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Introduction

The merger and acquisitions process presents CIOs with the unique challenge of merging two separate organisations, each with its own applications, infrastructures and operating costs, into one cohesive IT environment.

If the IT integration is incomplete and delayed, this can become a costly process and can ultimately frustrate business goals and undermine the success of an acquisition.

It is our experience if the CIO becomes involved in this process in the initial stages of a merger or acquisition, it significantly aids in the successful merging of two companies into one combined organisation under an integrated technology umbrella.

COSOL's experience in the field of mergers and acquisitions, combined with our knowledge of asset intensive industries provides our clients with valuable insight, expertise and intelligence during key M&A phases to ensure the optimal outcome.

Key M & A Phases

Initial Evaluation

Obtaining information about the IT and management process of a company is important when evaluating a merger or acquisition target.

Prior to completion of a contract, due to legal constraints, this information is difficult to acquire and often the only information available is in the public domain. During this initial evaluation stage, COSOL can assist in obtaining the right information required to comprehensively evaluate the target company.

Due Diligence

Prior to or directly after any merger or acquisition the management of an organisation must perform the necessary due diligence. The purpose of this due diligence exercise is to determine that the information about the company to be acquired is correct, accurate and properly disclosed. During this process, the parties need to determine that all critical issues have been identified and that key assumptions used in the investment proposal are accurate.

COSOL can carry out this due diligence with a team who has expertise in a variety of functional areas such as end to end critical business processes evaluation, application portfolios assessment, infrastructure, facilities and site environment assessment, contracts, financials, staff role assessment and transition risk.

COSOL can assist in minimizing the cost and maximizing the returns through providing integration principles and assessing both the available information from due diligence and the identified gaps.

IT Discovery

As the deal progresses, on-site visits are conducted to gather information. IT must focus on learning about the target's infrastructure, business processes and applications, as well as the IT organisation.

During this discovery process, COSOL can validate and update information provided during Due Diligence, confirm assumptions, document the current operational and financial baseline used to perform the services (i.e. people, software, equipment and suppliers), give the client confidence that the current operational environment is understood, further define the service delivery strategy, organisation and critical transition steps.



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Pre-Deal Planning

Bringing disparate IT systems together adds cost to the merger or acquisition and integrating systems can increase their complexity. CIOs must address this duplication and complexity with the least amount of disruption. Finding a way to operate and manage the organisations as one is essential to maintaining service quality and controlling costs.

Mergers and acquisitions often come together quickly, but CIOs can increase the likelihood of success by preparing themselves beforehand. COSOL can assist the CIO in the planning of all tasks that will need to be executed upon successful contractual completion of the merger or acquisition.

This includes high-level planning and analytical support for the customer's transition team, focusing on the establishment of operating procedures and responsibilities, and allows for smooth integration once a merger is approved.

As the legal and business staff are finalising the deal, IT needs to keep business processes in mind. The more the IT organisation can engage all parties in serious, detailed planning, taking inventory of what exists and creating a plan to unite two businesses to support the overall business integration strategy the higher the probability for operational success.

Transition Management

IT management is usually focused on integration projects and maintaining security and availability, while the business side focuses on realizing the benefits of the deal. IT and the business must have both a common vision of the combined end state and a common agenda for getting there. The workload mushrooms during due diligence and grows after the deals close until transition is complete and legacy systems are shut down.

The most time consuming and important stage for IT execution during this phase involves organisational tasks such as creating a team, defining schedules and deliverables, resolving staff issues and maintaining alignment of IT and business goals.

Although staff reductions are common, retaining the necessary staff during the transition period is vital. COSOL can assist in identifying critical personnel within the target organisation and provide interim transition staff to ensure "business as usual" is maintained to minimize the risk to the overall business.

M&A Completion

Upon the completion of a successful merger or acquisition, COSOL can provide a detailed document of captured learnings for future use if mergers or acquisitions are to be pursued in the future.

It is recommended that companies with an aggressive M&A strategy have a team in place, poised for action, with a pre-determined process for integration of a target's IT assets. This team should focus on assessments and recommendations for organisational and structural changes, as well as an estimated cost in time and resources for the transition.



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COSOL Services

COSOL can improve the process of streamlining merged organisations from pre-deal planning through to close out reviews. COSOL has defined processes and a strong track record when commissioned by our clients to assist in merger and acquisition activity.

