

1

Advised on **completion accounts' basis of preparation**



Helped the client save more than RM100m as purchase price was based on earnings multiples

2

Advised on the **definition of working capital items**



Helped the client save substantial payment at completion

3

Advised on the **definition of items** to be included within **permitted leakage**



Allowed the client to claim excess employee payments as leakage

4

a) Advised on **breadth of tax indemnity** clauses



Ensured that the client was protected despite limitation of indemnity clauses

b) Advised on **RPGT** clauses

Ensured that the client's RPGT position reflects its fiscally-efficient commercial position

About Us

More than 180 Deals and Tax professionals to understand and support you in PwC Malaysia.

Our professionals are part of a global network of transaction advisors who can cater to your needs.

Combining our deals and tax experience and advanced technology and analytics capabilities, we will work alongside you throughout your deal.

Call us



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SPA Accounting Advisory

Deriving optimum
value from your Deal



Your concerns

The sales and purchase agreement (SPA) represents the outcome of key commercial and pricing negotiations in all transactions.

As business models and transactions become more innovative and complex, buyers and sellers may have questions during the negotiation of the SPA, such as:

- How does the purchase price mechanism work?
- Which closing mechanism is suitable for me?
- How do I define cash, debt, working capital, normalisation adjustments to earnings, leakages and permitted leakages?
- How do I ensure all the key risks identified during the due diligence are reflected in the SPA?
- How much working capital should be left behind in the business at closing?
- How can I be sure that my proposed adjustments will not compromise the deal?
- How do I account for tax liabilities in relation to open years of assessment?
- How do I ensure the relevant transaction taxes reflect the commercial position and do not result in unintended additional taxes?
- How do I ensure the business is properly run between signing and handover?
- How will the SPA clauses affect my financials post transaction?

How we can support you

Your concerns - which can be broadly categorised into 3 areas - are valid. We work closely with our clients and their legal advisors to support them in these areas. And this is how we can advise and support you in deriving optimum value in the SPA:



1 Purchase price

Adjustment mechanism

Definition of financial items

Due diligence risk areas

- An appropriate mechanism for your deal - locked box or completion accounts
- A suitable earn-out mechanism that reflects your commercial intentions
- A clear and purposeful definition of key items to mitigate risks identified from due diligence
- Argument points for items included in the Enterprise Value to Equity Bridge
- Price adjustments from leakages / completion review



2 Pre-closing safeguards

Warranties and indemnities

Changes in business requirements

Transition matters

- Safeguards to ensure "business as usual" e.g. normal levels of working capital, capital expenditure and related party payments
- Pre-closing financial performance from monthly management accounts review
- Transition arrangements on shared resources e.g. IT infrastructure and back-office functions



3 Accounting implications

Goodwill and intangible assets

Deferred consideration

Options

- Perform pre-deal purchase price allocation to bridge commercials and accounting by illustrating:
 - Goodwill and earnings impact due to step-up in depreciation/amortisation following fair value accounting applied to net assets and deferred consideration
 - Effects of put/call option on your net assets position and earnings

