Operational Transaction Services
Operational Transaction Services

A transaction that is not well managed can fail to create the value and synergies anticipated and may even destroy value.

We have a dedicated, global network of professionals focused on helping clients drive operational value from their transactions – whether realizing synergies, maximizing deal returns or reducing operational risk. We believe this comes from a strong foundation of skills and experience in operational planning and execution and a focus on delivering real value.

Our Operational Transaction Services (OTS) team is part of a broader, integrated Transaction Advisory Services team that supports clients to manage capital and transactions both strategically and operationally. Our focus is pre-transaction and post-transaction in the following areas:

► Integrations
► Carve-outs
► Operational and IT due diligence
► Operational and IT restructuring

Our value-added approach is to help businesses drive value in four key areas to build competitive advantage:

► Rapid cash release and cost reduction – including stressed and distressed situations
► Disposal preparation to raise EBITDA
► Effectiveness assessment of prior acquisitions

► Issues-led diligence approach to drive long-term value
► Synergy identification and assessment to enable realization against target
► Advice and delivery of transitional services agreement (TSA)
► Portfolio value creation – unlocking untapped value, missed synergies and integration benefits

► Buy-side support
► Synergy identification to drive valuation and realization
► Reduced operational risk
► Integration planning advice – including Day 1 readiness and 100 Day planning

► Operational advice on a business for disposal
► Identification of operational and IT boundaries
► Accelerated carve-out planning
► Cost transparency
► Readiness assessment for operational separation
► Operational and IT improvements to raise EBITDA

The capital agenda
Integration

We provide clients with the advice and tools to help them successfully integrate an acquired business or implement a joint venture. The focus of our work is on helping to deliver planned synergies and secure value. We assist in navigating through the issues and pitfalls, when setting up an efficient integration program, and provide hands-on support for integration planning and implementation.

We focus not just on the business case, but also on how it will be delivered, by when and by whom.

It is also never too late. Although some deals have failed to realize synergy opportunities, latent deal synergies can often be achieved from challenging the new operating model.

Client benefits
► Realizing value and merger benefits
► De-risking integration process
► Identifying potential issues early in the integration process
► Reducing transaction cost and internal time spent on solving integration issues
► Increasing capability for management to limit disruption and focus on “business as usual”
► Capitalizing on early synergy opportunities
► Accelerating integration timeline

How we can help you

<table>
<thead>
<tr>
<th>Deal evaluation</th>
<th>Deal execution</th>
<th>Deal effectiveness</th>
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</thead>
<tbody>
<tr>
<td>► Develop integration strategy</td>
<td>► Manage integration launch</td>
<td>► Plan detailed medium- and long-term integration</td>
</tr>
<tr>
<td>► Recommend design principles for the future operating model</td>
<td>► Execute confirmatory due diligence</td>
<td>► Track synergies and costs</td>
</tr>
<tr>
<td>► Develop the synergy case</td>
<td>► Plan for Day 1-100</td>
<td>► Facilitate operational readiness</td>
</tr>
<tr>
<td>► Plan communications approach</td>
<td>► Execute Day 1-100 plans</td>
<td>► Support transition into post-merger integration</td>
</tr>
<tr>
<td>► Develop integration readiness</td>
<td>► Define future operating model</td>
<td>► Manage realization against milestones</td>
</tr>
<tr>
<td>► Identify costs and revenues</td>
<td>► Plan high-level integration</td>
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## Our experience

### Integration support for a strategic acquisition

- Global oil and gas company acquired a US$2b specialist business in their sector to capture synergies from stranded (unused) reserves
- Specific industry requirements and cultural challenges added complexity and risk to the transaction
- Ernst & Young provided: design and delivery of a full-scope integration, including synergy identification and new operating model development
- Client benefit: helped to ensure the smooth delivery of the integration within the planned timeline. Key talent was retained and identified synergies were delivered

### Full-scope post-merger integration

- High-profile global player in the travel and leisure industry acquired a smaller competitor to drive their growth agenda
- Both companies operate in an extremely price-sensitive and low-margin industry and had the added complexity of contractual entanglement with former group companies
- Ernst & Young provided: pre-deal and post-deal integration advice and support including operational and financial integration preparation, detailed planning and implementation
- Client benefit: realized identified synergies, the successful redesign of the organizational structure and overall project scope delivered on time
Carve-outs

Whether you are planning an internal separation of a business or product line, or the divestment of a business unit, we help businesses effectively manage the transition – including a strategic review, planning, investment risk identification and accelerated tactical execution.

For sellers, we aim to avoid business disruption, minimize costs to the retained business and gain maximum value on disposal. For buyers, our focus is on operational issues to help ensure that your business is viable on closing and that there is appropriate support during the transition period.

