Global PMI Partners

Acquisition, Integration and Carve-out Specialists

The Art of Successfully Delivering M&A Value

2021 Survey

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Foreword

We are delighted to present the findings and insights from our annual M&A survey. There is no question that it has been a mixed year for M&A across most industry sectors, as businesses have been dealing with, and then responding to, the pandemic shock. Rapid shifts to new, remote ways of working have of course been accommodated, not just for cross-border deal making, but also domestic. This has perhaps accelerated an underlying trend, as the need for travel reduces, encouraged by the more intense focus on the ESG agenda.

We have found, though, that the fundamentals of completing successful M&A projects have not changed. Not just to the art of getting the deals done, notably in diligence phase, but most importantly, the recognition from senior executives and M&A practitioners alike that increased investment and capabilities to plan and deliver the value of their deals post-signing is paying dividends.

Our survey report looks at each stage of the deal lifecycle, drawing on the wealth of M&A experience of respondents from all industry sectors and business functions, M&A roles, levels of seniority and of course geographical base. Key insights have been developed from successful M&A projects and focus on those areas deemed to be most significant to underpin the reliable delivery of value.

At Global PMI Partners, we continue to strive to be at the forefront of thinking to help our clients continually deliver great M&A projects and our views resonate with our survey respondents in our concluding section on those areas that still need improvement to further enhance chances of M&A success.

Our thanks to all survey respondents, contributors and the team that has produced the report.

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Executive Summary

Key Insights 1

1 Success Factors

Early clarity on governance, a focus on execution, investment in planning pre-closing, a clear project structure/team, realistic and proactive resourcing with expert practitioners, as well as rapid mobilisation are success factors underpinning deal value delivery.

2 Programmatic Approach

Savvy acquirers use a programmatic approach and repeatable methodology through playbooks, managed by a high performing integration management office creating multiple planning documents before closing to deliver deal value.

3 Organisational Clarity

Deal value drivers and the challenges to deliver them in M&A integration includes a focus on synergy validation and tracking by operational, as well as deal teams, effective team building across organisations and functions, with clear end-state definition and transition planning.

4 Operational Due Diligence

Effective operational Due Diligence covering a more diverse and comprehensive range of areas, in addition to financial, legal and commercial, significantly increases transaction success.
Page 13

5 Planning and Comms

Key areas of improvements in future transactions are integration planning, communications, M&A capabilities, KPIs, synergy management, and end-state definition / transition.
Page 32

6 Execution Focus

Areas of improvement identified across all stages of the deal lifecycle to achieve greater chance of success, with 76% seeing the need in integration planning and execution phases.
Page 31

7 Leadership and Culture

Strong emphasis and focus on leadership, people and culture is important to 76% of respondents.
Pages 29, 30

8 Synergy Validation

Effective synergy identification, validation and tracking increases transaction success rates.
Pages 26, 27

9 Carve-out Capability

Carve-outs deemed unsuccessful were in part due to the unexpected additional costs of carving-out, standing up or separating the business.
Page 8

10 Value Driver Focus

The most successful acquisition deal rationales are: increased market share, geographical expansion and enhancing value propositions.
Page 7

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Executive Summary

Key Insights 2

11 Effective IMO

Establishing Integration Management Offices (IMOs) pre-close increases transaction success.
Page 18

12 Capability Investment

The most successful deals scoring 4 or more (out of 5) implemented a broad mix of capability and capacity levers, including existing experienced staff, external consultants and training team members.
Page 21

13 Repeatable Playbooks

Having an integration playbook in place increases deal success rates and result in enhanced future expectations of deal value delivery.
Pages 23, 24

14 Comprehensive Planning

Comprehensive integration planning documents, completed early, that triangulate many aspects of the deal increases success rates in execution.
Pages 17, 25

15 Early Mobilisation

66% of IMOs were setup by pre-signing, 59% created cross-functional teams or workstreams.
Pages 18, 19, 20

16 Cross-border Ability

Cross-border deals with more than two countries involved have lower success rates than those with just two countries.
Pages 9, 10

17 Risk Management

Emerging markets will be increasingly in focus in future deals and require new capabilities for the buyer.
Page 9

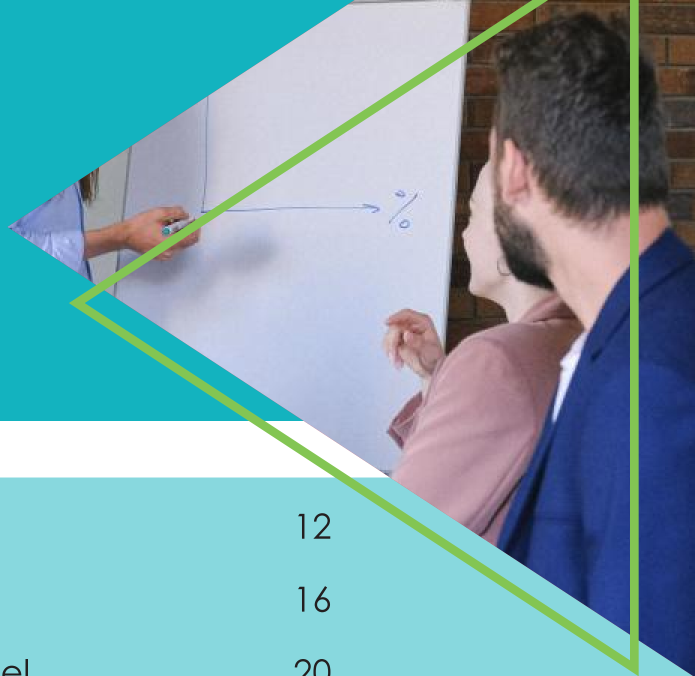
18 Future M&A Confidence

85% of respondents indicated a high degree of confidence in future transaction success, reflecting the increased investments made in M&A capabilities.
Pages 33, 34

Contents

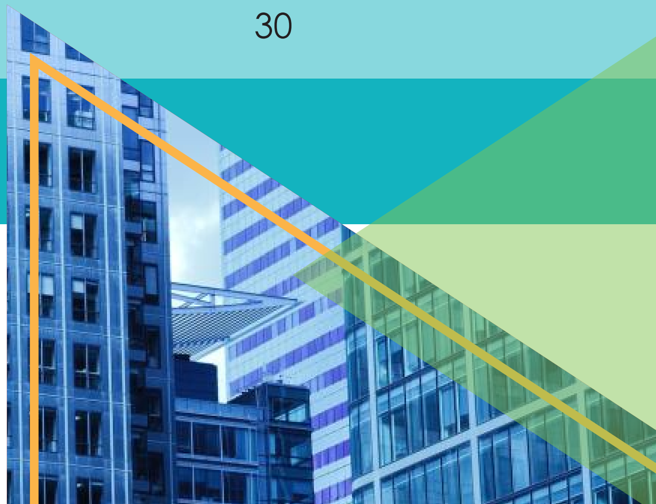
"Mergers, acquisitions and divestments always heat up the management atmosphere. There is so much to do at once and so much at stake, it is crucial to proceed with a clear sense of priorities, and this calls for a carefully structured approach."

- Chris Charlton, UK Managing Partner, GPMIP



Report

Insights



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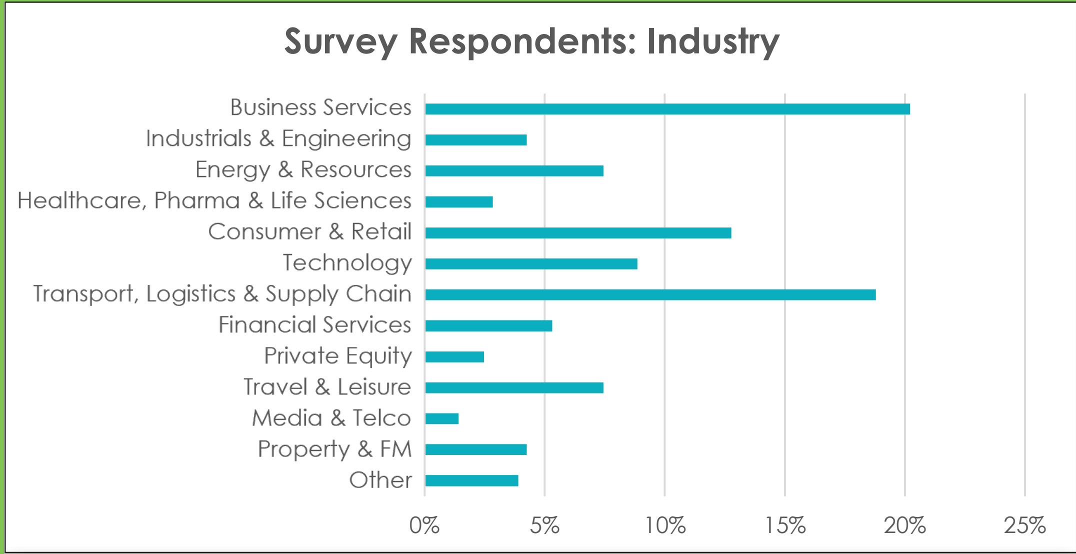
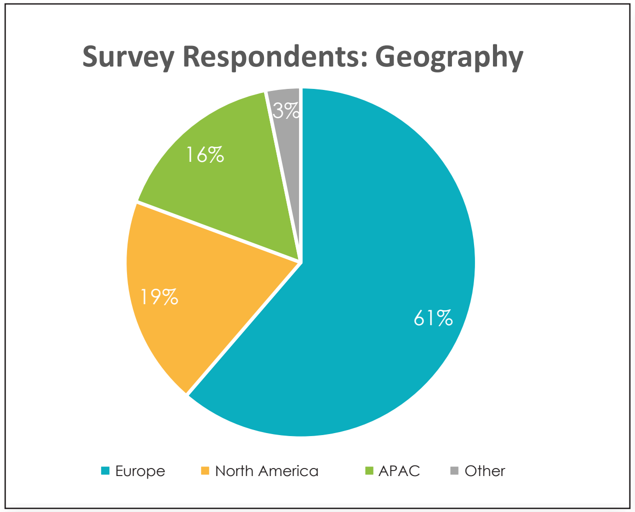
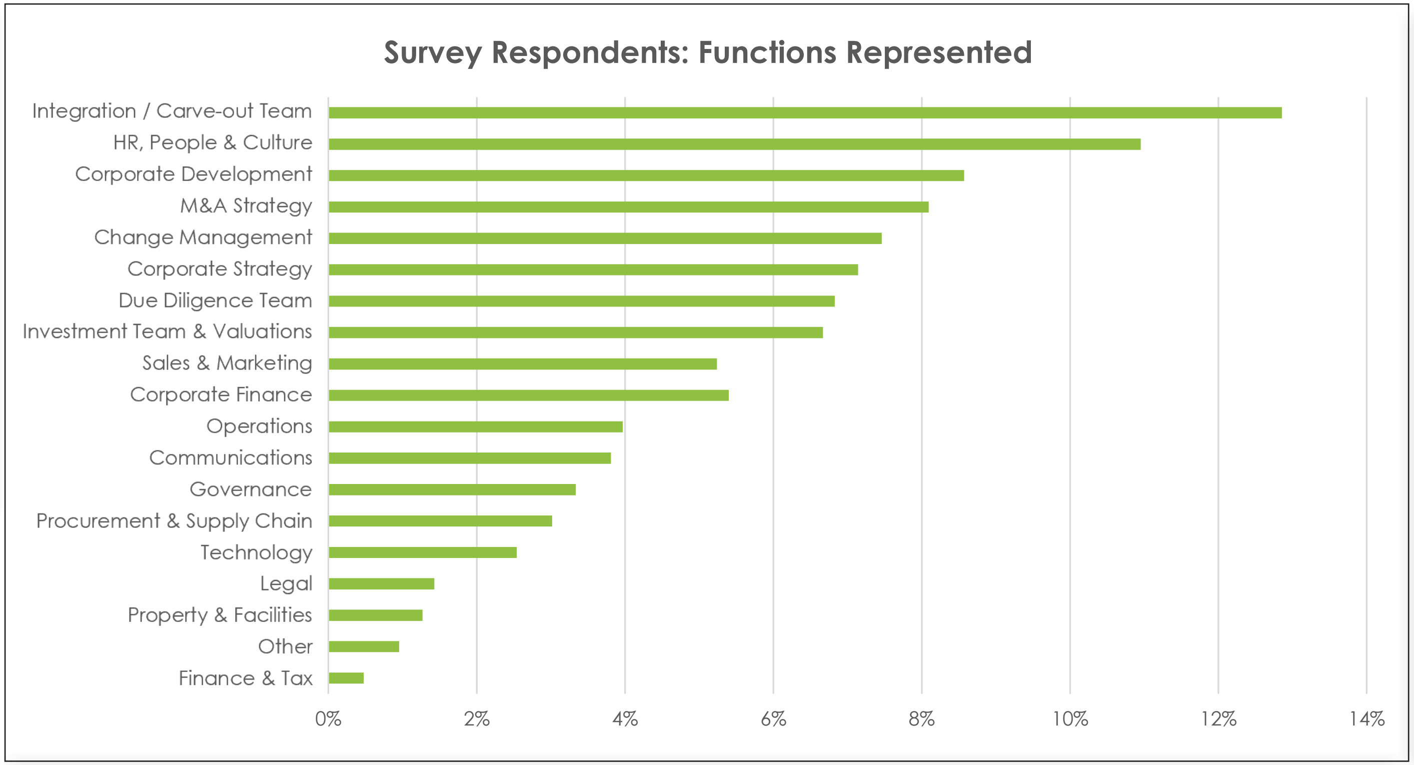
Demographics: About Our Survey Respondents

Our survey respondents represent a cross-section of senior leaders and experienced practitioners from across all industry sectors. Supported by a wide cross-section of viewpoints from across the deal lifecycle, all core business functions were represented, with 19% from senior exec teams, 66% from deal and integration teams as well as a mix of relevant perspectives from small, medium and large companies. A large amount of collective M&A experience across all respondents, with more than 60% having experience of over 10 deals, while all scales of M&A deal are represented in our survey, from 10s of people to 50,000+.





