

M&A; EXECUTION PROGRAM

PART 11 OF 12 · PART 3: POST-MERGER INTEGRATION & ACCOUNTING

PART 11

INTEGRATION: THE FIRST 100 DAYS FINANCIALS

The deal is closed. The accounting is done. Now the CFO faces the hardest financial management challenge of the entire transaction: keeping two organizations running while measuring what is actually happening — synergies, dyssynergies, one-time costs, and underlying performance all tangled together.

IN THIS PART

- Synergy tracking: hard vs. soft
- Dyssynergy identification and management
- Integration cost budgeting and control
- Adjusted EBITDA during integration
- Board and investor reporting frameworks
- 100-day financial integration checklist

THREE CASE STUDIES

Each session includes one fully worked case study with detailed calculations, negotiating dynamics, and CFO-level decision frameworks.

■ SESSION 11: THE FIRST 100 DAYS

The Integration Paradox: Maximum Disruption at Maximum Visibility

The first 100 days after an acquisition closes represent the most operationally complex and financially opaque period in the entire M&A lifecycle. Every stakeholder — the board, lenders, acquiree employees, customers, and investors — is watching the combined entity closely for signs that the deal thesis is being validated. Meanwhile, the finance team is simultaneously closing two sets of books, integrating ERP systems, harmonizing accounting policies, and tracking synergies that may not materialize for another 18 months.

The CFO's most critical deliverable in this period is not a single number — it is a **financial framework** that separates the underlying performance of the combined business from the one-time noise of the integration itself. Without this framework, the board will interpret integration costs as operating deterioration, and synergy benefits will be masked by restructuring charges.

Understanding Synergies: Hard vs. Soft

The deal model promised synergies. Now you must deliver — or explain why you cannot. The first step is classifying synergies by their certainty and timeline to realization.

Synergy Type	Definition	Time to Realize	Confidence Level	Examples
Hard Cost Synergies	Actual cash expenditures eliminated; appear directly in reported costs	6-18 months	High	Duplicate headcount eliminated, overlapping facility leases terminated, vendor contract consolidation
Soft Cost Synergies	Efficiency improvements; hard to isolate; often partially offset by other costs	12-36 months	Medium	Shared services savings, process optimization, procurement leverage from scale
Revenue Synergies	Cross-selling, market expansion, pricing power from combined offering	18-48 months	Low-Medium	Cross-selling acquired product to existing customer base; new market entry
Financial Synergies	Lower cost of debt, tax synergies, improved working capital from scale	6-24 months	High	Refinancing target's debt at acquirer rates; combined cash pooling

Dyssynergies: The Costs That Nobody Modeled

Every deal model shows synergies. Almost none show dyssynergies — the negative effects that integration inevitably creates. The most experienced M&A practitioners know that dyssynergies are real, material, and should be modeled explicitly before the deal closes.

◆ DYSSYNERGY TYPES AND SIZING

DYSSYNERGY IDENTIFICATION FRAMEWORK

CUSTOMER DYSSYNERGIES:

Revenue at risk from customer overlap (competitor concerns): -\$X

Churn from brand confusion or service disruption: -\$X

Loss of customers who preferred 'smaller company': -\$X

EMPLOYEE DYSSYNERGIES:

Key talent departure (fear of new ownership): -\$X

Productivity loss during integration distraction: -\$X

Retention bonuses required but not modeled: -\$X

OPERATIONAL DYSSYNERGIES:

Legacy system incompatibility – manual workarounds: -\$X

Vendor relationship disruption from ownership change: -\$X

Regulatory re-approval (licenses, certifications): -\$X

RULE OF THUMB:

Model dyssynergies at 20-35% of projected synergies

Example: \$10M synergy model → \$2-3.5M dyssynergy estimate

Net synergy = Gross synergy - Dyssynergy - Integration cost

Adjusted EBITDA During Integration: The Reporting Framework

The first year post-close EBITDA will almost certainly be 'messy.' The CFO needs a standardized reconciliation that walks from GAAP Net Income to Adjusted EBITDA, showing integration costs, PPA amortization, and synergy run-rates separately. This is not manipulation — it is financial clarity.

