A Stress-free Guide to Mergers, Acquisitions and Divestitures

In 2007 eprentise was founded on its original product, FlexField

➤ Enables customers to make unprecedented changes to their financial chart of accounts while maintaining transactional history and data integrity.

ORACLE | Partner

In 2009 we introduced our Consolidation, Divestiture, and Reorganization products

➤ Transformational software which can copy, change, filter, or merge all elements of Oracle EBS financial systems to address ever-changing business needs, such as regulatory compliance and growth opportunities.

Transformation to Optimization

One-time usage to subscription model

In 2020 we began expanding to new markets with our C Collection analytics suite, and our Audit Automation software

➤ C Collection analytics provides transparency and identifies potential problem areas with transactional data. This allows users to reduce costs, leverage opportunities across the enterprise, improve business processes, and increase the confidence level of the users in their data, processes, and operations.

➤ Automated Audit provides internal auditors and the finance team with drill-down data from a balance sheet report into the transaction-level detail. The software covers hundreds of substantive procedures for the entire enterprise domain and builds in consistent audit processes and workflows across the organization.

❑ Claremont is a UK-based Professional Services Organization

  ➢ What Is Our Ethos?
    ▪ Delivery excellence
    ▪ Focused on business outcomes
    ▪ Creative and innovative
    ▪ Socially responsible
  ➢ What Do We Do?
    ▪ Exclusively focused on helping organisations to get the best value out of their investment in oracle technology
    ▪ Consultancy and managed services
    ▪ 100s of implementations
    ▪ 1000s of enhancements
    ▪ Delivered solutions to our customers going through mergers, acquisitions and divestments

CLAREMONT

- ❑ Why?
- ❑ The Merger, Acquisition, and Divestiture Process
- ❑ Challenges
- ❑ Due Diligence
- ❑ Transition
- ❑ Building a New Company
  - ➢ Processes
  - ➢ Technology
- ❑ Products and Services That Can Help

❑ Seller's perspective

➢ Why do companies divest?

▪ Sell low-performing business units

▪ Focus on high-growth opportunities

▪ Break up business units to increase business agility

▪ Reduce complexity from the business

❑ Buyer's perspective

➢ Why do companies acquire?

▪ Value from new products and customers

▪ Synergies and cost savings in product development and administration

▪ Exponential value

▪ Minimal risk from new product development

- ❑ Take advantage of complimentary resources at all levels
- ❑ Find more profitable uses for assets
- ❑ Achieve both strategic and operational fit
- ❑ Discover new market opportunities
- ❑ Sell new products to existing customers
- ❑ Reinvent processes and shed obsolete practices
- ❑ Capitalize on creativity and excitement evoked as new colleagues interact

What?
High-Level Business Operating Model

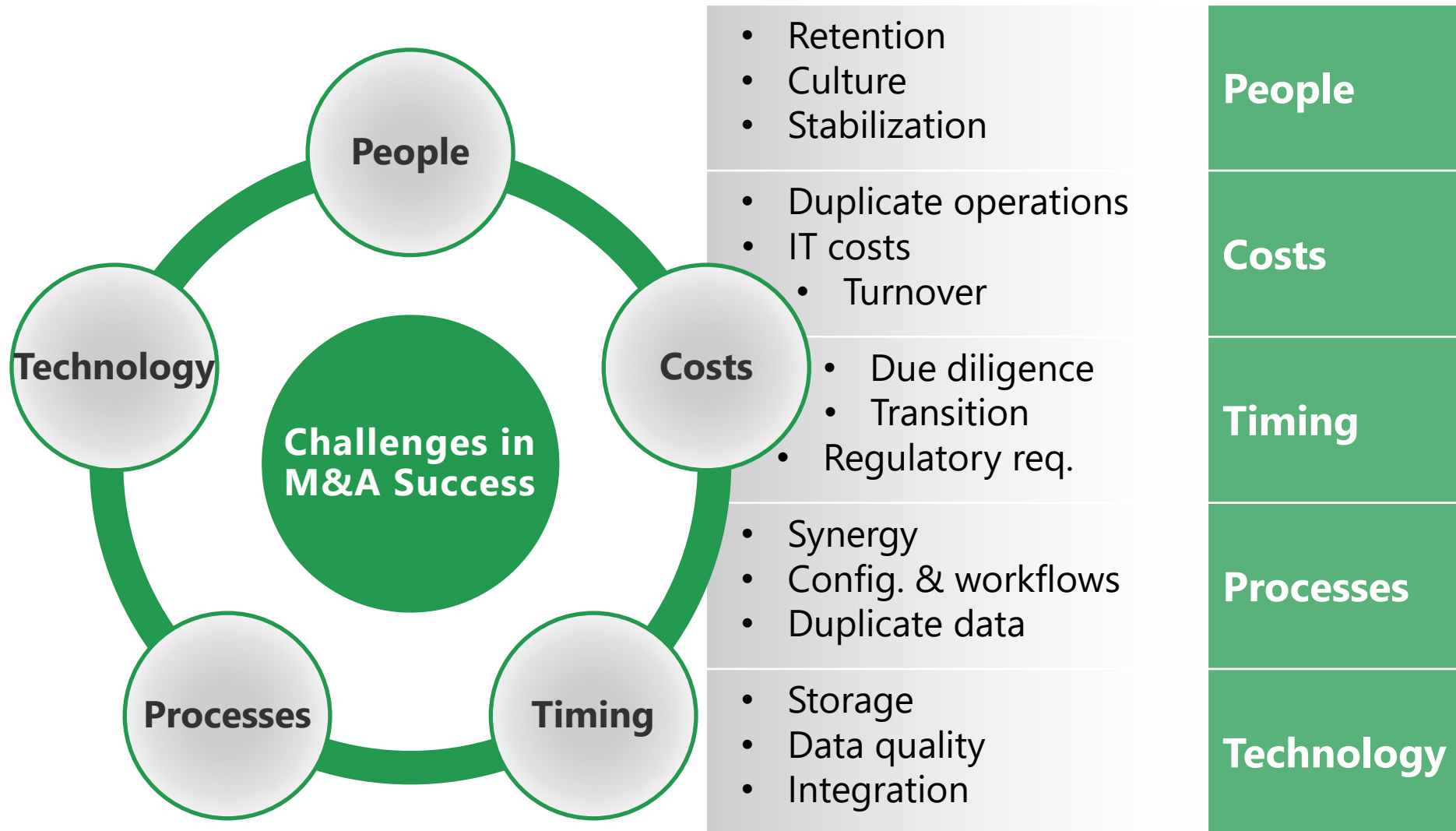**Why?**
Key Business Strategies and Synergy Opportunities

