

HEALTH WEALTH CAREER

PEOPLE RISKS IN
M&A TRANSACTIONS:

2016 MERCER
RESEARCH REPORT

DATA • INSIGHTS • DIRECTION

TODAY'S SPEAKERS



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Thank you for joining the call

FIRST OF ITS KIND RESEARCH: *MERCER* 2016 PEOPLE RISKS IN M&A TRANSACTIONS



847

UNIQUE DATA POINTS

INSIGHTS FROM LEADERS MANAGING OVER 4M+ EMPLOYEES GLOBALLY

**BUSINESS
UNIT LEADER/
CORPORATE
BUSINESS
EXECUTIVE**

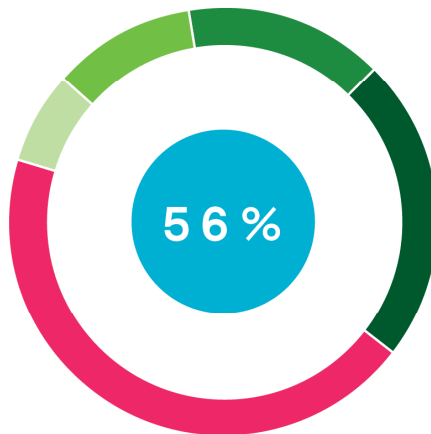
11%

**CORPORATE
FINANCE**

7%

**CHRO OR HR
EXECUTIVE**

44%



**CORPORATE
DEVELOPMENT/
STRATEGY**

15%

**PRIVATE
EQUITY
DEAL AND
OPERATIONS
TEAM**

23%

HEALTHCARE

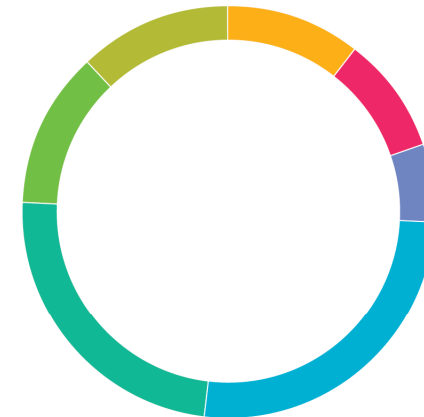
11.9%

OTHER

12.4%

INDUSTRIALS

23.8%



**INFORMATION
TECHNOLOGY**

10.5%

FINANCIALS

9.2%

**ENERGY/
UTILITIES**

5.9%

**CONSUMER
DISCRETIONARY**

26.2%

FIRMS WE SURVEYED



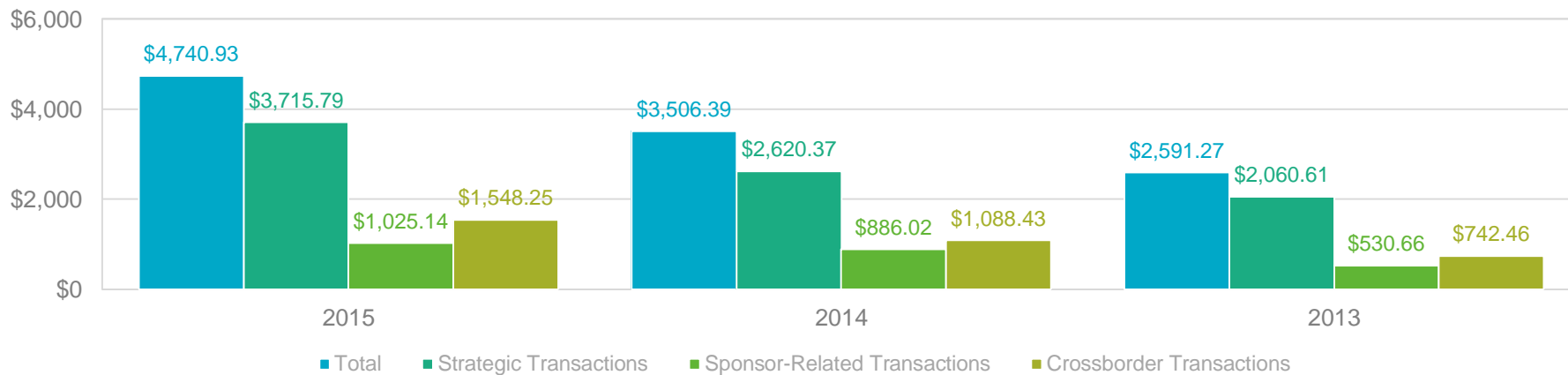
ANNUAL REVENUE (N=302)	
Less than \$100 million	3%
\$100 million to less than \$500 million	15%
\$500 million to less than \$1 billion	11%
\$1 billion to less than \$5 billion	32%
\$5 billion or more	39%
Mean (in millions)	4,911

