PwC and SAP

Soluzioni ERP e approccio Fit-to-standard
a supporto dell'innovazione aziendale

Re-imagining your business
with S/4HANA Cloud and PwC's rapid
deployment for the intelligent enterprise

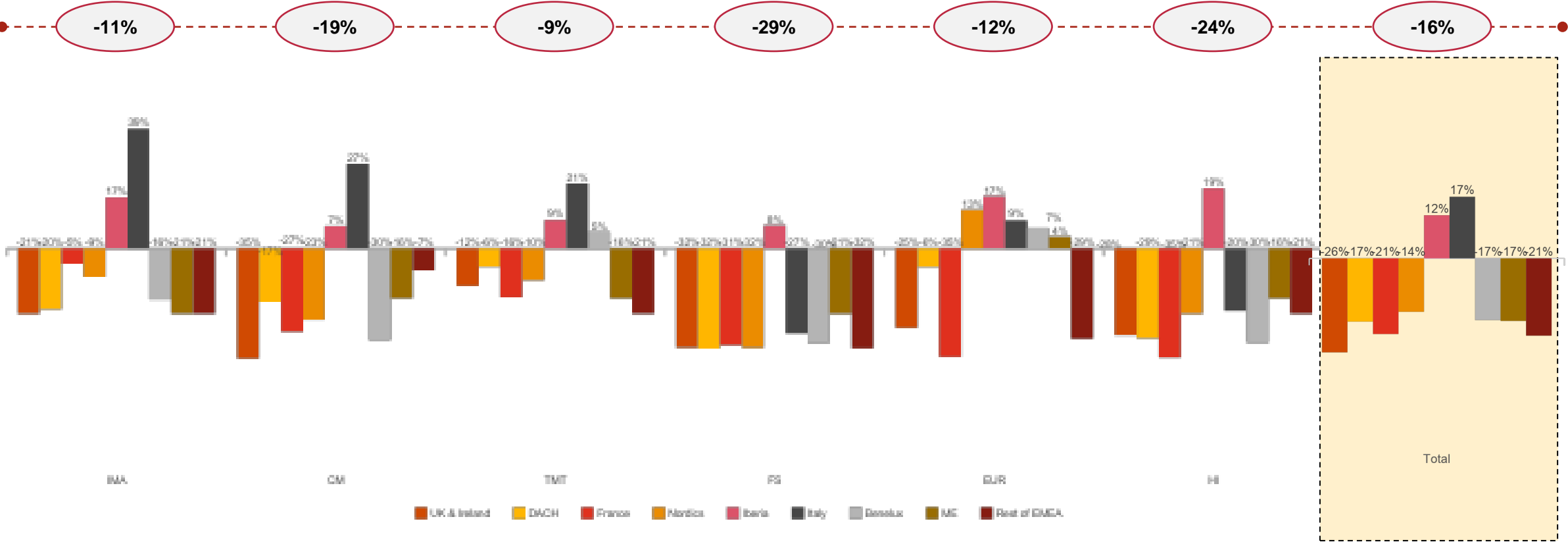June 27th, 2023 - PwC Tower, Milan

pwc

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Overview del mercato M&A, Carve out - trend di mercato
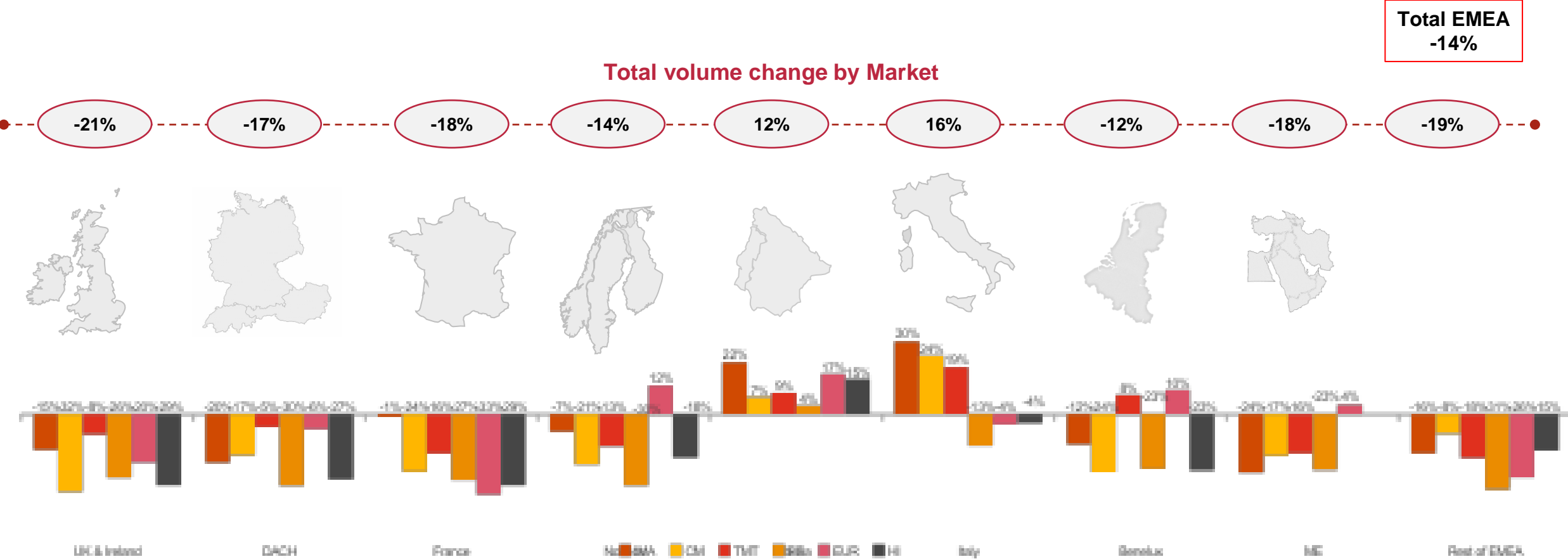
EMEA Markets: YTD - Volume Change

EMEA completed and pending deals, volume change, YTD FY23 v FY22 (July 2022 – April 2023)

YoY volume change by Industry
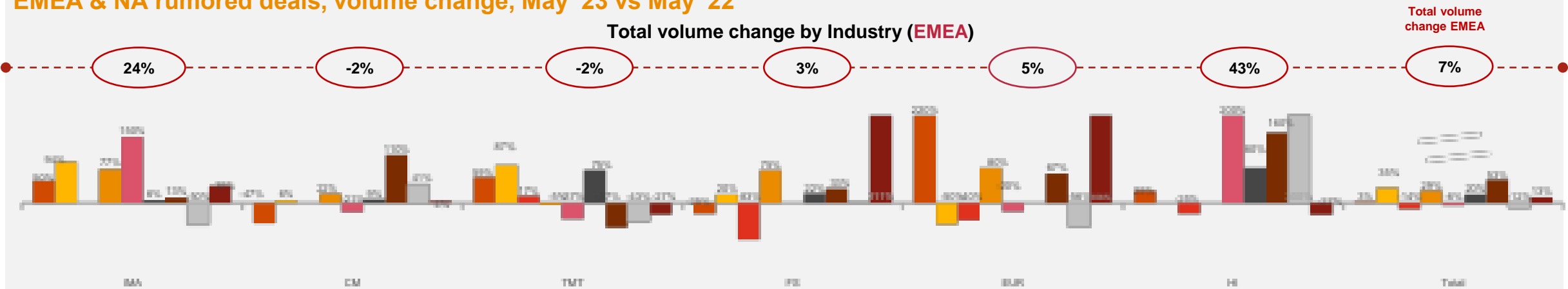
EMEA Markets: LTM - Volume Change

EMEA completed and pending deals, volume change, LTM (May 2022 - April 2023)

