



MAXIMIZING MERGER POTENTIAL

Survey results from TriVista's 2021 study of ~200 middle market business leaders

**According to most studies,
between 70 and 90 percent
of acquisitions fail ...**

... Our latest research on
mid-market M&A suggests otherwise.

**It's not that
mergers fail; it's
that they often
fail to live up to
their potential.**

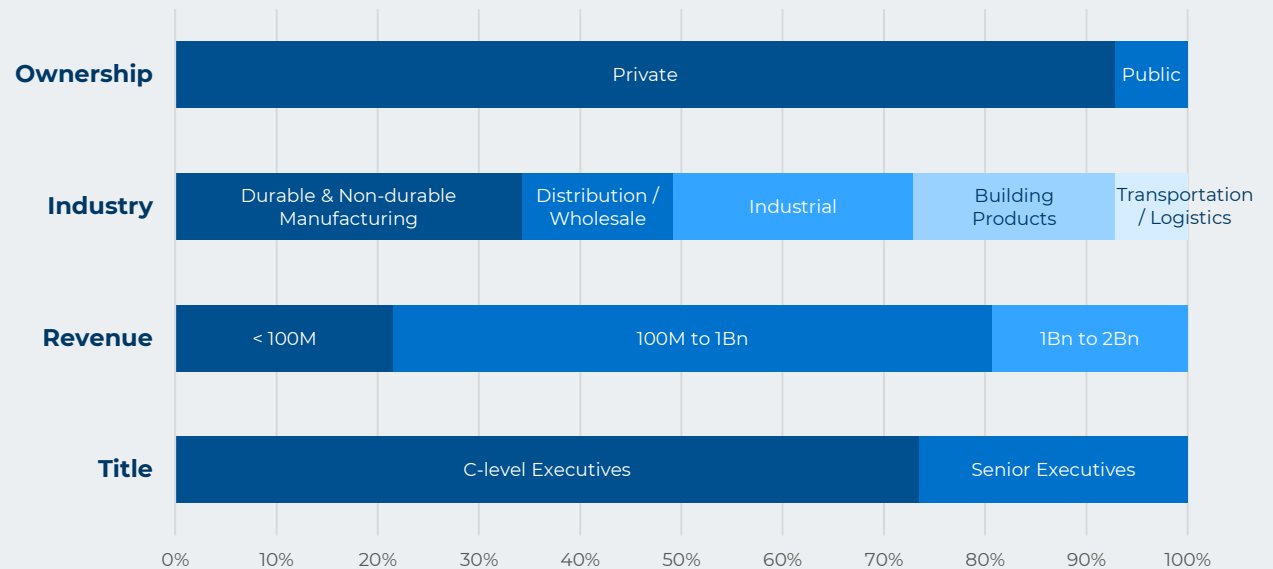
We surveyed nearly 200 professionals in the middle-market

The survey, which polled C-level executives from various industries, focused on:

Private Companies	Either private equity owned, or family owned
Mid-market	US based Diversified industrial and consumer businesses \$50M to \$2Bn in revenue, with an average of 15 "facilities"
Senior Executives	C-level & Senior Executives
M&A Experience	81% of respondents directly involved in integration, 19% somewhat involved

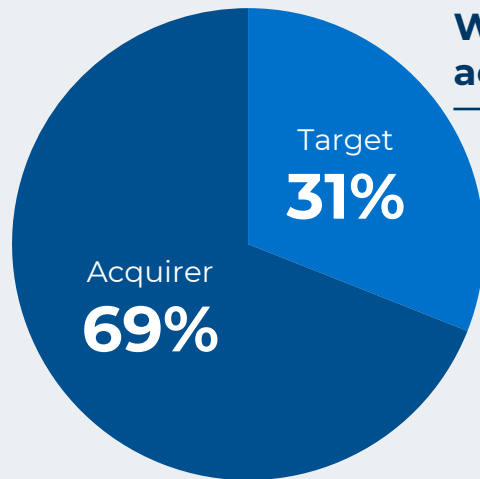
Survey Demographics

n = 181



Feedback received was primarily from acquiring company executives, and most deals involved private equity investors

Acquiring Company Executives Targeting Smaller or Similarly Sized Acquisition Targets