NUMBER OF EMPLOYEES GLOBALLY (N=319)	
Less than 500	7%
500 to less than 1,000	7%
1,000 to less than 5,000	30%
5,000 to less than 10,000	12%
10,000 or more	44%
Mean	18,214

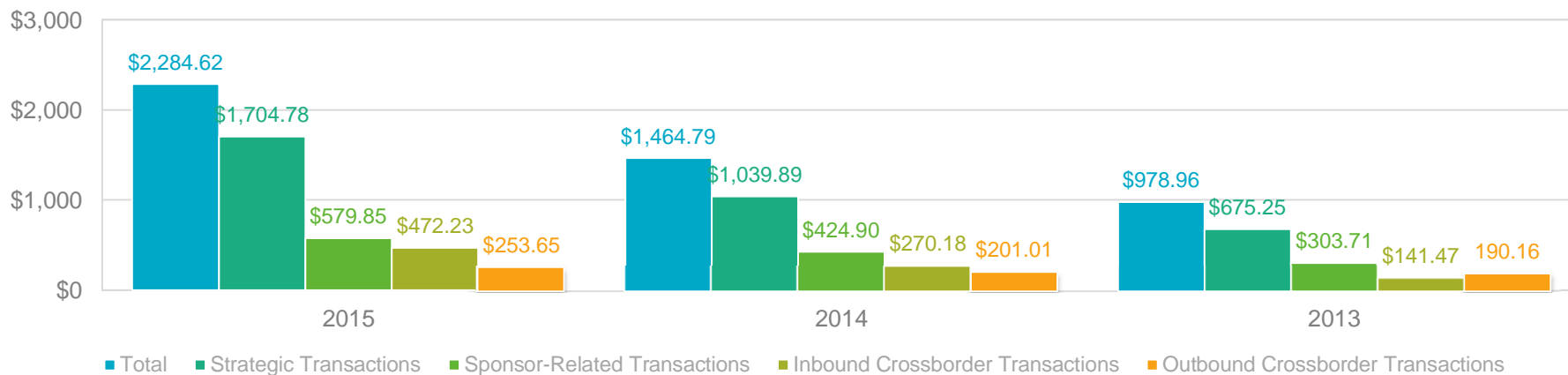
DEAL VOLUME OVER THE LAST 3 YEARS



GLOBAL



U.S.



2016 PREDICTION/FORECAST



CONTINUED
SELLERS MARKET

“SECOND TIER” ASSETS
FOR SALE

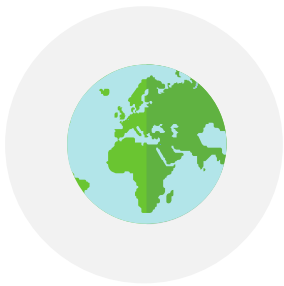
LARGE, COMPLEX
MULTINATIONAL
TRANSACTIONS

HOT SECTORS: HEALTH &
LIFE SCIENCES,
TECHNOLOGY & CONSUMER

ACTIVISTS PLAY
INCREASED ROLE IN DEAL
VOLUME



BUYERS MUST NAVIGATE NEW COMPLEXITIES



Entering new
geographies



Taking on new
risks/liabilities



Entering new
industries



Getting comfortable
with less due diligence
(info and time)

