Accenture Merger, Acquisition, Divestiture and Alliance Services

High performance. Delivered.
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Accenture research shows that high-performance businesses are those that constantly renew their portfolio of businesses—both during difficult economic times and in periods of robust growth.

Renewing and optimizing portfolios can take a number of forms. For many companies, some mix of mergers, acquisitions, divestitures, joint ventures and alliances provides an attractive approach to focusing on their highest-potential offerings, customers and markets.

Accenture provides a suite of services that can help companies capitalize on today’s portfolio optimization opportunities and position themselves for high performance. For companies looking to acquire or merge with another entity, or to shed a non-core or underperforming asset, we provide services that encompass deep experience in merger and acquisition (M&A) strategy, target screening, due diligence, merger integration, carve-outs and divestitures (Figure 1). We also possess strong capabilities in developing and implementing joint venture and alliance strategies that help enterprises quickly and cost-effectively capitalize on new market opportunities. And we can help companies develop and implement a strong internal M&A capability that can support activities across all phases of the deal life cycle and help generate greater value from the transactions they execute.

**FIGURE 1. Accenture Merger, Acquisition, Divestiture and Alliance Services**

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Joint Venture/Alliances Strategy

Internal M&A Capability Development
M&A Strategy

Mergers and acquisitions—deals on the “buy” side of portfolio optimization—must be about more than just numbers: while many companies screen acquisition candidates largely on financial data, the first screen should be whether an acquisition fills a strategic gap (geographic, skill or product gaps, for example). Once that determination is made, a company must develop a realistic expectation of synergy capture and timing. Identifying and appropriately quantifying synergy potential requires a skillful blending of industry-comparable benchmarks and opportunities specific to the merging companies. By marrying the two perspectives, a company can determine if both the industry benchmarks are realistic and the targets specified are aggressive enough.

Accenture’s M&A strategy services are designed to help companies through this challenging process. We help organizations create a solid strategy for identifying and screening growth candidates, establish the frameworks to identify and quantify the expected value from a combination, and create a roadmap to execute M&A strategies in a way that mitigates risk and uncertainty and enables the organization to focus on business as usual.
We then evaluate and prioritize candidates based on their strategic rationale, synergistic value and the likelihood of getting the deal done. For example, a leading manufacturer of packaging products and paperboard collaborated with Accenture to compare the merits between two potential acquisition targets and determine the best strategic fit for the organization. As part of the pre-deal screening, Accenture completed some focused analyses which enabled the client to better consider each target and successfully close the right deal:

- A company and market analysis of the two targets to assess the industry, its players and emerging longer-term market and technology trends
- Spread correlation analyses to help the client assess how each business would contribute to the overall risk of its corporate portfolio

The acquisition increased the sales of the division sixfold, expanded the client’s geographic reach and further diversified its portfolio. Additionally, the client saw its share price rise 35 percent while companies in the same industry (as measured by the Dow Jones index) experienced an average share price decline of 67 percent during the same year.
Due Diligence & Transaction Management

A key activity in any merger or acquisition, of course, is due diligence. The benefits of a focused, yet thorough due diligence effort is vital in helping companies understand what they are buying—and in creating the right strategies to obtain the desired value from a merger or acquisition.

Accenture helps companies address this critical challenge by providing a robust set of due diligence services for both corporate and private equity clients. Accenture’s approach to strategic and operational due diligence is holistic—focusing not only on validating acquisition assumptions but also on providing greater insights that enable companies to proceed confidently with subsequent integration activities. Our due diligence practitioners have extensive industry and functional experience, which enables them to paint a realistic and practical picture of the deal.

