HAFSA RESEARCH AND ANALYSIS COMPANY

FLAGSHIP WHITE PAPER

Beyond Static DCFs

Real-Time Valuation and Synergy Capture in Mid-Market M&A

A decision guide for deal teams: how to value a target as a range that updates, price synergies honestly, set a walk-away price, and track value after signing.

Edition 1.0 · November 2026

For CFOs, corporate development leads, private equity deal teams, integration leaders and boards

10	6	4	9.4
exhibits, charts and flow charts	decision gates with pass thresholds	worked examples with real arithmetic	USD m gap: static vs live value

Contents

Table 1. *What each section covers and who should read it first*

Section	What it covers	Read first if you are
Executive briefing	The argument in one page and the decisions it supports	Everyone
1 Why a static DCF is not enough	What a single-point model hides; the Live Value idea	CFO, deal sponsor
2 The Live Value framework	Three pillars, data rail and refresh cadence	Corporate development
3 Valuing the target as a range	Base DCF, tornado, Monte Carlo, worked example	Valuation lead
4 Pricing synergies honestly	Phasing, integration cost, risk weights, walk-away price	CFO, deal team
5 Decision gates and deal structure	Six gates, thresholds, structuring options	Board, investment committee
6 Capturing value after close	Synergy ledger, month-9 revaluation, triggers	Integration lead
7 Solutions and roadmap	Tools by firm size, build or buy, 12-month plan, RACI	CFO, CIO, PMO
8 Risks, role briefings, appendices	Risk register; one page per role; assumptions and sources	Each role

How to use this paper

Read the executive briefing, then the sections for your role. Every number in the worked examples comes from one illustrative model of a mid-market industrial services target (Appendix A), so the exhibits agree with each other and the arithmetic can be re-performed. The target, prices and synergies are invented for teaching; they are not a forecast or a recommendation about any real company.

The paper is a method, not a data service. Where it refers to research from consultancies or advisers (Appendix C), it points to their publications for further reading and does not reproduce their statistics.

Executive briefing

EXECUTIVE BRIEFING

The 60-second version

- **A static DCF is a photograph, priced like a promise.** It gives one number, fixed at signing, from assumptions that start ageing the day they are written. In our illustrative case the base DCF is 206.5, but the probability-weighted value is 197.1, and 63% of simulated outcomes land below the base case.
- **The model is fragile where it matters most.** Terminal value is 72% of enterprise value. A two-point change in EBITDA margin moves value by 33.5, and losing the largest customer takes 43.4 off.
- **Synergies are priced as if certain.** Headline synergies are worth 47.9 after integration costs, but 34.1 once each lever is risk-weighted. A seller asking 225 looks as if it takes 39% of headline synergies. Against probability-weighted value and risk-adjusted synergies, it takes 82%.
- **The fix is a living system, not a better spreadsheet.** A living valuation model, a synergy ledger with owners and five status states, and decision gates with a walk-away price set before negotiation. Together we call it Live Value.
- **Value is won or lost after signing.** At month 9 in our example, realised synergies are 2.2 against 3.4 planned, and the revalued synergy case falls by 4.3. The same ledger shows 3.4 of recoverable value if one blocked lever is unblocked.

Decisions this paper helps you make

Table 2. *Six decisions, the exhibit that informs each and the rule we recommend*

Decision	Exhibit	Recommended rule
Should we keep working on this target?	Figures 4 and 5	Continue only if the standalone range is close to the ask (gate G1)
How much of the synergy case can we trust?	Table 7, Figure 6	Count only owned, baselined levers, risk-weighted (gate G2)
What is our walk-away price?	Table 8, Figure 6	Standalone expected value plus a fixed share of risk-adjusted synergies (gate G3)
If the ask is too high, what then?	Table 10	Restructure with earn-out, deferral or escrow before conceding price
Is the deal still on track?	Figures 8 and 9	Revalue monthly; act on trigger thresholds, not on intuition
What do we build, and in what order?	Section 7	Start with the ledger and the gates; add model automation second

What to do in the next 30 days

- Pick one live or recent deal and rebuild its valuation as a range, using the template in Appendix A.
- Write down a walk-away price policy, including the share of synergies the buyer is willing to pay away.
- Open a synergy ledger for every lever in the current plan and name one owner for each.

- Agree the six gate thresholds with your investment committee before the next negotiation.
- Decide which data feeds (ERP, CRM, billing, data room) the first version will use.

1 Why a static DCF is not enough

The discounted cash flow remains the right foundation. It forces explicit assumptions about growth, margin, investment and risk. The problem is how it is used in deals: built once for the investment committee, frozen at signing, and then compared with the price as if its precision were real. Mid-market deals make the problem worse. Targets are smaller and more concentrated, information is thinner, and a single customer or manager can change the outcome.

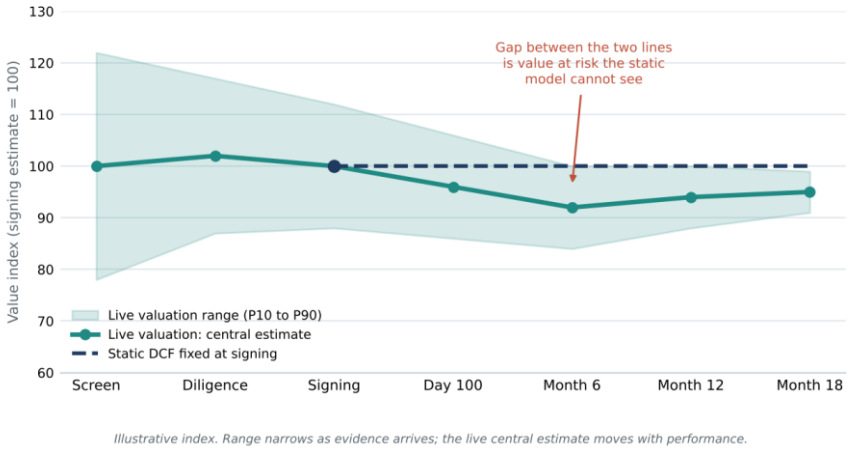


Figure 1. *Value uncertainty over the life of a deal: a static DCF stays fixed while the live valuation moves and its range narrows (illustrative index).*

1.1 Five things a single-point DCF hides

Table 3. *What the static model hides and what the live model adds*

Hidden issue	Why it matters	What Live Value does instead
One number, no range	Committees negotiate around a figure that has a wide error band	Report P10, P50 and P90 and the probability of beating the price
Terminal value dominance	72% of our base value sits beyond year 5, where evidence is weakest	Show terminal share on every output and stress it separately
Lumpy risks averaged away	A 15% chance of losing a key customer is a loss event, not a 1.5% haircut	Model discrete events inside the simulation
Synergies at face value	Headline synergies ignore timing, integration cost and delivery risk	Phase, cost and risk-weight every lever
Frozen at signing	Performance, market and integration facts change monthly	Refresh on evidence and on defined triggers

1.2 The Live Value idea in one sentence

Treat valuation as an operating process: a model that refreshes from real data, a ledger that tracks every synergy to a named owner, and gates that tie decisions to thresholds agreed in advance. The next section sets out the framework.

