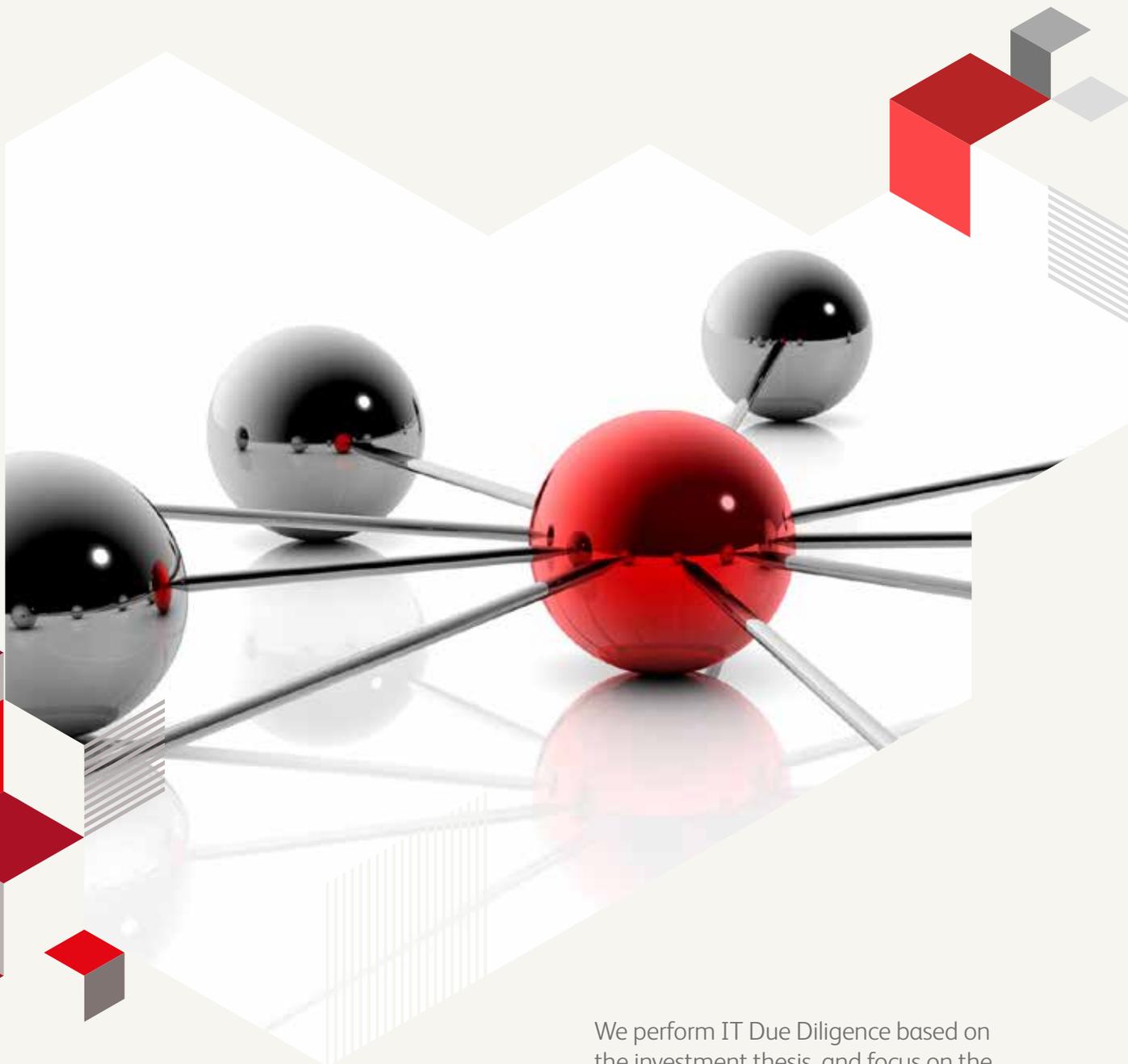


IT M&A Advisory

Our IT Due Diligence Approach



We perform IT Due Diligence based on the investment thesis, and focus on the business processes that are supported by IT.

Increasing Number of Transactions

Global M&A activities are currently reaching new highs. Economies continue to perform well, cost of debt is low and the capital reserves of huge corporations are full, while increasingly powerful markets such as China and the US are once more initiating pioneering acquisitions. Strategic deals, with a stronger focus on business, or their realignment have become the center of attention. In addition, further financial and economic challenges are expected in the future which will force many companies to meet their capital requirements through other forms of financing to avoid the risk of short funding constraints or insufficient liquidity. Consequently, the demand for Private Equity (PE) remains high.