How?
Management Philosophy

* How will we manage our key business processes?
* Why are we merging?
* What is in scope?
* How will we know that we are successful?
* What are our product, market and channel strategies and demonstrated core competencies?
* What kind of culture/employee environment will we build and foster?
* What are our integrated operational strategic goals?
* How will we consolidate each function on process contribute to achieve maximum merger objectives?
* What type of management style will we employ?
* What strengths of each organization will we leverage?
* What must happen to integrate each process?
* What weaknesses will we overcome with the merger?
* What policies should we adopt?
* What will the integrated process look like?
* What new policies must be developed?
* What will the integrated organization look like?
* What skills to we need to retain and develop?
* What should our culture characteristic be?
* What skills and knowledge must we maintain?
* What initiatives should we continue or halt?
* What will our systems and applications infrastructure look like?
* What systems must we roll out to enable the integration?
* What data and information must be consolidated or converted?
* How will we support our systems and users?

1. Buyer expresses interest or Seller decides to focus on other core operations
2. Initial discussions/ presentations to see if there is interest
3. Preliminary due diligence (high-level financials, roadmap, major customers, market presence, etc.)
4. Letter of intent
5. Formal due diligence
6. Formal sales agreement to buy/sell - The Deal
   - Identification of transition team
   - Transition Services Agreement
   - Strategy of what the new company will need to operate
7. Regulatory approvals and close set
8. Transaction close – Day 1
9. Operation of new combined company

Challenges in M&A Success

- People
  - Retention
  - Culture
  - Stabilization

- Costs
  - Duplicate operations
  - IT costs
    - Turnover

- Timing
  - Due diligence
  - Transition
  - Regulatory req.

- Processes
  - Synergy
  - Config. & workflows
  - Duplicate data

- Technology
  - Storage
  - Data quality
  - Integration

Mission Statement
- Why are you doing what you are doing?
- How does that tie into a long-term vision for the entity?

Value Proposition
- What are the benefits, value, and ROI?
- Why would someone pay for this part of the business?
- What are the current assets of the business?

Product or Service
- What are you selling?
- How are you pricing it?

Marketing and Sales Strategy
- Who is your market? How do you reach them?
- Who are your current customers? Why do they buy from you?
- Who are your competitors?

Operations and Operating Assumptions
- What is the length of sales cycle, sales per month, revenue per sale, accounts receivable timing, major suppliers and headcount?

Financial Projections
- What is your five-year plan?

Management Team
- If you sell this part of the business, who will lead the charge?
- Do you have an experienced team in place that can develop a strategy and execute toward that strategy?