KEY TAKEAWAYS

Key takeaways

- Keep the DCF. Change how it is built, refreshed and used.
- Report ranges and probabilities, not single numbers.
- Do not rely on a model that nobody updates after signing.

2 The Live Value framework

Live Value has three pillars resting on a data rail and held together by governance. Each pillar answers a different question: what is the target worth now, what are the synergies really worth, and what should we do about it.

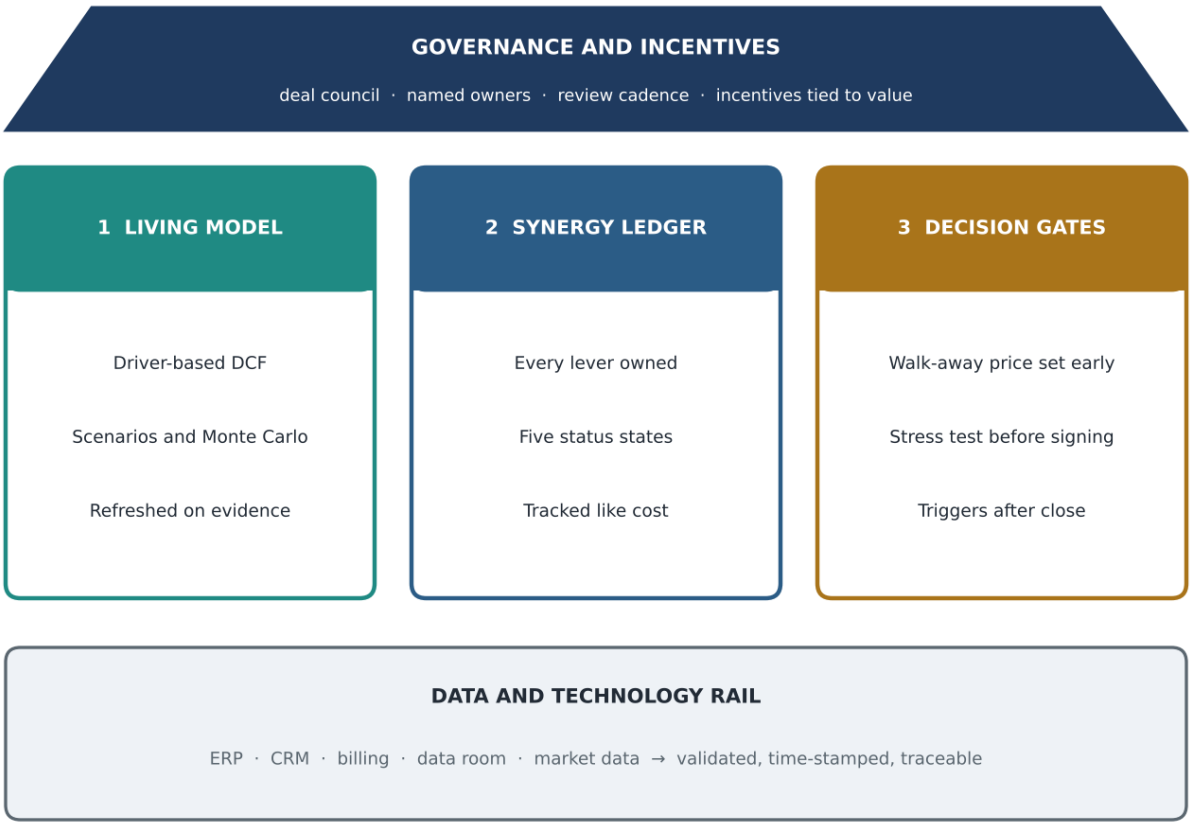


Figure 2. *The Live Value framework: three pillars, a data and technology rail, and a governance and incentives roof.*

2.1 What each pillar does

Table 4. *The three pillars, their outputs and their owners*

Pillar	Question it answers	Main outputs	Owner
1 Living model	What is the target worth now, and how sure are we?	Value range, tornado, probability of clearing the price	Valuation lead (finance)
2 Synergy ledger	What are the synergies worth and where do they stand?	Run-rate by lever and status, risk-adjusted value, value at risk	Integration lead with lever owners
3 Decision gates	What should we do, and who decides?	Go, restructure or walk-away calls with thresholds	Deal council or investment committee

2.2 The data rail

A live valuation is only as good as the data behind it. The data rail pulls from the target's systems during diligence, then from the combined business after close. Its job is to make inputs validated, time-stamped and traceable, so that when the value moves you can say why.

