

Due Diligence Done Right

Pre-bid or post-LOI (letter of intent) diligence requires on-demand availability, business model expertise, technical know-how, and concise communications on findings. If operational differentiation, IT/systems landscape competitiveness, or strategic integration are the focus, expertise in these areas (alongside other diligence partners) will improve decision-making abilities, validate/challenge the valuation approach, and give perspective on organizational needs.

In addition to traditional deliverables and deciphering target-specific nuances, a strategic near-term roadmap will help the buyer/investor(s) understand immediate opex or capex investment requirements.

Buyers must be able to quickly breakdown and understand complex business models, and in the supply chain space, understanding the target companies' service offering(s) and determining its uniqueness in the market is usually the greatest challenge. In some instances, logistics service providers (LSPs) may have highly specialized intellectual property (IP) to support a niche service they provide, and the more niche it is, the less likely it is to be commercially scalable. This is a critical distinction to be made in order to fully understand and capitalize on the go-to-market strategies of LSPs, and to help establish its value.

Being able to differentiate between products and services, outside of marketing, has a significant impact on the valuation multiple. Other challenges include determining human capital strengths (and weaknesses) in sales, IT/systems, and operations.

Not All Due Diligence Needs are the Same

Whether you are a private equity firm, or a logistics service provider involved in an acquisition or looking to sell, the type of analysis needed and services in scope will vary. In some situations, a company may be looking to acquire an entirely new service offering, which will require heavy market analysis to support revenue predictions for incorporating the new service. In others, the desire may just be to expand upon a legacy service offering like managed transportation, for example. If this is the case, there will be a focus during operational due diligence to identify combined effects, and maybe IT due diligence to address system constraints, integration



What You Should've Done Yesterday

STEP 1: Gather Data from the Target Company

- + In addition to requesting the standard documentation and reports, this approach requires collection of standard operating procedures (SOPs), technical architecture diagrams, software license agreements, operational/performance metrics, technology inventory, and more.
- + Also, ensure attributes essential for observation are captured for the data/information so that the partners quickly mobilize and parachute in, particularly across international borders which have become more difficult due to the pandemic and international conflicts.

STEP 2: Catalog that Data Room

- + The data room is the secure repository to organize data, set access/user permissions for sensitive information, and help keep track of what has/has not been received.
- + And start to catalog it, asap! This helps organize the potentially messy and inconsistent set of background information that all of the interested partners will dig into asynchronously.

STEP 3: Identify Your Due Diligence Partners

- + Determine who will fit your due diligence needs best. What is the right mix of skillsets from my partners and when do they each need to be ready?

Methodology

We empower businesses with a proven methodology that will help them quickly gain a competitive edge, uncover opportunities, and mitigate risks often missed by traditional methods.



Buyer Foundation

Quick as-is understanding of the current business model, considering IT, systems / processes, and human capital strengths and weaknesses.



Target Foundation

Deep dive into the potential acquisition's service offerings, technical and functional capabilities, and leadership teams' ability to grow the business. Also, understand the fit.



Diligence Report

The detailed document containing the findings, associated risks, and the roadmap to integrate the business strategically.

**If a LSP is the buyer, we would execute all three phases. However, when a Private Equity firm is investing in an LSP, we would omit the "Buyer Foundation" phase as it is not relevant.*



Our Industry Expertise and Targeted Approach

We have learned how to apply our deep understanding of various logistics business models, combined with our IT and software technical skills, and personnel evaluations to rapidly and diligently support the process of acquiring a business. When we are not working on a due diligence project, we are creating strategies and implementing them for medium-to-large enterprises in this space.

- + Go-to-market and service-offering strategy for logistics service providers
- + Planning/execution software functional experts (commercially available and in-house developed)
- + Integration technical experience
- + Shipper-side implementation perspective
- + Logistics services and software services competitive landscape SMEs

Ready to Get Started?

We'll get started immediately, working to thoroughly understand the investment hypothesis, taking into account current and future market state and operational challenges. We'll take a minimally invasive approach to uncovering and analyzing information, responding to your strategic questions with insightful and thoughtful opinions that will help us develop next steps.

Combining executive-level business acumen with ground-floor operational knowledge, we will collaborate with you to develop time-to-value calculations on process and technology enhancements, upgrades, and implementation.

Typical Questions we ask ourselves when working with investors and acquisitive logistics service providers:

- + How does the company's process and technology create their stated secret sauce?
- + Is their 'secret sauce' differentiated in the market?
- + How fast could someone else build this capability? Or buy off-the-shelf software to mimic it?
- + How reliant is the business on several key operational or technology leaders or managers or engineers?
- + How stable and scalable is the TMS code?
- + Can this company's processes and technologies be leveraged in other adjacent service offerings?
- + If we double or triple the company through acquisition, can the operational tools and the infrastructure support it?
- + Is this management approach appropriate for this business? (organizational model, entity alignment, go-to-market, etc.)
- + Is our IT spend, both opex and capex, in-line with their peers or competitors? Can you benchmark them?



Additional Services to Consider with Due Diligence

Other targeted services that may need to be incorporated into the diligence engagement or identified as prerequisite follow up work upon transaction closing:



Strategy

Network Design

Systems Strategy

Data Strategy

Facility Layout & Design



Analysis

Systems Selection

Pricing & Cost Modeling

Routing Modeling

Transportation Modeling



Implementation

Functional Design

Systems Deployment

Core Carrier Program

GET IN TOUCH

Unlike traditional consulting firms, we challenge conventional thinking in order to drive decisions that grow revenue or reduce costs through less obvious approaches to historically poorly defined problems. **Think we could help you?**

Inquiries@forerunnersconsulting.com

About Forerunners

Forerunners Consulting delivers specialized and focused consulting to solve for today's most challenging supply chain and transportation opportunities. Our differentiated and targeted approach is what sets us apart. We deliver strategy, analysis, and implementation with an energy that inspires and builds momentum for our clients and trust in our ability to execute. We are made up of a team of strategic, experienced consultants that are skilled in delivering value and quick return on investment. The way we approach problems is a mindset. We challenge our clients to think critically based on what we can help them achieve and to focus on the business case value of the task at hand. To learn more about Forerunners, visit www.forerunnersconsulting.com.