



Media Company

M&A Readiness Assessment

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| Background

Background

Industry Environment



Ideal for a Roll-up given current market conditions, the number of providers, and no dominant provider in terms of market share

Current Position:

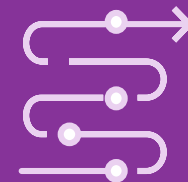


- Revenue of ~\$100M
- Manages 80,000 client accounts
- Major market is B2B, specializing in SMB

Divested from a P/E firm 18 months ago



Have internal M&A experience, but may need additional support for the Transformational strategy



Have implemented new ERP and HRIS systems and may be experiencing some change fatigue as an organization

M&A Opportunities



Primary motivators for considering an M&A strategy:

- Increase Market Share
- New Capabilities and Talent / Whole Product Solution
(digital enablement, customer data, offshore resources, ...)



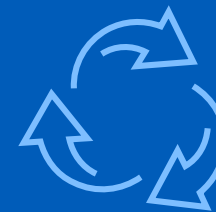
Objectives:

- Improve/mature inorganic growth strategies
- Develop a robust set of M&A processes (sourcing, due diligence, etc.)



Strategy:

- Have a near-term acquisition in mind (incremental)
- Considering a Roll-up strategy (transformational)






Transformation strategy will require, at minimum:

- Effective due diligence
- Comprehensive integration planning
- Assigning accountabilities
- Communications strategy

| Assessment

Current State Assessment

Part 1 of 2*

<p>Leadership</p> 	<p>Have we considered the leadership styles and competencies needed to maximize this growth strategy?</p>	<p>No <input type="radio"/> Partially <input checked="" type="radio"/> Yes <input type="radio"/></p>
<p>Culture</p> 	<p>Will our current culture effectively support rapid growth?</p> <p>What will be the primary barrier to overcome?</p>	<p>Not Well 1 2 3 4 5 Very Well</p> <p><input checked="" type="radio"/></p> <p>Answer: Consider culture to be a differentiator (parochial; Utah based for 30+ years). Will need to be very thoughtful when integrating acquired companies. Prefer to work as “partners” first, but may not be possible with Transformation approach.</p>
<p>Products and/or Services</p> 	<p>Do our Product and Services teams currently operate collaboratively?</p> <p>Do our Product/Service and Innovation Lifecycle processes encourage and reward collaboration?</p>	<p>Not Well 1 2 3 4 5 Very Well</p> <p><input checked="" type="radio"/></p> <p>No <input type="radio"/> Partially <input checked="" type="radio"/> Yes <input type="radio"/></p>

*Based on our conversations, we scored “Media Company” based on the information you shared.

