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MANAGEMENT CONSULTANTS

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Jumpstarting the M&A Integration Process

Overcoming M&A Integration Challenges

August 2015

Planning the Integration for Your M&A Transaction

Early integration planning is critical for successfully implementing your M&A transaction

- Mergers and acquisitions can create immediate value opportunities and provide a solid foundation for growth
- Typical value opportunities include, but are not limited to, the following:
 - Combined, streamlined corporate and operations functions can improve service delivery, reduce costs, and save customers money
 - Access to new markets can create market-share growth opportunities and increase earnings
 - Increased earnings, in turn, can provide growth capital for new investment opportunities
 - Access to each company's best practices can allow achievement of even higher levels of operational excellence
- However, a key challenge for any merger or acquisition is to quickly integrate operations using the same employees who are required to run the day-to-day business
 - ScottMadden believes quick integration is a key to merger success; we do not subscribe to the theory that the merging firms should engage in an elaborate mapping of all their processes, dragging out the integration
- Early planning, e.g., even prior to having a deal in place, will help you jumpstart the M&A integration process and can minimize employee distraction and workload
- This document provides an overview of the steps that you can take to prepare for your merger or acquisition and successfully overcome these challenges

Addressing the Integration Challenges

Large or small, all companies face similar integration challenges that need to be addressed.

Continued Focus on the Business and Customers

- Aligning company leadership
- Engaging employees and maintaining morale and productivity
- Adapting to cultural and business model differences
- Maintaining customer relationships while coordinating sales forces

Planning and Executing the Integration

- Preparing the organizations and securing integration resources
- Establishing an integration management structure and processes
- Executing pre-closing legal and regulatory activities
- Prioritizing and planning closing (Day 1) and post-closing integration requirements
- Creating and documenting a replicable acquisition model

Optimizing the Combined Business

- Standardizing and optimizing programs, policies, processes, and procedures
- Sharing and implementing operational expertise and best practices
- Consolidating suppliers and systems
- Evaluating alternative business models, e.g., shared services
- Capturing acquisition revenue and cost synergies

Operating in New Markets

- Extending a combined products and services portfolio
- Adapting to new legal and regulatory environments

An integration framework can help you address these challenges by providing vision clarity, structure, and the basis for a rapid, but thoughtful, integration process

“Putting the Pieces Together” to Achieve M&A Goals

An integration framework establishes the foundation to achieve M&A goals.

Integration Objectives

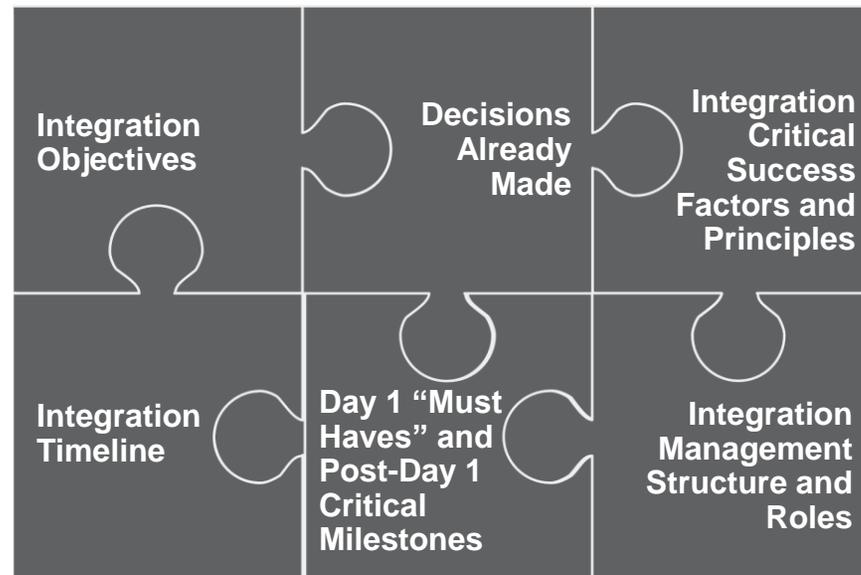
- Describes the desired outcome of the integration
- Provides clear understanding of integration objectives to employees, customers, and other stakeholders
- Clearly identifies organizational priorities

Decisions Already Made

- Communicates key organization, operations, and infrastructure decisions that have already been made
- Provides clarity for integration participants during integration plan development

