

M&A Integration Deal Health Check

Our Review

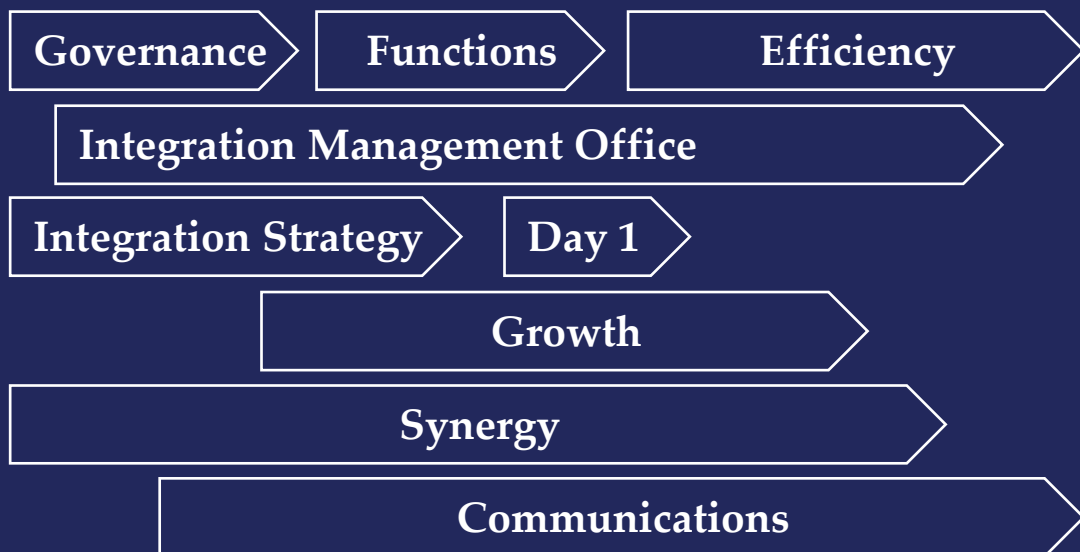
Due Diligence

Sign

Close

Interim State

End State



What is a review?

It is a short sharp piece of work, that doesn't get in the way of the integration or the business. It reduces your risk during integration and increases probability of success. Why wouldn't you do one. You should have an internal review or health check, but could use external experts.

We give you a report covering the nine critical areas of integration. You could do one now for your last deal to pre-prepare for your next, or at any time during a deal to see how you're doing.

Why do we review?

A review process should be set up for each deal. A fresh pair of eyes will always have a better chance of spotting the gaps. This process will be particularly useful if the deal manager has people on the project that have not completed many deals before end to end or where resource on the project might be considered tight, often things fall through the gaps, and a holistic review is useful.

The overarching review is also useful if there is a possibility of high interdependencies or poor communication due to project people being of different background, experience, levels, based in different divisions, countries, locations.

We all know that a review process is a great idea, even if we have a formal structure, governance and tracking process. The real questions are: How many review "hot spots" should we have given the size and complexity of a deal and what should they include?

Deals should be reviewed well in advance of due diligence, alongside the Due Diligence process, just before the deal and then just after as we suddenly know a lot more information, then every two months for the next 2-3 years. Before each stage of the deal a review should take place to feed good information into that decision to move on. If we are looking closely around the deal date (before and after) fuller reviews, looking at each function for 2-5 days should take place

For small deals an extra pair of expert eyes to help spot issues and then potentially support gaps. We often find these reviews are a great way to help people who could use extra M&A and PMI knowledge. We can provide coaching support

When to review deals?

A review can be done at any time, clearly bringing in experts and their knowledge and experience into the deal early will give the possibility for an improved deal. So before negotiation is perfect. However there are a number of pinch points through the deal process and so health checks are also done before Day 1, around the 2-3 month mark, before the large synergies are due to be delivered and clearly after the deal has been completed.

How do we review?

We can do any level you want from shallow to deep dive



We can do a desk top review - using all your paperwork - just share it with us, it can be done remotely. The next level of review is to interview those who are involved with the integration directly (100% integration resource). The best health check will then also interview those from the business who have been part of the integration team and those who have not.

See which activities are driving the most value in GBP, check that resourcing is appropriately spread in line with delivery value. Will the programme team get to “overwhelm state” what additional internal resource will the programme need, when and where. Monitor momentum over the next 12-18 months. We make suggestions and recommendations from the review where we could improve, deliver more or deliver better.

What do we review?

There are a number of areas we can review:

Deal model and valuation, governance, functional plans, integration management office, growth, efficiencies, integration strategy, synergies, communications and Day 1



High level deal and integration review

- High level review (rapid) of the whole business and how it will grow – issues in the current company
- High level review (rapid) of the target as we know it today – issues in the target
- Where are our weaknesses, risks to project and deal?
- What will we do poorly during integration?
- Identify obvious integration challenges
- Review defined critical success factors
- What disruptions for the “day-to-day” business might be caused through the integration and how will you resolve resource bottlenecks?
- Discuss organisational structure pre-deal, during transition & post deal structure
- Meeting with each of the executives in the business, discussion around what is important for this deal and the integration
- Ask their experience in M&A, integration, transformations, change, uncertainty – try to find the gaps, understand if these are important for this deal

Day 1 Review

Review focus on essential deliverables, communication with all stakeholders and interim processes that ensure “business as usual”. Does resource have the experience of integrations and clear detailed plans.

