



“Moneyball” – Auto Industries Strategy For M&A

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Agenda

The Vision of “Moneyball”

Recent M&A Trends

Top Causes for Failed M&A Deals

IT’s Major Role in Applying “Moneyball” Principles to M&A

“Moneyball” Principles in Action within Auto Suppliers

Impact upon Applications and IT Organizations



The Vision of “Moneyball”

What is “Moneyball?”

- The Oakland Athletics Baseball Team introduced this strategy in Baseball for developing competitive teams with a small budget. The strategy identifies high value added players who are undervalued by the market (high yield for low investment)
- Use of Analytics to identify opportunities in the marketplace which add value at a low cost
- Origins in NCAA Football
- An Investment Strategy using principles of “Sabermetrics”



What is “Moneyball?”

- Oakland A’s Management identified new metrics which identify often overlooked ways to add value to an organization

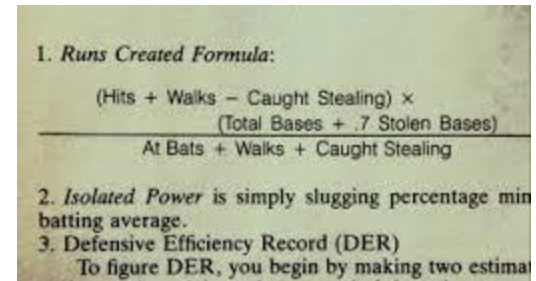
- On Base Percentage
- Slugging Percentage
- Fly Ball Hitters vs. Ground Ball Hitters



