



Protect what is valuable



Deal Advisory

We can help you achieve
successful **Sell Side** transactions.

KPMG in Croatia

Supporting growth through
active portfolio management
and successful divestments.

Your vision. Our proven capabilities.

When it comes to selling a business, every decision counts. Our integrated team of specialists helps you make the right decisions throughout the sales process, combining deep sector knowledge and the foresight that comes from experience.

We take a practical approach to enhancing value.

Real results achieved by integrated specialists.

Securing the best value for a divestiture is a complex process that involves gaining a more objective view of your company and a more nuanced understanding of current market conditions, as well as divining the agendas of the buyers seated across from you.

As an objective third-party advisor, KPMG member firms can support you through every phase of the lifecycle, from identifying potential buyers and creating a competitive bidding environment to helping enhance the value of your retained business.

Learn more about the six critical stages of a divestiture and how we can help deliver portfolio value throughout the lifecycle.

Integrated services across the transaction lifecycle

- ¹Portfolio Strategy
- ²Exit Options
- ³Prepare for Exit
- ⁴Deal Execution
- ⁵Pre-Close
- ⁶Post-Close

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.

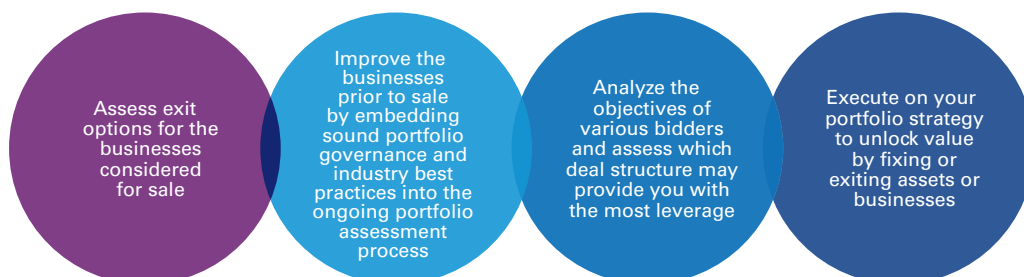
¹ Portfolio Strategy

How can I maximize shareholder value?

As a seller, you need to consider a number of 'what if' scenarios.



Maximizing shareholder value depends on analyzing different options for different deals. Industry best-practice divestments using portfolio strategy require sellers to:



TO FOSTER VALUE

Know what you are selling, including its strengths and weaknesses, before deciding to sell it. Value can only be realized through meticulous planning, preparation and execution for divestment.

Ask the right questions

What is my portfolio, investment and capital allocation strategy?

Your focus should include defining the business units in the portfolio, reviewing potential portfolio choices available to achieve your corporate objectives, and understanding where investment will drive the highest growth and value for shareholders. We can support these initiatives by helping you to determine what the business has achieved so far with its portfolio of assets, its successes and possible limitations. We can also help you understand what success looks like to the primary stakeholders such as investors, owners, board members and management.

How can I assess the current and potential value of my portfolio?

KPMG services can support a high-level assessment of your portfolio that includes identifying high-performing assets, under-producing assets and what the business has achieved against the strategic goals of the organization. We analyze current business conditions, projected trends and the potential value of the business to buyers.

Have I fully considered my strategic options?

We can help you develop a more informed understanding of exit options such as Joint Ventures (JVs), partial exits or Initial Public Offerings (IPOs). We can clarify internal and external business contexts that can support option selection, and evaluate potential scenarios that can improve your exit options.

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² Exit Options

What are my strategic exit options to help maximize shareholder value?

Understand and develop your value story **from the buyer's point of view.**

Every potential buyer is looking for something different.

- A** Private Equity (PE) firms typically want standalone assets that can be sold at a profit through optimization or market growth.
- B** A strategic investor might be more focused on the asset's clients, the ability to enter new geographies, expand technology or product lines, and enhance their competitive posture.
- C** Joint Venture partners usually look to grow together and share risk and investment.
- D** Investors often want to understand the use of IPO/demerger funds to drive shareholder value.

Accordingly, you need to compare the current and expected markets and competitive positions from the perspectives of various potential buyers. You should also consider the financial strength of potential buyers and synergy potentials between the buyer and the asset.



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Deal strategy needs to take into account both the timing for the offer and the time it takes to complete the deal. Fluctuations in economic activity, markets, the competitive environment and other factors can have a major impact on deal value. Sometimes the best deal might be the one that gets delayed due to changing market conditions or that does not happen at all.

