

Can analytics simplify the complex?

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The better the question. The better the answer.
The better the world works.



Building a better
working world

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In an era of increasing data availability and complexity, companies need to lift their analytics capabilities if they want to get ahead.

At EY Transactions, we define analytics as the transformation of complex data sets using strategic, financial and operational algorithms – to give you interactive access to enriched information, so you can drive faster and more decisive portfolio decisions. We refer to these forms of analytics as transaction analytics.

Our transaction analytics methodology combines advanced analysis and algorithm development with a company's full range of relevant structured and unstructured financial and operational data. We correlate those internal data sources with meaningful external information, including from governments, reporting agencies, weather centers, traffic data centers and social platforms, to give you a fuller picture.

Using transaction analytics is not only important for decision-making, potential investors are also demanding increased access to detailed transaction data. Vendors who invest early in transaction analytics can be better prepared for buyer questions, increasing their ability to deliver the full transaction value potential often in an accelerated timeframe.

How senior executives rate their analytics capabilities

Nearly half (43%) of companies are planning to divest within the next two years. Executives understand that they need transaction analytics to make better portfolio and divestment decisions. But they also know they have not yet spent time working through their data challenges or putting the right set of algorithms in place to improve insight.

40%

of executives say they do not have access to appropriate external data.



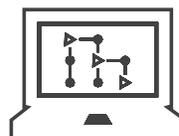
53%

cite a deficiency in their ability to analyze and interpret data in a meaningful way.



Only 21%

cite effective prescriptive analytics capabilities during the divestment process, compared with 49% of top performers.¹



46%

say they are challenged by access to accurate, comprehensive internal data.



Source: EY Global Divestment Study 2017

(1) Companies with a higher-than-expected valuation multiple on the remaining business.

Transaction analytics is driving the future of portfolio reviews

Companies are increasingly leveraging analytics across the transaction life cycle to make divestment decisions:

46%

instill greater confidence in divestment decisions.



45%

more rapidly execute diligence and closing.



39%

obtain greater insight into value drivers, performance and risk.



32%

better manage risk and post-close valuation decisions.



Source: EY Global Divestment Study 2017

Understanding the divestment challenge

In today's environment, we see a growing number of companies dealing with complex data sets across multiple geographies and currencies, often battling disparate legacy systems built up over many years. In addition, overlaying external data makes inferring meaningful insights increasingly difficult.

EY's transaction analytics bring speed, clarity and confidence to help you get the right answers to difficult divestment questions:

- Do you have access to lots of data but can't use it to draw insights?
- Are you wasting time and money synthesizing data from multiple systems?
- Have you considered using transaction analytics to anticipate and prepare for the kinds of questions buyers will ask?
- Even with strong insights into your data, are you clear about how to make best use of it – before, during and after your divestment process?
- Are you presenting the data in the easiest and best way to help potential buyers build the strongest business case possible for your divested business?

“Transaction analytics takes data beyond the spread sheet, using new technologies, methodologies and visualizations to empower decision-makers, giving them faster and more insightful access to complex data sets.”

– John Hopes, EY Global Transaction Advisory Services Analytics Leader

Driving value with transaction analytics

We apply our transaction analytics to interrogate complex data sources, manage multiple real-time sources and deliver deep insights. This enables you better understand the best options to fast-track value creation. Four ways in which transaction analytics can help drive better divestments:

- 1 Prepare for a sale before you need a buyer**
Proactively utilize analytics to better understand the true value of a non-core business and whether an exit is the best option.
- 2 Expand the pool of potential buyers**
Model different exit scenarios to structure the sales process to generate the most interest.
- 3 Take a buyer's point of view**
Stress-test data with a buyer's lens. Asking yourself the same questions as the buyer will help you prepare better answers.
- 4 Prepare, prepare - and prepare some more**
Poorly prepared deals can become costly distractions to senior executives and create reputational damage with stakeholders.

"Transaction analytics is about helping sellers deliver on the expectations of potential investors. By managing data complexity, sellers can maximize value, control the process and reduce the time to transaction close."

– Paul Hammes, EY Global Divestment Leader

How transaction analytics can help you to make better informed decisions



Speed and efficiency

... acceleration of the closing process

- ▶ Use of the latest technology, processes and proprietary software to allow significantly faster data preparation
- ▶ Greater accuracy in analyzing large, complex unstructured and disparate data sets
- ▶ On-demand dynamic visualization tools to facilitate more real-time and responsive dialogue between seller and potential investors
- ▶ More efficient handling of data to simultaneously meet multiple applications (carve-out, transaction documentation, closing mechanism, etc.)



Clarity and control

... enhanced credibility and preparedness

- ▶ Give sellers greater confidence that potential investors won't uncover unknown transaction issues
- ▶ Enhanced speed in responding to potential investor questions to quickly address diligence concerns
- ▶ Greater use of visualizations rather than full data sets enabling trends to be directionally understood without compromising commercial confidentiality



Confidence and value

... preservation with no surprises

- ▶ Build confidence by enabling potential investors to customize the analysis filters to help them see the business through their own eyes
- ▶ Provide insightful and visually compelling analyses to help potential investors quickly understand the business model, performance, and related opportunities
- ▶ Provide sellers with earlier and more revealing insights, potentially identifying hidden value or prompting different positioning

Advanced tools and better data set

Sellers need to be able to explain a convincing equity story for the asset they are divesting. This requires both a demonstration of the markets and competitive environment in which the business operates as well as its internal dynamics (innovation, supply chain dynamics, cost efficiency, etc.). We use advanced analytical tools to identify the key financial and operational levers enabling potential investors not only to understand where the business has come from but, more importantly, where it is heading and how it could be optimized under a new owner.



