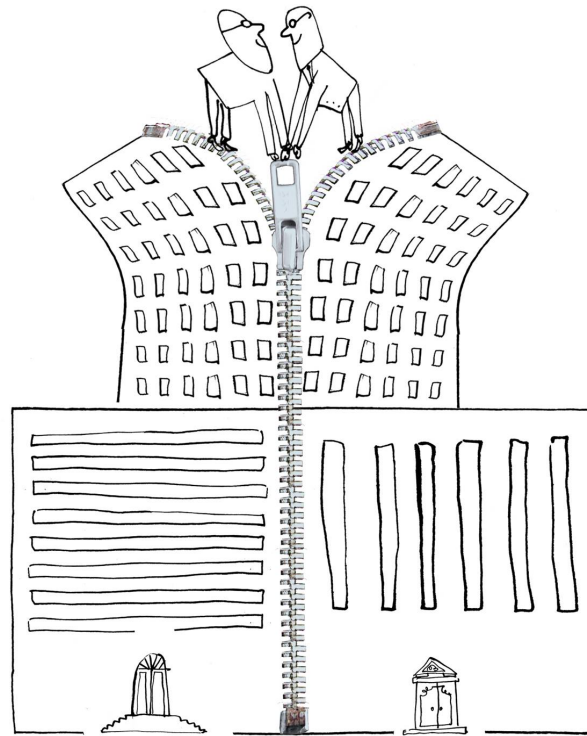




goetzpartners

STRATEGY | M&A | TRANSFORMATION



$$1 + 1 = 3$$

Paving your path through Post-Merger Integration

Many post-merger integrations do not meet expectations, given their inherent complexity

WHAT



2 out of 5

... DEALS HAVE ADVERSE EFFECTS on shareholder returns



1 out of 3

... senior executives confirms that the post-merger integration FELL SHORT OF SUCCESS



4 out of 5

... companies would SPEED UP the pace of integration for the next deal

WHY

Lack of clear direction Organization not prepared
 Insufficient synergy definition No thorough day 1 planning
 PMO not in the driver seat Human aspects not considered

HOW

INTEGRATION SUCCESS RATES CAN BE INCREASED SIGNIFICANTLY WITH A COMPREHENSIVE AND PROFESSIONALLY LED PMI APPROACH

Managing the PMI process properly along six key dimensions is critical for success

EXECUTIVE SUMMARY

- 1** **INTEGRATION STRATEGY:** Set the direction in a mutually agreed deal rationale to guide the integration process from the beginning.
- 2** **PMO^[1]:** Get in the driver 's seat with a content-heavy PMO that enables the organization to accelerate implementation and foster potential to overachieve targets.
- 3** **SYNERGY AND VALUE CREATION:** Define sufficient synergy measures based on detailed knowledge with critical analysis to realize the full potential.
- 4** **ORGANIZATIONAL DESIGN:** Shape the future by setting the new organizational model fast to avoid chaos, and actively engage and recruit key employees for the target.
- 5** **FUNCTIONAL ENABLEMENT:** Stay ahead of day 1 with thorough preparation involving, all stakeholders to ensure business continuity.
- 6** **CULTURE AND COMMUNICATIONS:** Create momentum and invest significantly to break down cultural barriers and foster acceptance of the target culture.

GOETZPARTNERS – PAVING YOUR PATH THROUGH PMI

[1] Program Management Office
Source: goetzpartners

OUR PROMISE

goetzpartners supports a PMI along all process stages with in-depth knowledge in all functional areas.

We have profound PMI experience: with more than 45 PMIs for national and international clients.

As a result, we understand the fears, risks and obstacles companies face after a merger.

We emphasize the cultural dimension of PMI that is generally underestimated, but critical for success.

We partner with our clients, working together on one team as equals in all stages of the transformation.

AUTHORS:
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A lack of structure creates chaos: Successful integrators orchestrate complexity over time

