

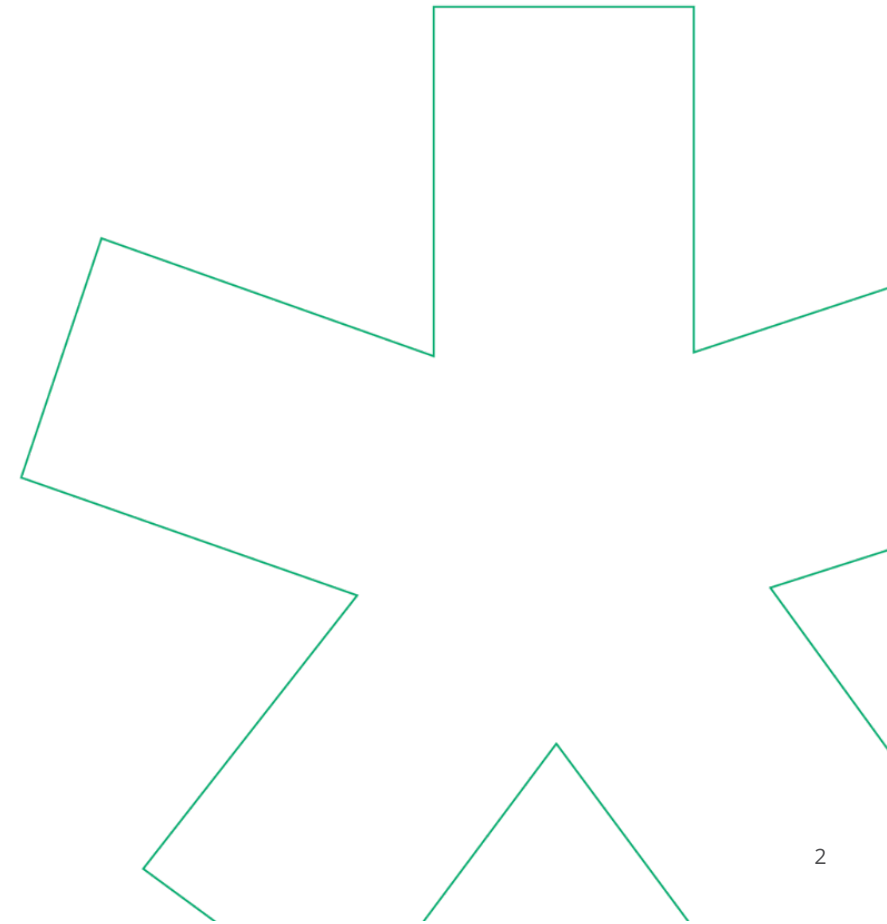


M&A Playbook for Post-Acquisition Success

December 2023

Agenda

- 1) **DLC Overview – Who We Are**
- 2) **M&A Integration: Top Pain Points to Address Post Acquisition**
- 3) **How We Can Help**
 - * Analysis
 - * Accounting Process & Policy
 - * Integration Playbook
 - * Integration Execution
- 4) **How to Get in Touch**
- 5) **Questions**



OUR TEAM

Meet Our Speakers



James Beaman

Finance and Accounting
Consultant



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Project Management Executive



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Finance and Accounting
Consultant



Steve Newman

Client Services Director

ABOUT DLC

We Are Finance Experts

DLC is an award-winning professional services firm helping companies drive transformation and growth, one project at a time. Our team provides, flexible, efficient, on-demand execution of your accounting and finance projects.



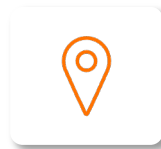
We were founded in 2001 and acquired by Addison Group in 2019.



Our team is comprised of 325+ consultants across the United States with unmatched expertise – including Big 4 experience, CPAs, MBAs and PMPs.



We have a flexible engagement options and delivery models so we can meet your unique needs.



We have offices in Chicago, Los Angeles, Orange County and San Francisco. National presence capable of servicing clients across the US.