Note: This is the physical geography of the respondent rather than the HQ geography of the businesses they represent



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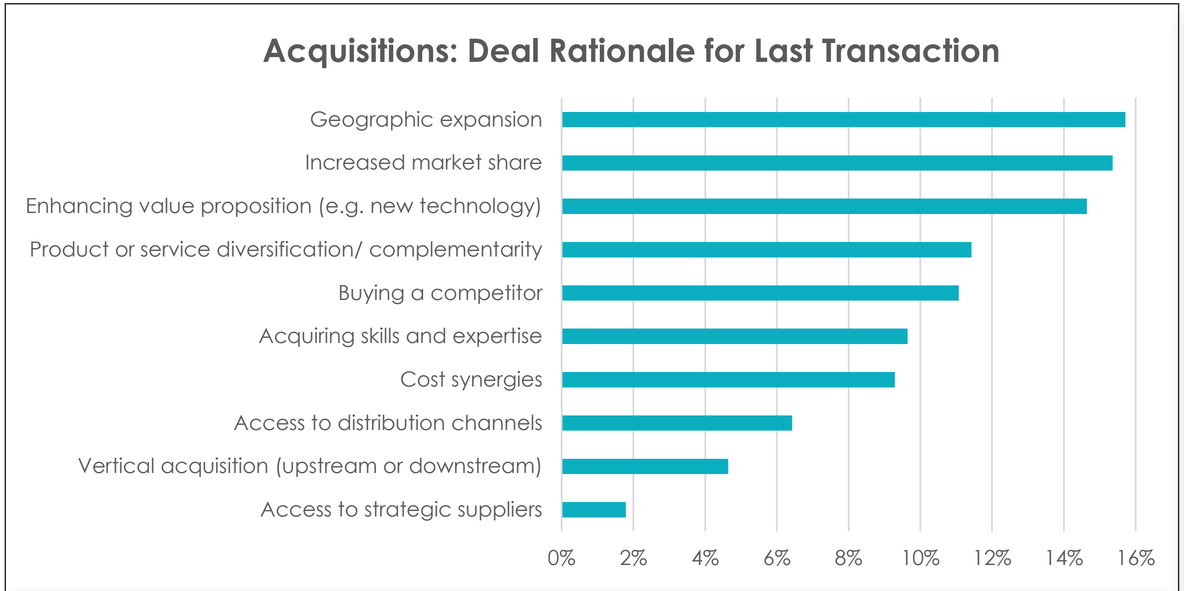
Deal Rationale: Acquisitions

The most successful acquirers establish a clear deal rationale that is documented and communicated to all stakeholders and becomes embedded in the planning of their M&A projects, helping to define relevant workstreams, their scope, and the composition of their project teams.

This sets the tone for developing a coherent and realistic integration strategy and target operating model for the newly combined business, even if the target is to remain standalone. KPIs and objectives are set, communicated, and measured during the integration project and beyond. If sufficient progress can be made with integration planning and synergy validation between signing and close, value can be realised from Day 1.



+ 72% of geographic expansion deals were considered successful, providing there was sufficient understanding of local language, culture and market

+ 70% of deals aimed at increasing market share were considered successful, whether through cross-sell strategies, clear targets for newly combined sales teams and/or buying competitors

+ 15% of deals added new lines of business, new products or new technologies

+ Whilst only 9% of respondents cited cost synergies as part of deal rationale, in nearly all cases, cost synergies were an integral part of M&A projects, but secondary to growth

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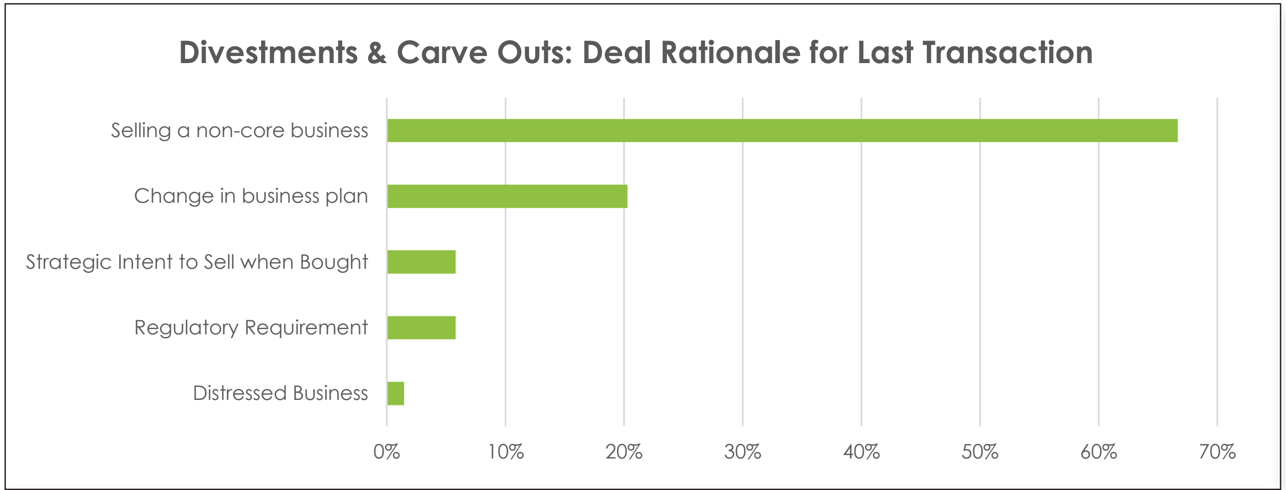
Deal Rationale:
Divestments and Carve-outs

The most successful carve out projects organise in the same structured, programmatic way that the best integrations do. One key ingredient to establish early on is a sufficiently detailed Business Function Process Analysis, which for each process area identifies the people, processes, applications, data, technology, and 3rd party suppliers required to operate standalone.

This assists in the identification of likely key Transitional Service Agreements (TSA) requirements, depending on the integration strategy of the acquirer, as well as enabling clarity of carve-out ringfencing and the prioritisation of all the functionally aligned separation projects to deliver. Data migration and Day 1 requirements are key in most carve-outs to be able to cut over from seller to buyer or to exit TSAs.



- The most successful sellers usually follow an end-to-end process, incorporating every activity from defining the divestiture strategy, selecting, and preparing the asset for sale (including for example separation to standalone), and dealing with the post-close clean-up after the asset has been sold, including applicable TSA exits
- Those deemed less successful were in part due to the unexpected high costs of carving out or separating the businesses and/or lower than anticipated valuations
- Understanding the likely strategy and intentions of likely buyers, whether they be strategic, financial, or considering an IPO, was a key influencer that shapes the scope, focus and approach to divestment projects

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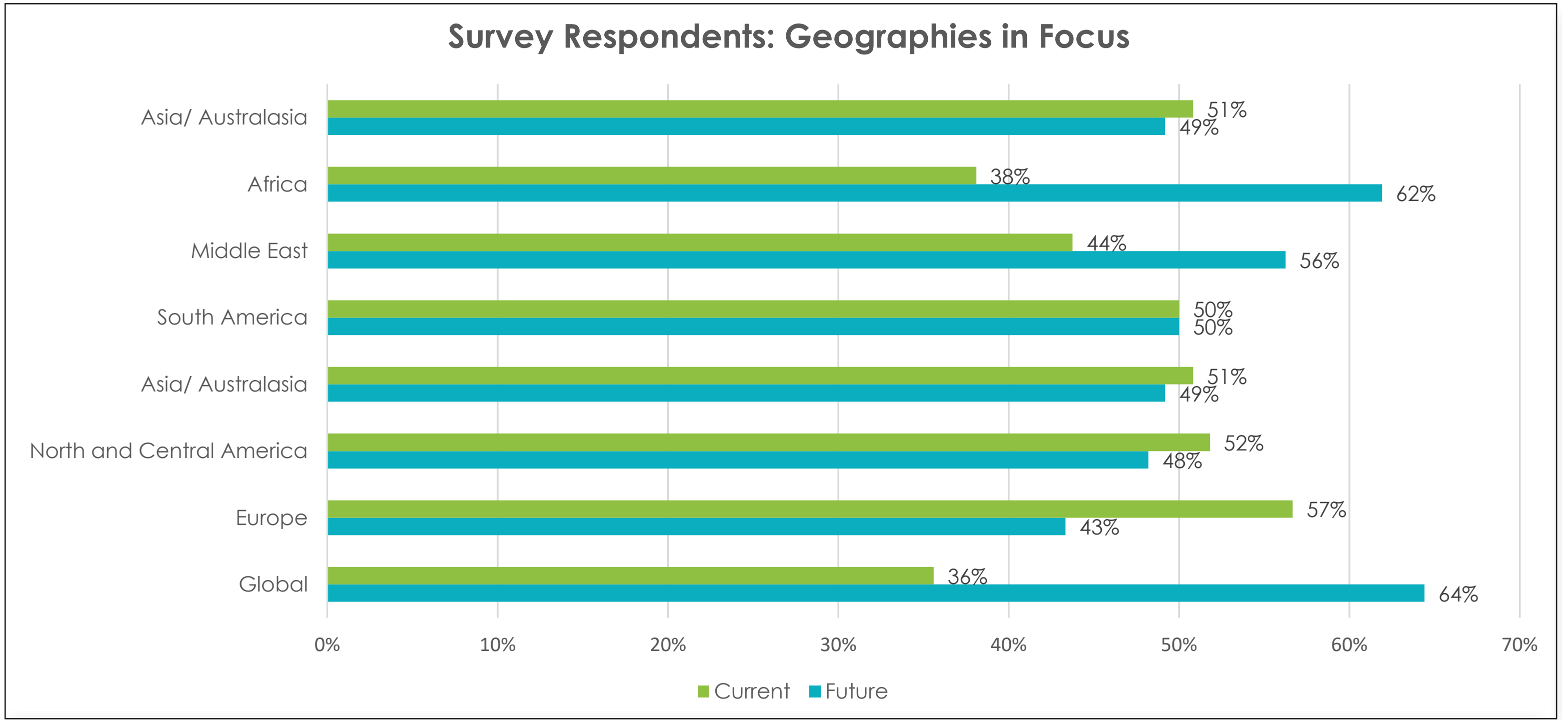
Deal Geographies

M&A and Post-Merger Integration in emerging markets will require enhanced cross-border execution capabilities as well as robust legal and cultural capabilities to navigate unique market conditions and dynamics. Transaction rationales are expected to be predominately geographical expansion and increased market share to serve the market through a direct channel or service organisation. Post-Merger Integration projects need to adjust communication, project stand up and pace by using minimum effective dose and allow for relationship building, expectation setting, describing the integration journey and milestones at project start. Risk management is key to ensure success by avoiding project stalls due to unforeseen issues.



