

Consulting services

Consulting services are aimed at acquisitive companies that wish to either enter the Southern African market by acquiring a local footprint or to consolidate their strategic position through acquisition.

The services address the value chain from market scanning, due diligence, deal structuring through to post acquisition management and integration.

- **Market scanning** - Auxilium Africa analyses the competitive environment and makes confidential approaches to potential acquisition targets.
- **Due diligence** - Auxilium Africa conducts commercial due diligence and procures the services of other specialist professional practitioners to provide legal and financial due diligence.

Commercial due diligence answers the following questions:

- Does it make sense to acquire the target as a separate entity while improving top and bottom line performance?
 - Should the acquirer hold the acquisition at arm's length, or merge the two companies gradually and tentatively or absorb the acquisition quickly and completely?
 - Does the deal offer product diversification?
 - How will the new product range be branded?
 - Will this build the supply chain?
 - Will the deal deliver cost reductions?
 - Will the deal reduce administration?
 - Will there be greater efficiency of sales forces?
 - What other synergies can be expected?
 - Will the deal deliver geographic expansion?
 - Will the deal deliver expertise in other areas identified in strategic plans of both companies?
- **Deal structuring** - Auxilium Africa offers scenarios and deal strategies for structuring and executing the deal, including documentation such as MOUs and NDAs, and will manage other service providers such as banks and lawyers.
 - **Post acquisition management** - Post acquisition management can take a number of forms:
 - Early-stage risk management;
 - Immediate follow-up on findings of legal financial and commercial due diligence, for example, ensuring that cash flows are secure, that signing powers on bank accounts are changed, that contracts are secured, that key customers are well informed and on side.
 - Early to mid-stage value creation. A target amount for value creation or cost reduction is usually set at an early stage and must be executed quickly. This will include removing duplicated premises, services, functions and personnel.

- Partial to full integration: The extent of the integration process should be measured by the market need and the capacity of the acquirer to get it done effectively.

The four main areas to consider for integration are:

1. Shared administrative services, such as finance, corporate, HR and legal. This is often the quickest area to merge and it will attract the most immediate benefits.
2. Market channels, products and sales forces: This is often the most sensitive area and should be addressed with caution, as the key measure is always going to be retention of customers.
3. Operations, facilities, procurement, and logistics. This area can produce the most significant synergies and usually will improve time to market and lower cost to deliver. The issues usually include managing downscaling without disrupting output, understanding and negotiating contractual obligations to the various service providers, combining operational processes and layouts, merging ERP systems, quality and health and safety programmes, and combining workforces.
4. Integration of two IT systems. Assistance will be provided on infrastructure and network integration, elimination of duplications, and advice on which platforms are best suited for the business needs of the merged entity.

Part of the IT integration engagement will be to produce a 3 to 5 year IT strategy covering asset inventory of existing hardware, software and systems; to develop a skills matrix and map any shortages or duplications regarding the strategy going forward; to decide on hardware and software standards and what software development will be required in the future; to determine what key vendor partnerships need to be put in place to support the strategy and produce a budget for board approval and ensure that the IT strategy aligns with business plan.

A common dynamic within most businesses is the non integration of IT applications be they accounting, CRM, HR, database applications or complex and well developed spreadsheets. This makes accessing data for a single view of relevant information time consuming and difficult. Auxilium Africa's general approach is to leave all existing software applications in place and overlay an application based on a well developed framework that will deliver all required information from respective sources in a single view, report or custom made dashboard.

These areas of integration can be tackled separately or at the same time. Auxilium Africa offers advice on the extent of integration that the client should consider as well as detailed advice and project management on how to realise the integration targets on time and within budget.

-o0o-

About Auxilium Africa

Auxilium Africa was formed to provide incubation and start up services; consulting on business expansion into Southern Africa; and specialist advice on all aspects of mergers and acquisitions.

The company brings to bear in-depth experience from a team of specialist consultants across a diverse range of disciplines, including finance, strategy development, operations and logistics, information technology, marketing and communications, and organisational development.

To contact Auxilium Africa call: +27 (11) 283 7710