Integration Critical Success Factors and Principles

- Defines the basis for integration success and what principles are to be followed during the integration process
- Communicates an understanding of organizational values, beliefs, and philosophies



Integration Timeline

- Establishes the high-level expectations for completing the integration
- Identifies and brings together key transaction and integration milestones
- Sets the pace and cadence for the integration process

Day 1 “Must Haves” and Post-Day 1 Critical Milestones

- Describes leadership’s expectations of what must be in place on the day the transaction is closed
- Identifies key functional integration milestones for post-Day 1 completion

Integration Management Structure and Roles

- Clearly defines roles and responsibilities for all integration participants
- Establishes the decision-making structure
- Defines the interfaces of various resources and efforts within the integration process

How We Can Help: The M&A Journey

ScottMadden can assist you in all three phases of a merger and acquisition.

Phase 1

Development of the Deal Case

- Due diligence (initial high-level gap analysis)
- Synergy targets established

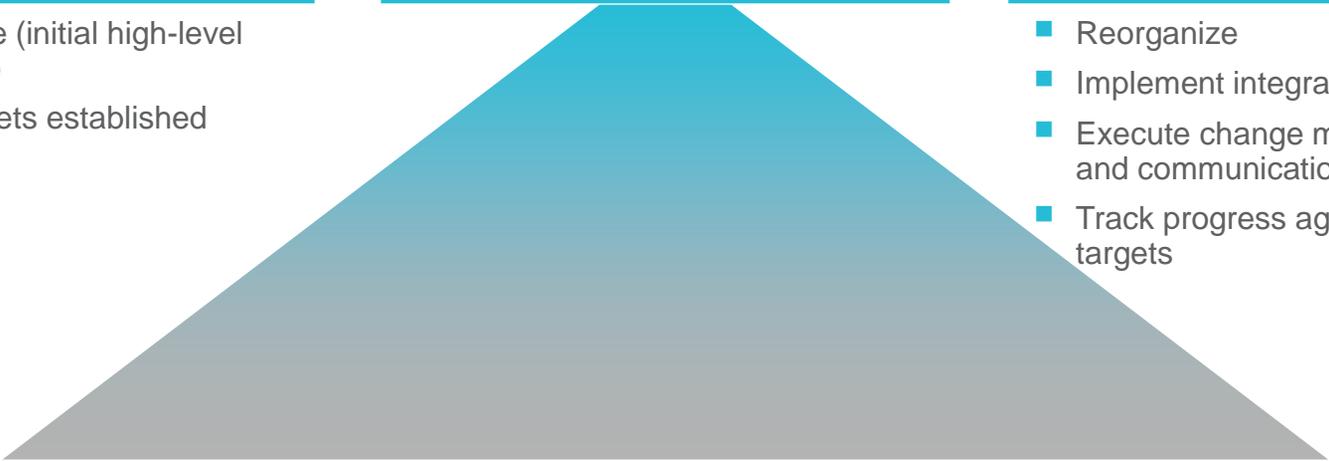
Phase 2

Integration Planning

Phase 3

Integration Transition

- Reorganize
- Implement integration plans
- Execute change management and communications
- Track progress against plans and targets



Step 1

Preparation

- What are we expected to achieve?
- How fast and how far?
- How will the integration be structured and managed?

Step 2

Analysis

- What is the current state?
- How are we different?
- What are the opportunities?

Step 3

Design

- What will we look like?
- How will we operate?
- What have we committed to do?