Total EMEA
-14%

Total volume change by Market

| -21% | -17% | -18% | -14% | 12% | 16% | -12% | -18% | -19% |

EMEA & NA Predictive Heatmap: May '23 Volume Change

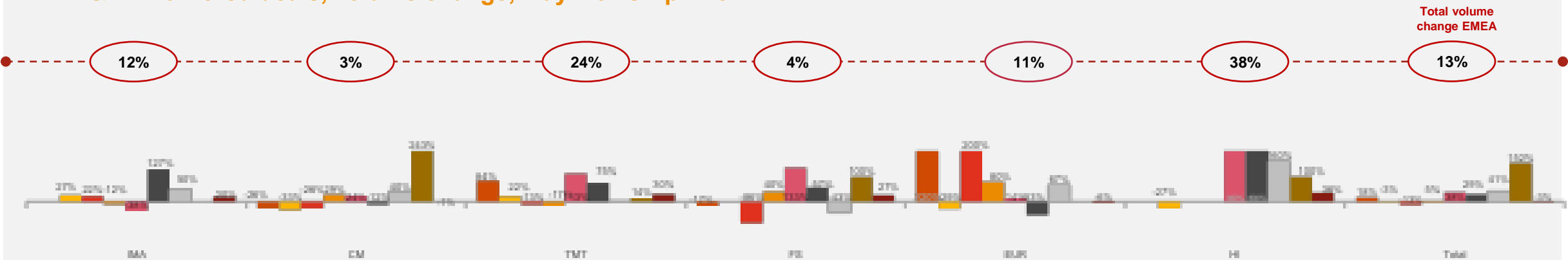**EMEA & NA rumored deals, volume change, May '23 vs May '22**

Total volume change by Industry (**EMEA**)

Total volume change EMEA

| 24% | -2% | -2% | 3% | 5% | 43% | 7% |

EMEA & NA rumored deals, volume change, May '23 vs Apr '23

Total volume change EMEA

| 12% | 3% | 24% | 4% | 11% | 38% | 13% |

Driving Value Through Divestiture: The winning formula

Our study explored the many reasons why divestitures are underused levers for value creation. Our analysis revealed the components needed to utilize the power of portfolio renewal and the value in divestitures–*the winning formula.*
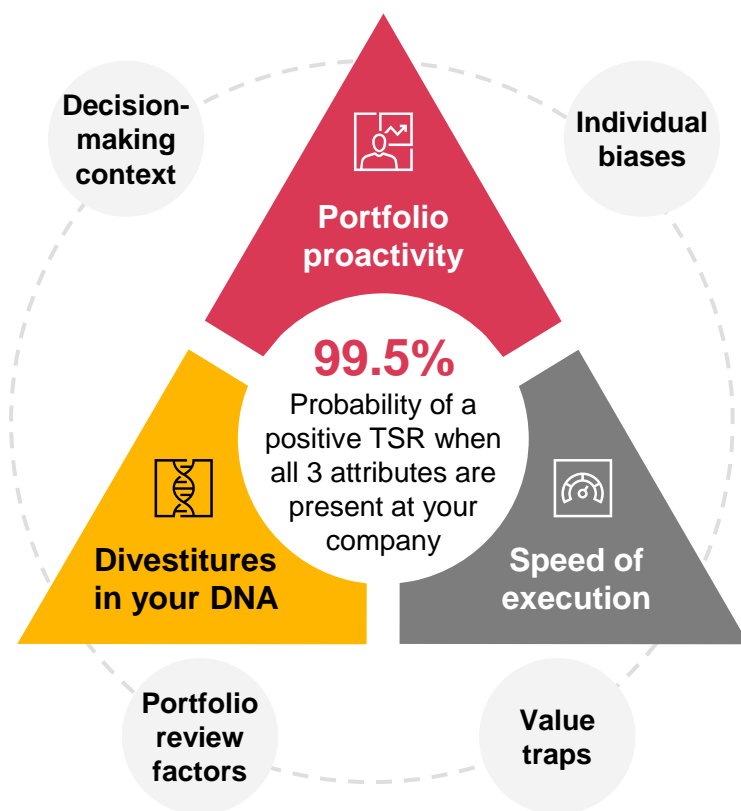
Portfolio proactivity

For public companies, there's a **five times increase in the likelihood of a positive return** when companies proactively review their portfolio and identifies a business that doesn't fit sooner**.**

Divestitures in your DNA

Companies that consider divestitures multiple times per year are more likely to deliver a positive TSR when they actually complete a divestiture. When a reinvestment plan is a key part of the initial divestiture decision, **the likelihood that a company will decide to divest at least once per year is 65% higher.**

Speed of execution

When the **time between announcement and close was less than 12 months, the median seller had greater excess returns compared to its industry peers — and even greater returns when close was less than six months.**

Driving Value Through Divestiture:
Start by applying a shareholder value lens to the portfolio

In order to achieve targeted shareholder returns, it is important to understand how value is currently distributed across all segments of the business

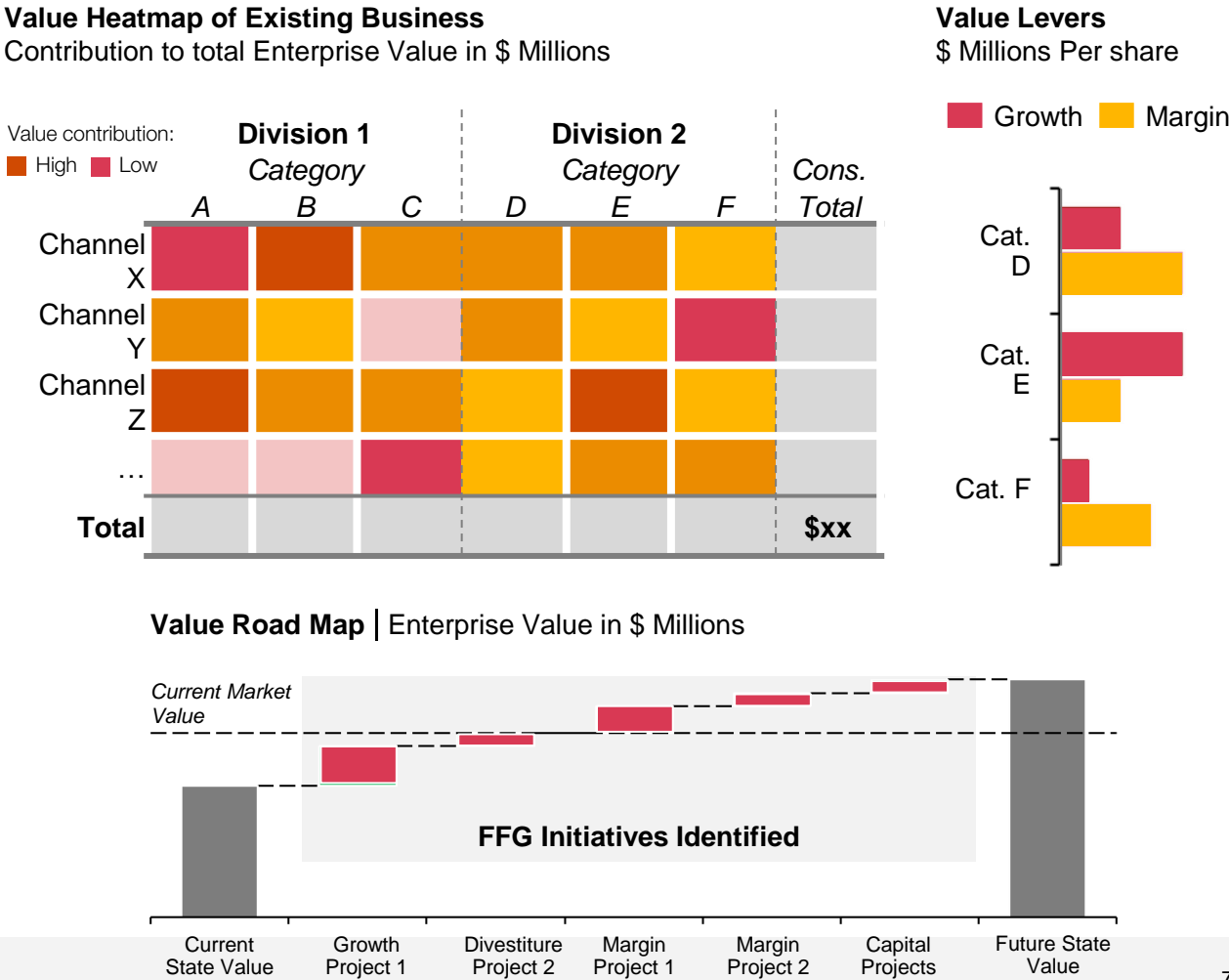### How We Can Help

Portfolio segmentation`

Identifying highest at-value levers

Opportunity value and Total Shareholder impact

Value roadmap

Value Heatmap of Existing Business
Contribution to total Enterprise Value in $ Millions