Relative size of target



Almost always involving private equity investors and investment bankers



93%

of deals involved an investment banker



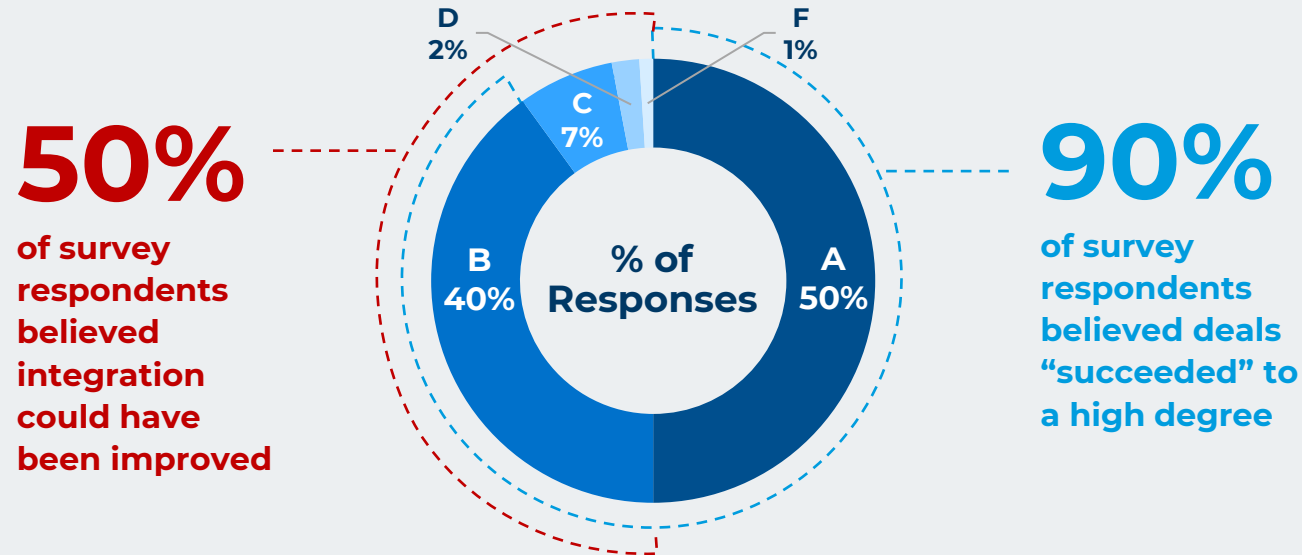
94%

of deals involved a private equity firm

Source: TriVista 2021 middle market M&A survey; n= 181

While 50% of integrations could have received a better 'grade', 90% of executives making acquisitions feel their recent mergers 'succeeded' to a high degree

Given your recent M&A and integration experience, what letter grade would you give the integration of the companies overall?



Source: TriVista 2021 middle market M&A survey; n= 181



“While 50% of executives surveyed indicated there was ‘room for improvement’, the old adage that ~70% to 90% of mergers fail simply isn’t true, at least not in the middle market.”

Kevin Havel
Director, TriVista

Cost synergy was the primary value driver for middle market deals, with revenue/scale synergies a close 2nd

What were the Top 3 value drivers of your most recent acquisition(s)?

To access a capability that would reduce cost in your business model

To capture back-office synergies

To access capacity as a faster path to scale

To acquire a transformational business model

Roll-up strategy (combined EBITDA/multiple arbitrage)

To access new markets (geography, channel, customers, etc.)