And rely less upon Standard Metrics

- Stolen Bases
- Runs Batted In
- Batting Average

- Players who are successful according to Standard Metrics cost more

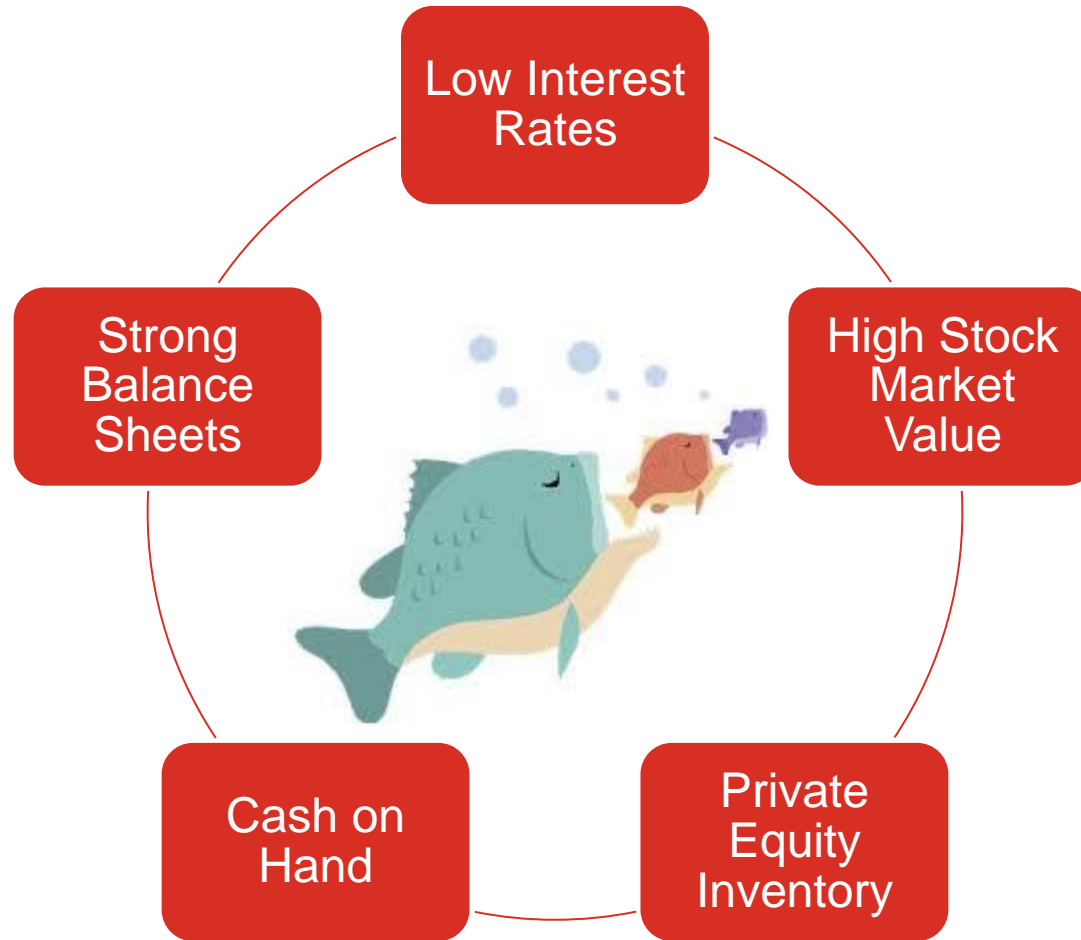




Mergers, Acquisitions, Divestitures

