

HCL M&A Podcast Story Board

Sameer: Hey everybody ! Welcome to HCL's M&A podcast session. Today, we will be discussing our solution and capabilities in merger and acquisitions specifically from oil & gas stand point.

My name is Sameer & I lead our digital sales practice across heavy asset verticals and with me our my colleagues Sean and Sanjay, request them to introduce themselves

Sanjay_: Hello everyone I am Sanjai Hayaran, VP with HCL's SAP practice. In my professional career of over 25 years. I have handled multiple M&A engagements in both business and IT roles

Sean: Hello everyone, I'm Sean Terriah
Former CIO, Executive Coach and Consultant in M&A and Digital Transformation with over 25+ years' experience in IT.

Sameer: Thank you gentlemen. Across the oil & gas sector we have observing quite a few trends. We had Covid, from weak crude price that we experienced, the political pressures & the ban on fracking across federal lands. All of these have created a lot of opportunities for consolidation and portfolio rationalization. Hence we see Conoco Phillips acquiring a premier positions in the Permian through acquisition of Concho or Chevron scoring Noble Energy's low-cost, proven reserves along with its cash-generating offshore assets. In addition to that Devon prioritized free cash flow generation over production growth in it's acquisition of WPX Energy. In Canada we have seen that Husky and Cenovus merger will unlock value by uniting high-quality and low-cost oil sands and heavy oil assets with extensive midstream and downstream infrastructure.

With that, I request my colleague Sean to do is share top issues that every CIO will grapple with when Merger & Acquisition start to take place.

SEAN: Thank you Sameer and good intro to the topic.

Throughout my involvement in driving several mergers programs in parallel, here are some of the top items that every CIO will eventually grapple with:

First of all ,integrations are complex. Prepare in advance by optimizing your systems, infrastructure, processes, organization structure, operating and sourcing models. In essence, outsource what is non-core, move workloads to the Cloud, keep your internal organization lean and systems nimble to adapt to changing business models.

Get involved in the early stages of transaction. The IT workstream is often underestimated. However, it is one of the most complex topics due to systems, infrastructure, processes, data, and changes in the ways of working that ultimately impact people and culture. At this stage, you are in a race against time.

As soon as the M&A is publicly announced, take care of your people, ensure everyone understands their role and do not keep people in limbo; otherwise if not well managed you run the risk of losing your top talent.

Ensure all the tools and branding are in place on Day 1, this will make people feel that they are part of the new organization.

And remember that your Day 1 solution is transitional and there will be holes and work arounds. However, plan ahead, start early, keep the costs down, communicate the changes and ensure you minimize the impact on day-to-day operations.

Now that you've taking care of Day 1, do not stay complacent with transition service agreements. You run the risk of spending all your time fixing and enhancing a suboptimal solution. Successful integration depends on moving quickly; get laser focused on building a fully optimized solution (aka, Day 2)

All M&A synergies will yield some form of savings. Dedicate a swat team to drill in on those opportunities. Which includes workforce optimisation, vendor consolidation & improved contractual terms, systems and infrastructure rationalization, and outsourcing.

Lastly technology and money alone will not make this a success, you need to engage your people in this process in order to retain the best talent. And culture if not properly understood, addressed and integrated could kill your technology strategy.

Back to you Sameer.

Sammer: Thank you Sean. Sanjai can you talk to us about how HCL go about solving these technical, functional and cultural challenges in a M&A scenario.

Sanjai: At HCL we have created a framework called 'MergeIT' which addresses all aspects of M&A transactions from IT perspective; covering people, process and technology. The MergeIT framework clearly lays out the activities, the deliverables and HCL accelerators across various phases of the M&A lifecycle – from 'Market Interest' to 'Due Diligence' and 'Deal approval' to 'Separation.' HCL framework is detailed enough to address the nuances of mergers, acquisitions, divestitures and joint ventures.

HCL has been by the side of the buyers as well as the sellers in several M&A transactions. We assist our customers with M&A Integration and divestiture strategies and play a leading role in execution. Our execution methodology ensures that all stakeholders are aligned and engaged, which leads to better user adoption and success of the programs. We also identify measurable business value and provide a mechanism to track it so that M&A synergies can be adequately recognized.

