WHITEPAPER

Why Frequent M&A Activity Requires a Strong Technology Stack

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This whitepaper evaluates how the success of long-term M&A activity on the part of large enterprises is dependent upon their ability to integrate and connect the pre-existing technology stacks of newly acquired subsidiaries with their broader infrastructure. Chiefly, we evaluate how enterprises that regularly establish new subsidiaries and entities across the globe can ensure that the various finance, treasury, and banking solutions leveraged by these companies before the acquisition can be integrated and connected in a cost-effective and optimized fashion.

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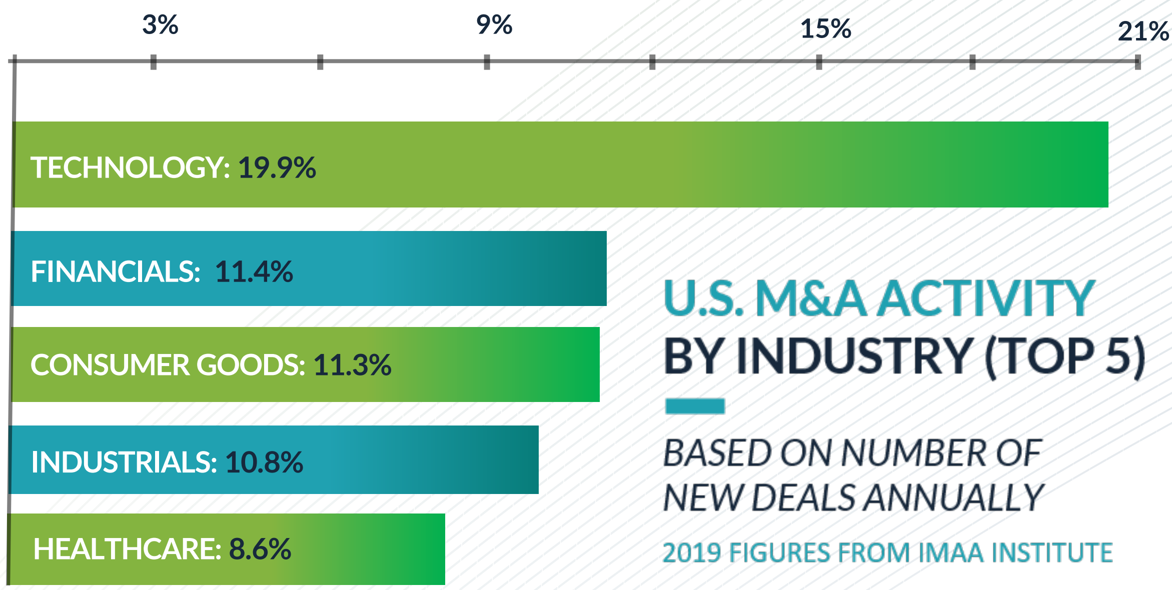
MERGERS & ACQUISITIONS REMAIN A TOP PRIORITY FOR GLOBAL FIRMS

Although merger and acquisition (M&A) activity is fairly common in today's business environment, it is typically large, global enterprises that leverage the strategy most frequently. For organizations with billions in revenue and a steady stream of new investment, taking advantage of new market opportunities is often best achieved by acquiring companies that have already proven themselves successful in the field. In the case of the world's largest enterprises like Microsoft, Apple, and Facebook, M&A activity comprises a significant portion of overall growth. In fact, Microsoft alone has acquired more than 216 companies since their founding, and Apple acquires a new company at an average rate of once every four weeks. Across other industries like staffing and HR, Fortune 500 firm ManpowerGroup has acquired four new companies in the past five years and 15 total companies over the past few decades.

But while an M&A-intensive business strategy might be advantageous for eliminating competition, increasing revenue, and maintaining growth, there are a variety of challenges that must be confronted in order for the model to prove successful in the long-term.

Of course, any M&A project undertaken by a company will face obstacles, most of which revolve around how to best integrate the employees, products, systems, culture, and customers of the acquired company into the acquiring enterprise. These challenges are typically what executives and business leaders focus on most during M&A projects, and for good reason. If employees and customers are dissatisfied with how the acquisition is managed or if the acquired company's product line stagnates, it can quickly turn the entire project on its head and substantially hinder future profits and revenue.