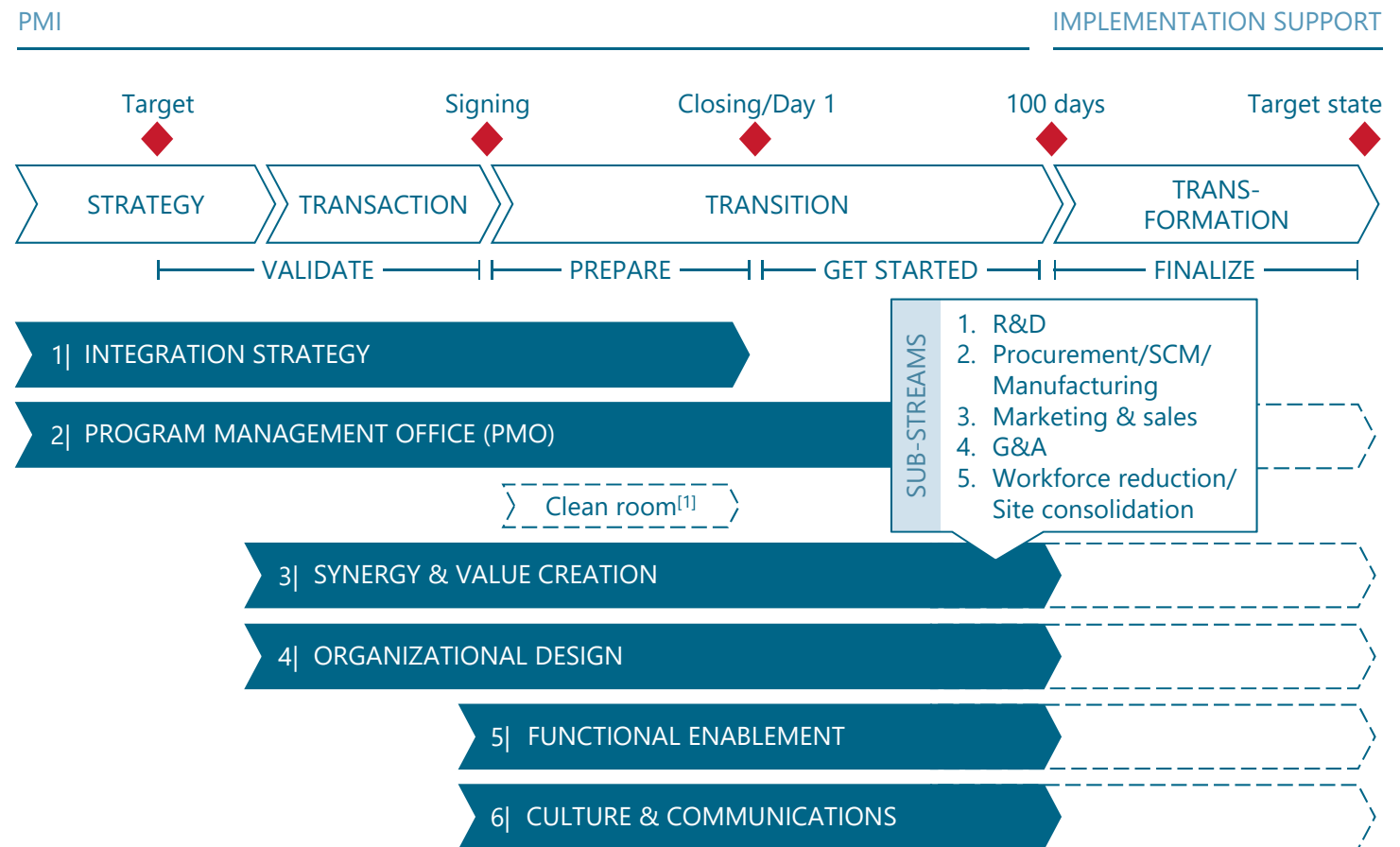
AT A GLANCE

A comprehensive PMI approach raises the chance of a successful PMI significantly.

An efficient approach considers six work streams – from integration strategy to culture and communications. This cuts complexity and gives a clear direction.

The six work streams need to be aligned to tap their highest potential without losing sight of the overall integration objectives.

GOETZPARTNERS COMPREHENSIVE PMI APPROACH



[1] If required
Source: goetzpartners

Guiding the integration from the very beginning: Everybody heading in the same direction

GUARDRAILS AND CHARACTERISTICS OF INTEGRATION STRATEGY

INTEGRATION GUARDRAILS		CHARACTERISTICS			
		NO INTEGRATION		FULL INTEGRATION	
GENERAL APPROACH	■ Integration approach	Keep separate	Take over	Best of both	Transform
	■ Integration pace	Get detailed answers		Faster is better	
	■ Role of integration leader	Micro-manager		Macro-manager	
	■ Integration decision-making	Bottom-up		Top-down	
VALUE CREATION	■ Source of value creation	Cost reduction	Selected redesign	Transformation	
	■ Pursuit of opportunities	Conservative		Stretch, fast-paced	
ORGA-NIZATION & PEOPLE	■ Structure, processes, systems	Keep separate	Choose best	Merge	New
	■ Leadership & staff selection	Acquirer in dominant role		Best of both worlds	
	■ Retention programs	Passive & selective		Active & targeted	
VALUES & CULTURE	■ Intervention in cultural change	Passive & reflective		Proactive & forward-looking	
	■ Targeted culture	Keep separate	One to dominate	Craft new culture	
	■ Communication style	Only facts and decisions		Open points, status of work	

Source: goetzpartners

KEY TAKEAWAYS

An integration strategy is dependent on deal size, level of industry relationship, potential synergies, but also unintended consequences.

Understanding how the merger will create competitive advantages and value should guide the integration approach. Thus, a clear and **CONSISTENT FRAMEWORK** should be imposed top-down on the overall organization.

Critical factors in order to achieve integration success are early planning and rapid execution of diverse activities.

Capturing cost synergies is generally easier than capturing revenue synergies. **WELL-PREPARED COMMUNICATION** is key to both internal and external stakeholders to build trust and manage expectations.

