

BUILDING A WINNING ACQUISITION PLAYBOOK

Chief Executive
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CEO SUMMIT**

General Session

Tuesday, December 8 at 1:50 PM EST

Facilitated by  **Segal**



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Attributes of a Winning M&A Playbook

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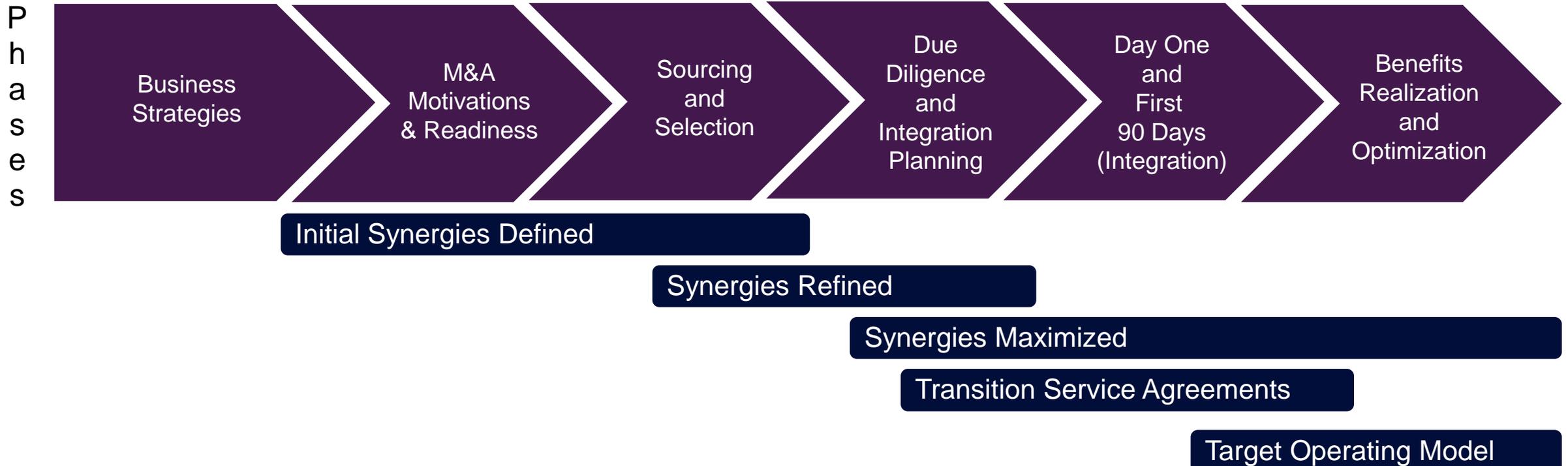
1. Addresses the **full M&A lifecycle**
2. Aligns business strategies with **M&A motivations**
3. Balances “Deal Making” with “Creating Something”
4. Translates M&A motivations into focused buy or sell search profiles and lenses
5. Fosters **sound decision making** (who, what, when, where, why, how, and what if)
6. Focuses on more than the financials (people, culture and leadership)

Attributes of a Winning M&A Playbook – cont.

7. Recognizes synergies can be **more than additive**
8. Enables Due Diligence to be both efficient and effective
9. Starts **integration planning early** with ongoing adjustments
10. Elevates the importance of the **Day-One employee experience** and the first 90 days post close
11. Accounts for **ALL** blocking and tackling needed during the first 90 days
12. Personalizes change management and communications using **stop, start, and continue**

What is an M&A Playbook?

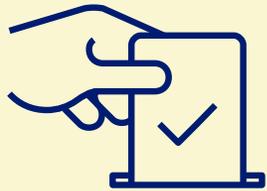
The **M&A Playbook** outlines the sequencing of phases, activities, and steps, along with a set of standards and templates applied to facilitate the selection and integrations associated with any acquisition or merger



Poll Question #1



Which of the following best describes the current state of your M&A Playbook?