SELLERS MUST ALSO NAVIGATE NEW COMPLEXITIES



Activist shareholders
disrupting status quo



Separation
management



Managing transition
service agreements
(TSA) to maximize exit
price



Pension volatility

AT THE END OF THE DAY M&A IS A PEOPLE BUSINESS

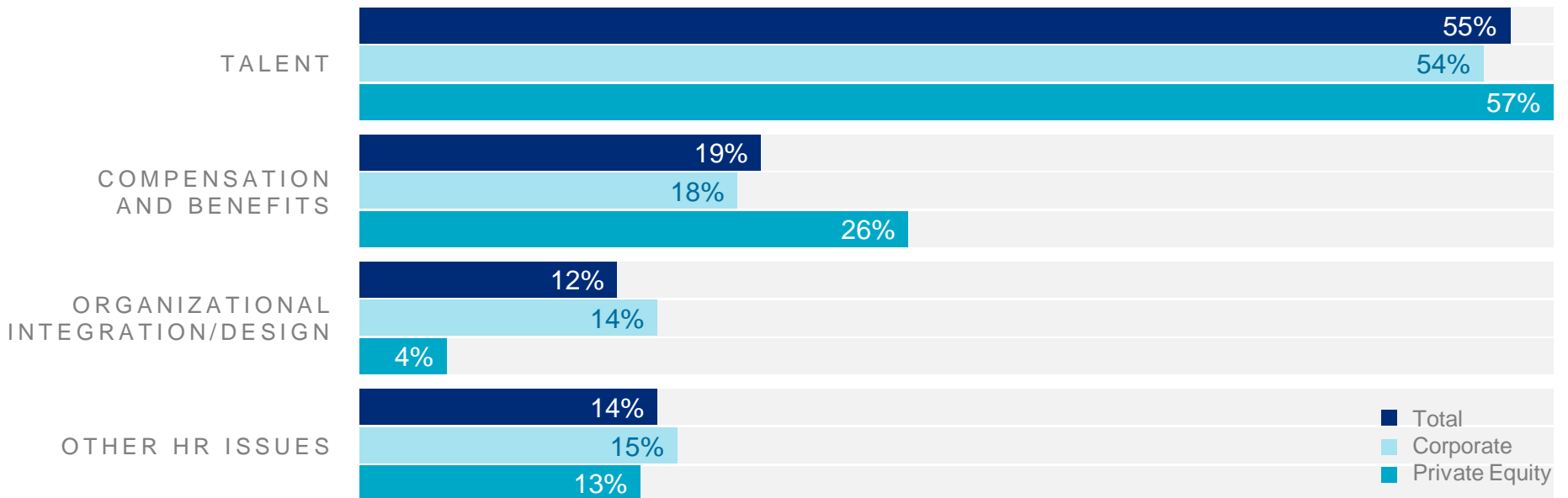


“The human capital side is the most important part of this merger.”

Ed Breen, DuPont Chairman and Chief Executive Officer will be CEO of new DowDuPont