2 | PMO

Integration managers are in the driver's seat: Speeding up process and removing roadblocks

AT A GLANCE

Content-centric steering, a cooperative working mode and a focus on implementation support are essential parts of the goetzpartners PMO.

Key activities during the integration process should focus on:

COMPETENCE "HAND"

Delivering methodical soundness by employing proven tools and leveraging a hands-on mentality.

CONCEPT "HEAD"

Achieving strategic excellence by constantly challenging and supporting work streams on a content level.

COLLABORATION "HEART"

Driving change collectively throughout the organization by ensuring the right employee mindset.

CONTENT-HEAVY PROJECT MANAGEMENT OFFICE FOR PMI

1

CONTENT SUPPORT & CHALLENGE

- Challenge work streams on content level
- Integrate/accelerate workflows
- Manage priorities & interdependencies
- Support problem resolution

STAKEHOLDER MANAGEMENT

2

- Tailor messages to every stakeholder group
- Assure the right timing for involvement of key stakeholders
- "Overcommunicate"

- Drive change and engage top management
- Involve key employees early on
- Create ownership to mobilize employee base
- Enable cross-stream communication

- Set up baseline and define top-down targets
- Consolidate measures and eliminate overlaps

- Track activities and deliverables
- Define counteractions

3

PEOPLE EMPOWERMENT

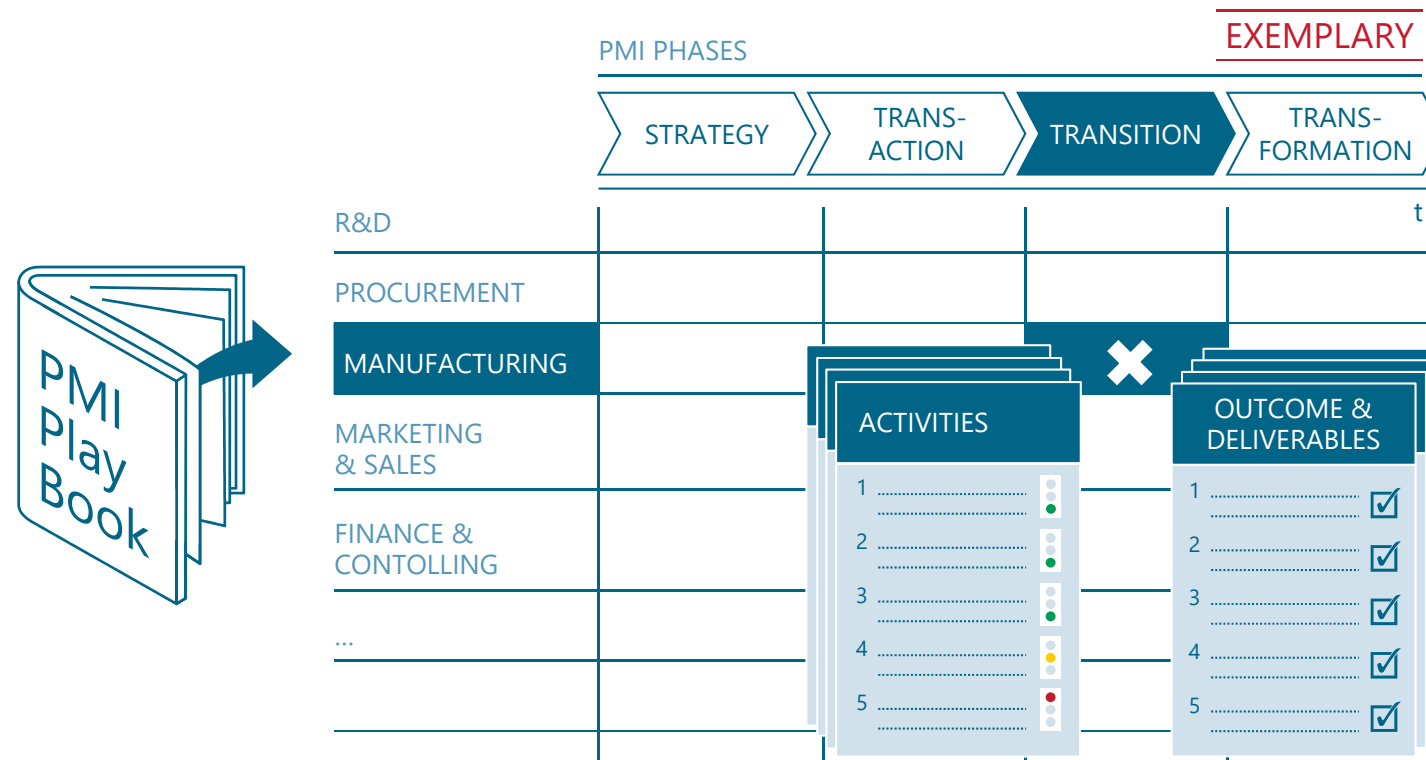
REPORTING & CONTROLLING

4

Nobody makes a multi-million-dollar movie without an existing script

Synergy | 3

GOETZPARTNERS PMI PLAYBOOK



OUR PMI PLAYBOOK IS DESIGNED AS THE COMPREHENSIVE SCRIPT TO YOUR INTEGRATION STORY - ENABLING PEOPLE TO DELIVER THEIR BEST AND BRINGING ALL THE THREADS TOGETHER

AT A GLANCE

"PRACTICE MAKES PERFECT" – this saying holds true especially in the context of merger integration.