❑ Transition Services Agreement

> ➢ Who does what, when

> ➢ Who gets what when there is a separation

>> ▪ Systems

>> ▪ Financials

>> ▪ Use of name, logo, IP

>> ▪ Products and competition clauses

> ➢ Timing

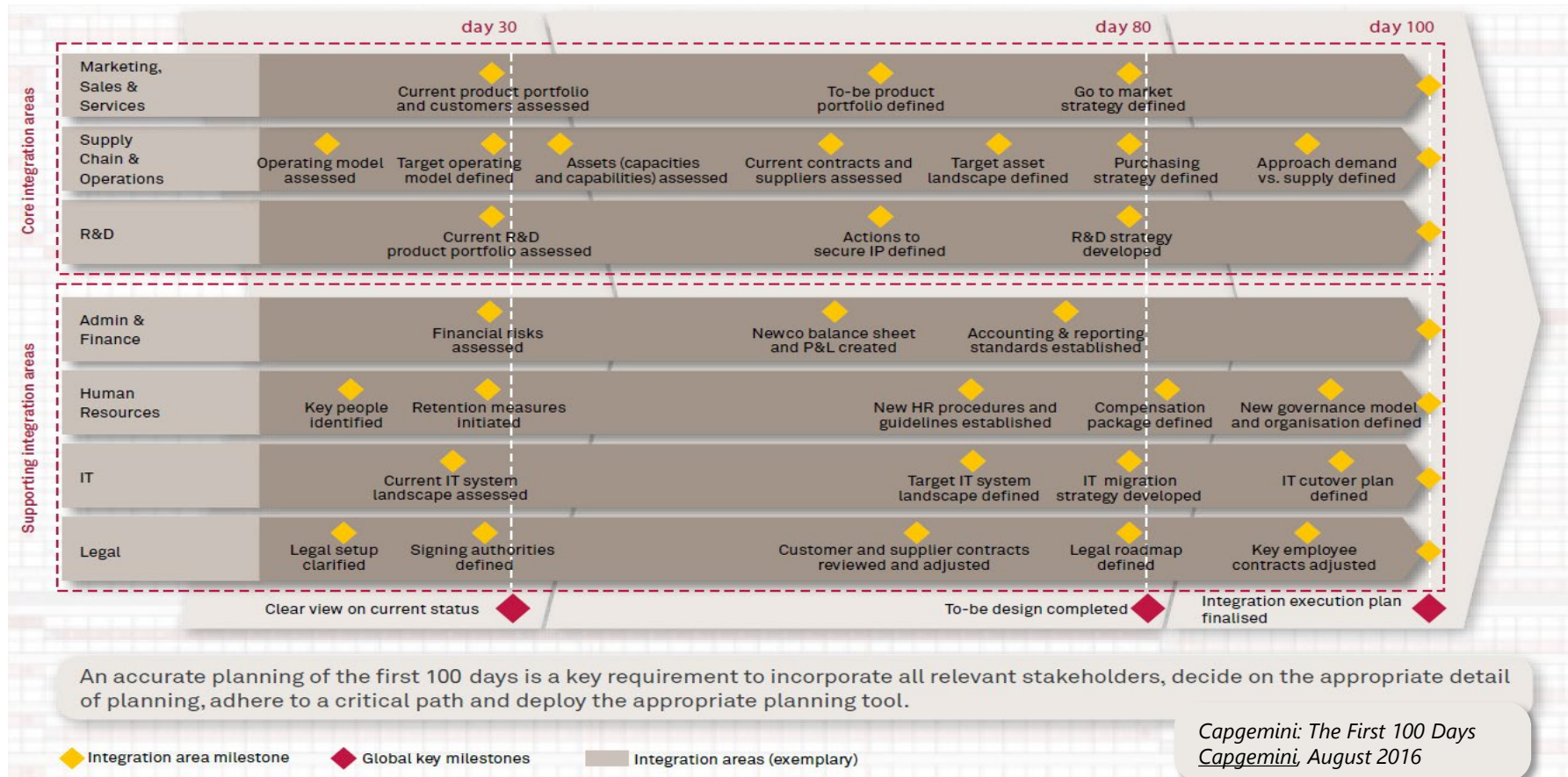>> ▪ How long does this go on

> ➢ Enforcement

> ➢ Costs

Transition Team

Processes

Designing the Synergies into the New Business

- ❑ Cost reduction
  - ➢ Economies of scale
  - ➢ Combination of duplicate corporate functions
  - ➢ Streamlined sales forces
- ❑ Capital efficiency
  - ➢ Rationalized assets
  - ➢ Combination of duplicate facilities
- ❑ Revenue enhancement
  - ➢ Product development synergy → new products
  - ➢ Shared marketing skills
  - ➢ Combined distribution network

An accurate planning of the first 100 days is a key requirement to incorporate all relevant stakeholders, decide on the appropriate detail of planning, adhere to a critical path and deploy the appropriate planning tool.

Capgemini: The First 100 Days
Capgemini, August 2016

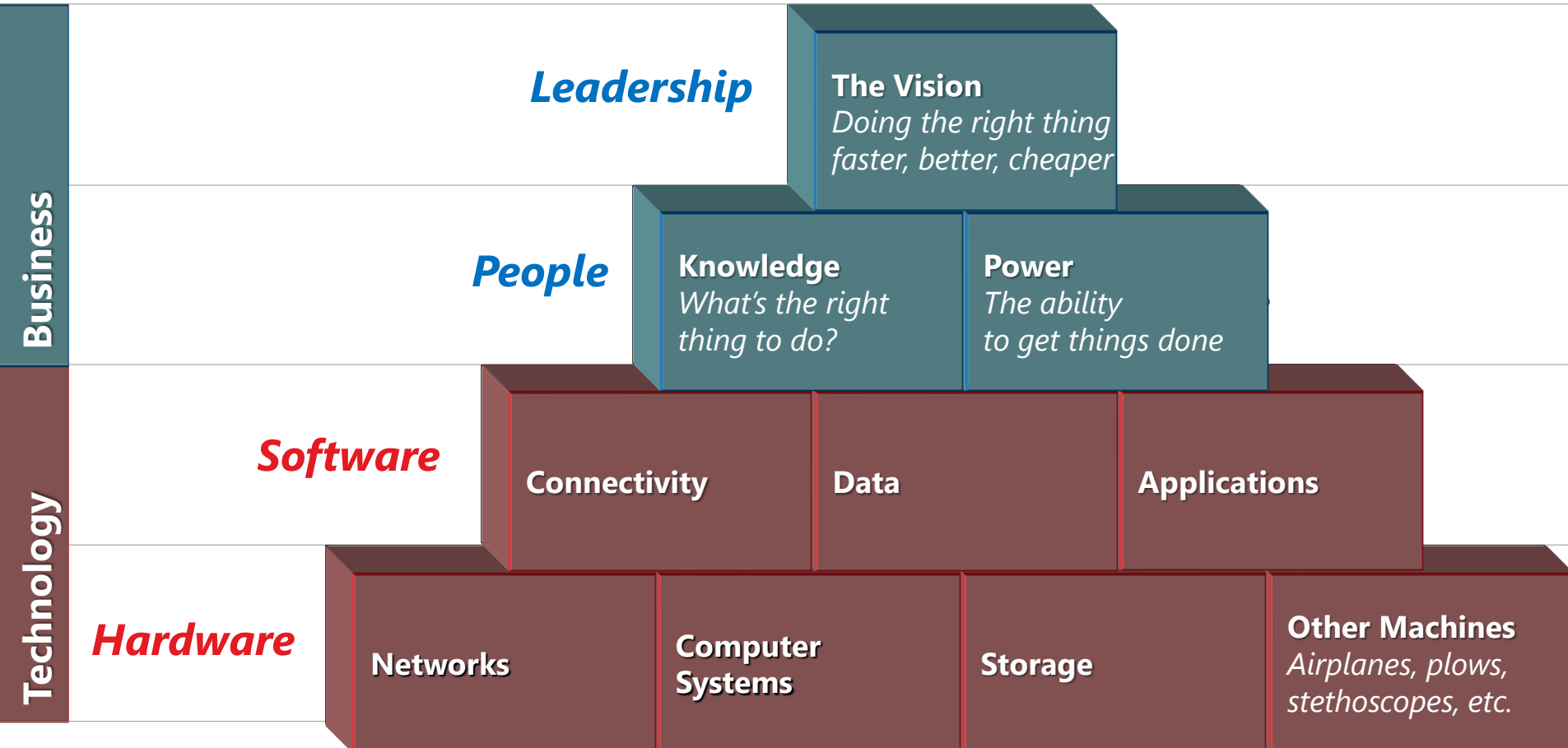◆ Integration area milestone   ◆ Global key milestones   ▬ Integration areas (exemplary)

Planning the transition process delivers shareholder value within MA&D or kills it entirely.