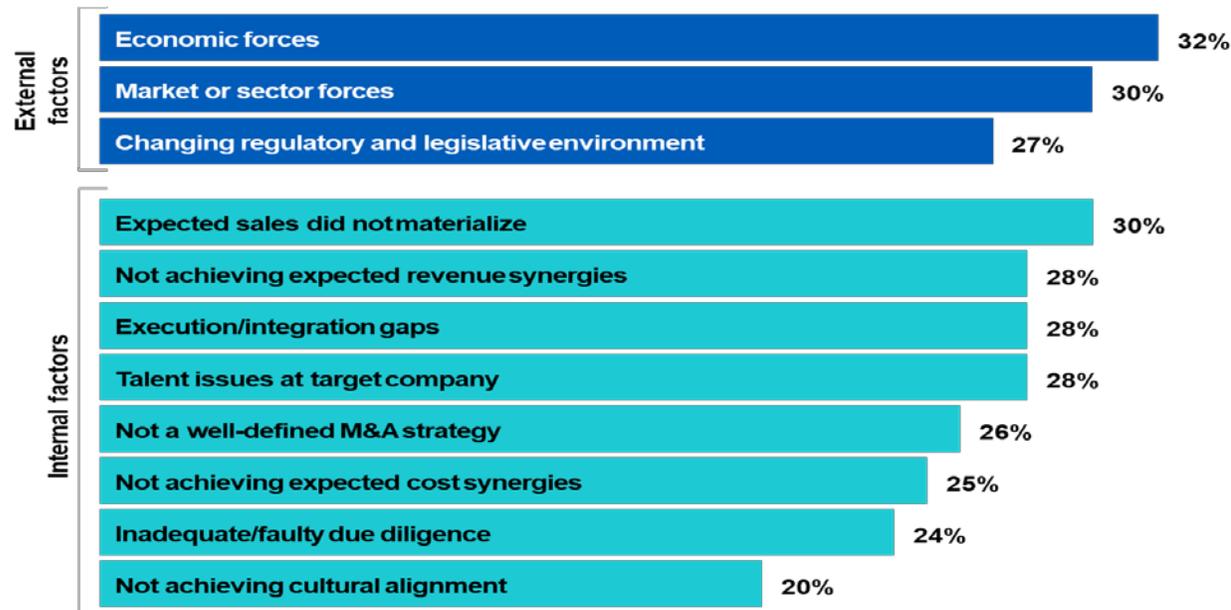
- Comprehensive (addresses the full lifecycle)
- Addresses due diligence and integration only
- Addresses due diligence only
- Addresses integration only
- We have an M&A Playbook but it has not been updated for years
- Do not currently have an M&A Playbook

Why is an M&A Playbook Important?

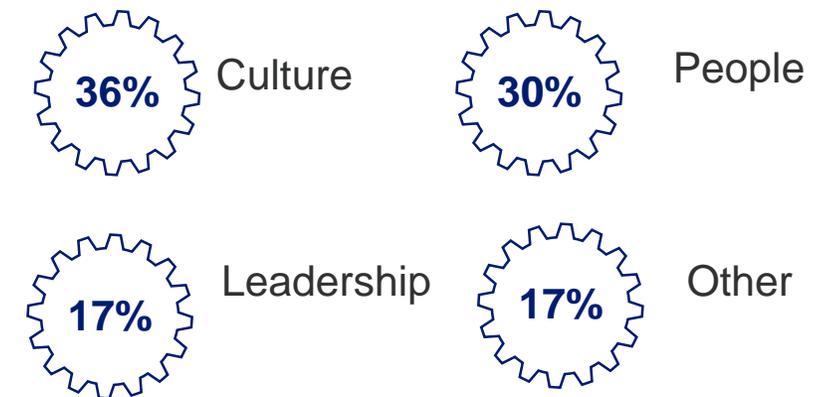
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An **M&A Playbook** does not guarantee a successful deal. However, it does increase the probability of success by aligning business strategies to M&A motivations and target companies, key areas to focus on during due diligence, what outcomes are needed, and where emphasis must be placed during integration and post-integration activities. It also guides the deal and integration teams in managing those *internal* aspects of the deal for which they have some control and influence.

Top Reasons M&A does not meet expectations



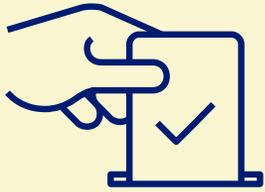
Top three **EXECUTION** challenges to achieving the expected business outcomes of an M&A:



Poll Question #2



What challenges are created or what opportunities are potentially missed by not having a comprehensive M&A Playbook?
(Check all that apply)



- Synergies – targets are not met or cannot be sustained
- Leadership – accounting for different styles
- Culture – selecting the most effective culture strategy
- Products and Services – setting up for success (collaboration)
- Customers – account management and relationship management
- Governance – determining what needs to be measured and reported, and how often
- Organization – providing visibility and streamlining decision making