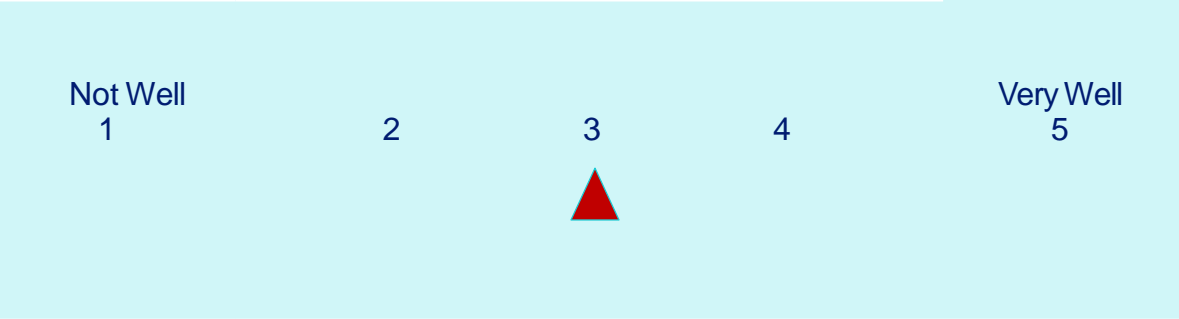
Current State Assessment

Part 2 of 2


Customers



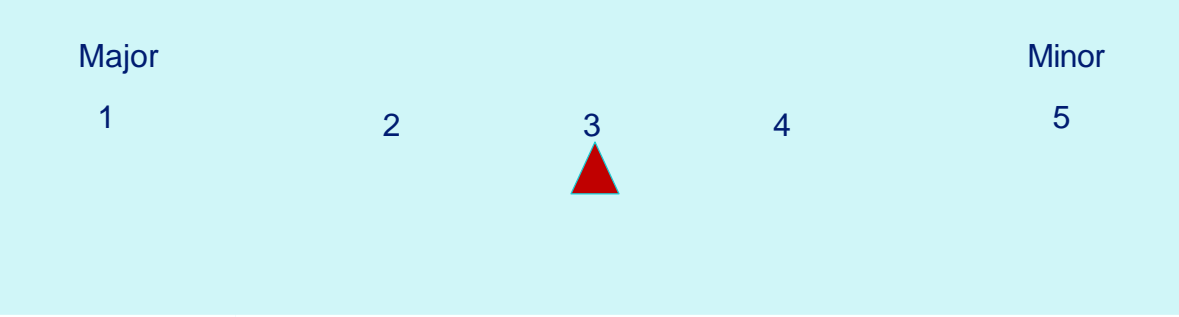
How prepared are our account management and customer service teams to take on new customers?




Governance



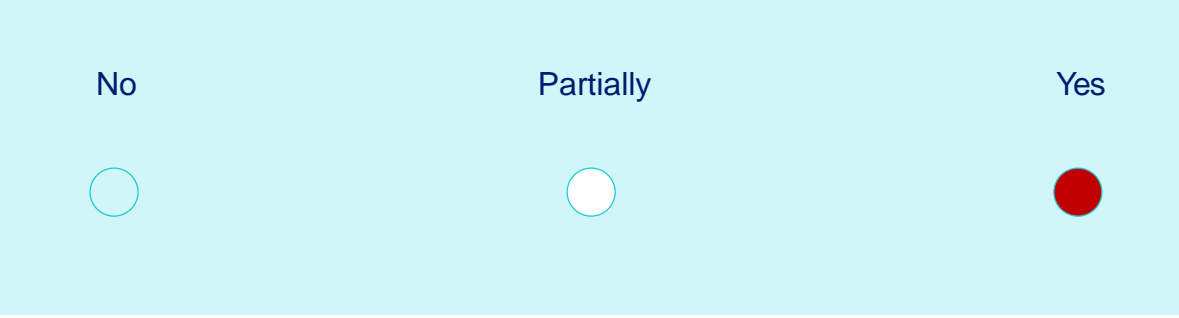
What level of modifications will be required to our Workforce Planning, Forecasting and Management processes, policies, and tools to accommodate rapid growth and change?



Organization



Will we need to re-align the organization to streamline decision making, provide better visibility and empowerment for managers, and improve business operations?



| Considerations

Considerations

Part 1 of 2

Leadership



Have we considered the leadership styles and competencies needed to maximize this growth strategy?

“Partially” was selected (for the Transformation strategy) given where the target organizations place emphasis.

“Media Company” is a service organization very focused on serving the customer and building/maintaining those relationships (customer intimacy). The target acquisitions may be more focused on time to market (with new/innovative products and services) and/or operational excellence. Your work to align these differences will require planning.

Culture



Will our current culture effectively support rapid growth?

What will be the primary barrier to overcome?

You scored a **“3”** relative to the potential challenges an acquisition may create.

Scoring a “3” or above suggests your organization may be prepared to embrace change, develop and execute a culture integration strategy, manage increased workloads during due diligence and integration stages, and proactively seek ways to create additional value. A score of “3” indicates some work may be needed to prepare your people for change and to transition optimally with another organization having a different culture.