The value of due diligence services for M&A transactions cannot be overstated. Due diligence not only provides the information required to reveal potential financial, legal, IT, and regulatory risks, but also assures that the right investment is made at the right price.

Throughout the due diligence process, the primary goal of management is to gather as much relevant information as possible in order to ensure a transparent understanding of the target. If done correctly, due diligence helps to reduce or eliminate unpleasant surprises after close.

The Challenge

One area that is a potential source of surprises during the due diligence process is the Information Technology (IT) function. When considering acquiring a target company, corporations or Private Equity firms need to perform IT Due Diligence in cooperation with an independent IT Advisory practice, due to:

- Confidentiality of potential transactions and conflict of interest avoidance for corporations
- Limited understanding of IT language in PE firms
- Limited ability of supporting financial consultancies to provide in-depth and industry-specific IT expertise
- Potential hidden costs, which may impact overall purchase prices (e.g. legacy systems, licensing issues, ...)
- Criticality and risks related to IT systems and their impact on business survival (e.g. use of real-time data)
- Unknown status of target's IT platform regarding the capacity for further growth

Key questions that PE firms and corporations need to answer when evaluating a strategic partner for IT Due Diligence:

- What role does IT Due Diligence play in your firm?
- How often do you conduct IT Due Diligence?
- At what point of the overall due diligence process do you perform an IT Due Diligence specifically?
- How can professional IT Due Diligence be performed in a timely manner?

Once a strategic partner is selected, a customized and lean IT Due Diligence process needs to be jointly defined.

A sound IT function is critical for enabling business performance and scalability, both now and in the future.

Our Expertise

Both BearingPoint and West Monroe Partners are management and technology consultancies. Our global alliance allows us to increase the breadth and depth of our delivery capabilities across the globe. We work on projects that require cross-border management and capabilities – providing our respective clients with access to locally based resources and specialized global expertise, and intellectual capital. We support leading international companies across the whole transaction lifecycle with a focus on the execution of IT Due Diligence. Based on an overall due diligence framework, we offer our clients an efficient way to determine the state of IT within an organization.

Why BearingPoint and West Monroe Partners?

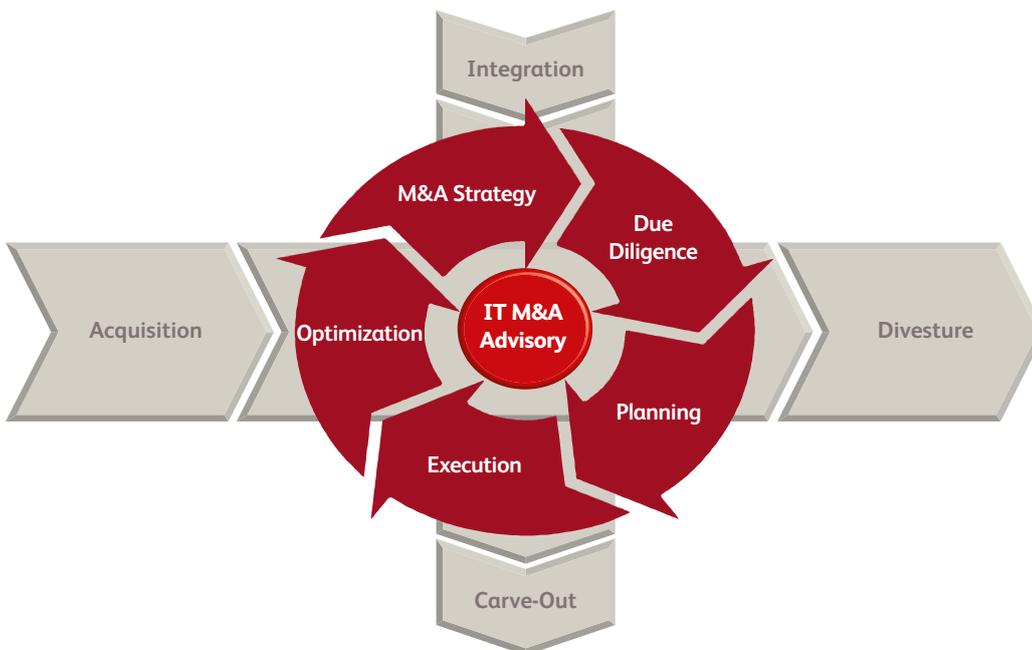
- Our advisor teams have a high level of credibility regarding CIO Advisory services.
- We are very active in the IT Sourcing Advisory market.
- We have a long history of managing due diligence and M&A projects.

