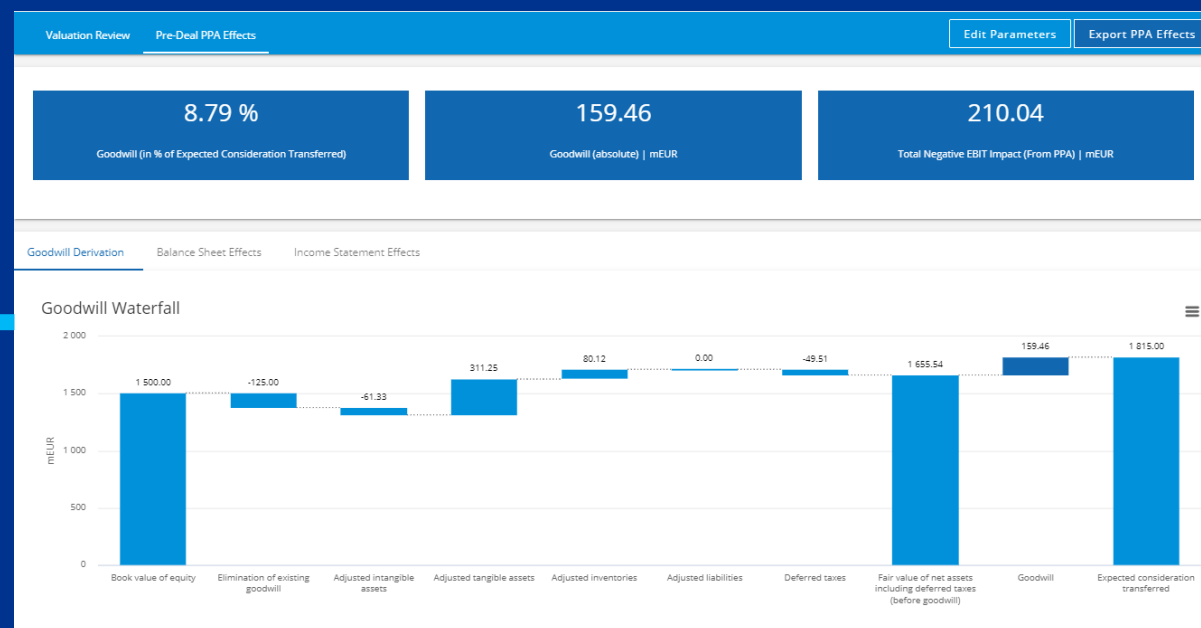


# Example: Derivation of Goodwill

A. Expected Consideration Transferred	Values in mEUR
Fixed price	1,800.00
Contingent Consideration	10.00
Other forms of Consideration	5.00
Net assets non-controlling interests	0.00
<b>EXPECTED CONSIDERATION TRANSFERRED</b>	<b>1,815.00</b>
<b>B. Adjusted book value of net assets</b>	
Book value of net assets	1,500.00
Elimination of goodwill	-125.00
<b>ADJUSTED BOOK VALUE OF NET ASSETS</b>	<b>1,375.00</b>
<b>C. Fair value of net assets before deferred taxes</b>	
Adjusted book value net assets	1,375.00
Difference fair value and book value - intangible assets	-61.33
Marketing-related intangible assets	-0.26
Technology-related intangible assets	-41.07
Customer-related intangible assets	-20.00
Contract-related intangible assets (favourable contracts)	0.00
Difference fair value and book value - tangible assets	391.37
Land	120.00
Buildings	187.50
Technical equipment and machinery	3.75
Inventories	80.12
Difference fair value and book value - liabilities	0.00
Contract-related intangible liabilities (unfavourable contracts)	0.00
Contingent liabilities	0.00
<b>Total difference fair value and book value</b>	<b>330.04</b>
<b>FAIR VALUE OF NET ASSETS BEFORE DEFERRED TAXES</b>	<b>1,705.04</b>
<b>D. Goodwill derivation</b>	
Fair value of net assets before deferred taxes	1,705.04
Deferred taxes	-49.51
Deferred tax assets	9.20
Deferred tax liabilities	-58.71
Fair value of net assets after deferred taxes	1,655.53
Expected consideration transferred	1,815.00
<b>GOODWILL</b>	<b>159.46</b>