SURVEY INSIGHT

For buyers, talent is the number one perceived risk in future transactions



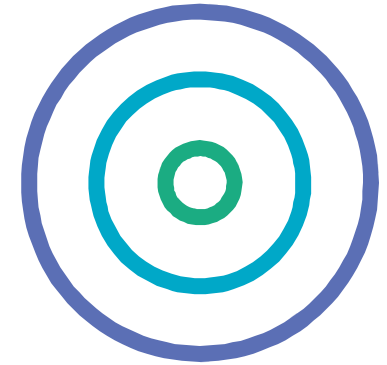
MULTIPLE DIMENSIONS OF PEOPLE RISKS



STRATEGIC

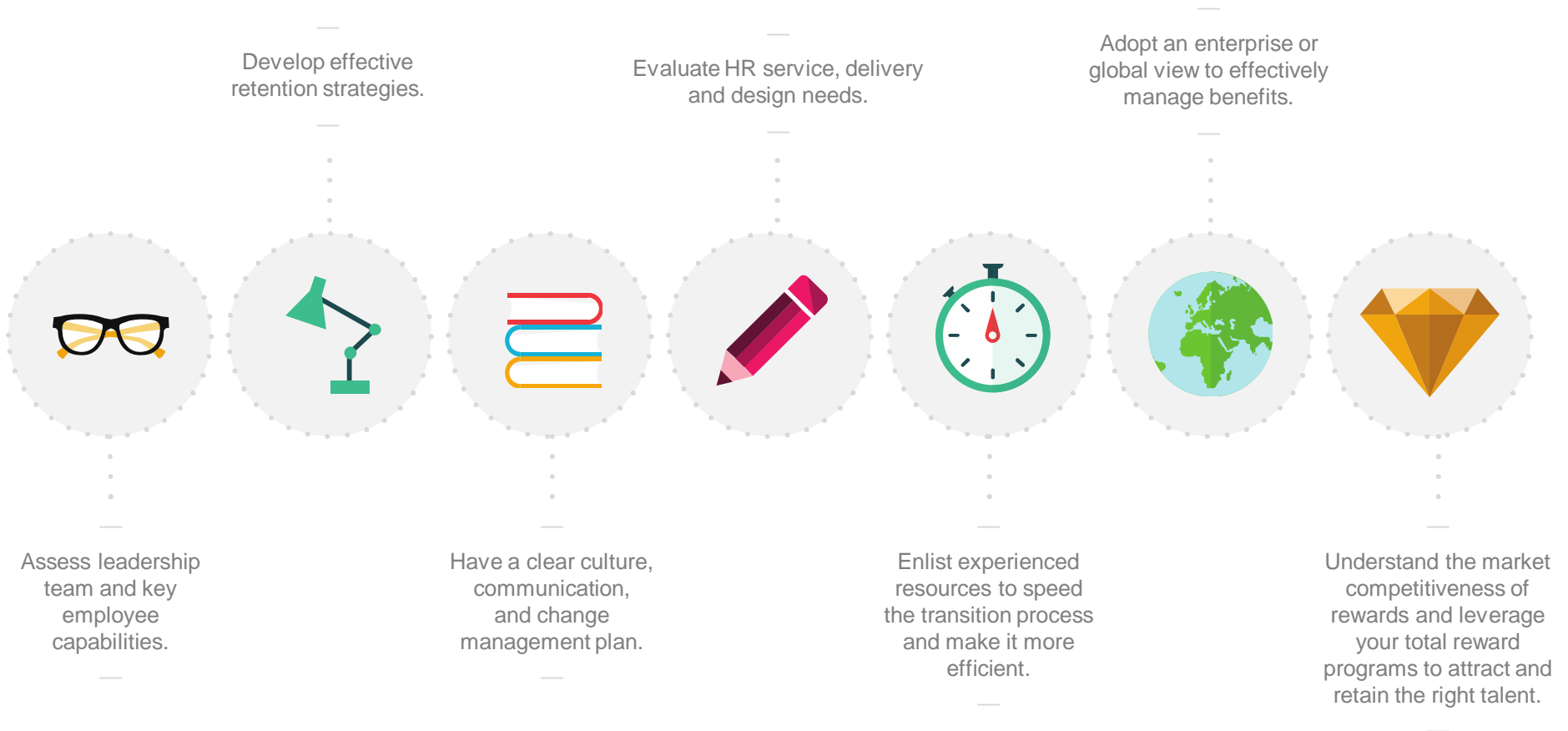


FINANCIAL



OPERATIONAL

PRACTICAL DIRECTION FOR BUYERS



KEY INSIGHT



As they plan for and execute transactions, many sellers are finding that HR issues require increased focus and attention.