*See comments above relative to leadership styles.

Products and/or Services



Do our Product and Services teams currently operate collaboratively?

Do our Product/Service and Innovation Lifecycle processes encourage and reward collaboration?

You scored a **“3.”**

Those who score “3” or above need to look for creative ways to quickly align your development and services teams with those of the Seller and have a solid game plan within the first 90 days.


Our understanding is **“Partially.”**

Since you may be acquiring an organization with more of a “Product” focus, carefully review how they recognize and reward innovation relative to their development teams.

Considerations

Part 2 of 2


Customers

 How prepared are our account management and customer service teams to take on new customers?

You scored a “3.”

Scoring a “3” (or above) may indicate you have capacity to absorb an influx of new customers. However, be deliberate in the allocation and alignment process by paying close attention to customer satisfaction, relationships, and complexity.


Governance

 What level of modifications will be required to our Workforce Planning, Forecasting and Management processes, policies, and tools to accommodate rapid growth and change?

You scored a “3” indicating some modifications will be necessary with the Board, Senior Leadership, Finance, Operations, Customer Service, etc.

Relative to the workforce, carefully evaluate the Seller’s approach to workforce planning and forecasting, driven by the forecasted business demand. Make sure your understanding matches the Selling company’s true practices and look for opportunities to leverage best practices from both organizations (a key focus area for due diligence and integration planning).

Organization

 Will we need to re-align the organization to streamline decision making, provide better visibility and empowerment for managers, and improve business operations?

We understood from your descriptions that the answer would be “Yes.”

Carefully evaluate the Seller’s organizational structure and how it will support your growth or add increased complexity. Be prepared for cross-training on business practices, especially approval processes (HR, Procurement, IT, Travel and Expense, etc.), workforce management policies and procedures (especially regarding leave of absence and time off), and business operational metrics (what is measured and why, available reports and how to access and use them effectively, etc.). These may only seem procedural and even not core to the business, but they can require significant time dedication and can pose some initial challenges.

| Next Steps

Next Steps

Identify advisors and other partners who have...

- Experience in your industry
- Worked on deals the size and complexity of what you are considering
- International experience (e.g., the “offshore” aspects)
- A focus on long-term sustainable success, not just focused on the “Business Transaction”
- Methods, techniques and templates to augment and enhance your M&A Playbook
- Access to additional legal support as needed



Next Steps

Solidify transformation strategy and enhance M&A Playbook

- Describe what success looks like and feels like in the end after the one or more acquisitions have been completed (i.e., after the initial integration work has concluded)
- Translate the output of the first bullet into a set of metrics you will need to develop and continuously gather, monitor and manage to know if these expectations are being met
- Determine approaches to financing the deal(s)
- Define ideal acquisition target profile (key and secondary attributes)
- Identify and fill gaps in your M&A Playbook including:
 - due diligence planning, due diligence questions and data requests
 - target operating model design
 - integration planning and management (day-one experience, first 90 days post close, and long-term benefits realization)



| Appendix

What M&A Motivations best align with your Strategies?



**Aggressive
(Proactive)**

Increase Market Share

- Accelerate growth
- Reduce earnings variability
- Increase buying power and leverage

Access to New Regions

- Accelerate access to customers in other areas of the country or world
- Diversification of customer base
- Reduction of risks associated with the economic and political aspects (risks of being in only one, or a few, regions)
- Access to global competitive strength

Access to New Capabilities

- Synergies through combining capabilities and offering greater value for customers
- Access to financing for a smaller organization being acquired (with innovative solutions)
- Also, access to additional leadership, management skills, and talent

Ability to Offer Whole Product Solution

- Positioning to be the “single provider” in markets where customers do not prefer “best of breed”, or do not wish to manage multiple providers
- Increase vertical integration (secure suppliers, materials and third party providers)



**Defensive
(Reactive)**

Lower Operating Costs

- Synergies through consolidation (economies of scale)
- Purchase assets at a bargain price (especially where the acquired company is underperforming and would see an immediate benefit for operating under improved governance and/or business systems)
- Potential reduction in tax liabilities (carry forward, set off, capital gains, etc.)