Value contribution: ■ High ■ Low

	Division 1 Category			Division 2 Category			Cons. Total
	A	B	C	D	E	F	
Channel X							
Channel Y							
Channel Z							
…							
Total							$xx

Value Levers
$ Millions Per share

■ Growth ■ Margin

Cat. D

Cat. E

Cat. F

Value Road Map │ Enterprise Value in $ Millions

Current Market Value

FFG Initiatives Identified

| Current State Value | Growth Project 1 | Divestiture Project 2 | Margin Project 1 | Margin Project 2 | Capital Projects | Future State Value |
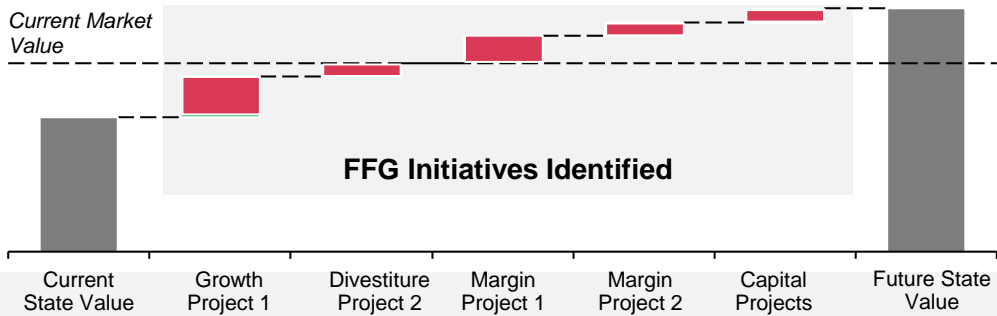
Transact to transform, transform to transact opportunity triggers

These triggers all lead to an opportunity to create a 'Value Creation Point of View'

Transformation conversations and opportunities often grow from initial specific interactions. Small steps lead to bigger opportunities. Below is a list of general topic examples that can lead to wider conversations and the opportunity to introduce our transformation expertise.

Transform through a deal

Scale / significance of change to business or operating model leads to transformational acquisition or divestment.

Value Creation requires transformational changes

i.e. post acquisition: what/how to transform to deliver the full potential value

Private Equity: Transform to close value gap

Original hypothesis no longer stands; hold timeline extended, need for different approach to value creation

Transform in order to transact successfully

Demerger leads to op model changes / separation of capabilities.

Organisation is underperforming or in distress

Requires restructuring and rapid transformation in a sequence that supports stability.

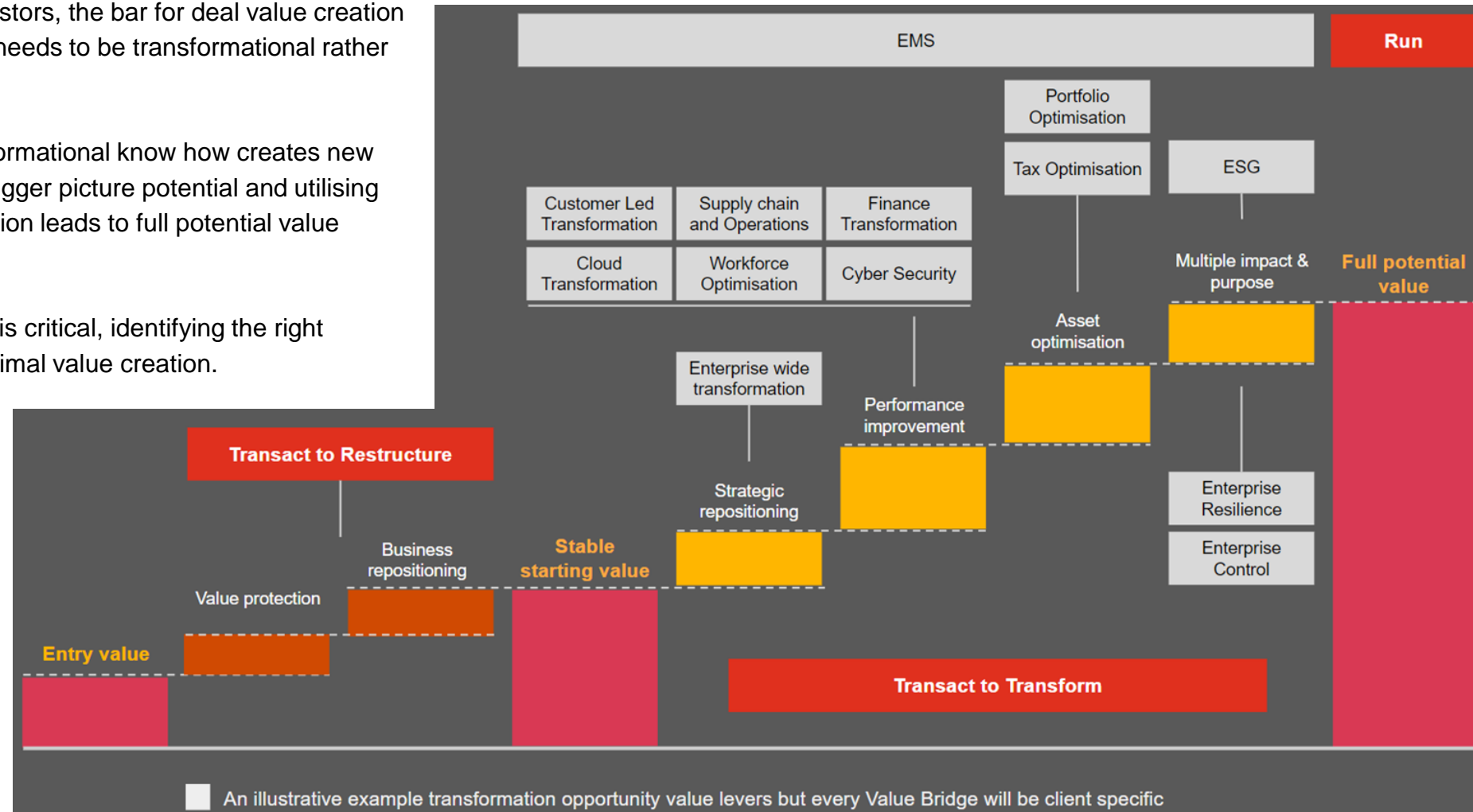# Transformational value lever opportunities across the Value Bridge

Blending transaction expertise with transformational know how creates new value creation opportunities

For buyers, sellers and private equity investors, the bar for deal value creation is rising. To succeed, value creation now needs to be transformational rather than incremental.

Blending transaction expertise with transformational know how creates new value creation opportunities. Seeing the bigger picture potential and utilising the transaction to fast forward transformation leads to full potential value realisation.

The correct sequencing of transformation is critical, identifying the right investment at the right time to achieve optimal value creation.

Alongside a focus on creating value, these external pressures mean that it is vital that organisations also seek to protect value. It is in this environment where we can support businesses to restructure in order to provide a platform for transformational growth. Transact to Restructure builds on the value creation approach providing the building blocks for the early stage "repair" and "rethink" sections of the value bridge.