Review:

- Executive Alignment Workshops
- Day 1 plans
- Early management teams working sessions
- Setting up and supporting transition teams

Efficiency Review

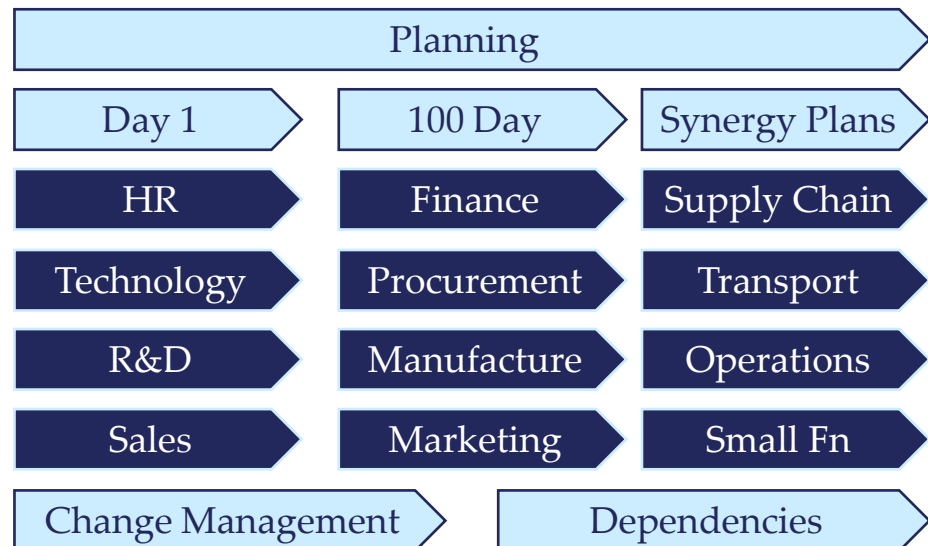
Review costs and overlap, ensure a good business model is put in place for delivery. The greater the efficiencies and faster they are delivered the more profit.

Integration Delivery Review

- Assigned tasks, deadlines and metrics for projects
- Review synergies & tracking process
- How much work will they be? How much resource will we need?
- Check customer issues created by the deal
- Programme management set up, projects set up, delivery mobilisation and delivery
- Workstreams & projects that are in planning or have been set up
 - Finance, HR, IT
 - Sales & Marketing & Customer Service & Product Review
 - Procurement
 - Distribution, Manufacture, Operations, Supply Chain
- Which people will we choose?
- How good are we at change & change management?
- Do we understand all high level systems & process?
- Review assets & 3rd party relationships

Functions, Divisions & Countries

Each of the functional and business workstreams needs to be set up, given checklist, planned, aided and tracked. Full 100 Day plans set up. Review high level plans.



Integration Planning Review:

- Reporting set up and structures in place
- Workstreams and resourcing in them
- Project approvals and stage gates in each
- Leadership clarification & communication
- What will the new organisational structure look like?
- What behaviour do we want from all employee?
- Customer Analysis
- Choosing management team
- Communications planning
- Reviewing integration methods for future improvement
- How do we review all the functions? What are we looking for?
- Full 100 day planning across all
 - Functions
 - Geographies
 - Business Units

Integration Management Office Review

The IMO will need to ensure that all of the integration teams have adequate resource, skills and cultural mix with the correct overall structure to provide risk management and governance for all of the integration projects.

- Set up and run all steering groups and IMO
- Inter-dependencies between integration teams
- Reporting processes development and rollout
- Did people adhere to agreed reporting process?
- Document management
- Integration communication channels
- Deliverable synergies
- Potential hurdles or risks to delivery, how will they be managed?
- Integration plans cascade, decisions on who needs to know what by when?
- Confidentiality and risks to the deal?
- Workstream and project charters?
- RACI structure
- Business case template, value drivers, approval process, and documentation
- Tracking process for costs, synergies, resource, deal issues
- Business performance
- Sales compared to integration actions (timely)
- Who will be integration manager
- Resource and skills allocation
- Assign tasks, deadlines and metrics for projects
- Prioritising the projects by cost vs benefit to ensure best investment of money during the integration.
- Assess project management capabilities

Integration Strategy Review

Once we have a clear detailed understanding of current ways of working for the businesses and details of the end point, the IMO can ensure that there is a sound business case and that planning and timing will deliver it. Interim scenarios for Day 1, Day 90 and Day 180 can be prepared and road maps, milestones and potential roadblocks to delivery designed/assessed. How will we run the company?