However, in today's digitally-oriented business landscape, the above factors are not the only concern for M&A-intensive enterprises. Instead, one of the core challenges confronting modern acquisition projects lies along the technology front. This is particularly true when it comes dealing with finance, treasury, and banking technology.



WHY IS FINTECH COMPLEXITY SO COMMON IN M&A?

When evaluating the operations of enterprises that regularly undertake new acquisitions, it's easy to see how technology complexity can manifest itself. Looking specifically at finance and treasury technology, suppose that a U.S.-based manufacturing firm decides to acquire an emerging competitor in Asia. Also suppose that this Asian competitor has been operating independently for several decades and has its own spread of regional entities, as well as a pre-existing set of back-office platforms and IT solutions. As such, the company is already using an ERP, TMS, and AP system, as well as a globally distributed network of banks and bank accounts.

Going a step further, now consider the diverse range of currencies, payment formats, and financial networks that the Asian enterprise uses compared to the acquiring U.S. company. Also, because the compliance arena in Asia is managed through a diverse and multifaceted set of jurisdictions, conducting financial operations in the region will require a unique approach to managing regulatory and sanctions processes, as well as data and payment security.

For the acquiring U.S. company, connecting the various systems and networks used by the Asian subsidiary with their broader technology stack will be no easy feat. To start, some of the systems in place at the Asian subsidiary may be hosted locally or even running on older, unsupported versions. If modern cloud solutions have not been adopted, then integration via open APIs becomes highly unfeasible and it will likely require extensive IT support to establish the connections. The same is true for integrating the various bank channels and payment formats in use by the Asian subsidiary into the enterprise's global financial architecture. Accommodating the various risk, regulatory, and compliance measures in place across Asia will require even more support, as well as collaboration with multiple legal and banking teams.

Although a single acquisition of this scale may be manageable for a global enterprise with significant resources, those that consistently undergo new acquisitions will likely experience much more difficulty. This is because internal IT teams rarely have enough bandwidth (or budget) to successfully establish all of the required connections for every system. Instead, what often happens is after a few months or years, IT is forced to divert their attention from one acquisition to another, thereby letting a portion of outstanding system connections fall to the wayside.

1

Fintech systems, integrations, formats, and standards vary broadly by region, bank, country, and business unit.

2

Enterprise IT & Treasury staff lack the bandwidth to manage all the new systems entering their technology stack via global M&A activity.

3

Proper system integrations are subsequently never established, but new systems keep getting added to the stack through new activity.

WHY IS FINTECH COMPLEXITY SO COMMON IN M&A? (CONTINUED)

Ultimately, the scenario depicted on the previous page creates an environment where much of the data captured by an enterprise at the local or "entity" level will sit idle and siloed from the rest of the company. Instead of real-time data access across their individual units and subsidiaries, finance and treasury teams at HQ will have to rely on manual submissions from field personnel to ascertain data. In many cases, it takes days or even weeks for this information to be received, by which time it is often outdated.

In the long run, the impact of these technology limitations has far-reaching consequences for the broader enterprise, especially if such issues are present across each new subsidiary or locality that they acquire.

How does global M&A complexity impact an enterprise's financial systems?

LACK OF STANDARDIZATION

THE FINANCIAL PROCESSES & SYSTEMS USED BY EACH ENTITY & UNIT ARE UNIQUE.

GLOBAL BANK DISPARITY

REGIONAL BANKS USE UNIQUE PAYMENT FORMATS AND REPORTING STANDARDS.

LOCALIZED DATA SILOES

THERE IS NO INTEGRATION BETWEEN LOCAL SYSTEMS / DATA & HQ SYSTEMS / DATA.

CORE FINTECH-RELATED M&A CHALLENGES FOR ENTERPRISES

For enterprises that undergo frequent M&A activity but that lack the appropriate technology infrastructure and IT / treasury bandwidth, there are a broad range of issues that will begin rising to the surface over time. Eventually, if an enterprise continues expanding without rationalizing their technology stack or upgrading the integration that is maintained, the challenges for treasury will rear themselves in almost every area of their operations, as highlighted in more detail below.

