DELIVERING SUCCESSFUL INTEGRATIONS | FROM PROMISE TO PERFORMANCE

TRANSACTION SERVICES

DILIGENCE | CAPITAL MARKETS | OPERATIONS | TAX

OCTOBER 3, 2016

Grant Thornton

An instinct for growth™

Transaction Integration:
Meeting client objectives

Typical Merger Objectives
(Most clients)

- Greater competitive advantage (scale)
- Greater financial flexibility
- Synergies to fund future growth and expansion
- Expansion in vertical or horizontal adjacencies
- Greater efficiency
- Maintain quality and safety

Challenges we typically see
(Based on our experience)

- Minimize disruption to ongoing business
- Rapidly evaluating scenarios and developing realistic synergy-capture plans
- Sustaining momentum and keeping the integration effort "on the rails" at a reasonable investment level
- Establishing controls and reporting mechanisms
- Aligning supporting infrastructure
- Maintaining quality and safety standards
- Maintaining top talent

What Grant Thornton brings to the integration equation

- **Trusted Advisor** – independent, objective point of view to guide client's through the integration
- **Industry expertise** – strong experience in the relevant industry sectors
- **Collaborative approach -** we will work with multiple groups in a pragmatic, organized manner
- **Integration team -** deep experience, adaptable methodology and a robust tool kit

Why Integration: The perfect complement

Transaction Due Diligence

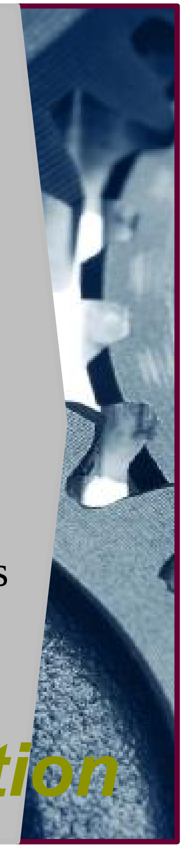
- Validates the dream (possibility)
- Identifies / Validates Sources of Value
- Identifies Risks

Transaction Integration

- Turns the dream into reality (realization)
- Sources of Value captured
- Risks mitigated
- Seamless transition

Performance Improvement

- Builds upon the foundation of the combined organization
- Optimizes the business for sustainable competitive advantage
- Transforms the business to meet future market requirements

