

Target Evaluation through Financial Performance Analysis

Analysed financial health of a target OFES firm

Business model analysis

Analysis of key financial parameters

Evaluate corporate governance practices

CLIENT CHALLENGES

- The client wanted to evaluate the financial health of a target OFES (OilField Equipment & Services) firm to understand the key performing areas and issues through this due diligence study

OUR APPROACH

- To evaluate the financial health of the target, a three-step process was applied, which involved analyzing the company's business model in light of the current market conditions, its recent
 - Business Model
 - Under this section, robustness of the inherent business model and its sustainability under prevalent market conditions and events was assessed
 - The purpose of the analysis was to assess whether the target would be able to sustain itself in the current market or it would need to reformulate its strategy
 - Financial performance
 - This section analyses the key financial parameters indicative of the company's financial performance at present and in the intermediate future
 - The analysis aims to provide insights into the duration for which the company can sustain itself under the currently anticipated market conditions
 - Corporate governance
 - This section evaluates the corporate governance practices of the focus company
 - The purpose is to assess whether the focus company is following fair practices and whether information [used in the earlier stages of evaluation] is trustworthy

IMPACT DELIVERED

- The analysis helped the client in taking the decision to go ahead or not with the acquisition of the targeted

OFES firm

- The outcomes of the study showed that;
- Capex for both shallow and deep water segments was expected to keep growing until the next two years, providing potential benefits to the target in case it is able to fix its internal issues
- Robust balance sheet position outweighs shortterm operational issues
- Target was implementing several steps to improve profitability, including enhancing its subsea capabilities in line with the evolving industry trend biased towards deep water projects

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