

Procurement's Value in the Midst of Mergers & Acquisitions

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Mergers & Acquisitions – Global Deal Data

Global M & A Deals		
August 1, 2009 - October 30, 2009		
Industry	# of Deals	Value (\$M)
Financials	632	\$ 37,243.6
Non-Cyclical Consumer Goods / Serv	353	\$ 36,422.9
Technology	578	\$ 33,794.8
Cyclical Consumer Goods / Serv	771	\$ 31,940.1
Energy	398	\$ 31,700.8
Basic Materials	663	\$ 26,253.4
Healthcare	333	\$ 21,665.6
Industrials	829	\$ 17,944.6
Utilities	220	\$ 10,213.9
Grand Total	4777	\$ 247,179.7

Reuters.com / Finance / Deals / Mergers 11/6/2009

2 Big Deals and the Search for an M.&A. Market

November 3, 2009,

Announced late Monday afternoon, was [Stanley Works' acquisition of Black & Decker for \\$3.5 billion in stock](#).

The second, announced Tuesday morning, is truly a blockbuster deal: [Berkshire Hathaway's acquisition](#) of the remaining 77.4 percent of [Burlington Northern Santa Fe](#) for \$26 billion in cash and stock.

Abbott to Buy Solvay Drug Unit for \$7 Billion

September 28, 2009

Deal opens avenues to emerging markets while adding heart and hormone treatments as well as a Flu Vaccine.

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Indicators of Growth: Investments

Business Executives' Expectations on Capacity Building

48% of executives expect higher R&D expenditures in the next 12 months and 66% expect more M&A deals

Executive Summary

Business Executives' Sentiment: The U.S. economy's 4th quarter of 2009... Business Executives' Sentiment... U.S. economy... recovery... capacity building... M&A deals...

48% of executives expect higher R&D expenditures in the next 12 months and 66% expect more M&A deals

in an economy coming out of the recession, with credit still tight and improving slowly, M&A is going to be a more important source of building capacities than R&D or capital expenditure.

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Speaker Qualifications

Southern Tea Company

→

GT General Tea Company

Southern Tea Company

→

Tetley *Pair a better state of mind.*

→

→

Premier Parks

Solvay Pharmaceuticals

→

→

Unimed Pharmaceuticals Llc

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Speaker Qualifications



Procurement Initiatives That Drive Savings

- Leveraging spend across Indirect categories
- Consolidation of the supply base
- Introduction of change management initiatives
- Center-Led focus in key commodity areas
- Influencing functional areas through Cross Functional Initiatives
 - Eliminates the emotions
 - Decisions driven by data
- Identifies all spend data associated with a category
- Raises the bar for current supply base

SABMiller-Molson Coors joint venture approved

Fri Jun 6, 2008 7:11am BST
Diane Bartz - Reuters UK

"After a thorough, eight-month investigation ... the division has determined that the proposed joint venture between Miller and Coors is not likely to lessen competition substantially," the Justice Department's Antitrust Division said in a statement.

The division found the joint venture was likely to produce "substantial and credible" savings that would cut the companies' costs of producing and distributing beer.

The companies said in a joint statement that they expected \$500 million (250 million pounds) in annual savings.

"This combination will not only generate significant growth and cost synergies, but will also create tremendous opportunities for innovations," SABMiller Chief Executive Graham Mackay said in the statement.

Last October, SABMiller and Molson Coors said they would combine their U.S. operations to create a business that will have annual sales of \$6.6 billion and be the second-largest U.S. market player behind Anheuser-Busch.

Once the deal is completed, which is expected around June 30, Anheuser-Busch and the new SABMiller joint venture would control roughly 80 percent of the U.S. beer market.

The beer industry is experiencing a wave of consolidation.

