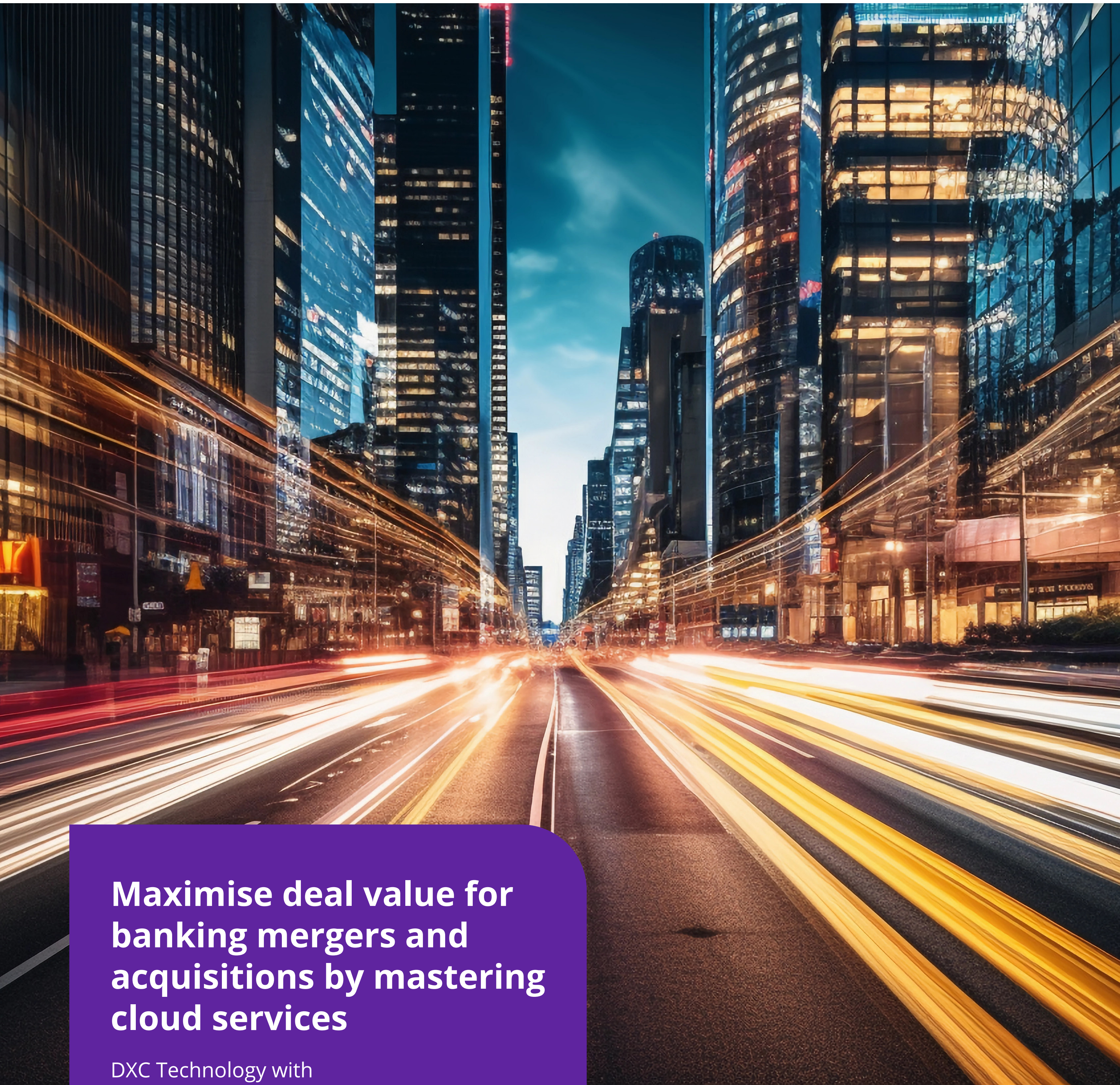


# Maximise deal value for banking mergers and acquisitions by mastering cloud services

DXC Technology with contributions from Amazon Web Services (AWS)

## Getting IT and cloud strategy right in mergers and acquisitions (M&A) is critical to realising deal value — not getting it right will put value at risk.

