Intelligent M&A Due Diligence

Sales Deck
M&A Success Derives from Exemplary IT

Research reveals overall M&A business success is dependent on well managed IT activities. IT in M&A is a crucial and often mismanaged value lever that requires precise execution.

5 of the top 6 reasons for a successful M&A are directly related to IT activities:

1. Integrated program management
2. Pre-close involvement of IT
3. Appropriate funding of the IT integration budget
4. IT Infrastructure compatibility
5. IT operations and application delivery
6. Cultural integration

Failures in IT integration is the main reason for M&A failure:

- IT Integration: ~40%
- Leadership & Management: ~25%
- Cultural Integration: ~25%

At the same time, 25% percent of total integration efforts typically come from IT, and more than 50% of all synergy-relevant integration activities are critically dependent on IT.

Intelligent M&A Due Diligence helps drive the M&A transformation journey and enable better business planning and decision making.

Intelligent M&A Due Diligence Business Value:

- Improved Decision Making
- Aligned IT and Business Strategic Direction
- Technical Environment Visibility
- Optimized Return on Investment

Source: Accenture Merger Integration Study (150 CIOs, 150 CxOs), Gartner 2015
What is Intelligent M&A Due Diligence?

A comprehensive, Intelligent M&A Due Diligence that will review the existing technology and business landscape by leveraging a detailed IT Assessment methodology to drive transparency, accountability, and efficiency in the M&A IT operation.

Intelligent M&A Due Diligence Focus Areas

- Business Capability
- Cloud Readiness
- Architectural and Technical
- Data and Analytics Capability
- Networking and Computing
- IT Service Management and Tech Operations
- Security, Compliance and Licensing
- Operating Model
Intelligent M&A Due Diligence Value Proposition

During the Intelligent M&A Due Diligence, alignment with the business is the most important success factor. Our Intelligent M&A Due Diligence service offering focuses on identifying the IT-related key risks, readiness for cloud and potential for synergy.

Top IT Challenges During M&A

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<tr>
<th>Challenge</th>
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<tbody>
<tr>
<td>Divergence of IT and Business Objectives</td>
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<tr>
<td>Redundant Applications and Infrastructure</td>
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<td>Poor IT Operations and Support</td>
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<tr>
<td>Security and Compliance Risks</td>
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<tr>
<td>Unknown Technical Liabilities</td>
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<tr>
<td>Aging Systems and Physical Hardware</td>
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<tr>
<td>Unclear Future IT Initiatives</td>
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<td>High Technical Debt</td>
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Our Value Proposition

Maximize cost and revenue synergies

- Data to refine valuation
- Readiness in cloud adoption
- Projecting IT spend
- Cost and value of the target IT
- Key risks & potential integration issues

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How We Help Our Clients

Intelligent M&A Due Diligence focuses on getting to know the target by assessing technology and risks, supporting a fair price valuation and developing integration options.

Intelligent M&A due diligence outcomes

- Thorough understanding of technology-dependent business objectives
- An inventory of IT functional capabilities, technology health, organization capabilities, process maturity and operational costs
- Summarized findings and mitigation strategies for the recommended IT initiatives and priorities

Who can benefit from intelligent M&A due diligence?

- Private Equity firms
- Companies preparing to merge or acquire a target company
- Companies that have recently been divested/carved-out
- Newly formed companies

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Avanade + CAST + MOVERE Translate to Synergies

Avanade has developed strong partnerships with CAST and MOVERE. We will leverage their robust toolsets to accelerate the discovery process and improve depth and quality of insights.

Our proprietary Intelligent M&A Due Diligence methodology will help you make more informed decisions throughout the M&A lifecycle, and ensure you are effectively leveraging technology to maximize business value.

**ASSESSMENT PARTNERS**

- **CAST**
  - Monitors software health, cloud readiness, complexity & cost of application portfolio with code-level analytics

- **MOVERE**
  - Provides data and insights on software and hardware assets and checks for compliance

Leveraging our assessment partners’ robust toolsets allows Avanade to accelerate and streamline the M&A Due Diligence process and get “intelligent” results.

**INTELLIGENT M&A DUE DILIGENCE SYNERGIES**

- Assess Cloud Readiness
- Streamline Discovery
- Expose Software Risks
- Reduce Application Maintenance
- Optimize Resource Allocation

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## Intelligent M&A Due Diligence Engagement Pricing

Pricing of the Intelligent M&A Due Diligence will be based on client size and assessment effort.

<table>
<thead>
<tr>
<th>Recommended Client Size (based on revenue)</th>
<th>Standard Package</th>
<th>Enterprise Package</th>
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<tbody>
<tr>
<td>Up to $750M</td>
<td>$750M+</td>
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<td>$750M+</td>
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<table>
<thead>
<tr>
<th># of Assessed Due Diligence Dimensions</th>
<th>Standard Package</th>
<th>Enterprise Package</th>
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<tbody>
<tr>
<td>4 Due Diligence Dimensions (Business Capability, Architectural and Technical, Networking and Computing, Security)</td>
<td>CAST, MOVERE</td>
<td>CAST, MOVERE</td>
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<tr>
<td>All 8 Due Diligence Dimensions</td>
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<table>
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<tr>
<th># of Apps That Can Be Assessed</th>
<th>Standard Package</th>
<th>Enterprise Package</th>
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<tbody>
<tr>
<td>Up to 50 Apps</td>
<td>Up to 100 Apps</td>
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<thead>
<tr>
<th>Assessment Tools</th>
<th>Standard Package</th>
<th>Enterprise Package</th>
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<tbody>
<tr>
<td>CAST, MOVERE</td>
<td>CAST, MOVERE</td>
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<tr>
<th>Timeline</th>
<th>Standard Package</th>
<th>Enterprise Package</th>
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<tbody>
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<td>4 Weeks</td>
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<tr>
<th>Pricing</th>
<th>Standard Package</th>
<th>Enterprise Package</th>
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<tr>
<td>$175K</td>
<td>$273K</td>
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- **Standard Package**: Standard Intelligent M&A Due Diligence assessment that focuses on 4 Due Diligence Dimensions on the operation, providing a balanced view of the targeted IT operation.
- **Enterprise Package**: Premium Intelligent M&A Due Diligence assessment that focuses on all 8 Due Diligence Dimensions on the operation, providing a true end-to-end view of the targeted IT operation with a business case to support the journey.
Client Success: M&A Due Diligence for a Global Retail Travel Outlet

Recently, Avanade partnered with a global Travel Outlet to assist with planning and analyzing IT divestiture activities and transforming the existing technology environment.

**Situation**

- **Overview**
  - Client is an Australian-based international travel company and the largest retail travel outlet in Australia.

- **Challenge**
  - The client’s technology was not scaling and the client was looking to gain access to the target’s technology.
  - A popular student travel company has gained market share in this segment - we were asked to perform an M&A due diligence.

**Our Approach**

- Current state discovery and analysis:
  - Business capability
  - Innovation
  - Architecture, Technical, Data Analytics
  - Infrastructure
  - Security, Compliance and Risk
  - Operating Model
  - Opportunity identification and prioritization
  - Roadmap and business case

**Engagement Outcomes**

- Provided comprehensive understanding of the M&A target
  - Business capability and operations
  - Current infrastructure health
  - Current technical health
  - IT process
  - Organization
- Developed recommendations to fix gaps (to enable the target to function efficiently and to enable integration)
- Developed preliminary prioritization of recommendations for technical, marketing, and commercial initiatives.
Let’s get started.
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