

M&A Advisory Series:
Completeness of Tax Accruals
The webinar will begin in a few moments

NOTE: Participants will receive an email within 48 hours with a link to the slide deck and recording.





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Presenters



Dean Quiambao, CPA

Partner

Dean.Quiambao@armaninoLLP.com



Kevin Wise, CPA

Tax Partner

Kevin.Wise@armaninoLLP.com



Christy Calderon, CPA

Tax Director

Christy.Calderon@armaninoLLP.com



Completeness of Tax Accruals

October 16, 2018
9:30am – 10:00am

Equity

November 8, 2018
9:00am – 9:30am

Valuation

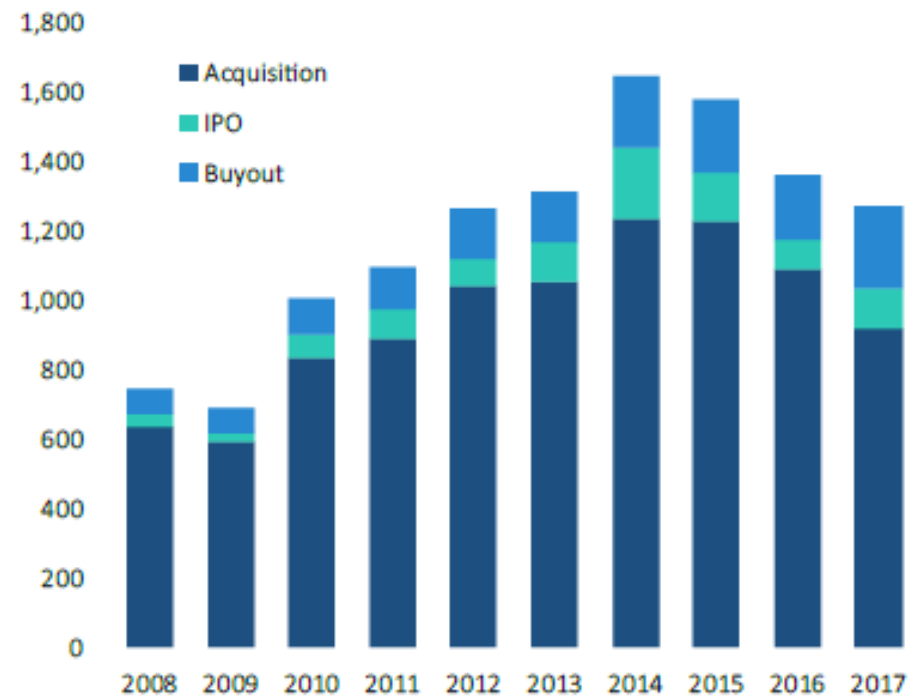
December 5, 2018
9:00am – 9:30am

The State of Market



Buyouts have continued to show strength as an exit opportunity

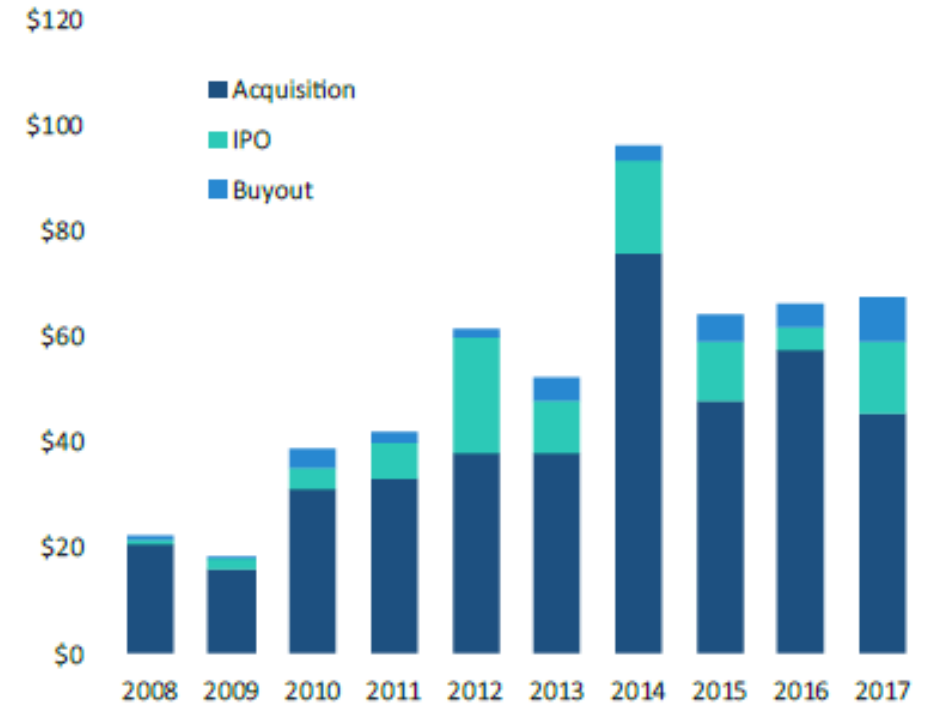
North American & European VC-backed exit activity (#) by type



