

Technical Due Diligence (TDD)



Providing the mergers and acquisitions team with a technical assessment of the risks inherent in acquiring process manufacturing plants and how to mitigate them.

Over the last 20 years ABB has delivered TDD studies for numerous process industry clients worldwide (see reference list). ABB believes in a one-team approach, working closely with the client mergers and acquisitions team. Due diligence is often conducted in different levels, and in increasing detail as negotiations proceed:

- High level due diligence
 - Coarse screening is applied to decide whether to pursue target or not
- Data room or 'virtual' due diligence
 - Electronic access is granted to key information for a limited time period
- Confirmatory due diligence
 - TDD team is mobilised to site to assess key aspects and risks

Typical scope

TDD typically includes an assessment of Health and Safety Executive (HSE) compliance, operational performance and physical condition of the target asset, the associated risks and opportunities and likely expenditure needed for the next 10-20 years. This is achieved through a closely managed process of focused, rapid data collection and assessment of the installed assets, systems, people and practices.

Normally key areas for review will include:

- HSE processes and historical compliance performance
- Status of installed process technology
- Historical operating performance including fixed and variable costs
- Physical condition of installed equipment
- Capital expenditure history
- Assessment of future expenditure required to sustain the assets
- Organisation, competence, working practices and staffing
- Current asset valuation
- Improvement potential and integration opportunities

Benefits

The benefits of using ABB are:

- Fast and efficient through clean targeting
- Independence and objectivity as 3rd party consultants
- Highly experienced technical consultants
- Deep operational experience
- Ability to rapidly mobilise and deploy the TDD team

The TDD process must interact effectively with each phase of the high-level commercial, financial and legal due diligence process which is deployed for corporate acquisitions.



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TDD should identify key risks, their likely impact and how they can be mitigated.

Effective TDD produces a rapid experience-based view of forward CAPEX requirements.