+ Deal focus in Europe, North and Central America is declining in future
+ Increased future deal focus in Africa and Middle East brings additional challenges, such as geopolitical stability, governance, difficulties in Due Diligence, communications, expectations setting and risk management

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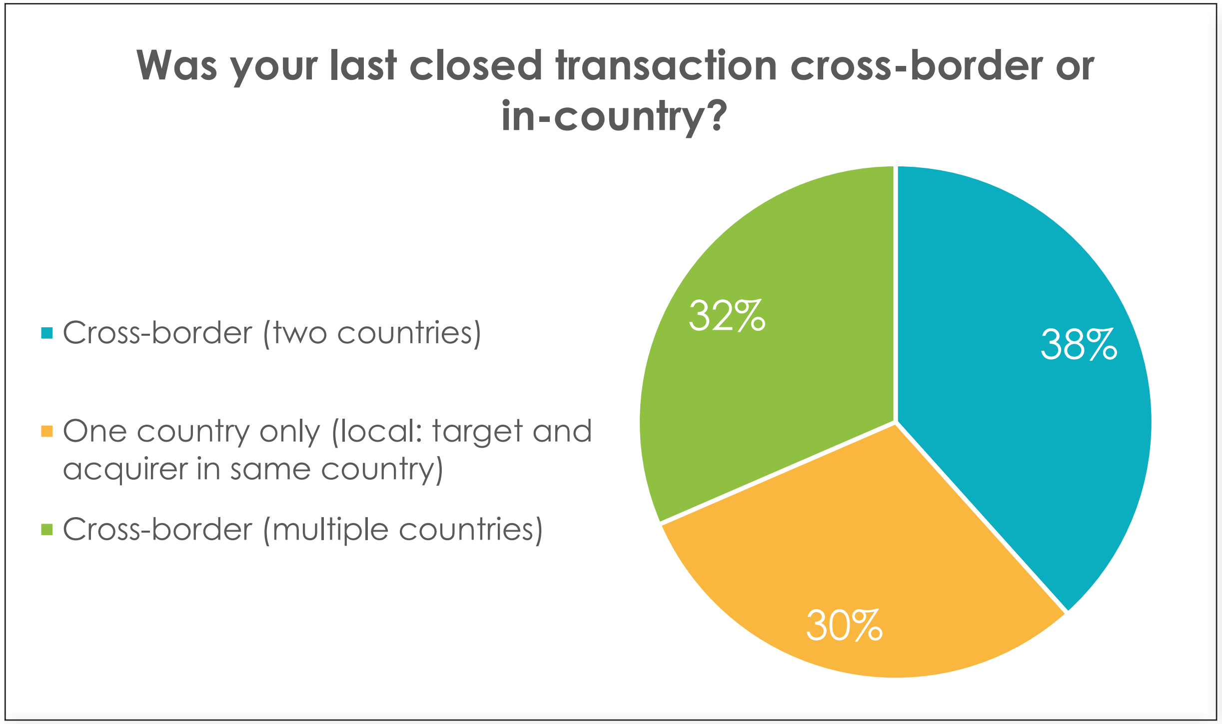
Cross-border Transactions

Deals involving multiple geographies and industry sectors introduce a significant level of risk that requires analysis, mitigation and support. Transactions in multiple countries often introduce cultural, change management and more complex operational integration challenges which may require more time in value realisation. In our experience, most cross-border deals involving two countries are with neighbouring countries, where there are significant business and cultural experiences resulting in a higher success rate.
The further from "home market" the higher are the risks.

- Cross-border deals, involving two countries, have the highest average success score in achieving deal rationale (3.9/5), while cross-border, multiple countries, have the lowest success score (3.5/5)
- Businesses conducting deals in one country operate in an average 2 industry sectors, while those conducting deals in two countries or more operate in an average 3.7 industry sectors

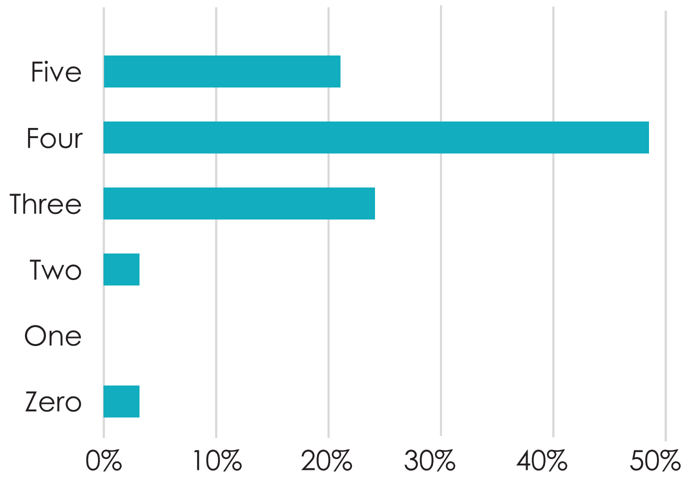


Success Factors: Last Transaction

Perceptions about success in transactions varies significantly over time and we know that not all deals deliver the anticipated value that investors and management teams had hoped for. Considerable investments in M&A capabilities and resources, both during the deal phase and crucially, in planning and execution phases, are significantly increasing the likelihood that well-governed M&A projects can reliably deliver successful integrations, carve outs and divestments.

Critical focus areas underpinning perceived success rates included: reliable operational, as well as financial and commercial diligence; people and culture; communications; effective planning and risk management, linked to deal value drivers, synergies, business objectives and other KPIs; clarity of future state target operating model design; and high-performance project delivery teams, with sufficient bandwidth and change management capability to execute plans without disrupting business as usual.

How successful was your last transaction in achieving its deal rationale? (0 = not successful, 5 = very successful)



- Nearly 70% of respondents considered their last transaction successful (scoring 4 or more)
- All deals that covered 10 or more areas in their Due Diligence scored 4 or more in their transaction success (see diligence findings for more detail)
- Companies that established a professional Integration Management Office (IMO) pre-close – or already had one in place – were more likely to have successful acquisition deals than those that were established after signing (4.1 vs 3.1 out of 5)
- 75% of respondents considered the key areas of improvement in M&A projects were in the post-diligence phases (see areas for improvement findings on Pages 31-32)

INSIGHT: SUCCESS FACTORS

Due Diligence

Understanding transition cost

Execution

Culture

Understanding

Leadership alignment

End State

IMO/ CMO approach

Integration planning

Governance

Business Process integration

Understanding Day 1 requirements

Target operating model

Retaining key staff

Trust

Empowered line management

Synergy value creation

Integration Readiness

Integration Strategy/Tactics

Communication

Leading practices

Strategy

Pre-planning

Knowledge transfer

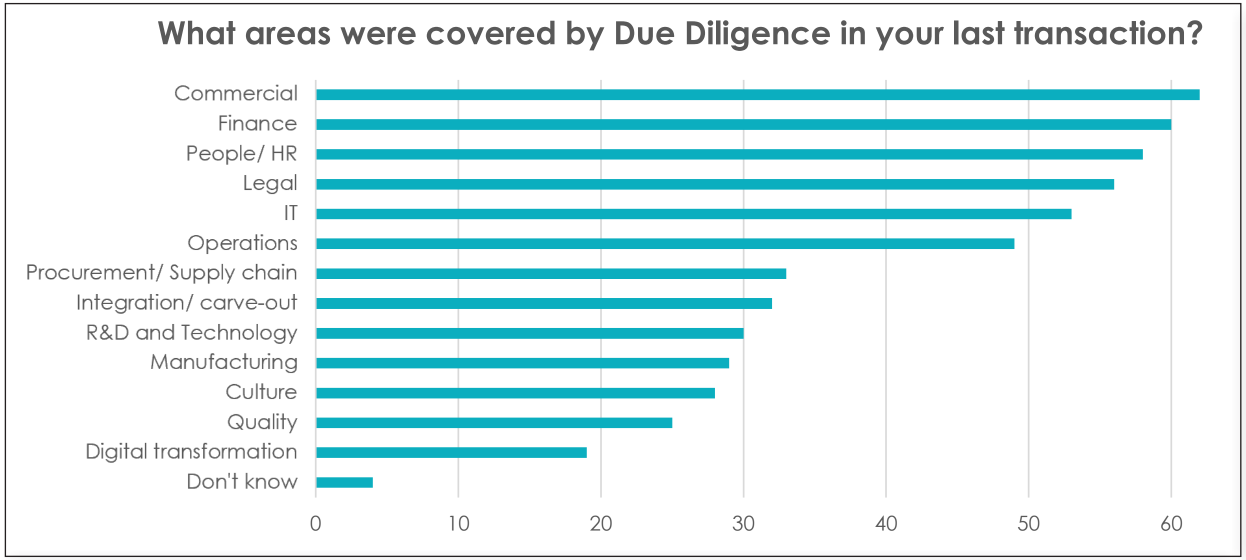
Change

Understanding transition cost

Relationship building

Due Diligence: Focus Areas

Robust and extensive diligence helps mitigate risks and translates to a better outcome in delivering the deal thesis. A broad scope that engages most business functions leads to an early understanding of and the ability to influence and optimise deal parameters and a successful integration journey ahead. Deals and business models have, to some extent, evolved to become more complex, with increasing use of advanced technologies. To increase predictability and agility, businesses are involving more comprehensive diligence teams, who can deliver the required analysis in shorter timeframes. Enhanced Virtual Data Room functionality is enabling the engagement of these wider teams without logistics or project management issues.



- All deals that covered 10 or more areas in their Due Diligence scored 4 or more in their transaction success
- Deals that covered between 5 and 9 areas in their Due Diligence had an average success score of 4.0 (out of 5)
- Deals that covered 4 or less areas in their Due Diligence had an average success score of 3.1 (out of 5)
- Less than a third of all deals factored integration (or carve-out) into their Due Diligence (32%)

Comments from respondents:

"Integration and related transition issues are the key to recovering synergies priced into the transaction."

"Previously, the focus in acquisitions was on finding the good strategic fit. Recently, the emphasis has shifted to the acquisition process, especially the integration phase."

"A low score for culture diligence is often a function of acquiring management teams not knowing how to assess and analyse culture."

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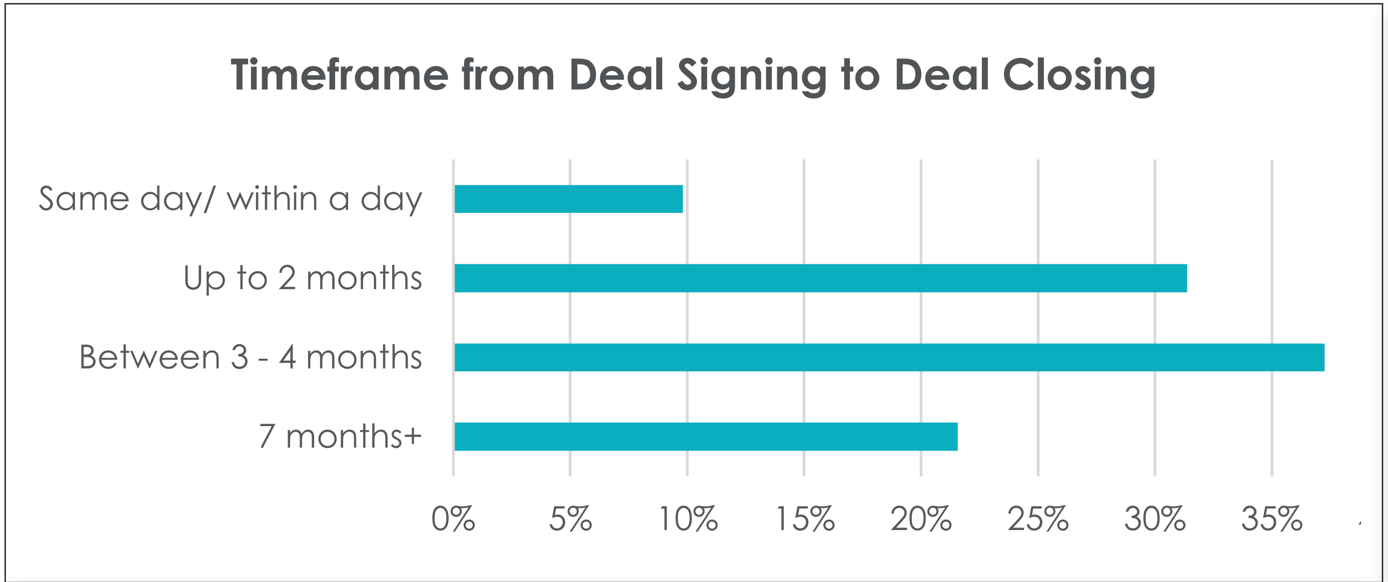
Integration Planning: Timeline Expectations

Timeline from Deal Signing to Deal Closing

Inevitably, the timeframe from signing to close is driven by financing requirements, regulatory approval and conditions of close in the Share Purchase Agreement (SPA), with 68% of deals achieving this within 4 months. This timeframe creates a fixed timeline to ensure effective Day 1 readiness planning and preparation, whilst making as much progress with integration planning as possible pre-close to provide a fast start to execution post Day 1. This means the integration team typically needs to be mobilising before signing, working alongside the deal team.