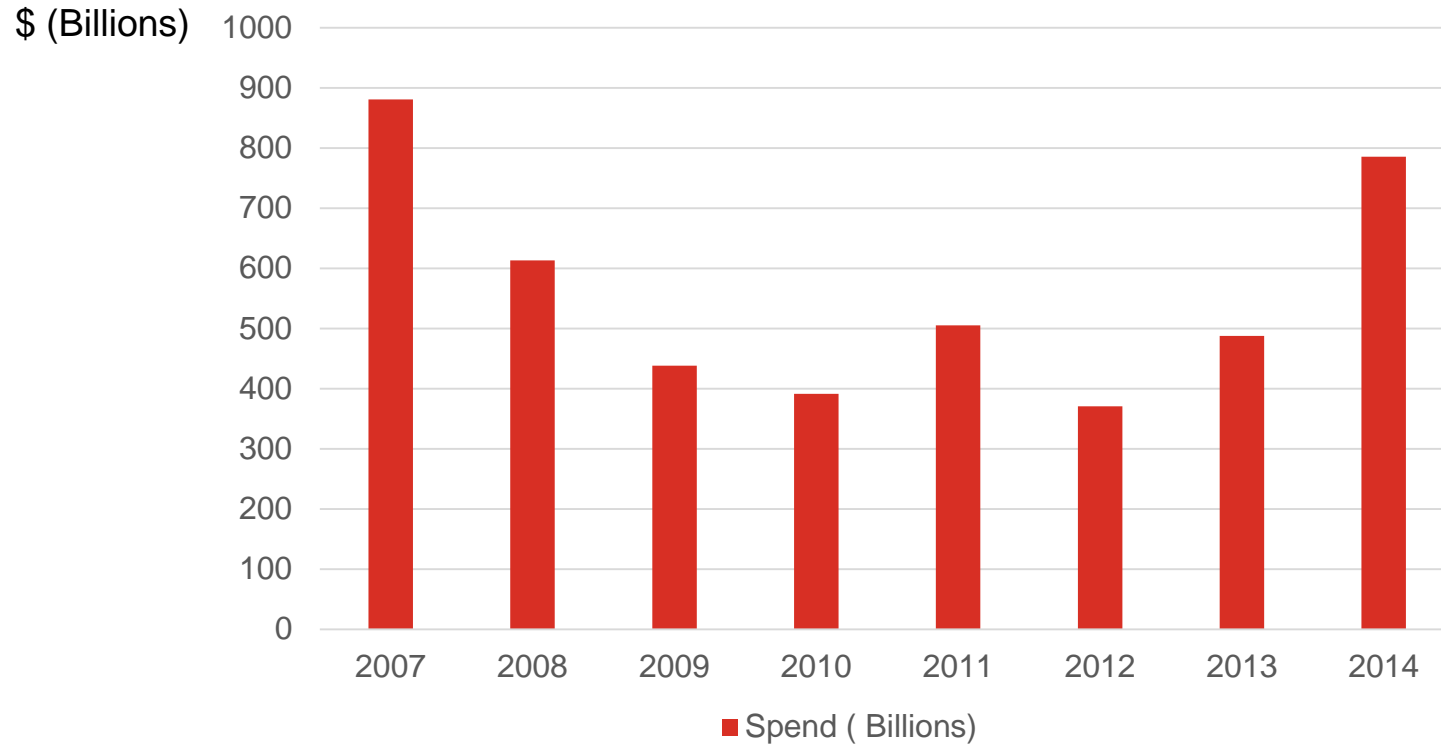


Current M&A Market Drivers

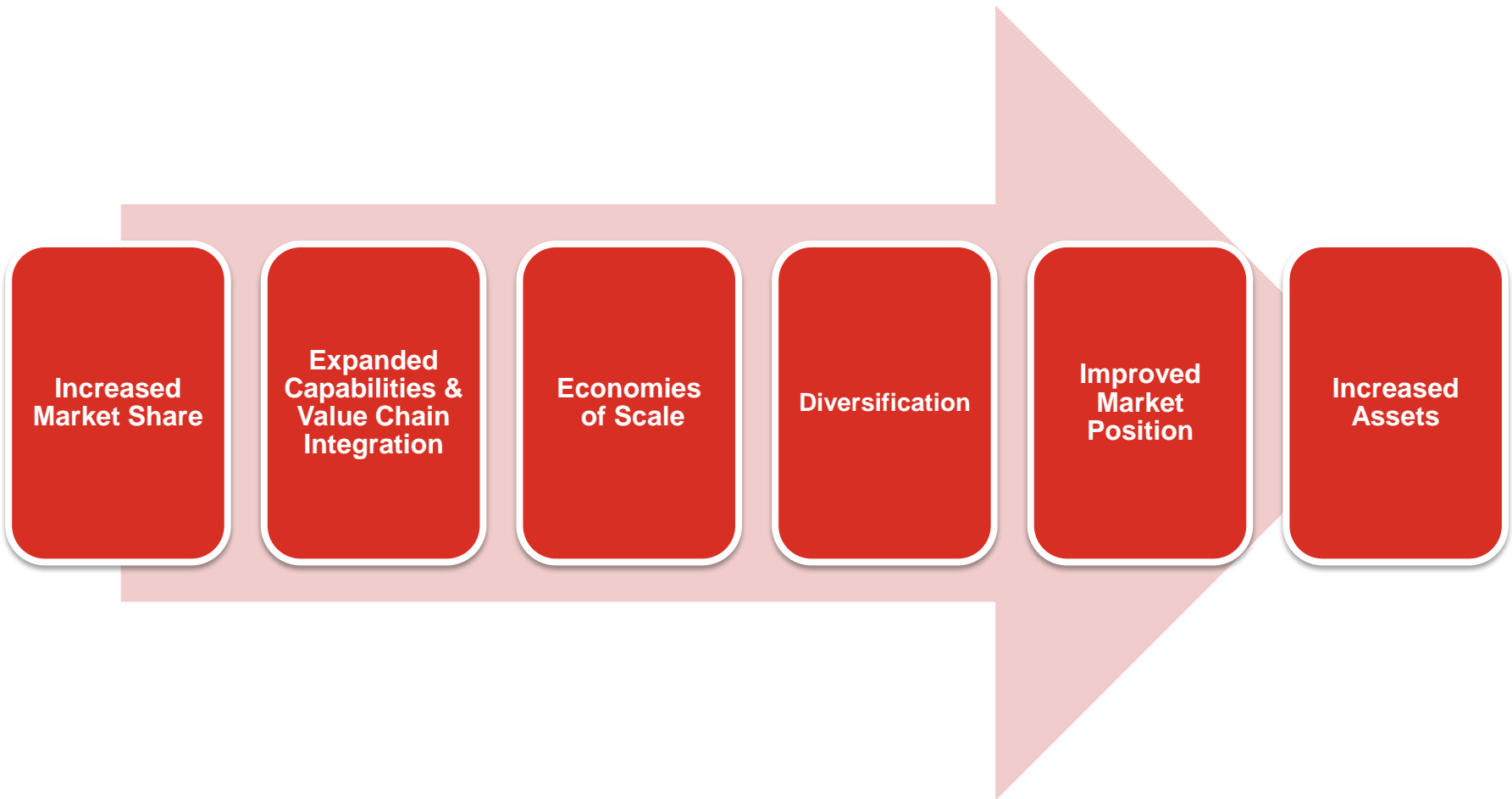


M&A Trends – North America

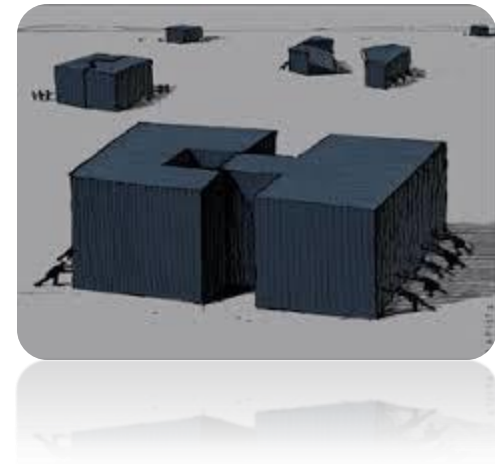
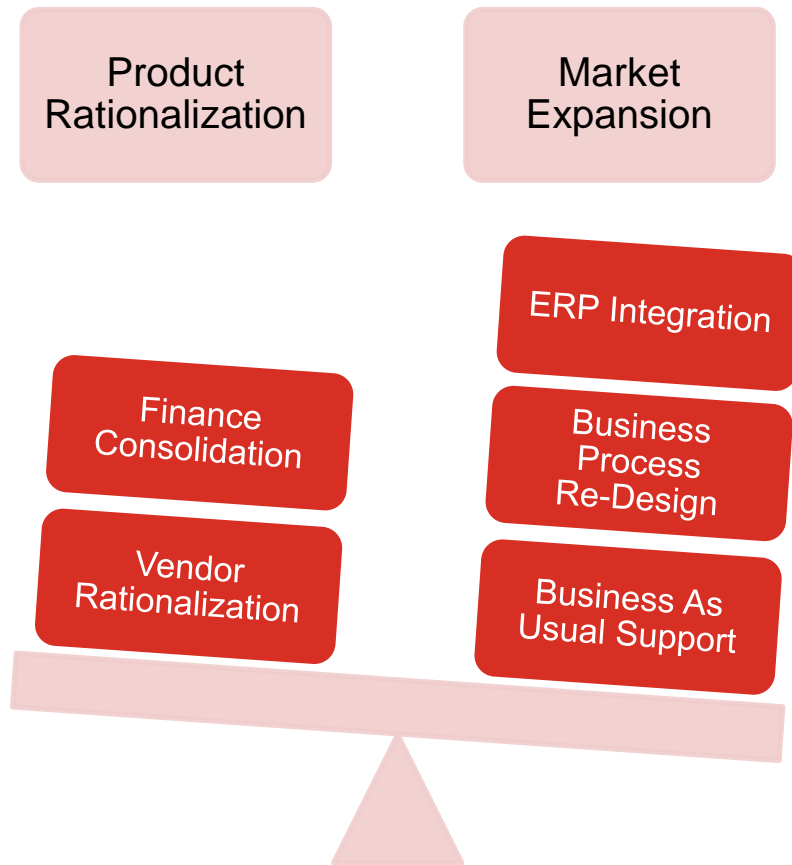
M & A Activity