Client benefits

► Increasing shareholder value
► Help in achieving maximum value of carve-out business
► Enhancing the value of retained business
► Freeing up management capacity
► Reducing complexity of the retained business
► Reducing operational, IT and tax risks

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<tbody>
<tr>
<td><strong>Buy and sell side</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>► Provide separation governance</td>
<td>► Plan and help execute change of control</td>
<td>► Execute operational separation</td>
</tr>
<tr>
<td>► Assess current state and operational and IT issues</td>
<td>► Develop transitional services agreement (TSA) and long-term agreement (LTA) schedule</td>
<td>► Manage TSA including governance and reporting</td>
</tr>
<tr>
<td>► Evaluate future operating model</td>
<td>► Assess exit readiness</td>
<td></td>
</tr>
<tr>
<td>► Review separation road map and cost analysis</td>
<td></td>
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<tr>
<td><strong>Sell side</strong></td>
<td></td>
<td></td>
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<tr>
<td>► Evaluate “business as usual” and separation activities</td>
<td>► Support retained operating model</td>
<td>► Track mitigation of stranded cost</td>
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<tr>
<td>► Review operational portfolio</td>
<td></td>
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<td>► Plan divestment</td>
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Our experience

Complex carve-out of distribution networks

► Major Asian infrastructure fund acquired three electricity distribution networks from a European business
► The assets include high-profile networks with inherent financial and regulatory complexity
► Ernst & Young provided: diligence support including operational, IT and tax; financial modeling; tax structuring and supported management with a carve-out program
► Client benefit: helped the client to make a successful offer for the target business and closed a £6b deal on time, without business disruption, on Day 1

Carve-out of non-core business unit

► A leading European energy company carved out a business unit no longer core to their strategy
► The carve-out involved 15 workstreams and the complete coordination of the transfer process for approximately 500 people
► Ernst & Young provided: full-scope carve-out planning, implementation and project management office support; coordination of other key advisors and the assessment of stand-alone capabilities with the bidders
► Client benefit: reduced disruption to the ongoing business and a clean separation for sale that improved the value on disposal
Operational and IT due diligence

Stakeholders today require support in answering: what can I do with the target business? Is this the right deal and price? How do I deliver this and minimize risk?

Our issues-led approach to operational and IT due diligence helps businesses to gain a competitive advantage. We seek to enhance the value throughout a transaction by focusing on what a business is trying to achieve and by supporting the deal from initial insight to implementation.

We offer more than the early identification of the operational and IT issues affecting a business case. We focus on the key issues of a business and provide a clear view on the robustness of current operations.

Client benefits

► Identifying hidden upsides for inclusion in the investment model
► Delivering robust analysis of risks and opportunities to leverage for third-party use (for financing needs)
► Clarifying target’s operational and IT deficiencies
► Identifying and validating synergies

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<tr>
<td>► Seek to identify red flags on operational issues, risks and opportunities</td>
<td>► Provide confirmatory due diligence</td>
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<td>► Challenge and accelerate business plans</td>
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<tr>
<td>► Review business and IT operational models</td>
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<td>► Provide specific, tailored scope due diligence</td>
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<tr>
<td><strong>Sell side</strong></td>
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<td></td>
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<tr>
<td>► Provide independent assessment of management’s business plans</td>
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<tr>
<td>► Prepare for bidder’s key questions</td>
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<tr>
<td>► Provide vendor assistance and prepare business for sale</td>
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<tr>
<td>► Provide operational and IT vendor due diligence</td>
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Operational Transaction Services
Our experience

Synergy assessment for a strategic acquisition

► Global consumer goods company made a bid to purchase a competitor to gain access to their key markets
► The company had to meet specific requirements from the target country’s “Takeover Panel” and faced a complex cross-border bid process
► Ernst & Young provided: guidance and support on the takeover approach; assessment of the synergies and helped to navigate through the Takeover Panel’s guidelines
► Client benefit: identified synergies of US$625m and provided a robust challenge and feedback process to strengthen the operational synergy case that could be confidently presented

IT diligence and transformation review for a global media company

► A leading global media company was looking to strengthen its competitive position in the market through potential transformation opportunities
► Ernst & Young provided: insight-driven due diligence across the business’s various global operations
► The approach and diligence areas were adapted based on our operational experience in the media industry to drive both quick wins and to identify strategic opportunities to improve IT
► Client benefits: Improved organizational agility to help maintain a highly competitive position in their market. This was driven from an accelerated process of identifying and implementing key transformation opportunities
Operational and IT restructuring

Our approach to operational and IT restructuring aims to put your business in the best position to respond to opportunities in the market. Our focus is on performance improvement for your existing business and addressing any unrealized synergies from previous capital events.

For companies in a stressed or distressed situation, cost reduction, accelerated performance improvement and rapid cash release is top of the agenda. Our approach can help you to address the operational issues and opportunities that can support a restructuring of your cash position and financing.