Source: PitchBook

Backed by a strong public market, IPOs showed resilience in 2017

North American & European VC-backed exit activity (\$B) by type



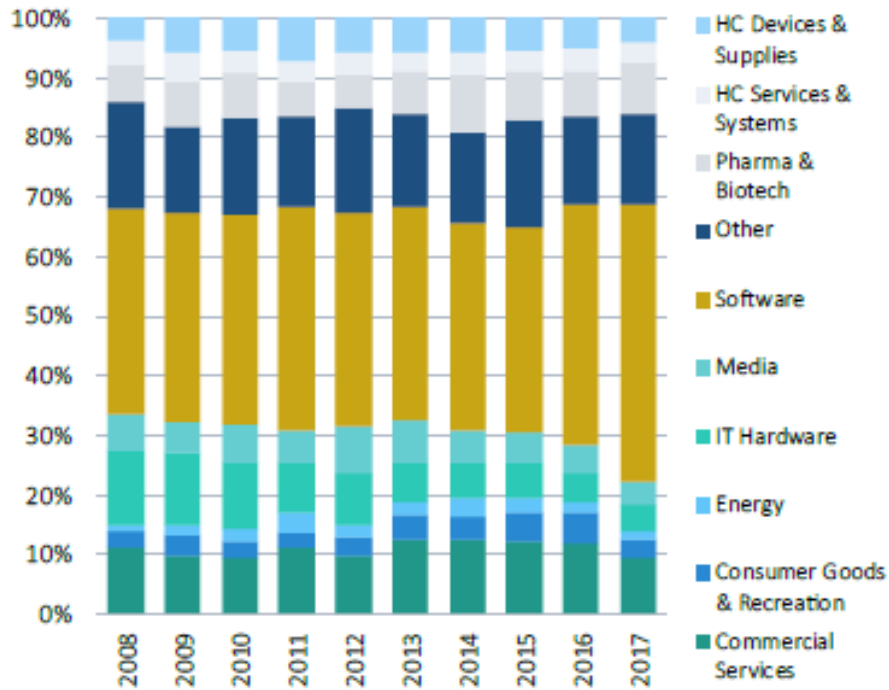
Source: PitchBook

The State of Market



Software has continued to dominate VC-backed exits

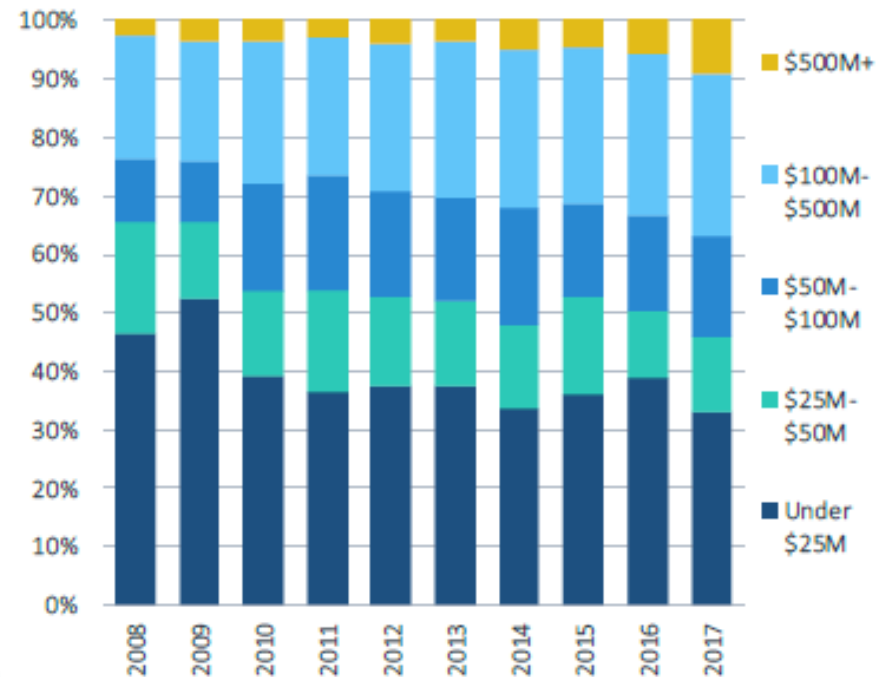
North American & European VC-backed exit activity (#) by sector



