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The Implications of Mergers and Acquisitions on the Supply Chain

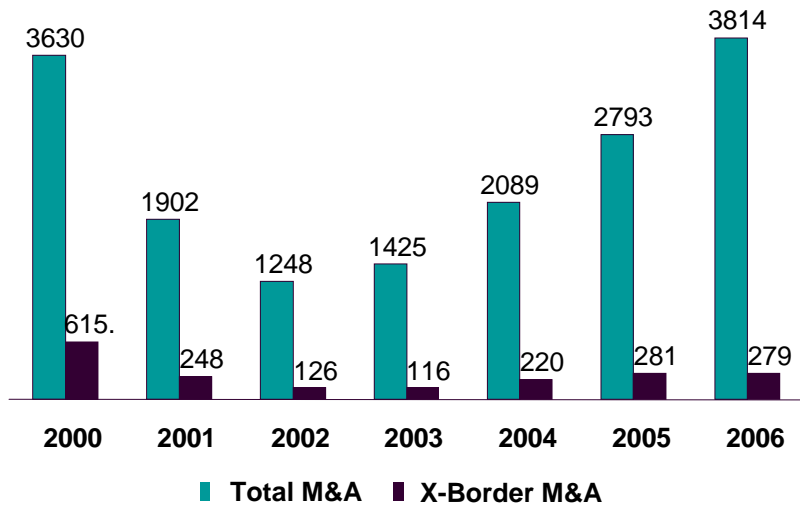
Joel Butler
March 19, 2007

Agenda

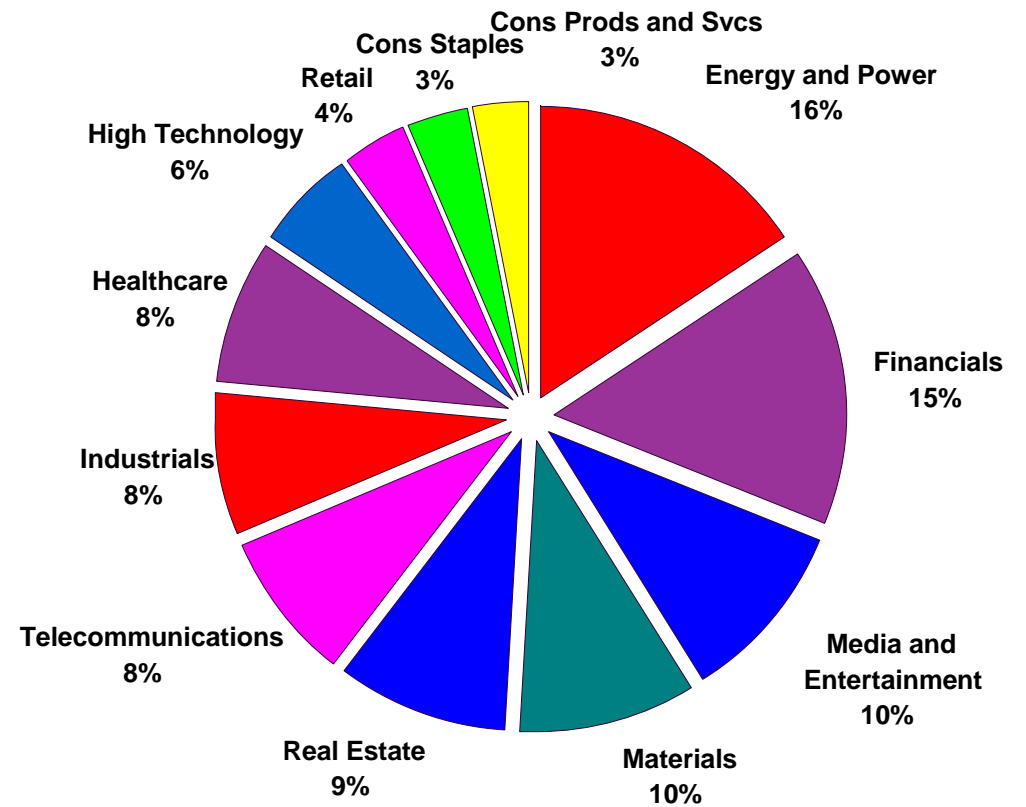
- **M&A is hot**
- **Supply Chain impacts many Merger Integration value levers**
- **Five Key Principles for Success**

Mergers and acquisitions activity hit a record high in 2006 and is impacting all industry sectors.