There is not one pre-defined answer for every situation. We do not offer a fixed solution, but we know exactly what to do in each phase throughout the integration.

We use our expertise flexibly to best support the specific situations that our clients face.

We know how to identify and utilize critical success factors, how to deal with key risks, and which stakeholders to involve at the right time.

3 | Synergy

Realizing the financial goals of an integration requires rigorous transparency and follow-up

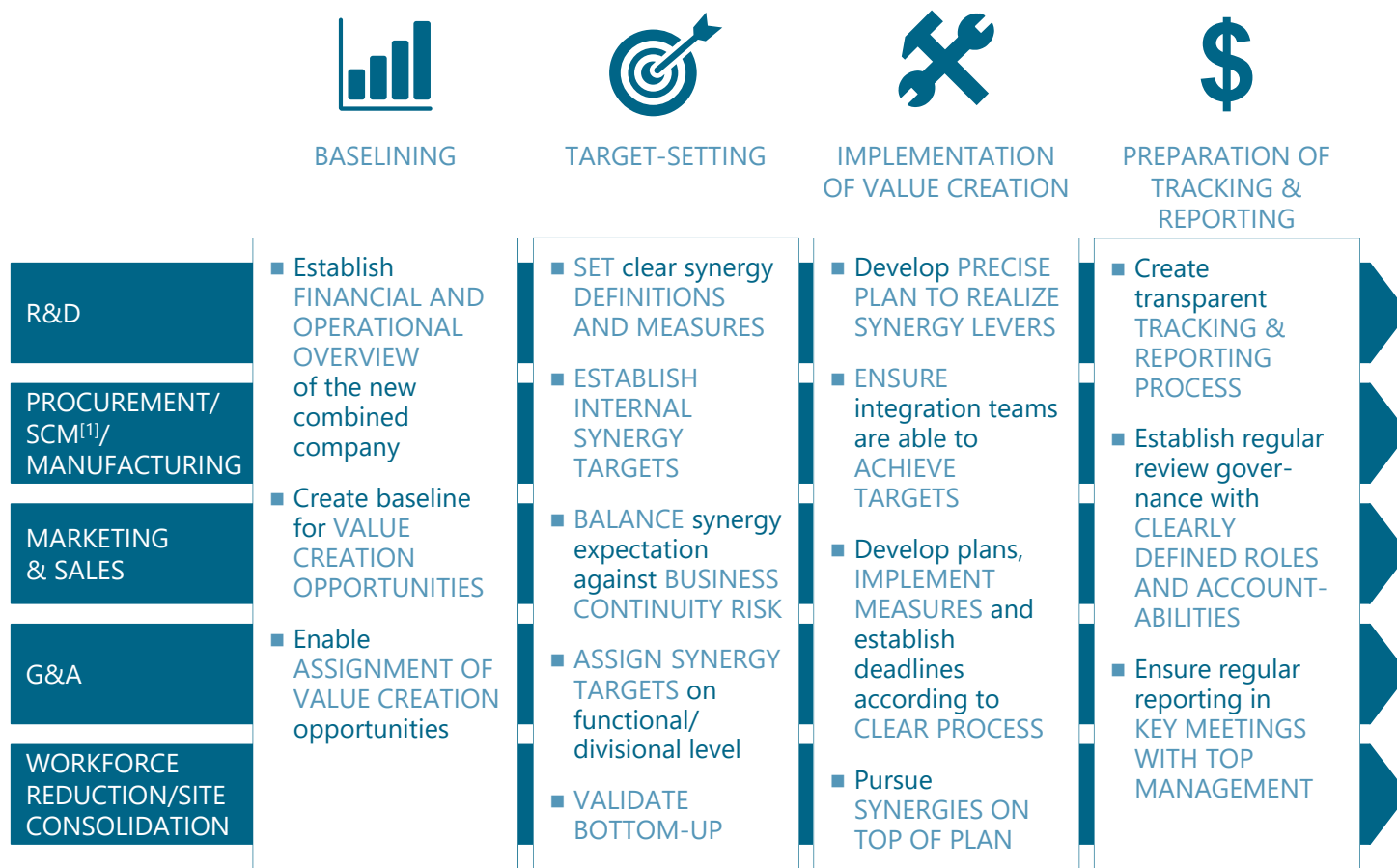
AT A GLANCE

Many unsuccessful integration projects can be traced back to a small number of core problems in the set-up phase.