Eliminate a Competitor

- Increase won-loss ratio
- Maintain, or increase, margins by eliminating competition which may have been eroding margins through aggressive pricing or contracting tactics

Improve Customer Service/Quality

- Increase customer renewal rate
- Additional references and case studies
- New or improved metrics and measures

What CEO's are saying...

Ranking of Current M&A Motivations

1st Access to new capabilities and talent

2nd Increase market share

3rd Access to new regions

4th Lower operating costs

5th Secure supply chain

6th Offer whole-product solution

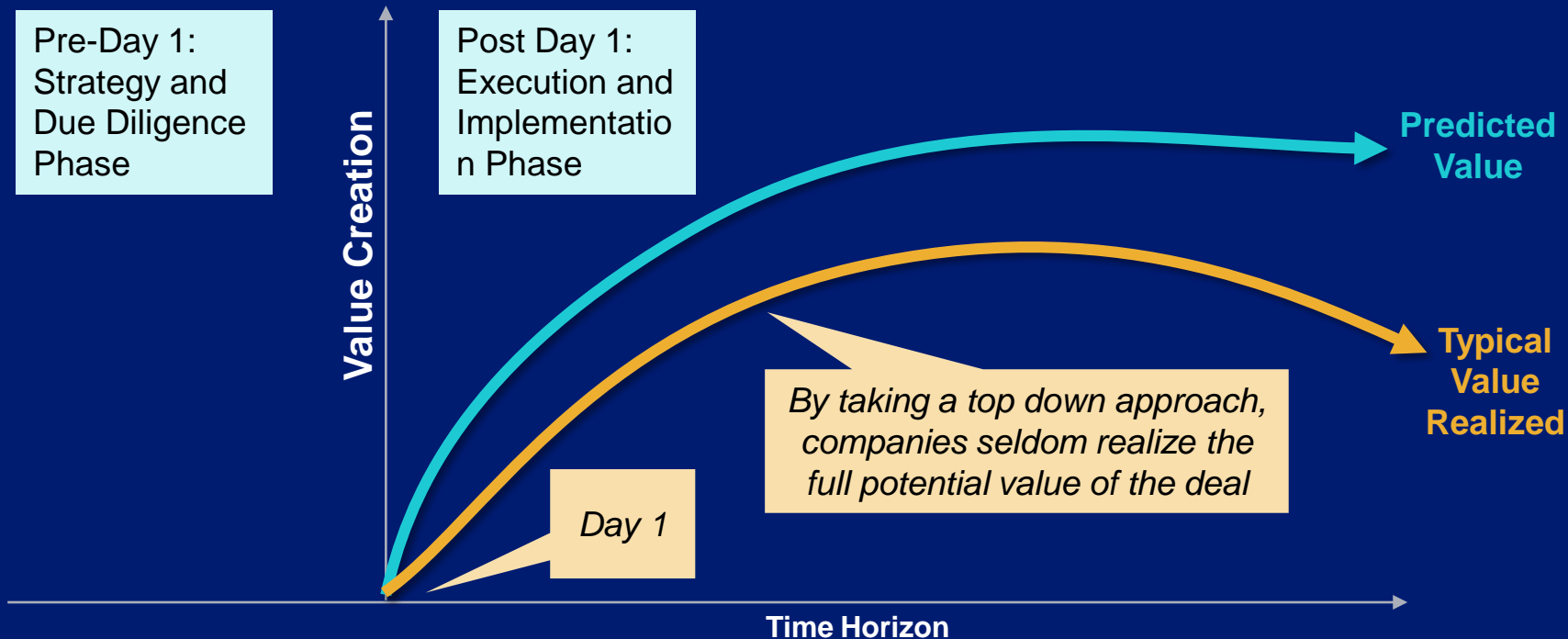
7th Improve customer service/quality

8th Addresses significant financial challenges

9th Other

Typical M&A value realized

Typically, M&A planning and due diligence are done in a compartmentalized approach with little-to-no coordination with the functional teams. Then, the actual integration activities are managed by the functional teams leaving them to chase synergy targets that were developed by the transaction team.