Review strategy of company & deal. How far should we integrate each:

- Function
- Geography
- Business

What is the correct level of integration, define integration goals:
Remain separate:

- Integrate partially
 - Integrate fully
 - Outsource
 - Insource
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- Culture analysis / ask about perceived culture differences

Governance

The structure of the integration needs to be agreed and put in place at the start, adequately resourced and maintained. Decisions need to be made in a timely manner. People need to know who to turn to when facing issues they cannot resolve. Without good guidance, direction and decision making the planning will not go well and delivery will be poor and slow.

- Assess critical stabilization actions
- Review near term business focus, execution and incorrect decision making
- Agree what needs to happen next
- Integration Readiness Assessment
- Integration Risk Assessment
- Integration Set up
- Set up reporting

Growth Plan and Delivery Review

Review planned growth in the deal business case or Discounted Cash Flow and compare with integration plans and then the delivery of those plans. How it will grow?

- Customer analysis to avoid customer overlap, or, customer loss and identify cross sell and up sell opportunities. How to enhance customer experience and portfolio growth with new larger business.
- Do we understand our customers?
- Product analysis to identify opportunities for more efficient manufacturing, new product development (and route to market) and cost/pricing strategy.
- Potential sales force and sales support restructuring. How to seamlessly manage customer contacts and sales orders.
- Marketing Strategy development by reviewing Channels, Alliances, & Partnerships. Retention or deletion of existing brands. New market entry or, market exits, improvement of market share.
- Communication of marketing strategy changes to stakeholders and what it means for them.
- Competitor response assessment, and potential impact on marketing strategy delivery.
- Synergy Analysis of Sales and marketing systems and processes.
- Check customer issues created by the deal
- Think about what competitors may do upon hearing about the deal
- Review loss of key customers, employees, productivity, operations effectiveness
- Review Customer focused initiative, understand & identify revenue enhancement opportunities

Synergy Review



Synergies are identified, high level values developed and allocated to streams (function, divisions, businesses and countries).

Streams then prepare individual Business Cases for review and approval to ensure they are challenging, achievable, and deliver the synergies needed.

Therefore, a robust and accurate tracking and reporting process (including a reconciliation to business performance reporting) is implemented to ensure that delivery is kept on track.

- Synergy analysis, assessment or evaluation
- What are the synergies? How long will it take to deliver each one? At what cost?
- Synergy Review
 - Revenue synergies
 - Cost synergies
 - Negative synergies
 - One off costs and synergies
- Review the detailed plans behind the high level synergies, together with risks and implementation issues.
- Review delivery of the changes needed to release synergies.
- Review accountability and responsibility
- Review synergy tracking process

Communications Review

With plans made in each area, the communications plans need to be created. Communication channels to all stakeholders developed checked and activated.

Communication guidelines detailing what, where, when, who and how as well as feedback process.

- Stakeholder analysis
- Day 1 plans
- High level communication plans
- Detailed communication plans
- Governance
- Communication function integration
- Integration of channels and message
- What is the aim of the communications?
- Do they help retaining people, reducing uncertainty, delivering the business day to day?
- Do they ensure customers and suppliers understand the deal?
- Is it seen as a success on Day 1, Day 180 and beyond?

Deal Model & Valuation Review

Understanding the deal rationale, model, assumption and valuation is key to understanding if the deal is successful. Tracking the underlying assumptions across the integration planning and delivery to ensure the deal delivers what was wanted. Where there are gaps or changes, this can be valuable learning for future deals.

- Financial modelling structure
- Review of current modelling and assumptions
- Review of target business information
- Sources of synergy and costs
- Key stand-alone business assumptions
- Synergy quantification and integration costs
- Synergy implementation planning
- Develop business cases for deal

Are you ready for M&A?

Do you fully understand the ramifications of early decisions? What is your integration Strategy? Do you have the resources in house? What does Day 1 look like? Who will do what on Day 1 and do they know it? What interdependencies exist and who owns them? Do you have a communications plan? How will you take control of the company? Do you understand all the synergies and how to deliver them? How will integration workstreams be resourced and governed? Can you see all the risks that will appear? How do you keep day to day operating effectively? Do you have agreement on integration approach for each department and division? Do you know who your good people are? Do all the 100 Day Plans work together and pull in the same direction?

Why DD Consulting?

DD Consulting specialises in M&A integration and carve-out. With corporate, big four and private equity backgrounds, our team has supported clients of all sectors, through some of the most iconic acquisitions of the last 20 years. We are passionate about planning, mobilising and delivering deals. We're different because we work with you in smaller, agile, highly experienced teams and take the time to transfer our knowledge to improve your capability. Whatever the brief, DD Consultants bring with us:

- M&A experience, key knowledge and skills learnt from numerous previous deals.
- A library of tools, templates, check-lists and methods which have been refined over years of engagements. We will share these with you, but more importantly, we will teach you how best to apply them.
- An outside and objective point of view, free from agenda, incentive or bias.
- A history of delivering client engagements to the highest standards, on time and on budget.
- We work in small teams together with you, not trying to sell more, not trying to spread out.
- M&A it's our bag, we don't do anything else.

Some of our deals



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