To access product, technology, or patents

To remove excess capacity from the industry

To access to specific skillset/people

The price of the deal was attractive

■ Cost synergy initiative
■ Scale initiative
■ Other initiatives

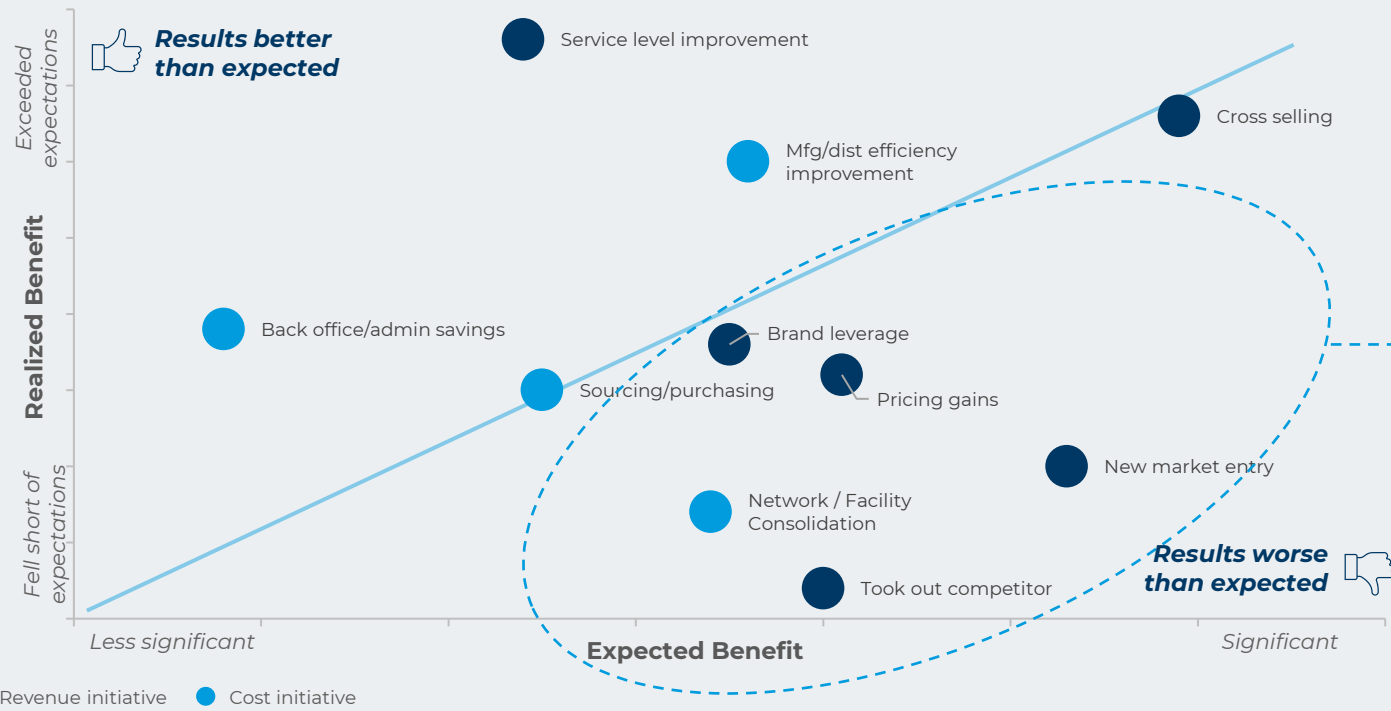
Low Importance High

Source: Trivista 2021 middle market M&A survey; n= 181

Executives expected more benefit from revenue vs. cost synergies, but revenue synergies were less likely to materialize

Realization of benefits vs. expectation

Questions: For each of the possible acquisition benefits listed below, how large were your expectations for each and did you achieve your targets after the integration was complete? How central was each to the deal thesis up front?

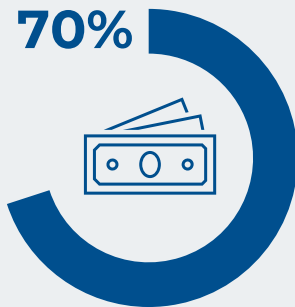


Despite most mergers being driven by cost synergies, surveyed executives expected more benefit from revenue synergies. However, revenue synergies were less likely to materialize overall

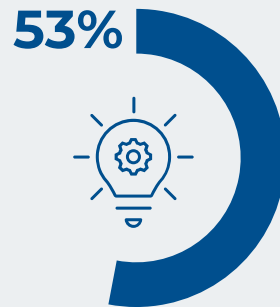
Source: TriVista 2021 middle market M&A survey; n= 181

This is supported by secondary research suggesting that revenue synergies proved harder to realize

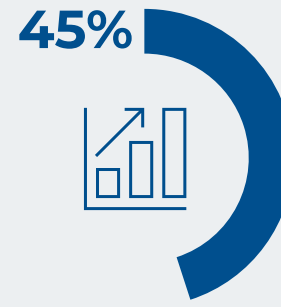
Percentage of deals that realized expected enterprise value lift by lever



Cost synergies



Working capital efficiency



Revenue enhancement

“Cost synergies are a main value driver of deals, so the fact that 70% of deals are realizing expected synergies in this area isn’t surprising. But acquirers are falling short on revenue synergies which suggests that revenue synergy estimates are inflated, or integration efforts are more focused on cost vs. revenue.”



