



Due Diligence Helps a Multinational Manufacturer Steer Clear of an Unprofessional Partner

SERVICE: Pre-Transaction Due Diligence
INDUSTRY: Consumer Products
CLIENT: Global Manufacturer

UNPLUGGED

A FRANK OPINION

The Project Manager's Post-Engagement Perspective

"The public records search came up clean, which was good news, obviously. But there were other factors outside our due diligence investigation that were giving the client some pause, and what we found on social media really helped push the deal off the table.

"This was an especially good reminder of why a robust investigation is always necessary. The subjects were all quite young and therefore didn't have much of a public records footprint. But they sure had one online.

"The social media component of this investigation really revealed the subjects' online personas. Ignoring that component, and pushing forward with the deal, could have caused major negative consequences for the client."

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Client's Challenge

A global consumer products company was set to tap into a new market. "We're ready to make an acquisition in this space, and we think we've got a frontrunner," the head of the M&A team said. "There are a few companies out there that we like a whole lot, but this one has gained the most traction with early adopters. If we bring them into the fold, we're certain that we can scale up operations significantly. The problem is, we know virtually nothing about their leadership team."

The Hillard Heintze Solution

The Hillard Heintze Investigations practice undertook a strategic due diligence investigation of the company, including background investigations of its top three figures: the CEO, CFO and Senior Vice President. This included searches and reviews of (1) public records research in relevant jurisdictions where the subjects had lived or worked; (2) federal, state and county criminal records and civil litigation; (3) patent filings; (4) published reports from domestic and international media sources; and (5) social media postings involving the three individuals.

Impact on the Client's Business

Fortunately, Hillard Heintze did not identify any criminal records, civil lawsuits, bankruptcy filings or negative media associated with the subjects. In fact, the investigative team was able to track down many patent filings for the technology behind the products that piqued the client's interest, which helped verify ownership of the technology assets.

However, the team also discovered pictures and comments on social media reflecting questionable judgment on the part of all three subjects – binge drinking, vulgar language and highly controversial political statements. Surprised and disappointed at the openly crass behavior of the young executives, the client backed away from the potential acquisition. Moving on, the client asked Hillard Heintze to investigate another company that was also quickly finding success in this developing market.