PwC Modelling Centre of Excellence

Helping you make the right decisions
A strong modelling and analytics framework is a critical tool for many functions across large organizations.

Our clients use financial models on a daily basis:

- **Consolidated Business models** (shareholders & board)
- **Deal models** (buyers, sellers)
- **Treasury models** (capital markets)
- **Segmentation & Operating models** (reporting & planning)
- **Market models** (investors & analysts)

**80%** of models meet less than 3 of our 10 modelling best practices.

**90%** of models have math or logic errors.

**100%** have opportunities for logic or design improvements.

**>70%** are unnecessarily complex, or not fit-for-purpose.

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CEO | CFO | M&A / Strategy / Corp Dev | Treasury | FP&A / Tax / Accounting | Investor Relations
Helping you to support your executive decisions

Financial models are used to support almost every critical business decision. Are you confident that your model is correct? Does your model give you the right insights and analyses to support your decision making process? Is your model ‘fit for purpose’?

It is essential that you have confidence in your financial model, to ensure the information you are working with is accurate when making decisions which impact the future of your business.

We design and deliver financial models tailored to your business’ needs and use our bespoke model review methodology to provide the comfort you need to make critical decisions for your business.

One-time use models are specifically build for one purpose or specific ‘ad-hoc’ situations. Examples of these types of model can be deal models, restructuring models or carve out models.

Business as Usual (BaU) models are used continuously in the organisations of our clients to monitor and control performance and to forecast company performance. Examples could be budget models, strategic planning models or short term cash flow models.

Creating the right tool to support you in your executive decision making process

Model Build
Our product and industry experts can assist you in preparing best in class financial models tailored to your specific needs.

In addition to full model builds, we can help you by performing timely checks and model ‘fixes’ on a regular basis to make sure your model is ‘fit for purpose.

Model Review
Detailed review of a model to gain comfort with model outcomes. Typically performed on a cell-by-cell basis from input, calculation to output.

Model Health Checks
An analytical review of models to provide insights in key model outputs through charting and use of analytical tools. Typically performed to assess if a model is fit for purpose.

Model Training
We provide (on-site) trainings to help upskill your people. Trainings can be tailored to your specific needs and requirements.

Creating the right tool to support you in your executive decision making process
A typical Model Build process is structured in different phases

<table>
<thead>
<tr>
<th>Scope</th>
<th>Specify</th>
<th>Design</th>
<th>Build</th>
<th>Test</th>
<th>Handover</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key question to answer</strong></td>
<td>What is the goal and purpose of the model?</td>
<td>What modelling solution is needed to make the model “fit for purpose”?</td>
<td>How will the model structure fit into the organisation?</td>
<td>How can we efficiently and effectively build and implement the model solution?</td>
<td>Does the model adhere to the standards agreed with and expected by you?</td>
</tr>
<tr>
<td><strong>Description of step in process</strong></td>
<td>Scope project management inputs (e.g. timing, outputs, data, complexity etc.)</td>
<td>Write detailed specifications of the model in specification document</td>
<td>Design outline of model (e.g. structure, look and feel, sheet templates, etc.)</td>
<td>Build model with continuous feedback on model, adjust process and specifications if necessary</td>
<td>Testing model for mathematical correctness and ease of use and adjust modelling for feedback</td>
</tr>
<tr>
<td><strong>Relative time indication</strong></td>
<td>10% of total time spend</td>
<td>10% of total time spend</td>
<td>10% of total time spend</td>
<td>35% of total time spend</td>
<td>15% of total time spend</td>
</tr>
<tr>
<td><strong>How we work together</strong></td>
<td>Together decide on the scope of our work and the model that it is to be build</td>
<td>Interactive discussions and workshops will be the basis for the specification document</td>
<td>Align with your “house style” format, data management systems and preferred way of working</td>
<td>Continuous feedback loop, if desired, model build can be in close cooperation</td>
<td>Test model on ease of use and adherence to standard or expected by PwC</td>
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A model build project is an interactive process where intensive upfront engagement with you is key for a successful implementation of the financial model in a later stage.