An illustrative example transformation opportunity value levers but every Value Bridge will be client specific

M&AI and Carve Out

PwC integrated approach

We can provide an integrated approach to inorganic growth, from concept generation to <u>post-deal integration</u> or <u>separation</u>
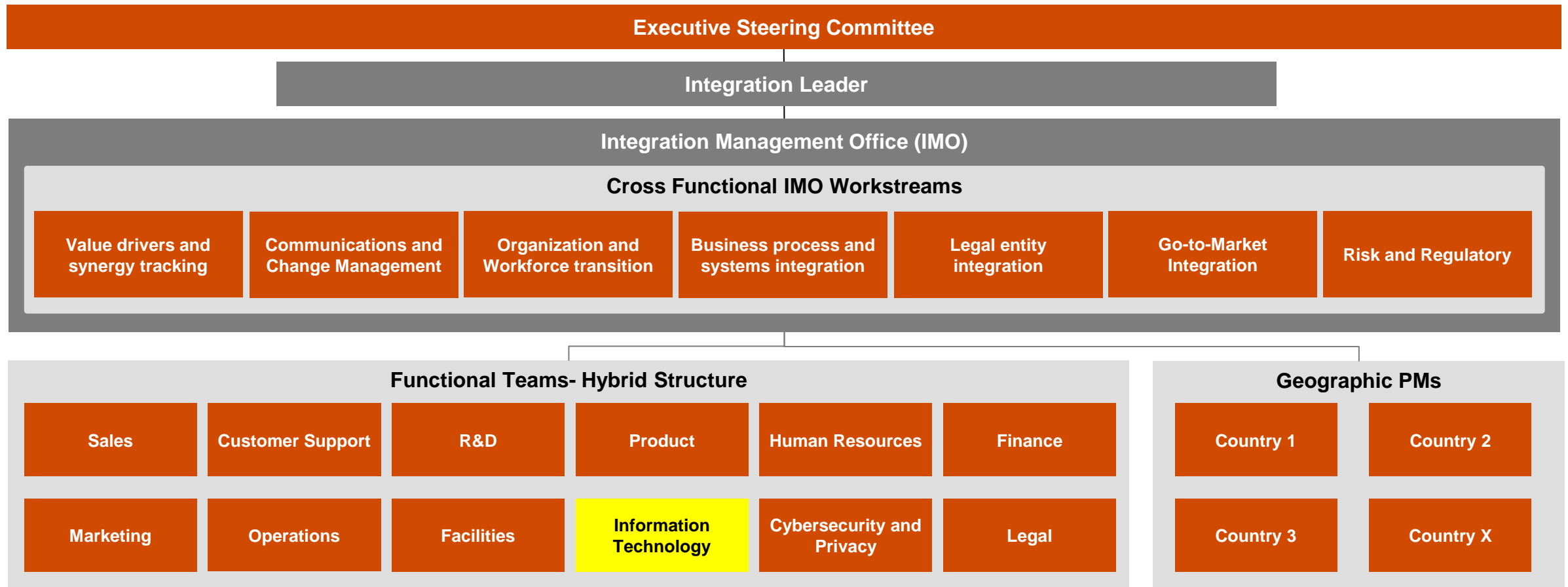
Concept Generation   **Binding Offer**   **Completion**

Deal Strategy

(A) Growth Strategy	(B) M&A Advisory	(C) Deal Execution	(D) Value Capture

Assess Strategy	Define Value creation plan	Shortlist Options	Prepare the Deal	Evaluate the Deal	Negotiate & Close	Take Control & Integrate	Transform & Grow

Understand the valuable options to maximize the dismissals and future partnerships

Properly prepare businesses and tools for a vendor due diligence process to meet buyer expectations and maximize value

Properly coordinate and manage a divestiture plan, through the engagement of buyers and partners

Fully capture deal value and achieve value creation objectives quickly

Our services (selection)

Growth Strategy	M&A Advisory	Deal Execution	Value Capture
Synergies Outside-In	Carve Out Design	Carve Out Execution / Carve Out DD	Post Merger Integration
Market Structure & Dynamics	PMI Design	Operations Due Diligence	Take Control/Finance Discipline
Capabilities Diagnosis	Value Plan vendor Assistance	ICT Due Diligence	Cost Optimization
Growth Strategy (Organic / Inorganic)	Assets Valuation	Synergies Review	Carve Out Optimization
Value Creation Hypotheses / Planning	Capital Raising / PE Financing	Day one readiness / 100 days plan	Operating Model & Tax Structuring
	Contract, Bid & Negotiation Support	Commercial Due Diligence	Post merger integration value creation initiatives
	Acquisition Target Screening	Financial Due Diligence	People / Cultural Integration
		M&A Execution	TOM Transformation
		Tax & Legal Due Diligence	

M&AI and Carve Out

Integration Governance

Governance to support value capture

Your integration team, supported by PwC and organized by functional and cross-functional sub-teams, translates the deal strategy into execution and manages the day-to-day implementation

Executive Steering Committee

Integration Leader

Integration Management Office (IMO)

Cross Functional IMO Workstreams

Value drivers and synergy tracking	Communications and Change Management	Organization and Workforce transition	Business process and systems integration	Legal entity integration	Go-to-Market Integration	Risk and Regulatory

Functional Teams- Hybrid Structure

Sales	Customer Support	R&D	Product	Human Resources	Finance
Marketing	Operations	Facilities	Information Technology	Cybersecurity and Privacy	Legal

Geographic PMs

Country 1	Country 2
Country 3	Country X

Vertical IT integration approach

IT integration approach

Key areas of IT integration focus and typical timing across the integration process for large-scale and middle market transactions.

Key functional areas	Phase I – Planning and Day One	Phase II – Interim	Phase III – End state
Infrastructure	• Delineate infrastructure shared and dedicated to the impacted acquired entity • Identify new replacement or redundant infrastructure for the acquired entity	• Deploy or consolidate infrastructure for the entity (e.g., data networks, voice systems, domain structures, audio/video conferencing, software and hardware deployment processes and systems management tools) • Contract vendors to assist as needed	• All Parent services and infrastructure should be online or decommissioned from the entity
Data Models	• Define the exclusive and shared master data elements for entity (Document Company's master data structure change) post signing • Document volume of data to be migrated and treatment of entity and customer confidential data • Identify potential risks and issues in data migration	• Create data migration plan – using internal resources vs. externally data migration experts • Contract vendors to assist as needed	• Master and customer data integrated or removed
Software	• Identify exclusive or shared applications by acquired entity • Identify critical business applications to be available on Day One • Identify replacement applications to support any business processes	• Define approach for management reporting, application usage, systems access, and training for the acquired entity • Contract vendors, develop new applications and services as needed	• Application portfolio rationalized • Refined process, support, and governance for new apps • Perform new implementation to reach buyer TOM

▲ Announcement   ▲ Deal close   ▲ 100 days post close

IT integration tactical considerations

Enterprise architecture	• Planned architecture for network, data, voice, computing, directories, platforms, and operating systems • Identified architecture gaps to minimize impact to the long term IT integration strategy • Validated incremental investment(s) to achieve an integrated target state

Application management	• Availability of critical business applications on Day One • Defined approach for management information, application usage, systems access, and training • Agreed standard for business apps and a roadmap for integrated enterprise systems

Infrastructure management	• Architected IT infrastructure for data centers, data networks, voice networks, email and calendaring • Streamlined infrastructure including single, shared data networks, voice systems, domain structures, audio/video conferencing, software and hardware deployment processes for PC workstations, and systems management tools

Systems operations/ support	• Developed procedures and processes to deliver enhancement of information technology central to day-to-day customer support • Support structure for enterprise change management, service level agreements, help desk support, asset management, and training support