Preparation is integral: by Day 1, 40% of all changes that will <u>ever</u> occur will have already been initiated. By Day 100, 85% will be done. Statistically, initiatives not completed within 6 months of the transition, lay way into the new companies steady-state – for better or worse.

Technology

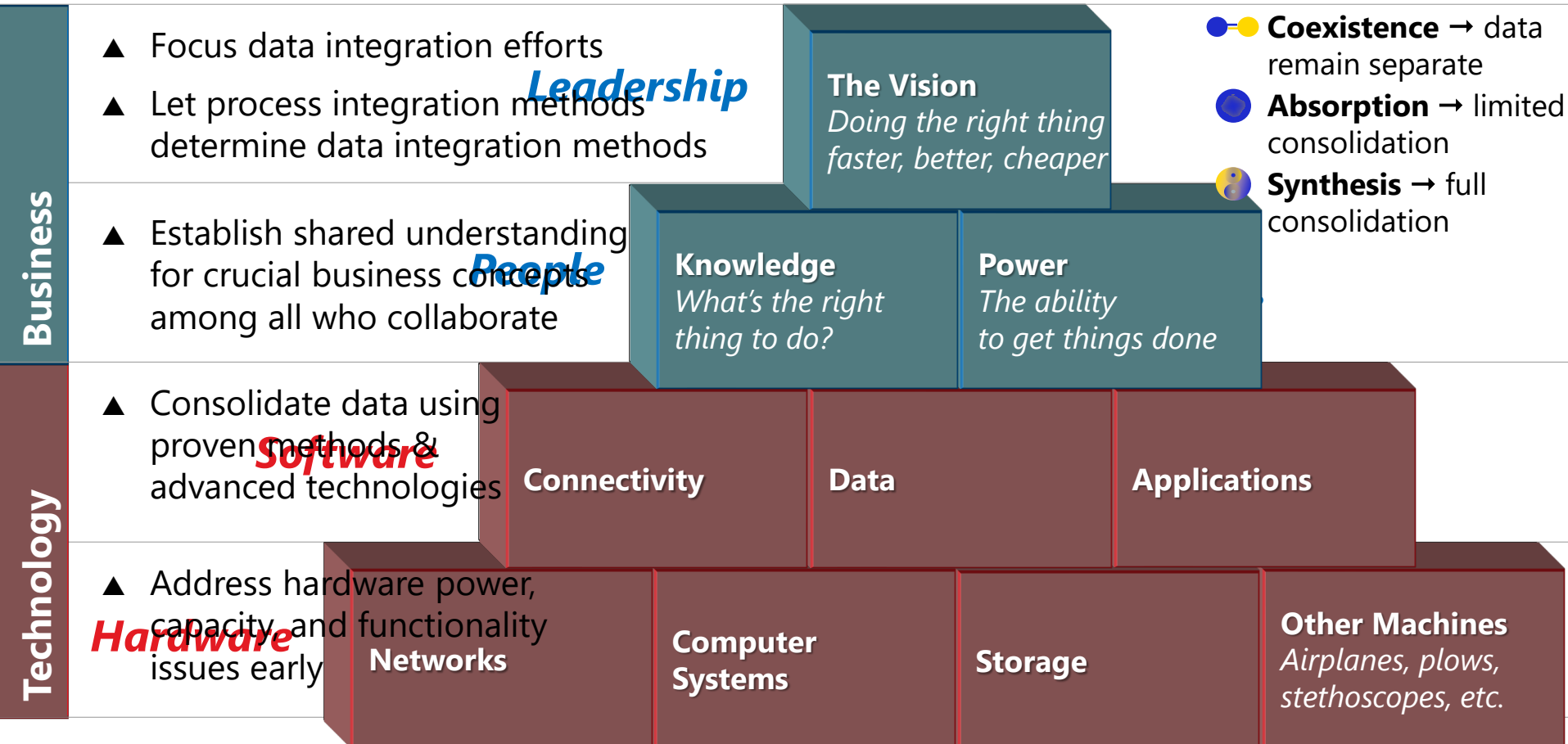*Enabling the New Enterprise without Delaying the Transition*

Key Success Factor: Plan Technology Integration from the Top Down

Business

Technology

Leadership

People

Software

Hardware

The Vision
*Doing the right thing
faster, better, cheaper*

Knowledge
*What's the right
thing to do?*

Power
*The ability
to get things done*

Connectivity

Data

Applications

Networks

**Computer
Systems**

Storage

Other Machines
*Airplanes, plows,
stethoscopes, etc.*

Key Success Factor: Implement Technology Integration from the Bottom Up

Key Success Factor: Plan Technology Integration from the Top Down

Business

- ▲ Focus data integration efforts
- ▲ Let process integration methods determine data integration methods

- ▲ Establish shared understanding for crucial business concepts among all who collaborate

Technology

- ▲ Consolidate data using proven methods & advanced technologies

- ▲ Address hardware power, capacity, and functionality issues early

Leadership

People

Software

Hardware

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Doing the right thing faster, better, cheaper

Knowledge
What's the right thing to do?

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Other Machines
Airplanes, plows, stethoscopes, etc.