Source: PitchBook

Growing number of larger exits completed in 2017

North American & European VC-backed exit activity (#) by size



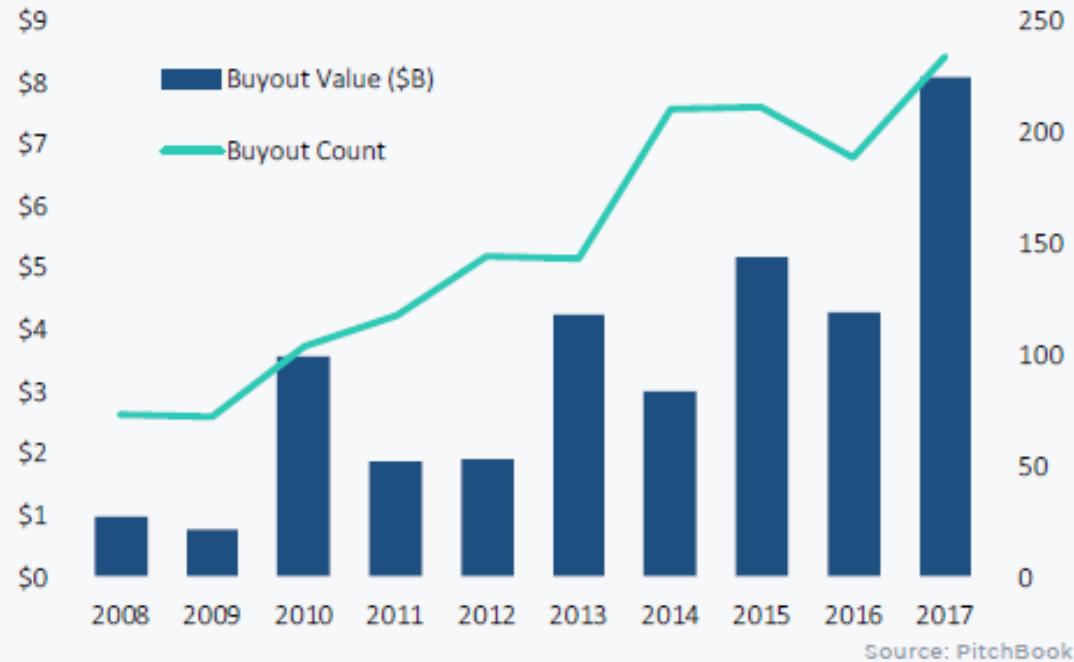
Source: PitchBook

The State of Market



Buyouts becoming a more popular route to exit for VC-backed companies

North American & European buyout activity



Backed by a strong public market, IPOs showed resilience in 2017