Our Services

- Accounting & Financial Reporting
- Financial Planning & Analysis
- Financial Systems Implementation
- Interim Financial Management
- M&A Due Diligence Support
- Post-Merger Financial Integration
- Process Documentation & Redesign
- Project Management

Industry Experience

- Aerospace/Defense
- Automotive
- Agriculture
- Biotechnology
- Business Services
- Consumer Packaged Goods
- Dental Services
- Education Services
- Engineering Services
- Entertainment
- Financial Services
- Food Services
- Healthcare/Hospital
- Industrial Products
- Insurance
- Manufacturing
- Medical Device
- Private Equity Portfolios
- Real Estate/Property
- Retail/Apparel
- Software/Technology
- Telecommunications
- Utilities

Top Pain Points to Address Post-Acquisition

2020-2022 Trends:

In 2021 we saw record setting M&A activity due to record low interest rates, steady inflation, and pent-up demand from 2020 (per SPG Global).

2023 Trends:

Slow down in deal activity. Struggle to seamlessly integrate. Response to rising rate pressure.

2024 Trends:

Cautious optimism. After an uncertain year, we anticipate a gradual rise in activity. As rates are expected to stay higher for longer, could present hurdles for larger deals.

Top Needs for Support:

- Lack of financial reporting for business results presented in timely manner
- Lack of preparation, failure to plan for necessary resources until too late
- Data transparency to support decision making
- Working capital thresholds
- 13 week cash flow
- Managing the balance sheet
- Order to cash process
- Data migration
- System integration issues
- Employee performance. Struggle to accept new processes, lack of change management.
- Bank reporting/debt compliance reporting

HOW WE CAN HELP

Analysis



Identifying gaps and getting ahead of issues early – what are our pain points going to be at each phase and how do we resolve them?



Transactions often require significant changes – do we have the right people, systems, tools, and documentation in place?

Analysis: Areas to Consider

Talent & Staffing

- Do we have the right people in place to execute?
- Do we have enough bandwidth to maintain a healthy business and avoid employee burnout?

Systems & Tools

- Are we using the right ERP?
- Do we have the right tools in place as we continue to grow the business?
- Are there automation opportunities to eliminate manual work?
- Gap analysis, understanding of end-to-end process.

Documentation & Change Management

- Are we providing employees with necessary documentation?
- Have we established a change management approach and communication plan for foreseeable changes in the business?



Portfolio Company CFO Assessment Private Equity Firm

Challenges

- * A need to identify whether it would be more beneficial to pursue divestiture vs. liquidation.
- * Uncertainty surrounding alignment with current full-time CFO and whether or not the individual could efficiently execute key business goals.
- * Issues with financial statements and forecasting.

DLC's Approach

- * Work closely with the GM, CFO, and accounting staff to review financial statements.
- * Build & track 13-week cash flow forecast to provide more visibility and control.
- * Create cash burn analysis, contractual liabilities schedule, and liquidation analysis to bolster PE ownership confidence.
- * Conduct an assessment of the current CFO to identify whether or not they were in alignment with overall business goals.

Results

- * Identification that the CFO was not acting in the best interest of the PE firm, as they renewed long-term contractual agreements without consulting their high-level executives (GM and PE).
- * Provision of CFO-level guidance to support the client through the divestiture/liquidation period and fill in the gaps left by the prior CFO.

Accounting Process & Policy



What activities need to take place before, during, and after deal closing throughout the integration process?



How do we update or redesign processes to drive efficiency?



How do we establish internal controls and maximize effectiveness of reporting?