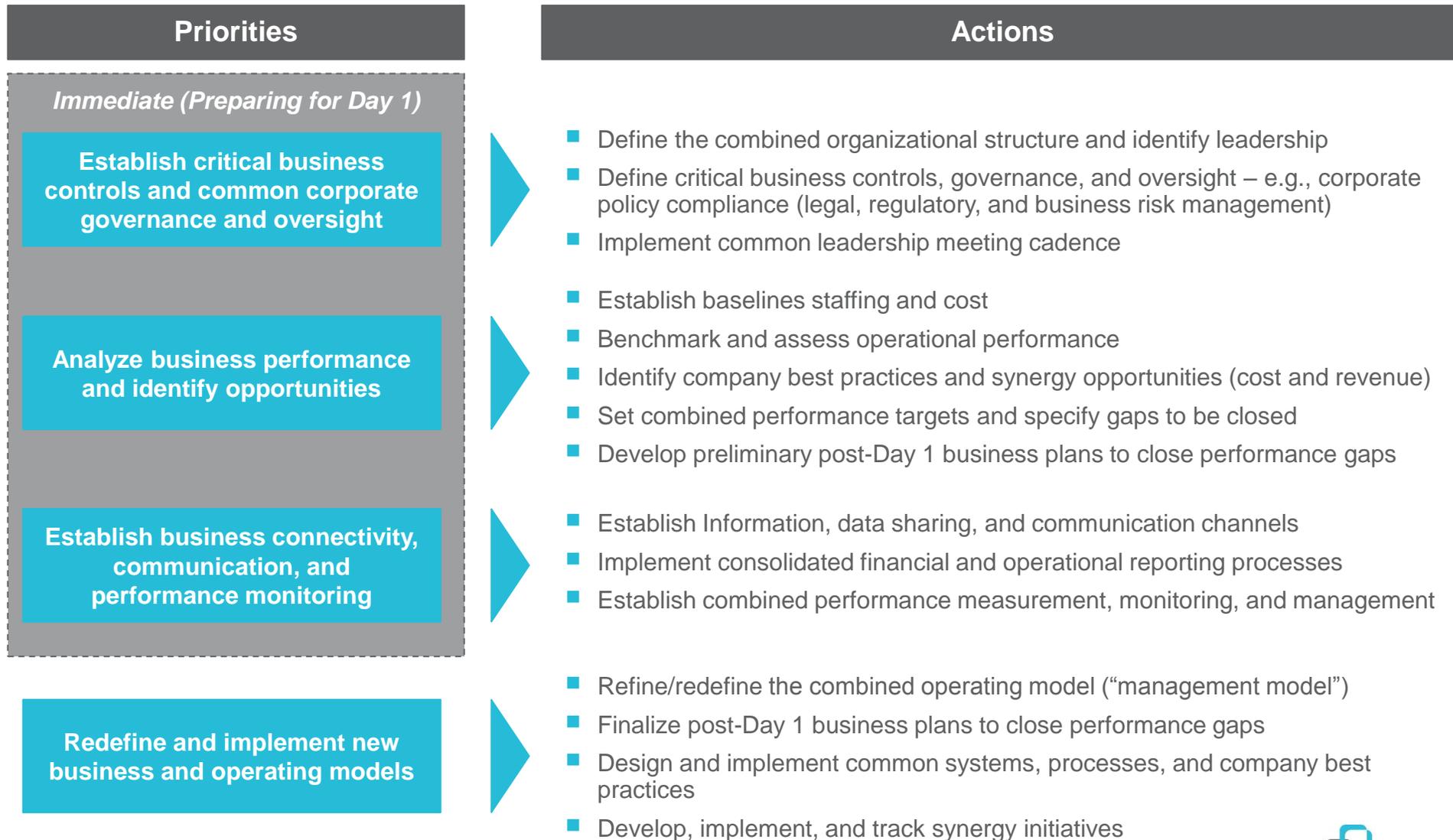
Step 4

Implementation Planning

- What actions must be taken to get us there?
- Have we considered all constraints and dependencies?

Prioritizing the Integration Process

A prioritized integration process sets the stage for rapid value capture.



