Session Agenda

- Introduction
  - Geri Westphal, Director Peer Knowledge Exchange, The NeuGroup

- Panel introductions
  - Ronnie Horrillo, Assistant Treasurer, Cash Management, Google
  - Cheryl Rabito, Director US/PR Treasury Services, Merck

- Why a playbook is important to integration success
- Steps in creating a playbook
- Lessons learned
Who is The NeuGroup?

- **The NeuGroup** is an independent research and publishing company dedicated to the exchange of knowledge among treasury and finance professionals through two mediums.


  - **Peer Groups.** The peer group model began in 2001 with the launch of Tech20, a group of treasurer’s in the technology industry, which served as the start of a network of Fortune 500 practitioner-driven member forums committed to sharing knowledge and experiences with their peers.

    - Current peer groups: 16
    - Current members: 330+
Google’s mission is to organize the world’s information and make it universally accessible and useful.
Merck

We've done great things in the past. Today, we're doing great things for the future.

- Merck has a long, rich history of working to improve people's health and well-being.
- Through the years, our researchers have helped to find new ways to treat and prevent illness - from the discovery of vitamin B1, to the first measles vaccine, to cold remedies and antacids, to the first statins to treat high cholesterol.
- Our scientists also have helped develop many products to improve animal health, including vaccines and antibiotics.
- While we are proud of our past, we are enthusiastic about the future as we help create a healthier, brighter outlook for people around the world.
Step One – Define the Strategy

- The M&A Integration Playbook can fulfill several purposes, e.g., planning, metrics, contingency backup
- Consider your primary purpose and draft around this.

Examples include:
- Provide a robust, standardized list of critical questions that prompt team members to think ahead
- Identify roles and responsibilities to facilitate effective integration
- Define a process model centered around work stream activities
- Provide a standard process and eliminate redundant activities
- Define a reasonable timeline with key milestones
- Be flexible depending on the scale and complexity of the deal
### Step Two – Name the Team Members

#### Sponsors
- Executives responsible for the management area where integration will take place.
- Ultimate decision makers

#### Integration Lead
- Understands end-to-end Finance processes, sub-processes and key contacts (SME on Integration)
- Manages & communicates all integration activities

#### Functional Leads
- Provide expertise for their respective area and identify key resources
- Remove roadblocks / provide support

#### Work Stream Members
- SME’s for their area: able to participate in all work stream activities that require expertise from their area
### Step Three – Ask the Right Questions

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<tr>
<th>Area</th>
<th>Questions</th>
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<td><strong>Signatory Policy</strong></td>
<td>• Who are the primary signers on bank accounts, how many required?</td>
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<td>• Is this a global policy?</td>
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<td><strong>Bank Accounts</strong></td>
<td>• Banking overview: main banking partners, # of accts</td>
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<td>• Electronic Access to bank accounts?</td>
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<td>• How many authorizers are needed for wires?</td>
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<td><strong>Cash Management</strong></td>
<td>• Daily cash management process</td>
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<td>• Cash Policy – how are cash balances managed?</td>
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<td><strong>Intercompany Process</strong></td>
<td>• How are intercompany relationships structured?</td>
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<td>• What is the level of involvement of parent entity?</td>
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<td>• Subsidiary transfers and FX activity between entities</td>
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<td><strong>Investments and FX Contracts</strong></td>
<td>• Outstanding investments, including CDs?</td>
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<td>• Bank guarantees, letters of credit, or other credit instruments?</td>
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<td>• FX Contracts / Exposures?</td>
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Pre-Integration Communication

Prior to Change in Control, once approved by senior management, initiate conversation to facilitate planning

- Policies: signatory, banking, FX, investment
- Intercompany philosophy: managing IC, understanding loan agreements, planning subsidiary fundings
- Banking philosophy: who has account access, who approves, is dual approval required
- Cash management approach: daily, monthly, overall
- Current investments: open FX contracts and planning

Key consideration: How will our balance sheet be affected by the integration and what can we do to neutralize impact?
Step Four – Execute the Playbook

- Complete cash account template
  - Account Signatories
  - Online access
  - Most recent GL Balances
  - Bank contacts
- Omnibus Board Resolution
  - Grants authority to Treasurer & Assistant Treasurer
  - Drafted and reviewed by Legal
- Electronic Banking System
  - Gain administrative access to key electronic banking platforms
- Statements routed to Corporate Treasury
  - First request for duplicate statements
  - If duplicate not available, change physical address on account
- Seek necessary staff assistance
  - Introduction of bank relationships
  - Gather documentation (signatory cards, bank mandates, bank resolutions etc.)
  - Assist in signatory changes adding Treasurer, Assistant Treasurer, and Local Legal

Integration Time Line

- Change in Control +45 Days
  - Rationalization approach with key focus on large cash balances
  - Coordinate appropriate relationships with regional banks
  - Assume e-Banking control

- Change in Control +90 Days
  - Coordinate appropriate relationships with small “in country” banking partners

- Consolidate bank activity close AP an AR accounts
Lessons Learned

- Gain “Buy-In” from Senior Management
- Communicate early and often with acquired entity
- Look outside of Treasury and include critical areas like Accounting and Tax to understand how the acquisition will integrate and identify potential challenges (e.g., account access, balance sheet impacts)
- Develop tools such as a questionnaire, deal sheet and contact list
- Maintain metrics / dashboards / schedules real time, and avoid redundancies
- Expect delays and stay flexible
- Communicate, Communicate, Communicate
Questions?