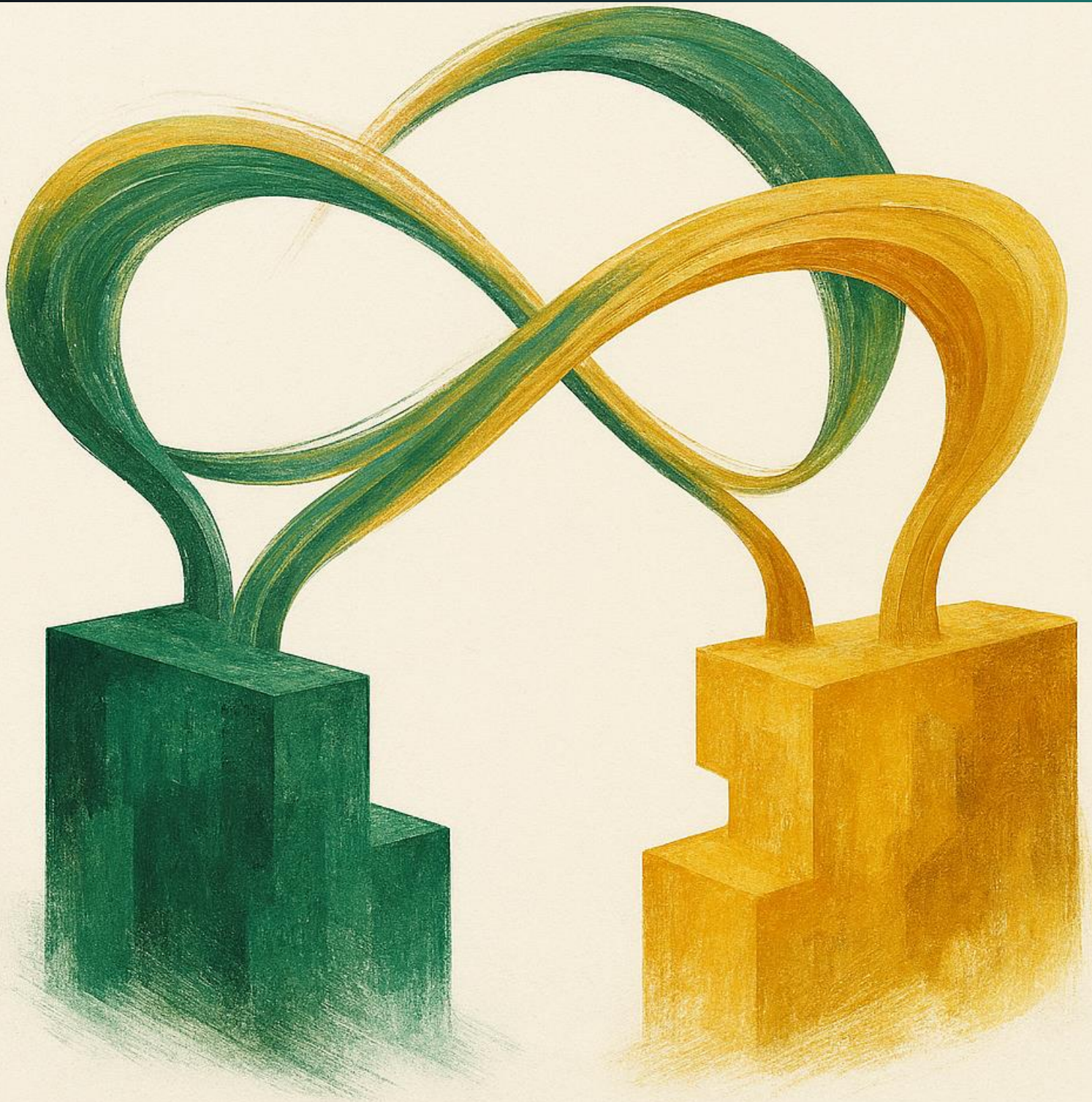


MERGE AHEAD:

