

QUADRANT CASE STUDY

DMGT

COMMERCIAL DUE DILIGENCE

The challenge

Simply Switch was a business offering customers the opportunity to switch energy suppliers, either online or through a contact centre in Croydon. It also had plans to enter the UK price comparison market for financial services.

Our client, DMGT, had agreed a purchase and a price in principle with the vendors, who included a private equity investor, and their advisers. At this point, Quadrant was asked to complete a commercial due diligence review of Simply Switch.

What did we do?

We were asked to complete the work within three weeks to comply with the terms of the purchase agreement.

We interviewed the management team, reviewed the proposed development plan and conducted a short marketplace and competitor survey. This allowed us to develop a set of requirements for success, and match it with the capabilities and resources available and the risks involved in achieving the targets in the plan.

What was the breakthrough for DMGT?

Quadrant outlined to the client that achievement of the plan targets had a number of dependencies and costs which were not articulated in the plan and recommended that, as the purchase was going ahead, a management team was appointed to focus on business development, and significant funding, marketing and product development, was allocated. We suggested that these elements should impact on the purchase consideration.

Our conclusions were that the current team was under-resourced in manpower, skills and capabilities, in sources of new business development, and in funds for marketing and promotion. We also identified 'at risk' elements within the current business model.

DMGT progressed with the acquisition as planned but for various reasons did not allocate an additional management team or additional funding to Simply Switch until it had become clear that the existing management were unable to deliver the plan. By this stage the company had become loss making, and rounds of cost cuts and efficiency drives were unable to restore it to a stable position.