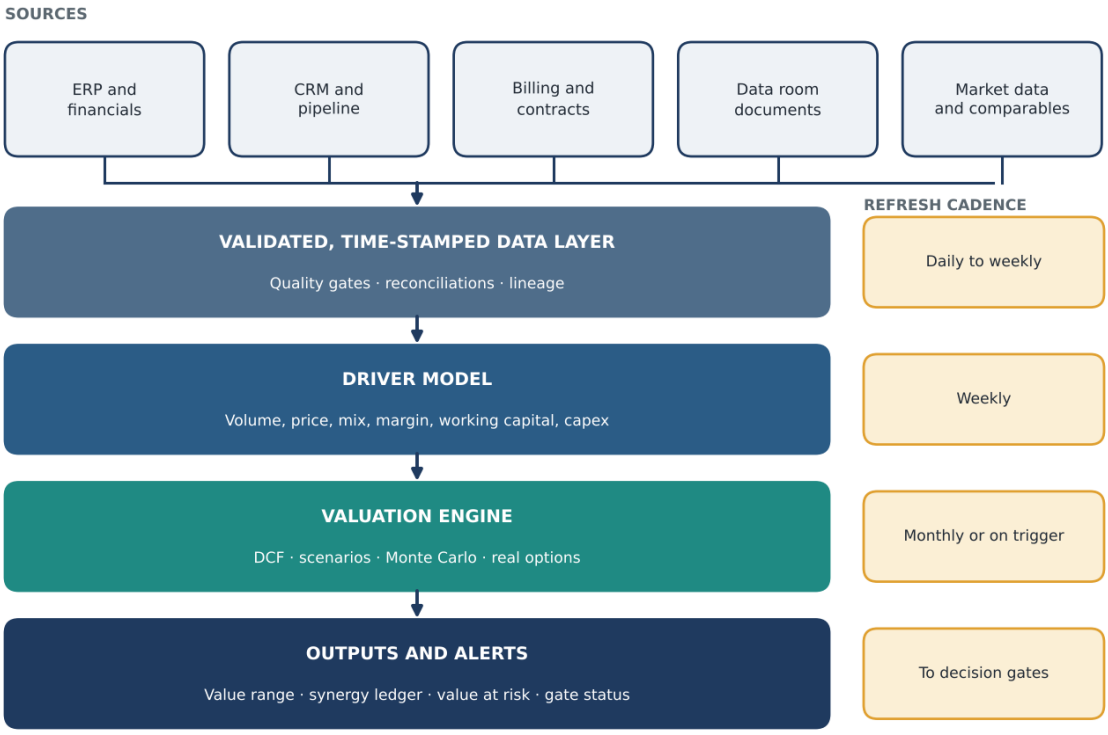


Figure 3. *Real-time valuation data flow: sources, validated data layer, driver model, valuation engine and decision outputs, with refresh cadence.*

Real time does not mean continuous. Pre-signing, the target's data arrives through the data room in batches. After close, monthly is usually enough for valuation, with weekly or daily feeds only for fast-moving drivers such as orders, churn or procurement savings.

3 Valuing the target as a range

Our illustrative target is a mid-market industrial services company with revenue of 150 and LTM EBITDA of 23.25 (a 15.5% margin). All figures are in USD millions. The base case grows revenue from 8% to 4% over five years, lifts EBITDA margin from 16.0% to 18.0%, and discounts free cash flow at a WACC of 10.5% with 2.5% terminal growth.

Table 5. *Base-case DCF (USD m)*

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	162.0	173.3	183.7	192.9	200.6
EBITDA	25.9	28.6	31.2	33.8	36.1
Free cash flow	12.3	14.0	15.8	17.5	19.1
Discount factor at 10.5%	0.905	0.819	0.741	0.671	0.607
Present value of FCF	11.2	11.5	11.7	11.7	11.6

Sum of PV of FCF: 57.7. Terminal value at year 5 = 19.1 × 1.025 ÷ (10.5% − 2.5%) = 245.2; its present value is 148.8. **Enterprise value: 206.5, or 8.9 times LTM EBITDA.** Terminal value is 72% of the total.

3.1 Where the value is fragile

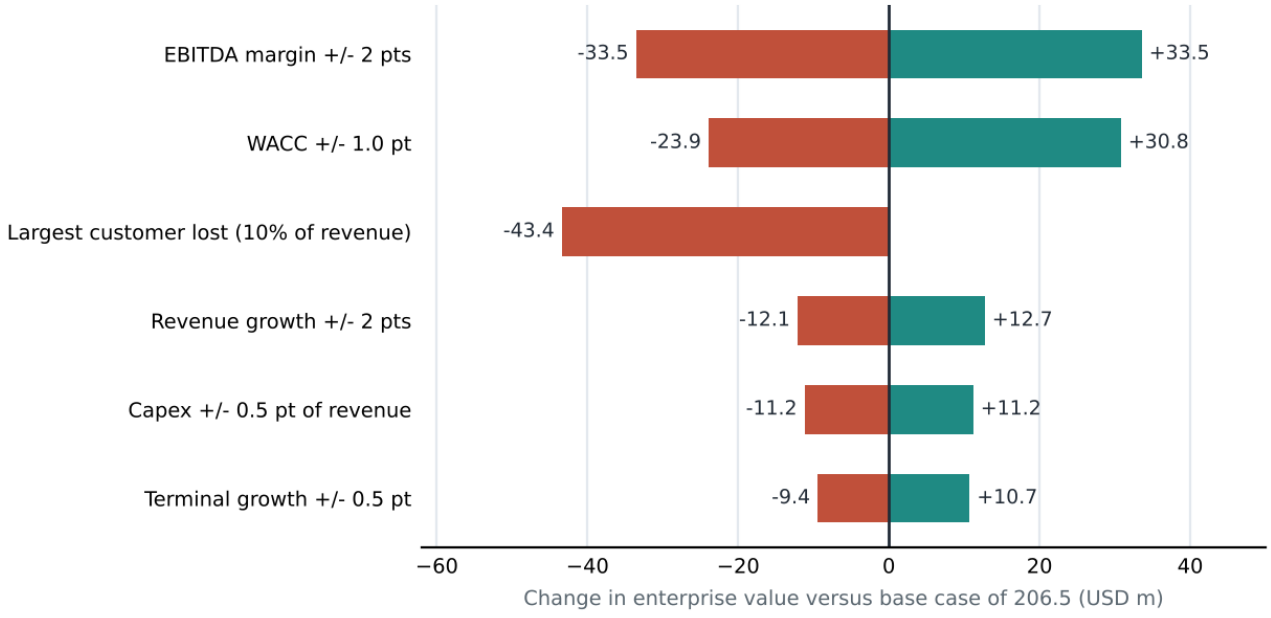


Figure 4. *Tornado: change in enterprise value for plausible swings in each driver, against the base case of 206.5 (USD m).*

The tornado ranks drivers one at a time, which is useful for deciding what to diligence. Margin, discount rate and customer concentration dominate. Revenue growth matters less than most deal narratives suggest. Because the customer-loss bar has no upside, it also tells you the base case is not the middle of the distribution.