North American & European VC-backed exit activity (\$B) by type

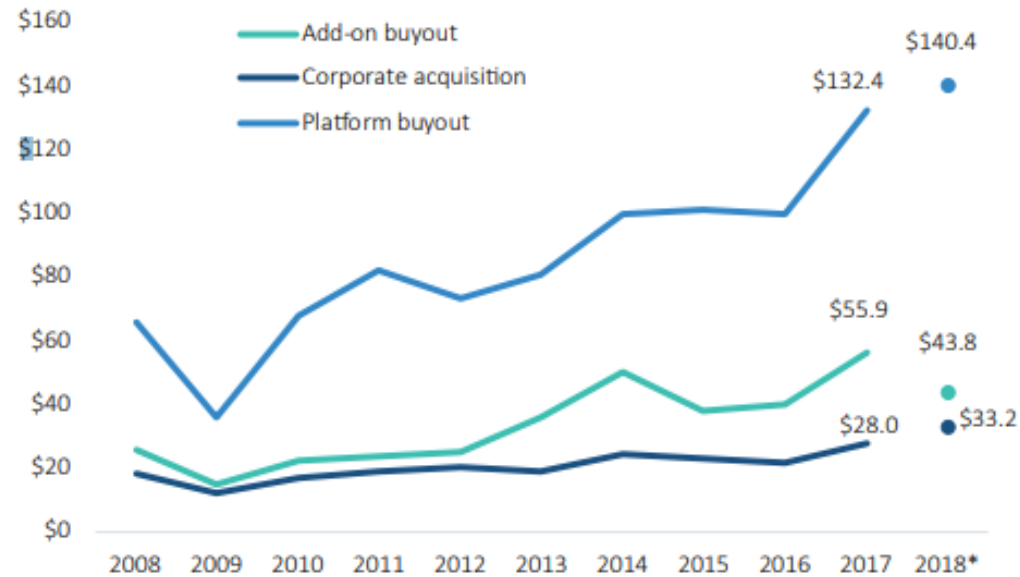


The State of Market



Deal sizes remain elevated

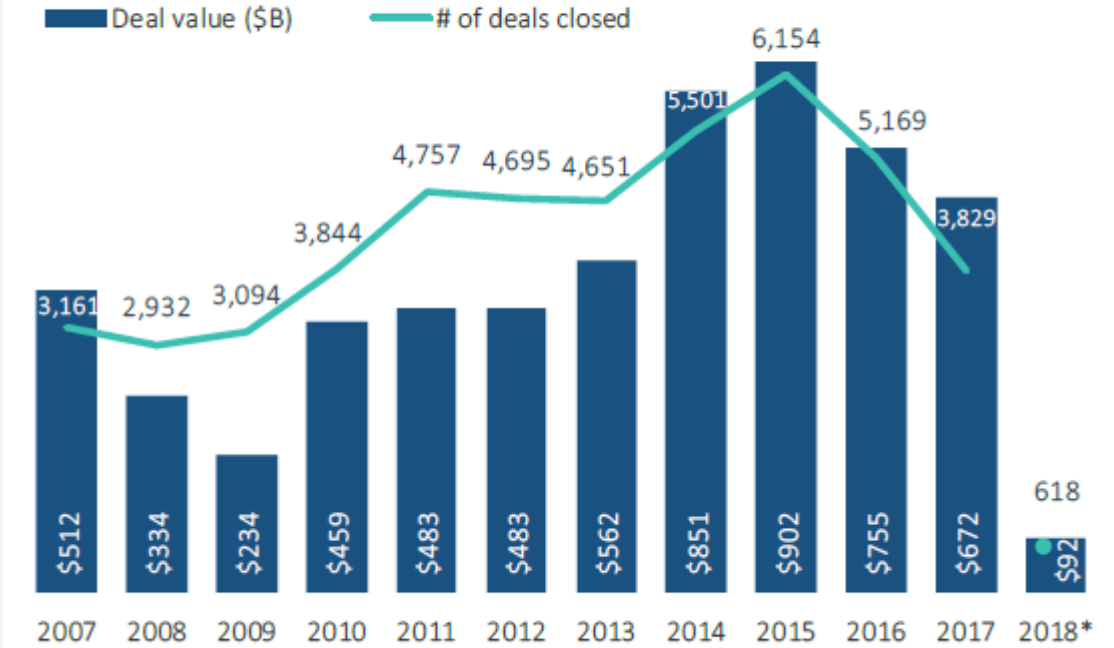
Median deal size (\$M) by type



Source: PitchBook
*As of June 30, 2018

Even after the recent decline, other factors indicate divestitures are primed to accelerate