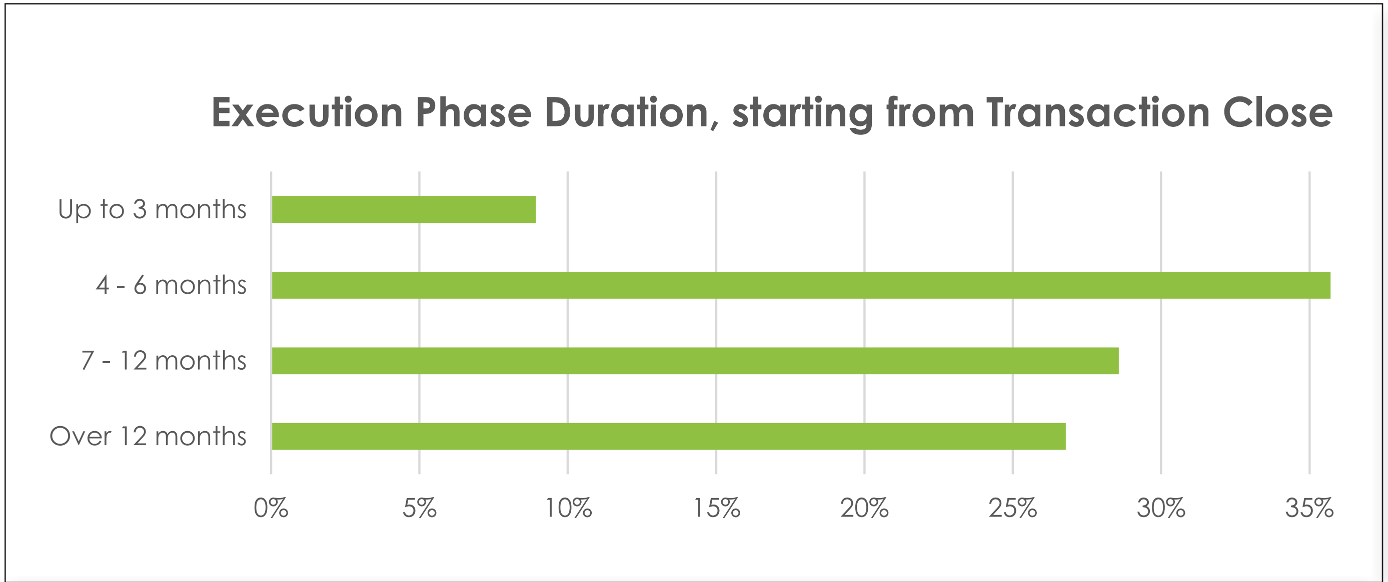


Whilst there may be competition compliance restrictions in place during any regulatory approval proceedings in this period, there is usually much more progress that can be made than is often anticipated. Day 1 and integration planning can achieve significant progress through providing clear guidelines, gun-jumping rules, clean teams, legal oversight and processes. Also, it allows for relationship building and alignment between acquirer and target before Day 1. Simultaneous sign-and-close scenarios require more intense preparation regimen starting at Letter of Intent (LOI).

Integration Planning: Timeline Expectations

Execution Phase Duration, starting from Transaction Close

Naturally, as the complexity and scale of transactions rise, so do expectations about the timeline required to complete the execution phase. Clarity of focus in the first three months frequently enables a faster overall execution phase. Early decisions and alignment around issues such as new combined leadership team, operating model, organisation design, key staff retention, enabling revenue synergies early, cost synergy validation, and functional integration roadmaps aligned to integration strategy are essential.



Workstreams that typically take longer to deliver such as IT, product technology, HR and finance can in some cases be handed back to business as usual to complete rather than retaining a full integration programme structure for longer than is necessary. Periodic evaluations of what tranches of work can be expedited more quickly can accelerate value capture (many original timeline expectations can be conservative).

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INSIGHT: KEY PHASES OF INTEGRATIONS

Early key phases of integration will be driven by the transaction timeline, such as signing and closing dates, including conditions of close such as antitrust clearance and TSA agreements. Later phases are driven by Integration Strategy.

LoI	Signing (Day 0)	Close (Day 1)	Wave 1 Complete e.g. Market Synergy Commitment	Execution complete
Phase 0: **DEAL** Commitment to Acquire	Phase 1 (c.1-3 mths): **PRE-CLOSE PLANNING** Preparing for Integration	Phase 2 (c.3-6 mths): **WAVE 1 (CORE) INTEGRATION** Priority Integration Execution	Phase 3 (c.6-18 mths): **WAVE 2 INTEGRATION** Finalise Delivery in BAU	

Deal commitment

- Due diligence
- Stakeholder discussions
- Leadership alignment
- Transaction financing
- SPA signing
- TSA framework
- Public Announcement
- High level Business Vision'
- High level TOM
- Integration Strategy
- Synergy Model
- Cost Model
- Signing Comms
- Deal Team transition to Integration Team

Two companies thinking ahead and planning:

- Getting to know each other; aligning stakeholders
- Anti-trust filing and obtain clearance
- Identifying and mobilising the integration team
- Day 1 readiness planning to ensure seamless running of the new combined business
- Establishing key success criteria (clarity on the non-negotiables)
- Integration programme definition, including governance, IMO process and cadence
- Prep communications strategy and plan
- Integration workstream planning
- Mapping key inter-dependencies
- Detailed functional TOMs
- Roadmap to achieve the desired end state business and functional operating models

One Company, working fully together:

- Clear corporate governance and leadership
- Operational stability in the business
- Customer and talent retention
- Finalising the detailed integration roadmap and plan
- Delivering the integration plan as a combined team, staying focused on the right priorities
- Realising the benefits from the deal, as laid out in clearly allocated and validated growth, synergy targets and other KPIs
- Sharing successes and building the foundations for future growth
- Becoming the new envisioned, combined company as quickly as possible
- Building enhanced delivery capabilities which can be deployed again in the future

Driving the future beyond integration:

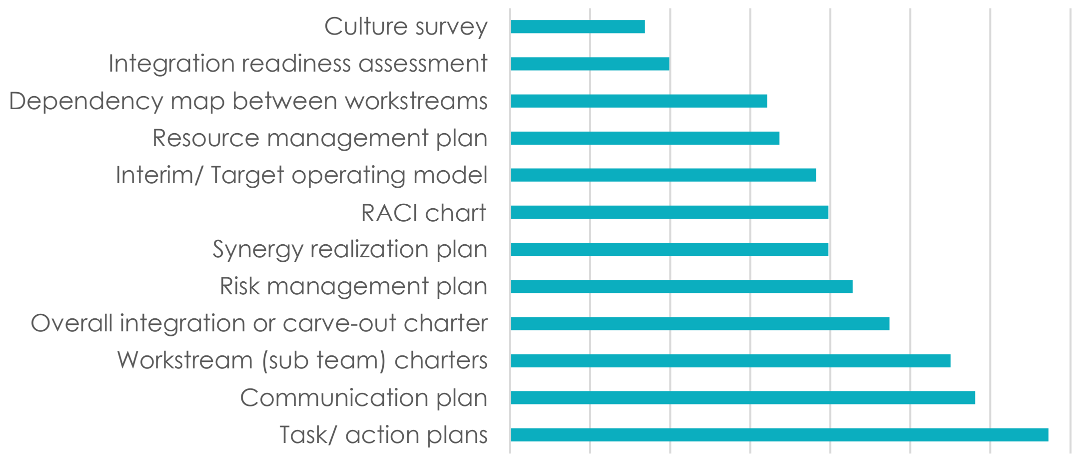
- The combined organisation has normalised
- Revenue synergies are being realised
- Opex & Capex cost synergies are being re-invested for future growth and success
- Execution is complete when full integration benefits have been realised (e.g. Synergy Target is 100%)
- Workstream Transition to BAU - some of the more complex integration workstream projects (e.g. IT) may take more time to deliver, but can be run like any other BAU project, rather than continuing under the auspices of a formal 'Integration Programme'
- The combined business can look forward with optimism and look back with pride
- The integration team are enjoying their next adventures and challenges
- Lessons learned are being fed back into the next deal and other key change projects

Integration Planning: Documents Used in Last Closed Transaction

What gets planned, gets done. What is not planned is not important. It is that simple. The most successful acquirers and successful M&A projects do comprehensive planning early based on deal value drivers, continuously building understanding in an agile way and track delivery performance against the plan throughout execution.

All these planning areas need to be addressed during an integration whether you put a plan together or not. Without a plan, there can be difficulties in stakeholder alignment which could cause friction. Locking down deliverables helps reduce uncertainty for the target, avoids misunderstanding, firefighting and time spent in debating details.

Which planning documents were developed?



Planning documents:

- Of plans made most do task/action, communication, charters (sub-project specifications) and risk plans as part of the overall integration plan
- Creating interim or target operating models are important if core processes and IT applications are to be integrated
- Creating a resource management plan early reduces loss of time, momentum and unnecessary handovers between team members
- Culture surveys, integration readiness assessments, dependency mapping and resource management were used less frequently

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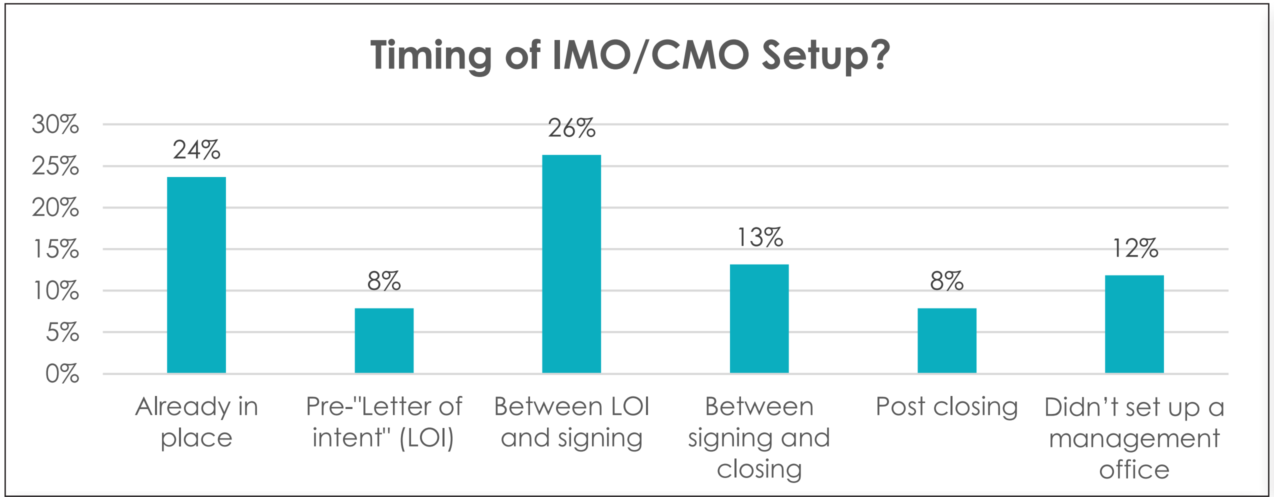
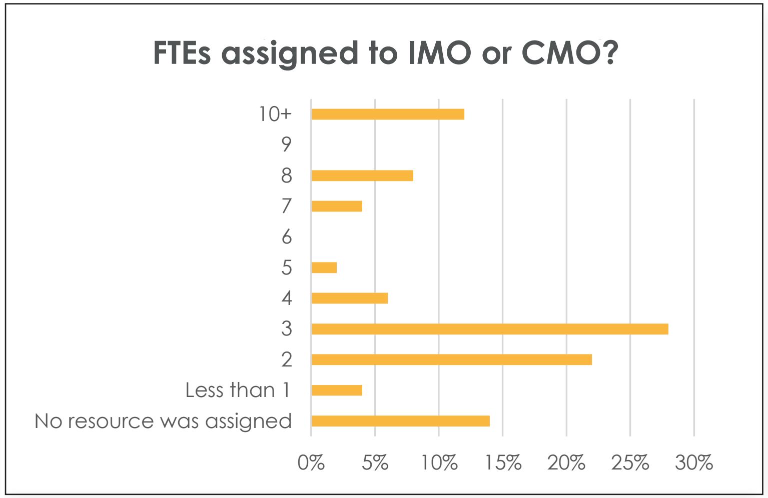
Integration Planning: Management Office Standup and Timing

Timing of Management Office stand up and mobilisation are partly dependent on probability of transaction, i.e. exclusivity vs auction/ public bid, deal size and deal experience of acquirer. We found that 75% of the deals used an integration management office and 80% of the most successful deals. A general rule is to stand up, resource and mobilise early for significant, complex and first-time acquisitions.