Fluctuations affecting deal value

ECONOMIC ACTIVITY

MARKETS

COMPETITIVE ENVIRONMENT

OTHER FACTORS

Ask the right questions

What is my value story?

An effective value story should be based on the current business strategy and Key Performance Indicators (KPIs), key investment criteria and supporting data. We help you develop a powerful and effective story for buyers based on qualitative and quantitative benchmarking of the asset and through upside improvement potential for revenue and costs.

How do I assess the potential risks and rewards of an exit so I can maximize shareholder value?

To help gauge risks and rewards, we can prepare a readiness assessment designed to give you clarity around the power of your value story, the quality of the business information you have available, interdependencies between you and the seller, and potential financial and operational impacts on the retained business.

How can I value the business?

We help you select a valuation approach based on your selling strategy and current market valuations. This includes analysis of comparable companies or transactions, asset valuations and discounted cash flows. We can also help you gauge whether your valuation is in general alignment with the expectations of potential buyers.

Am I ready for exit and have I received stakeholder buy-in?

Every transaction includes a variety of stakeholders, including staff, management, board members and other parties. We help you develop a stakeholder map to start building buy-in for the sale. We also identify key messages for external stakeholders relating to the financial impact of the transaction and your retained business.

How can I approach the right investors with the right story?

Through KPMG Corporate Finance, we help you assess the buyers most likely to pay the highest price, including both strategic and PE acquirers. We can also contact each buyer on your behalf and involve multiple buyers to help create greater competitive tension, the highest price, and higher probability of close.

How can I best manage the deal strategy?

Every deal is unique and requires a specific deal strategy. Through KPMG Corporate Finance, we can help you evaluate the pros and cons of a 'rifle' versus a 'shotgun' approach in structuring an auction. To establish a clear timetable with firm dates for key deliverables, we can also help you consider the timing of key internal actions and external factors such as a key competitor also considering a sale.

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3 Prepare for Exit

How can I prepare the business for exit?

Careful review and analysis can help support the value story.

Your asset should appeal to as many credible buyers as possible. A business plan for the sale needs to be supported by detailed projections, accurate data and a strong financial model for the business.



At the same time, you need to consider whether the asset might be integrated with the buyer's operations and what support services you would want to provide. By performing analyses around IT, HR, and other shared services you determine what is needed to operate under a standalone or integrated scenario, and gain information that can be used in negotiations to preserve or increase the value of the business.

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Anticipate the financial reporting requirements of the potential buyers and clarify their needs for audited financial statements to close the transaction. This may eliminate certain buyers early in the process or flag the need to plan and prepare audited financial statements to keep as many buyers as possible in the deal.

Ask the right questions

How can I prepare the information needed by bidders?

Our services involve helping you provide information that supports the key sales messages and addresses potential issues. We also assist you in preparing a robust information package to meet the needs of buyers and their financing sources.

What materials do I need to develop in preparation for exit?

We can help you develop a comprehensive sales document, a data room and management presentations that highlight the key selling points for the business, and give buyers possessing a serious level of interest enough information to support due diligence.

How can I minimize loss of value during the separation?

We help you improve focus and control over the separation process through rigorous program management disciplines. This includes identifying potential value leakage, and establishing separation processes to support the timely provision of documentation, blueprint plans and electronic separation tracking.

How can I mitigate risks related to people and key management?

Motivating, retaining and incentivizing management and key personnel in non-core businesses is a key risk that needs proper mitigation. We help you understand emotional attachments and professional objectives that could impact the transaction and/or remaining

business. We then help identify actions that increase motivation and retention, including strategies for sending clear messaging to personnel and uncovering issues in reporting structures.

Do bidders understand the potential upsides and synergies?

It is essential to think like an investor to quantify potential upsides and synergies. We can analyze current market trends, industry structures, competitive advantages and opportunities for performance improvement. We can also help with the valuation of the asset being sold based on the potential for strategic buyers to realize cost and revenue synergies.

How can I structure the deal?

KPMG services are designed to support a clear understanding of the structure and steps required to lead to a transaction. We can help determine the financial and tax implications of a transaction in advance so you can consider alternatives and negotiate desired results with the buyer. We can also describe the financial and tax impact of the transaction for external reporting and Investor Relations purposes.

How can I market the deal effectively?