3.2 The same model as a distribution

We then run 10,000 simulations. Growth varies by a standard deviation of 1.5 points, margin by 1.2 points, WACC follows a triangular distribution from 9.5% to 12.0%, terminal growth is normal around

2.5% with a 0.4-point standard deviation, and there is a 15% chance of losing a customer worth 10% of revenue.

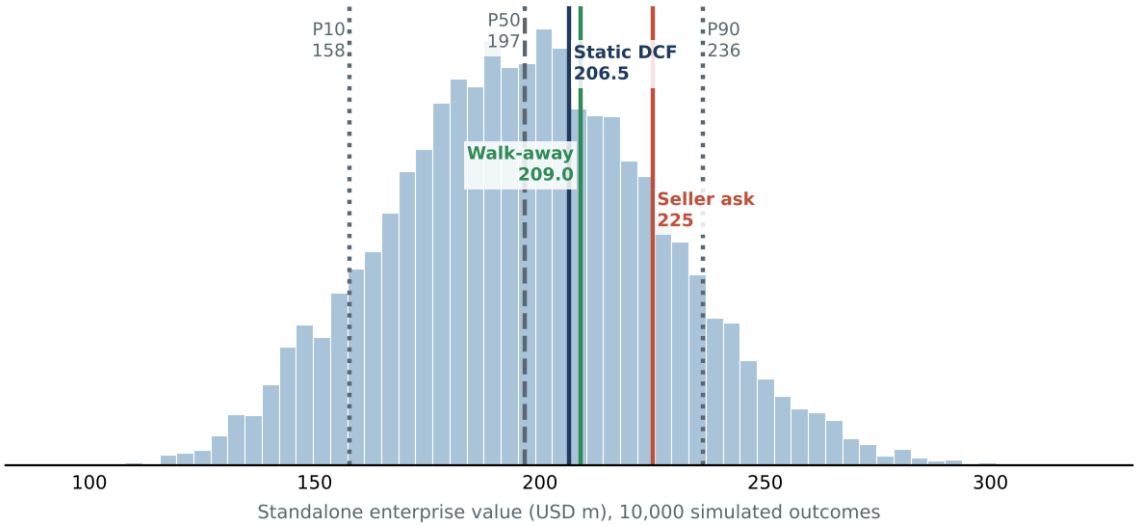


Figure 5. *Monte Carlo distribution of standalone enterprise value, with the static DCF, walk-away price and seller's ask marked.*

Table 6. *Summary of the simulation (USD m)*

Measure	Value	Reading
P10 / P50 / P90	157.8 / 196.7 / 236.1	An 80% range of 78 wide: 40% of the median
Mean (expected value)	197.1	Below the static DCF by 9.4 because of the customer-loss risk and rate skew
Share of outcomes below the static DCF	63%	The base case is optimistic, not central
Probability value exceeds 209.0 (walk-away)	34%	Fewer than one in three outcomes justify the walk-away price on standalone value alone
Probability value exceeds 225 (ask)	18%	Paying the ask needs synergies to carry the case

WORKED EXAMPLE

Example 1: Reading the range

The investment committee is shown a static DCF of 206.5 and a seller ask of 225. The ask is 8.9% above the DCF, which looks like a modest premium to be justified by synergies.

The distribution says something different. Expected standalone value is 197.1, so the premium over expected value is 27.9 (14.2%). There is an 18% chance that standalone value reaches the ask. The 8.9% premium is a comparison with the wrong anchor: the static point sits at the 63rd percentile of outcomes.

Decision implication. The committee should ask what must be true for the ask to be paid for, and who owns each condition. That is a synergy question, which the next section addresses.

KEY TAKEAWAYS

Key takeaways

- Use the tornado to decide what to diligence, and the simulation to decide what to pay.
- Model lumpy events such as a customer loss explicitly rather than averaging them away.
- Anchor price discussions on expected value and the probability of clearing the price.

4 Pricing synergies honestly

Synergies are where deal premiums are justified and where they are lost. Four habits make headline synergy numbers unreliable: counting full run-rate from day one, ignoring the cost to achieve, treating every lever as equally certain, and capitalising a perpetuity of savings that competition may erode. Live Value corrects each one.

4.1 The synergy case, lever by lever

Table 7. *Synergy levers: run-rate, delivery confidence and treatment (USD m a year, pre-tax)*

Lever	Type	Run-rate	Confidence	Risk-adjusted run-rate
Procurement	Cost	2.4	85%	2.04
G&A and finance	Cost	2.2	90%	1.98
Facilities and IT	Cost	1.4	75%	1.05
Cross-sell (EBITDA)	Revenue	2.2	40%	0.88
Total		8.2		5.95

Cost synergies phase in at 40%, 80% and 100% over years 1 to 3. Cross-sell phases at 0%, 25%, 60% and 100% over years 1 to 4. Integration costs are 1.15 times run-rate cost savings (6.9), spent 60% in year 1 and 40% in year 2. Synergy cash flows are taxed at 25% and discounted at the target's 10.5%, with a zero-growth perpetuity after year 5.

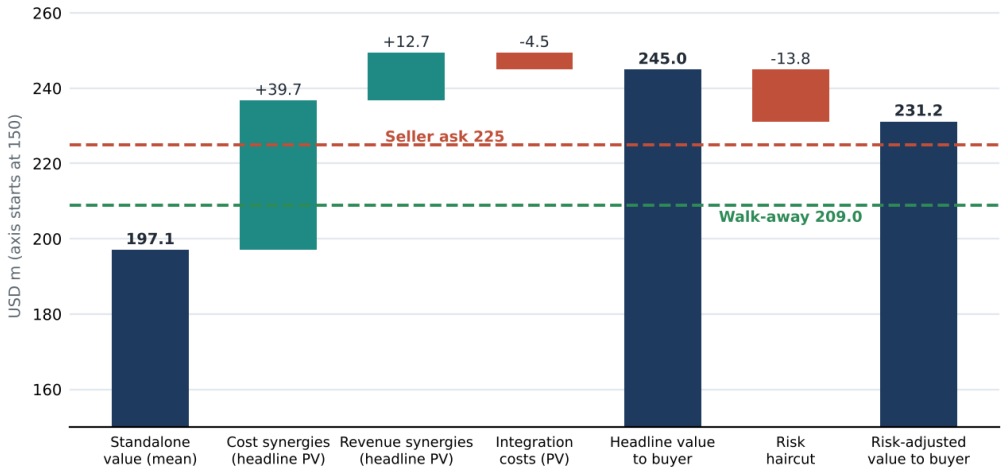


Figure 6. *Value bridge from expected standalone value to risk-adjusted value to the buyer, against the seller's ask and the walk-away price (USD m).*