M&A divestitures



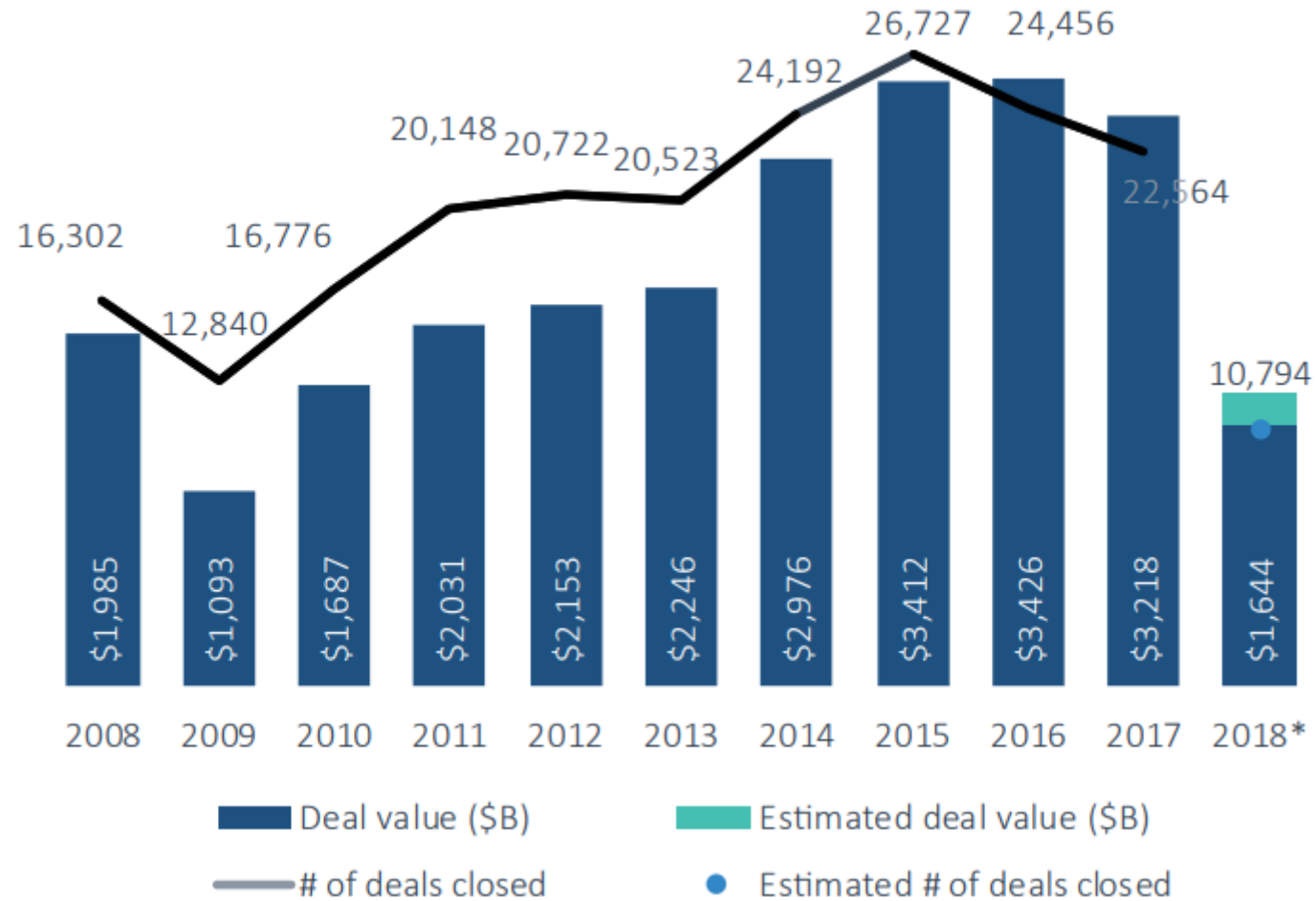
Source: PitchBook
*As of March 31, 2018

The State of Market



Transaction value on pace to match recent figures

North American and European M&A activity



Agenda

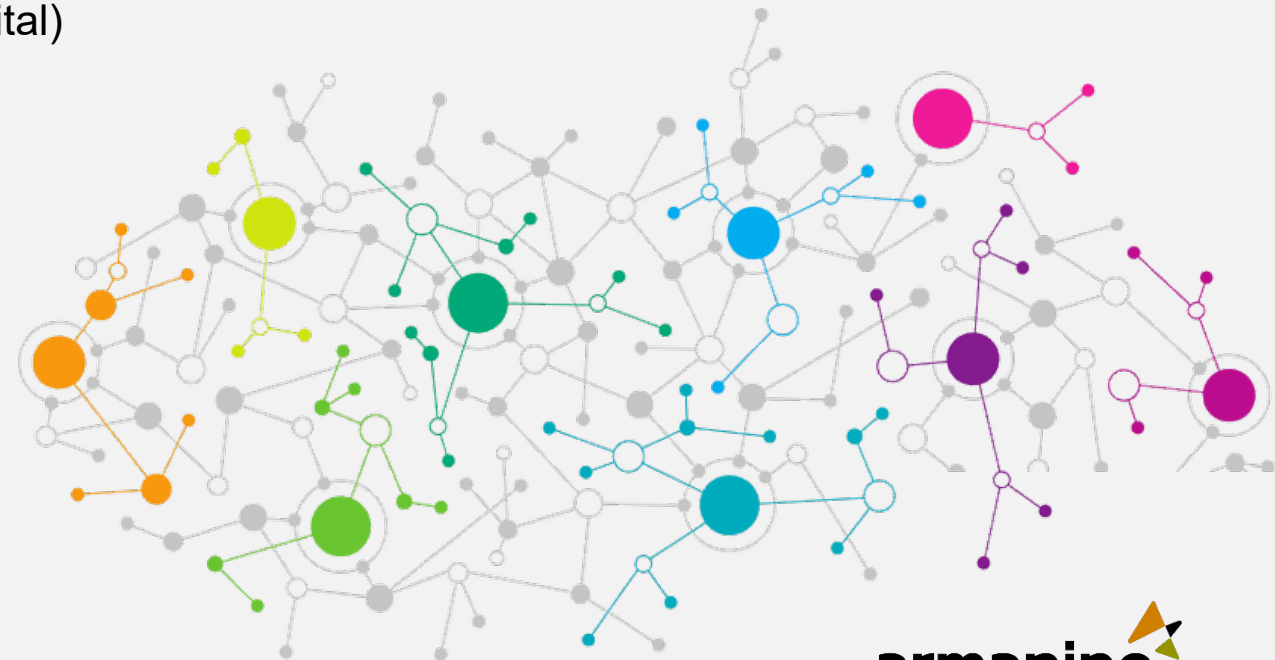


- Planning for Exit
- Financial Reporting
- Common Tax Issues:
 - + Transfer Pricing
 - + Quality of NOLs
 - + State Tax Issues
 - + R&D Credits

Planning for Exit



- Preparing for exit
 - + Control the timing
 - + Prepare ahead of exit
 - + Re-examine cost structure and streamline where necessary
 - + Address known risk areas, such tax, regulatory or contract non-compliance
 - + Enhance closing cash by acting now (e.g., working capital)



Financial Reporting



- Strong financial reporting team
- Financial controls and processes
- GAAP
- Tax matters



Transfer Pricing



- What and why?
- How does this affect the sell price?