Pre-deal services

M&A planning

- Linking business M&A objectives to IT objectives
- Establishing a transition services agreement
- Establishing a detailed execution time line
- Establishing a risks register, including critical integration issues

Due diligence

- IT discovery and inventory of applications, systems and infrastructure
- IT capability
- IT contracts
- IT service agreements and licences
- IT mission critical systems and services identification

Post-deal services

Transition management

- Interim IT Management/short term sustainability
- Transformation teams and projects covering contracts, applications and infrastructure
- Vendor notification and consolidation
- Enterprise systems integration
- Project management and delivery
- Enterprise resource platform transition and integration
- Legacy data solutions

Infrastructure and communications merge

- Shared global address lists
- Document management
- Security and applications access review

Merged IT strategic plan

- Application landscape baseline
- Infrastructure landscape baseline

Close out reviews

- Capture learnings
- Create target IP repository for reuse



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COSOL Experience

COSOL is a trusted, independent advisor with thorough knowledge of asset intensive industries. Our industry experience combined with our experience in successful mergers and acquisitions, IT transitions, impartial ERP implementation and our relationships with leading enterprise software vendors including SAP and ABB makes us a preferred partner for leading Australian and international organisations.

COSOL has a number of clients who have in the past, and continue on an ongoing basis, to utilise our M&A services. Examples of our current and previous experience in M&A services include:

BHP Billiton Consultants

COSOL is presently engaged by BHP Billiton under a NDA to provide the following M&A services:

- pre-deal planning
- pre-deal validation of IT

Queensland Nickel acquisition of the Yabulu Nickel Refinery

Yabulu Nickel refinery was purchased by companies wholly owned by Professor Clive Palmer from BHP Billiton in 2009.

This acquisition resulted in the need to achieve separation of all systems and infrastructure from BHP Billiton to a standalone environment within a six month period. Queensland Nickel engaged COSOL to oversee this complex transition program and provide the following services:

- To ensure the success of a very aggressive timeline COSOL formed a lead project management team to work with the Queensland Nickel business and IT specialists alongside COSOL technical architecture and data teams.
- This changeover involved transitioning inbound and outbound supply chain, financials, human resources, payroll, production management and data warehousing to the SAP solutions. The business went live as scheduled and the project was completed under budget with all the functional and technical components in the original scope implemented.
- An additional challenge for the team was to manage the extraction of all Queensland Nickel's data from four disparate SAP systems used by BHP Billiton. This had to be completed during the project to comply with conditions of sale with no system access provided by BHP Billiton beyond the separation date.
- COSOL provided the data specialists to complete the extraction and established the historical data within RPConnect®, the COSOL SQL based legacy data solution, providing Queensland Nickel with an accessible, long-term and cost effective solution.

BHP Billiton acquisition of WMC assets

In 2005, BHP Billiton acquired WMC assets at Olympic Dam (South Australia), Nickel West (Western Australia) and the corporate entities that comprised WMC Resources.

COSOL was involved in the acquisition execution program over an eight month period. The streams included:

- Overall Program Management of the IT transition streams.
- Post-deal IT inventory verification for non-enterprise applications, infrastructure and communications.
- Interim site IT management until restructure and hiring was completed for the final 'go forward' IT structure.
- Enterprise Systems (SAP) conversion. Specifically the development of the Plant Maintenance blueprint including data conversion strategy and execution for plant maintenance.



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Newcrest Mining acquisition of Lihir Gold

In 2010 Newcrest Mining engaged COSOL to lead the applications and infrastructure streams pre- planning and the subsequent six month execution of the end state plan. COSOL provided senior, experienced advisors to assist with overall risk mitigation during the pre-deal planning period.

Gallipoli Mining acquisition of Walter Construction Group (National Mining)

In 2005 Gallipoli Mining engaged COSOL to undertake pre-deal due diligence on a planned acquisition of a division of the Walter Construction Group (National Mining).

The key objectives for the due diligence process was to ensure day one continuity of business, establish an IT operational baseline and determine a service delivery and transition strategy for Walter Construction Group. The key outcomes delivered by COSOL were:

- Continuity of critical business processes, with all critical data secured and establishment of a vulnerability baseline.
- Documentation of the current operational baseline used to perform the services (i.e. people, software, equipment and suppliers).
- A level of confidence with the current Walter Construction Group (WSG) systems environment.
- A future service delivery strategy and transition plan.