Coexistence → data remain separate

Absorption → limited consolidation

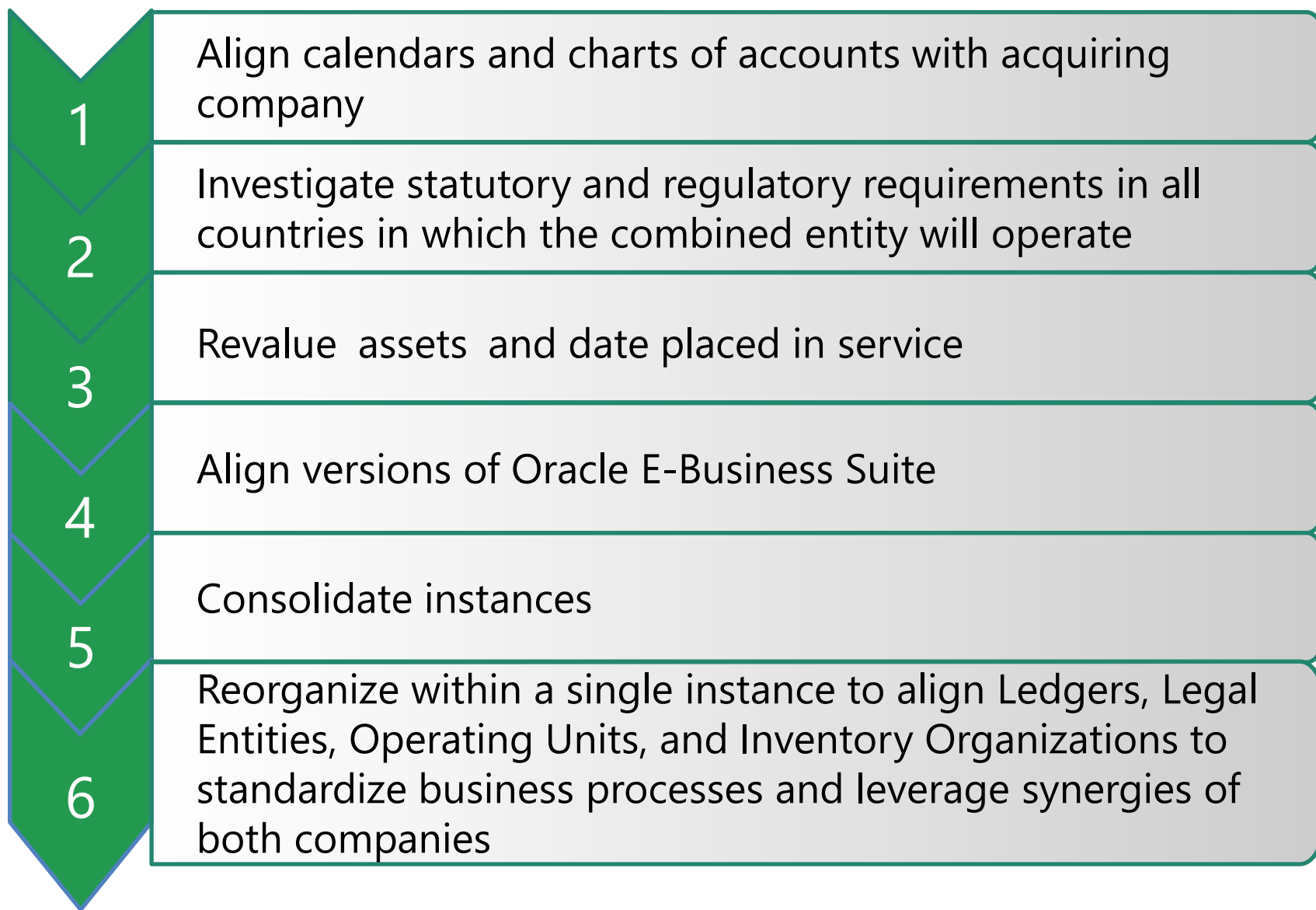**Synthesis** → full consolidation

Key Success Factor: Implement Technology Integration from the Bottom Up

- ❑ What happens to the system containing data for divested entities?
- ❑ What are the buyer requirements from system perspective?
- ❑ What are the seller limitations from system perspective?
- ❑ Are there clear requirements on who gets what data – seller v/s buyer?
- ❑ What happens to historical data?
- ❑ What happens to master data?
- ❑ Does IT organization have tools to be able to meet both seller's and buyer's requirements?
- ❑ Can the system requirements be achieved in required timeline for closing?

- ❑ What system am I getting – platform?
- ❑ What data does it contain?
- ❑ What will be my integration strategy?
- ❑ How will this system fit within my organizational IT strategy?
- ❑ What do I need to do to manage short term expectations?
- ❑ What do I need to do to manage long term expectations?
- ❑ What additional work will be required after getting the divested system from seller?

Sequence of Post-Merger Integration Steps

1. Align calendars and charts of accounts with acquiring company

2. Investigate statutory and regulatory requirements in all countries in which the combined entity will operate

3. Revalue assets and date placed in service

4. Align versions of Oracle E-Business Suite

5. Consolidate instances

6. Reorganize within a single instance to align Ledgers, Legal Entities, Operating Units, and Inventory Organizations to standardize business processes and leverage synergies of both companies

Merger Goals	Before	After	Transition Plan
• Improve Blue's financials • Geographic expansion of markets: Blue + Gold • Fix up Gold for resale	*Coexistence*		• Little / no integration • Arm's length distance • Blue $$ reporting imposed on Gold • Fix-up changes (maybe big) to Gold
	True Blue Gold Rush		

• Obtain synergistic Gold assets such as:
  • Skills
  • Products
  • Processes
• Eliminate duplicate resources to cut costs
	Absorption		• Gold to become an integral part of Blue
			• Careful integration of Gold's assets to realize synergies
			• Combine, reorganize, reduce