4.2 Static lens versus live lens

Table 8. *The same price viewed two ways (USD m)*

	Static lens	Live lens
Standalone value used	206.5 (base DCF)	197.1 (expected value)
Synergy value used	47.9 (headline, net of integration cost)	34.1 (risk-adjusted)
Seller ask	225.0	225.0
Premium over standalone	18.5	27.9
Share of synergies paid to the seller	38.7%	81.9%
Value left for the buyer	29.4	6.2

WORKED EXAMPLE

Example 2: Setting the walk-away price

Policy: the buyer will pay no more than 35% of risk-adjusted synergies above expected standalone value, leaving 65% for its own shareholders. The 35% is a governance choice; boards set it by deal type.

Step	Calculation	Result
Expected standalone value	Monte Carlo mean	197.1
Risk-adjusted synergy value	From Table 7 methodology	34.1
Share the buyer may pay	35% × 34.1	11.9
Walk-away price	197.1 + 11.9	209.0
Seller ask		225.0
Gap to close	225.0 − 209.0	16.0

Reading the result. The ask is 16.0 above the walk-away price. At 209.0 the price is 8.99 times LTM EBITDA; at 225 it is 9.68 times. The negotiating team has three options: close the gap through price, reduce the buyer's exposure through structure (Section 5), or walk away.

KEY TAKEAWAYS

Key takeaways

- Risk-weighting cuts the synergy case by 29% here (47.9 to 34.1). Cross-sell is 27% of run-rate but only 15% of risk-adjusted value.
- About 66% of the cost-synergy value sits in the terminal period; test that assumption separately.
- Set the walk-away price before negotiation starts. Write down the share of synergies you will pay away.

5 Decision gates and deal structure

A decision gate converts analysis into a call. Each gate has a question, a threshold agreed before the evidence is seen, a named decision maker and a defined set of outcomes. Gates protect the deal team from momentum: by the third round of negotiation, nobody wants to be the one to stop.

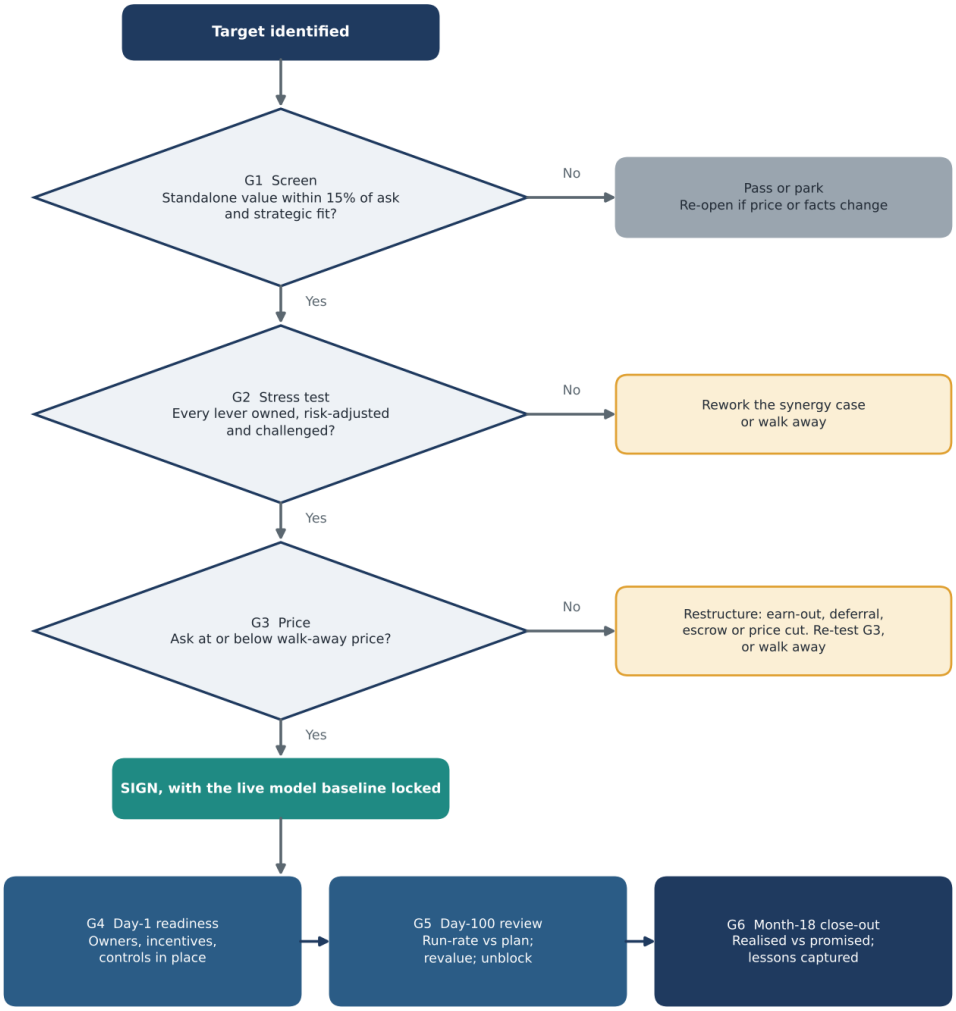


Figure 7. *Decision-gate flow chart from target identification to month-18 close-out, with the response when a gate is failed.*

5.1 Gate thresholds and how our case fares

Table 9. *Recommended gate thresholds and the illustrative result*

Gate	Test	Recommended threshold	Illustrative result
G1 Screen	Standalone value against ask; strategic fit	Base DCF within 15% of ask	Ask is 9% above the 206.5 base DCF. Pass
G2 Stress test	Quality of the synergy case	Every lever owned and baselined; risk-adjusted synergies at least 60% of headline	34.1 ÷ 47.9 = 71%. Pass, but cross-sell needs a named owner
G3 Price	Ask against walk-away	Ask at or below walk-away price	225 vs 209.0: fails by 16.0. Restructure
G4 Day 1	Readiness to execute	Owners, incentives, controls and communications in place	Check at close
G5 Day 100	Run-rate versus plan	Realised plus on-track at least 70% of plan; revalue	Review at Day 100

Gate	Test	Recommended threshold	Illustrative result
G6 Month 18	Realised versus promised	Lessons recorded; ledger closed or handed to business as usual	Review at month 18

5.2 Restructuring when the price fails the gate

Gate G3 fails in our case. Walking away is one answer; the others move risk from the buyer to the party best placed to carry it. The structuring matrix sets out the options.