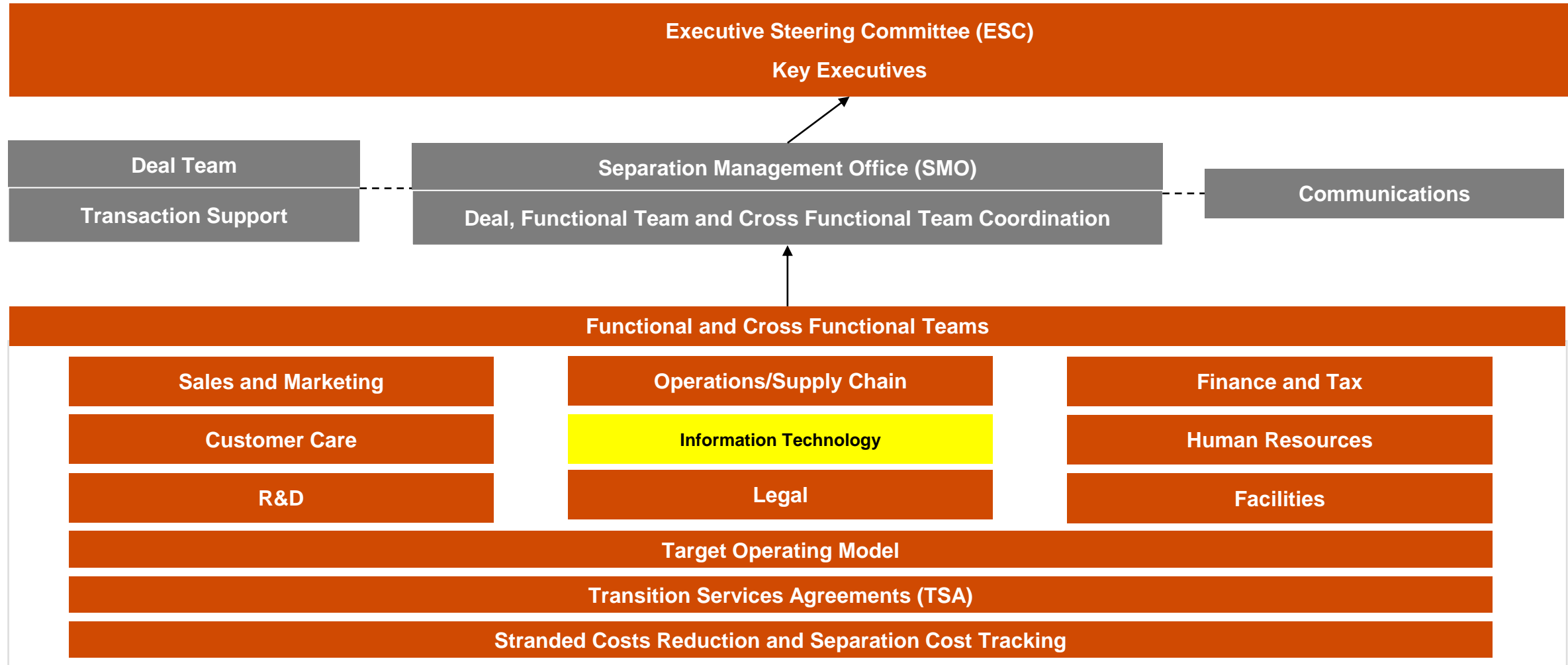|	
Information security	• Interim and long-term plans for an integrated Information Security organization including disaster recovery, business continuity planning, and backup policies and procedures • Common security governance and architecture • Integrated incident response, access management for new employees and select non-employees, and security compliance

IT business operations (IT organization)	• Defined roles for IT project management, governance, compliance and IT vendor management • Defined accountability and reporting relationships throughout the IT organization • Compliance standards for all document or data retention requirements • Defined outsourcing strategy that meets the needs of the combined business

M&AI and Carve Out

PwC carve out governance

Governance to support value capture

Executive Steering Committee (ESC)

Key Executives

Deal Team	**Separation Management Office (SMO)**	**Communications**
Transaction Support	**Deal, Functional Team and Cross Functional Team Coordination**	

Functional and Cross Functional Teams

Sales and Marketing	**Operations/Supply Chain**	**Finance and Tax**
Customer Care	**Information Technology**	**Human Resources**
R&D	**Legal**	**Facilities**

Target Operating Model

Transition Services Agreements (TSA)

Stranded Costs Reduction and Separation Cost Tracking

M&AI and Carve Out

Vertical IT carve out approach

IT carve out topics

IT topic	Description
Day 1 obligations / closing conditions	**Description of all preparations** to be performed by Seller, e.g. set up standalone systems
Transitional Services	**Description of any service provided by Seller** for a transitional period from Day 1 to Day 2 (Standalone). Usually, IT is one term sheet of a comprehensive TSA
Licensed software	The schedule would cover software developed or programmed and owned by Seller. This can be either entire applications or adjustments (coding) to a third party software where Seller owns this code (IP).
Transferred contracts	For IT, this is mainly related to **software license agreements** with the software vendor, as well as some support and service contracts
IT assets	This would cover hardware mainly like servers, storage devices, notebooks, etc. Usually, differentiate infrastructure and end user devices
Mixed contracts	Contracts that would allow Seller group legal entities to make use of it. E.g. printers or Microsoft
Books and records	Regarding IT, records stored in systems are equally critical as data in files on personal devices or shared drives. E.g. sales history

IT separation considerations

The following is a summary of some of the key IT separation action items organized by major IT towers.

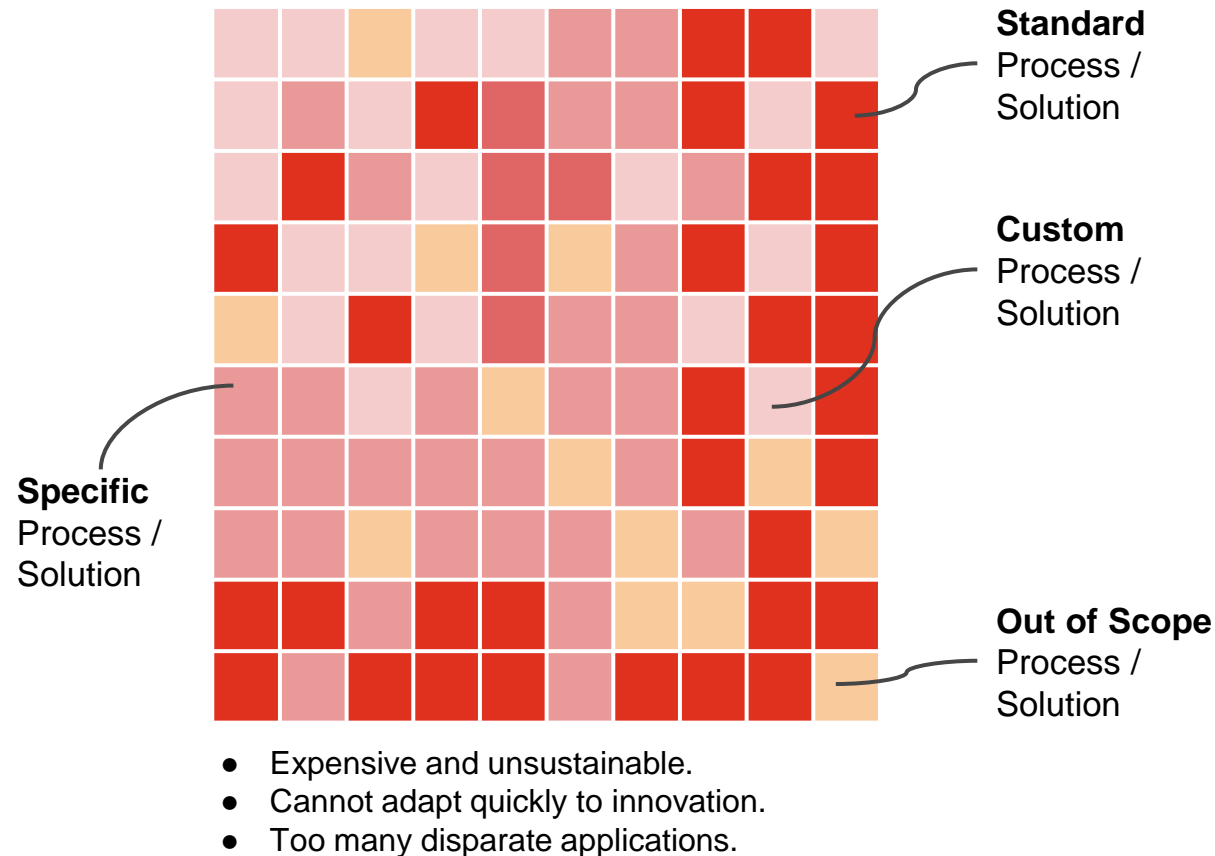| Applications	Organization / Shared Services	Infrastructure & SOPs	Security & Controls
I. Understand Future Business Operations Meet with business leaders to understand business processes changes, organizational restructuring, dependencies, and timing. **II. Design the Target Operating Model** Map future business operating plans to the existing business applications portfolio and supporting data. For each business, identify the optimal transition approach to deploy a future-state (e.g., "lift and shift", "clone and go", or rebuild / modify) environment. **III. Develop the Transition Plan** Map out the tactical action steps including milestones, timelines, dependencies, owners, and costs. **IV. Develop Post-Deal Optimization Plan** Once separate, develop optimization plans including, but not limited to: retire legacy systems, eliminate unnecessary enhancements, and deploy next-generation solutions.	**I. Define the Future-State Operating Structure** Based on decisions made by the applications and infrastructure teams, define the go-forward IT and SSC operating structure (e.g., internal or source) and SLAs for each unique business unit. **II. Map and Gap Existing Talent** Map existing talent within the global IT and SSC team to the specific units. Balance the demands of each operating unit with the skills and experience required. **III. Solution Design for Major Staffing Gaps** Identify solutions to fill staffing gaps by either recruiting new talent or engaging qualified Partners to provide external services. **IV. Develop the Transition Plan** Develop an action plan (including timing and dependencies) to either recruit new resources or to identify, select, and engage qualified third-parties.	**I. Inventory and Address key IT Assets** Inventory existing software, hardware, and equipment assets and map each to their future owner. **II. Evaluate Future Operating Structure** Strategize on the future operating structure for each business unit (i.e., insource, outsource, leverage the cloud). **III. Map As-Is to Target Operating Model** Map existing infrastructure components and services to the targeted operating structure. Develop the detailed action plan to address transition and gap items. **IV. Partner Engagement** Identify, select, and engage key partners to provide future infrastructure services. Once engaged, develop transition plans and address key risks. **V. Acquire Components and Deploy** Identify and establish vendor relationships for required assets (i.e., the gaps) and begin the acquisition process.	**I. Evaluate Changes to Future Environment** Collaborate with Applications and Infrastructure teams to understand and identify changes to the future-state IT environment. **II. Map and Gap Security / Control Changes** Identify potential security and controls gaps as a result of changes to both the transition and future-state IT environment. **III. Implement Compensating Controls during the transition** Implement compensating controls and security measures during the transitional period. **IV. Design Long-Term Controls/Security** Design the long-term security and controls model to support the future-state operating model and develop a tactical implementation plan to execute.

