



THE SECRETS TO SHORTENING THE M&A INTEGRATION PROCESS

Patrick Begley, Larry Harding and Elizabeth Andrews

16 May 2019

AGENDA



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What will be covered

- ① Introduction of the speakers
- ① International corporate reorganizations: best practices
- ① Operational readiness in cross-border acquisition or carve-out
- ① About TMF Group

SPEAKERS



THE SECRETS TO SHORTENING THE M&A INTEGRATION PROCESS

SPEAKERS



Patrick Begley
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Elizabeth Andrews
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INTERNATIONAL CORPORATE REORGANIZATIONS: BEST PRACTICES

Elizabeth Andrews

16 May, 2019

Best Practices for Corporate Reorganizations

1. Know the Value Proposition

- You must be able to articulate the value proposition to your internal stakeholders. Consider not only improvement to EBITDA and/or ETR but also qualitative improvements such as risk reduction as a result of improved corporate governance.
- Update the value proposition as the transaction progresses, if necessary.

2. Communicate Early and Often

- Establish reasonable **Communication Protocols** at the outset.
- Create a **“Target Strawman”**, so that the teams know what your organization will look like at the end of this process - once everyone knows the goal, issues will be identified and resolution can begin, and there will be fewer surprises
- Agree to **Key Metrics** for determining progress and success.

3. Identify the Internal Team

- **Departmental Stakeholders:** Involve participants from **all relevant functional areas** and stakeholder departments (Tax, Legal, Treasury, Finance, and HR) as well as potentially impacted Business Units.
- **Steering Committee:** Identify 2 or 3 leaders in the C suite to build consensus and resolve sticking points when needed.
- **Project Manager:** Will oversee all work streams, resolve issues, manage external resources, and ensure open communications and efficiency.
- **Project Team Members:** Identify **central point-of-contact** for each business unit, geographic region, or other project component. Clear swim lanes will allow everyone to move more quickly.

Best Practices for Corporate Reorganizations (*Continued*)

4. Measure Twice, Cut Once

- Do not rush to get started. **Plan, plan, plan.** There will be less disruption to the organization if you have thoroughly thought through everything you will need.
- Create a **realistic** timeline for the transaction before you start. Identify the “**Long Poles**” as those issues in key jurisdictions that are particularly problematic since they will require more time and resources to resolve
- Identifying **deliverables** and **key milestones** upfront ensures that there are targets to keep projects moving forward

5. Load Up Your Tool Box

- All team members and external advisors should be working with a **common set of tools**, e.g., spreadsheets, step plans, and microlegal action plans
- Use tools that will alert you to problems before they occur or allow you to course correct quickly.

6. Check Your Facts

- Make sure you have all the key information about entities you plan to move around your group, such as:
 - Tax attributes;
 - Balance sheet;
 - Number of employees, benefits, and works council issues;
- You should also know whether the entity has or is a party to:
 - Third-party contracts;
 - Litigation of any sort;
 - Permits and licenses;
 - Intellectual property;
 - Credit agreements or liens; and
 - Regulatory licenses.

Best Practices for Corporate Reorganizations (*Continued*)

7. Check on Entity “Health” Early

- Make sure you know where the governance documents are for all your “target” entities and confirm they are up to date. Looking for these documents in the middle of the transaction or finding they are outdated can slow down your deal.
- You can’t expect to do much of anything with an entity if it doesn’t have current financial statements. Make sure accounting knows they will have a role to play.

8. Appreciate “Low Hanging Fruit”

- Focus on easy execution steps and identify “easy” jurisdictions that will allow you to build momentum and demonstrate to the organization the benefit of your project.

9. Prepare to Be Flexible

- Pivot where needed to add value: Look for opportunities to improve result that do not overly delay or disrupt, but beware of significant out-of-scope work that adds time but does not substantially increase desired outcome.
- Accept that change is likely: New team members, unexpected financial results, incomplete or incorrect corporate records are bound to crop up.

10. Debrief

- Sit back and review
 - Did we accomplish the project on-time and on-budget?
 - What could we have done better? Write it down for next time.
- Celebrate a successful project and the team that got it done.

OPERATIONAL READINESS



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OPERATIONAL READINESS IN A
CROSS-BORDER TRANSACTION

- ① Beyond simply getting the legal entity incorporated, it needs to be ready, *on Day 1*, to take on the operational activities it was established to handle in the first place.
- ① Understanding the often long and confusing list of what these other tasks are needs to be Step 1.
- ① From there, what the cadence needs to be, and what reasonable lead times are for completion, must be factored into the project plan.
- ① Many are hard to complete in-country tasks, requiring *on-the-ground* actions and expertise.