Typically an integration project lead should be named pre-Due Diligence and involved in Due Diligence. A high-level integration plan, Day 1 plan, resource plan, risk analysis, draft budget for the integration should exists when final deal negotiations start. Mobilisation of the integration project team starts after signing by assigning workstream leads, and should be fully mobilised at least one month ahead of Day 1. The size of the IMO/ CMO team in terms of FTEs depends on many parameters; deal size, complexity, risks, deal rationale, synergies management, need for speed, need for top-down analysis, transitional service management, culture and change management.

+ 73% of all deals (and 80% of the most successful deals) used an IMO





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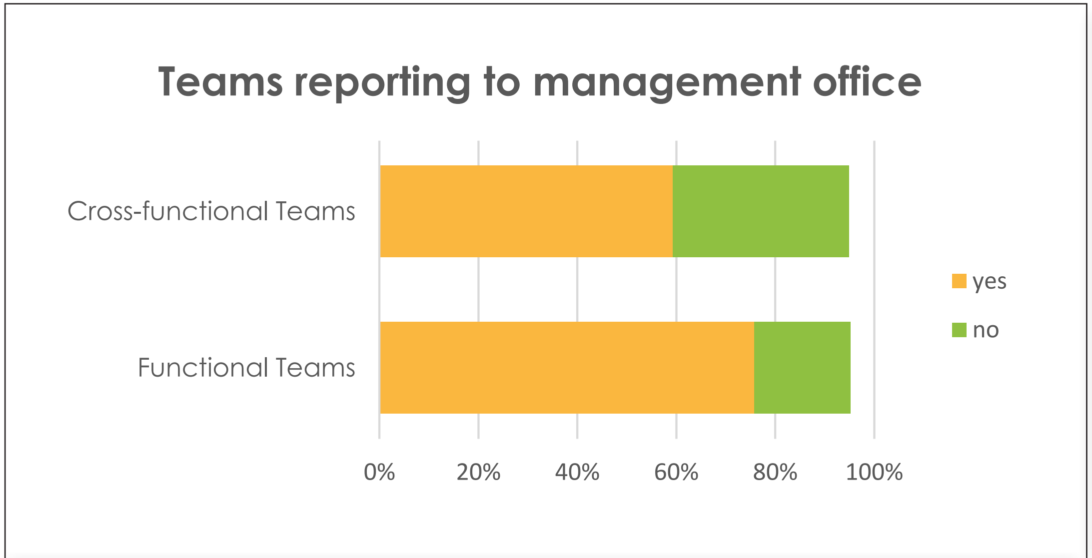
Integration Planning: Workstreams Reporting into Management Office

Smaller and more straightforward acquisitions can be managed through functional teams only (used in 76% of the deals), typically bolt-on or asset acquisitions when the target will be on-boarded into the acquirer's way-of-working, processes and applications.

Working cross-functionally (used in 59% of deals) is needed when core processes, e.g. lead-to-cash, are to be integrated, digitally transformed or there are product/solution/service complexities. Cross-functional teams can also be used for synergy management, culture integration and change management. Also, in managing transitional services in carve-outs. Previous experience and the ability to work cross-functionally increases deal success.



All key workstreams should be identified and scoped during pre-planning, combining a matrix of business functions and geographies, as well as sufficient cross-functional focus to ensure the effective planning and delivery of Day 1 readiness, Synergy Targets and Functional Integration, including people, process, technology and facilities. Integration strategy will determine the precise timing and prioritisation of key aspects of scope and objectives for each workstream captured in charters.

INSIGHT: BEST PRACTICE 4-TIER GOVERNANCE MODEL

During pre-planning, IMO structure and governance should be developed to drive clarity of ownership and accountability to ensure fast and effective decision-making throughout detailed integration planning and execution.

Effective governance will help ensure the deal thesis is reflected in integration tasks, with integration status, cost and synergy tracking reported back to the board through a dedicated SteerCo that is primarily to determine decisions that workstreams in isolation cannot make.

Board
Deal Thesis | Strategy

Steering Committee
Key Decisions | Escalations

Integration Management Office (IMO)
Cadence | Planning | Execution | Monitoring | Control | Synergies | Costs | Communications

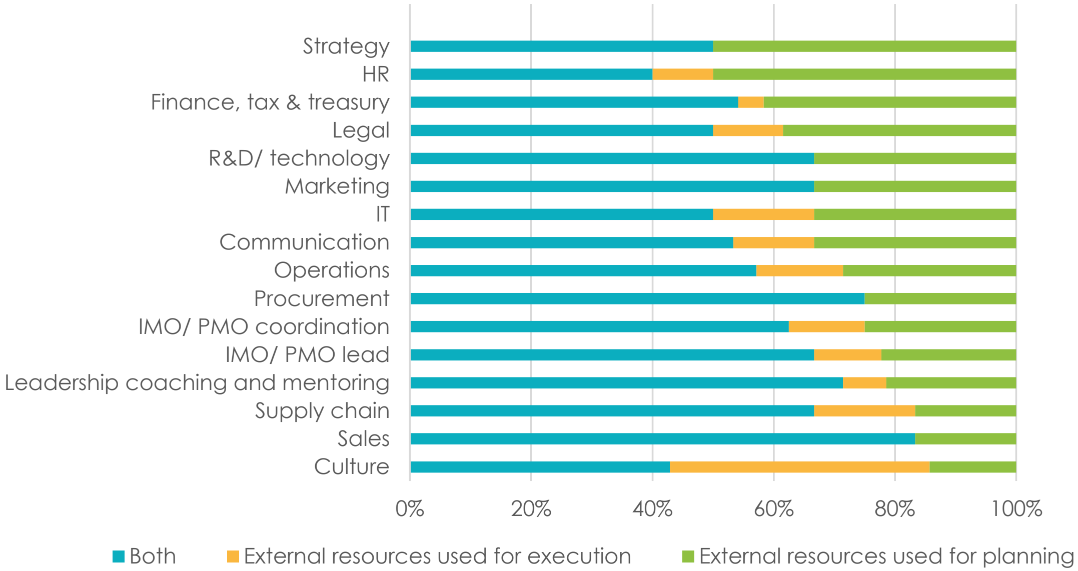
- Strategy and Operating Model
- Communications
- People and Culture
- Marketing
- Sales
- Product
- Manufacturing and Supply Chain
- Operations
- Technology
- Finance, Tax and Procurement
- Business Services
- Legal and Compliance

The IMO is the heartbeat of the integration Team, in turn driving the pace of integration whilst coordinating and prioritising the efforts across all Workstreams, providing seamless air traffic control and situational awareness to inform SteerCo of key decisions required.

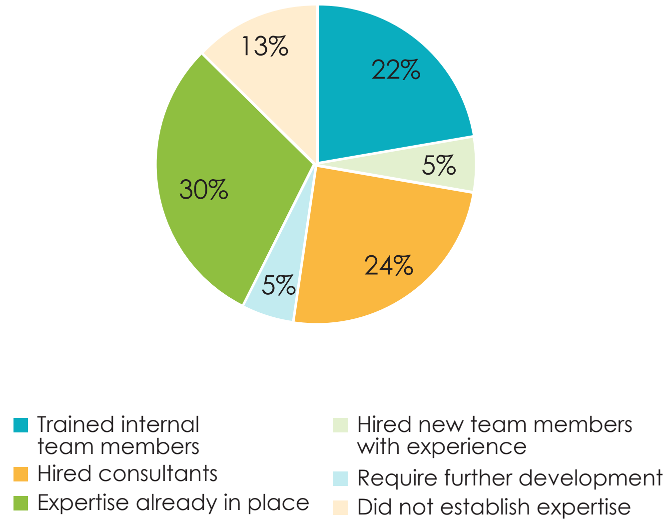
Capability and Capacity 1

The most successful deals scoring 4 or more (out of 5) implemented a broad mix of capability and capacity levers, including a mix of existing experienced staff, external consultants and training team members. Knowledge was transferred across the full deal lifecycle and involved 5 or more functions in the business. A key factor in building internal capabilities is to ensure knowledge transfer by external expertise during the planning and execution.

Which functions involved used external resources (consultants or advisors) in planning and integration?



How did you build full lifecycle M&A skills and experience within your team?



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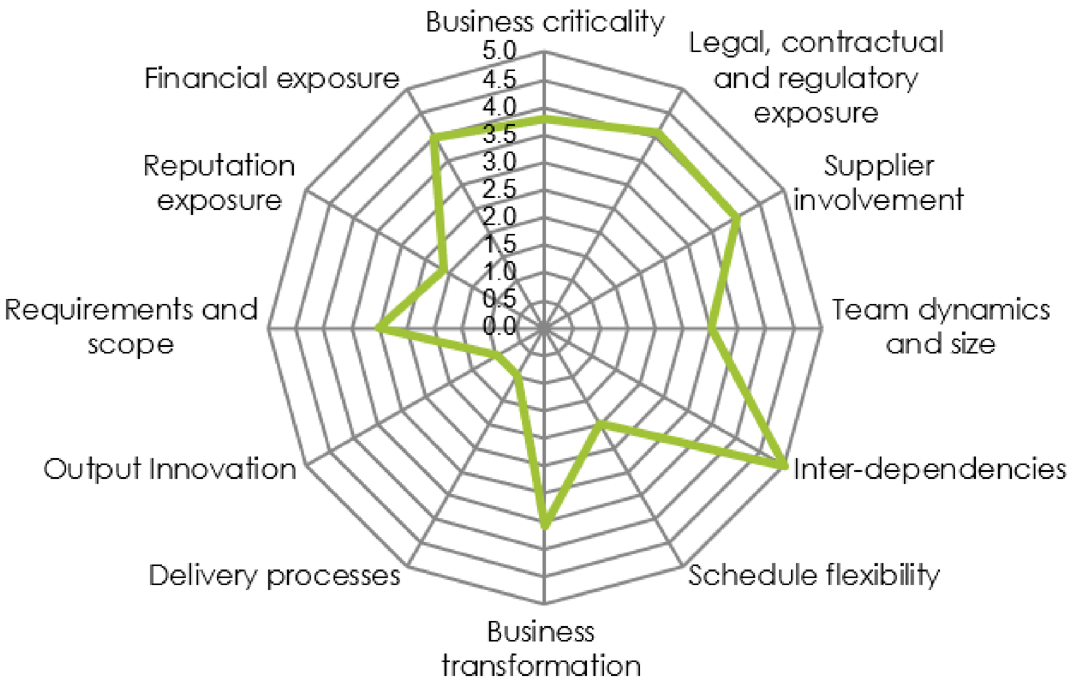
INSIGHT: UNDERSTANDING COMPLEXITY

Complexity is the key to understanding the risk profile and resourcing requirements of your whole M&A project, its constituent workstreams and their prioritised projects that deliver targeted synergies and functional integration. Having a dedicated complexity analysis tool to consistently identify and rank complexity factors can be a key input to determine risk appetite, resourcing requirements, supplier selection and IMO/CMO focus areas.