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Primary Pre-Merger Guidelines

- Opportunity to segment expenditures into categories to develop sourcing strategies
- Contract review to identify quick hit opportunities
- Utilize cross-functional stakeholders to define specifications, processes and buy-in
- Define specifications and usage patterns to determine best value for the “new” company

Day one the new emerging company should implement sourcing approaches that meet the internal needs against supply market options to find Total Cost of Ownership (TCO). This approach allows the new company to assess the existing supply base and negotiate with suppliers that can provide the “best” strategic advantage.

Key areas to asses with the existing supply base from both merging companies:

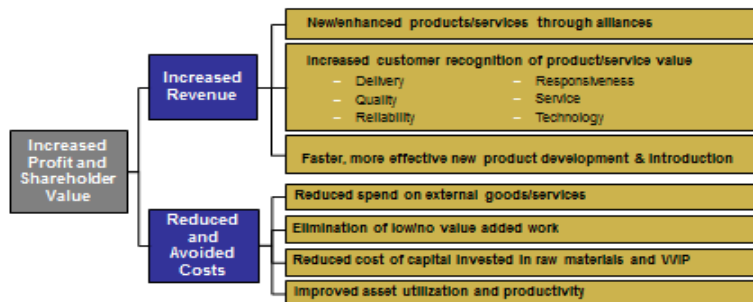
- Not all current suppliers will blend well in the “new” corporate culture
- Past dependency upon a supplier does not always equate to lowest cost and best value
- Not all incumbent suppliers will assist with change management in the new company
- Managing supplier communications is essential to internal and external change management. A detailed supplier communication plan must be supported by Sr. Leaders and implemented quickly.
 - Leading technology tools can change the way you interact with an incumbent supplier
 - Adoption of supplier score carding for suppliers is essential in managing the transition

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Purchasing Objectives in the new Organization

Link to Shareholder Value

A holistic view of supply management and sourcing can improve cost, productivity, competitive advantage and shareholder value.



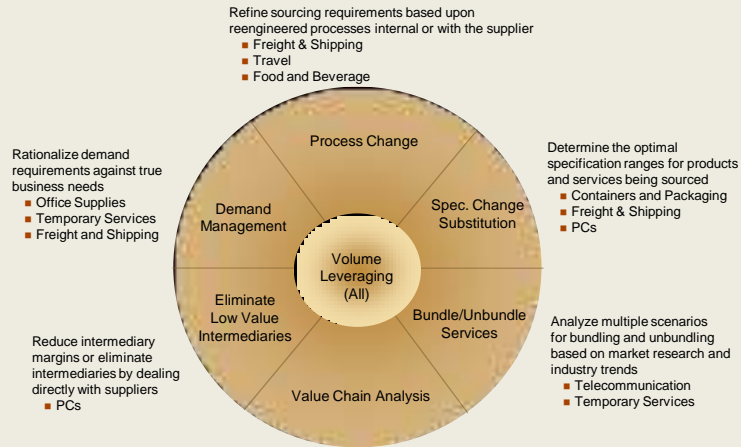
Best in class companies influence both demand and supply behaviors through this integrated approach and invest in supply management as a core competency.



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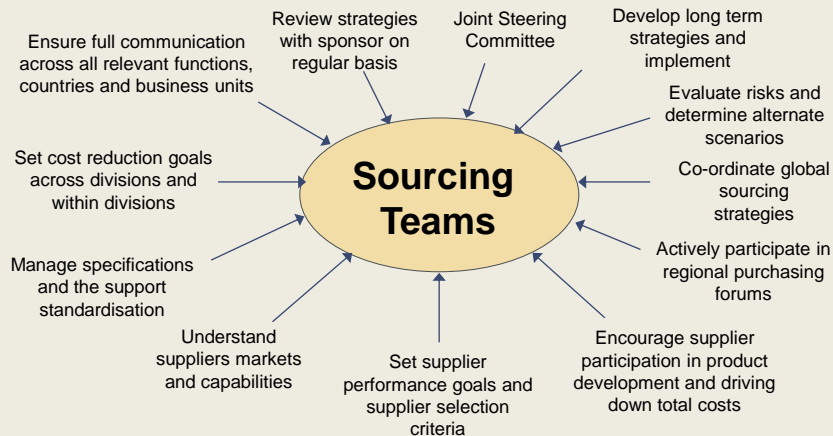
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Sourcing uses combinations of seven sourcing strategies to obtain savings across categories



