M&A Trends and Considerations in 2025

Kendell Bryant, Tim Keefe, Jordan Scheiderer

January 29, 2025

The Association of Accountants and Financial Professionals in Business

Featured Presenters

Jordan Scheiderer
Partner
MorganFranklin Consulting

Kendell Bryant
Director
MorganFranklin Consulting

Tim Keefe
Director
MorganFranklin Consulting

Agenda

1. Intro / 2025 M&A Market Trends
2. Deal Cycle
3. Driving a successful acquisition integration
4. Q&A

2025 M&A Market Trends

There are several factors generating enthusiasm for increased M&A in 2025: stabilizing interest rates, decelerating inflation, record amounts of dry powder, favorable policies and regulations, amongst others. However, uncertainty remains due to the likes of current geopolitical conditions, unfavorable regulations for specific industries, and tariff and immigration policies. The conclusion is, cautious optimism.

MARKET TRENDS

- IPO Market on the Rise
- Focus on Core Business
- Technology Enablement Driven M&A
- Consolidation in High Growth Sectors
- Take Private Transactions

Poll Question 1:

Is Your Firm Considering M&A Activity in 2025?

a. Yes, we plan to acquire
b. Yes, we plan to exit (e.g., sell, IPO)
c. No, too much uncertainty (e.g., geopolitical, policies, regulations)
d. No, valuations misaligned

Illustrative Buy Side Deal Cycle

Diligence → **Integration** → **Stabilization**

Diligence

- Understand deal thesis
- Perform Q of E assessment
- Conduct due diligence
- Determine integration strategy

Day 1 Planning

- Deal Signing
- TSA Strategy
- Deal Announcement
- IMO Launch
- Day 1 Planning

Integration Planning

- Pre-close Checklist
- Synergy assessment
- Data Strategy and Mapping
- Customer Comms / Change Management
- Employee Onboarding & Leadership
- Develop integration roadmap

Integration Planning and Execution

- Synergy quantification, tracking and planning
- Development of Target Operating Model (TOM)
- Establish Integration Management Office (IMO)
- Conduct dependency analysis

Stabilize Operations

- Shift to Operational Focus
- Stabilize New Tech Ecosystem
- Process Stabilization

DRIVING A SUCCESSFUL ACQUISITION INTEGRATION

DILIGENCE | LOOK BEFORE YOU LEAP

The diligence phase is incredibly important and made even more difficult due to the need to have limited personnel 'in the tent'.

First and foremost, it's about determining the real value of opportunity through financial due diligence and quality of earnings (QofE). Once confirmed, the acquirer **needs to consider alignment with** deal thesis/strategy, and importantly for the parties to the transaction being aligned on what's next.

While financial performance and some level of operations are almost always assessed, **IT often lacks sufficient consideration** leading to problems in subsequent phases of post-acquisition integration.

Factors most overlooked in planning in diligence:

- Impact of timing of the transaction
- Mismatched technology of acquired entity: inability to integrate, incompatible data models, etc.
- Impact of non-GAAP accounting practices
- Transparency and change management

Financial | **Technology** | **Cyber** | **Commercial** | **Operational**

DILIGENCE | IT DUE DILIGENCE

Diligence should expand beyond the financials. IT Due Diligence provides a view of the target's IT capabilities, key risks, and potential impacts on the transaction.

Considerations

- Understand & Evaluate Risk
- Discover New Opportunities for Value Creation
- Transact with Confidence

Areas of Investigation

IT Strategy & Management	Organization & Staffing	IT Financials & Budget
Business Apps	End User Technology & Support	Infrastructure & Operations
Cybersecurity	Data Management & Compliance	Business Continuity & Disaster Relief

Examples of Material Risks & Investments:

- Critical business application need to be implemented, upgraded, or integrated (e.g., ERP / HCM / CRM)
- Target requires new IT leadership and/or operating model
- Target has end of life/end of support infrastructure that will require replacement
- Target does not have comprehensive cybersecurity program and related controls
- Software is not properly licensed, and target may be subject to legal and financial liability
- Significant reliance on key resources to perform critical operations and support
- Target stores sensitive/personal data which is not adequately encrypted and protected
- Target lacks a robust enterprise corporate/financial data reporting toolset

Poll Question 2:

Which IT/Cyber Diligence finding do you find most important?

a. End of life business application(s)
b. Substandard cybersecurity posture
c. Dirty data
d. End of life infrastructure

DEFINITION AND STRATEGY | SYNERGY OPTIMIZATION

The strategy of acquisition should be centered around three key tenets:

- An emphasis on value creation and synergy realization
- Understanding the complexity of the integration
- Determining authorship, ownership, and accountability

There are 2 main types of synergies:

- **Cost Synergies**: cost savings resulting from the consolidation of operations – such as facility consolidation or economies of scale in procurement
- **Revenue Synergies**: additional revenue generated from the combined entity, such as cross-sell opportunities or access to new markets

Factors most overlooked in transaction close and day 1 planning:

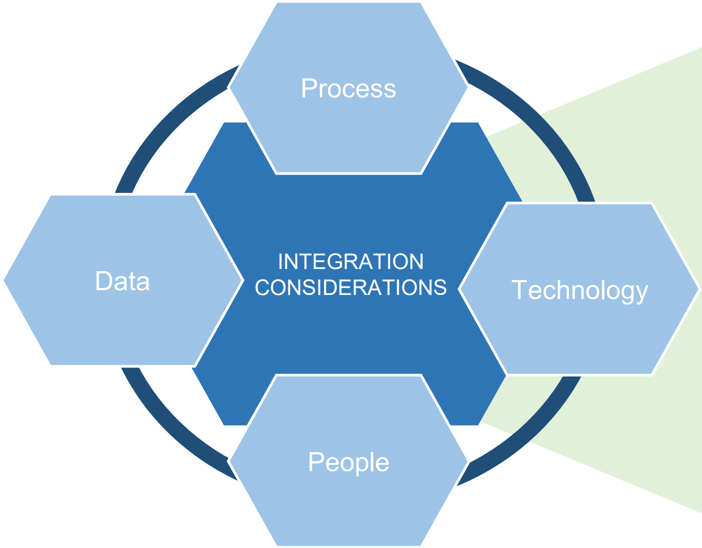
- Defining a target operating model
- Delay or not standing up an IMO
- Sufficient rigor around synergy assessment assumptions
- Customer communications and retention management planning
- Agreeing on interim reporting approach
- Detailed data strategy for synergy reporting and tracking

DEFINITION AND STRATEGY | SYNERGY EXAMPLES

Synergy considerations should look at both the back of house (corporate) and front of house (customer facing operations). Consider some examples below.

Key Synergy Opportunity	Key understanding required	Lever	Potential Synergy Analysis
Expense Reduction and Functional Area Optimization	**Appreciation of both the acquired and acquiring entity operations** to develop a detailed expense optimization plan to leverage consolidation and scale opportunities resulting from the transaction, across all cost drivers	**FTE Rationalization**	Understand future state organizational structure and most effectively align FTEs to business need, while removing redundancy
		Sales Cycle & CRM	Leverage knowledge of existing CRM to effectively align Company and target resources resulting in a more robust sales process and enhanced pipeline
		Functional Product Roadmap	Partner with management to refine the product roadmap, augmenting technology enabled security that supports stated operational and strategic objectives
Technology	**Appropriate due diligence on technology and finance operations (and systems)** to support organization consolidation, software rationalization and achieve transition service agreement exits.	**IT Integration, ERP Selection & Implementation**	• Define business technology strategy, IT operating model and roadmap to achieve integration goals, resulting in new post-integration operating model for all functions • People/Organization role and function rationalization
Sales and Market Expansion	**Understanding of deal thesis and corporate strategy** to develop a detailed integration plan mapped against the "5-year strategic plan" or "3-year planned hold period"	**Expanded Product Suite & Bundling**	Leverage knowledge of Company's existing product and service offering to identify areas of incremental value add via cross-entity bundling and customer targeting
		Market Share Depth & Brand Recognition	Identify opportunities to leverage attention from acquisition to strengthen brand image and position in market, utilizing tailored communications campaign

DEFINITION AND STRATEGY | DETERMINING INTEGRATION COMPLEXITY



Process
- Where do process gaps exist between the two organizations?
- What practices will be eliminated or created as a result of the integration?
- Are there areas of the business prone to disruption from integration?
- Are there collective bargaining agreements that are impacted?
- What processes need to be implemented to satisfy additional regulatory compliance?
- What legal obligations are being assumed by the acquiring organization?
- What major vendor contracts will be combined / eliminated?

Technology
- What applications are impacted and what is the timing?
- How many system integrations exist and what is connection method?
- Will replacement hardware be required or consolidated?
- Is there a difference in cloud strategy or code language?
- Are there potential cyber security threats that will need to be addressed?

Data
- What is the approach for bringing over historical data?
- How common are master data definitions between the two organizations?
- What additional data requirements will need to be met by the organization?
- What databases will need to be merged and do the languages differ?
- What management or regulatory reporting gaps exist between organizations?

People
- What key stakeholder groups are impacted by the integration activities?
- How will the org structure evolve / adjust as a result of the integration?
- How will benefit and reward plans be treated in the near and long term?
- What roles & responsibilities change within the organization?
- Do the KPI's of both organizations align with employee incentives?
- What synergies will require tracking and reporting over time?

ACQUISITION INTEGRATION BEST PRACTICES

Successful acquisitions share key similarities in preparation activities during pre-close planning that lead to effective post-close execution. Acquisition playbooks highlight methodologies and tools to ensure efficient planning and execution every time.

- Leadership Selection
- Expertise & Key Personnel
- GTM Strategy
- Control the Narrative
- Operational Efficiency
- Data Governance
- Reporting

PITFALLS | COMMON MISTAKES IN POST-MERGER INTEGRATIONS

Deal thesis missed; business disruption ensues

Managing the integration as a project, without connecting it to the broader organization vision and strategy

Synergy potential not reached

Treating every deal like the previous industry deal, without a tailored vision or plan

Missteps and fire drills

Failure to empower a single cross functional leader or leaders as the integration quarterback to prevent treating all activities as equal, without differential focus on the pivotal decisions.