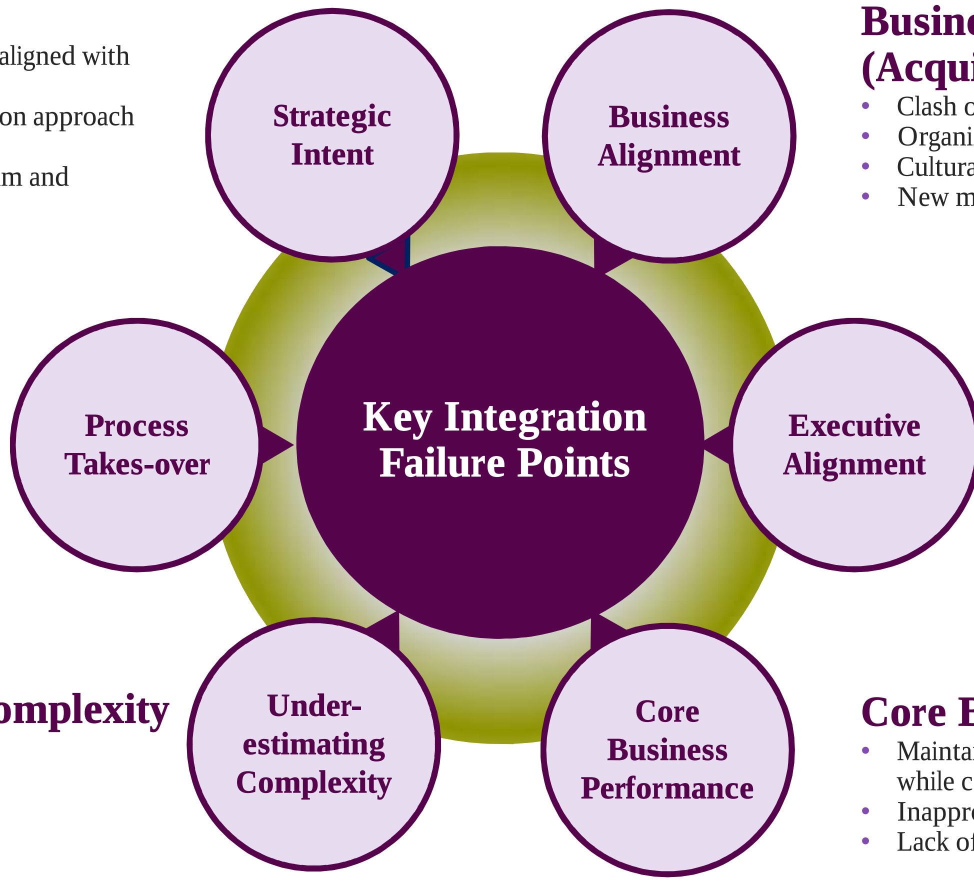


Promise → ***Performance*** → ***Transformation***

Why Integrations fail

Strategic Intent
- Integration objectives not aligned with strategic intent
- Lack of clarity on integration approach (A+B=?)
- Hand-off between deal team and integration team

Business Alignment (Acquirer and Target)
- Clash of ownership and management styles
- Organizational structure differences
- Cultural disparity
- New market or business entry



Process Takes-over
- Overly complex integration process
- Lack of focus on key decisions
- Lack of prioritization of value drivers and risks
- Form over substance

Executive Alignment
- Lack of common understanding and approach
- Executives not engaged with integration
- Wider stakeholder misalignment

Underestimating Complexity
- External factors
  - Size of transaction
  - Foreign operations
  - Business and market risk
- Internal factors
  - Centralized vs. decentralized
  - Technology complexity/reliance on systems
  - Legal entity structure

Core Business Performance
- Maintaining core business performance while completing integration
- Inappropriate integration leader
- Lack of resource alignment (constraints)

Our experience of what you need to get right

Aligning the vision to capture value

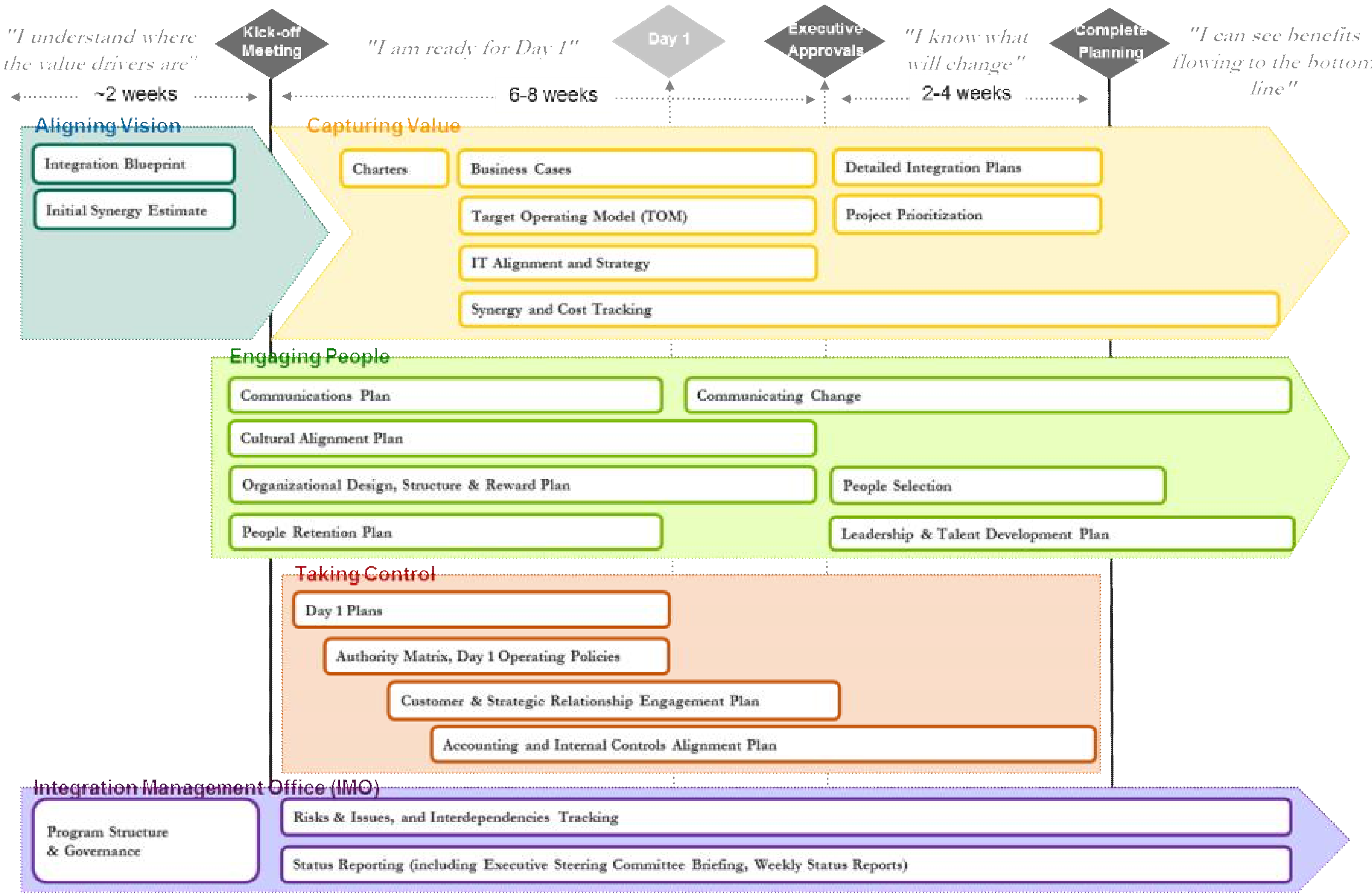
Aligning Vision
- A clear deal rationale
- What does success look like and by when?
- Clarity on the approach (A+B=?)
- A clear view of the Target Operating Model
- Clarity on the non-negotiables and key decisions
- Clarity on the integration team structure and resourcing
- Align key stakeholders