Our Transaction Services

In the context of M&A and PE transactions our services focus on technology and operational areas that need to be aligned for a successful investment. Our IT Advisory practice supports a wide range of services such as IT Strategy, IT Sourcing, IT Transformation, IT Cost Take-out and IT Security Management. In our Business Strategy and Transformation practice we focus on Corporate Performance Improvement, Business Turnaround, M&A Advisory, Growth Strategy and Innovation. All these services are key qualifications for IT Due Diligence. Our deals span from Buy /Sell Side Due Diligence to Post Merger Integration and Carve-Outs.

We maintain a strong track record in successfully assisting our clients across the whole M&A lifecycle, which consists of the five phases: Strategy, Analysis/Due Diligence, Planning, Execution and Optimization. Within the M&A lifecycle we focus on IT M&A Advisory services.

With our M&A methodology mapped to the clients requirements we maintain a strong track record in successfully assisting our clients through the whole transaction lifecycle.



Our IT M&A Methodology

In our IT M&A methodology we focus on the operational and technological implications of a transaction, combining experienced leadership with proven execution. With our numerous service offerings mapped to the client's requirements we add value from strategy definition to target optimization.

We perform IT Due Diligence strictly based on the investment thesis, and focus on the business processes that are supported by IT.



IT Due Diligence Project Overview

Objective of IT Due Diligence:

A proactive, pre-acquisitions assessment to determine the technical capability, risks, and opportunities within IT and related operational functions in the light of the client's strategic decision.

Our Solutions:

- Align with your investment thesis
- Quantify and manage risks
- Determine whether technology and processes are compatible, easily integrated, and scalable
- Ensure data quality, integrity, security, and compliance
- Identify required IT investments and improvement opportunities to hit investment targets

Project Value:

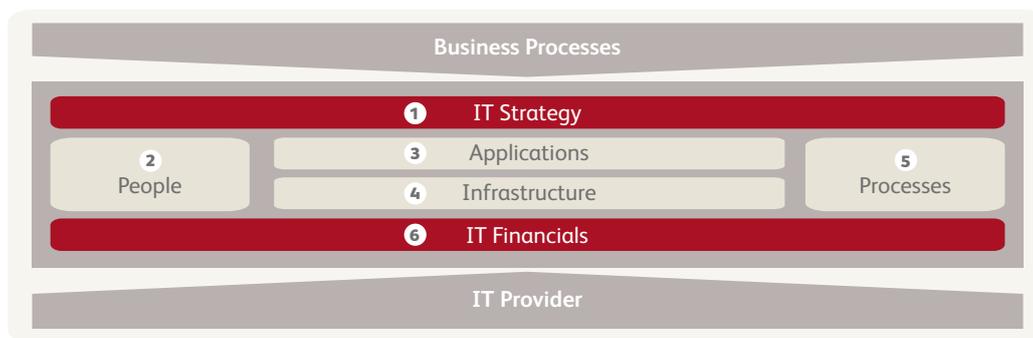
- Scalability / Maturity:** Assess the ability of the entire IT organization (strategy, people, process, and technology) to scale in order to support the investment thesis
- Risk Avoidance and Capital Requirements:** Identify applicable IT risks and expected IT spending that might be required to mitigate risks and avoid unexpected surprises (time, customer retention etc.) during the ownership cycle
- Opportunity:** Identify potential business improvement opportunities by leveraging the power of existing IT, as well as finding ways to potentially reduce IT spending

Project Setup and Deliverables:

- Short duration for standard IT Due Diligence
- 3-4 team members per project, with part time subject matter expertise assistance as required
- PowerPoint summary of findings (30-50 slides), coupled with a Read Out / meeting to review

Our IT Due Diligence Approach

Using our IT Due Diligence approach prior to acquisitions we help companies accelerate the transition timeline, maximize synergy capture and minimize risks of IT issues. In the IT Due Diligence process we focus on six key areas when assessing a potential target's IT.