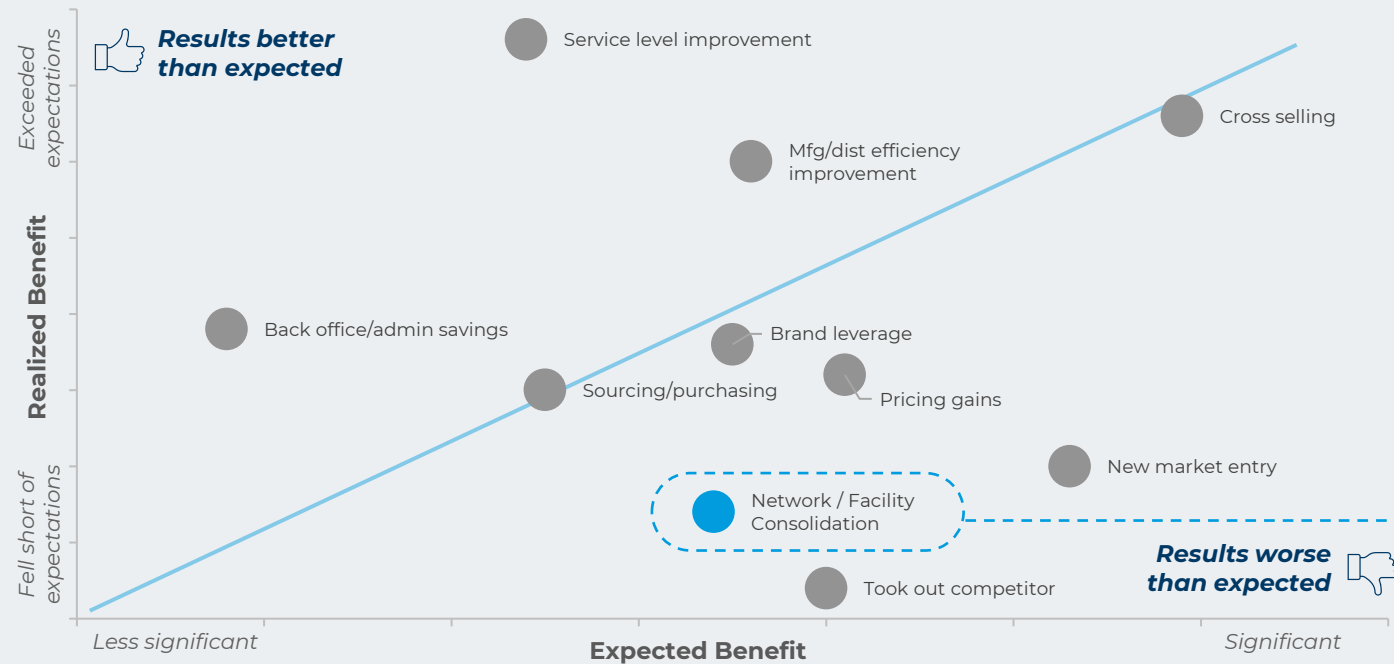
Kevin Havel
Director, TriVista

Source: PwC 2019 Private Equity Report “Creating value beyond the deal” (Based on 2018 survey of 100 PE executives on their most significant acquisitions and divestments in the past 36 months)

One of the largest cost-reduction opportunities in many mid-market deals ranked lowest amongst realized benefits

Realization of benefits vs. expectation

Questions: For each of the possible acquisition benefits listed below, how large were your expectations for each and did you achieve your targets after the integration was complete? How central was each to the deal thesis up front?



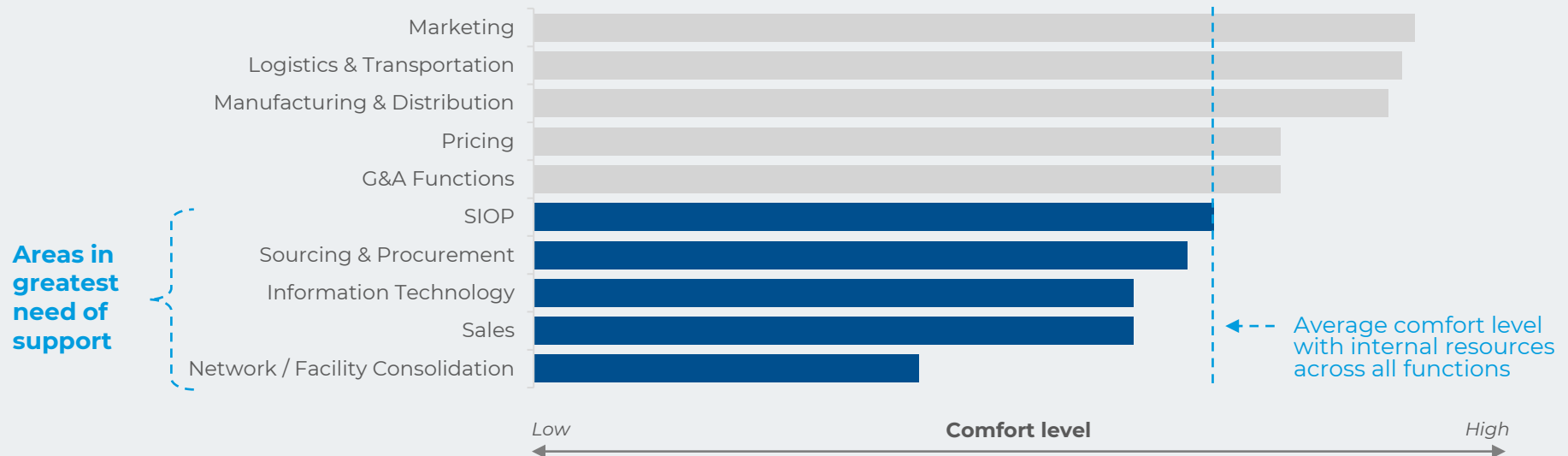
Benefits from network consolidation proved difficult to achieve vs. other cost savings initiatives

Source: TriVista 2021 middle market M&A survey; n= 181

Network consolidation was also cited as the biggest skillset gap for internal resources supporting integration efforts, followed by sales and IT

