

# Mergers & Acquisitions Support

## Market Trends

The M&A market changed greatly over the past year. 2007 saw a 2nd straight year of record activity, however midway through the year the effects of credit market uncertainty hit and deal volume dropped significantly. This uncertainty means it is more important than ever for acquirers to focus on extracting value, and since 40%-60% of merger value comes from procurement cost savings and improvement, success in these areas is critical. Volatility in the global economy will continue to impact M&A activity for the foreseeable future:

### Private Equity – Lack of liquidity...

- Has cut the volume of PE deals by 50% from Q2 to Q3 2007 and this trend is expected to continue
- Is forcing firms to shift focus to extracting as much value as possible from existing portfolio companies

### Corporate M&A – Trend toward globalization...

- Has led to increased corporate cross-border activity as acquirers from emerging markets become more active, a trend expected to grow with the weakening dollar
- Introduces more complexity into the PMI process, as leveraging economies of scale across an increasingly global supply base can be difficult

## Customer Challenges

In the current market, over 60% of mergers do not deliver to forecast. Transforming savings potential into bottom-line results can be very difficult for a variety of reasons:

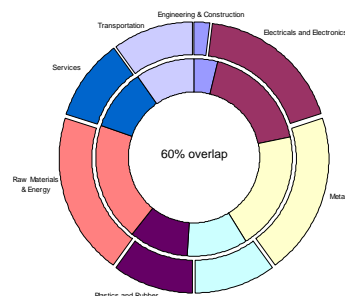
- Poor forecasting based on companies' lack of knowledge of the procurement space
- Inaccurate planning based on lack of spend visibility
- Inefficient execution of the integration process due to lack of procurement information or experience, limiting the amount of savings and sustainability of best practices

## Ariba Expertise

Ariba is the world's preeminent sourcing organization, with extensive experience providing category knowledge, project execution support and performance improvement services to companies around the world.

For acquiring companies, Ariba has strong experience in:

- Upfront merger synergy assessment work
- Spend analysis and program design providing visibility and opportunities across groups, regions and companies
- Project management and sourcing support for post-merger execution, with unparalleled worldwide knowledge of supply markets



## Ariba Approach

Ariba provides realistic pre-merger assessments based on our extensive and unique knowledge of procurement, supply management and commodities across industries.

Post-merger, Ariba helps you achieve savings forecasts by: 1) Extracting and analyzing spend data from multiple ERP systems, 2) managing contracts and repositories to establish the most advantageous contract for the merged organization, 3) executing sourcing events based on analysis of combined spend, and 4) developing organization transformation plans including skill assessments across the merged companies

## Customer Case Study

### Customer Background:

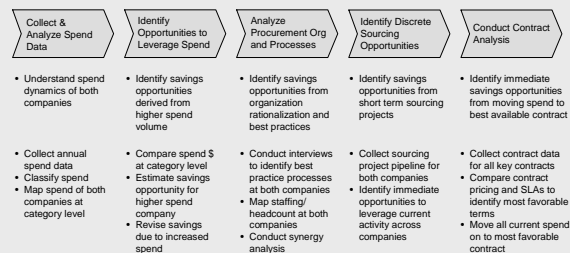
- \$25B global pharmaceutical company with operations across all regions
- Acquired \$4B pharmaceutical company to both bolster new drug pipeline and improve profitability
- Originally targeted \$25M in procurement-related synergy savings

### Customer Challenges:

- Three months after acquisition close, procurement-related synergy savings of only \$5M identified
- Lack of methodology to analyze and capture potential savings
- Poor visibility into spend profile leads to savings challenges
- Limited resources available to pursue opportunities

### Ariba Solution:

- Ariba provided a comprehensive PMI solution designed to realize synergy savings across multiple dimensions



### Impact:

- Identified \$54M in high priority opportunities
- Structured implementation plan to capture all savings