Sample Complexity Factors	
Delivery	**Strategic Impact**
• Business transformation • Schedule flexibility • Requirements and scope • Output innovation • Delivery processes • Team dynamic and size • Supplier involvement	• Business criticality • Reputational exposure • Financial exposure • Inter-dependencies • Legal, contractual and regulatory exposure

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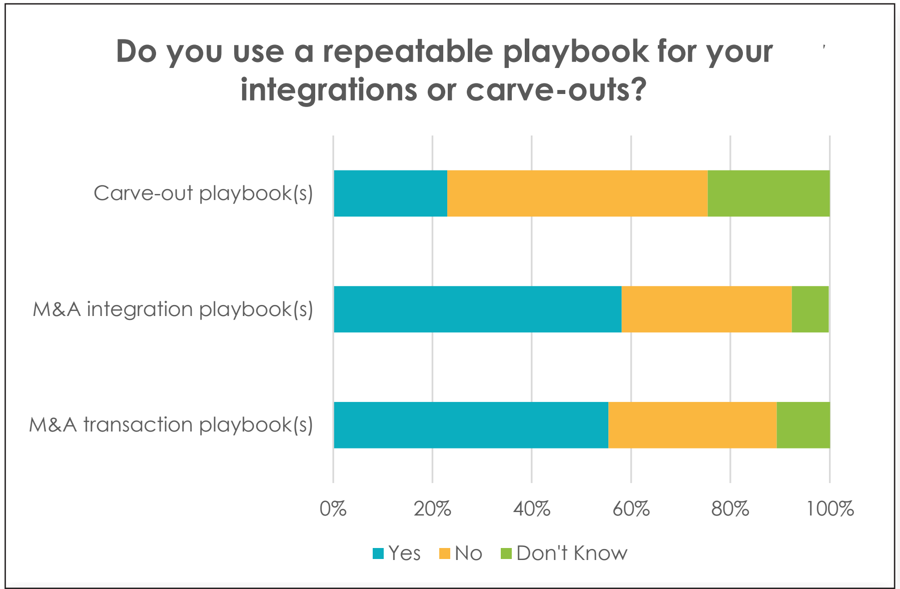
Capability and Capacity 2

Playbooks for business integration started when technology companies used multiple deal rationales, leading to several integration scenarios. To separate the integration scenarios from each other they would be documented in a playbook and given names like "iron out" for cost synergy rationale and "drop & pop" for sales acceleration rationales. That made it clear for the organisation and was easy to communicate. In today's environment, these are used to ensure best practice is transferred and used in a consistent manner, which allows carve-out or integration activities to be streamlined and adapted to suit specific strategic needs such as culture and communication



- Leaders who have integration playbooks in place have seen greater deal success than those who do not (3.7 vs 3.2 out of 5) and have higher expectations for future deal success (4.2 vs 3.9 out of 5)
- Playbooks covering the full M&A lifecycle (transaction and integration) augment skill and internal resource development

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INSIGHT: APPROACH AND METHODOLOGY (PLAYBOOK) OVERVIEW

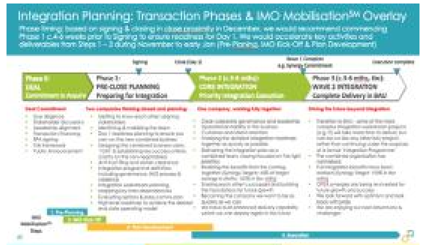
A strong playbook comprises an overall approach with a methodology that includes repeatable process, tools, templates and, crucially, a trained team of capable practitioners who can leverage it to significantly enhance success rates for M&A projects.

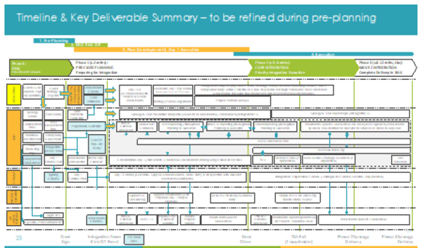
Key aspects of an effective IMO approach is to:

- Work alongside Acquirer and Target executives and integration team members to ensure that integration planning and execution wins hearts and minds across both businesses from Day 1;
- Facilitate an aligned view of vision and business strategy, with clarity of integration objectives, for which a programme of work can be defined to deliver, with a clear set of priorities for the roadmap ahead;
- Monitor that the businesses continue to deliver, and that the integration does not negatively impact business as usual ('BAU');
- Provide integration expertise to support, drive and guide integration planning and execution at all levels;
- Define a governance model for the integration programme (aligned to current corporate governance) that allows speedy decision making regarding operating model, footprint, priorities, quick wins, synergies, resourcing and integration project planning;
- Understand the Acquirer and Target corporate cultures, providing an outline of desired corporate culture and assist the definition of a change management strategy to retain and/or amend key aspects of culture;
- Effectively track, control and adjust delivery performance to ensure that anticipated deal value is realised.

Key aspects of a Methodology and Toolset:

- Clarity of phases and stages that can quickly be streamlined and tailored for unique acquisition or divestment scenarios and preferences.
- Pre-populated, repeatable tools and templates that save time, reduce cost and reduce risk. If they don't add value, remove.
- Continuously updated and enhanced, incorporating feedback and lessons learned from the last M&A project.





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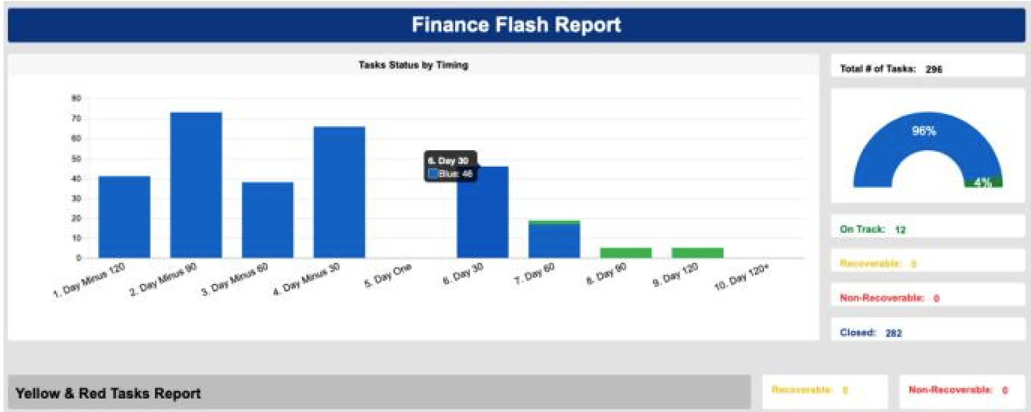
INSIGHT: TRANSLATING PLANNING INTO EXECUTION PERFORMANCE MANAGEMENT

Great integration plans allow effective and realistic delivery. Having regular, disciplined readouts during Day 1 readiness preparation and the execution phase allows Integration Management Office (IMO) and Executive teams to take timely, corrective action to ensure the programme continuously focuses on the right priorities, stays on track and delivers its objectives.



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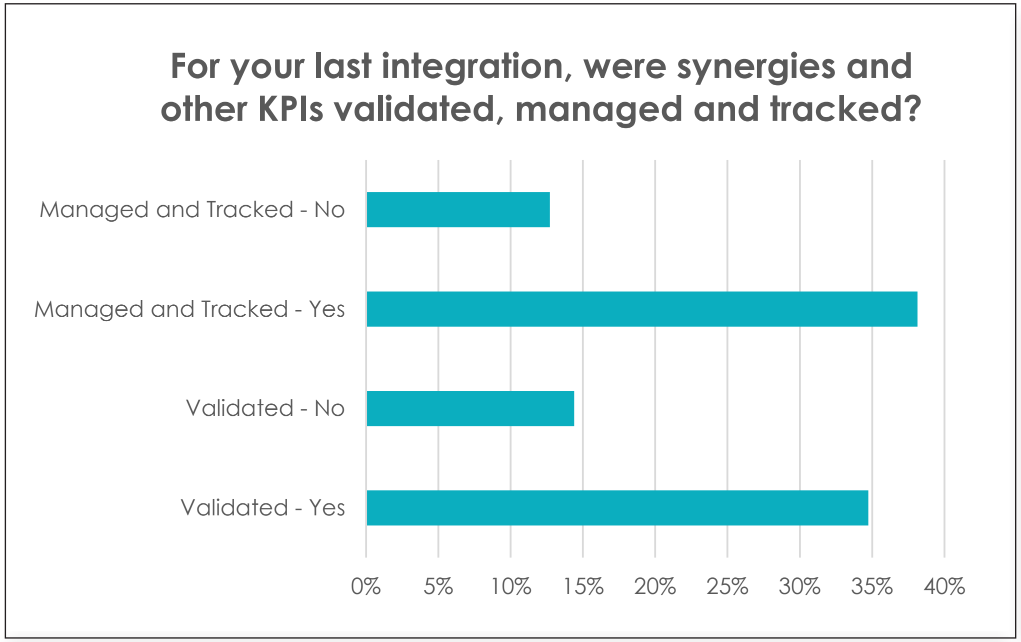
Synergy Validation and Tracking

Tracking and managing synergy initiatives in the same robust manner as integration initiatives is key to ensuring value capture and realising the synergy targets. Synergy realisation planning with cost/benefit analysis, assigned responsibilities, scope, KPIs and timeline for each synergy is key in synergy management. Measuring that actions taken have the desired results can be challenging in the post-closing landscape until a cost baseline for the combined business have been established, hence priority for the finance/synergy team to get that visibility created. Governance of synergies need to be hardwired into business and executive KPIs with regular reports on synergy delivery progress. Challenging and linking cause, action and effect is key as many initiatives are on-going in parallel.



- Those that validated, managed and tracked their synergies had a higher deal success factor score (4.0/5)
- Those that did not validate synergies had a success score of 3.41 (out of 5)
- Those that did not manage and track their synergies had a success score of 3.07 (out of 5)

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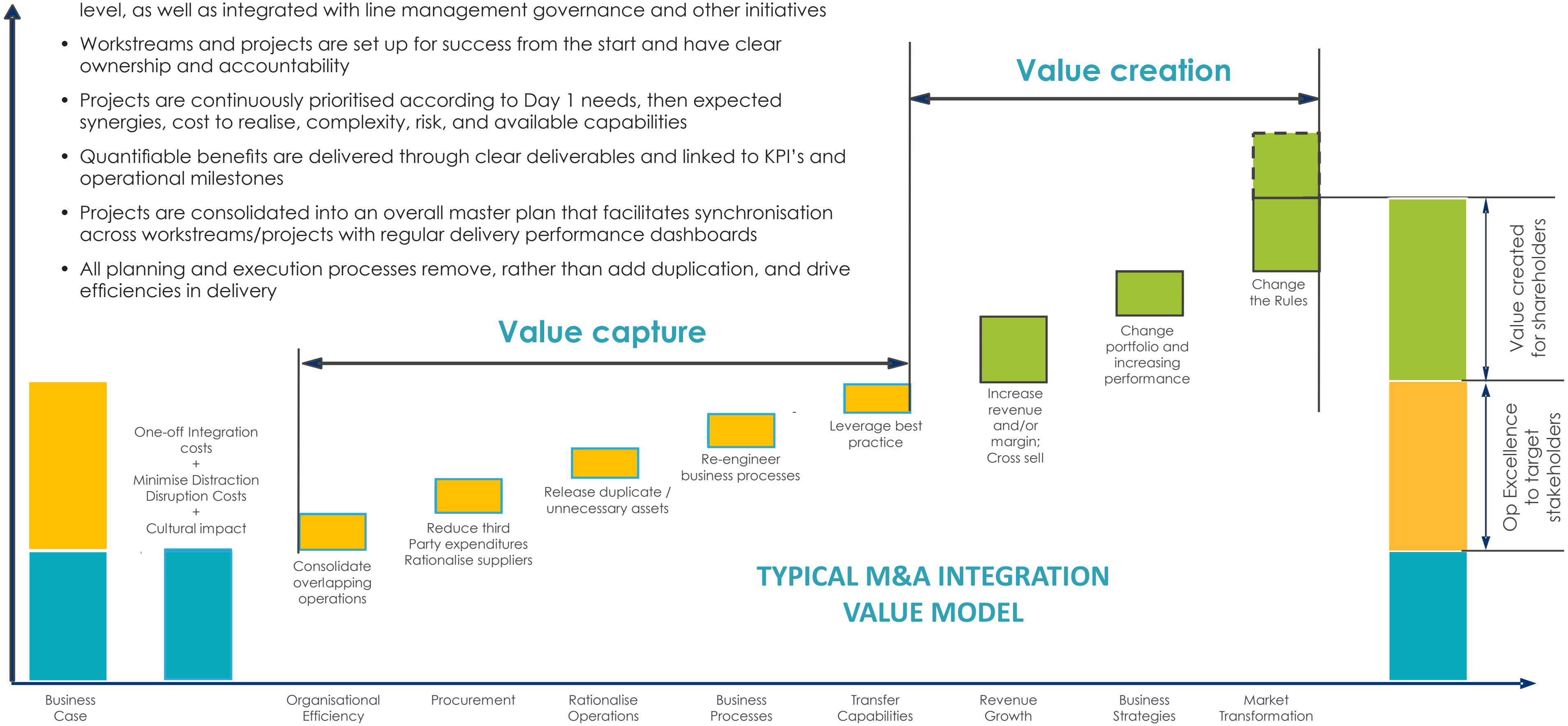
INSIGHT: SEEKING AND DELIVERING SYNERGY VALUE

Any integration programme, spearheaded by an Integration Management Office (IMO), should be primarily focused on the identification and delivery of value, and to ensure the new, combined business is set up for success from Day 1. Joint incentivisation and handover from deal team to integration team is key.

