

# Mergers and acquisitions: Maximising the benefits

*The market for mergers and acquisitions (M&A) is celebrating a return, with companies looking to consolidate and prepare for growth. A number of surveys suggest between 60 and 80% of mergers and acquisitions fail to achieve shareholder value. Benefits are often paid for three times over: for the company itself, again for the restructuring costs and again when the company is sold for a loss. Moregate Consulting has developed a proven process to maximise benefits from M&A activity.*

## The Issue

How can companies mitigate the risks of failure and deliver the true benefits envisaged from a merger or acquisition? What are the main causes of failure? In our experience eight key causes of failure can be identified:

1. **Lack of consideration of shareholder value**  
The likely impact of the acquisition on the value of the business together with the interests of the company's stakeholders are often ignored.
2. **Lack of commercial assessment of the deal**  
The transaction is often seen as a financial exercise, with accountants 'doing the deal', leaving the operations team to deliver the synergies when the deal is complete.
3. **Taking a narrow approach**  
A company may say that it is buying the target for a specific asset e.g. production capacity. By not taking a holistic approach it may find that, following disposals, the sustaining environment for that asset may have disappeared along with the reason for acquiring the target.
4. **Planning left until it's too late**  
The first 100 days are critical for a successful transaction. Failure to act decisively within this period can lead to the workforce becoming dysfunctional. Many companies leave integration planning, including, for example, IT, until after they have concluded the deal. This can lead to steamrolling the process which may create mistakes, delays and an increase in costs.
5. **Lack of clear and measurable objectives**  
The synergies initially identified in the transaction are often subject to limited verification during due diligence and are often not set as agreed objectives for the integration process.
6. **Starving the process**  
Companies often assume that existing management can run the two organisations and implement the necessary change as well, instead of identifying a separate integration team.
7. **Ignoring the views of acquisition staff**  
The people at the acquired company, who are an intrinsic part of the value, are often not consulted for their views and ideas.

8. **Underestimating the costs of the acquisition**  
Companies often underestimate the money that needs to be spent to eliminate duplication of cost. It may take two years to realise the full benefits and release the profit and loss account value. There is a carrying cost associated with that which is often overlooked.

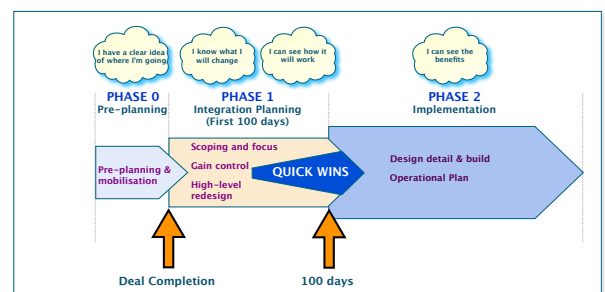
## The Moregate Consulting Approach

Moregate Consulting's three-phased approach is deployed throughout the deal cycle to work closely with the client from commercial assessment of value through to operational implementation.

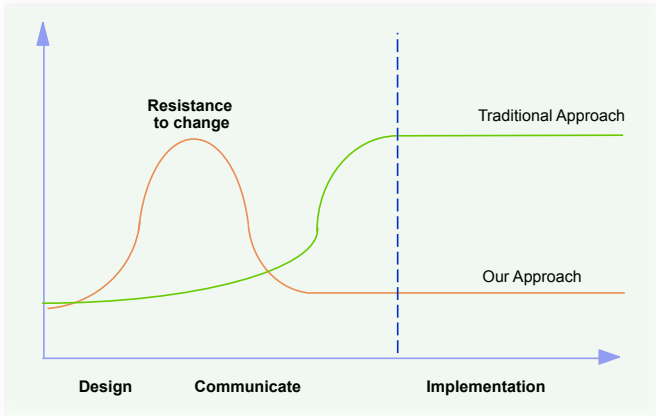
In particular we work with the Board to:

- ✓ Set clear, measurable objectives and targets at the outset;
- ✓ Plan the strategy for achieving objectives and realising benefits as part of the business case;
- ✓ Assess the risk and value drivers at every stage to focus investigations;
- ✓ Move quickly to mobilise an integration team during the 'honeymoon' period;
- ✓ Maintain senior management focus and continuity at every stage until objectives are achieved and benefits are realised;
- ✓ Manage the people aspects through each stage;
- ✓ Ensure that sufficient resource and expertise is available for every task, subcontracting if necessary.

Post merger integration is a three-phase process



Our approach delivers a high level operational and organisational redesign within 100 days, and ensures subsequent implementation.



## Our experience

Moregate Consulting has successfully provided such assistance to companies from a range of SME technology and manufacturing sectors. The case studies below highlight our breadth of experience:

### *Major Technology Services provider - **Acquisition Integration***

The client, a \$100m US/UK based Technology Services company asked Moregate Consulting to manage the post acquisition process of a major industry player in a competitive industry ripe for consolidation. This incorporated an initial evaluation of the industry drivers and link with deal drivers and structuring of synergy and benefit targets.

We helped the client assess the value of the combined business, while creating a 100 day plan to ensure that the benefits could be realised.

### *IT Services company - **MBO and Separation from Cable & Wireless***

Moregate Consulting managed the entire deal cycle of a Management Buy-Out (MBO) from Cable&Wireless. This included managing the complex bid process, due diligence, fund raising, managing the legal process, post deal transition and subsequent business turnaround. Our work resulted in turning a loss making entity into a positive EBITDA and cash flow generating business within twelve months.

### *Middle Eastern Oil merger - **Vertical Integration***

Moregate Consulting was appointed to manage the operational and detailed integration and planning requirements of bringing together two medium-sized national oil companies to form an integrated upstream

and downstream organisation. This included organisational design, process redesign and synergy evaluation. The entire organisational change process was co-ordinated.

*International Can manufacturer - **Cross Border Deal***  
Moregate Consulting managed the post acquisition integration of a UK/German cross border acquisition of two medium sized food and aerosol can manufacturers. Moregate Consulting used the 100 day process to identify and implement operational synergies in procurement, production planning and plant closures across the client's European operation.

## Benefits

Moregate Consulting combines with specialist corporate finance and change management teams in a joint approach to supporting merger and acquisition activity. Working together, using proven processes and our extensive experience, we enable our clients to successfully realise the benefits of their transactions.

Moregate Consulting places particular emphasis on the people and cultural aspects, using facilitation and communication to overcome the emotional and political barriers that frequently undermine success.

Our team brings a wealth of practical experience in successfully managing the operational and commercial aspects of mergers and acquisition, not to mention the fact that we have invested in our own ventures and acquisitions.

We have the credentials and tools to overcome any shortfall in capability, wherever and whenever you need it.

Value based management form an integral part of our approach to managing the realisation of benefits, and ensuring shareholder value is enhanced, not destroyed, by the transaction.

Moregate Consulting's involvement can begin at any stage in the transaction / post-transaction periods, but we can add most value when brought in early on in the cycle.

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