KPMG

Valuations in a joint venture context

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Maximising value for your joint venture deal

There are a number of key valuations issues involving a joint venture (JV). These include but are not limited to the feasibility of the joint venture, what each party is contributing to the JV, the distribution of value between partners and the distribution of synergistic benefits between the partners.

Our valuations team has extensive experience in advising clients on the set-up and dissolution of joint ventures. We 'think like the principal' and align our effort with yours to deliver maximum value at every stage. Right from the first broad feasibility assessment to post-deal valuations, we support you to make an informed decision regarding your JV deal.

	Typical issues and questions in JV context	How we can help...
JV Feasibility Assessment	— What can the parties contribute to a potential JV? — How can these unique assets/contributions be valued? Can potential synergies be quantified to assess feasibility of the JV? — How do the initial equity split expectations correspond to/are supported by the respective assets contributions? — May the deal be challenged by the Board/majority shareholders/shareholder activists?	— Prepare a stand-alone model and initial valuation for the envisaged JV contribution. — Incorporate any potential interim agreements or arms'-length adjustments into the valuation. — Prepare a high-level combined business valuation to demonstrate positive contribution to shareholder value from the deal.
Combined Business model and Initial Equity Split	— How does a jointly agreed financial model look like including alignment in operations, financial reporting and tax? — What are the funding requirements on day one, mid- and long-term? — What is the risk profile of synergies and other growth opportunities, and their respective impact on the JV's ability to meet the proposed debt and equity repayment profiles? — How do DD findings impact cash flows and deal structuring/negotiations?	— Prepare a robust combined financial model that illustrates projected cash flows including the expected synergies. — Determine potential funding requirements. — Determine and potentially align key value drivers between the JV partners and understand their impact on the equity split. — Incorporate the DD findings into the valuation.

	Typical issues and questions in JV context	How we can help…
Equalisation Mechanism	— Do the JV partners have any 'must-be-transferred' debt-like items which may have material impact on the equity split? — What are the available equalising contributions (cash/debt) to achieve the required equity split?	— Assist Management to determine potential equalisation items in order to achieve the required equity split (e.g. cash/debt, pensions, other debt-like items). — Certain JV extractions can be viewed as part of equity split.
Post-deal Accounting Related Valuations	— Will the asset valuations under the IFRS3 requirements have material impact on the JV's/JV partners' financial statements? — Is it expected that the revaluations from the IFRS3 may materially impact the distributable earnings from the JV? — Is there pressure from the auditors, regulatory bodies and/or an operational requirement, to ensure a swift transition process?	— Value the assets and liabilities in the context of IFRS 3 for the Joint Venture vehicle and assess the impact on financial statements. — Ensure smooth compliance process with no interruption of the operations, liaising efficiently and timely with the external auditors and tax authorities.

Connect with us

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