1. IT Strategy

- Review the IT strategy to understand the key planned IT initiatives
- Evaluate the ability of the target's IT environment to integrate potential future acquisitions

2. People

- Evaluate IT leaders regarding their business understanding and IT competence
- Evaluate IT organization size and future growth plans to determine if staffing levels are appropriate
- Identify if any 'key-man' risks exist, based on those interviewed
- Understand target's use of outsourcing providers and contractors for IT services

3. Applications

- Evaluate the ability of key packaged and individual software to support core and back-office business processes, scalability, and growth estimates (e.g. CRM, ERP, financials, HR, collaboration)
- Review the financial and operational reporting environment to understand the level of automation and repeatability

4. Infrastructure

- Evaluate the network and telecom infrastructure (e.g. telephony, voicemail, data, LAN/WAN connectivity, and internet access) for appropriateness and scalability
- Evaluate the server and storage infrastructure (e.g. hardware, software, virtualization, and refresh cycles) for appropriateness and scalability
- Evaluate the IT infrastructure applications (e.g. active directory, email, file/print, server backup, server anti-virus, DNS, DHCP) in use for reliability, performance, and scalability
- Evaluate target's capability to backup, secure and recover critical data and to respond in the event of a disaster
- Evaluate the target's IT security environment (e.g. security policies, threat identification)

5. Processes

Evaluate the key IT operational processes within the organization noted below:

- Data Backup – how data is backed up, stored, and secured for employee and application data
- Disaster Recovery – how the organization is prepared in the event of a disaster to help restore normal business operations

Within an IT Due Diligence we focus on six key areas to ensure a sound overview of the status quo as well as to identify potential growth opportunities and risks.

- Software Asset Management – how the software lifecycle process is managed
- Systems Management – how the systems group manage the environment's systems
- Software Development – how software is created, stored, documented, tested and protected

6. IT Financials

- Compare the target's IT spending (operating and capital) to industry benchmarks
- Identify potential IT cost reduction opportunities
- Identify and recommend potential IT investments that may be required to support the client's investment thesis or mitigate risks

Our Competition

Over the last few years, the IT function has become more and more relevant to the success of transactions. Nevertheless, the impact of the target's IT consistently remains underestimated, which leads to differing ways of handling the IT function during the due diligence process.

No IT Due Diligence Performed

- Unnecessary or don't see value
- Risk: Investments / acquisitions made without the full understanding of IT risks, scalability, and opportunities

Financial Due Diligence Firms

- Large accounting firms - "We'll throw in the IT Due Diligence for free"
- Risk: Not their core competency and IT report is typically very high level, with limited focus (2 pages out of 80 are about IT); projects are staffed based on "availability", not expertise

Independent Contractors

- Ex-CIO or independent "friend"
- Risk: Challenging for one person to have the depth and breadth of IT knowledge - strategy, process, people, and technology; potential lack of industry expertise; typically lacks project methodology

Existing Portfolio Resource

- Utilize IT resource from within one of their portfolio companies
- Risk: Challenging for one person to have the depth and breadth of IT knowledge - strategy, process, people, and technology; potential lack of industry expertise; typically lacks project methodology

Boutique IT Due Diligence Firms

- Small team / firm specialized on IT Due Diligence
- Risk: Lack of industry breadth and limited resources for post-close execution work

From our point of view, the IT function needs adequate attention for the investment decision and therefore a neutral assessment by specialized IT advisors. Our experienced experts ensure that risks can be avoided and provide you with a full, evidence based picture of how the target's IT aligns with the investment thesis.

Our Experience

BearingPoint

- BearingPoint is a management and technology consultancy with extensive experience in business processes across all industries
- BearingPoint has a proven track record in IT Advisory and Business Transformation as well as in M&A, especially in IT Due Diligence, Carve-Outs and IT Post Merger Integration
- BearingPoint acted as an advisor on 50+ transactions for both Private Equity and strategic buyers with a historically stronger focus on corporates

West Monroe Partners

- West Monroe's business consultants and deep technologists combine functional expertise and industry experience to deliver sustained success
- West Monroe is a leading M&A advisor in the US with high market recognition in Private Equity and a growing corporate client base
- West Monroe has supported more than 70 financial and strategic buyers with IT Due Diligence and Post Merger Integration – with over 175 transaction advisory engagements in 2014 alone

Contact

Matthias Röser
Partner
matthias.roeser@bearingpoint.com

Stefan Pechardscheck
Partner
stefan.pechardscheck@bearingpoint.com

Matt Sondag
Managing Director, M&A Services
msondag@westmonroepartners.com

BearingPoint®

BearingPoint consultants understand that the world of business changes constantly and that the resulting complexities demand intelligent and adaptive solutions. Our clients, whether in commercial or financial industries or in government, experience real results when they work with us. We combine industry, operational and technology skills with relevant proprietary and other assets in order to tailor solutions for each client's individual challenges. This adaptive approach is at the heart of our culture and has led to long-standing relationships with many of the world's leading companies and organizations. Our 3350 people, together with our global consulting network serve clients in more than 70 countries and engage with them for measurable results and long-lasting success.