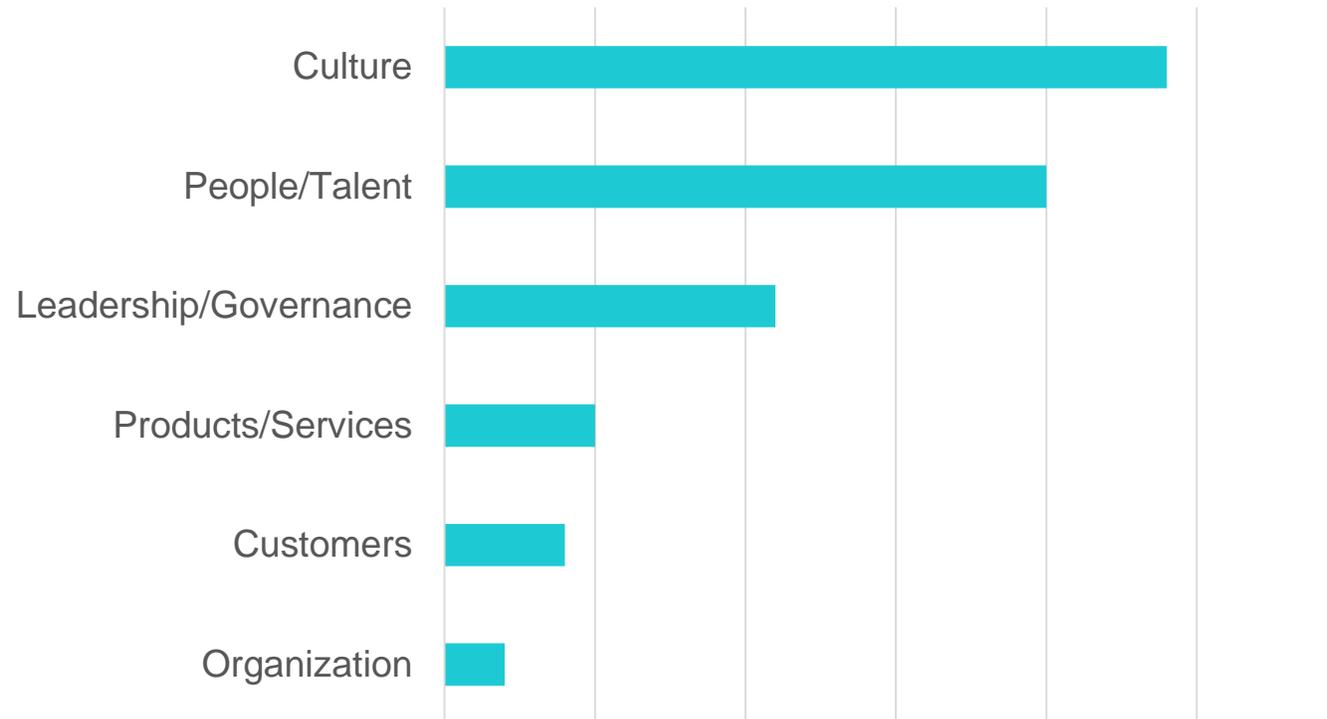
M&A Playbook

M&A Success Criteria

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Which focus area is most critical for the long-term success of an M&A?



Target Operating Model (TOM):

Identifies and prioritizes core strategic areas of focus and provides a clear picture of how the organization should operate in the future while achieving synergies and expected outcomes

Foundation for determining what will be required from leadership to effectively govern the business operations of the combined organization



M&A Playbook

Business Strategy & M&A Motivation Alignment

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Ability to Offer Whole Product Solutions

Improve Customer Service/ Quality

Eliminate a
Competitor

Access to New
Capabilities

Lower Operating
Costs

Increase Market
Share & Access
New Regions



M&A Playbook

Business Strategy & M&A Motivation Alignment

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Profile Example

Accessing New Capabilities

Screening Criteria

- Potential for increased customer value
- Synergies through combining capabilities
- Opportunities for additional leadership and management capability
- Gaining new talent
- Specific products and services
- Access to innovative solutions
- Good financial condition
- Offers financing solutions (*for smaller organizations*)

ISO 30414: Standards for Human Resource Management *Guidelines for Internal and External Human Capital Reporting*



M&A Playbook

Day One and Integration

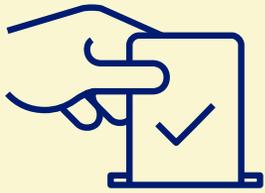
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Poll Question #3



What are you planning to do in result of today's session?