◆ INTEGRATION-PERIOD EBITDA BRIDGE

INTEGRATION-PERIOD ADJUSTED EBITDA BRIDGE

GAAP Net Income (Year 1 post-close): (\$4,200,000)

(Net loss — impacted by integration charges)

Standard EBITDA Add-Backs:

+ Interest Expense (acquisition debt): \$5,400,000

+ Income Tax (benefit): (\$820,000)

+ Depreciation: \$2,800,000

+ PPA Amortization (intangibles): \$8,200,000

(Customer relationships: \$18.5M / 10yr = \$1.85M

Technology: \$12.3M / 7yr = \$1.76M; etc.)

= Reported EBITDA (post-D&A; add-back): \$11,380,000

Integration-Related Add-Backs:

+ Severance and restructuring charges: \$3,200,000

+ ERP integration and system migration: \$2,800,000

+ Facility consolidation costs: \$1,400,000

+ Advisor and legal fees (integration): \$900,000

+ Retention bonuses (one-time): \$600,000

Total integration costs added back: \$8,900,000

Pro-Forma Run-Rate Synergy Adjustments:

+ Synergies achieved (headcount: annualized): \$3,600,000

+ Synergies in process (partially achieved): \$1,800,000

= Adjusted EBITDA (incl. run-rate synergies): \$25,680,000

LENDER COVENANT EBITDA (per credit agreement):

Reported EBITDA + Integration costs + Achieved synergies

= \$11,380K + \$8,900K + \$3,600K = \$23,880,000

Senior Leverage Ratio: \$60M debt / \$23.88M EBITDA = 2.51x

Covenant max: 4.0x — COMFORTABLY IN COMPLIANCE

0
1

CASE STUDY 1

MidWest Health Partners

Healthcare Merger — System Integration Costs Overran by 200%

Background

MidWest Health Partners acquired Community Care Systems, a network of 22 primary care clinics, for \$180M. The deal thesis was built on \$18M of annual synergies from consolidated clinical documentation (EMR systems), back-office consolidation, and payer contract renegotiation. The CFO projected \$8M of integration costs over 18 months. By month 12, integration costs had reached \$24M — a 200% overrun — primarily driven by the EMR migration that nobody had adequately scoped.

◆ MIDWEST HEALTH — INTEGRATION COST FORENSICS

MIDWEST HEALTH — INTEGRATION COST OVERRUN ANALYSIS

ORIGINAL INTEGRATION BUDGET: \$8,000,000

ACTUAL COSTS (Month 1-12):

EMR migration (Epic → Cerner, 22 sites): \$9,800,000

(original estimate: \$3,200,000 — scoped as

'configuration only'; actual required full migration)

Staff retraining (clinical + admin, 640 FTEs): \$2,400,000

Interface development (lab, pharmacy, billing): \$3,600,000

Parallel system operation (18 month overlap): \$4,200,000

Physician productivity loss during migration: \$2,800,000

Billing system downtime (revenue cycle): \$1,200,000

TOTAL ACTUAL INTEGRATION COSTS: \$24,000,000

OVERRUN vs. BUDGET: \$16,000,000

IMPACT ON SYNERGY REALIZATION:

Projected Year 1 synergies: \$12,000,000

Actual Year 1 synergies (delayed by disruption): \$4,200,000

Synergy shortfall Year 1: (\$7,800,000)

BOARD REPORTING — ADJUSTED EBITDA vs. DEAL MODEL:

Deal model Year 1 Adj. EBITDA: \$38,000,000

Actual Year 1 Adj. EBITDA: \$26,200,000

Variance: (\$11,800,000) — 31% miss

CFO'S CORRECTIVE ACTIONS:

1. Appointed dedicated Integration CFO (new hire)
2. EMR project placed under PMO with weekly board updates
3. Synergy timeline extended from 24 to 36 months
4. Renegotiated acquisition facility covenants
(EBITDA covenant relief for 12 months)
5. Created weekly synergy tracking dashboard
with red/yellow/green status by initiative

■ THE EMR LESSON

Healthcare EMR migrations are consistently the most expensive and disruptive technology integration in any healthcare M&A.; Before closing a healthcare acquisition, commission an independent EMR integration assessment. Build the EMR migration cost into the deal model — not the integration budget — and treat it as a reduction to enterprise value if it is not already reflected in the purchase price. A \$6M EMR migration at a 10x multiple is worth \$60M of negotiating room.