Comfort level of internal resources by function

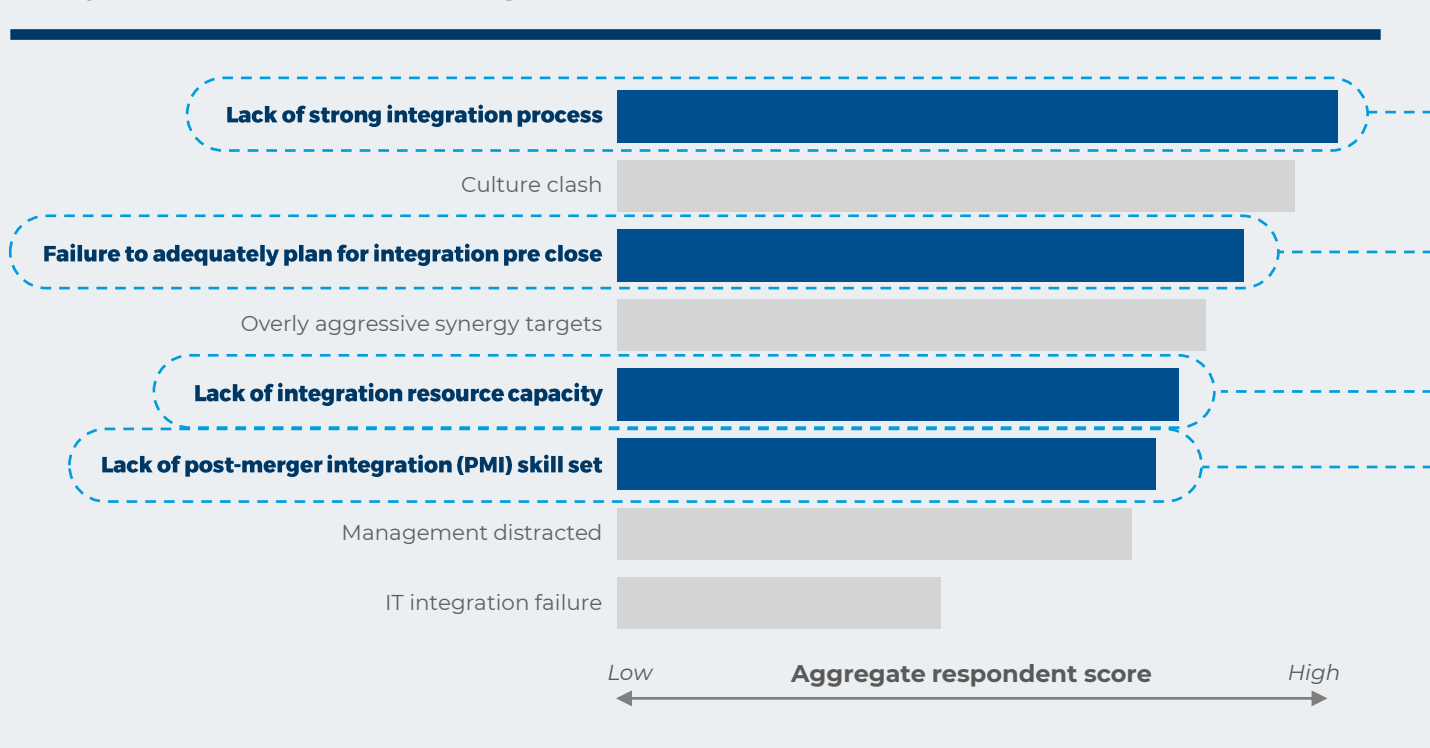
Question: For any internal resources used on integration, how comfortable were you with your own organization's integration-specific skillset and their ability to develop and execute the integration plan for the following business functions:



Source: TriVista 2021 middle market M&A survey; n= 181

Unsurprisingly, a lack of strong integration process was cited as the most significant driver of PMI failure

Why were expected integration benefits not captured?



Four of the top six drivers of ‘failure’ are planning and process driven.