Engaging People
- Clear leadership and direction; stakeholder engagement
- Clarity on the new organizational structure
- Bridge the culture gap
- Leverage key people from both organizations to plan and deliver the integration (at the right time)
- Address differences in compensation and benefits
- Proactive communications campaign; manage expectations

Taking Control
- Protect the core businesses
- Proactively engage customers and strategic relationships
- Take immediate financial control (cash, cost, revenue)
- Establish authorities and interim reporting
- Align accounting and internal controls
- Maintain quality and safety standards
- Address all completion, statutory and legal requirements
- Develop detailed Day 1 plan

Capturing Value
- Rapidly evaluate integration scenarios and quantify synergies
- Develop detailed 'bottom-up' business case for each synergy
- Develop a scalable IT solution
- Consider leading practices of the target as opportunities
- Establish accountability for synergies (amount and timing)
- Identify and quantify negative synergies
- Prioritize quick wins to establish momentum
- Develop a robust approach for 'proving' value delivery
- Use the integration as a catalyst for change/transformation

Overview of what you need to do when



Risk assessment frame work:
What we see as major transaction risks

Customer Retention
- Identifying key customer, prospect, and strategic relationships
- Identifying key opportunities for revenue growth
- Stabilizing operations

Key Employee Retention
- Identifying and retaining employees key to commercial relationships and business continuity
- Reducing productivity decline
- Addressing potential lapses in safety during transition

Infrastructure
- Supporting continuous financial/operations tracking while evaluating, designing, implementing and migrating to a long-term recommendation
  - IT Systems
  - Accounting processes
  - Internal controls

Cultural Alignment
- Aligning behaviors to achieve the desired strategic objective
- Leveraging commonality; addressing the differences
- Recommending an end-to-end solution to reduce productivity decline

Synergy Realization
- Developing capture plans for identified sources of value (targeted cost reductions, process improvements, changes)
- Improving operating margins by rationalizing core and non-core functions and businesses
- Rationalizing non-core operations

Organizational Alignment
- Designing an org structure to:
  - Enhance the value of the combined organization
  - Focus on revenue enhancement, cost reduction, and cost avoidance
- Identifying critical Day One operating policies

Additional Priority Risks with Trucking:
- **DOT Compliance**
- **Health & Safety**

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