LIQUIDITY: If enterprise treasury staff cannot determine the exact amount of funds available at each entity, then liquidity strategies for taking advantage of investments, debt reduction, or tax savings become way harder to identify.

PAYMENTS: Common payment issues experienced by M&A-intensive firms include a reliance on outdated messaging formats that limit data quality and security, delays in payment processing across various banks and systems, limited employee bandwidth, and an increase in operational costs.

SECURITY: Without ample visibility to the payment processes and cash positions across the enterprise, as well as no centralized window for viewing global activity in real-time (or at least same-day), it becomes monumentally more difficult to identify and prevent fraud from occurring.

COMPLIANCE: Due to the diversity of data management protocols, financial regulations, and sanctions policies that exist across each world region, a lack of payments standardization within an enterprise can cause increased legal and regulatory risk that can also jeopardize their reputation.

FINANCIAL STRATEGY: If financial data is not flowing between an enterprise and its subsidiaries, accounting teams will be unable to accurately manage reporting, legal will struggle to manage compliance issues, and the C-suite will lack the high-level financial data they need to make decisions.

THE REMEDY FOR GLOBAL FINTECH M&A CHALLENGES

Because of the diverse systems landscape and limited IT bandwidth that often exists across M&A-intensive enterprises, achieving global visibility and control over finance and treasury operations requires a unique approach to connectivity and integration. In recent years, one strategy that has grown increasingly popular involves the adoption of an enterprise payment optimization (EPO) platform.

Modern EPO platforms are typically cloud-based solutions that sit above the other systems in an enterprise's financial technology stack and manage connectivity across all their various back-office, banking, and 3rd party systems, including those at their entities and subsidiaries. Rather than connect every platform used within the enterprise to every other system, each solution need only connect to the EPO platform instead. This drastically simplifies the process of integrating new solutions with an enterprise's tech stack and also automates the process of transmitting payments and financial data between any system that is connected to the EPO platform, including those used by different entities and departments.

Although the adoption of an EPO platform requires some up-front legwork, using a vendor like TIS ensures that the complexity of connecting to banks and various internal systems is almost entirely outsourced. This means that formerly difficult and time-consuming tasks that were a drag on internal IT teams (such as configuring and maintaining the links between new entity systems and HQ ERPs, HR systems, and TMSs) are now managed by the EPO vendor. As payment formats evolve or new regulations require changes in integration, EPO vendors like TIS automatically handle the upgrades and also manage the addition of new countries, banks, and users to an enterprise's network as growth and expansion dictate over time.

By connecting all of the various banks and systems that comprise your financial technology stack to an EPO platform like TIS, you effectively ensure that regardless of where an entity is located or what local systems are being used, the data and information stored on their platforms is never left isolated or unaccounted for. TIS' solution is covered in more detail on the following page.

> "With TIS, we have a central overview of worldwide payments, and just use one platform instead of multiple banking tools. This enabled us to embed our payment transactions within our ERP landscape and realize straight-through processing."
>
> **–Simon Karregat**
> Group Treasurer, Fugro NV

HOW TIS SOLVES FINTECH-RELATED M&A CHALLENGES

TIS' Enterprise Payment Optimization platform is a global, multi-channel and multi-bank connectivity ecosystem that streamlines and automates the processing of a company's payments and subsequent reporting across all their global entities, banks, and financial systems. By sitting above an enterprise's technology stack and connecting with all their back-office, banking, and 3rd party solutions, TIS effectively breaks down department and geographic silos to allow 360-degree payments and cash visibility and control.

To date, the ~200 organizations that have integrated TIS with their global technology stacks have achieved near-100% real-time transparency into their payments and liquidity. This has benefitted a broad variety of internal stakeholders and has also enabled them to access information through their platform of choice, since the data that passes through TIS is always delivered back to the originating systems.