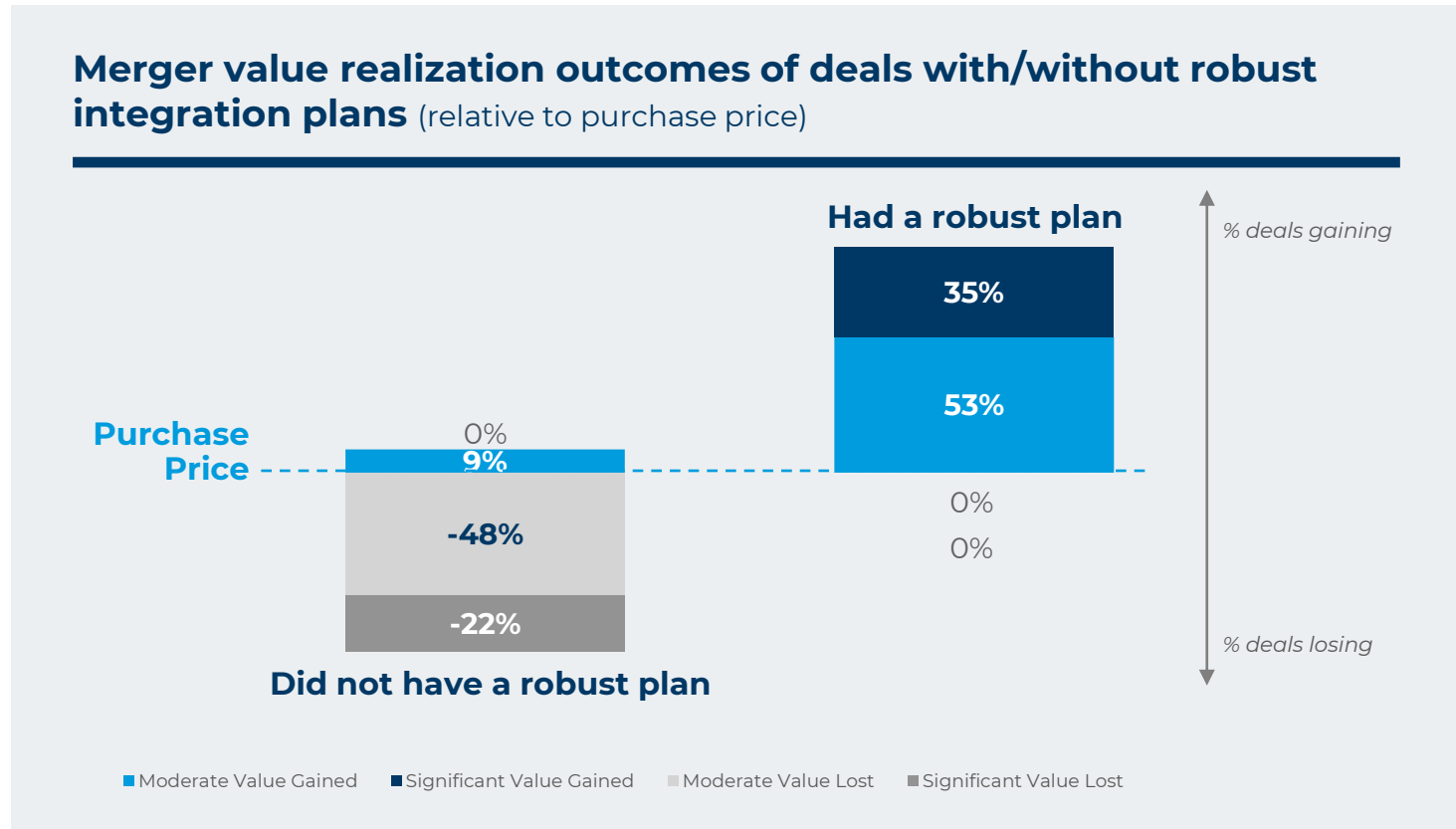
Success in M&A is often dependent on a structured merger process and plan, and the bandwidth to execute.”



Kevin Havel
Director, TriVista

Source: TriVista 2021 middle market M&A survey; n= 181

This too was supported by secondary research that found integration planning processes had a meaningful and direct impact on value creation



There is a direct correlation between robust integration planning and value capture

Source: PwC 2019 Private Equity Report "Creating value beyond the deal" (Based on 2018 survey of 100 PE executives on their most significant acquisitions and divestments in the past 36 months)