Accenture’s due diligence capabilities include the following:

- Conducting strategic, operational and IT due diligence
- Identifying and estimating the impact of synergies
- Identifying dis-synergies and potential risks

One company that has benefited from Accenture’s due diligence experience is a major mobile operator, which asked Accenture to help in a bid for the majority share of a state-owned telecom company. The original rationale for the acquisition was defensive: the mobile operator was eager to protect its existing market position and its managers were not anticipating any significant synergies. However, a value-focused due diligence process led by Accenture uncovered $1.5 billion (in net present value) of synergies beyond what was originally estimated in product expansion, product bundling (ADSL/mobile) and cost savings. These estimates helped refine the acquirer’s final bid.
“Accenture Provides Truly Integrated M&A Services, Backed By Strong Industry Expertise”*

M&A Services SWOT Analysis: Accenture, Q2 2009, Forrester Research


http://www.forrester.com/Accenture+Provides+Truly+Integrated+M+A+Services+Backed+By+Strong+Industry+Expertise/fulltext/-/E-RES64284
While choosing the right acquisition targets and quickly identifying sources of value are critical, effectively integrating these acquisitions into the enterprise may be the single most important M&A success factor. In our extensive work with clients around the world, we found there are eight key factors that contribute to merger integration success.

**Jump-starting integration activities well before deal closure.**
Successful acquirers often begin work well before the announcement of the deal, preparing their integration program structure, establishing integration teams with well-defined charters and scopes, and planning for day one of the merger and beyond.

**Focusing the merger integration agenda on value creation, not just integration.**
Seasoned acquirers also focus on the areas that will create the most value, structuring the integration program around those key value drivers and making sure each receives adequate focus and resources. Additionally, they ensure there is a focus on customers and key customer retention.

**Focusing on the top five critical decisions for the current period.**
As a rule of thumb, there are five critical strategic decisions in any merger. They are often related to customer or product overlaps, or organizational design principles, and have disproportional impact on subsequent decisions and activities. A key success factor is to therefore, quickly surface these decisions and give them disproportionate management attention and analytical horsepower until decisions have been made.

**Addressing potential cultural issues early.**
Savvy acquirers gain an understanding of any potential cultural issues by developing blueprints of the two merging organizations, and then tailoring the integration and communications programs to mitigate and address key differences and potential clashes.

**Ensuring comprehensive, frequent and consistent communications.**
A detailed, integrated communications plan must be developed for each key stakeholder group—especially, employees, customers, suppliers, local communities and financial analysts—and implemented immediately after the merger announcement.
Providing strong governance and tight process controls.

The most successful mergers are characterized by a strong, centralized program management function that coordinates decentralized teams and provides common tools and processes, risk management oversight and management reporting to keep executive teams up to date on progress while allowing the line organization to continue to focus on business-as-usual.

Maximizing synergy opportunities.

Capitalizing fully on synergy opportunities by tying all potential synergies to specific execution plans. However, time and capacity for change are not unlimited—focus on an 80 percent level of certainty and comfort in planning and then drive quickly for 100 percent execution.

Moving quickly to implement bold changes.

Because mergers create the expectation of change among employees, management teams can be bolder about the type and size of changes they make to operating models, portfolio, channels and other aspects of the business. But they must work fast, as the window for such change only lasts for 18 to 24 months.

The preceding success factors form the foundation for Accenture’s multiphase approach to planning and managing a merger integration to accelerate value realization (Figure 2). Our approach begins with the development of merger frameworks that set up the integration program to focus on the key value drivers of the acquisition while mitigating customer and employee attrition and past experiences. Next, we draw on our strong program management capabilities and methodologies to support proper planning of the merger integration effort—work that is aided greatly by the use of the Accenture Intelligent Clean Room. This proprietary capability enables a company to compress the time-to-value realization by accelerating pre-close analysis and planning in areas of competitive sensitivity. Finally, Accenture works with a company to execute the integration plan across all business functions to capture value and achieve the synergies on which the merger was based.

A leading Asian banking group selected Accenture to manage and govern all of the integration phases during a major acquisition. Working with the group’s senior management, Accenture established an implementation framework focused on preserving value, maximizing cost savings and providing revenue enhancement. Within a short span of two months, Accenture had developed the implementation plan and within seven months—sooner than projected—the integration work was completed. The integration resulted in the creation of a “One Bank” service, which was available to all previous and new customers of the Asian banking group across its expanded network.