- In today's digital world, technology integration is a major contributor to M&A savings and synergy opportunities.
- M&A can be used as an accelerator of IT and cloud strategies focused on competing in the digital age.
- Ensuring a focus on IT from deal onset is critical to securing cost effectiveness — estimates suggest 25–30%[i] of total integration cost can be related to IT.

i. Based on research into industry studies

**M&A transactions typically create shareholder value through integration, consolidation, optimisation, and evolution of the merged organisation. In today's business world, technology is a key aspect of each of these activities and getting it right is critical to the deal and its delivery.**

Bringing together two diverse IT estates in an M&A transaction presents a major and complex program of work. This is because it involves a diversity of technology platforms, methods of system integration, service and product suppliers, commercial agreements, IT operating models, ways of working, and cultures. Too often this scope of work is only partially addressed, having an adverse impact on realising the transaction value defined in the M&A deal thesis. A partial completion of this work also has flow on effects, increasing technical and capital debt plus cost and time overheads for ongoing IT-enabled business and product change.

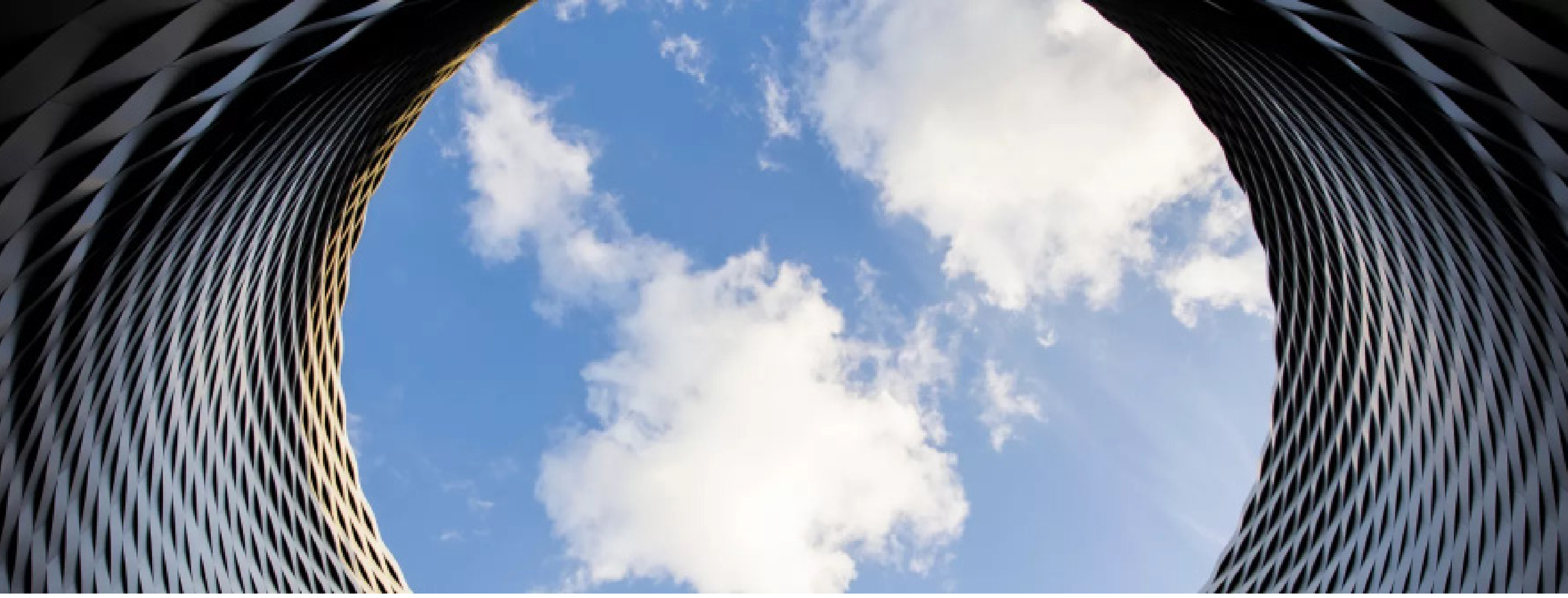
The effective use of cloud services can be a game changer in addressing the IT aspects of an M&A. Cloud services provide an ideal platform and tools to support and accelerate the integration and consolidation of systems and data, which represent a material part of the effort involved in completing an M&A.