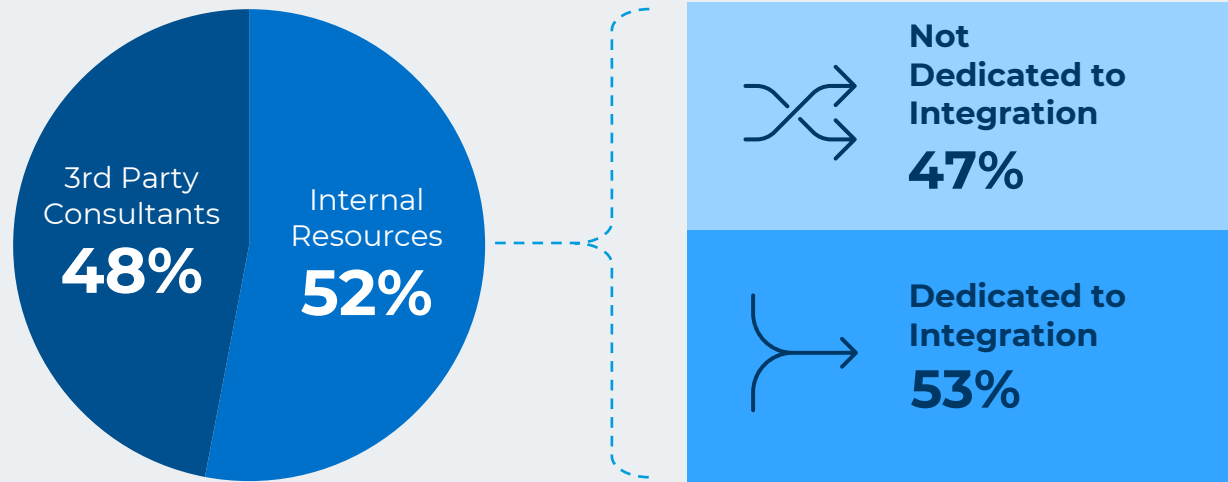


“Unequivocally, we know that maximizing value capture in mid-market mergers relies on robust planning and adequate resourcing. Making sure you have the experience and capacity to execute, greatly improves your likelihood of success.”

Faisal Haque
Principal, TriVista

When it comes to resourcing integration teams, the results were mixed; ~50% of executives engaged 3rd party consultants

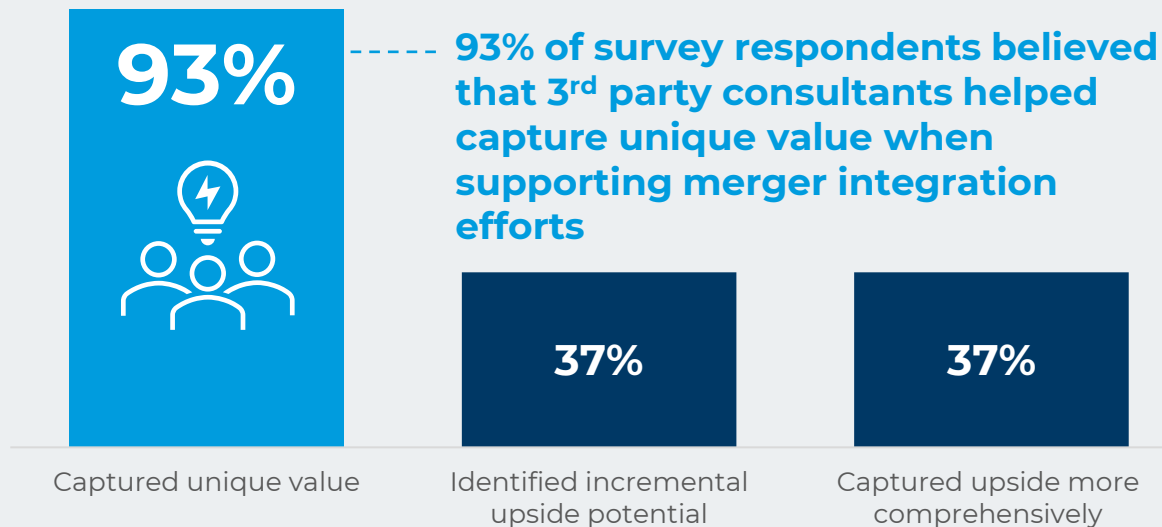
What were the primary resource(s) you used to manage the integration and were they dedicated to merger integration?



Source: TriVista 2021 middle market M&A survey; n= 181

Overwhelmingly, when consultants were engaged, they helped capture unique value

Specifically, how did your 3rd party consultants help you during the integration process?



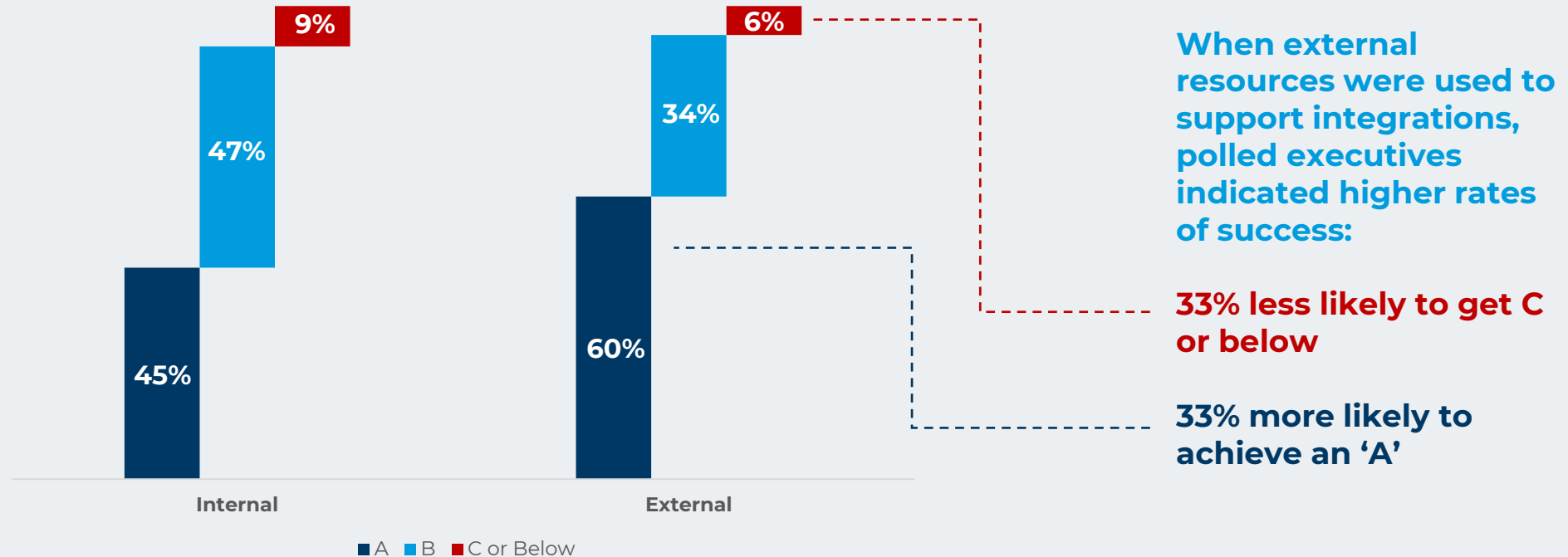
Source: TriVista 2021 middle market M&A survey; n= 181