Accounting Policy & Process: Areas to Consider

Necessary Accounting Preparation

- Close & Open Balance Sheet
- Purchase Accounting
- Fair Value Assessment
- Fixed Assets & Sellable Inventory
- Treasury Requirements & Bank Notifications

Redesign & Cleanup

- GL & COA Mapping & Redesign
- Data Migration
- Complex Reconciliations
- Financial Dashboard Creation



Controllership, Closing & Opening Balance Sheet

Challenges

- * Decentralized portfolio company management environment
- * Lack of in-house Controller with financials being managed by independent CPAs focused on fiscal year tax returns.
- * Need for closing balance sheet, working capital threshold calculations and opening balance sheet.

DLC's Approach

- * Document inventory management, P2P, O2C and R2R processes and identify areas for improvement.
- * Determined GAAP adjustments, including creation of bad debt reserve, inventory reserve, prepaid expenses, accrued sales commissions, etc.
- * Completed closing balance sheet and accompanying working capital analysis, purchase accounting and opening balance sheet in accordance with stock purchase agreement.
- * Established consolidation model, month-end calendar and standard processes to increase time to close.

Results

- * Identification of the right full-time Controller.
- * Detailed transition plan executed over a 3-week period.
- * PE firm receives all financial and reporting on time and within 10 business days.

How We Can Help

Integration Playbook



Having a main PM who can also execute – lead communication and drive timeline, hold team accountable, collaborate with internal team, prioritize work.



Technical oversight to ensure necessary policies will be updated correctly

Integration Playbook: Areas to Consider

Create a Plan

- Have we created a project plan that lists key deliverables and milestones (Day 1, Day 30, Day 90, etc.)?
- Do we have a dedicated PM to drive accountability and provide status updates?
- How can we develop a plan to mentor internal teams on new process?
- Do we need a team of external resources to provide bandwidth for a specific period?

Process Oversight

- Do we have someone to oversee compliance of new policies and reporting requirements?

Communication

- Who will be the liaison between cross functional departments (finance, accounting, HR, operations, etc.)?
- Who will communicate with external teams (auditors, vendors, etc.)?
- How will necessary executive teams be up to date on performance and project health?



How we can help: integration playbook case study example

M&A Integration: First 100 Days Integration

Challenges

- * No internal staff to execute opening inventory, complete opening balance sheet, perform system split and successfully integrate the business.

DLC's Approach

- * Worked closely with the client to manage processes to ensure preliminary operating and financial controls were in place, meet internal and external reporting requirements, and establish the opening balance sheet with limited interruptions to operations.
- * Developed plan, timeline, and communication cadence for the project.
- * Held weekly meetings to keep the client informed.
- * Provided training to newly acquired management as well as existing staff to ensure a seamless transition.

Results

- * Completed project within 100 days.
- * Established month-end close processes, transitioned ERP systems and developed reporting capabilities to meet the client's financial reporting needs.
- * Foundation for further system integration due to establishment of balance sheet and development of preliminary internal controls.

Integration Execution



Hands-on Finance & Accounting support to execute necessary updates and changes



Provide change management support during project and act as liaison with key stakeholders



Create necessary documentation to be used for future acquisitions and assist new employees

Integration Execution: Areas to Consider

Accounting & Finance Specific

- Lead and manage opening balance sheet
- Creation of financial reporting packages and KPI requirements
- Lead system conversion or implementation as PMO
- AP & AR management activities
- Working capital threshold analysis
- SEC reporting & compliance, or other regulatory reporting requirements

Documentation & Information Sharing

- Identification of key stakeholders (internal & external)
- Process mapping (ex. O2C, P2P, etc.)
- Troubleshooting & workbook creation for future acquisitions
- Lead onboarding & training to new employees or acquired entities
- Lead presentations for parent company



M&A Integration: On-Boarding Newly Acquired Entities

Challenges

- * Robust acquisition and pipeline strategy.
- * Limited bandwidth to support hands-on integration of finance, accounting, operations for the newly acquired entities.

DLC's Approach

- * Acted as project management and change management team for new integrations, including on-boarding the acquisition onto a new operating and general ledger system, training the site management on finance and accounting policies and procedures, and more.
- * Led cadence meetings and presentations to corporate team related to the integration process and maintained detailed integration plans and reports.
- * Ensured issues were promptly addressed and if required, remediation plans were implemented.