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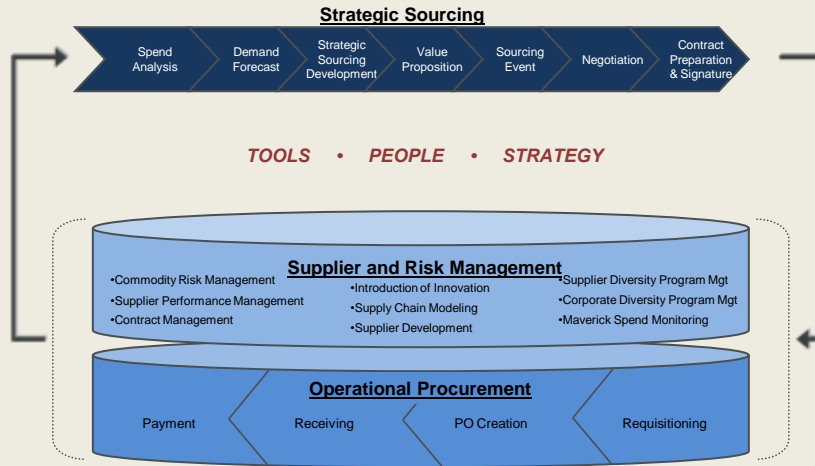
Sourcing Teams



Deployment of cross-functional teams at an early stage of the game is key to success.

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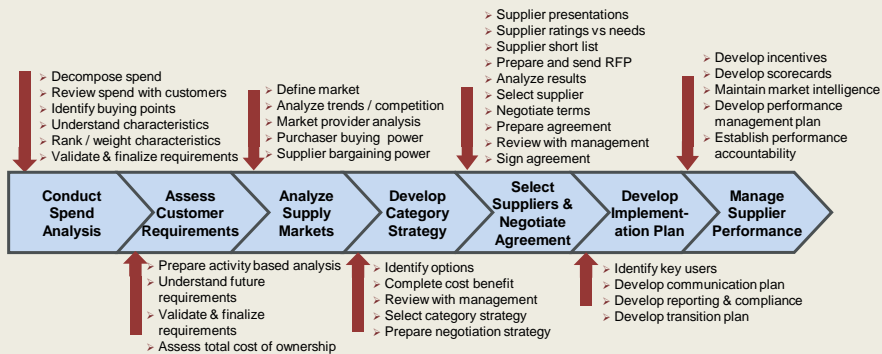
Integrated View of Procurement



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Strategic Sourcing Process

The Strategic Sourcing process is comprised of seven highly integrated steps.



Maximizing value for a diverse spend portfolio requires a company to employ a range of best fit objectives, strategies and tactics.

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We believe that Procurement & Supply Management aligns in three functions: Strategic Sourcing, Supply Management and Operational Procurement

- Strategic Sourcing
 - Leads sourcing projects utilizing consistent tools and methodologies.
 - Responsible for supply market analysis, project leadership and commodity management.
- Supply Management
 - Takes sourcing projects through to implementation and execution.
 - Responsible for supplier performance management, supplier continuous improvement activities and ongoing business relationship.
- Operational Procurement
 - Day-to-day tactical execution of buying, expediting and supplier administration



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Establishing A Commodity Roadmap