## Key messages at a glance

At the push of a button, the KPMG Pre-Deal PPA derives the goodwill & produces the respective waterfall chart





# Download

	A	B	C	D	E	F	G	H	I	J	K	L	M
	Asset Name	Book Value	Fair Value	Step-up	Economic remaining useful life (in years)	Tax useful life (in years)	Revenue share (in %)	Royalty rate (in %)	EBITDA-margin (in %)	EBIT-margin (in %)	CACs (in%)	Churn type	Start of churn (Year)
1													
2	<b>Intangible assets</b>												
3	Marketing-related Intangibles	1.200,00	1.200,00	0,00	15,00	15,00	100,00	2,75				Straight line	2023
4	Technology-related Intangibles	600,00	13.332,90	12.732,90	8,00	8,00	100,00	22,00				Straight line	2023
5	Customer-related Intangibles	500,00	0,00	-500,00	10,00	10,00	100,00		0,00		65,50	Degressive	2023
6	<b>Tangible assets</b>												
7	Land	20.000,00	20.000,00	0,00									
8	Buildings	50.000,00	50.000,00	0,00	13,00	33,00							
9	<b>Technical equipment and machinery</b>	10.000,00	11.000,00	1.000,00	11,00	8,00							
10	<b>Inventories</b>												
11	'---Work in progress	13.000,00	16.434,89	3.434,89	0,30					20,90			
12	'---Finished goods	14.000,00	17.699,12	3.699,12	0,30					20,90			



## MS Excel export for further processing

For additional independent analyses, all data can be exportet to MS Excel at the push of a button



# Available product versions

## Self Service

- Structured onboarding process with an expert
- Independent client access to the web-based tool
- Independent data input & selection of parameters
- Results online + Excel export option
- Independent examination & evaluation of the results

## Managed Service

- In addition to the tool access:
  - Personal advisor for setup (e.g. regarding data entry) & continued tool maintenance
  - Personal presentation & discussion of results at a preferred date
  - Provision of a standardized Executive Summary of the results

## Tailored Service

Full implementation of a Pre-Deal PPA using the online solution:

- Tailored derivation of the valuation parameters
- Background research
- Evaluation of the data
- Documentation adapted to individual needs

All services described herein are not permissible for KPMG audit clients, their affiliates or related entities.



# Security & Certifications



## External certification

SOC3 / SOC2 / ISO27001  
certification External independent  
audit (BDO) Continuous internal  
reviews



## Architecture

Strong encryption  
Isolated environments  
Auto-scaling infrastructure to  
ensure consistent performance  
even with erratic usage patterns  
Choose your data geography to  
minimize latency and optimize  
performance



## Organization

Ring-fenced ops organization  
Documented procedures  
Background verification  
Approvals enforced in workflow  
systems



## Controls

Robust control framework  
in line with SOC2 and  
ISO27001 standards  
Controls tested multiple  
times per year  
Automated monitoring and  
logging

## Microsoft Azure Data Centres



# Your contacts



**Dr. Andreas Tschöpel**

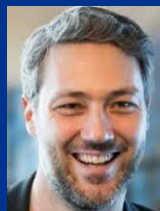
Partner, Deal Advisory

Valuation

KPMG AG, Berlin

+49 30 2068-1488

atschoepel@kpmg.com



**Ken Arminger**

Director, Deal Advisory

Digital Products & Services

KPMG AG, Hamburg

+49 40 32015-5898

karminger@kpmg.com



**Dr. Tobias Stork gn. Wersborg**

Senior Manager, Deal Advisory

Valuation

KPMG AG, Hamburg

+49 40 32015-4473

tobiasstork@kpmg.com



**Simon Sönksen-Arsenidis**

Senior Manager, Deal Advisory

Digital Products & Services

KPMG AG, Hamburg

+49 40 32015-4294

ssoenksenarsenidis@kpmg.com



[kpmg.de/socialmedia](https://kpmg.de/socialmedia)

[kpmg.de](https://kpmg.de)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2023 KPMG AG Wirtschaftsprüfungsgesellschaft, a corporation under German law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

**Document Classification: KPMG Public**