

THE M&A ADVISOR SYMPOSIUM REPORT

Featuring



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Solutions and Markets Leader
EY



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Managing Partner & Co-CEO
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> STALWARTS ROUNDTABLE ORGANIZATION AND TALENT PLANNING: ALIGNING FINANCIAL OBJECTIVES OF A DEAL WITH LONG-TERM PEOPLE STRATEGY

At The M&A Advisor's Annual Summit in New York City, on November 13, 2017, Elizabeth Fealy, EY's People Advisory Services Americas Strategy, Solutions and Markets Leader, moderated a panel discussion titled, "Organization and Talent Planning: Aligning Financial Objectives of a Deal with Long-Term People Strategy."

Fealy, Christopher Laux, EY's People Advisory Services Central Region M&A Services Leader, and Gregory Bedrosian, Managing Partner and co-CEO of Drake Star Partners, a leading global technology investment advisory firm, discussed a range of human resource issues impacting M&A.

In this insightful roundtable panel, the dialogue discussed:

- More effective integration in m&a
- Value of pre-deal organizing
- How technology can be disruptive and effective
- Outlook for 2018

We hope that the report is informative and valuable for you. And, as always, we encourage you to share your thoughts on the importance of the "people strategy" in today's deals.

David Fergusson

President and Co-Chief Executive Officer
The M&A Advisor

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Introduction

Human integration remains to be a key element of M&A.

At the M&A Advisor's Annual Summit in New York City, **Elizabeth Fealy, People Advisory Services Americas Strategy, Solutions and Markets Leader, EY**, moderated a panel discussion titled, "Organization and Talent Planning: Aligning Financial Objectives of a Deal with Long-Term People Strategy." The two panelists were **Christopher Laux, People Advisory Services Central Region M&A Services Leader, EY** and **Gregory Bedrosian, Managing Partner and Co-CEO, Drake Star Partners**.

Panelists discussed the human element in the context of all the technology and digital changes that the industry is facing.

Historically, in M&A transactions, often the financial aspects and strategy sides of a deal were first to be dealt with, and the HR and personnel parts were not considered until much later.

Previously, it had been good enough to close the deal and say, "I'm day one ready, and I'll figure it out afterward," said Elizabeth Fealy, People Advisory Services Americas Strategy, Solutions and Markets Leader at EY. "We are seeing a tremendous amount of transaction and transformation planning in parallel. Now, our clients are planning for not only day one but also the transformation in month one, month two, month three, month four." Fealy spends her workday focusing on the people aspects of either mergers, spin-offs, or divestitures.

We are now projecting what that future operating model is going to look like after day one as well as a year or two after day one, according to Christopher J. Laux, People Advisory Services Central Region M&A Services Leader at EY. "Companies are looking for very efficient ways that they can do some of that modeling. They want to be doing their modeling as early as possible. They want to take into account all of the different vendors, all of the different outsourced arrangements, all of the different systems that they use as they build the future state operating model. And they want to tie their head count to that. Now it's about the question: what are we going to look like in the future and how are we really going to transform the business as we move forward?"

Fealy says she is seeing a tremendous amount of rigor at the forefront of transactions, so they are driven by either growth synergies or cost synergies. "Our clients are really trying to tie the people piece to the dollars piece and plan it out, sort of step by step."

More Effective Integration In M&A

Too often mergers and acquisitions result in winners and losers. Many times, the losing side are pushed to one side and the winner advances into a control position with his or her leadership team. "We are now witnessing much more attention being focused on the integration of the teams, more attention being paid to defining the purpose of the organization going forward, and what kind of team we need to be in order to accomplish that," Fealy said. "We're seeing that many times the talent that's coming in from the required entity is bringing a new perspective and new skill sets and the ability to look at that in a clean team environment, to look at some of the performance management and competencies and capabilities."

"We are now projecting what that future operating model is going to look like after day one as well as a year or two after day one."

- Christopher Laux

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EY has built a digital platform for talent-hub planning, where it assembles a client's employee or workforce data, allowing the client to scenario plan and train. EY has been assisting its clients in creating a third-party environment where they can share information about their employees without sharing the information with each other. "With all the regulatory requirements out there, there's certainly restrictions on sharing critical headcount information too early in a transaction process," Laux noted. "Where we've been able to play a role is in running analytics for them around what the new organizations would look like. We can also give them the ability to do some early evaluations on some key leadership roles by following certain regulatory requirements and using certain tools that we've developed."

