

Investigative Due Diligence Services

Services

Key points of inquiry:

- Actual corporate structure
- Physical presence
- Relevant history and background of the company
- Reputation with associated entities (e.g. vendors, suppliers, employees)
- Reputation in its own industry (e.g. competitors and trade bodies)
- Status of any previous international deals
- Background of professional managers and advisors
- Character, integrity and reputation of the principals involved
- Any litigation history of the company and of associated individuals
- Any pertinent labour issues (e.g. history of strikes and disputes)
- Level of political connections and influence
- Any special relationships that may impact the deal, positively or negatively
- Any bribery or corruption-related concerns
- Any regulatory issues that could impact upon the transaction
- Any environmental or social compliance issues

The FTI Consulting Global Risk and Investigations practice undertakes sophisticated investigations, uncovers actionable intelligence and performs value-added analysis to help decision-makers address and mitigate risk, protect assets, make informed decisions and maximise opportunities in the Asia Pacific region. We bring an interdisciplinary and comprehensive approach to business critical investigations. Our multicultural teams combine the skill and experience of former senior law enforcement officials and regulators with forensic accountants, anti-corruption investigators, economic researchers, academic analysts, and computer forensic, electronic evidence and enterprise data specialists based around the world.

Investigative Due Diligence (IVDD) is a must in any major transaction. It identifies “off-balance sheet risk” or other business risks that are not visible or obvious from financial or legal reviews. IVDD focuses on key people and the entities involved in a given transaction or joint venture, encompassing their background, reputation, track record and litigation history.

How IVDD Leads to Better Deals

Whether your potential business partner is a government entity, listed company, private firm or entrepreneur, inquiries need to be conducted to gain a deeper insight into the possible risks associated with them. Our clients require a level of comfort to support strategic decisions. Issues such as the target’s reputation, history, business ethics, and individual officers’ integrity, business acumen and their real influence in their local environments can be key to a successful deal. Identifying potential issues from the past, criminal issues, indebtedness, and regulatory or environmental breaches is crucial. Equally important are any bribery-related considerations or potential money laundering exposure.

Note that negative information acquired through the IVDD process need not be a deal killer. However, such information often offers opportunities for deals to be negotiated on better terms, as well as structured to mitigate the identified risks. IVDD is particularly cost effective when undertaken in the early stages of a project, as it can identify issues before a commitment to invest considerable financial expenditure and management resources is made.

Our Approach

Our IVDD services involve the collection, collation and analysis of information from a wide variety of sources. We start with extensive data mining of publicly available material, online resources, media, public records and corporate filings by our specialist in-house research analysts. Subsequently, experienced senior consultants oversee in-depth and discreet field inquiries. In a legal and ethical manner, we utilise knowledgeable industry sources and conduct site visits, business approaches, inquiries with government and regulatory bodies, and with other parties, such as suppliers, customers, distributors, and competitors.

Our Experience

Investigative Due Diligence in Mongolia

Our client, a major global player in the food and beverages sector, was in the process of selecting a new production plant, and had identified a potential entity in Mongolia to produce, sell and distribute its products. We were engaged to conduct a discreet due diligence investigation into the backgrounds and reputations of the entity’s three shareholders and their associated principals.

We were specifically requested to examine the business operations of the three shareholder entities, and ascertain whether they were co-located and/or had joint assets. Through investigative research, public record retrieval and on-the-ground inquiries, the shareholding entities were revealed to be relatively small but successful operations. While two of the principals were found to have high-level political connections and extensive business experience in the food industry, one of the principals was found to be involved in corruption probes abroad that posed potential reputational risks. In addition, the ownership structure of the plant differed from what was initially provided, and there also appeared to be overlapping resources and business interests between the shareholders. Considering the lack of transparency in the corporate structure, FTI Consulting advised the client to ensure appropriate access to the plant's audit records prior to proceeding with the transaction.

Investigative Due Diligence in Japan

A leading investment bank engaged our investigative due diligence services to determine the suitability of a prospective business partner, a construction company based in Japan. Discreet inquiries revealed a large volume of negative information in relation to the construction company, including reports that it had been supported by very powerful politicians, some of whom it had bribed; information regarding the arrest and conviction of a former manager for tax evasion; and the suggestion that it had siphoned some of this unpaid tax into a bribery slush fund that was used to pay-off companies and politicians in order to win construction projects. Reliable sources reported that the company had direct links with the Yamaguchi-gumi organised crime group and was on the 'watch-lists' of the National Police Agency and of the National Tax Agency. We advised that any association with the company posed a serious potential risk to the reputation of our client.

Investigative Due Diligence in Australia

Our team was engaged by an investment bank to undertake an investigation into the reputation and background of five individuals in the mining industry based in Australia. The focus of the investigation was to determine if there was any detrimental information that might negatively impact a potential business relationship. Our investigation uncovered a number of potential red flags, the individuals were noted as

having little background in running mining operations and received no political support for their work. We also noted that one individual had a track record of litigation and appeared to use legal action to intimidate his opponents, or in retribution for failed business relationships.

Investigative Due Diligence in Greater China

FTI Consulting was engaged by a leading consumer products manufacturer to undertake inquiries into the status, practices and reputation of its suppliers located in Hong Kong and the PRC. Through discreet inquiries it was established that a number of suppliers were engaged in unethical and corrupt practices that conflicted with the company's Code of Conduct, and that one supplier had ties to organised crime. Based on the information uncovered, our client weeded out the suspect suppliers, consolidated its supply chain and found alternative sources for materials and products.

Investigative Due Diligence in India

Our client, a Japanese manufacturer of automobile parts, approached FTI Consulting with regards to a business proposal it had received from an Indian company that was also an existing licensee of the client's technology. The proposal suggested the establishment of a new joint venture in India to take advantage of the high growth rates in the country's automobile industry. Our client, whose operations and sales are concentrated in the domestic Japanese market, had limited overseas experience but was interested in the potential of this proposal. FTI Consulting was retained to provide overall strategic advice on the deal, as well oversee a comprehensive due diligence exercise and reach an appropriate valuation for the proposed joint venture. To begin with, FTI Consulting conducted a discreet on-the-ground investigative due diligence exercise in order to gain information on the Indian counterparty and its key principals. With this, we provided our client with a better understanding of the company's background and business operations, while confirming that there were no significant concerns from a reputational standpoint. We then undertook comprehensive financial due diligence, while co-coordinating legal due diligence with lawyers in India and Japan. Following this, our team completed a valuation report of the proposed joint venture, taking into account past business performance, projections for market growth and a wide range of other relevant factors.



For more information on our activities across Asia Pacific and how FTI Consulting can help your business, please contact us on info-ap@fticonsulting.com

CRITICAL THINKING
AT THE CRITICAL TIME™

About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organisations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. FTI Consulting professionals, who are located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring.

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