All too often, measures are not allocated to a clear, individual cost baseline. This inevitably leads to measure impact being double- and triple-counted. The gap to the P&L remains a mystery: There is no way to retrospectively reconcile the differences.

The goetzpartners approach not only ensures mutually exclusive and collectively exhaustive baselining via the Color Books®^[2], it also links measure impact to actual financial performance through a dedicated P&L link process.

SYNERGY AND VALUE CREATION APPROACH



[1] Supply Chain Management

[2] Color Books®

Source: goetzpartners

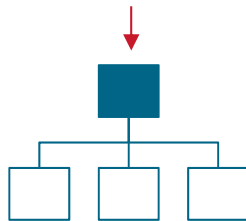
The best team to shape a joint future: Enablement and clear accountability are key

Organization | 4

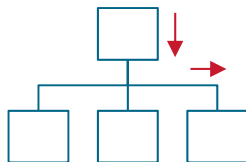
DEFINING ROLES & RESPONSIBILITIES FOR ORGANIZATIONAL DESIGN

LAYERS

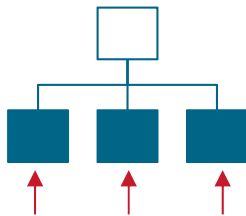
"DRIVE THE CHANGE AND ENGAGE TOP MANAGEMENT"



"CASCADE DOWN AND OVERCOME BARRIERS"



"MOBILIZE THE BASIS AND CREATE OWNERSHIP"



PEOPLE AND MANAGEMENT PROCESSES

- Underpin the case for change
- Craft the vision and set the direction
- Ensure rigorous consequence management
- Avoid uncertainty and chaos
- Build the leadership team
- Mobilize stakeholders
- Encourage new ideas
- Create cross-functional teams
- Pick the change leaders
- Empower the change leaders
- Ensure performance-driven approach
- Set clear signals
- Cascade down and motivate
- Communicate effectively
- Roll out a change program at the base
- Train the trainers
- Change key processes
- Measure the change
- Embrace learning and knowledge-sharing
- Manage bottom-up vs. top-down

BEST PRACTICES

The target organization should be announced as fast as feasible in order to minimize rework associated with new executives revisiting decisions about the target operating model.

Acquirers need to

- Identify and retain top talent early on
- Recruit and "hire" the new employees in the target company actively
- Make sure that each company's strengths and best practices are not lost as organizational components are mapped
- Use customer experience as the focal point for culture change and process redesign since it is very powerful and less confrontational

5 | Functional enablement

Being ahead of the curve is pivotal: Full beam on Day 1

AT A GLANCE

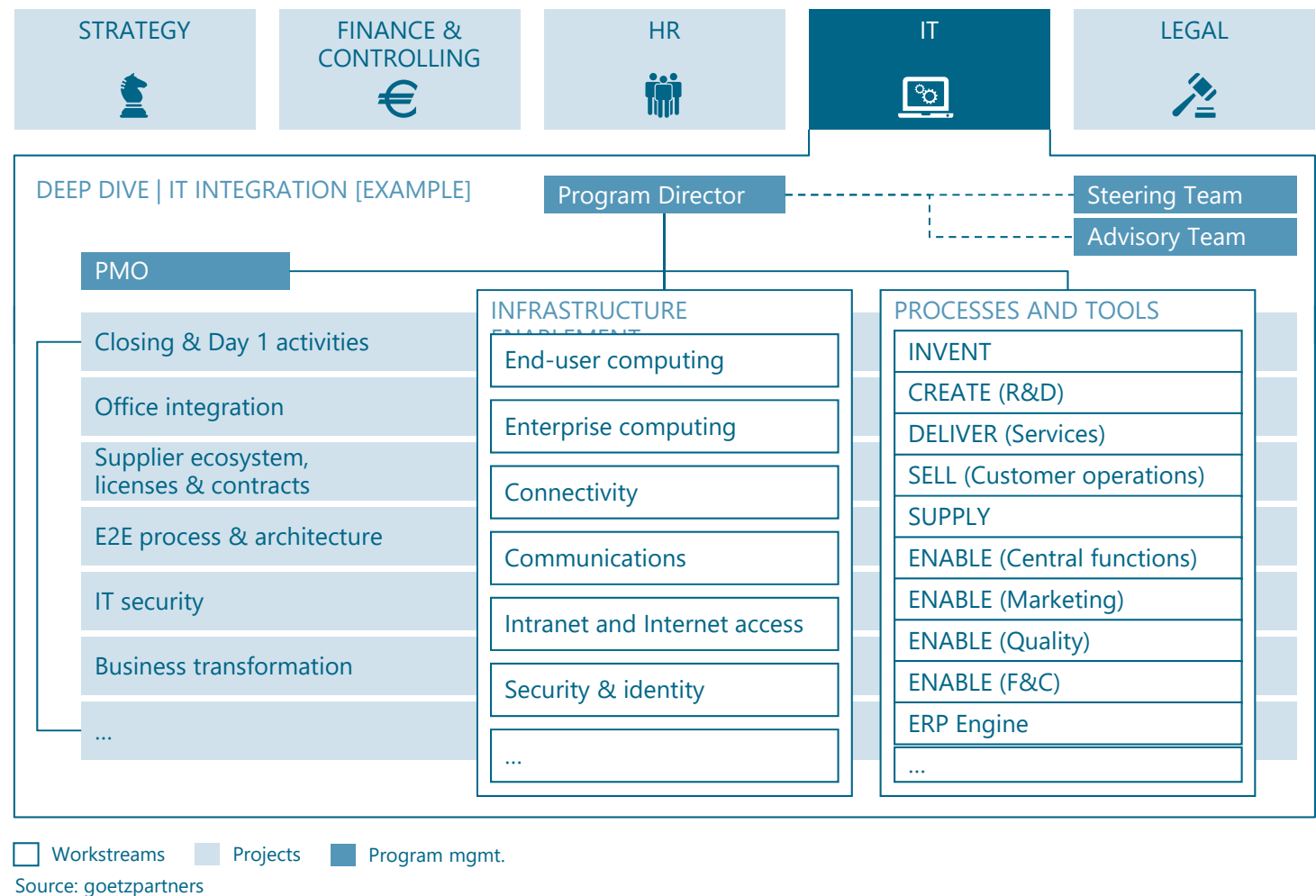
Integration enablers create the framework, basis and joint infrastructure for a successful integration.