Table 10. *Structuring matrix: which tool fits which gap*

Tool	How it works	Use when	Trade-off
Price reduction	Lower headline price to the walk-away	Gap is explained by seller optimism on standalone value	Seller may refuse; clean and simple
Earn-out	Part of the price is paid only if agreed targets are reached	Gap is about future performance the seller controls	Disputes over definitions; needs clear metrics
Deferred consideration	Pay part later, with set-off rights	Gap is about information not yet verified	Seller carries credit risk on the buyer
Escrow or holdback	Cash held back against warranty or specified risks	Specific risks such as a customer contract	Ties up funds; limited to named risks
Seller rollover equity	Seller reinvests part of proceeds	Seller's management is key to delivery	Governance complexity; valuation of the rollover
Walk away	Do not proceed	None of the above closes the gap at acceptable risk	Opportunity cost; protects capital

WORKED EXAMPLE

Example 3: Closing a 16.0 gap with an earn-out

The buyer offers 209.0 at close, plus an earn-out of up to 16.0 payable at month 24. The earn-out pays out on realised cost synergies and standalone EBITDA, in proportion to the achievement of two milestones, each worth 8.0.

Outcome	Paid at close	Earn-out	Total paid	Reading
Both milestones met	209.0	16.0	225.0	Buyer pays the ask only when the value has appeared
One milestone met	209.0	8.0	217.0	Seller shares the shortfall
Neither met	209.0	0.0	209.0	Buyer pays its walk-away price

Reading the result. The buyer's maximum price is the ask, but it is only reached in the world where the synergy and performance assumptions come true. The structure turns a disagreement about the future into a contract. The earn-out terms must define the metrics, the accounting policies and the buyer's operating freedom, or they will be litigated.

KEY TAKEAWAYS

Key takeaways

- Agree gate thresholds before the evidence arrives.
- A failed price gate is a prompt to restructure, not to negotiate harder on the same terms.
- Define earn-out metrics tightly; ambiguity is the most common source of post-deal disputes.

6 Capturing value after close

After signing, the DCF has done its job. The synergy ledger takes over. It records, for every lever, the target run-rate and how much of it is in one of five states, and it feeds the revaluation.

Table 11. *The five ledger states and the weight used in revaluation*

State	Meaning	Weight	Typical evidence
Realised	Savings visible in the accounts or contracts	100%	Ledger entry reconciled to the general ledger
On track	Committed, funded, owner confirmed, milestone met	85%	Signed contract, headcount plan, project plan on schedule
At risk	Plan exists but a milestone is late or dependency unresolved	40%	Slipped date, unresolved dependency, owner turnover
Blocked	Needs a decision or resource that has not been given	20%	Open decision on the council agenda
New upside	Value found after signing, not in the original plan	25%	Business case in draft

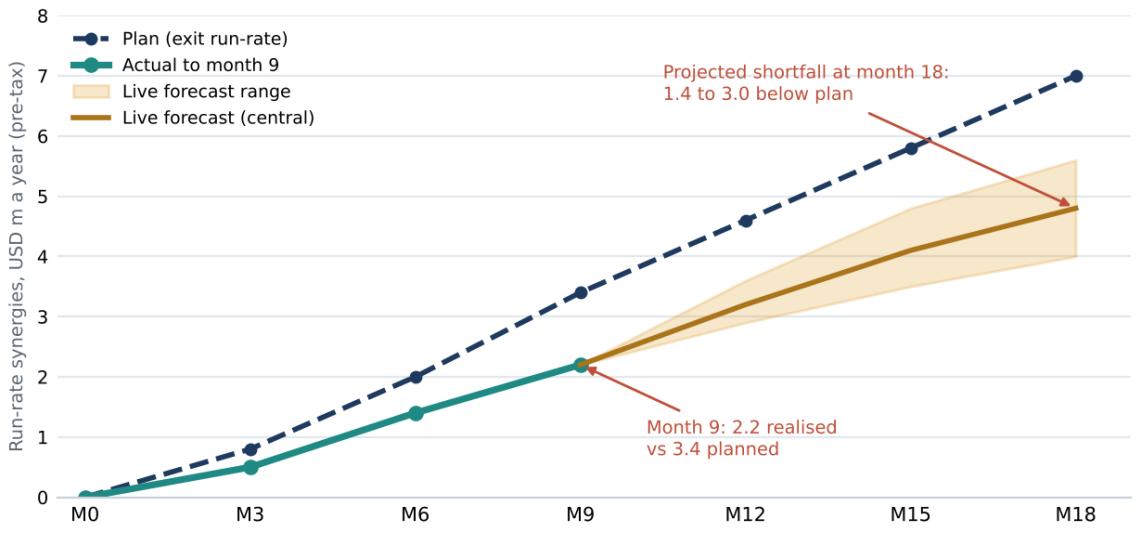


Figure 8. *Synergy realisation: plan against actual to month 9, with the live forecast range to month 18 (USD m a year, pre-tax run-rate).*

6.1 Reading the month-9 ledger

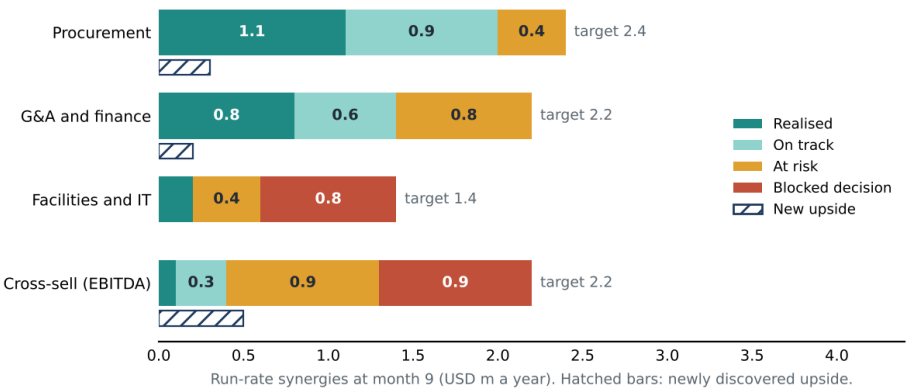


Figure 9. *Synergy ledger at month 9 by lever and status (USD m a year, run-rate).*

WORKED EXAMPLE

Example 4: The month-9 revaluation

The ledger totals 8.2 of target run-rate: realised 2.2, on track 1.8, at risk 2.5, blocked 1.7. A further 1.0 of new upside has been found, mainly in procurement and cross-sell. Applying the weights in Table 11 gives an expected run-rate for each lever.