87%

of executives were 'satisfied' with their decision to leverage outside consultants

While internal resources often proved successful, 3rd party resources significantly improved integration success

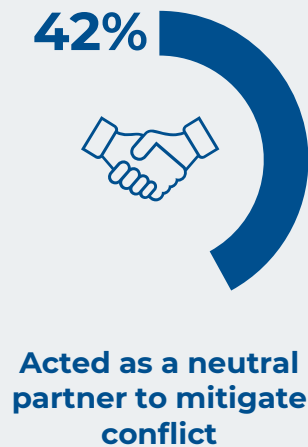
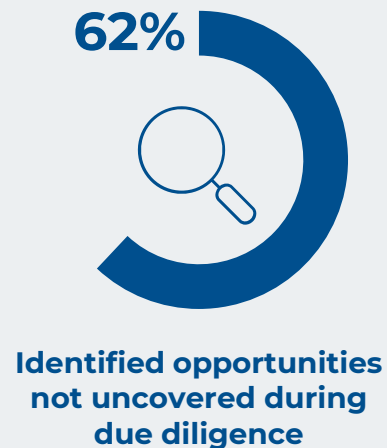
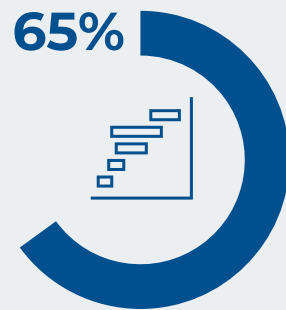
Given your recent M&A and integration experience, what grade would you give the integration of the companies overall? (data presented by use of internal vs. external resources)



Source: TriVista 2021 middle market M&A survey; n= 181

Where 3rd party consultants were used, 96% of executives agreed that consultants also alleviated risks

How did 3rd party consultants alleviate risk?



96%

of executives who engaged 3rd party consultants agreed that consultants helped alleviate integration risks

Source: TriVista 2021 middle market M&A survey; n= 181

About TriVista's Merger Integration practice

Our merger integration approach focuses on maximizing enterprise value creation

We help our clients maximize value capture through a structured integration approach that's applicable across business types and industries. Our teams of integration experts not only lead engagements, but also help clients build capabilities within their organizations.

Strategy, Planning, & Execution

Develop the integration strategy, plan, and risks. Establish integration office, reporting structure, and tools. Manage workstreams across functions throughout the integration cycle.



Strategy & Planning



Integration Management Office



Workstream Execution

Capability Development

Identify strengths and gaps in skillsets and capabilities vs. best-in-class benchmarks. Work to develop processes and tools for generic acquisition. Train teams to manage complex workstreams and maximize value capture.



Capability Assessment



Integration Status Assessment



Process & Skillset Development

CONTACT US

Mike McSweeney

Managing Director

mtm@trivista.com

949-705-9138

Frank Ciotoli

Managing Director

frank.ciotoli@trivista.com

949-439-7680

Joanna Serkowski

Managing Director

joanna.serkowski@trivista.com

206-399-4682

About TriVista

TriVista is the management consulting firm that helps business leaders transform their operations and financial performance. We advise clients on operations, supply chain, technology, and mergers and acquisitions. Because our leaders come from operational backgrounds, we've walked in our clients' shoes – giving us a practical understanding of their challenges that sets us apart. Learn more at www.trivista.com.



Wherever you need us.

NORTH AMERICA

ASIA

EUROPE

Global Headquarters

18565 Jamboree Road
Suite 350
Irvine, CA 92612

949-218-4830
info@trivista.com
www.trivista.com

