



# Carlton Strategy Advisors Limited

Commercial | Market | Advisory

## NEWSLETTER

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Latest News from CSA

**Investors and bank lenders discuss strategic direction with CSA\***

**Carlton Strategy Advisors provides commercial due diligence (CDD) and portfolio support services to private equity investors, PE backed businesses and bank debt lenders.**

**The firm's work delivers a comprehensive understanding of the health and character of an identified trade business, which permits clients to navigate the corporate finance transaction process and map deal attractiveness.**

CDD sets out to understand the strategic rationale and logic of a trade company's management taking a business down a certain path to market. It is an assessment of the wisdom, risk and benefit involved in positioning a company's trading activities adjacent to certain customer/supplier groupings and in competition to identified market rivals.

CDD will examine the trading history and forward forecast of the business in question. It will be directly concerned about anticipated selling volumes, prices and margins over a forward time span relevant to the business in its addressable marketplace, ie three or five years or longer. CDD cooperates closely with the financial diligence undertaken by the firms of accountants. For example, where the CDD spots an exceptional variance in a company's management planning it is able to pass this information and data to the parallel FDD reporting team for financial sensitivity checking.

At a phase of the economy when markets are still 'tippy' and trade companies lacking much

'wool on their backs', CDD can provide a distinctive view of a deal's upside potential and downside risk – proprietary risks that once qualified gives the equity investor or lending bank better ballast to structure a transaction most appropriately.

Examples of the present day business scenarios and deal issues that might be treated within the scope of a client due diligence mandate include:

- Recovery from significant business collapse. A strategic 'sense check' about business direction can assess if company management still has the necessary motivation and strategic thinking to take the business forward into a new dawn
- The recession will cease at different times in different sectors. Customer referencing, backed with targeted market research, provides accurate information about the timing and phasing of demand
- Can an old business plan be truly resurrected to take advantage of the upturn? Is it a case that even an upturn cannot revive a tired formula? An external business plan review would determine whether or not the revenue and margin projections are realistic
- What will be the impact of returning business volumes, when industry pricing remains an issue? Competitor analysis will

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determine if a company's market rivals might aim for a land grab, in which margins are trampled underfoot

- What has been the impact of recession on the industry supply chain? An examination of the strength and positioning of suppliers/buyers/middle men might help
- Inflation is a persistent threat. Can rising business input costs be pushed through the supply chain to customer end markets?

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