Best practices to build models

- **Structured**: A model is structured in a robust, logical way to convert inputs into a reasonable set of financial forecasts.
- **Enable decision support**: A model should be a tool to support decision making of our clients.
- **Flexible and easy to use**: A model should be flexible with the ability to adjust inputs dynamically and perform sensitivities and scenarios.
- **Capture key drivers**: A model should capture key drivers to arrive at the outputs required by the users.

Link to the PwC Modelling page
Link to the Modelling Guidelines
A typical Model Review ensures models are reliable and robust and involves multiple iterations.

- Reliance on review methodology and procedures
- Non-technical considerations and discussions

- Full review of model mechanics with additional focus on commercial considerations, data quality and reliance of model outcomes

- Answer key questions
  - Do our review procedures give rise to concern on the integrity of the model?
  - Is the model the best tool to answer the question of our client?
  - Can you trust on the outcomes of the model, given correctness of data inputs and interpretation?

- A targeted, fast and cost effective review approach prioritising the high-risk and high-complexity sections of the model

- Assess error vulnerability
- Unlock new insights

### Table: Model Review vs Model Health Check

<table>
<thead>
<tr>
<th>Service</th>
<th>Risk focus</th>
<th>Model integrity</th>
<th>Commercial considerations</th>
<th>Deal considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model Review</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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<tr>
<td>Model Health Check</td>
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</tbody>
</table>

- Formula review
- Numeracy & best practice assessment
- Visualisation and other executive reporting
- Test speed and performance of model
- Non-linear and (in)direct cost breakdown
- Scenario and sensitivity analysis
- Impact of the reform on profit and cash
- Key profit drivers
- Comparable peers, industry and market indicators
- Variance in P&L trends
- Key performance metrics
- Stabilisation vs acquisition view
- Strategic and sector driven observations
- DCF Discounted Cash Flow valuation
- Deal structure: asset vs. stock
- Synergy prioritisation and clarification
- Risk drivers of value

- Assess error vulnerability
- Understand the likelihood of error and identify opportunities to reduce it through best practices
- Unlock new insights
- Demystify a model’s logic and flow, unlocking meaningful insights and perspectives
- Answer key questions
  - Are key calculations working properly?
  - Is it fit-for-purpose? Too complex? Not complex enough?
  - Am I missing any important commercial considerations?

- Full review of model mechanics with additional focus on commercial considerations, data quality and reliance of model outcomes

- Answer key questions
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  - Is the model the best tool to answer the question of our client?
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We help improve your teams’ core modelling skills through modelling trainings and workshops

Development of core modelling skills
We can add to your in-house expertise by creating centres of modelling excellence within your organisation, enhancing the modelling and analytical skills and establishing your modelling standards and best practices. Trainings can be tailored to the level of skill and experience available in the team and desired by you, either in-house, on-site or virtual in both Dutch and English.

Development of modelling skills through training will increase reliability of models and efficiency of your team and can be a starting point for new business opportunities.

Modelling expertise
Vast experience in building and reviewing (financial) models both in deal situations as in “business-as-usual” context, which we can leverage when facilitating trainings and workshops to your finance staff.

Sector knowledge
Technical modelling expertise can be brought together with deep sector knowledge through our broad network of industry experts, understanding key value drivers and topics concerning your industry.

PwC academy
Well established educational methods developed by our internal PwC Academy to provide engaging, insightful and meaningful workshops and learning materials.

Experience
An experienced Amsterdam based international team with extensive modelling knowledge gained in serving a wide range of companies, offering practical insights gained in successfully finalised projects.

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Development of core modelling skills

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We have a dedicated team of modelling specialists and other (deal) advisors at your disposal.

**Key contacts**

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