Lever	Target	Expected run-rate	Original risk-adjusted	Change
Procurement	2.4	2.10	2.04	+0.06
G&A and finance	2.2	1.68	1.98	−0.30
Facilities and IT	1.4	0.52	1.05	−0.53
Cross-sell (EBITDA)	2.2	1.02	0.88	+0.14
Total	8.2	5.32	5.95	−0.63

Reading the result. Cost levers are worth 5.09 less in present value, and cross-sell is worth 0.81 more, because new upside and a stronger-than-expected start offset its weak original confidence. The net revaluation is **−4.28**: risk-adjusted synergies fall from 34.1 to 29.8, a 12.5% erosion. Value to the buyer falls from 231.2 to 226.9.

Recoverable value. Facilities and IT carries 0.8 of blocked run-rate. If the council unblocks it and it moves to on track, its weight rises from 20% to 85%, adding 0.8 × 0.65 × 6.61 = **3.44** of value. A single decision recovers most of the lost value. A static model shows none of this.

6.2 Triggers that force a decision

Table 12. *Revaluation triggers and the action each requires*

Trigger	Threshold	Action	Decision maker
Realised plus on-track share of plan	Below 70% at Day 100	Reforecast; escalate blocked items	Deal council

Trigger	Threshold	Action	Decision maker
Risk-adjusted synergy value	Down more than 10% from signing	Review earn-out position and integration resources	CFO
Blocked run-rate	Above 15% of target for two months	Put the decision on the next council agenda	Integration lead
Key customer or manager loss	Any event on the watch list	Rerun the valuation within five working days	Valuation lead
Integration cost overrun	More than 15% above budget	Re-approve scope and phasing	Deal council

6.3 Link to financial reporting

Post-deal reporting uses different rules from deal valuation. Under IFRS 3 the purchase price is allocated to identifiable assets and liabilities, with the remainder recognised as goodwill. Expected synergies are not recognised as a separate asset. They support goodwill and feed the cash-generating unit's value in use under IAS 36, whose rules restrict some forward-looking cash flows, for example restructurings the entity is not yet committed to. Your reporting team should confirm what the ledger can feed into impairment tests against the standard text. The ledger's value is a disciplined, evidenced record that supports those judgements and the auditor's challenge.

KEY TAKEAWAYS

Key takeaways

- Track every synergy through five states. Revalue monthly using fixed weights.
- Show recoverable value, not only erosion: it turns a status report into a list of decisions.
- Set triggers in advance so that action does not depend on who notices.

7 Solutions and roadmap

Live Value does not need a large system. It needs clear data ownership, a model that can be rerun, a ledger that is kept up to date and a decision cadence. The right tooling depends on deal volume and team size.

7.1 Tooling by firm size

Table 13. *Solution options by deal programme (indicative, illustrative effort)*

Profile	Model and data	Ledger and tracking	Gates and governance	Typical set-up effort
Occasional acquirer: 1 to 2 deals a year	Controlled Excel or Python model; data room extracts; versioned inputs	Shared workbook with locked structure and owner sign-off	Deal council meets monthly; thresholds in a one-page policy	4 to 6 weeks
Active acquirer: 3 to 6 deals a year	Model library with driver templates; scheduled data pulls; BI dashboards	Ledger in a controlled database or planning tool, linked to GL	Standing investment committee; gate packs; audit trail	3 to 5 months
Serial acquirer or sponsor with a portfolio	Valuation service on a data platform; APIs to ERP and CRM	Integrated PMO and finance platform; automated reconciliations	Portfolio dashboard; lessons-learned database; incentive links	6 to 9 months

7.2 Build or buy

Table 14. *Build, buy or combine: how to choose*

Criterion	Build in-house	Buy a platform	Combine
Speed to first use	Slow to medium	Medium; configuration and onboarding	Fast start with templates, platform later
Fit with your deals	High	Medium; generic workflows	High where it matters
Control and audit trail	Strong if disciplined	Strong if vendor controls assessed	Strong with a clear boundary
Total cost over three years	Staff-heavy	Licence-heavy	Balanced
Key-person risk	High	Lower	Moderate
Best for	Occasional acquirers with strong analysts	Serial acquirers needing scale	Most mid-market buyers

For most mid-market buyers the combined route works best: build the valuation model and gates in-house, where judgement lives, and use existing planning, BI or project tools for the ledger and dashboards. Whatever you choose, assess the controls over the model itself: version control, input validation, independent review and change logs.