	True Blue Gold Rush	True Blue	
• A marriage of equals • Vertical or horizontal integration • Extensive synergies • Economies of scale • A new identity that also preserves the old	*Synthesis*		• A complex transition • Synthesize a new company from the best of both • Preserve what works well in each • Remove redundancies
	True Blue Gold Rush	*Blue Gold*	

Quickest Way to Maximize Emergent Synergies

- ❑ Bring non-Oracle data into EBS environment
  - ➢ Keep data in same format as original system (same ledger structure, same COA, same calendar), same interfacing systems
    - ▪ Data is the same, only training involved is learning EBS functionality
    - ▪ Easy transition for users
    - ▪ Use consolidated financial statement reporting to view and reconcile results

- ❑ After data is in Oracle, and users are trained on Oracle, work towards enterprise-wide standards (COA, calendar, organizational structure, costing structures, business processes)
  - ➢ Best of both companies
  - ➢ Collaborative effort

- ❑ Delete data from EBS that is not relevant to the combined company (eprentise Divestiture Software)

- ❑ Use eprentise to make transformations within EBS
  - ➢ eprentise Reorganization Software
  - ➢ eprentise FlexField Software
  - ➢ eprentise Calendar Change Software

- ❑ Rebuild BI, Data Warehouse

Changes in Core Processes to Strengthen Transition

- ❑ Aligning the acquired with the acquirer to better integrate financial reporting and track synergetic improvement
- ❑ Cohesive operational methods
- ❑ Better adaptation to new or changing regulatory compliance

Global Chart of Accounts	**Calendar Change**

❑ Reduce complexity of configurations
❑ Cross validation rules
  ➢ Security rules
  ➢ Reporting within ranges
❑ No conversions required for data warehouse queries, drill-down to subledgers, ad-hoc reporting
❑ Facilitate movement to shared service centers
  ➢ Single COA to manage
  ➢ Standardized training
❑ Enterprise governance and control of new combinations
  ➢ Reduce redundancies
❑ Streamline the month- and year-end closing processes
❑ No more messy financial consolidations using spreadsheets
❑ Eliminates the need for using and maintaining multiple charts of accounts
	❑ Change to Calendar structure
	❑ Impacts General-Ledger and sub-ledger modules
	  ➢ Synchronize changes to Sub ledger calendar / periods (AR, AP, PO, INV, PA, CN)
	  ➢ Synchronize changes in Fixed Assets module (FA Calendar and periods)
	  ➢ Synchronize changes to other calendars (not directly linked to Accounting Calendar)
	  ➢ Other Calendars which need not sync with Accounting Calendar changes
	❑ Impacts data in related primary ledgers – actual budget, encumbrance and translated balances
	❑ Related consolidation ledgers, secondary ledgers, reporting (ALC) ledgers, related retained earnings, revalued balances
	❑ Journals repositioned to new periods
	❑ Periods being lengthened or shortened, years being lengthened or shortened

eprentise Software Has Been Used To Support Over $400 Billion In Merger, Acquisition, And Divestiture Transactions For Oracle® EBS Customers

Organization	Business Problem	eprentise Solution
GE / Synchrony $26.5B	GE needed to spin off its consumer credit card business as part of its move to become more of a pure industrial organization.	Using eprentise Divestiture software, GE Capital split all transactions by balancing segment value, and moved all transactions and history to a new ledger, a new LE, and a new OU and changed the names of the new entities. The data from the consumer credit card business was removed from the GE Capital corporate instance.
Siemens / Dresser-Rand $7.6B	Siemens' purchase of Dresser-Rand required the divestiture of a Dresser-Rand business unit (due to regulatory requirements of a foreign company doing business with the US government) as part of the acquisition. Because of the high hosting costs of separate instances, D-R wanted to maintain the separate business within their current environment until the government business was sold.	The project involved copying data within the same instance to new structures. Using eprentise Reorganization software, D-R copied data from 3 source inventory orgs within 2 different source OUs to 3 new target inv orgs in 2 OUs. This project involved repointing 19 old cost group IDs and 164 Project Accounting expenditure orgs to new cost groups and new expenditure orgs. This resulted in a single EBS instance with the government business copied into separate ledgers and operating units. A calendar change followed.
High-Tech Company (Partner – KPMG)	This company was looking to divest two business units but identifying the data sets for those entities was not straight forward.	eprentise Divestiture software was able to support 180 different selection criteria to filter the data belonging only to the two different carved out entities and enable the identification of the data sets for the new divested entities. The divestitures did not go through.
Hertz (Partner – Deloitte) $2.5B	Hertz divested its rental equipment business (HERC).	Data belonging to Hertz was purged from the instance. Purge criteria included ledger, OU, Inv org, asset books, and business groups. Hertz had a full suite of EBS modules including HR and contracts. After the divestiture, HERC had its own stand-alone instance with only its data in it.
BMC $6.9B +	BMC went from public company to private company and needed financials to represent the close date including retained earnings and equity adjustments. 32 corporate asset books also reflected the close date. In a separate project, they were acquired and needed to go from a private company back to a public company.	eprentise Calendar Change - BMC created a stub year ending on the last day as a public company, and a longer year beginning on the first day as a private company using eprentise Calendar Change software. All financials from the close were represented accurately on the date of the close and retained earnings were adjusted. When BMC was later acquired by KKR, they completed a second calendar change project to end their new calendar year effective as of the acquisition date. Assets were revalued and moved to new corporate books.