Jumpstarting the Planning Process

ScottMadden's M&A Integration Planning Workshop

Workshop Objectives

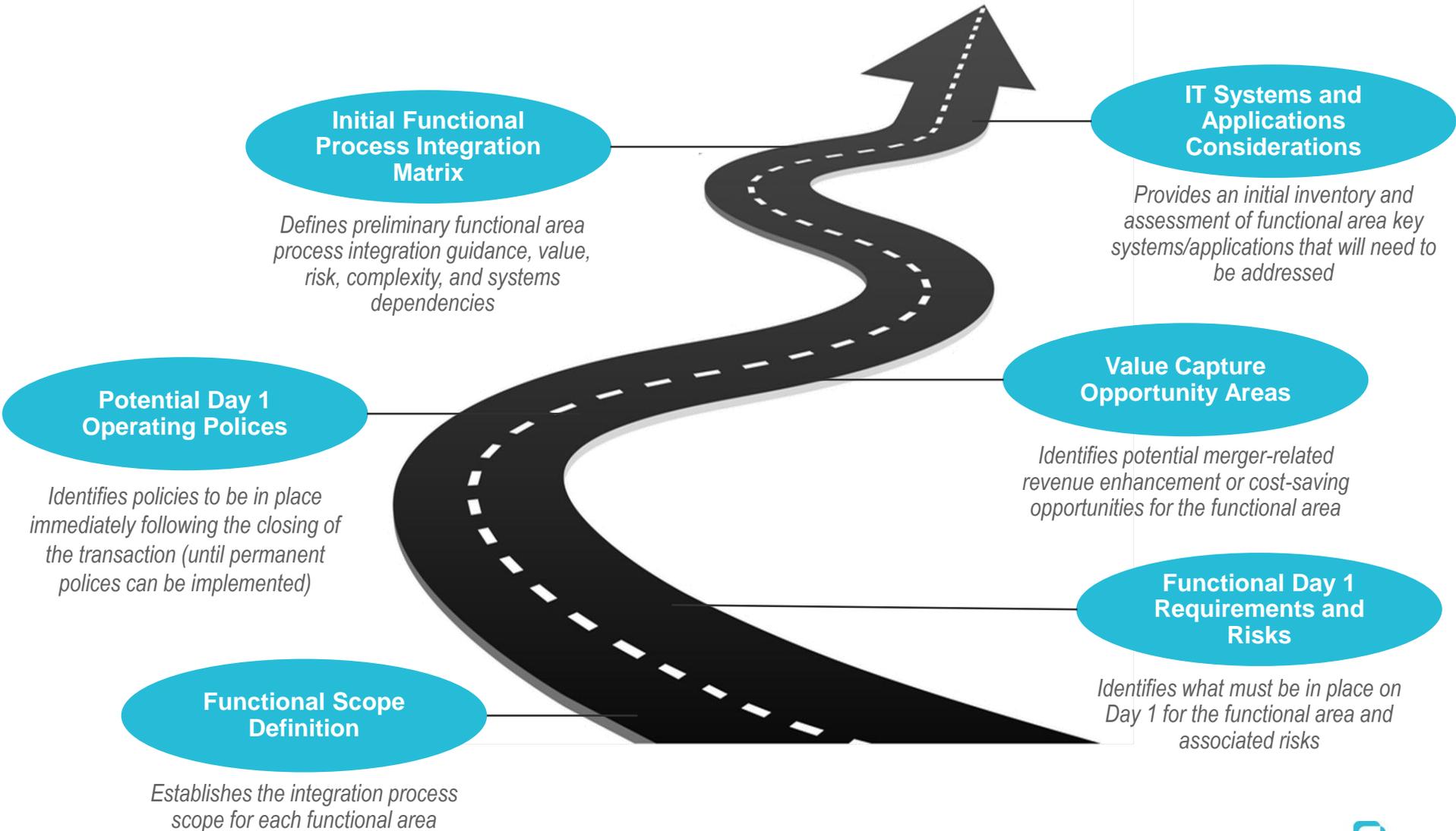
- Develop an integration framework which specifies the strategic objectives of an anticipated or announced transaction
- Establish a common philosophy and understanding of integration issues, expectations/priorities, process and critical success factors among the leadership team
- Establish company readiness to “jump start” the integration process

Workshop Outcomes and Deliverables

- Merger integration strategic objectives
- Potential integration issues associated with the anticipated or announced transaction
- Integration critical success factors, integration design principles, and approach
- High-level integration and transaction timeline and integration approach
- Integration management structure with defined roles and responsibilities
- Initial closing (Day 1) requirements or “must haves”
- First-cut, functional integration blueprints or roadmaps to support Day 1 and post-Day 1 requirements

Functional Integration Blueprints Map the Course

ScottMadden's M&A Integration Planning Workshop (Cont'd)



Contact Us

ScottMadden can help you plan and execute your M&A initiative

- Support for M&A initiatives has been one of the core competencies of ScottMadden since its founding in 1983
 - We assist with candidate screening
 - We perform synergy analyses
 - We provide due diligence support
 - We manage integration and consolidation projects for transactions of all sizes
 - We manage post-close and value-capture tracking activities
- We have significant experience assisting companies to successfully design and implement integrated operating models
- We have conducted myriad executive-level leadership team M&A integration planning workshops
- Our functional expertise in the energy industry is deep, and our M&A consulting experience is broad—the combination we believe is unique in the consulting industry

Contact us to discuss any questions you may have.

Dan Kohut

Director

ScottMadden, Inc.
3495 Piedmont Road
Building 10, Suite 805
Atlanta, GA 30305
dkohut@scottmadden.com
O: 404-814-0020



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