Talent departs, CX impacted

Ignoring “soft” issues related to people, operating model, and culture. Not recognizing core values and guiding principles are precursors to employee behavior

Poll Question 3:

What is the most prevalent acquisition integration challenge you have experienced?

a. Not understanding how the acquisition fits into organization's objectives
b. Insufficient integration planning
c. Lack of resources / time spent on the integration
d. Differing company cultures / core values

TARGET OPERATING MODEL | START WITH THE END IN MIND

The realization of a business' strategic vision is made possible through its operating model. As a company looks to integrate an acquisition, this is a perfect opportunity to revisit the current operating model, and the ability of the acquired company to provide avenues for an enhanced approach.

In doing this, it's imperative that the company consider it's underlying strategy, particularly:

- Investment deal thesis
- Synergy assessment findings
- Integration model determined

Best practices in determining the operating model:

- Defining principles for transformation to guide consistent decisions
- Change management starts with design
- Process-centric approach
- Finding some quick wins to build momentum while the more time intensive strategic investments take the necessary time.

TARGET OPERATING MODEL | START WITH THE END IN MIND

TARGET OPERATING MODEL

People & Organization

- Organizational design
- Sizing
- Roles & responsibilities
- Skills & capabilities

Process Design

- Standardized & harmonized
- Definition of end-to-end business activity
- Efficiency & effectiveness
- Roles, actions, decisions, policies & controls

Service Delivery Model

- Insource, outsource
- Onshore, offshore, optimal location to provide services
- Service management & governance framework

Governance & Control

- Required Controls
- Process & service delivery governance
- Risk management & business resiliency

Technology Enablement

- System architecture
- Integration & automation
- ERP, best-of-breed, CPM tools
- RPA/IA

Data & Reporting

- Master data management
- Data strategy, data definitions, reports, metrics, KPIs
- BI & EPM - reporting tools

CUTOVER | HIGH-RISK ITEMS

There are many high-risk elements that need to be considered on cutover in an acquisition integration.

A couple often not paid enough attention are **loss of corporate knowledge** and **data considerations**.

Some high-risk items to mitigate on cutover:

- End-to-end testing of system functionalities and desired capabilities.
- Understand who in the acquiring entity is responsible for what before determining who should be on the bus.
- Execute time-pressured dress rehearsals of cutover steps
- Question your own data as well as the acquired data

CUTOVER | PEOPLE AND CORPORATE KNOWLEDGE

Too often overlooked is the importance of ‘people’ in ensuring the continuity of operations as you step through both the interim and target operating model stages of an acquisition integration. Some key steps to try and ensure you keep the right people and mitigate the risk of their departure are discussed below

Define initial organizational design	Work with leadership to establish a common vision of the future needs and structure of the of the organization and the persons that will fill the seats on the bus.
Determine incentive strategy	Determine of these which are crucial for the short, medium and long-term strategy of the organization and develop an incentive structure to encourage and reward their continued involvement in line with organization
Activity analysis	Through data collection and select interviews, engage with select personnel to get a detailed understanding of the activities and processes
Knowledge capture	Building on the analysis, develop artefacts that detail the specific activities that are undertaken, by whom and utilizing what technology in the current operating model with a view to leverage these as training resources
Confirm organizational design and fill gaps	Based on the understanding of the resource requirements identified in the activity analysis and knowledge capture as well as information around the resources that will not be transitioning, finalize the interim operating model and determine approach (consultants, contractors, FTE) to fill any gaps
Knowledge transfer and training	For any new resources or those who have adjusted role, leverage knowledge capture as SOP and provide associated additional support and training to ensure continuity of operations

CUTOVER | DATA MAPPING STRATEGY

Mapping data from one system to another is often one of the most time-intensive exercises in any organization.
When undertaking such an effort, best practices to consider include:

Semantic Alignment - Ensure data from different sources with varying structures and meanings can be effectively integrated, preventing misunderstandings

Consistency - Establish consistent relationships between data elements maintaining accuracy and reliability across integrated systems

Data Transformation - Guide the transformation of data formats, types, and structures to match the requirements of a target system

Interoperability - Facilitate seamless communication between disparate systems and applications, allowing them to interpret the data correctly

Efficiency - Develop a clear roadmap for how data should be moved and transformed between systems

Error Prevention - Reduce the risk of errors by defining rules and validations for data transformation, ensuring the integrity of integrated information

Documentation - Provide a reference point for understanding relationships between data elements

Poll Question 4:

Why do technology cutovers most often fail?

a. Inadequate planning
b. Insufficient testing
c. Data migration issues
d. Lack of user training / change resistance

Questions and Answers

Jordan Scheiderer
Partner
MorganFranklin Consulting

Kendell Bryant
Director
MorganFranklin Consulting

Tim Keefe
Director
MorganFranklin Consulting

Thank you!

Oracle NetSuite

www.netsuite.com

ima® The Association of Accountants and Financial Professionals in Business

ORACLE NetSuite