Maximizing Synergy Value

**Pre-Day 1:
Strategy and Due
Diligence Phase**

**Post Day 1:
Execution and
Implementation
Phase**

Value Creation

*Total Synergy Value
(Realized Value +
Accelerated Value)*

Realized
Value

Accelerated
Value Creation

Predicted
Value

Typical Value
Realized



By taking a top-down approach, companies seldom realize the full potential values of a deal

Successful companies focus on business optimization during M&A, not just elimination of people, process and technology redundancies. Segal helps you unlock this source of tremendous value.

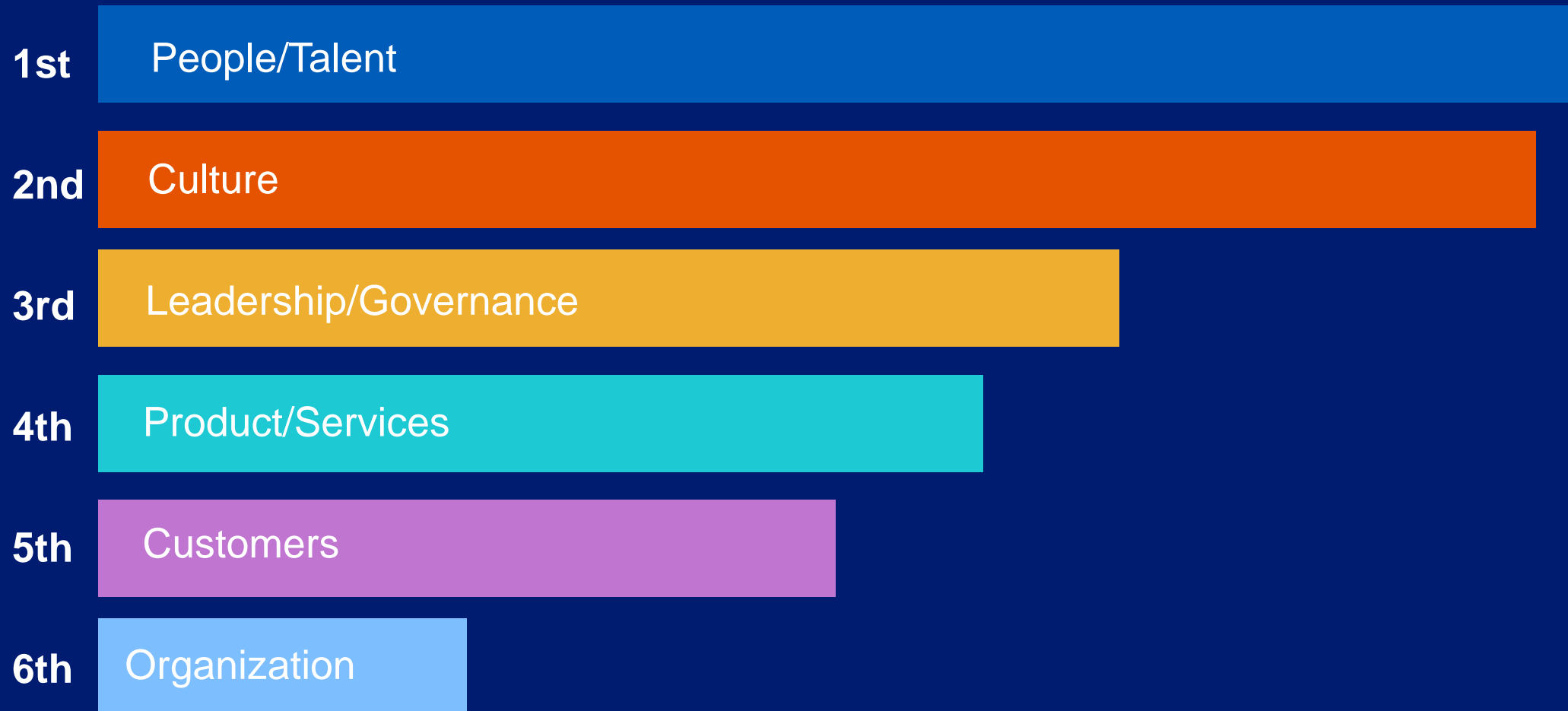
Synergy value is fully explored before Day 1 of M&A