Commodity Roadmap	Business Owner	Estimate of Spend	Estimate of Revenue	Identification of Stakeholders	Opportunity	2005	2006	2007	2008	2009	7 Step Status	Project Status
Sourcing Project												
Beer Transportation (Fragrant)	BYAN EBEL	\$ 150,000,000		Chris Metzger, Rick Roggen, Pat Schaeffer			X					
Engineering (Energies contracts)	Diane Bean	\$ 110,000,000		Vivian Miller, Ben Scheraga								
ISI Benefits	Chris Metzger	\$ 60,000,000	\$ 4,800,000	George Martin, David Farnon, Brian Gane				X				
Steam	Diane Bean	\$ 37,830,624										
Consultants/Professional Fees	Paul Jaffe	\$ 35,000,000	\$ 3,100,000	Devin Ruffar, Ben Scheraga	\$ 3,000,000			X				
MSO	Marjory Peterson/Steve Jaffe	\$ 29,000,000	\$ 201,000	Tom Kasper, Tom SBBU, VISHA		X					6	
Promotional	Deval Logan	\$ 26,700,000	\$ 2,670,000	Tom Kasper, Tom SBBU, VISHA	\$ 3,000,000		X				4	
China	Deval Logan	\$ 20,000,000	\$ 2,000,000	Cherston, Jenn Scheraga	\$ 3,000,000	X					6	
Chemicals	Thomas Schaeffer	\$ 15,100,000	\$ 1,500,000	Chris Metzger, Jack Bluffington					X			
Non-Beer Transportation	Mike Kessler	\$ 21,000,000	\$ 1,000,000		\$ 1,000,000	X					6	
Coal	Diane Bean	\$ 10,043,826		George Martin, Don MacDonald, Taylor					X			
Temp Labor	Chris Metzger	\$ 13,640,000	\$ 800,000	Ben Scheraga, Vivian Miller, Brian Gane, Chris Metzger			X				3	
Travel Management/Travel	Ben Ebel	\$ 11,342,000	\$ 367,000	Ben Scheraga, Ryan Scheraga, Paul Jaffe			X					
Natural Gas (Gordon)	Diane Bean	\$ 10,300,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe				X				
Electricity	Diane Bean	\$ 9,341,100		Ben Scheraga, Ryan Scheraga, Paul Jaffe			X					
Facilities Maintenance	BYAN EBEL	\$ 9,000,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe					X			
Marketing Research	Wesley Wilson	\$ 7,800,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe				X				
CO2 Advertising	Wesley Wilson	\$ 4,000,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe				X				
Printing/Books	Deval Logan	\$ 2,000,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe					X			
Legal	Deval Logan	\$ 1,600,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe						X		
Natural Gas (Contribution - Gordon)	Diane Bean	\$ 910,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe						X		
Advertising		\$ 850,000,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Marketing		\$ 60,000,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Construction		\$ 47,418,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Construction		\$ 1,300,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Construction		\$ 1,300,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Office Services		\$ 6,400,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Construction		\$ 1,000,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Advertising & Fabrication		\$ 6,300,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Construction		\$ 3,000,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Office		\$ 2,801,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Construction		\$ 2,700,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Training		\$ 2,340,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Office Supplies		\$ 2,180,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Office Equipment		\$ 2,180,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Regular Transportation		\$ 2,000,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Real Estate		\$ 1,970,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Auto Supplies		\$ 1,800,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Janitorial Services		\$ 1,000,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Office Supplies		\$ 800,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Janitorial Supplies		\$ 700,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Phone & Cellular		\$ 600,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Security		\$ 500,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Insurance		\$ 400,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								
Security		\$ 300,000		Ben Scheraga, Ryan Scheraga, Paul Jaffe								

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Stakeholder Requirements

High Level Process/Technology Review
Buying and Fulfillment "Owners"



Many activities are similar in the legacy organizations

Category/Function	MOLSON COORS			SAB MILLER		MOLSON COORS
	Integrer	MCGP ¹	IPG	Madden	Miller Procurement	Distributors
Print	Buying	X		X		X
	Fulfillment	X		X		X
Merchandise ²	Buying	X	X ³		X	X
	Fulfillment	X	X	X	X	X
Permanent ⁴	Buying	X		X		X
	Fulfillment	X		X		X
Re-pack	Buying		X		X	
	Fulfillment		X	X		