Laux said EY's tool is helpful for doing things on a positional basis before the closing, when redacting some of that critical data. "We have the ability to turn it on at the flip of the switch. So as soon as that deal goes live and as soon as we've made that final closing, we can then move right into critical talent decisions, and all that information is readily available immediately through a web-based tool that they can access and start to make some really critical analysis."

"Technology and digital devices are driving everything horizontal, so you have to work across functions, across organizations."

- Elizabeth Fealy

Pre-Deal Organizing

Today, an increasing amount of attention is being paid to pre-deal organization in the process of establishing the transaction timetable. In the past, acquirers often established goals and objectives without the full knowledge of the workforce they were inheriting and what resources would be necessary to achieve them. In the roundtable discussion, Laux stressed that by predicting those positions that you want to recruit for, establishing an appropriate deal timeline was enhanced dramatically.

A related trend is the realignment of the operating cost structure of merged businesses. This is able to be forecast more accurately and the process implemented much quicker today. The result is deals being consummated faster and the combined company better positioned for success.

Technology's Disruptive Effect

Technology has really accelerated the pace of change and digital disruption is dramatically impacting the M&A transaction environment.

Artificial intelligence and robotics are already changing the way that some work is being done, and blockchain threatens many of the staff functions that corporations perform. This is and will continue to affect the number of people employed and the skills that workers will require to perform their functions.

"Technology and digital devices are driving everything horizontal, so you have to work across functions, across organizations," Fealy noted. However, many organizations are not structured to, or may not have the right leadership to, work in that way. Fealy said she spends a lot more time now talking about the future of work with her clients and noted in the roundtable the growing importance of the people component of a transaction.

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Outlook For 2018

Looking ahead to 2018, Gregory Bedrosian, Managing Partner and Co-CEO of Drake Star Partners, said, "We're seeing in our practice the activity being steady and actually increasing slightly. The financial buyer universe, the private equity community, still has enormous amounts of unspent capital. As a result, they're very actively looking to bid for companies where one would normally think a strategic acquire would pay a higher price. The financial investors are very active, and many of the private equity firms have gained sector specialization, so they're actually approaching the strategic elements that we are seeing. Our firm is very active in cross-border transactions."

Bedrosian continued, "In the new era we're actually finding we're broadening our outreach in terms of the types of players that we're speaking to. We're very active in technology M&A, but we're often talking to more traditional industrial companies, looking to acquire technology companies to get some of those functionalities as one example."

Laux added, "For 2018 I think there's going to be no end to M&A activity. I think there is going to be a lot more considerable consolidation happening in the market space. And I think there's going to be a lot of different transactions that involve many, many pieces. We're done with the traditional one company buys another company, and they just come together. Now, it's about coming together, splitting off this group, changing this business decision, and a lot more transformation happening at the same time. It's really going to be much more transformation in terms of the types of deals we see."

"The financial buyer universe, the private equity community, still has enormous amounts of unspent capital."

- Gregory Bedrosian

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Video Interviews

To watch exclusive M&A Advisor interviews with these industry experts on “Organization and Talent Planning: Aligning Financial Objectives of a Deal With Long-Term People Strategy,” click on the following images:



Elizabeth Fealy

People Advisory Services
Americas Strategy
Solutions and Markets Leader
EY



Christopher J. Laux

People Advisory Services
Central Region M&A Services Leader
EY



Gregory Bedrosian

Managing Partner & Co-CEO
Drake Star Partners

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Symposium Session Video

To watch the Stalwarts Roundtable discussion titled “Organization and Talent Planning: Aligning Financial Objectives of a Deal With Long-Term People Strategy” click on the image below:



Organization and Talent Planning: Aligning Financial Objectives of a Deal With Long-Term People Strategy

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Contributors' Profiles



Elizabeth Fealy
People Advisory Services
Americas Strategy
Solutions and Markets Leader
EY

Elizabeth Fealy is People Advisory Services Americas Strategy, Solutions and Markets Leader at EY. Liz has over 20 years of global human capital M&A experience and is an employment and labor lawyer by background. She is a strategic advisor to her clients on people and HR implications in mergers, acquisitions, divestitures, spin-offs, joint ventures and restructurings and has advised her clients in many of the largest recent transactions across a variety of industries including life science, health care, technology, financial services, insurance, airlines and transportation. Over her career, Liz has partnered with more than 25 of the Fortune 100 companies on their corporate transactions. Liz has worked internationally for over 20 years and has deep understanding of global and country employment issues in transactions including acquired rights, information/consultation requirements as well as employment transfer requirements.