**Global M&A and cross border M&A Transaction Volume
2000 - 2006
(\$ in billions)**



M&A Activity by Industry, 2006



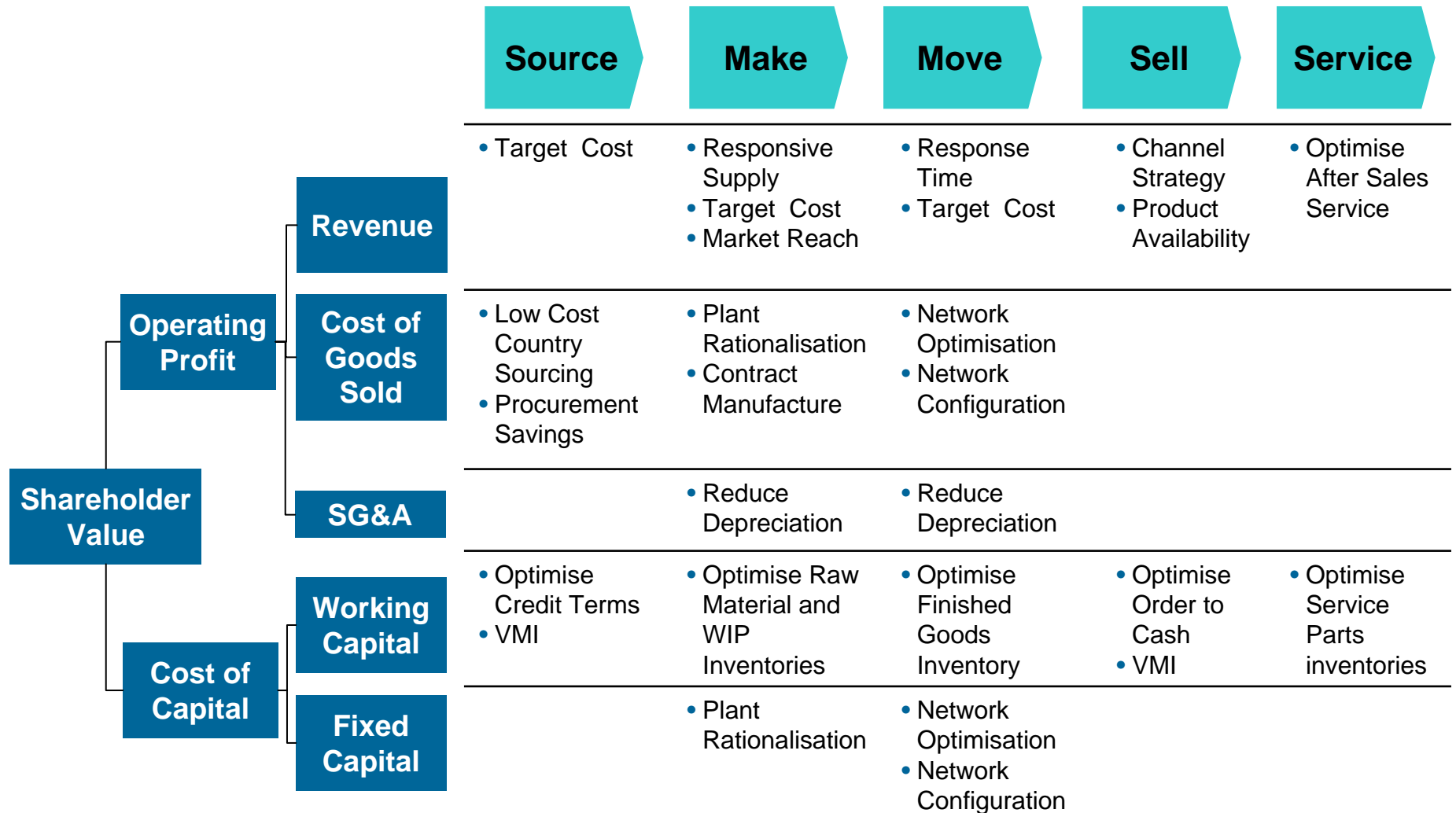
Source: Thomson Financial

Accenture's Supply Chain merger and integration point of view centers on five key principles.