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L'approccio progettuale

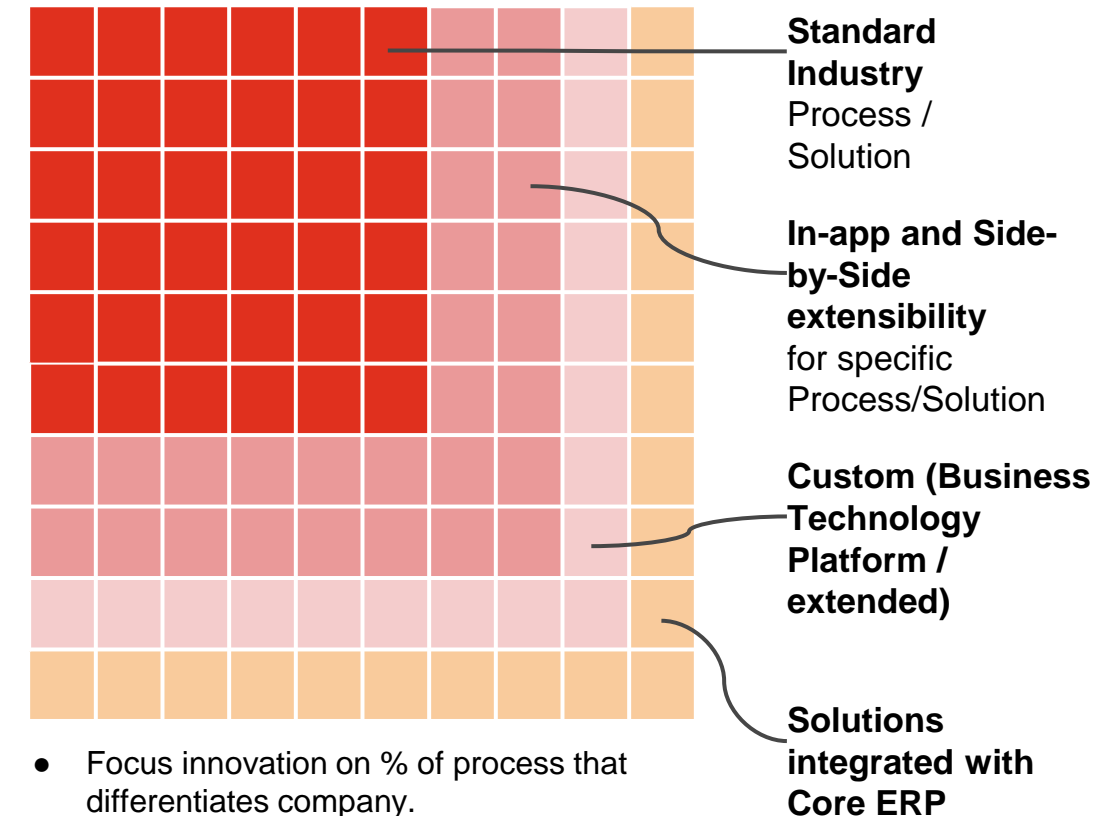# S/4HANA Cloud, public edition: The Concept

Current SAP ERP solution

Complex, siloed, customized IT Solutions & processes

Standard
Process /
Solution

Custom
Process /
Solution

Specific
Process /
Solution

Out of Scope
Process /
Solution

- Expensive and unsustainable.
- Cannot adapt quickly to innovation.
- Too many disparate applications.

SAP S/4HANA Cloud, public edition

Simplified, Market Standard IT solutions & business processes

Standard Industry
Process /
Solution

In-app and Side-by-Side extensibility
for specific
Process/Solution

Custom (Business Technology Platform / extended)

Solutions integrated with Core ERP

- Focus innovation on % of process that differentiates company.

Your transformation to SAP S/4HANA Cloud, public edition

The journey to a true software-as-a-service ERP Solution

What are the benefits of a transformation to SAP S/4HANA Cloud?
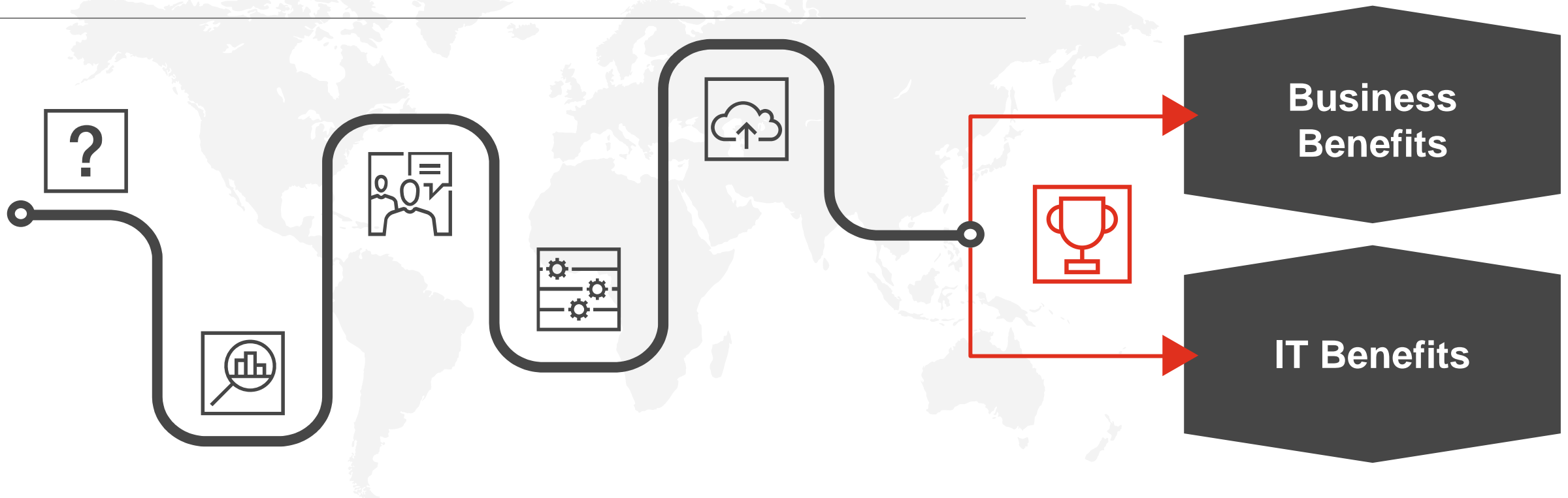
S/4HANA Cloud, public edition: Business benefits

Business users can expect standard, leading practice processes, more frequent updates in functionality, and improved analytical and reporting capabilities

Data Model homogeneous

- Alignment of data model between headquarter and subsidiary.
- Make prompt decisions with greater transparency across transactions and analytics.
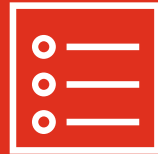
Simplified Business Processes

- Process simplification based on leading practices.
- Improved efficiency (through training, onboarding, etc) by using a standard set of processes for non-strategic business capabilities.