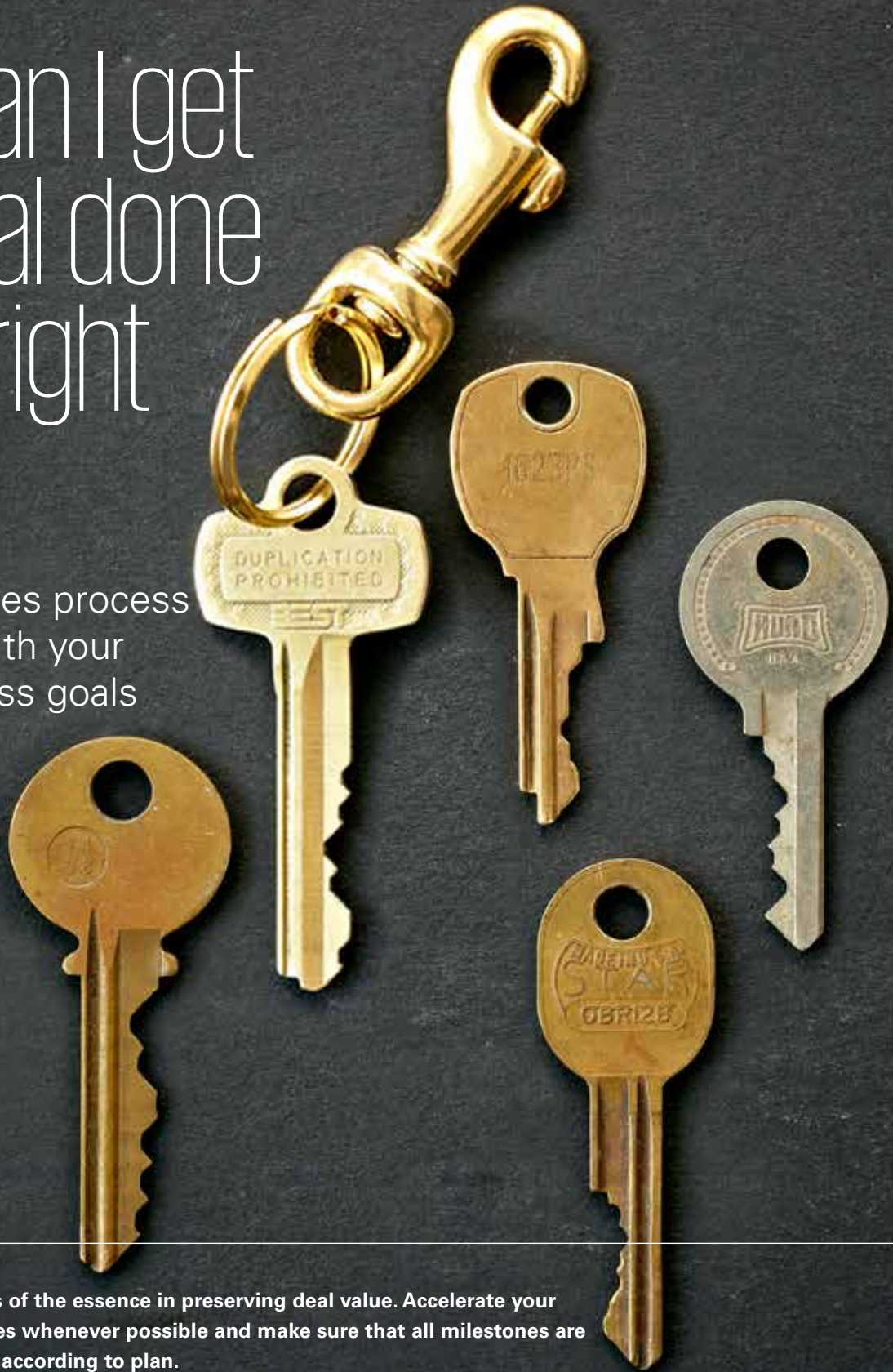
The initial assessments and contacts with potential buyers have to be handled with care and discretion. The KPMG Corporate Finance team rates each buyer based on their strategic fit as well as their ability to pay the highest price and offer the highest probability of closing a deal. We can also conduct private conversations with a select handful of key acquirers, encouraging them to move aggressively if they are truly interested in a deal.

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4 Deal Execution

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

Support the sales process in alignment with your specific business goals and strategies.



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Speed is of the essence in preserving deal value. Accelerate your schedules whenever possible and make sure that all milestones are reached according to plan.

The sales process usually involves multiple stakeholders such as M&A advisors, your internal transaction teams, third-party consultants, teams from the buyer and others. Strong governance plays a critical role in securing the optimum bidder and helping to ensure that your business goals and strategies continue to drive the transaction in a consistent and effective manner.

Ask the right questions

How do I provide the selling and strategic information needed by bidders?