- **Principle #1:** Focus on **shareholder value**, and the fastest way to get there
- **Principle #2:** “**One size does not fit all**” – each company must select the approach that fits its needs and objectives
- **Principle #3:** “**Jumpstart the savings**” – incorporate SC into the clean room process
- **Principle #4:** “**Don't paint yourself into a corner**” – integrate SC capabilities to be adaptive
- **Principle #5:** **Manage and mitigate your risk** with the right plan, robust metrics and risk sharing partners

Principle #1: Focus on Shareholder Value

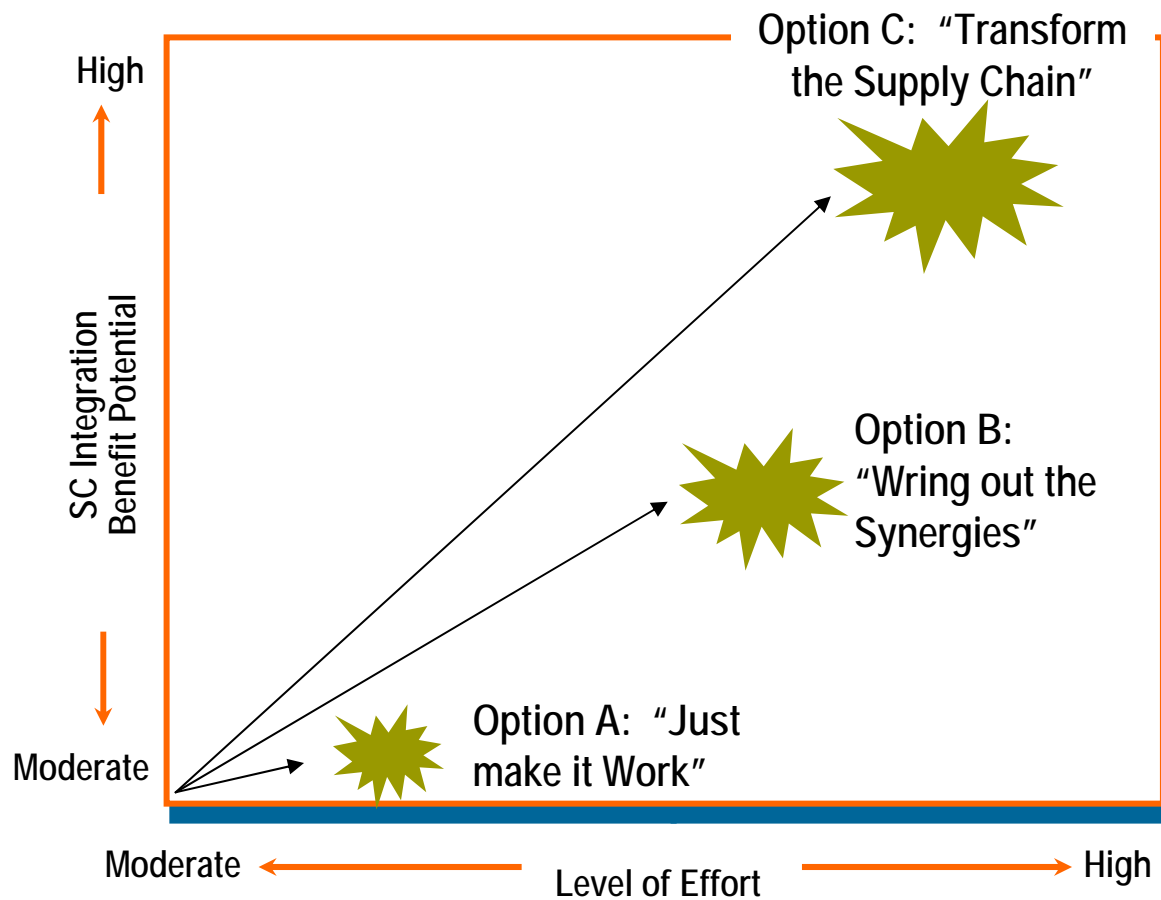
Supply Chain touches all the levers of Shareholder Value creating significant potential for merger benefits.



Principle #2: One Size Does Not Fit All

Our experience has shown that “one size does not fit all” when it comes to SC merger integration.