FIGURE 2. Accenture’s three-phase approach to merger integration

I. Establish merger framework
II. Conduct integration planning
III. Execute integration plans

A leading Asian banking group selected Accenture to manage and govern all of the integration phases during a major acquisition. Working with the group’s senior management, Accenture established an implementation framework focused on preserving value, maximizing cost savings and providing revenue enhancement. Within a short span of two months, Accenture had developed the implementation plan and within seven months—sooner than projected—the integration work was completed. The integration resulted in the creation of a “One Bank” service, which was available to all previous and new customers of the Asian banking group across its expanded network.
Carve-out/Divestiture

Mergers and acquisitions are not the only ways of generating new business value and enhancing competitive positioning. Executing deals on the “sell” side—divestitures of selected assets—also can be part of a strategy for high performance by helping companies effectively tailor their portfolio of businesses and raise capital for acquisitions in markets and businesses that have greater strategic appeal.

When developing its divestiture strategy, a company should comprehensively assess its corporate portfolio to identify opportunities for value creation. This entails four basic steps:

- Aligning assets with the company’s best opportunities
- Developing a timing strategy for the separation and the divestiture transaction
- Understanding the boundaries of assets being considered for divestiture
- Packaging those assets for maximum value

Once it is clear which assets to divest and how they should be packaged, a number of best practices can help drive successful execution. These include strong program management, careful planning for the future success of the divestiture target, ensuring clear accountability between the parent company and the to-be-divested organization, and maintaining an open dialogue and staying flexible as the transaction unfolds.

Accenture can help companies throughout the entire timeline of the divestiture process, from conception through separation. The cornerstone of the Accenture approach is our divestiture framework, which helps companies to implement their divestiture strategies faster, with less risk and with a clearer focus on shareholder results.

Our framework includes a comprehensive methodology and assets that help companies plan, set up and execute the separation of carve-out of business units from parent companies. It also includes proven divestiture transaction assets and capabilities that help companies prepare and execute divestitures.

Accenture’s approach to divestitures played an important role in helping one global energy company shed a non-core line of business. Accenture helped the client to design and manage the complex process of separating and preparing a global petrochemicals business for sale. This included determining the major milestones, work streams and projects that would be needed to deliver such a complex divestment, coupled with the development of monitoring tools necessary to deliver the project on time and budget. In this separation effort, Accenture supported the client with the organizational and functional separation, as well as the formation of a new operating model and governance framework for the carved-out business. Following the successful separation, Accenture also helped the client to set up and manage the dual track transaction (IPO/trade sale) to divest the business. The energy company captured $9 billion in cash by divesting its petrochemicals business—up to $2 billion more than Wall Street analysts had expected.

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Joint Venture/Alliances Strategy

In addition to acquiring or shedding assets, alliances and joint ventures can be critical to the growth strategies of many companies.

Such arrangements can dramatically reduce the time required to develop new products and gain access to fast-growing emerging markets. Based on our experience with leading companies across a wide range of industries, we have found that companies can achieve real value from alliances and joint ventures by focusing on six fundamental factors:

• Develop clear, common objectives and definitions of success
• Ensure comprehensive, frequent and consistent communications
• Determine the appropriate governance model with clear decision making
• Assign an alliance relationship manager who will help to anticipate the most likely conflicts
• Plan for evolution, keeping key project team members on board until the joint venture or alliance is operational
• Establish clear financial and operational reporting metrics to track and measure success

Accenture’s comprehensive joint venture and alliance services and experience help companies identify, craft and implement growth-generating arrangements that contribute to high performance. Our rigorous partner screening framework enables companies to identify alliances and joint ventures with significant earnings potential. We then address critical financial, legal and administrative considerations for all potential relationships with our strategic, commercial and operational due diligence services. In addition, our comprehensive alliance and joint venture set-up capabilities and methodologies help companies quickly implement relationships and, thus, accelerate time to value.

One company that has capitalized on Accenture’s capabilities in building alliances is a fast-growing Asian pharmaceuticals manufacturer. The company was looking for an alliance partner with which it could team to capture a share of the growing market in the United States for the company’s oncology drug. Accenture helped the company with all key elements of developing and executing its alliance strategy, including identifying potential partners, assisting in creating financial models, conducting due diligence, helping to select the best partner (a major U.S.-based pharmaceutical company), structuring the commercial terms of the deal and facilitating negotiations. The landmark multiyear strategic alliance agreement the two companies ultimately signed covers the development, manufacturing and marketing of prescription generic oncology products in the United States. It also requires both organizations to make investments in the development and launch of the products.
Internal M&A Capability Development

Accenture research shows that companies with above-average M&A capabilities achieve greater revenue growth, return on capital employed, and total shareholder returns. They also are more likely than other companies to achieve the desired strategic and financial targets of each deal. In other words, a robust M&A capability is a key source of competitive advantage.