¹ Molson Coors Global Properties
² Includes beerables
³ MCGP identifies and approves licensee suppliers; distributors pay the licensees for the Coors merchandise
⁴ Includes glassware

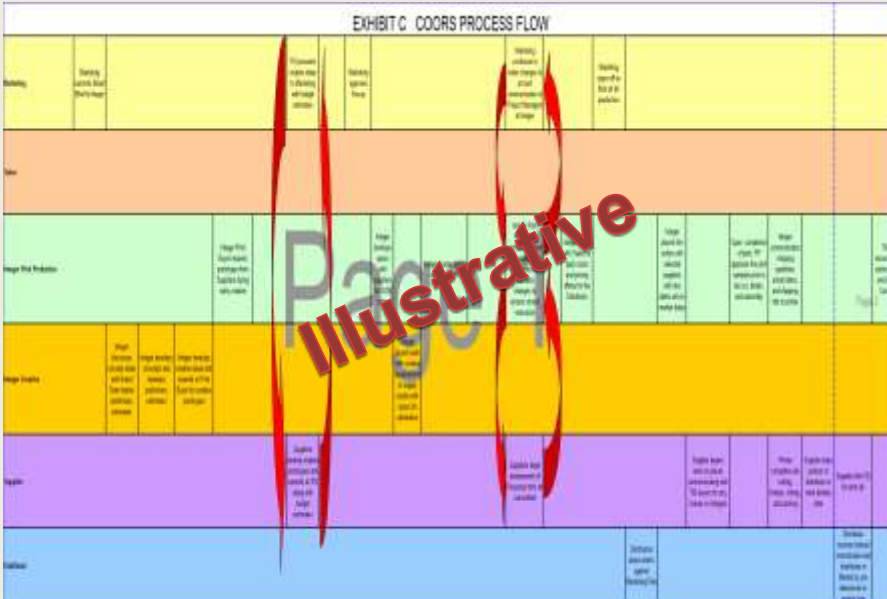
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Stakeholder Requirements

EXHIBIT C: COORS PROCESS FLOW



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Consolidation of Categories

Supply/Demand Evaluation
Updated Category Definitions



We have consolidated 722 Coors/Integer subcategories and 79 Miller subcategories into the below 55 subcategories

Merchandise	Permanent	Print
<ul style="list-style-type: none">• \$1 or Less• Apparel• Barware• Buttons & Pins• Change Mats• Coasters• Golf Shirts• Hats• Jackets• Miscellaneous• Others• Pool, Patio & Rec Room• Sports• T-Shirts	<ul style="list-style-type: none">• Back Bar Units• Bins Metal• Clocks• Lamps• Mirror• Miscellaneous• Neons• Other• Reflective Plaques• Signs• Table Top Units• Tacklers• Tap Knobs• Transparencies	<ul style="list-style-type: none">• Banners• Basewrap• Bin Corrugated• Brochures• Case Cards• Cooler• Outouts• Dangler Cardboard• Display Card• Floor Mat Large• Game Cards• Handbooks• Inflatables• Kits• Miscellaneous• OOH• Other• Pennant String• Posters• Spectacular Large• Spectacular Small• Stickers• Strip-Talker• Table Tent• Teanpads• Wall Decorations

* Refer to the Appendix for extensive list of Coors/Integer and Miller subcategories.

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Steps In Re-Organization

- Leverage opportunities due to volume increases
- Allow standardization in processes to drive consolidation of supply base
- Adopt the best practices from each company and be willing to allow trade-offs
- Benchmark other supply organization. Corporate change is easier during the initial “honeymoon” phase of the new organization.
- Prepare for staff re-organization as the new company optimizes staff requirements

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Personal Career Survival Tips

- Build relationships, internal & external to your firm and profession
- Be accepting of change and be willing to learn new ways of doing things
- Understand and support future target requirements
- Volunteer for long-term assignments
- Focus on savings & quality....most mergers are to build stockholders equity
- Avoid volunteering for project roles....projects are usually temporary

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