When on buyer's side, we help them with:

Documenting current system capabilities across the business value chain .

We also help with assessing the capabilities available in the systems of the acquired entity.

Another item would be defining the future state architecture, roadmap and the business case for the combined entity.

Designing and Building the future state systems including process and data harmonization and lastly, global deployments at accelerated pace

Likewise, on the seller's side, we are often tasked with;

Logically identifying the configuration and data pertaining to the divested business, in preparation for Day 1.

We also help with enabling the reporting of divested business within the seller's systems, until the physical separation of systems is completed.

And lastly assisting with the physical separation of systems in such a way that data pertaining to the buyer and seller is adequately protected.

Over to you Sameer.

Sameer: Thank you Sanjai. Sean you have been on the buyer sides. I will request you to share how both the customer and the SI can be successful in what just Sanjai explained.

Sean: Yes Sameer. You are raising an important point here.

First of, you need to partner with a system integrator that sees success not only through the technology lens, but through the proper enablement of people, integration of culture and stakeholder alignment.

Also, choosing a system integrator with accelerators to quickly drive the full M&A lifecycle from due diligence to Day 1 readiness and implementation to fully optimized and integrated solutions.

Sameer: Thank you Sean. Sanjai can you share a story where HCL has brought all this together in the oil and gas sector.

Sanjai: Sure, let me share the story of merger of two large energy companies. The genesis of the merger was to allow the companies to consolidate their spending on exploration, and gain global market leadership outside the western world.

HCL was hired to consolidate the ERP systems of two companies. The scope covered end-to-end business processes for finance, inventory, settlements, accounting, tax and group reporting plus integration with trading platform.

After a careful evaluation of available ERPs, an SAP instance was selected for the consolidation. HCL assisted with business process reengineering and data harmonization of the incoming business to fit the target SAP instance which became the global template. HCL's responsibilities included global program management, business consulting, organizational change management, system design, build & test and global deployments. HCL enhanced the template to fit the incoming business and deployed its proprietary global roll out methodology which accelerated the template deployments and ensured high user adoption. Some of the unique features of HCL's global roll out methodology are – industrialized deployment, robust template governance mechanism, use of market adoption consultants and delinking of technical and business go-lives.

The entire M&A integration program was completed in about 36 months and it enabled transformation of the business units with transactions exceeding \$200bn/year. Among other benefits, the program delivered over \$200 million of working capital savings per year. The program also improved the accuracy and timeliness of group wide financial planning and reporting and delivered multi million dollars of tax efficiency savings.

Sameer: Thank you Sanjai. As we start to rap this up, Sean I will request you to start first on what have been the key learnings through our M&A implementations and experience.

Sean: Yes Sameer, I see three key learnings:

- 1) Start now to optimize your IT estate, including operating and sourcing models in advance. Once you start the M&A discussions, as I said before and based on my experience you are in a race against time.
- 2) Get involved early, the IT workstream is typically the most complex part of the transaction.
- 3) Lastly, move quickly and stay laser focused on the end-state. That is focusing on integrated solutions and engaging and enabling workforce.

Sameer: Sanjai, if you could add on top of this, that would be helpful.

Sanjai: Sure, so my first point is - When it comes to integrating acquired business, there will always be pressure to take the easy route of cloning the system in the name of de-risking and business continuity. But my advice will be to take a longer-term view and go for the business architecture that is simple to operate and reduces TCO. There will be plenty of time to make improvements once the business is up and running.

Another item is data is an important asset in any M&A transaction. Focus on data quality and make sure to bring appropriate historical data to achieve full potential of M&A synergies.

In my last point and probably the most important one - People are most critical asset for success of any M&A transaction. Identify the key

employees early on and make sure they are available to support the integration efforts.

Sameer:

Thank you, Sean and Sanjai. On top of that I will add is that, its critical on whose template you work out of in determining that it works is fully critical.

With that we will rap this session, and I request you all that if you have any questions please reach out to me at Sameer.kapoor@hcl.com

Thank You very much