Each integration enabler should have a dedicated project team staffed with subject matter experts.

goetzpartners recommends the following approach as best practice:

- Speed before accuracy on the detail level: Use 80:20 rule to update relevant processes and tools as fast as possible
- Carefully approach "best of both worlds" when it comes to process structure; this is usually the most time-consuming approach to gaining efficiencies
- Define joint project plans with other building blocks to identify mutual dependencies

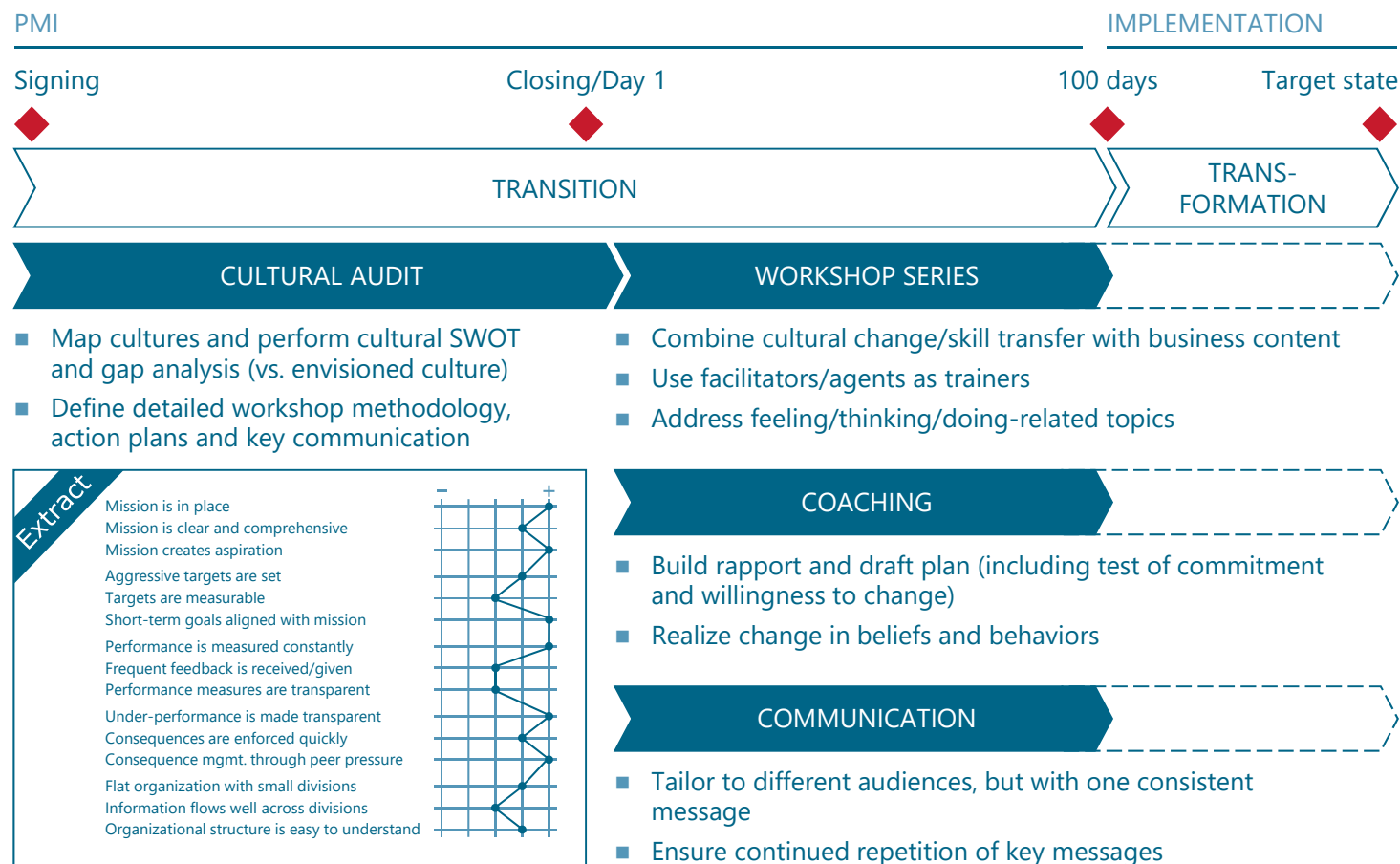
FUNCTIONAL ENABLEMENT | EXAMPLE IT



It's all about people: Successful integrators also invest in breaking down cultural barriers

Culture | 6

KEY ELEMENTS OF GOETZPARTNERS CULTURAL INTEGRATION APPROACH



Source: goetzpartners

AT A GLANCE

"CULTURE ISN'T JUST ONE ASPECT OF THE GAME – IT IS THE GAME." (Lou Gerstner, long-time IBM CEO)

Allowing for the natural emergence of culture will not yield the required results: Integration effectiveness depends on the management of cultural differences.

goetzpartners recommendation:

- Be aware of cultural differences and communicate envisioned values to overcome challenges
- Evaluate the cultural impact of business decisions
- Implement the target culture by stressing new, desired aspects rather than bemoaning the loss of the old way of doing things

Integration champions adhere to key principles during and after the merger

AT A GLANCE

A structural and unified approach among the management team with clear guiding principles is key for target achievement.

KEY FOCUS AREAS DURING THE INTEGRATION PROCESS

- Business continuity is priority number one
- Planning and driving synergies throughout the new organization
- Future target operating model and organizational setup
- Customer/stakeholder interaction

KEY GUIDELINES FOR THE INTEGRATION PROCESS

- Structured but pragmatic approach
- Personnel responsibility and accountability