Quality of NOLs



- Section 382

- + What is it?

- Support value during due diligence
 - Financial statements
 - Tax Returns



State Tax Issues



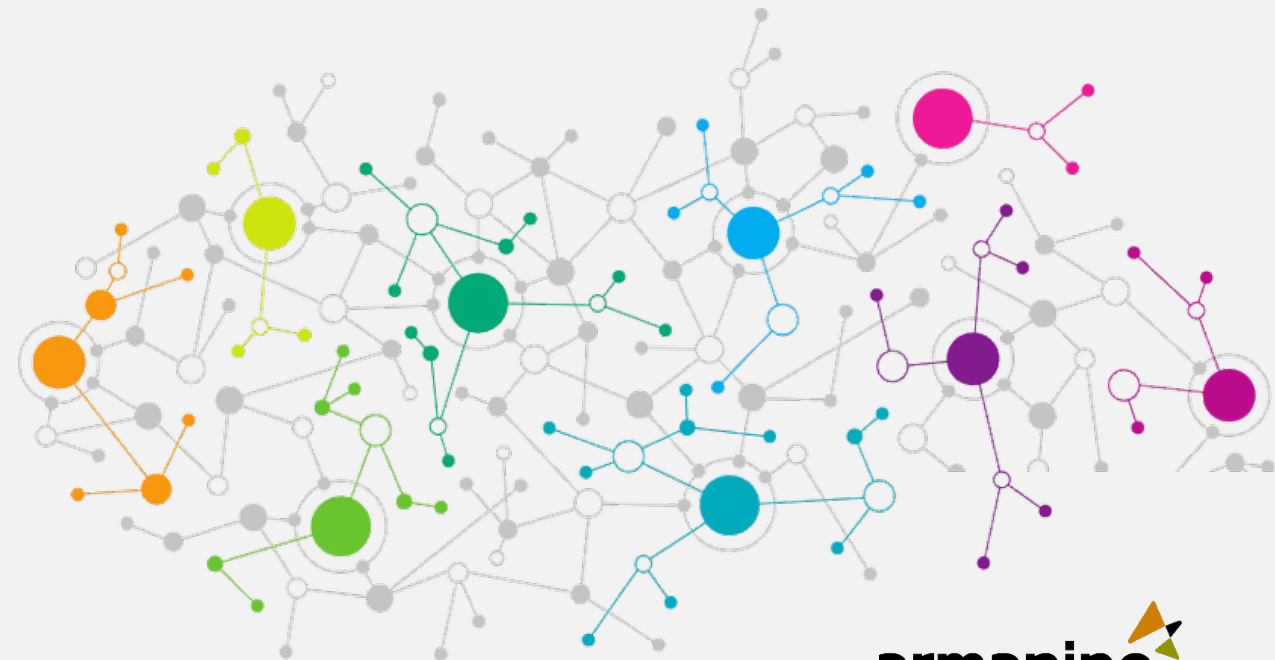
- Completeness of filings
 - + Nexus
 - People/Property
 - Economic Nexus
- Potential Reserves needed for non-filings states
- Ensure proper state apportionment methodology
- Ensure proper state adjustments, especially given TCJA impact in 2017 and beyond



R&D Credits



- Ensure proper documentation is in place to support R&D Credits claimed on the returns
 - + Contemporaneous documentation requirement to support credits claimed
 - + Easier to do currently as project by project information may not be available in later years
 - + Can be of high value to a buyer as it's a dollar for dollar benefit
- Potential Reserve needed on credits taken



Next Steps



What should you do now to prepare?



M & A Series – Coming up next



Equity

November 8, 2018

9:00am – 9:30am

Valuation

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Contact Us!

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Partner

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