Software Transformation
(NOT Migration or Integration)

- ❑ **Proven track record**
  - ➢ eprentise software has been successfully utilized to support over $400 billion of merger, acquisition and divestiture deals
  - ➢ Software product company with unique approach to common business issues
  - ➢ Success stories – Many Fortune 50 companies
  - ➢ 100% Customer satisfaction

- ❑ **Competitive advantages**
  - ➢ Much lower cost of implementation (product vs. services)
  - ➢ Unique knowledge set developed from years of use
  - ➢ Proprietary, patented, proven technology
  - ➢ No other software in the market

- ❑ **Benefits of eprentise approach**
  - ➢ Maintains database integrity
  - ➢ Retains all history
  - ➢ All conflicts resolved
  - ➢ Reduces risk
  - ➢ Reduces project duration

- ❑ **Efficiency gains because of shorter project duration with fewer resources translates to lower costs**
  - ➢ Repeatable results, reusable as requirements change
  - ➢ Requires significantly less time and resources than consulting efforts

- ❑ **Accurate, consistent results**
  - ➢ No custom code
  - ➢ No need to worry about different coding styles, standards, skill levels, corrupting database, differences in different versions
  - ➢ Eliminates need to "qualify" consultants on technical skills
  - ➢ Generates code automatically without technical knowledge

- ❑ **No need for external mapping, data warehouse, or reporting to reconcile different businesses**

Data Transformation with 100% Accuracy

- ❑ Unneeded data and all related data is **purged** from the instance (Seed, Configuration, Master, Transactions)

- ❑ Load spreadsheets to separate data that doesn't meet criteria

- ❑ Filter configuration, master, and transaction data

- ❑ Scalable framework that can be tuned for client-specific requirements

- ❑ Maintains the integrity of the data post-divestiture in the new (purged) instance

- ❑ Audit trail

Code Combination Segment Value

Filter by Legal Entity & Balancing Segment Value

Filter by Operating Unit with File Load


Specify
Retain or
Delete

Your chart of accounts or calendar does not match the buyer's chart of accounts or calendar

❑ Definitions and reporting are inconsistent causing redundant processes, difficulty complying with statutory and regulatory requirements, and lack of transparency

❑ You need many external products/modules/features (HFM, custom reports, GL Consolidation, secondary ledgers, etc.) to close each month

❑ Different charts of accounts and calendars make it difficult to prepare the required financials within the deadlines in the TSA or issued for public companies.

❑ A common Chart of Accounts and the same calendar structure leads to better collaboration and cooperation among the finance teams of different organizations

Why is FlexField ® the industry-leading solution for changing the accounting flexfield?

- ❑ Designed for the business user.
- ❑ Built-in features automatically update related information to maintain the relational integrity among data.
- ❑ Error-checking that identifies exceptions and alerts the user, even across multiple COAs.
- ❑ Simple graphical user interface that takes you through the FlexField process.
- ❑ Out-of-the-box software to meet any requirements, whether it is adding or reducing the number or size of segments, mapping 1 segment to many or many segments or values to one, or re-ranging values.
- ❑ Retains all history, allowing for streamlined reporting and complete, consistent, and correct information.
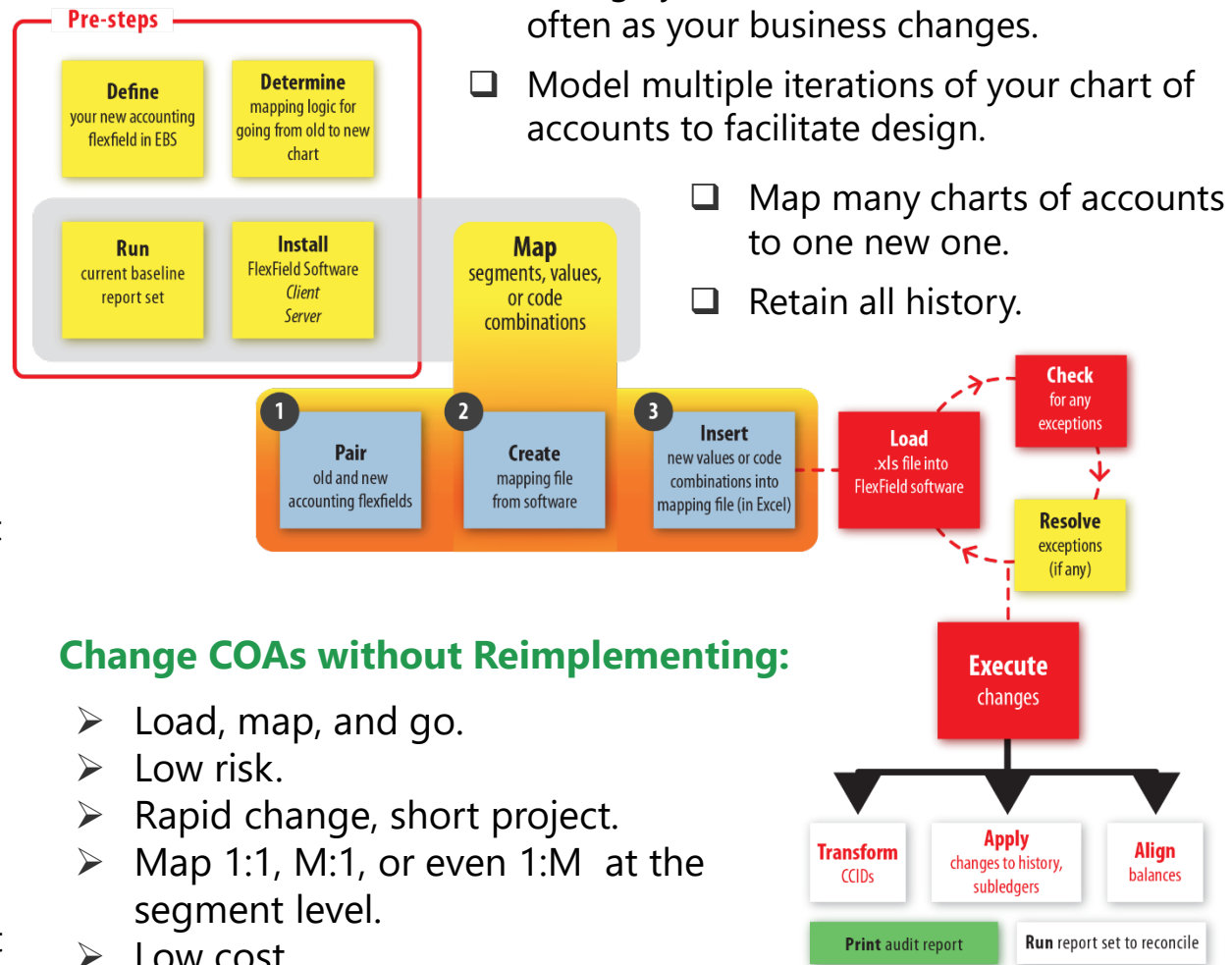
- ❑ Change your Oracle chart of accounts as often as your business changes.
- ❑ Model multiple iterations of your chart of accounts to facilitate design.
  - ❑ Map many charts of accounts to one new one.
  - ❑ Retain all history.