- Governance at all levels is appropriate for the complexity being managed at each level, as well as integrated with line management governance and other initiatives
- Workstreams and projects are set up for success from the start and have clear ownership and accountability
- Projects are continuously prioritised according to Day 1 needs, then expected synergies, cost to realise, complexity, risk, and available capabilities
- Quantifiable benefits are delivered through clear deliverables and linked to KPI's and operational milestones
- Projects are consolidated into an overall master plan that facilitates synchronisation across workstreams/projects with regular delivery performance dashboards
- All planning and execution processes remove, rather than add duplication, and drive efficiencies in delivery



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INSIGHT: INTEGRATION COST MODEL

The Integration Management Office (IMO) need to ensure that the integration cost model is agreed and all workstreams can contribute to the identification and prioritisation of all integration spending. This cost is typically categorised as one-off restructuring charge in the P&L.

Typical Cost Categories	Workstream to Validate	Commentary
Headcount rationalisation	HR, People and Culture	Cost of realising people synergies, based on current Ts&Cs and redundancy policy
Technology integration costs	Technology	Costs of delivering technology integration, including infrastructure, business systems, office applications and core products
One-off marketing costs	Marketing	One-off marketing costs, including changes to logo, branding, letterhead, in all media, including online
Customer incentives	Sales	Cost of customer incentives, if required, to incentivise and retain customers and/or deliver revenue synergies
Retention/ incentivisation payments	HR, People and Culture	Cost of specific incentivisation arrangements to retain and motivate key talent
Recruitment costs	HR, People and Culture	Cost of recruiting new talent, required to deliver integration; and key gaps in target end state business as usual Organisation Design (OD)
Outplacement costs	HR, People and Culture	An additional cost if this is part of redundancy policy
Onerous contracts	Procurement	Additional costs resulting from change of control provisions and/or securing target end state supplier consolidation / rationalisation e.g., early termination fees
New space / refurbishment	Property	Cost of any property/office consolidation and/or refurbishment, given overall location strategy
Professional Fees – Legal	Legal and Compliance	Cost of external resources to support integration planning and execution
Professional Fees – Integration Team	IMO	
Travel and Expenses	IMO	Cost of pulling key integration team members together, especially from different geographies
Contingency	IMO	Contingency assessments will vary depending on level of risk and knowledge

- The key ratio to manage is total cost of integration to total synergies. Typically total cost is between 0.8 and 1.2 of total, full run-rate, annualised synergy (for example, if total synergies are expected to be $10m per annum, total one-off integration cost is likely to be c.$8-12m)
- It can be lower (limited integration) or higher (complex integration) and the expectations also change depending on the mix of type of synergy being delivered, i.e. revenue, cost (opex or capex)
- If cost estimates are outside this range, we would scrutinise the logic much more intensely

People and Culture: Culture Assessments

Cultural assessments have become increasingly recognised as an important factor in successful integrations, with 76% of respondents having used them, even if only an executive, inferential assessment. The most crucial question having completed one, though, is so what? How does that influence your approach to change management as you plan and execute your M&A project?

3 main mechanisms for culture assessment:

Inferential
- Observation of culture in environment
- Analysis of documents
- Analysis of documents observation of operational activities

→ Low cost
→ Easily accessible
→ Least time required
→ Validates and adds depth to quantitative data

Qualitative
- Structured interviews
- Workshops
- Focus groups
- Critical incident analysis

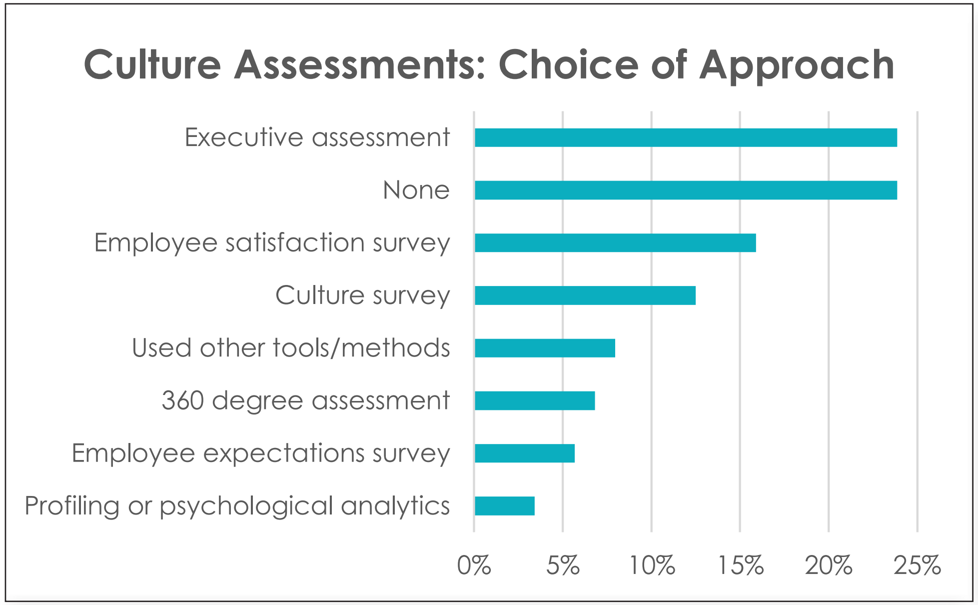
→ Builds consensus
→ Builds relationships between project team members and within the organisation
→ Validates and provides depth to quantitative and inferential data

Quantitative
- Interactive Dialogues
- Cultural assessment tools (many proprietary)
- Staff surveys
- Statistically valid

→ Track changes over time
→ Create a baseline
→ Setting benchmarks

Ease of collection — Statistical Validity

The focus should be on the SHAPERS of culture (leadership actions, performance measures, people practices, organisation structure, strategy, etc.) as well as the MANIFESTATIONS (values, beliefs, climate, norms, symbols, philosophy, etc.); and what impact these have on DECISIONS and BEHAVIOURS that influence BUSINESS PERFORMANCE



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INSIGHT: INFLUENCING CHANGE IN YOUR M&A PROJECT

Interventions designed to move the dial on culture are designed around a number of key factors, underpinned by effective change and programme management. Avoid ‘forcing’ it.

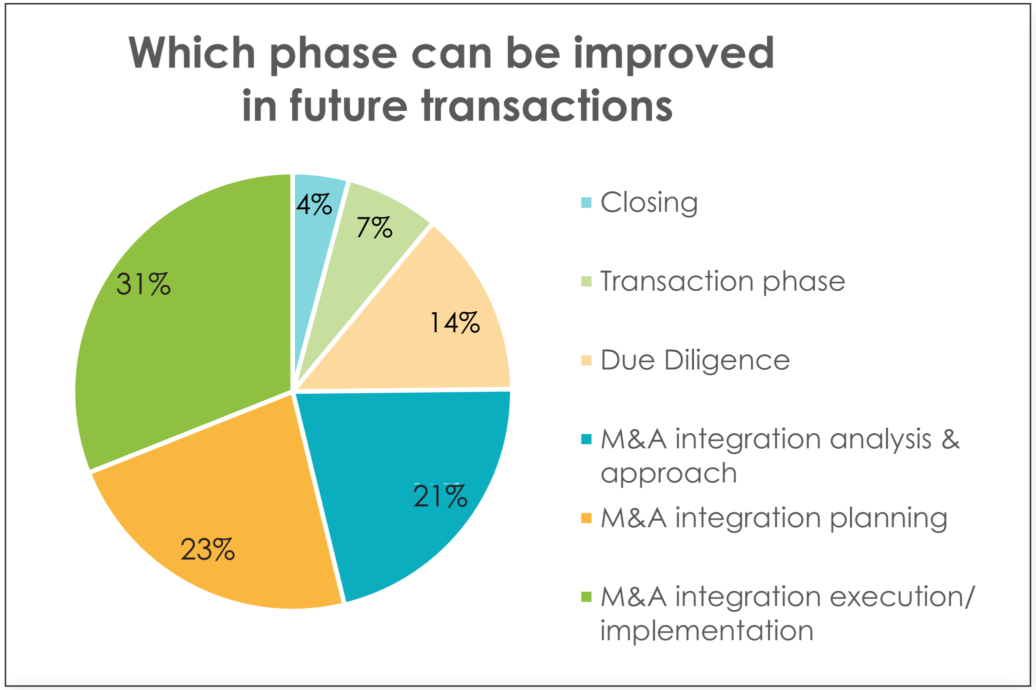
Vision	Business Case	Change Strategy
Create clear description of the end-state and answers to: ‘what does success look like’ for the organisation and ‘how does the change affect me?’	Agree a compelling business case for the deal focused on the benefits to the organisation, customers and staff.	Agree an implementation strategy based on assessments of timescales, complexity and people’s readiness to receive the changes.
Leadership	**Organisation Design**	**Communications**
Ensure leaders at all levels of the organisation can articulate the vision and are active and committed in supporting the changes. Be role models.	Define changes to the organisation’s structure, reporting lines, roles and responsibilities and work group design starting with the Senior Leadership Team.	Proactively engage all groups affected (involve, not just tell), ensure resistance is managed and deliver appropriate communications at the right time.
Reward and Performance	**Workforce Transition**	**Capability and Training**
Adjust performance management objectives and reward mechanisms to ensure they encourage the required actions and behaviours.	Assess changes required to the workforce, moving people to different roles in orchestrated ways; restructuring and recruiting staff carefully as determined by strategy.	Plan, develop and implement training programmes covering both procedural / technical requirements as well as desired behaviours.

Change and Programme Management, focused on decisions and actions

Phases for Improvement in M&A Projects

Analysis, planning and execution of integration projects have many softer variables compared to a more fact based and logical analysis in transaction and Due Diligence phases.

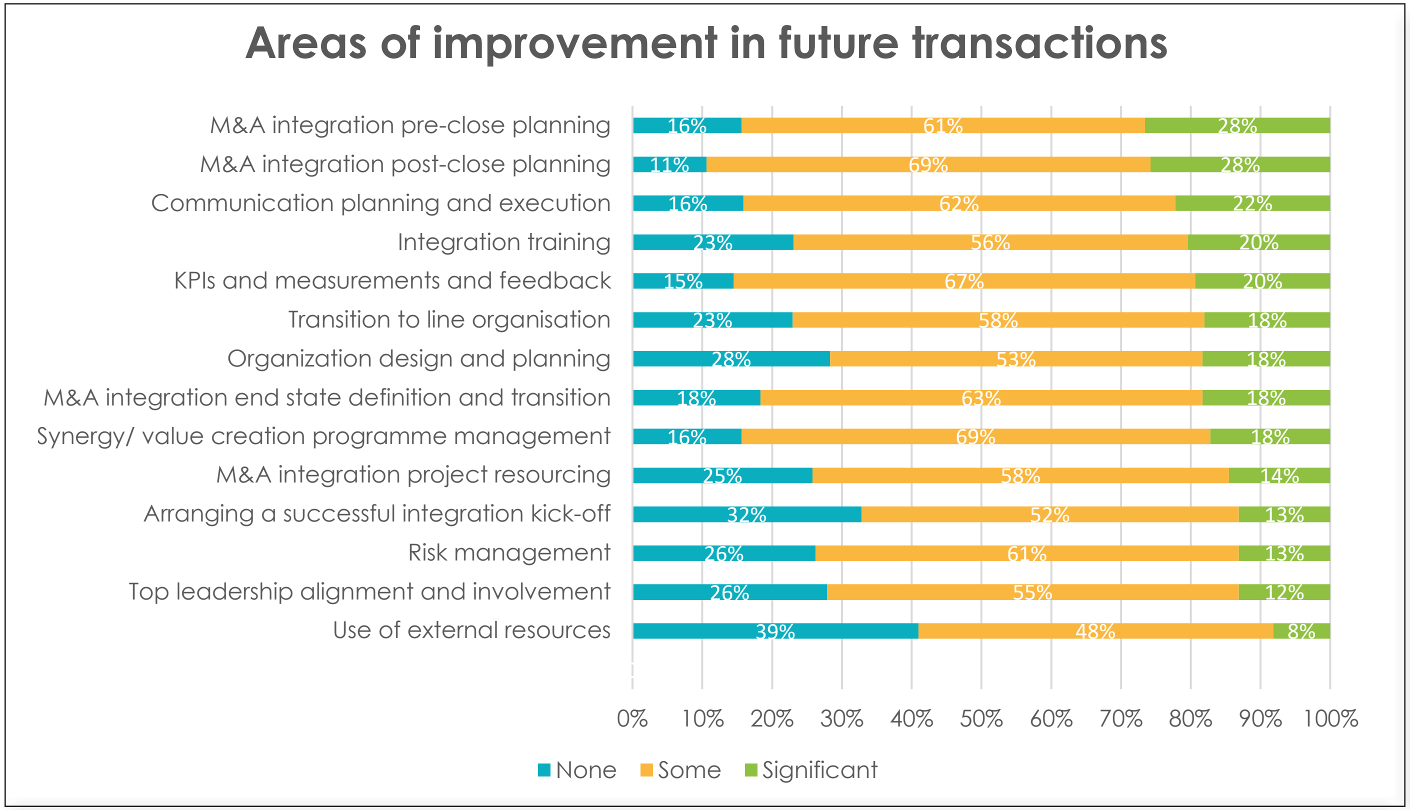
A wider team including Target resources is brought in to do an M&A integration project. Leadership, people, communication, change management and cultural understanding makes it a complex environment unless you have experience, capability, methodology and tools. An optimal balance of working bottom-up in analysis and planning, i.e., line management engagement, versus top-down analysis direction mitigates part of the complexity. Passion for the deal is built into the execution team by enabling significant influence and contribution in planning and how to execute.