Providing the right information in the right way to the right audiences is critical to deal value. We help you develop presentations with either a high-level view or a detailed analysis of the asset and interrelated areas. We can also assist with upside planning that describes future benefits outside of your management business plan and prepare additional information for prospective buyers.

How can I provide the detailed information needed to sign the deal?

We can help you articulate your core business processes, governance and data room information required to complete buyer due diligence. We can also help draft the transition services agreement (TSA), long-term agreement (LTA), or the sale and purchase agreement (SPA).

Am I managing the deal strategically?

KPMG services support the sale process according to your plan. We assess the sales process and your buyer communication plan, and recommend adjustments according to immediate needs and long-term strategies. In addition, through KPMG Corporate Finance,

Also keep in mind that a divestiture requires a significant level of commitment from employees who are still responsible for running the business. In building your transaction team, find employees who are willing to do the extra work required to help secure the best value for a divestment.

we can prepare fairness opinions to assess the appropriateness of offered prices and support overall project management to help enhance your deal value.

Have I properly planned the separation?

Our services are designed to identify workstream interdependencies and provide detailed roadmaps for the duration of the separation process. We can support clear ownership and accountabilities for delivering the separation and control of the transition, helping to ensure that 'business as usual' operations are maintained.

How can I satisfy the regulatory requirements?

We can identify financial and tax regulatory requirements, obtain pre-clearance and waiver letters, and prepare required submissions. We can also help prepare relevant capital market documentation as required by local stock exchange rules.

Am I ready to finalize the deal?

KPMG services focus on containing the risk of value loss while helping you be well prepared for signing. We translate financial, tax and operational considerations into input for key legal agreements (such as the SPA, TSA or LTA) and help define favorable closing mechanisms.

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⁵ Pre-Close

Am I ready to close?

The goal for 'Day One' is no surprises.

In the pre-close phase, the buyer will be planning their exit from TSAs and, if appropriate, the integration of the target with their existing business. As the seller, you will be firming up your separation plans and verifying what support the buyer needs to exit the TSAs.

A separation is usually not a clean break. Typically, it involves a number of entanglements related to shared services or assets such as IT infrastructure, HR programs or payroll processing. These may have to be kept in place while the buyer finds new resources and suppliers. In fact, you might find yourself in a scenario where you have sold the business, but still have to support its infrastructure for months or even longer.

During pre-close you must also monitor the behavior of your personnel, who may have switched allegiances during the sales process.

Ask the right questions

How can I prepare to close?

We can help prepare a pre-close checklist to capture the actions required for closing, including pre-close obligations set out in the SPA as well as 'Day One' operational requirements. In addition, we can establish a robust milestone plan with clear responsibilities for actions up to and including 'Day One' to maintain control over TSA and/or LTA services.