Unlocking Hidden Value in M&A

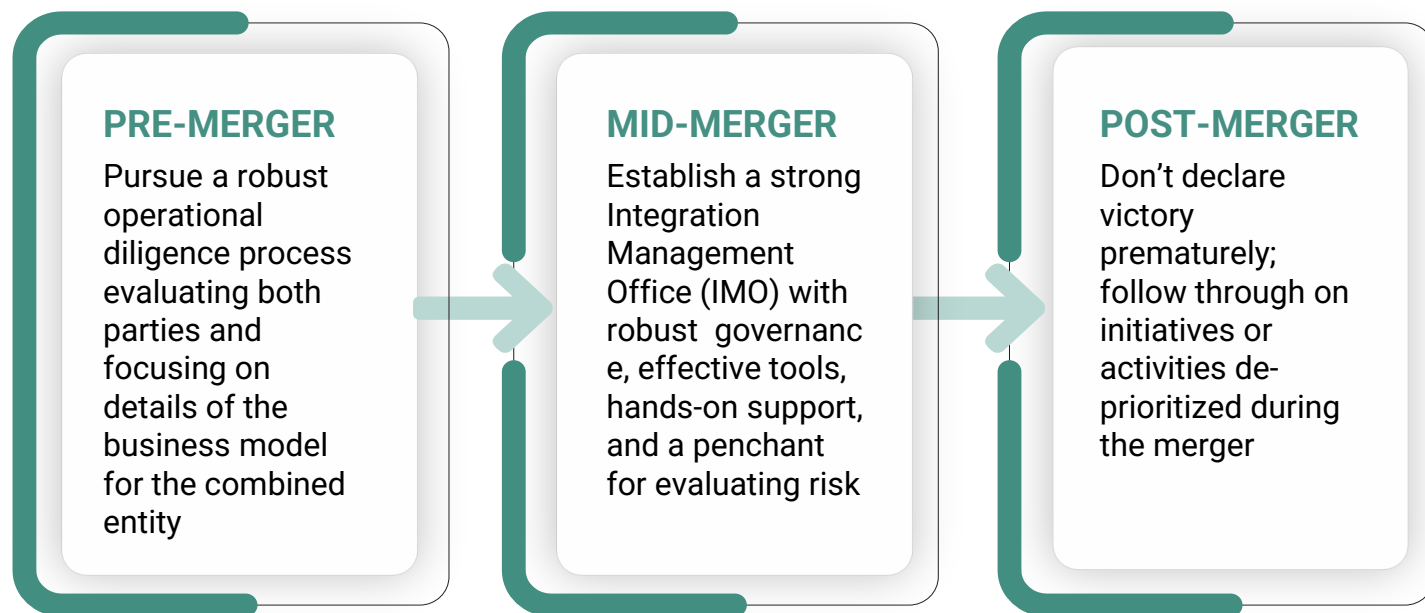


Managing the Realities of M&A Execution

Mergers and acquisitions (M&A) remain powerful strategies for companies, particularly those owned by private equity firms, to create value by achieving economies of scale, expanding market share, and diversifying their offerings. Despite a relatively challenging environment characterized by high interest rates and heightened anti-trust scrutiny in 2024, global M&A activity increased year-over-year to reach 37,820 deals worth \$2.28 trillion and is expected to continue to grow in 2025 as the average age of sponsor portfolios reaches historic highs under a more favorable regulatory regime.

However, roughly 70% of transactions will fall short of sponsors' expectations. These failures can take multiple forms - overestimated synergies, disregarded dis-synergies, or underestimated costs - and may be driven by several factors, including failure to meet value targets, underestimated operational challenges, disparate or parallel processes and systems, and cultural clashes.

The right approach and structure, as well as consistent resources and project management, can help mitigate these risks across the process:



¹ Global M&A by the Numbers: 2024 in Review, Joseph Toomey, S&P Global

² 2025 M&A Outlook: 4 Trends Driving an Anticipated Rebound, Morgan Stanley

³ The Big Idea: The New M&A Playbook, Clayton M. Christensen, Richard Alton, Curtis Rising and Andrew Waldeck, Harvard Business Review

Pre-Merger: Bridging the Gaps

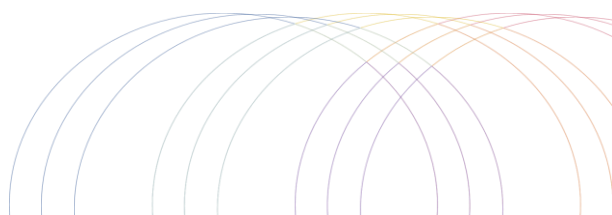
Deal models often diverge from reality on the ground; it is imperative when conducting pre-merger due diligence that all the stakeholders—the deal team and the two companies—come to understand not only the expectations and assumptions of the investment thesis, but each other. To adequately plan for function-level consolidation, each company must understand the operational details of its counterpart:

- Identify differences in policies, processes, metrics, and culture that could create roadblocks during transition
- Grant data room access to all workstream leads and allow each team to become familiar with their counterpart's procedures
- Hold collaborative workshops hosted by the deal team to enable team members to build a more complete understanding of both formal processes and less tangible elements like culture and fit
- Identify and manage cross-functional elements that frequently lead to delays and challenges during a merger

The goal of these exercises is to identify critical path items, overall timeline, potential gating issues, and cross-functional activities. They should also inform the project governance structure and help to define workstreams and owners. While companies often default to a department-based hierarchy to organize activities, such a structure can belie the cross-functional nature of modern organizations and lead to a “who’s on first” scenario. Instead, apply a critical eye and consider alternative configurations to create buy-in and improve integration management.

While deal success is heavily influenced by the level of rigor of the process, it is also important not to allow stakeholders to become bogged down by the sheer volume of information. The right team can parse out and distinguish between critical priorities and elements that can be addressed post-integration. The success of the pre-merger phase relies on the fastidiousness and discernment of workstream owners who must understand their counterparts without becoming mired in less critical details.

The diligence phase also presents an opportunity to establish working relationships and build rapport. Stakeholder offices are likely geographically distant, and the benefit of connecting in-person should not be underestimated.



