



# Transaction Financial Engineering services

## How to...

- ▶ *Make strategic financial decisions*
- ▶ *Ensure appropriateness of acquisition financing*
- ▶ *Provide support to management for valuation/calculation issues, implementation of tax plans and cash repatriation as dividends or redemption of shares/convertible debt*
- ▶ *Provide support to local management on the quality of the target*
- ▶ *Ensure proper accounting treatment and application of advices*
- ▶ *Meet arm's length standards for intra-group transactions*
- ▶ *Meet legal requirements*
- ▶ *Provide additional comfort to local directors, notaries, custodians banks and investors*
- ▶ *Ensure practical feasibility of exit and unwind scenarios*

## Making the most of your transactions

Ernst & Young's Transaction Financial Engineering team provides integrated, objective advisory services on your transactions. We work with you to make your transactions more efficient and achieve your strategic goals. Whatever the size, nature or location of your company – and of your deals – we can play a critical role throughout the deal lifecycle.

Thanks to its international network and to our experience of thousands of different types of transactions across all markets and industries, we are ideally placed to bring together the people you need, wherever you need them. That's how Ernst & Young makes the difference.

## The different services that our Transaction Financial Engineering (TFE) team can provide you:

Our main scope of services covers Quantitative Analysis (cash-flow modeling services, Valuation services, Due Diligence services), Special purpose reports (contribution in kind reports, merger/demerger reports), Accounting advisory services on transactions and quantitative Transfer Pricing Analysis and Benchmarking.

## Axes of interventions

### 1. Quantitative analysis

#### 1.1. Cash-flow modelling

- ▶ Provide flow of funds support (e.g. funding upon set-up, flow of IPO proceeds)
- ▶ Exit scenarios for PE structures (e.g. redemption price of CPECs/ convertible bonds)
- ▶ For secondary management rollover, preparation of schedules to facilitate the move from one scheme into another
- ▶ Determination of the redemption price of convertible debt instruments (e.g. CPECs) and/or classes of shares

#### 1.2. Valuation

- ▶ Private Equity NAV's certification: Certification of NAVs or individual portfolio lines of a Private Equity fund in an "independent expert function"
- ▶ Local company valuations: Issuance of valuation reports for local clients

#### 1.3. Financial due diligence

We work with our clients to co-develop a scope of investigation to meet with their requirements. Execution of the investigation is carried out by a team of industry-focused professionals with the requisite transaction and industry knowledge to identify the hidden value and risk in the proposed transaction.

In reporting our findings, we ensure that the key strategic, pricing and assurance issues are addressed in an agreed deliverable format to suit the client's needs. At the same time, we highlight the key action points and considerations for our clients arising from our review.

### 2. Preparation of contribution in kind and merger reports

- ▶ Special purpose reports using fair values as a basis for:
  - Contribution in Kind reports:
    - Incorporation (article 26-1 of Luxembourg Company Law)
    - Acquisition by a company within 2 years following its incorporation (article 26-2 of Luxembourg Company Law)
    - An increase in capital (article 32-1 of Luxembourg Company Law)
  - Merger reports (article 266 -2)
  - Demerger reports (article 294)
- ▶ Verification of fair values for unlisted securities in the context of audit certification (SICAR/SIF, Soparfi)

### 3. Accounting advisory on transactions

- ▶ Accounting memorandums under Luxembourg GAAP and IFRS
- ▶ Conversion of accounts prepared under a different GAAP to Luxembourg GAAP

### 4. Quantitative Transfer Pricing Analysis and Benchmarking

- ▶ Justification of interest and royalty margins in the context of conduit financing and licensing structures
- ▶ Verification of the arms' length basis of interest rates for loans and financing instruments
- ▶ Verification of the arms' length basis of royalty rates for licensing activities
- ▶ Justification of intra-group management fees
- ▶ Documentation of cost plus spread for the provision of administrative services to group companies
- ▶ Justification of commissions in principal structures
- ▶ Documentation of fair market value of assets transferred in an intra-group sales transaction

Ernst & Young

Assurance | Tax | Transactions | Advisory

#### About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 152,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [www.ey.com](http://www.ey.com).

## Contacts

Nicolas Gillet

Partner

+352 42 124 7524

[nicolas.gillet@lu.ey.com](mailto:nicolas.gillet@lu.ey.com)

© 2012 EYGM Limited.  
All Rights Reserved.

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

[www.ey.com/luxembourg](http://www.ey.com/luxembourg)