- Internal transparency



Establish a **STRONG PMO**

to structure, drive and challenge integration initiatives



Focus on **INTEGRATION SPEED**

to induce significant change in organization



Persistently **DRIVE SYNERGIES**

and stimulate best-practice sharing to realize the full potential of the deal



Positively **ENGAGE KEY STAKEHOLDERS**

early in the process (e.g. customers or suppliers)



ENABLE AND MOTIVATE key talents

to drive the process and lead the joint organization

We drive the integration to realize synergies with you as fast as possible

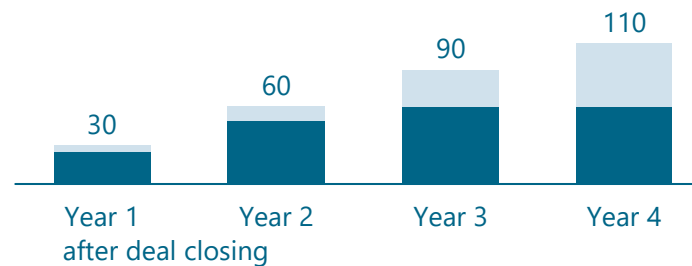
CLIENT EXAMPLE: PMI PROJECT FOR A TECHNOLOGY CONGLOMERATE

GOETZPARTNERS' ROLE

- Steer 15 integration streams together with client leadership team
- Identify and validate quick wins, top-line and bottom-line synergies; track impact
- Define target setup of 20 business functions and roll out organizational set-up in five major markets

RESULTS

EBIT IMPACT OF TOP AND BOTTOM-LINE SYNERGIES [mCHF]



TOP-LINE LEVERS

- >15 synergy drivers identified to grow revenue by more than 20% within 4 years of the deal closing
- 2 portfolios combined in a new unique offering
- CHF ~50 m EBIT impact in Year 4

BOTTOM-LINE LEVERS

- >40 synergy drivers initiated to cut costs by more than 5% within 2 years of the deal closing (growth-adjusted)
- Optimization of global footprint, procurement and support functions as key driver
- CHF ~60 m EBIT impact in Year 4

AT A GLANCE

INITIAL SITUATION

- Swiss high-tech industrial group to form a global leader by merging its largest division with a major competitor
- New division with combined annual revenues of CHF >1 bn and >100 locations world-wide

OBJECTIVE

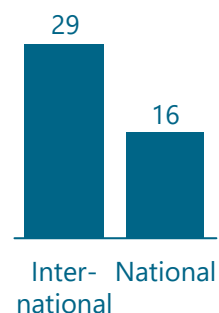
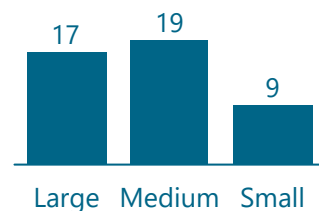
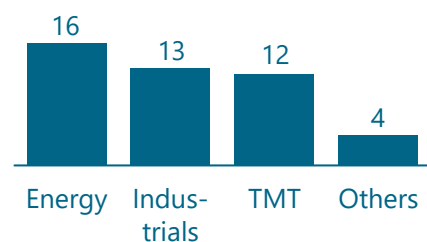
- Combine leading technologies
- Leverage complementary business models
- Increase access to end markets
- Utilize service footprint