- Develop an M&A playbook
- Replace existing M&A playbook
- Expand the current M&A playbook to the full lifecycle
- Improve specific aspects of the current M&A playbook
- Provide more training to the deal teams on the use of the M&A playbook
- Apply more technology to streamline use of the M&A playbook

Attributes of a Winning M&A Playbook

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**Thank
You**

Contact Information

For more info, please
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Appendix

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M&A Market Snapshot

Q3 2020

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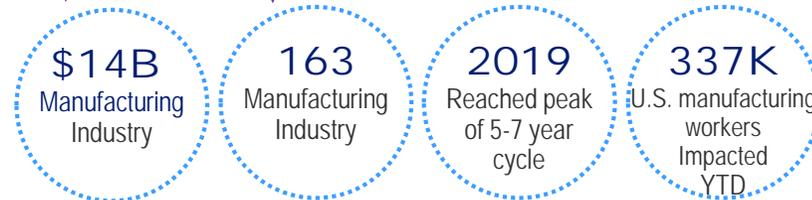


Overview A deal frenzy in September led to a record third quarter with more than \$1 trillion worth of transactions around the world, mostly focused on coronavirus-resilient sectors such as technology and healthcare. M&A deals overall were down 21% at \$2.2 trillion in the first nine months of 2020, with U.S. transactions coming in at \$800 billion, a 43% slump from the same period last year. M&A activity in July, August and September leapt 80% from the previous quarter when the spread of COVID-19 triggered global lockdowns and brought business to a standstill. – Refinitiv, a leading provider of M&A data and insights

Market size



Manufacturing



54%
Expect to increase or accelerate their M&A activity over the next 6-12 months

24%
Expect their M&A activity to remain unchanged over the next 6-12 months

22%
Have delayed their M&A activity

Investment

Transitioning from a Seller's to a Buyer's market. Buyers are now solidifying their cash position while investors are watching for signs of economic recovery.

A number of financially distressed companies will be available in the market with valuations potentially distorted by COVID-19 impacts.

Post COVID-19

Longer Term: **Technology will lead M&A Post-outbreak**, technology is going to continue to be one of the most active sectors from an M&A perspective.

...October 2020
Segal and Chief Executive Group survey (500 CEO's)

M&A Playbook

Leadership Best Practices



- Define leadership skills required
- Develop leadership capability model
- Incorporate leadership participation in assessment

Build integration teams and PMO

Analyze leadership risks and merits

Leadership assessment of current leaders

Perform leadership behavioral analysis on prospects

Utilize operations and leaders

Plan for leader attrition (evaluate retention plan)

Leader alignment sessions

Cultural assessments

M&A Playbooks

Where they often fall short...

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M&A Playbook

Business Strategy

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Strategic

- Companies that operate in same type of market (competitors)
- Looking for growth opportunities, product or service line expansion, and/or adding synergy

Private equity firms

- Harvest company and maximize the value of the acquired so all relevant companies benefit
- Seek to buy and hold companies for a cycle before selling them at a profit (Possible IPO strategy)



Financial

- Look to invest in different kinds of businesses rather than only those that align with his existing operations
- Target transactions for financial return (e.g. increasing operating cash flow)

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Business Strategy

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Corporate strategy is a reference of reasoning for all stages of an M&A

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M&A Readiness & Adjustments

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Leadership 	Have we considered the leadership styles and competencies needed to maximize this growth strategy?	No	Partially	Yes				
Culture 	Will our current culture effectively support rapid growth?	Not Well	1	2	3	4	Very Well	5
	What will be the primary barrier to overcome?	Answer: <input type="text"/>						
Products and/or Services 	[Faded text describing product readiness]	1	2	3	4	5		
Customers 	[Faded text describing customer readiness]	1	2	3	4	5		
Governance 	[Faded text describing governance readiness]	1	2	3	4	5		
Organization 	[Faded text describing organizational readiness]	1	2	3	4	5		

Usage



Before



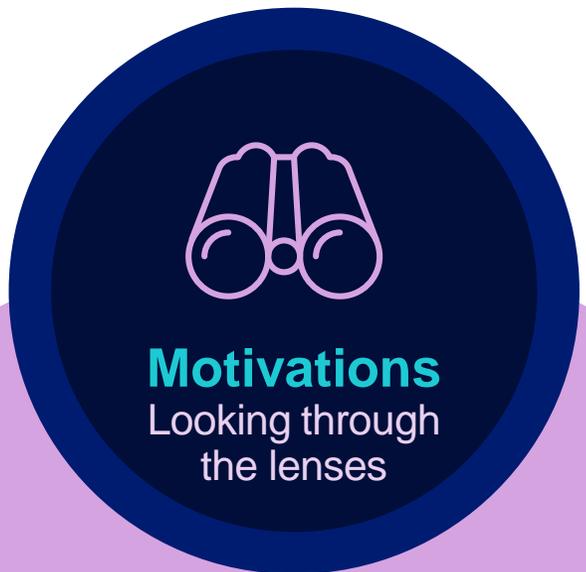
During



After

M&A Playbook

Sourcing and Selection



Motivations
Looking through
the lenses

Screening and Selecting



Outlining search
criteria

Listing
targets

Prioritizing
elements and
ranking

Selecting
target

M&A Playbook

Due Diligence and Integration Planning

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Due diligence team must understand the business objectives behind the deal.
The sources of value in a deal fall into *two* synergy categories:



Due Diligence Best Practices

- Well organized online database (data room)
- Managed workflow
- Document transparency and clarity
- Targeted and well-timed effective communications
- Planning and focus in the preparation of interviewing
- Sufficient time spent on taxes and financial matters
- Meticulous analysis of the numerical data

M&A Playbook

Due Diligence and Integration Planning

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✓	Establishes an understanding of the target's underlying value to influence structuring and financing
✓	Helps predict issues that could affect the value and sustainability of the deal
✓	Evaluates current processes and policies that will determine factors to consider during integration
✓	Exposes prospective risks and negative synergies
✓	Highlights positive synergies and opportunities for impact
✓	Uncovers Issues, and the need for representations and warranties
✓	Identifies earnout requirements and measurements

M&A Playbook

Due Diligence and Integration Planning

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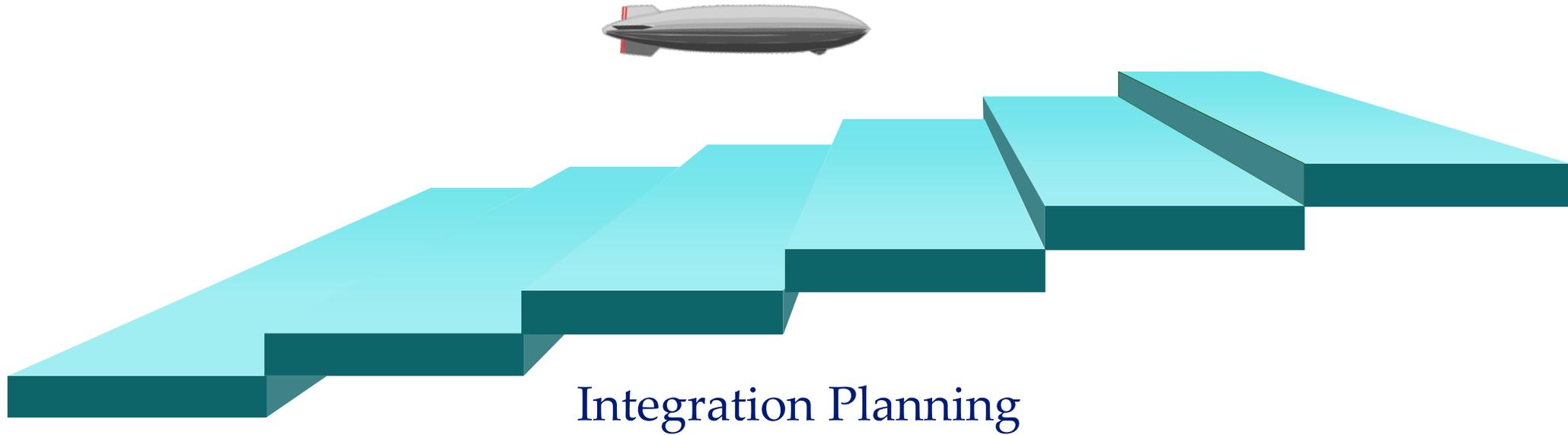
Finalize Selection and Prepare for Day 1

- 1 Negotiate deal terms
- 2 Sign purchase agreement
- 3 Close deal

M&A Playbook

Due Diligence and Integration Planning

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Develop a timeline

- Organize team and place plan

Define priorities and synergy targets

- Identify top criteria that reflect delivery of value
- Measure the best factors of each organization

Build a budget

- KPIs
- Costs for implementing the deal
- Financial obligations and filings required

Outline integration foundation

- Integration leaders and organization
- Success factors (business and value drivers)

Communicate

- Devise a plan of communication with parties such as stakeholders
- Announce a clear motivation and strategy for deal

Establish a Day-1 plan

- Next steps of Day-1:
 - Announcements
 - Management roles
 - Employee understanding
 - Customer support

M&A Playbook

Day One and Integration

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Day One

...

Day 100

- On-Board and orientation
- Guidance and support
- Minimize ambiguity
- Build trust
- Communicate the message

- Monitor progress and resolve issues
- Pursue synergies
- Adapt organization structure
- Daily HR stand-up meetings

- Realign jobs, titles, and compensation
- Surveys and KPI evaluation
- Assess success
- Refine integration approach

M&A Playbook

Benefits Realization and Optimization

