



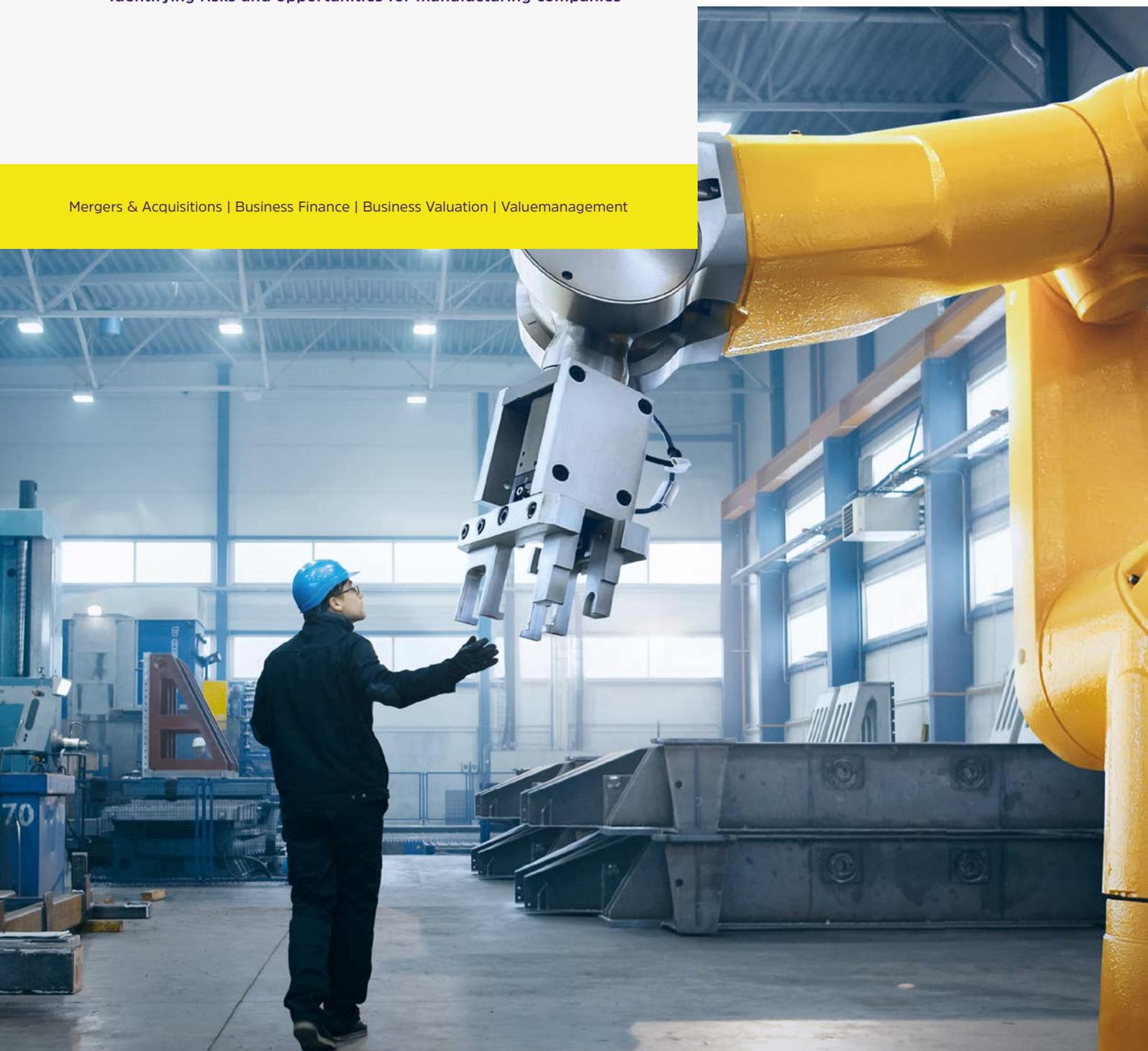
AETERNUS

Corporate Finance

PRODUCTION DUE DILIGENCE

Identifying risks and opportunities for manufacturing companies

Mergers & Acquisitions | Business Finance | Business Valuation | Valuemangement



PDD

BETTER UNDERSTANDING OF PRODUCTION

The PDD provides insight into the risks and financial consequences of:

- > The technical state of the machinery
- > The efficiency and organization of production and assembly lines
- > Planned expansions to production capacity
- > Future improvements to production

Relevant for:

Private Equity Firms and Companies:	Concerning the acquisition or sale of a company
Banks and Financiers:	For technical and financial verifications of a decision on financing
Company Boards:	When considering make, buy, or ally options
Commissioners:	When verifying or deciding on an investment proposition
Entrepreneurs/ Director and Major Shareholders:	In the event of selling or acquiring a company or preparing to do so



PRODUCTION DUE DILIGENCE FOR:

- > ACQUISITION & SALE OF BUSINESS OR MERGER
- > IMPROVEMENT OF PRODUCTION PERFORMANCE
- > ASSESSMENT OF INVESTMENT
- > ASSESSMENT OF FINANCING

Unique and innovative

The Production Due Diligence (PDD) concept reveals hidden aspects of the company. Often, the technical state and economic viability of the machinery and technical installations is not taken into account for company acquisitions as well as decisions on financing and investment. This struck us as odd given that in production companies in particular, overdue maintenance, inefficiencies, and incorrect investment estimates can give an entirely different impression of future cash flows and therefore the value of a company.

The purpose of PDD

The PDD concept aims to map and identify risks as well as opportunities to improve means of production, production processes, and organization of production. Overdue maintenance, technical

installations' adherence to or failure to adhere to safety and continuity standards, production effectiveness, and potential production improvements all have a significant impact on production companies' future cash flows.

Implementing PDD

The PDD is pragmatically implemented by technical experts who have years of practical experience and who work on specific questions with renowned companies in the Netherlands and abroad. The results are based on factual and physical findings based on the most advanced measuring techniques and computational models.

Pragmatic approach

Before conducting an extensive investigation, we think it is wise to start with a personal consultation in order to get a clear view which aspects of the company you want to explore in depth.

We will start by making an analysis based on requested data, consultations with key company officers, and a tour through the shop floor.

This last point is essential, as the culmination of all technical and organizational aspects of a company's operational management occurs on the shop floor.

The outcome of the personal consultation indicates the necessity of the follow-up investigation on specific aspects of the company.

Together with you, we will determine which aspects of the company require in-depth exploration. Depending on the investigation, the technical and organizational findings will be represented as financial consequences and risks.

The PDD team

The investigation will be conducted by one or more technical experts with years of experience in the production sector. Renowned companies are utilized for their specific knowledge. In addition to a technical expert, the PDD team always includes a financial expert who translates the technical findings into financial consequences.

PRODUCTION DUE DILIGENCE

QUICK SCAN

Input

- > Consultations with key officers
- > Analysis of subcontractors
- > Maintenance status
- > Tour of production facility
- > Analysis of production data



Technical and operational reports

- > Risks concerning current production
- > Identification of important bottlenecks



Financial reporting

- > Effects of findings on purchase price or investments
- > Effects on investment amounts
- > Identification of potential differences in company calculations
- > Risk quantification: estimate

FULL SCAN

Input

- > Physical inspection of installations
- > Measurements
- > Analysis of quality and maintenance reports
- > Supplier analysis
- > Production facility tour
- > Production data analysis



Technical and operational reports

- > Degree of obsolescence of machines and installations
- > Technical bottlenecks
- > Maintenance costs
- > Production recommendations
- > Related investments estimate
- > Recommendations for increasing output
- > Recommendations for increasing efficiency



Financial reporting

- > Investment amount adaptations
- > Prognoses adaptations
- > Price adaptations

QUICK SCAN SHOWS NEED FOR FURTHER INVESTIGATION





Since 2006, Aeternus has supervised over 1000 transactions in both domestic and international mergers and acquisitions, company valuations, financing, and value management.



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Why use Production Due Diligence (PDD)?

Implementing PDD may not seem obvious for corporate finance offices, so we will gladly explain. To ensure the quality of our services, we have defined our own standard: Aeternus' 'Big Four'. 'Big in Analyses' is one of the Big Four.

The PDD concept is an important aspect in our goal to be the best in analysing companies. It is essential for a substantial analysis of a manufacturing company, as this is the only way to evaluate a company down to its core. The unique PDD concept has been applied both domestically and internationally.



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