7.3 A 12-month roadmap

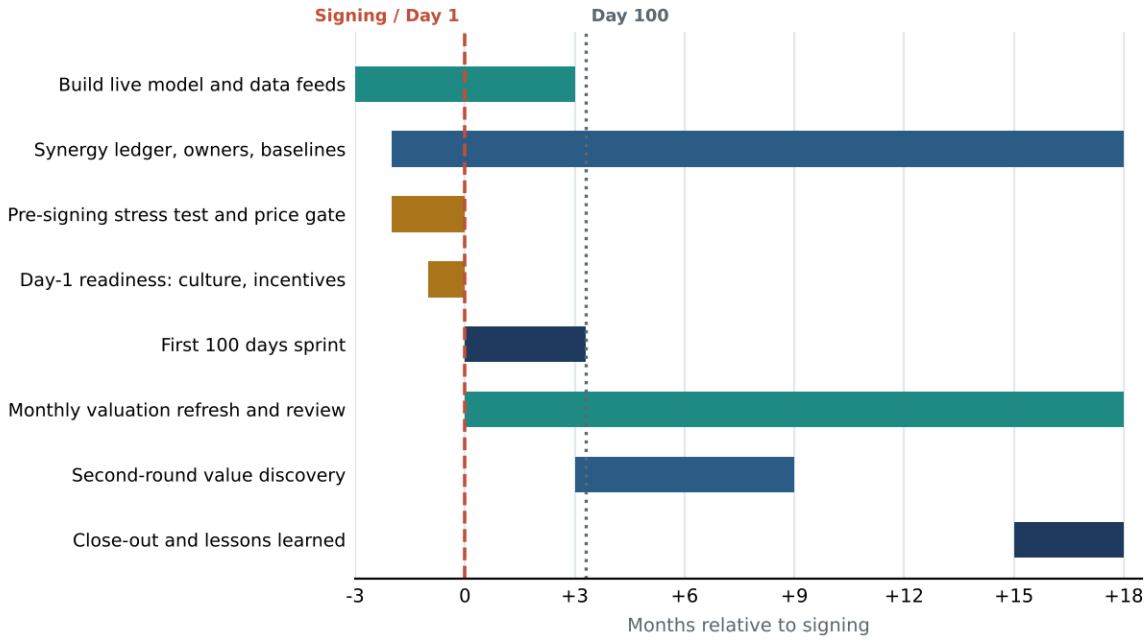


Figure 10. *Implementation roadmap relative to signing: from model build and ledger set-up before signing to close-out at month 18.*

The sequence matters. The ledger and gate thresholds come first because they cost little and change behaviour immediately. Automating data feeds comes later, once you know which inputs actually move the value.

7.4 Who does what

Table 15. *RACI for Live Value*

Activity	CFO	Corp dev	Valuation lead	Integration lead	Board or IC
Gate thresholds and walk-away policy	A	R	C	I	C

Activity	CFO	Corp dev	Valuation lead	Integration lead	Board or IC
Valuation model and refresh	A	C	R	I	I
Synergy baselines and owners	C	I	C	A / R	I
Monthly ledger and revaluation	A	I	R	R	I
Gate decisions	R	C	C	C	A
Independent review of model	A	I	R	I	I

R = responsible, A = accountable, C = consulted, I = informed.

8 Risks, role briefings and appendices

8.1 Risk register

Table 16. *Principal risks to a Live Value programme and how to manage them*

Risk	Effect	Mitigation
False precision	Teams trust a range because it looks scientific	Publish assumptions; compare ranges with outcomes after each deal
Gaming the ledger	Owners move levers to on track to avoid challenge	Define evidence per state; independent sample checks
Data quality	Targets provide late or inconsistent data	Validation gates; mark estimates; do not average over gaps
Model risk	Errors in formulas or inputs	Independent review, version control, reconciliation to base
Gate fatigue	Gates become a formality	Keep thresholds few; record every override with a reason
Weights without evidence	The 85/40/20 weights are judgement	Calibrate on your own deal history; revisit annually

8.2 Role briefings

BRIEFING

CFO

- Own the walk-away policy and the revaluation cadence; report ranges to the board.
- Insist that the synergy case in the board paper matches the ledger opening balance.
- Ask each month: what moved, why, and what decision does it need?

BRIEFING

Corporate development and deal teams

- Present value as a distribution and show the probability of clearing the price.
- Agree the structuring options in advance of the final round, not after it.
- Hand over the model and assumptions to the integration lead at signing.

BRIEFING

Integration leader

- Name one owner per lever and baseline it before Day 1.
- Update the ledger monthly; escalate blocked items with a decision request.
- Look for new upside as deliberately as you look for shortfalls.

BRIEFING

Board and audit committee

- Approve gate thresholds and the walk-away policy before the deal, not during it.
- Ask for a post-deal review comparing promised and realised value after 18 months.
- Check that incentives reward realised value, not signed deals.

Appendix A Model assumptions

Table 17. *Illustrative target and model inputs (USD m unless stated)*

Input	Value
Base revenue and LTM EBITDA	150.0; 23.25 (15.5% margin)
Revenue growth, years 1 to 5	8%, 7%, 6%, 5%, 4%
EBITDA margin, years 1 to 5	16.0%, 16.5%, 17.0%, 17.5%, 18.0%
D&A, capex, working capital	4.0%, 4.5% of revenue; 12% of change in revenue
Tax rate	25%
WACC; terminal growth	10.5%; 2.5%
Simulation (10,000 runs, seed 7)	Growth ±1.5 pts; margin ±1.2 pts (normal); WACC triangular 9.5% / 10.5% / 12.0%; terminal growth normal 2.5% ±0.4 pts (clipped 1.5% to 3.5%); 15% chance of a 10% revenue loss
Synergy phasing	Cost 40% / 80% / 100%; revenue 0% / 25% / 60% / 100%
Integration cost	1.15 × cost run-rate (6.9); 60% year 1, 40% year 2
Walk-away policy	Expected standalone value + 35% of risk-adjusted synergies
Seller ask	225.0

Appendix B Limitations

- The target, prices and synergies are invented. The numbers show method, not market evidence.
- The simulation varies a small set of drivers independently. A real model should include correlations, such as margin falling when growth does.
- The ledger weights (100, 85, 40, 20, 25 percent) and the 35% share policy are judgements to calibrate against your own deal history.
- The accounting notes in Section 6.3 are a summary; confirm treatment with your reporting team against IFRS 3 and IAS 36.
- This paper is research and analysis, not legal, tax or investment advice.

Appendix C Sources and further reading

These publications discuss synergy delivery, integration and mid-market valuation. They are listed for further reading; this paper does not reproduce their statistics.

- McKinsey: Making M&A deal synergies count Why synergy targets are missed and how to set them.
- McKinsey: A winning formula for deal synergies Approaches to sizing and capturing synergies.
- Roland Berger: Realizing synergies in post merger integration Post-merger integration and synergy realisation.
- Roland Berger: Why most M&A deals fail to deliver their synergy targets Common causes of synergy shortfall.
- Capstone Partners: Middle Market M&A Valuations Index Mid-market valuation context by industry.

Links were found by web search in November 2026 and were not read in full for this paper; check each publication directly before citing it.