0 2

CASE STUDY 2

Beacon Technology Solutions

Synergy Tracking Dashboard — The CFO's 100-Day Reporting Framework

Background

Beacon Technology Solutions (acquirer) integrated CloudMesh Inc., a cloud infrastructure provider, in a \$55M transaction. The deal model projected \$7.2M of annual run-rate synergies across six initiatives. The CFO implemented a disciplined weekly synergy tracking process that reported to the board monthly. By Day 100, four of six initiatives were on track; two required remediation.

Initiative	Target (\$000)	Day 30	Day 60	Day 100	Status
Duplicate headcount elimination (18 roles)	\$2,400	\$0	\$1,800	\$2,400	✓ DONE
Office lease consolidation (3 locations)	\$800	\$0	\$0	\$400	~ 50%
Vendor contract renegotiation	\$1,200	\$0	\$480	\$960	80%
Infrastructure consolidation (cloud)	\$1,600	\$0	\$0	\$0	✗ DELAYED
Sales team integration (cross-sell)	\$800	\$0	\$0	\$200	25% behind
Finance/HR system merger	\$400	\$0	\$200	\$400	✓ DONE
TOTAL	\$7,200	\$0	\$2,480	\$4,360	61%

The Infrastructure Initiative Failure

The cloud infrastructure consolidation initiative — projected to save \$1.6M annually — stalled completely by Day 100. The root cause: CloudMesh was built on AWS; Beacon was committed to Azure. The migration was not scoped correctly in diligence. The CFO commissioned a fresh technical assessment at Day 90, which concluded that migration would take 14 months and cost \$2.2M — meaning the NPV of the synergy was actually negative for the first two years.

◆ INFRASTRUCTURE SYNERGY NPV REVISION

BEACON — INFRASTRUCTURE SYNERGY NPV (REVISED)

ORIGINAL DEAL MODEL:

Annual run-rate savings: \$1,600,000

Implementation cost (estimated): \$400,000

NPV (5yr, 12% discount): $(\$400K) + PV(\$1.6M \times 5yr) = \$5,365,000$

REVISED ASSESSMENT (Day 100):

Migration cost: \$2,200,000

Timeline: 14 months before any savings begin

Annual savings (slightly lower — partial migration): \$1,300,000

NPV (5yr, from original close date):

Year 1: (\$2,200,000) migration cost

Years 2-5: \$1,300,000/yr savings

NPV at 12%: $(\$2,200K) + PV(\$1.3M \times 4yr @ 12\%) = \$1,742,000$

vs. original NPV: \$5,365,000

SYNERGY VALUE DESTRUCTION: \$3,623,000

CFO DECISION: Initiative PAUSED for 6 months

Re-evaluate post-initial migration completion

\$1.6M removed from board synergy tracking target

Total revised synergy target: \$5,600,000 (vs. \$7,200,000)

0
3

CASE STUDY 3

Keystone Distribution Partners

*Dyssynergy Case — Key Sales Director Departure Costs \$4.2M***Background**

Keystone Distribution Partners acquired Regional Supply Inc., a specialty chemicals distributor, for \$42M. The deal thesis included significant cross-selling. Within 60 days of closing, Regional Supply's top two sales directors resigned — taking \$8.4M of top-line revenue relationships with them to a competitor. This was a classic dyssynergy that was not modeled.

◆ KEY TALENT DEPARTURE DYSSYNERGY

KEYSTONE — SALES DIRECTOR DEPARTURE DYSSYNERGY

TWO SALES DIRECTORS — RELATIONSHIP BOOK:

Director A: \$5,200,000 revenue under direct management

Director B: \$3,200,000 revenue under direct management

Total revenue at risk: \$8,400,000

REVENUE AT RISK ANALYSIS:

% of revenue expected to follow departing director: 50%

Revenue lost: \$8,400,000 × 50% = \$4,200,000

Gross margin on lost revenue (32%): \$1,344,000

At 8× acquisition multiple:

Value destruction: \$1,344,000 × 8× = \$10,752,000

ROOT CAUSE ANALYSIS:

No retention agreements negotiated pre-close

New compensation structure at Keystone: 18% lower base

Culture clash: Regional Supply was commission-heavy;

Keystone implemented salary + smaller bonus

REMEDIATION:

Emergency retention packages for remaining 6 directors

Cost: \$840,000 in retention payments

Estimated revenue stabilized: \$3,200,000 (76% retention)

NET DYSSYNERGY COST: \$4,200,000 revenue + \$840K retention

LESSON: Retention agreements for key revenue staff

must be executed BEFORE closing — not after