Christopher J. Laux
People Advisory Services
Central Region M&A Services
Leader
EY

Christopher J. Laux is People Advisory Services Central Region M&A Services Leader at EY. He has 16 years of experience advising on human capital strategy, cost management and large scale acquisition and divestiture implementation across many industries. Christopher has spent his career realigning and combining HR functions, advising companies on HR outsourcing and vendor management decisions, integrating acquisitions, managing risks in HR processes and controls and identifying talent management and cultural change management implications created by merger and divestiture activities. Over his career, Christopher has assisted clients with more than 100 corporate transactions including: buy-side due diligence, post-closing integration, sell-side due diligence and divestiture preparation, carve-out separation and stand-alone entity completion.



Gregory Bedrosian
Managing Partner & Co-CEO
Drake Star Partners

Gregory Bedrosian is Managing Partner & Co-CEO of Drake Star Partners. Gregory is an award winning, seasoned investment banker and private equity investor whose experience spans both domestic and cross-border M&A and private equity transactions across the US, Europe and emerging markets. Amongst his numerous honors, Gregory received the 2016 M&A Advisor Leadership Award and is an M&A Advisor Hall of Fame inductee. Prior to the formation of Drake Star Partners (previously known in the US as Redwood Capital Group), Gregory was a co-founder of Renaissance Capital. Gregory began his career in the merchant banking department of Credit Suisse First Boston in London and the leveraged buyout group of Salomon Brothers (now part of Citigroup) in New York. Gregory is a member of The Council on Foreign Relations and he is a regular speaker and panelist at leading industry and academic forums. He has served on numerous corporate and non-profit boards across the US and Europe and he currently sits on the Harvard Business School Alumni Board of Directors (Emeritus), is an Advisor at the Harvard Innovation Lab (i-Lab), Chairs the Investment Committee of a \$100 million New York-based foundation and serves on the Board of an emerging markets investment fund. Gregory holds an MBA from Harvard Business School and a BS in Economics from the Wharton School of the University of Pennsylvania.

About the Sponsor



EY's People Advisory Services

As the world continues to be impacted by globalization, demographics, technology, innovation and regulation, organizations are under pressure to adapt quickly and build agile people cultures that respond to these disruptive forces. EY People Advisory Services believes a better working world is helping our clients harness their people agenda — the right people, with the right capabilities, in the right place, for the right cost, doing the right things.

We work globally and collaborate to bring you professional teams to address complex issues relating to organization transformation, end-to-end employee lifecycles, effective talent deployment and mobility, gaining value from evolving and virtual workforces, and the changing role of HR in support of business strategy. Our EY professionals ask better questions and work with clients to create holistic, innovative answers that deliver quality results. For more information about our organization, please visit ey.com

About the Publisher



The M&A Advisor

The M&A Advisor was founded in 1998 to offer insights and intelligence on M&A activities. Over the past twenty years we have established a premier network of M&A, Turnaround and Finance professionals. Today we have the privilege of presenting, recognizing the achievements of and facilitating connections among between the industry's top performers throughout the world with a comprehensive range of services. These include:

M&A Advisor Summits and Forums. Exclusive gatherings of global "thought leaders."

M&A Market Intel. Comprehensive research, analysis and reporting on the industry.

M&A.TV. Reporting on the key industry events and interviewing the newsmakers.

M&A Advisor Awards. Recognizing and rewarding the excellence of the leading firms and professionals.

M&A Connects. Advanced business development for key influencers and decision makers.

M&A Deals. The global deal-making platform for M&A professionals.

M&A Links. The industry's largest network of M&A, financing and turnaround professionals.

Upcoming Events

Corporate Growth Forum and Corporate Development Awards Gala – London, UK – April 25, 2018

International Financial Forum and Awards Gala – New York, NY – June 13, 2018

Emerging Leaders Forum and Awards Gala – London, UK – September, 2018

Emerging Leaders Awards Gala – New York, NY – September 18, 2018

Annual M&A Advisor Summit and Awards Gala – New York, NY – November 6, 2018

For additional information about The M&A Advisor's leadership services, contact Liuda Pisareva at lpisareva@maadvisor.com.