Accenture collaborates with clients to build M&A organizations—a sort of M&A “machine”—that can generate predictable, repeatable and value-driven results. Along the way, we use a host of customizable assets and tools, such as a robust best-practice M&A methodology and playbooks for each stage of the M&A lifecycle, which speed results and knowledge transfer.

To build the right internal M&A capabilities, senior leaders first must assess whether their current internal M&A capabilities fit the scope, scale and volume of their expected deal flow. They also must determine whether they have strong processes and skills to identify the right M&A growth strategies, the right acquisition targets, and the right playbooks to capture the value of their acquisitions or carve-outs. And they must ensure these capabilities reside in the businesses and functions that likely will be at the center supporting their expected M&A activity. Having a perspective on the likeliness of achieving growth and cost synergies also will help executives prioritize their investments in internal M&A capabilities.

Accenture has deep insights into the core M&A capabilities—the processes (strategy management, transaction management, and integration management) and enabling processes (governance, performance management, and knowledge management)—that are crucial to creating value from M&A. Those insights are embedded in Accenture’s powerful M&A Maturity Model® (Figure 3), which was developed based on more than 100 interviews with corporate development officials at leading serial acquirers and experience with more than 500 Accenture M&A projects in the past five years.

Using the M&A Maturity Model, Accenture can help organizations assess their M&A capabilities quickly and effectively, and address any shortcomings in these critical processes. We also can qualitatively and quantitatively measure a company’s track record in creating value from M&A and help embed past successes and lessons learned. In short, Accenture can help its clients become world-class M&A organizations that routinely create value across the entire M&A lifecycle.

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FIGURE 3. Stages of the Accenture M&A Maturity Model®
Why Accenture?

Accenture is uniquely qualified to help organizations optimize their portfolios in the pursuit of growth and, ultimately, high performance—for six important reasons:

Unmatched M&A leadership
We have lead or had a significant role on the three largest mergers worldwide in the past five years.

Scale and scope
In the past five years, we have advised clients in more than 620 M&A projects globally.

Global operating model
We have a dedicated global M&A practice with deep functional expertise in Strategy, Supply Chain, IT, Sales, Marketing, Change Management and Finance Capabilities.

Our network of M&A professionals in Europe, Asia, Africa and the Western Hemisphere enables us to draw upon the best talent and resources for every client project.

Strong delivery and execution skills
Our deep experience managing and implementing major enterprise-wide projects helps to minimize the risk in any transaction. Companies and organizations are looking for game-changing solutions delivered with the right mix of skills, experience and global reach, and that’s what distinguishes Accenture in the market-place. As a global management consulting, technology services and outsourcing company with more than 261,000 people serving clients in more than 120 countries, Accenture combines unparalleled experience, comprehensive capabilities across all industries and business functions.

Ability to drive transformative change
Our M&A practitioners have large scale transformation experience and bring expertise across the entire investment lifecycle. We know where to look for additional value that is typically missed by our competitors.

M&A thought leadership
We have multiple patents for important tools and assets (including our M&A Playbook and Intelligent Clean Room) and have been published extensively (over 80 articles) on key aspects of M&A, divestitures, alliances and joint ventures.
Regional M&A Contacts

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Mirko Dier leads Accenture’s Mergers & Acquisitions practice globally as well as the Strategy practice in Austria, Switzerland and Germany. Mirko focuses on helping international energy, utilities, telecommunications, financial services and consumer goods organizations address inorganic growth challenges on both the buy and sell sides. He is based in Munich.
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Bruce Delteil leads Accenture’s Mergers & Acquisitions practice in Southeast Asia and Greater China. Bruce focuses on helping clients in the Energy industry, among others, to craft their M&A strategy as part of their overall growth strategy. This includes pre and post deal support, as well as alliances and joint venture strategies. He is based in Singapore.
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About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 289,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$28.6 billion for the fiscal year ended Aug. 31, 2013. Its home page is www.accenture.com.

Visit our site to learn more about our M&A practice:
www.accenture.com/M&A

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