Benefits of M&A -- Synergies



Types of Initiatives During M&A Activities



Top Causes for M&A Failures – Results of Studies from Deloitte and Booz & Co.

- Poor Planning and Execution of Merger Processes
- Poor “IT” Integration of Applications and Resources
- Lack of Attention to a Pre-Merger Strategy
- Inadequate “IT” Due Diligence
- No Post Merger “IT” vision
- Conflict between “IT” and Business
- Not enough people with Cross Functional Knowledge



Conclusion: IT Plays a Major Role in the Success or Failure of M&A

Three Major “IT” Responsibilities during M&A

- Keeps the Lights On
- Merge “IT” Departments
- Provide IT Support for integrating all Business Units, identifying and implementing synergies, and establishing an End State Architecture



Challenge: Successfully accomplish these responsibilities, avoid causes for failure, and reduce the IT Budget at the same time.



Moneyball Principles Applied by Automotive Suppliers During M&A

Visteon: A Case Study of Moneyball and M&A

Recent M&A Activities

Buy:

- Auto Electronic Business from Johnson Controls (\$265 million)
- Acquire Majority control of Yanfeng's JV electronic unit (\$300 million)

Sell:

- Interior Units in three separate transactions
- 50% of China J.V. Yangfeng to Huayu Autech (\$1.2 billion)
- Lighting Business to Varroc Group (\$72 million)

Re-Organization:

- Climate Group to Halla (\$387 million)
- Bankruptcy



Visteon: A Case Study of Moneyball and M&A

Bankruptcy Reorganization Approach

- Hired Large Consulting/Bankruptcy Firms to manage transition
- Lengthy Process
- High Cost
- Low Added Value from Large Firms
- Internal Visteon Resources performed added value activities to fill in the gaps



Conclusion: A New Approach Required for Future Transactions

Visteon: A Case Study of Moneyball and M&A

Moneyball comes to Visteon – Lighting Business Sale to Varroc Group

- Business Units and IT take time to establish future vision and perform Value Analysis of business processes
- Leap frog “old school” – Use “cloud” infrastructure and SaaS solutions
- Change business processes – avoid Application Customization
- Fill IT Staff with strong cross functional business expertise
- Integration less risky than consolidation – Place strong emphasis upon system integration and middleware tools



Conclusion: Key Success Factors Do Not Require High Spending

Visteon: A Case Study of Moneyball and M&A

Moneyball comes to Visteon – Lighting Business Sale to Varroc Group

- Spend time and resources on Data Conversion, Data Cleansing and Common Formats
- Fill Application Gaps with smaller niche tools
- Emphasize internal communication and training
- Utilize Program Management Office to establish
 - Streamlined business processes
 - Documented procedures
 - Strong governance to Change Management



Conclusion: Key Success Factors Do Not Require High Spending

Implications for IT Applications and Staff

- Full conversions of ERP systems not necessary
- Rely upon smaller Integration Applications to bridge gaps between different ERP Systems
- Incorporate Cash Management Tools
- More added value in changing business practices to be common across business units vs. costly customizations of applications
- Overcome “Old School” tendencies – consider Cloud infrastructure and applications
- Fill IT staff with cross functional personnel who have strong business knowledge and effective communication skills
- Evaluate and leverage Smaller Cloud Based SaaS Applications





Q & A



THANK YOU FOR YOUR TIME

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