Pre-steps

Define your new accounting flexfield in EBS	**Determine** mapping logic for going from old to new chart
Run current baseline report set	**Install** FlexField Software *Client Server*

Map segments, values, or code combinations

1 **Pair** old and new accounting flexfields

2 **Create** mapping file from software

3 **Insert** new values or code combinations into mapping file (in Excel)

Load .xls file into FlexField software

Check for any exceptions

Resolve exceptions (if any)

Execute changes

Transform CCIDs

Apply changes to history, subledgers

Align balances

Print audit report   **Run** report set to reconcile

Change COAs without Reimplementing:

- ➢ Load, map, and go.
- ➢ Low risk.
- ➢ Rapid change, short project.
- ➢ Map 1:1, M:1, or even 1:M at the segment level.
- ➢ Low cost.

eprentise is the only commercially available software package to perform a calendar change. Some of our unique features are listed below.

- ❑ eprentise software can be run anytime during the year.

- ❑ There is no need to remove future-dated entries.

- ❑ The software automatically generates needed journal entries to a suspense account for review and posting to reflect transactions that create out-of-balance batches that occur because the transaction was moved to a different period than when originally posted.

- ❑ eprentise software generates full audit trail reports.

- ❑ eprentise software will automatically realign calendars for fixed assets, projects, budgets, and service contracts in all the subledger transactions.

- ❑ eprentise software allows you to add periods/adjusting periods, change period dates, change of year-end dates, and change of calendar and period names.

- ❑ A short time-frame start-to-finish with two tests runs can be completed in a matter of weeks.

- ❑ This is commercial software which has been tested and used in live production environments. It has gone through a rigorous testing process. There is no custom code. The software adapts to any Oracle E-Business Suite environment and generates the code specifically to go from a source calendar to a target calendar. The built-in knowledge repository knows all the places where the data needs to be changed to maintain the data integrity.

- ❑ Balances and retained earnings are automatically adjusted to the new periods when the new period is opened.

- ❑ eprentise software can automatically adjust assets to account for new original cost, date placed in service, asset life, to allow accurate accounting and reporting on total original cost and depreciation after an acquisition.

- ❑ Benefit from our experience
- ❑ Understanding your options
- ❑ Business needs vs System needs
- ❑ Technical solutions
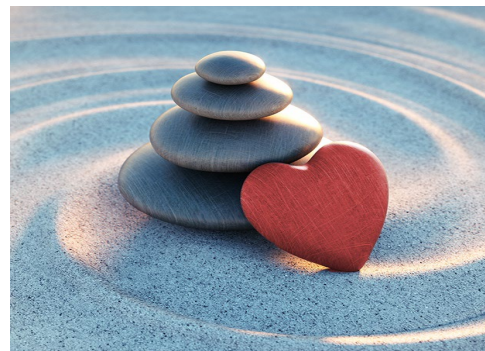
CLAREMONT
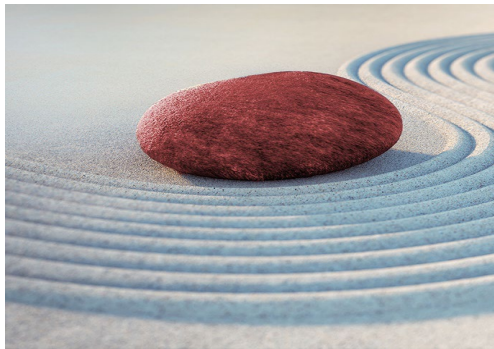
Oracle Consulting

We deliver a wide range of Oracle E-Business engagements including health checks, implementations, R12.2 upgrades and optimisation activities that drive your business.

Oracle Managed Services

Our team of specialists provide clients with cost-effective and first-class Oracle functional, technical, database and infrastructure managed services.

Oracle Hosting

Claremont Cloud is a compelling Oracle platform solution, delivering a unique blend of Oracle licence compliance, flexibility, performance, service and cost savings.

❑ Benefit from our experience

➢ Public Sector Mergers

  ▪ Changes in Government Department structures and reporting lines

➢ Private Sector Acquisitions

  ▪ Pure acquisitions of going-concerns

  ▪ Creation of a new franchise for an existing customer

➢ Divestments

  ▪ Loss of franchise or partial sell-off

  ▪ Separation of one organisation into two

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❑ Understand your options

   ➢ Mergers and Acquisitions

      ▪ Consolidation

      ▪ Leverage the use of General Ledger

      ▪ Data Migration

   ➢ Divestments

      ▪ Export data

      ▪ Managed Services

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❑ Business needs vs System needs

- ➢ Decision making
- ➢ Review your balance sheet
- ➢ Understand your new FP&A reporting needs
- ➢ ESG/CSR and other statistical reporting
- ➢ HR and Payroll implications

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❑ Technical Solutions

➢ Developing migration and data export solutions

➢ Using Cloud offering to create separate instance at speed

➢ System configuration

➢ Cloning

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Thank you for Attending

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