RESULTS

- Synergies with EBIT impact of CHF 110 m identified

We have a proven track record in applying our experience for our clients' success

PROJECTS BY INDUSTRY, SIZE AND SCOPE



PROVEN PMI EXPERTISE | SELECTED REFERENCES

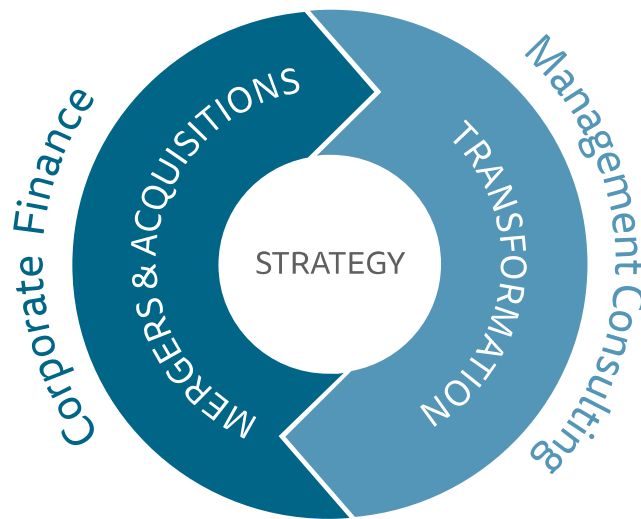
	SCOPE	KEY ACHIEVEMENTS
GLOBAL TELCO PROVIDER	<ul style="list-style-type: none"> ■ Support for the PMO ■ € >15 bn transaction value 	<ul style="list-style-type: none"> ■ Solid foundation for deal handling ■ Realistic baseline for target savings
TOP-TIER GERMAN BANK	<ul style="list-style-type: none"> ■ Merger focusing on finance function ■ 1,600 FTEs in 30 countries affected 	<ul style="list-style-type: none"> ■ 30% reduction in FTEs ■ 25% reduction in sites/locations
AMERICAN NETWORK DEVELOPER	<ul style="list-style-type: none"> ■ Plan to quadruple in <2 years ■ Realization of cost and value synergies 	<ul style="list-style-type: none"> ■ Successful growth management ■ US\$ >15 m cost reduction (first year)
INDUSTRIAL SOLUTIONS COMPANY	<ul style="list-style-type: none"> ■ Rapid results assessment ■ Definition of restructuring concept 	<ul style="list-style-type: none"> ■ <1 year for return to profit zone ■ Improvement of Working Capital Management
HIGH-TECH CONGLO- MERATE	<ul style="list-style-type: none"> ■ Integration of sales and operations ■ Business model alignment 	<ul style="list-style-type: none"> ■ € >50 m sales synergies ■ ~20% savings in production

Source: goetzpartners

About goetzp partners

ADVISERS FOR STRATEGY, M&A AND TRANSFORMATION

goetzp partners is an independent advisory firm for all key issues of entrepreneurial activity: strategy, M&A and transformation. This unique approach makes clients measurably more successful. The combination of corporate finance and management consulting creates sustainable added value when determining valid courses of action, reaching decisions and implementing them. Boasting a vast wealth of business experience, goetzp partners advises clients in all key industries world-wide: Business Services, Energy, Financial Institutions, Healthcare, Industrials & Automotive, Retail & FMCG and TMT.



CHALLENGERS WITH PERSONALITY

For the key business issues of strategy, M&A and transformation, standard solutions are rarely the right answer. On every project, goetzp partners ensures that there is always sufficient scope for proven methods to be combined with individual and client-specific approaches. Our consultants lay the foundations for excellent results by trusting their own opinions and experience and taking a strong stance on the entrepreneurial challenges to be resolved.

NETWORKERS AT THE HIGHEST LEVEL

Our far-reaching network of contacts, grown over decades, involves top decision makers in business and politics, and produces extraordinary advisory outcomes. Our close working relationship with prominent members of society opens up wide-ranging new perspectives. goetzp partners thinks beyond borders and connects the right people with the right ideas. That way, goetzp partners creates valuable synergies for all involved.

EXPERTS ON COURSE FOR SUCCESS

Founded in 1991 by Dr. Stephan Goetz and Stefan Sanktjohanser, goetzp partners today ranks among the 10 best-performing advisory firms in Germany (Lünendonk®). goetzp partners has received awards three years in a row as part of the "Best of Consulting" contest by the renowned German magazine "WirtschaftsWoche", most recently in the in the "Project Excellence" category (2016). Internationally, the company operates in 11 countries out of 14 offices with more than 350 professionals.

April 2017

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