Approaches to Supply Chain Merger Integration

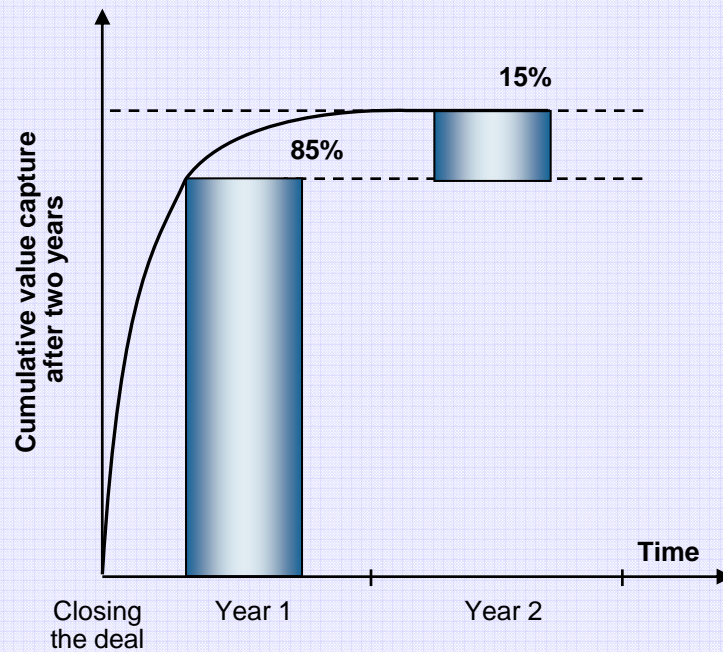


- **Three distinct approaches – they are not sequential**
- **Path to each will be different**
- **No universal “right answer”- Pro’s & Con’s to each**

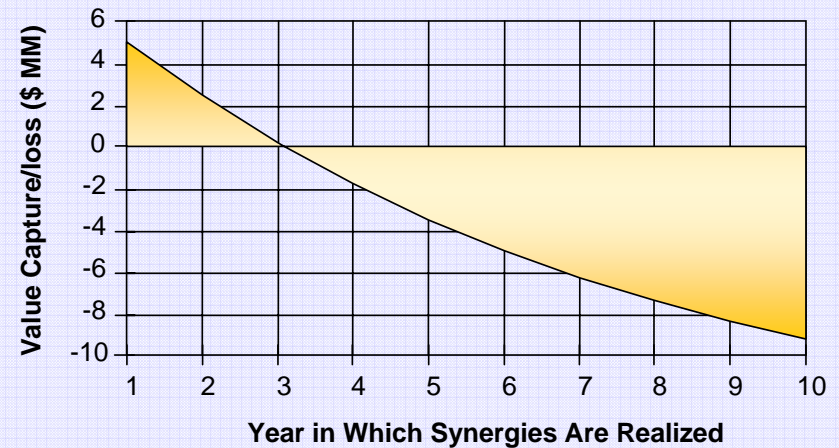
Principle #3: Jumpstart The Savings

High performers accelerate the achievement of Supply Chain synergies by beginning to plan before the merger closes – and by finishing before Year 3

Value Capture of High Performers Over Time (Service/Retail Industries)