This systematically controlled payments workflow is managed by TIS for both inbound balance and transaction information and outbound payment instructions. Data can be delivered from any back-office system via APIs, direct plug-ins, or agents for transmission through TIS to banks and 3rd party vendors. No matter where you operate, TIS provides global connectivity by creating and maintaining compatibility with your required formats, channels, and standards so that organizations can connect with virtually any bank in the world.

Because of the deep connections that TIS maintains with internal systems such as ERPs or TMSs, external banks, and 3rd party vendors / service providers, the process of managing payments is simplified for every internal stakeholder. C-suite executives, treasury, accounting, AP, legal, HR, and other key personnel can access whatever financial data they need, exactly when they need it. And by automating this flow of information for both inbound and outbound payments, TIS provides the control and flexibility that enterprises need to function at their highest level.

"With TIS we finally have ONE centralized platform for global payments and bank statements. It gives us the flexibility to change, standardize, and automate our transaction processes."

–**Simon Ostrozlik**
Treasury Manager,
Tyson Foods

Tyson

TIS AT A GLANCE

26,000+ ACTIVE USERS

€£$ **100+** CURRENCIES SUPPORTED

11,000+ BANK CONNECT OPTIONS

1,600+ ERP CONNECTIONS

HOW TIS SOLVES FINTECH-RELATED M&A CHALLENGES

Ultimately, the extensive experience and unparalleled integration capabilities provided by TIS enable enterprises to streamline their methods for managing payments and data across each entity and subsidiary. This has proven vital for a variety of TIS' globally diverse clients, including Fortune 500 firms like ManpowerGroup and international NGOs like IFAW. And as these organizations add new companies and localities or seek to replace the underlying systems in use across various regions, TIS is there to help them manage the new integrations and connections, thereby ensuring a seamless transition and constant control over global payments and information.

UNDERSTANDING THE FULL TIS SOLUTION SUITE

The TIS solution consists of four core modules that effectively cover enterprise payments, liquidity, bank account management, security, connectivity, and compliance. The solution is offered to clients through a cloud-based platform that is easily accessible online. One major advantage of TIS is that clients may choose the specific modules they would like to utilize and can operate with a single module or all four. New modules can be easily added as a client's needs change, and the system can support as many users as necessary to sustain daily operations.

As the solution is configured, features like multifactor authentication (MFA), IP whitelisting, and single sign-on (SSO) can be enabled for clients to ensure system access is only granted to authorized personnel and company devices. TIS will also establish connectivity with any bank or back-office system that an enterprise is using so that all the data captured through the TIS platform can seamlessly flow to other entities and groups.

CASH & LIQUIDITY MANAGEMENT

TIS provides real-time insight into all of an enterprise's entities, banks, and accounts for 360-degree visibility and control.

BANK ACCOUNT MANAGEMENT

TIS enables enterprises to quickly review, edit, or report on bank account details and activity across their global operations.

ENTERPRISE PAYMENTS MANAGEMENT

TIS offers payments execution as well as balance and transaction reporting. Payments from TMS / ERPs and other systems can be supported as well.

BANK CONNECTIVITY

TIS specializes in providing global bank connectivity and financial messaging services for large multinational enterprises, non-profits, and other organizations.

SECURITY & FRAUD PREVENTION

TIS provides a range of tools and capabilities to protect enterprises, including MFA, IP safelisting, VPNs, multisignature authority, and more.

GLOBAL COMPLIANCE & REGULATION

TIS helps structure enterprise payments and banking workflows to manage compliance with FBAR, OFAC, GDPR, and other relevant regulations.

LEARN MORE ABOUT TIS

TIS is reimagining the world of enterprise payments through a cloud-based platform uniquely designed to help global organizations optimize outbound payments

Corporations, banks and business vendors leverage TIS to transform how they connect global accounts, collaborate on payment processes, execute outbound payments, analyze cash flow and compliance data, and improve critical outbound payment functions.

The TIS corporate payments technology platform helps businesses improve operational efficiency, lower risk, manage liquidity, gain strategic advantage — and ultimately achieve enterprise payment optimization.

Reimagine the world of Enterprise Payments with TIS.

Enterprise payments reimagined.

Learn more at www.tispayments.com »

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