Xstrata Copper acquisition of Tintaya, Peru

In 2008, COSOL provided critical post-deal services to Xstrata Copper to transition validate and secure company historical data from BHP Billiton for compliance with in-country legal and taxation laws.

Services included:

- COSOL acted as a broker between Xstrata Copper and BHP Billiton Global IT groups in order to secure access and maintain compliance enabling the successful extraction of the critical data.
- COSOL provided the data specialists to complete the extraction and establish the historical data within RPConnect®, the COSOL SQL based legacy data solution, providing Xstrata Copper with an accessible, long-term, cost effective legacy data solution.

The project was completed working both within corporate offices and on-site in Peru.



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A flexible solution for data transition from disparate systems

As business operations develop, reporting and analysis requirements increase, often forcing a change in enterprise systems to meet new requirements.

The common result is that data then resides in disparate systems and within obsolete applications. This makes the process of comprehensive reporting and intelligent analysis of multiple data sources increasingly problematic.

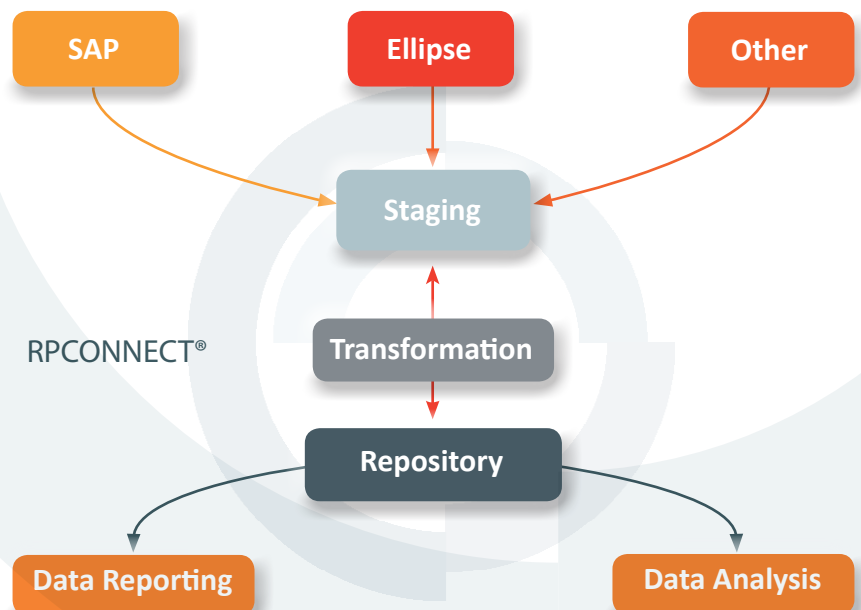
RPCONNECT® has been developed by COSOL to provide a flexible, sustainable solution to enable customers to successfully and quickly transition data from disparate systems and provide a secure, long-term haven for legacy data.

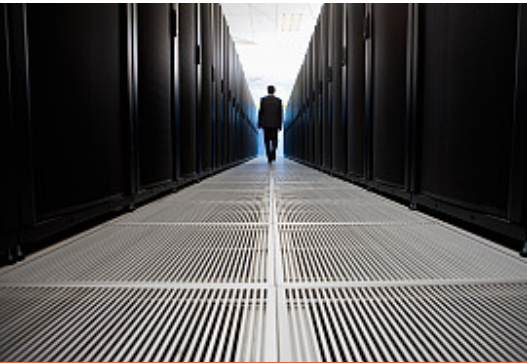
RPCONNECT® uses prebuilt links between SAP, Ellipse and variety of other systems. These links enable RPCONNECT® users to successfully fast track a move to a new system and access information from multiple applications.

RPCONNECT® clients can drill down into underlying data structures, for example, purchase requisitions link to purchase orders, which then link to invoices. This information is then combined from various systems to create one, comprehensive report. This solid, cost-effective solution for the delivery of data streamlines your reporting and analysis process irrespective of your ERP or operational system.

Authorised end users can extract required data without needing assistance from the IT team, who no longer need to ensure the retention of historical system operations knowledge.

RPCONNECT® gives you continual and easy access to all your historical data for all future legal and business requirements and eliminates the need to retain expensive and redundant software by allowing you to decommission unnecessary legacy systems.





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For further details on COSOL's full range of services and products:



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