Mid-Merger: The Critical Role of the Integration Management Office (IMO)

To effectively manage the transition, it is critical to establish a robust IMO. Though sometimes viewed as an administrative burden, a well-designed IMO can be a differentiator by facilitating proper governance, enabling effective communication, and partnering in execution support to deliver alignment, well-informed team members, and an ability to balance the day-to-day of the business with integration activities.

Robust Governance

Proper governance aligns the right people at the right time to have the right discussions.

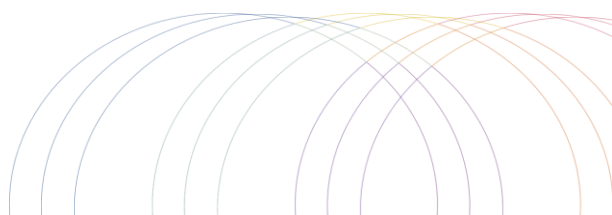
- Establish a suitable meeting cadence to reduce the need for ad hoc sessions and prevent “meeting overload”
- Ensure the required decision-makers and subject matter experts are in the room when needed
- Centralize awareness and communication
- Manage efficient identification, escalation, and resolution of issues

The Right Tools

The proper tools can also make a big difference in IMO effectiveness and team member satisfaction. Project management (PM) software is relatively inexpensive, easy to use, and avoids the numerous pain points inherent in an Excel-based plan. PM tools should serve as a real-time single source of truth, and may include:

- Automated reporting and dashboarding
- Automated workflows, such as approval workflows
- Status and progress tracking
- Decision and risk tracking
- Custom forms to collect information
- Issues log

Beyond PM tools, an effective IMO leverages AI, such as in facilitating effective meetings by summarizing action items, pain points, and interdependencies, allowing participants to focus on the discussion rather than note-taking . AI can also be used to predict bottlenecks based on historical data and recommend resource allocation based on workload.



Mid-Merger: The Critical Role of the Integration Management Office (IMO)

Establishing Milestones and KPIs

Instituting a timeline and defining success metrics are critical to tracking and understanding progress. Large integrations can feel lost at sea without an anchor, and it can be difficult to understand — beyond simply the passage of time — what is on- versus off-track and what volume of effort remains. While project plans may be detailed, it is key to define milestones. Having roughly 5-10 depending on the duration, scope, and complexity can aid in understanding whether a workstream is on track. Milestones should be clearly measurable and represent an inflection point after which the workstream may need to adjust.

Hands-On Support

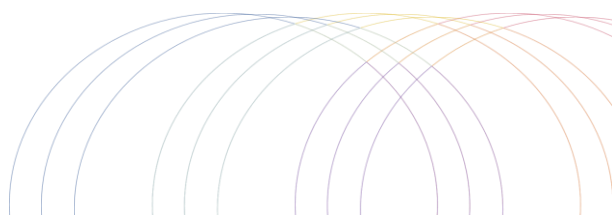
Above all, a high-performing IMO will maintain holistic knowledge of the two businesses and the broader transition plan in order to prioritize initiatives, escalate issues where necessary, and adjust the workplan as needed, ensuring that the plan remains on track. To maintain momentum and drive progress, the IMO also provides hands-on execution support, aiding in the navigation of roadblocks and providing confidence on the path forward.

These mandates—providing governance structure, engaging the right tools, tracking against rigid milestones, and partnering on an execution level—form critical pillars in the support of a successful transition.

Post-Merger: Ensuring Sustained Success

In the wake of the transaction, it is recommended that the IMO maintain a presence to address de-prioritized initiatives, stabilize the business, and manage and monitor synergies. While getting through Day 1 Go-Live is no small feat and should be celebrated, teams are often over-eager to disband IMO processes and get back to day-to-day work. Doing so prematurely can lead to challenges down the road by failing to address additional action items and “last mile” tasks. Furthermore, post-merger workloads typically increase, leaving individuals with even less time to pursue improvement and harmonization initiatives.

Maintaining IMO infrastructure for 2-3 months after Go-Live offers experienced deal team members the ability to aid in the organization and execution of these residual initiatives. Though the IMO’s scope may be reduced, it remains focused on activities such as aligning KPI definitions and calculation methodologies, moving to a single process instead of separate processes for the legacy companies, and automating previously manual processes. The continued presence of the IMO following the merger ensures that its governance framework and institutional knowledge continue to support the stabilization of the newly combined entity.



Making Integration Stick

M&A transactions require a continuous and dedicated approach before, during, and after the integration. Understanding what will be most critical to value creation at each stage can manage workloads, minimize confusion, and be more cost effective. Working with a partner who has experience and understands these distinctive needs can relieve pressure and bring confidence to your transaction.

How Ankura Office of the CFO® Drives Integration Success

Ankura Office of the CFO® brings together seasoned financial and operational leaders who have sat in the CFO's chair and understand the complex challenges of delivering on behalf of PE sponsors. We help portfolio companies bridge the gap between investment thesis and operational reality through targeted interventions that drive measurable results.

Our event readiness experts drive transactions efficiently while minimizing risk and maximizing value. We partner with clients by developing structured integration plans, establishing and leading integration management offices, and providing expertise to ensure synergies are realized. Our approach focuses on knowledge transfer, capability building, and lasting performance improvement beyond our engagement.



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