① Global M&A transaction



① Financial & Other Due

Diligence

① Operational readiness,
simplified

THE SECRETS TO SHORTENING THE M&A INTEGRATION PROCESS

OPERATIONAL READINESS – ITS MORE THAN JUST INCORPORATIONS



- Entity Incorporations
- Local filings and Notarizations



- Outsourced (Nominee) Directors
- Local Director Training Services



- Payroll Registrations
- Benefits Implementations (inc TUPE)
- Other HR Setup Services



- Business Licenses
- VAT & Other Tax Registrations



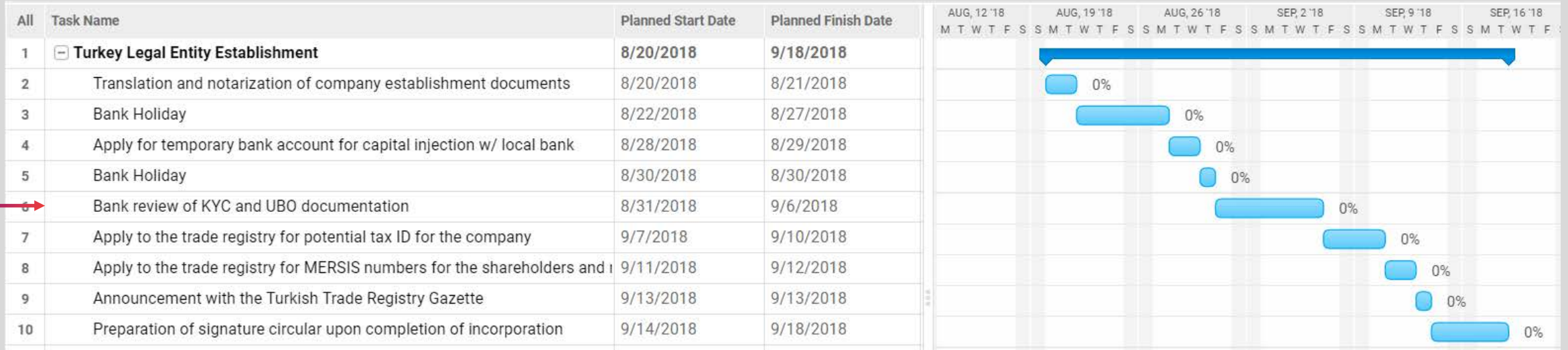
- Bank Account Setups



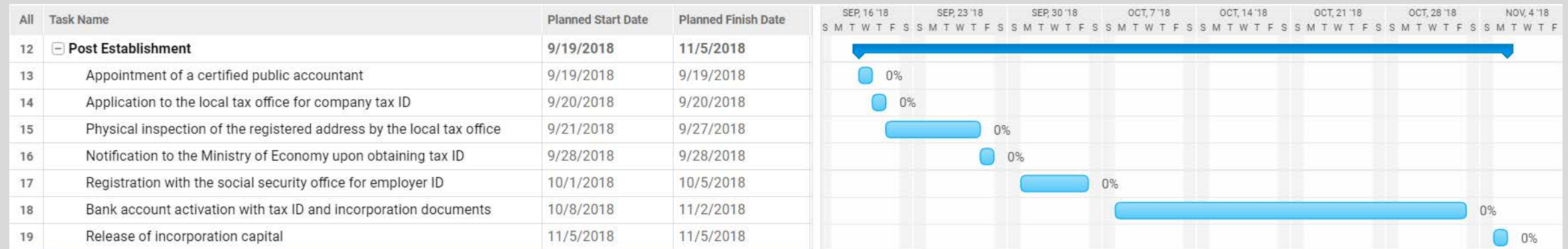
- Accounting System Implementations
- Corporate Secretarial Setups

SAMPLE PROJECT PLAN: TURKEY ESTABLISHMENT

INCORPORATION



POST ENTITY REGISTRATIONS



THE COMPLIANCE COMPLEXITY INDEX 2018

Which countries are the most complex in the world for corporate and regulatory compliance?



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MANAGING THE M&A LIFECYCLE

TMF Group's new eBook designed to help guide you safely through the pain and pitfalls of the merger and acquisition process



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Q & A



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