Client benefits

► Achieving operational agility for faster market response
► Identifying and capturing lost value from previous integrations
► Rapidly reducing costs
► Releasing cash
► Generating short-term stability

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<td></td>
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<td>► Identify performance improvement opportunities</td>
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<td>► Develop an implementation plan for operational improvements</td>
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<td></td>
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<td>► Provide practical support for implementation of operational improvements</td>
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<td></td>
<td>► Develop and support benefits tracking</td>
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<td></td>
<td></td>
<td>► Identify value not achieved in previous integrations</td>
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Our experience

Large-scale operational restructuring program

► Large multinational with a global operational footprint faced a declining market share and an adverse currency impact to its cost base
► Challenges included the legacy of a failed restructuring activity, rising fixed costs and the risk of breaching debt covenants
► Ernst & Young provided: a large-scale operational restructuring program to create a leaner cost base and accelerate profitable growth as efficiently as possible
► Client benefit: helped to reduce the cost to achieve by 20%, increased savings by 15% and improved liquidity for the business

Major IT integration for a global manufacturer

► Acquisition of a global business with a complex and disparate IT environment due to previous acquisitions
► The integration of IS and IT function was across 40 sites in 29 countries and included the standardization of the infrastructure platform
► Ernst & Young provided: hands-on IT support and advice to management
► Client benefit: seamless cross-border support and significant cost savings. The project was delivered on time and on budget
Why Ernst & Young

We have a global network of OTS professionals with deep sector and operational experience in driving real value.

► We focus on the numbers; bridging the gap between operations and earnings to help deliver financial benefits to your bottom line
► Our team tailors its service to meet the specific deal challenges and sector needs of each client
► We work with our clients to achieve the identified value using a proven set of tools and technologies

We help clients maximize deal value by addressing the key operational issues at each stage of the transaction and beyond.
## Contacts

Our OTS professionals work seamlessly across Europe, Middle East, India and Africa (EMEIA) with key contacts in the following areas:

<table>
<thead>
<tr>
<th>Country</th>
<th>Name</th>
<th>Number</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMEIA</td>
<td>Max Habeck</td>
<td>+49 40 36132 25277</td>
<td><a href="mailto:max.habeck@de.ey.com">max.habeck@de.ey.com</a></td>
</tr>
<tr>
<td>Belgium, Netherlands</td>
<td>Arjan Groen</td>
<td>+31 88 40 71087</td>
<td><a href="mailto:arjan.groen@nl.ey.com">arjan.groen@nl.ey.com</a></td>
</tr>
<tr>
<td>Commonwealth of Independent States</td>
<td>Ilya Scherbakov</td>
<td>+7 495 662 9339</td>
<td><a href="mailto:ilya.scherbakov@ru.ey.com">ilya.scherbakov@ru.ey.com</a></td>
</tr>
<tr>
<td>Germany, Austria, Switzerland</td>
<td>Max Habeck</td>
<td>+49 40 36132 25277</td>
<td><a href="mailto:max.habeck@de.ey.com">max.habeck@de.ey.com</a></td>
</tr>
<tr>
<td>- IT</td>
<td>Klaus Ort</td>
<td>+49 6196 996 14977</td>
<td><a href="mailto:klaus.ort@de.ey.com">klaus.ort@de.ey.com</a></td>
</tr>
<tr>
<td>Italy, Spain</td>
<td>Giacomo Iannelli</td>
<td>+39 02806 69734</td>
<td><a href="mailto:giacomo.iannelli@it.ey.com">giacomo.iannelli@it.ey.com</a></td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>Feras Kilani</td>
<td>+962 6 5526111</td>
<td><a href="mailto:feras.kilani@jo.ey.com">feras.kilani@jo.ey.com</a></td>
</tr>
<tr>
<td>Nordics</td>
<td>Henrik Eriksson</td>
<td>+46 703 188 715</td>
<td><a href="mailto:henrik.u.eriksson@se.ey.com">henrik.u.eriksson@se.ey.com</a></td>
</tr>
<tr>
<td>UK, Ireland</td>
<td>Michel Driessen</td>
<td>+44 20 7951 8792</td>
<td><a href="mailto:mdriessen@uk.ey.com">mdriessen@uk.ey.com</a></td>
</tr>
<tr>
<td>- IT</td>
<td>Tony Qui</td>
<td>+44 20 7951 5820</td>
<td><a href="mailto:tqui@uk.ey.com">tqui@uk.ey.com</a></td>
</tr>
<tr>
<td>Financial Services</td>
<td>Christopher Schmitz</td>
<td>+49 6196 996 13545</td>
<td><a href="mailto:christopher.schmitz@de.ey.com">christopher.schmitz@de.ey.com</a></td>
</tr>
<tr>
<td></td>
<td>Michael Wada</td>
<td>+44 20 7951 9368</td>
<td><a href="mailto:mwada@uk.ey.com">mwada@uk.ey.com</a></td>
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About Ernst & Young
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About Ernst & Young's Transaction Advisory Services
How organizations manage their capital agenda today will define their competitive position tomorrow. We work with our clients to help them make better and more informed decisions about how they strategically manage capital and transactions in a changing world.

Whether you're preserving, optimizing, raising or investing capital, Ernst & Young’s Transaction Advisory Services bring together a unique combination of skills, insight and experience to deliver tailored advice attuned to your needs helping you drive competitive advantage and increased shareholder returns through improved decision-making across all aspects of your capital agenda.

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