Embedded Analytics

- Instant insights and narrative building.
- Predictive analytics leveraging in-memory data processing.

User Experience

- Simplified onboarding process via standard test scripts and training options.
- SAP Fiori interface makes the solution more user friendly.

Frequent Updates

- Frequent updates provide client fast access to new functionality and leading processes.
- Reduced business disruption as updates are rolled out (instead of large, complex upgrades).

S/4HANA Cloud, public edition : IT benefits

Mitigated risks and reduced cost of ownership free IT resources to focus on the business

Streamlined & rapid Implementation

- Custom configuration and testing tools provided by SAP.
- Frees time to focus on business process improvements as opposed to tech implementation.

Native Integration

- Easily integrate SuccessFactors, Ariba Network, Hybris, Fieldglass, and more.
- Access to a broad array of cloud-based APIs available for immediate integration.

Fit-to-Standard

- Designed to guide a simplified SAP landscape through leading practices.
- Consistent deployment schedule and timeline.

Dynamic Extensibility

- Use of Extensions and APIs allow new channels of innovation, development, and value.
- Scalable to other SAP Cloud solutions with end-to-end processes.

Reduced Total Cost of Ownership

- Maintenance and ongoing support handled by SAP.
- Opportunities for system and landscape consolidation.

Moving to S/4HANA Cloud requires a significant change in mindset for client IT and businesses

Clients should focus on aligning to the standard and minimize customizations

Typical on Premise projects use _Fit to Gap_
Resolve gaps between requirements and system capabilities

Starting with Business Requirements

Align on customer needs → Map needs to standard solution and configure → Develop customizations to fill gaps
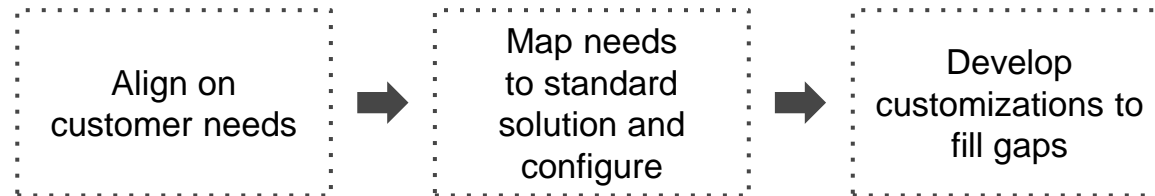
Considerations:
- Time consuming upfront fit-gap analysis.
- Onsite infrastructure maintenance and updates requirements.
- Ongoing specialized support needed.
- **Higher degree of flexibility with solution and customizations allowed**.

Cloud Projects focus on _Fit to Standard_
Resolve gaps between requirements and system capabilities

Starting with Leading Practices

Demo Process → Align on customer needs → Map needs to standard solution and configure

Considerations:
- Faster implementation timeline.
- Preconfigured business processes and solutions provided as leading best practices.
- **Minimal customizations allowed – clients may need to change processes to align to standard**.

PwC Transform methodology aligned with SAP Activate

We recommend to start the implementation with PwC Deployment Assessment in order to take an informed decision and to use customer success tools
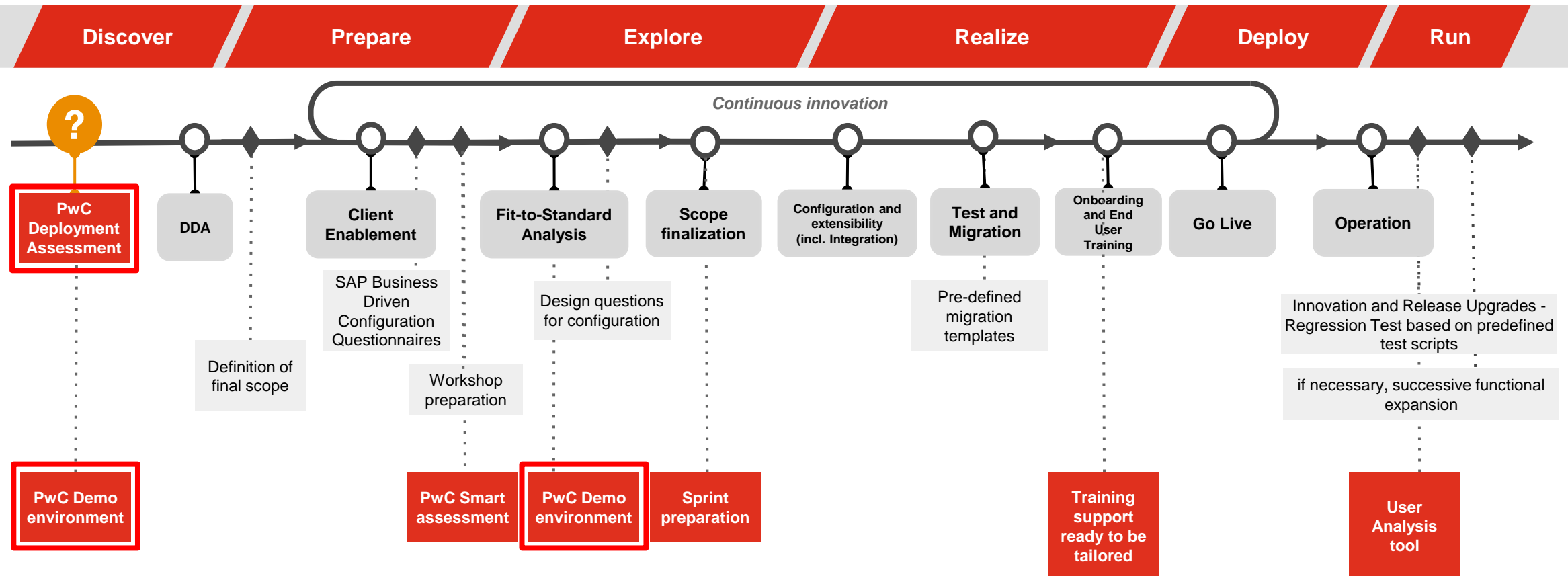
The Deployment Assessment covers the key areas that will shape the S/4HANA Cloud Roadmap

| **1** Understanding of core processes and key requirements	**2** Deep dive on key potential red flag topics	**3** Analyze localizations (country specific need)	**4** Conclusions and roadmap

Organisational Readiness

- Cultural fit and the willing to go into the public cloud
- Need for support through change management measures during the implementation
- Organisationally feasible pace for the rollout
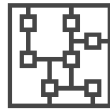
Processual Readiness

- Level of processes standardisation
- Complex and integrated processes, e.g. project management, treasury, procurement
- Local requirements
- Reporting requirements

Technical Readiness

- Technical Limitations,need to be considered, e.g.system settings that can't be defined individually
- Requirements for automation and output management
- Need for additional SAP products / licences to cover the business requirements
- Compatibility of satellite systems with SAP S/4HANA