EFFORT ON HR ISSUES



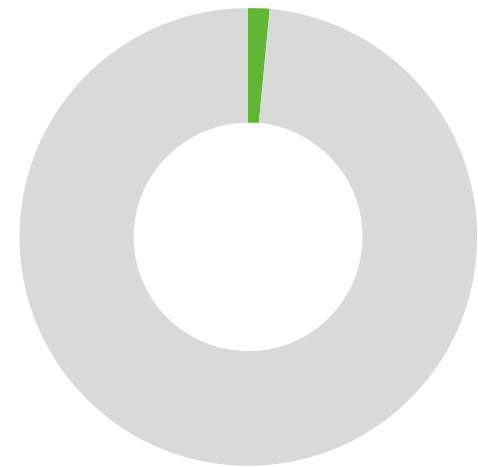
34%

MORE EFFORT



65%

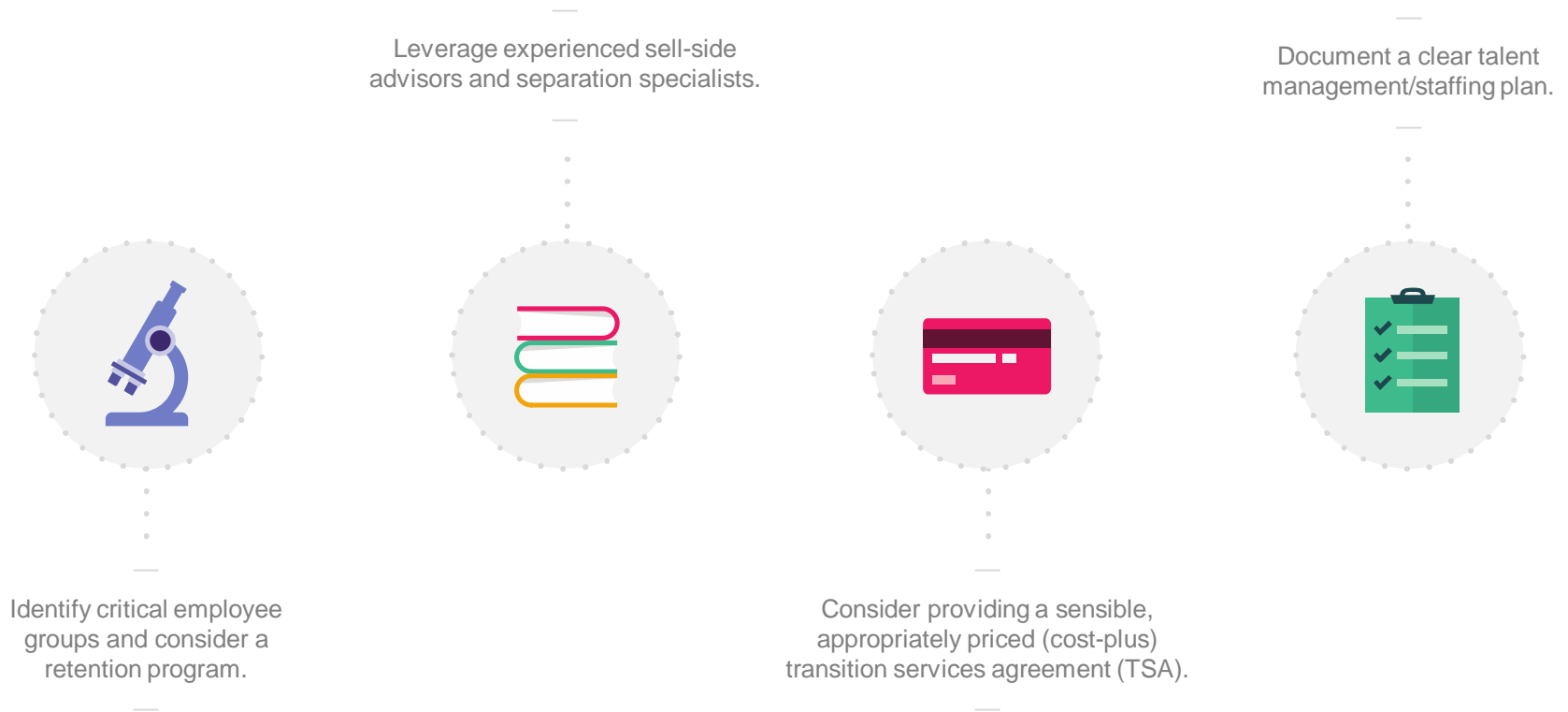
ABOUT THE SAME



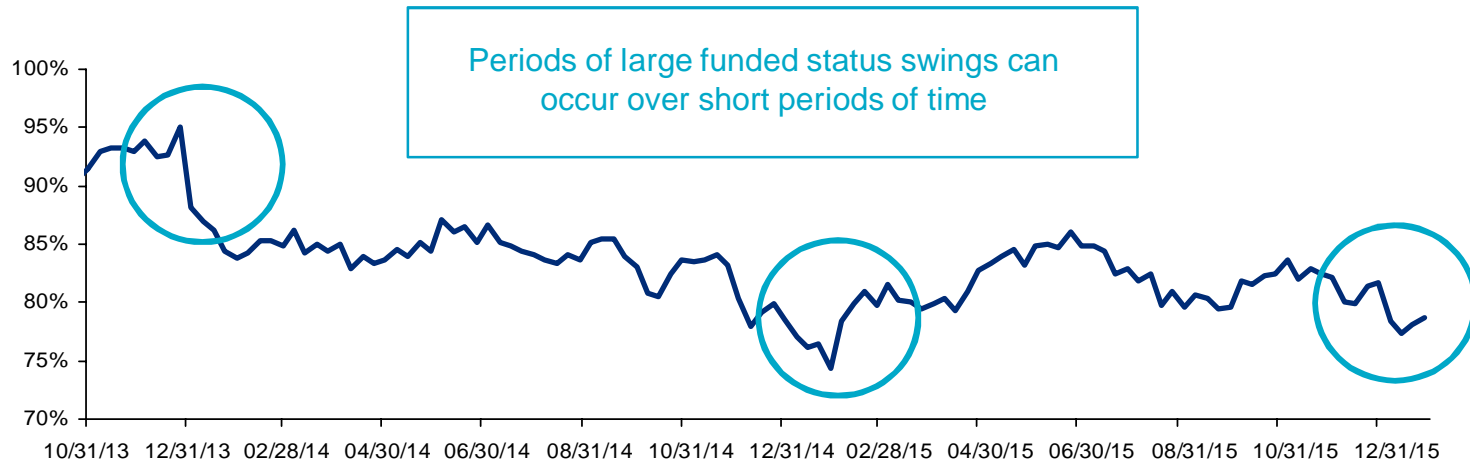
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LESS EFFORT

PRACTICAL DIRECTION FOR SELLERS



SELLERS LOOKING TO MAXIMIZE PRICE VOLATILITY DURING THE SALES PROCESS



PENSION DEBT RISK VOLATILITY

- Seller transferring DB plan to buyer as part of sale**
- Sale agreement provides explicit purchase price adjustment equal to underfunded PBO**
- Current estimate \$20M underfunding based on \$160M assets and \$180M of PBO**
- Seller no longer has long-term investment perspective**
- Expect close date in approximately 6 months**
- Risk assessment – 1/6 chance of ~7% or more change in funded status over 6 month period**



QUESTIONS

Please type your questions in the Q&A section of the toolbar and we will do our best to answer as many questions as we have time for. To submit a question while in full screen mode, use the Q&A button, on the floating panel, on the top of your screen.



CLICK HERE TO ASK A QUESTION TO "ALL PANELISTS"



MERCER

MAKE TOMORROW, TODAY