Timing of Synergy Realization Is Also Critical

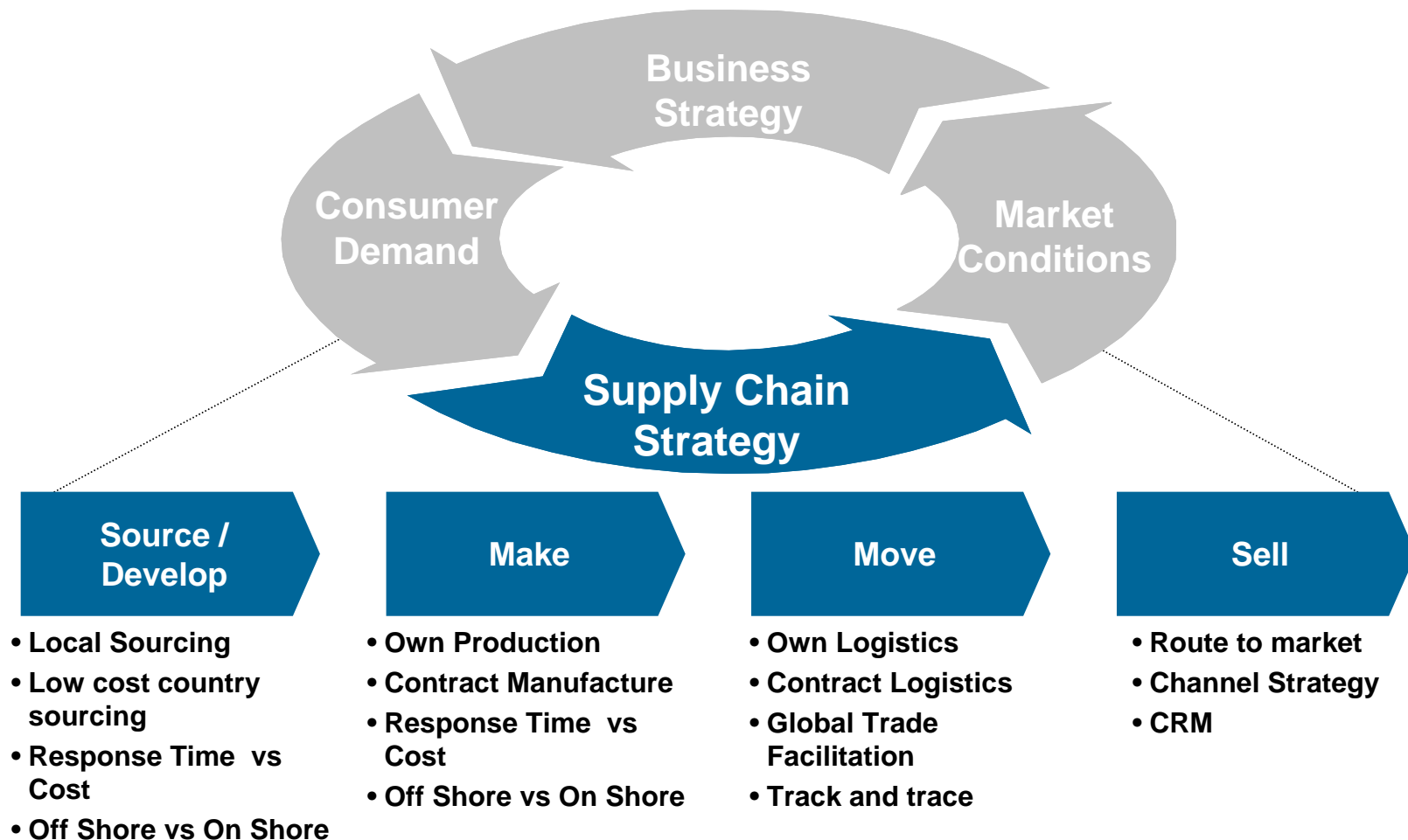


Source: Marl L Sirower : The Synergy Trap. Calculated based on a \$10MM acquisition premium, representing 50% of market value

High Performers capture virtually all of their synergies in the first two years post-Close

Principle #4: Don't Paint Yourself into a Corner

Merger integration creates significant risk to business as usual. Successfully balancing the challenges of both calls for a more adaptive approach



Deciding which capabilities to rent versus those to own is critical

Principle #5: Manage & Mitigate Risk

A “Merger Integration Success” scorecard can track integration effectiveness and business as usual during transition

Merger Integration Scorecard

ILLUSTRATIVE EXAMPLE

AREA	METRIC
Operational Effectiveness	Business as usual effectiveness during merger integration
Day 1 Readiness	<ul style="list-style-type: none"> • % Day 1 requirements successfully met on-time and to-date
Progress in Transition	<ul style="list-style-type: none"> • Integration milestones achieved on-time and to-date
Product Availability	<ul style="list-style-type: none"> • % On-time in full order fulfillment versus pre-merger baseline
Synergies Savings	Supply chain synergies captured versus synergy target
Sourcing and Contracting	<ul style="list-style-type: none"> • Number of contracts re-priced and re-negotiated for synergy savings • Negotiated savings as a % of expenditure managed • % of external expenditure subject to contract • Spending compliance to contract versus pre-merger baseline
Manufacturing	<ul style="list-style-type: none"> • Manufacturing costs per unit versus pre-merger baseline and target
Distribution and Logistics	<ul style="list-style-type: none"> • Transportation costs per unit versus pre-merger baseline and target
Working Capital	<ul style="list-style-type: none"> • Inventory Turnover versus pre-merger baseline and target • Debtor days versus pre-merger baseline and target • Creditor days versus pre-merger baseline and target

Questions