Results

- * Successful creation of routine project management process
- * Identification of the right full-time hires with integration specialty.

Why DLC Consulting?

People

- CPA/MBA's with hands-on execution experience at Fortune 1000 Companies.
- Accounting & Finance experts who navigate through pain, change, or growth.
- Professionals with strong emotional intelligence that thrive in complex situations.

Flexibility

- Bench Model allows us to have resources available immediately.
- Able to adjust scopes as needed, can accommodate individual or team engagements.

Focus

- Matching the right talent to a project can dramatically accelerate its successful completion.
- We deploy consultants whose training, skills, and experience are the best technical, and cultural, match to an organization.

Cost Efficient

- Fraction of the cost compared to traditional management consulting firm.
- No minimum project durations.
- No premium costs for OT hours.

Execution

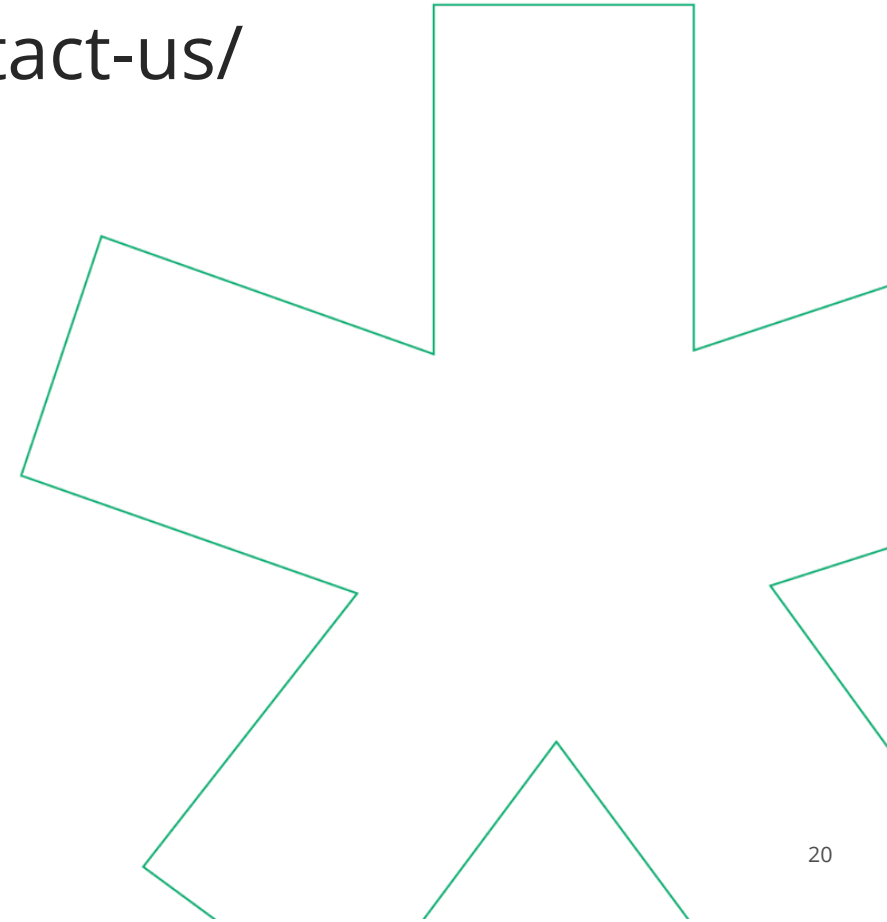
- Not only can we help lay out the blueprint, but we are there to drive initiatives.
- We are in the business of getting your projects done.

Partnership

- Dedicated Client Services Team to accommodate needs as they arise.
- Proactive communication throughout engagements to ensure transparency.

GET IN TOUCH

<https://dlcinc.com/about/contact-us/>



QUESTIONS?