- 75% of respondents see M&A integration phases as an area of future improvements
- Due Diligence is an area where repeat acquirers excel in being efficient though most acquirers have a potential for improvement
- Closing is the area with lowest improvement potential

Areas for Improvement in M&A Projects

As the saying goes, ‘What gets measured gets done’. Integration projects sometimes get tactical quickly and the more strategic issues get addressed either late or never. Typically, key activities such as agreeing KPIs, integration end state and synergy management all need leadership involvement and decision making. As project teams get buried in details, the Integration Managament Office need to facilitate a strategic dialogue and decision-making, while managing tactical tasks, such as financial control, target employee, customer and supplier on-boarding, sales and marketing integration, etc.



- Overall improvements are in M&A integration planning both pre and post-closing, area of KPIs. Synergies communication, integration end-state definition and transition and in Integration training
- Significant improvement areas are M&A integration planning both pre and post-closing, communication and in integration training
- Less improvements needed in use of external resources, top leadership alignment and involvement, organisation design and in integration kick-off

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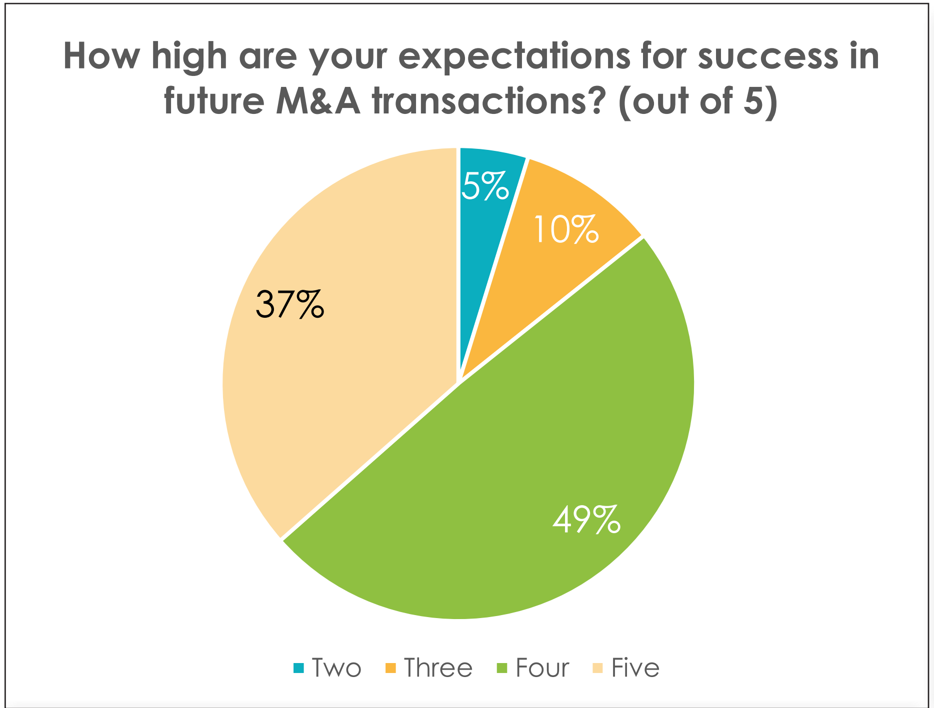
Conclusion 1

It has been noted that considerable investments in M&A capabilities and resources, both during the deal phase and crucially, in planning and execution phases, are significantly increasing the likelihood that well-governed M&A projects can reliably deliver successful integrations, carve outs and divestments. Compared to the investments in the deals themselves and the work during diligence phase, this can be a small outlay, but with extremely high returns. **Skimping on the investment in experienced practitioners, whether in-house or external, in post-signing phases, rarely leads to a positive outcome.**



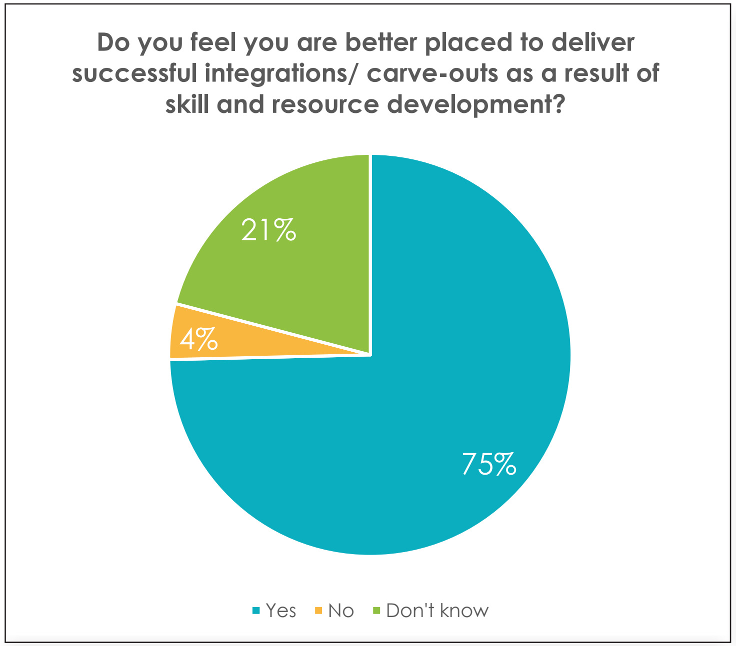
Finally, it is great to see that the learnings from many successful M&A projects are being reflected in the anticipated success rates on future transactions by respondents, with 85% suggesting a high degree of confidence. Identifying, validating and delivering value and synergy can often be a complex process and has often led to unrealistic expectations by management teams. There are some basic questions that you can ask to determine whether or not you are likely to be successful:

- Does the buyer bring something unique to the deal, so that competitive bids by other companies cannot push the purchase price too high?
- Is the deal consistent with sound strategy with respect to growth, diversification, and other key issues?
- Has the buyer attempted to make accurate forecasts of the seller's business? For example, has the buyer assessed the target's capabilities in all business functions?

Conclusion 2

Many executive teams and M&A practitioners have to ensure their integration (or divestment) projects are set up for success, continuously delivering high expectations of results. Key questions like: "Is our post-acquisition integration plan realistic and achievable?", "Are we following best practices?", "How do we know we are managing our integration effectively and efficiently?", "What level of integration risk do we have? How does this compare to other integrations?", "How likely are we to deliver our integration objectives and synergies? Are we on track?", "How do we argue for the resources we need?"

These are all typical examples of the questions we get asked and it can be very helpful to have a reliable and consistent framework to answer such questions with confidence. We know from our experience, supported by much of the research, that delivering the expected value of a deal can be much harder than doing the deal itself. **So, how do we make sure we can do this? A robust and challenging M&A project health check framework.**



Questions continued:

- Can the acquirer handle an acquisition of the target's size? What proportion of the acquisition can the acquirer fund without issuing new debt or equity?
- Is there good operating and market synergy between buyer and seller?
- Is the new parent committed to sharing capital, markets, and technology with the acquired company?
- Do the buyer and seller have reasonably compatible cultures?
- Do the buyer and seller share a clear vision of the newly combined organisation, and is this vision based in reality?
- Will the buyer strive for a rapid pace of integration in implementing the new, combined company's vision, minimising any disruption to business as usual?

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Role of Leadership and Change Management in M&A

By Chris Charlton, UK Partner at Global PMI Partners

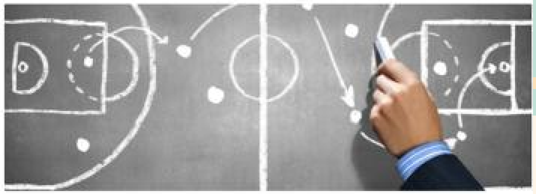
There is a need to constantly develop our skills and understanding, no matter who we are, what we do, who we do it for or where we do it. To understand, appreciate and work with other people is the key to most of what we achieve in life. Whatever our goals and aspirations, be they personal or professional, a sound understanding, and application of the skills of leadership and change management can make the difference between our success and failure.

Post-merger integration success criteria: Health Check Reviews

By Chris Charlton, UK Partner at Global PMI Partners

Many of us have been faced with a multitude of scenarios that require us to give feedback to Executive teams about how to ensure our integration programmes are set up for success, continuously delivering expected results:

- Is our post-acquisition integration plan realistic and achievable?
- Are we following post-merger integration best practices?



How to use a M&A Integration Playbook

By Michael Holm, Nordic Partner and Scott Whitaker, US Partner

This article will describe how to select and use a playbook in your next M&A integration, how to capture learnings after a completed integration, and additionally recommended playbook uses in five different dimensions: project leadership, function, core processes, people & culture and geography.

Synergy realization dynamics in post-merger integration

By Scott Whitaker, USA Partner at Global PMI Partners

Capturing the synergies that deliver the business case for an M&A event is the most important responsibility of an IMO (Integration Management Office) leader.

Since most M&A transactions have synergy goals, this article will focus on some of the most common challenges inherent in synergy capture, and some solutions that should manifest in any post-acquisition integration plan. The insights and recommendations in this article are drawn from Global PMI Partners' experience managing over 325 M&A transactions for Private Equity and Corporate entities.

3 critical drivers to successfully manage the acquired company in cross-border M&A

By Robert Yu, China Partner at Global PMI Partners

Global expansion, acquiring IP and value chain re-alignment have been some of the key motivations for cross-border mergers and acquisitions (M&A) in recent years, especially for Chinese companies. It goes without saying that a solid strategy should be established and re-validated during the due diligence (DD) process. In addition, fully understanding the target countries' specific tax, legal and regulatory issues and industry regulations are also important common considerations in a cross-border M&A before negotiating the deal and moving towards the deal close.

The changing face of post-merger integration: How embracing sustainability can improve the odds of a successful M&A integration program.

By Krish Buchet, Associate Partner France at Global PMI Partners

Krish Buchet, associate partner at Global PMI Partners, a post-merger integration consulting firm, addresses a key issue in the mergers and acquisitions industry: Why do mergers fail? In address the issue of failed merger integrations, Buchet outlines 5 key factors to post-merger integration success in 2021.

About GPMIP

Global PMI Partners is a specialist consulting firm supporting our listed company and private equity clients with their inorganic growth strategies and M&A integrations and divestments. We provide expert, on-demand M&A services and resources, leveraging our market leading M&A approach and methodology.

With a track record of over 1,000 operational Due Diligence, acquisition integration, divestment, carve out and growth projects utilising our global team of over 300 seasoned professionals across EMEA, North America and APAC, we are adept at helping our clients achieve the desired value from both acquisition and divestment strategies. Our goal is to help our clients achieve this at a faster pace, at lower overall cost and lower risk.

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- ✓ 1000+ M&A Projects
- ✓ 35+ Countries
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Our expert teams provide an optimal blend of skills, localisation, and industry experience to meet the needs of our clients.

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