PwC KISS (Keep It Simple and Standard) demo environment ... to gain awareness

Main numbers…

3+ years

Build and improved with our experience

150+

Scope Items activated

6

"Old" SAP modules available: MM, SD, FI, CO, QM, PP

65+

Test scripts created and ready-to-use and more accelerators available

20+

Migration and other Templates available to be used

15+

User Stories to be presented

Examples of coverage

Order-to-Cash
- From Sales Order to Billing
- Business Partner
- Revenue Recogn.
- Dunning Procedure

General Ledger
- BS and P&L by segment
- Accrual & Deferral Engine
- Italian Localization

Treasury
- Electronic Bank Statement
- Cash Flow reporting

Purchase-to-Pay
- From PR to Invoice Verification
- Workflow alerts
- GR/IR Reconciliation

Closing Procedures
- Accrual & Deferral Engine
- Financial Closing Cockpit
- Intercompany Reconciliation

Controlling
- Plan/Act/Commit reporting
- Overhead Cost Allocation

3

VP Solar Case with Tadiran

VP Solar introduction

- VP Solar is a company founded in 1999, specialized B2B distributor of energy systems for Photovoltaics, Storage, Heat pump, Air Conditioning, Charging equipment for electric cars and Energy saving and innovative technologies
- In Jan. 2022, israelian Tadiran Group enters in VP Solar giving life to of the main specialized distributors in the world

"Renewables, innovative and efficient technologies give us great opportunities; green economy is not just a slogan for us, but our daily commitment"

Technologies

Photovoltaics   **Storage**   **EV-chargers**   **Heat pumps**

Foundation, PV distribution and system integration.

Focus on **B2B distribution**, lean and effective organization with **SAP Business ONE**.

Leading role in the Italian market and **huge growth of exports**.

Move to **SAP S/4HANA Public Cloud** and **SAP Analytics Cloud**.

1999   2008   2011   2017   2020   2022   2023

Straight growth, Conto Energia in Italy, about **1.000 installations**.

Energy solutions, exports start to grow.

**Tadiran**, a leading player in the fast-growing renewable energy market, enters in VP Solar capital in 2022.

Global Leader in distribution of energy systems

Program Vision:

Transform, Innovate and Simplify our processes adopting best practices and standardization features to free up resources.

How PwC and SAP helped?

We moved from SAP Business ONE to SAP S/4HANA Public Cloud and consolidated business processes and standardizing them as much as possible through Best Practices adoption, streamlining the communication and reporting to Tadiran.
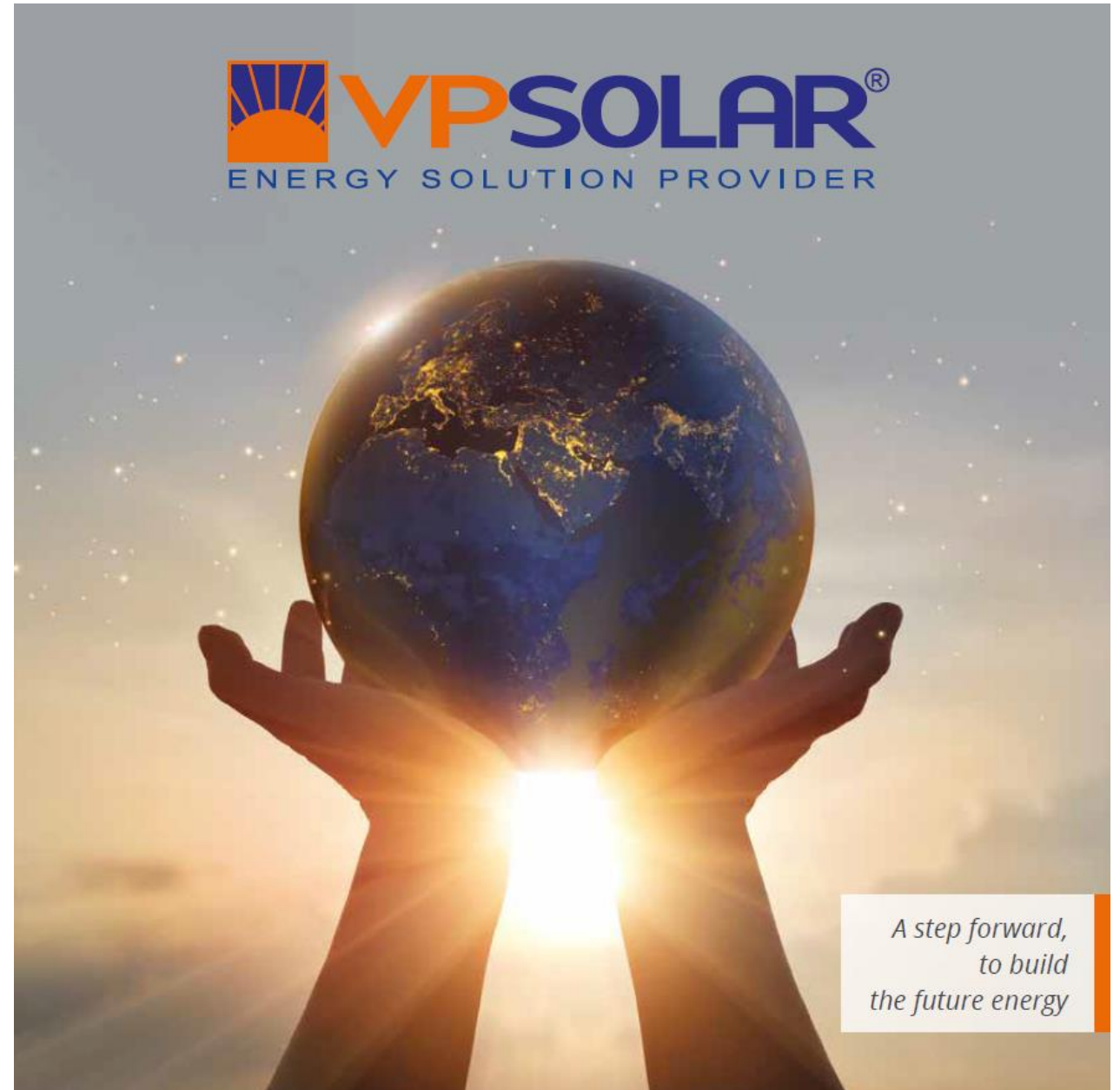
Project Goals and Benefits

Project key figures

Project duration: September 2022 - April 2023 (Go-Live date)
Industry: Distribution of energy systems
Topic: S/4HANA Public Cloud implementation
Processes: Finance & Controlling, Sourcing & Procurement, Sales, Treasury, Tax

Main Success Factors

- **PwC Assessment** to evaluates our process scope and requirements through relevant questions, which helped to identify potential "red flags" for using S/4HANA Cloud
- **Mitigation of risks** of Data Migration running two real data simulation, and stress test of the requirements
- **Sprint approach combined with usage of a "real" system** to create together the solution and let the business understand how the new solution would be

Achieved results

- Clear Roadmap for the implementation, including Timeline, key milestones and dependencies
- Efficiency improvements between 20-25%: it has been estimated that 20% of workforce can be dedicated on activities with "more value added"
- Impacts on change management: processes and approval workflows are now clearly defined in SAP, giving us the access to data in real-time

Crucial points in our journey

PwC supported us in the journey to S/4HANA Cloud implementation, and some attentions have been crucial for our success

Project Management	Ensure timely identification and availability of Business and IT stakeholders for quick dependency and issues resolution.
Sprints approach	Sprints to enable requirements might take more time than estimated. You should always have a buffer in the timeline to accommodate unexpected delays
Training	Continuous training is part of the approach starting from the design phase. Business was much more involved in the beginning than we were expecting. At go live date business users were almost ready to use autonomously the system.
Data Migration	Standard S/4 tools have been used and integrated with PwC accelerators to fill in custom requirements. Anticipate the evaluation on how to perform data extraction.
Starter System Provisioning	Work with SAP to provision the system before the PwC project team hits the ground. This way you avoid wasting cycles while the team waits to start design and configuration activities. PwC helped us with their own Demo KISS (Keep It Simple and Standard) system.
License evaluation	Work closely with your partner to review carefully number and typology of SAP licences.

Thank you