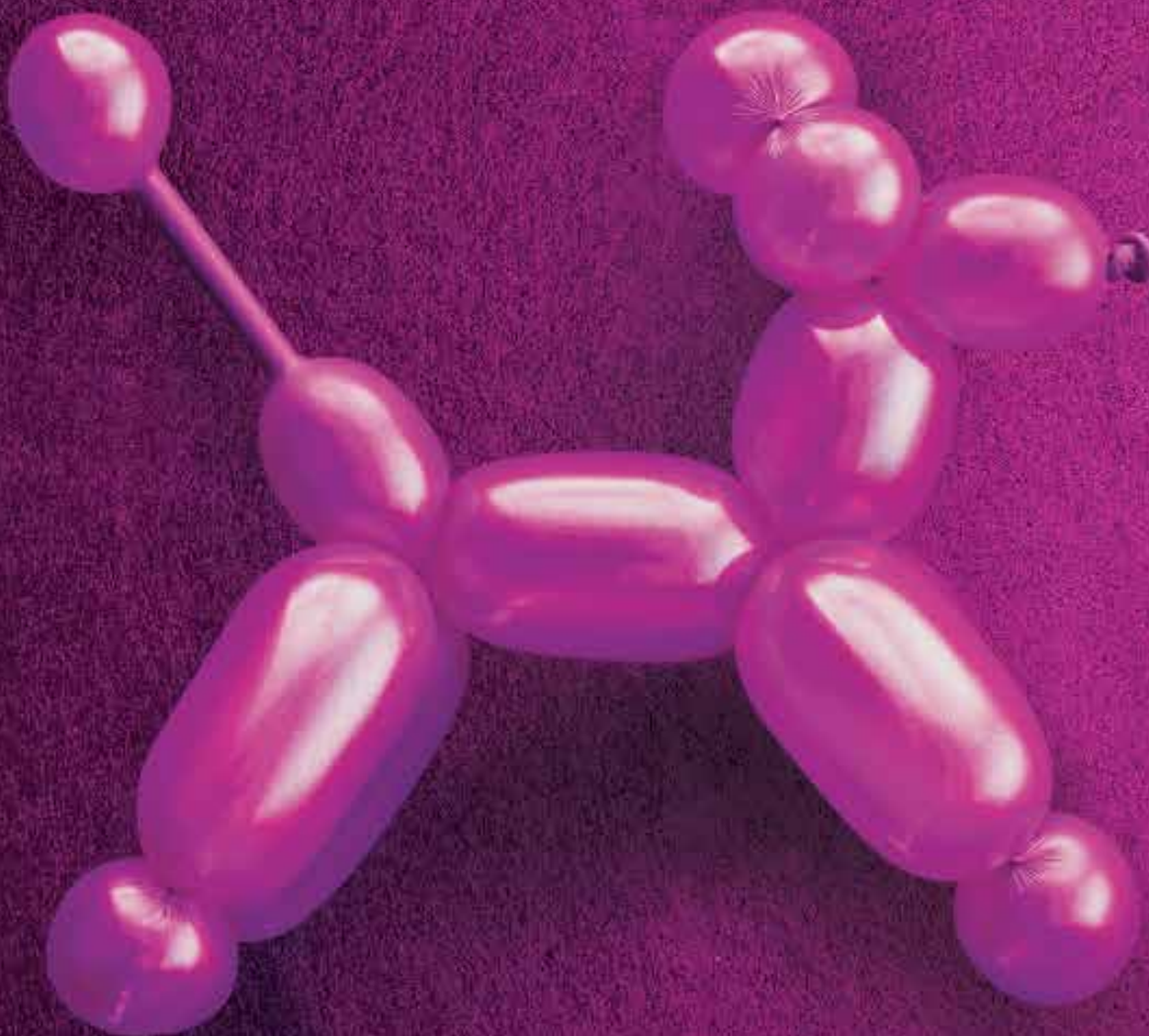
Am I in control of the finalization process?

Our services can help you stay in control of the last stages of the divestiture process. This includes identifying financial, legal and tax regulatory requirements, considering pre-clearance and waiver options, and preparing required submissions. We can also help confirm the consistency of closing accounts and purchase price mechanisms under the SPA.

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You and the buyer can develop rules of engagement that outline how both parties will interface and what information will be made available during the pre-close phase. This is an iterative process to meet the requirements of the other party. The SPA should set out timelines for the tasks, deliverables and responsibilities for closing the deal, and developing the separation plans.





6 Post-Close

How can I capture the value created?

Significant value can be won or lost in the closing process.

Separating a business is a complex procedure that needs to be mapped out in great detail as unforeseen complications can arise at every step of the way. A separation blueprint should be created that determines how each functional area within the business is expected to operate through the transaction, identifies the nature and extent of TSAs and LTAs required to support operational integrity, establishes a transitional timeline, assesses headcount implications, and examines cost impacts of the divestiture.

Without a clear process in place for transition services, the scope and duration of services that you have to provide can be significantly greater than what you expected. To prevent these unexpected costs, several actions are required. For example, the TSA needs to be carefully managed so that the buyer agrees to its terms and conditions. Management needs to analyze the way it is providing services, supporting people and winding down activities as the TSA draws to an end.

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A post-close separation review by a third party can provide you with an independent view of what has gone well and what lessons can be learned from the deal to help improve future performance. The review can also be used to address and correct any issues or problems that may remain.

Ask the right questions

How can I close the deal efficiently and avoid loss of value?

We can assist you in preparing closing accounts, purchase price adjustments, and required seller disclosures such as gain/loss on sale, discontinued operations and pro forma results. We can also help you develop an Investor Relations market briefing that describes the impact of the divestment to your ongoing operations and strategy.

How can I effectively mitigate separation risks and help the buyer exit the TSAs?

Our services can help you and your colleagues spend less time managing the details of the transaction so everyone can focus more on 'business as usual' activities. We can track costs, report on risks, issues and progress, and help you execute required projects according to agreed-upon milestones. We can also provide day-to-day oversight and management support for the performance of TSA services.

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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 services are designed to help you know what questions to ask and how to find the answers.

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

www.kpmg.com/dealadvisory

Buy Side Services
Sell Side Services
Partnering & Joint Venture Services
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Financial Restructuring Services
Turnaround Services
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Deal Advisory

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