Different types of analytics

At EY, we provide capabilities across the different types of analytics bringing you insights from financial modeling, social media analytics and other technologies, e.g. robotic process automation, machine learning and artificial intelligence.

1 Descriptive analytics:

- ▶ Uses historical value-based data to analyze the core business and understand its historical performance
- ▶ Factors in strategic, financial and other operational dimensions and levers
- ▶ Provides insights around how assets can be packaged for sale

2 Predictive analytics:

- ▶ Uses business impact analysis to predict future outcomes
- ▶ Helps sellers communicate top line synergies through cross-sell and up-sell opportunities
- ▶ Allows sellers to stress test data from a buyer's perspective enabling earlier focus on the core value drivers

3 Prescriptive analytics:

- ▶ Uses predictive scenarios to help optimize portfolio performance and enable better divestment decisions
- ▶ Assesses how to optimize financial and operational performance within the overall company strategy
- ▶ Defines how to leverage multiple and sometimes competing priorities

Retailers' 40,000 SKUs yield value with sell-side data analytics

A UK retailer turned to data analytics to get to the bottom of its large and complex business, enabling it to learn more about customer buying behavior at the most granular level. In its sell-side due diligence process, the retailer investigated more than 20 million transactions across some 40,000 SKUs. The bottom-up approach included looking at multiple sales channels – from cash and carry depots to e-commerce and physical stores. The analytics included data preparation, blending and visualization tools, allowing the team to identify the average basket size, repeat purchaser versus new customer, and the number of hits versus sales conversions at a SKU level by sales channel.

The result: The retailer received a fast, accurate and robust view of its business. Within 48 hours, analytics had provided the company with the ability to drill down to a SKU level and identify trends in particular product groups, channels and time periods in a dynamic environment. The retailer was able to build deal confidence by pre-testing its equity story and analysing the impact of its business strategy. This included identifying inconsistencies in the implementation of its National Pricing Strategy in advance of meeting with buyers. EY hosted a secure online platform presenting data analytics for selected buyers to enable more informed decision-making while also protecting the seller's raw data.

Data-driven rationalization underpins divestment success

The large private equity owner of a digital media portfolio company used descriptive analytics to understand the price, volume and profitability of each of its 70,000 products – purchased by both key customer segments and distribution channels. While the private equity (PE) owner had previously analyzed the portfolio at the product category level, EY's descriptive analytics provided the opportunity to consider transactional level data at the individual product level. By leveraging the transactional data, the team was able to:

- 1) Understand over/under performance by product, major trends and price drivers for each product group
- 2) Assess leakage in margin and identify variance in margin performance across similar products
- 3) Analyze the effectiveness of discount/rebate policies and identify outliers
- 4) Understand price sensitivities to model impact of raising and lower prices
- 5) Determine a product rationalization strategy and plan

The result: The descriptive analytics showed 80% of revenue flowing from approximately 40,000 SKUs. Some 20,000 individual products were then rationalized and ramped down over a three-month period in advance of the divestiture. For many of the remaining products, both pricing strategy and pricing policies around discounting were revised. These actions resulted in stronger financial performance in the quarter ahead of the divestiture, and also provided the PE management team with a more focused business. During the divestiture process, the PE was able to attract several strategic buyers, quickly progress through the diligence process and ultimately close above its targeted price point, delivering the divestiture one month ahead of schedule.

What you can expect from EY

We apply a leading approach and tools to your transaction analytics, but we never forget that data is translated into insights by humans. That means we bring the human element to your transaction, using our insights to better understand your transaction and what's most important to you.



Sector-led

Driven by deep industry experience and tailored services



Issues-driven

We start with the business issues and decisions that matter



Technology-enabled

We leverage leading tools and analytics assets



Globally-coordinated

Our global network means we bring the right team to your transaction



Confidentiality-sensitive

We understand the sensitivities of storing and sharing data

Capital and transaction strategy through to execution to enable fast-track value creation for inclusive growth



Strategy



Buy and integrate



Sell and separate



Reshaping results



Corporate finance

.....
Enabling strategic portfolio management and better divestments that help you improve value from a sale and from stand-alone businesses
.....

From strategy through to execution, transaction analytics brings clarity to complexity at optimized speed to give executives confidence that value will be delivered across the whole capital agenda.

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About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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How you manage your Capital Agenda today will define your competitive position tomorrow. We work with clients to create social and economic value by helping them make better, more-informed decisions about strategically managing capital and transactions in fast-changing markets. Whether you're preserving, optimizing, raising or investing capital, EY's Transaction Advisory Services combine a set of skills, insight and experience to deliver focused advice. We can help you drive competitive advantage and increased returns through improved decisions across all aspects of your Capital Agenda.

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