Day 1

Time Horizon

What CEO's are saying...

Ranking of Focus Areas to Ensure Long-term Success of an M&A



Segal Solution Snapshot: Mergers & Acquisitions



Overview

Despite the slowing of M&A deal flow, there will continue to be a number of people, HR and workforce management consulting opportunities, with an increasing number of organizations seeking assistance to get better prepared for acquiring or being acquired. M&A deals over the next 1-2 years are likely to focus on lowering operating costs through economy of scale, protecting supply chains, and acquiring new and/or **more resilient** revenue sources.

Top three **EXECUTION** challenges to achieving the expected business outcomes of an M&A (TATA Consulting CEO survey, 2019):

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.

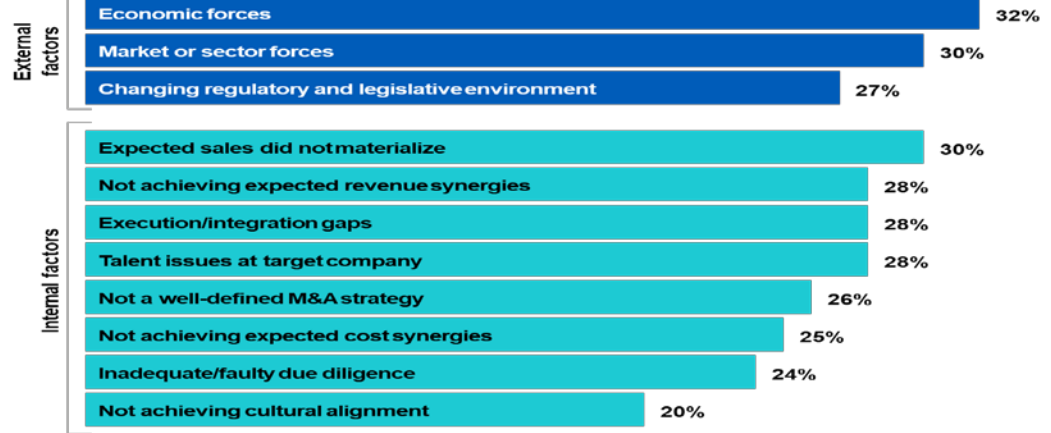
Market size



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.

Top Reasons M&A does not meet expectations



- 56% Culture
- 49% People / Talent
- 42% Leadership / Governance

How Segal can help

Segal has a broad set of capabilities to assist a Buyer or a Seller at any stage of the M&A process. Pre-deal Readiness Assessments and preparedness consulting, people, HR and workforce management due diligence, Day-one change management and communications planning, HR integration, and post-close synergy realization.



Legislative & political issues

Increased scrutiny from the Department of Justice (DOJ) and the Federal Trade Commission (FTC) because of the slowdown in administrative reviews caused by the pandemic, plus Democratic proposals in Congress for a moratorium on M&A activity until the country recovers, will affect deal-making. Regulatory approvals such as antitrust, FERC, FCC, CFIUS or other state agencies are typical gating items for a transaction's timeline, and under current circumstances, extra time pre-closing may be required.



Thank You

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