For banks exploring or involved in an M&A transaction, consideration of cloud services should be high on the agenda.

- Most banks today already have cloud as part of their digital transformation journeys as they compete in the digital age through IT platform modernisation and the removal of complexity, legacy, capital, and technical debt.
- There will be opportunity to gain added value through identifying cloud services initiatives that support delivery of the M&A deal thesis that can be tailored to also advance existing cloud and digital strategies.
- Effective 'end-to-end' data governance and stewardship is key to creating a consolidated view of the merged organisations for regulatory compliance and competitive advantage. The cloud provides the platform and tools to facilitate this imperative.

This is not solely an IT decision. The business should be an active partner with IT in identifying where technology, including cloud, can create sources of digital value and risk in the M&A deal thesis. This partnership and its focus should be maintained during due diligence, integration planning, and integration execution. Maintaining a strong focus on the links between the technology-based initiatives and the business outcomes to be delivered in an M&A transaction will be a critical part of deal governance, as losing these links will place the value presented in the M&A deal thesis at risk.

The observations presented in this paper are based on the global experience of both DXC Technology and AWS in delivering cloud-enabled business solutions and services, supporting major technology integrations and programmes of change, and helping organisations migrate to the cloud and realise business benefits.



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## The journey to a new paradigm, led by cloud services.

Established banks are being driven to modernise their IT platform capabilities to enhance their business agility. This is in response to changing customer expectations and behaviours, new Fintech entrants, evolving business models, and new ways of working. Cloud and capabilities such as artificial intelligence (AI) and machine learning (ML) supplied by hyperscalers[ii] provide a platform for enabling and accelerating this digital transformation journey.

Three keywords express the journey to this new paradigm: integration, simplification, and modernisation. Cloud-enabled business solutions and services are key to the journey.

Cloud services allow banks to shift their focus away from building infrastructure and running data centres towards innovation and accelerated delivery of new and enhanced banking products and services. This increased speed and agility comes from platforms that allow banks to quickly build and integrate business capability using in-house, cloud hyperscaler and third-party developed components. In addition, this allows banks to securely expose their services for integration into other businesses' value chains[iii] using cloud-native services.

ii. Cloud Hyperscalers are large cloud service provider that can provide services to their clients such as computing and storage at enterprise scale. Examples are Amazon Web Services (AWS), Google Cloud, and Microsoft Azure.

iii.DXC Research article on Why a strategy for cloud is a business-shaping strategy, not just an IT strategy' — https://dxc.com/us/en/insights/perspectives/ paper/constructing-cloud-native-business-capabilities

There is synergy between positioning technology to compete in the digital era and positioning to better enable value realisation from a merger or acquisition.

Integration, simplification, and modernisation are key in M&A planning and execution.

**There are opportunities to use hyperscaler cloud services to support delivery of the M&A deal thesis whilst concurrently gaining added value by advancing cloud and digital transformation strategies.**

Hyperscalers have built their core cloud services to enable migration, integration, consolidation, and service resiliency as core capabilities. Unlike most on-premises data centres and infrastructures, cloud capability reduces integration friction, increases agility, and allows rapid data and application migrations. This makes cloud ideal to use as the technology integration fabric in an M&A transaction to facilitate the migration, integration, and consolidation of applications and data across the merging banks. This is core to meeting fundamental and transformational M&A requirements such as :

- Regulatory compliance and security.
- Realising deal value through both efficiencies and using existing and acquired capabilities, e.g., where a Fintech is involved.
- Integrating data and using analytics to gain new insights across the merged entity.
- Creating an integrated and consolidated platform that will provide an agile foundation for future growth.

Hyperscalers place high priority on security, regulatory compliance, and resiliency through internal and independent audit and board-level reporting and governance, as these service capabilities are fundamental to their ability to operate. They continue to invest heavily in these areas as they develop their platform capabilities and grow their suite of services.

Banks involved in an M&A should take advantage of these investments to solve regulatory compliance challenges across the merged IT estates. This will allow them to focus freed-up resources on M&A cost efficiency and revenue-generation activities.

Further opportunities also exist in identity access management, infrastructure and application monitoring, logging, and tracking user activity and API usage, maintaining resource inventories, and managing configuration tooling.

Banks should also evaluate available hyperscaler programmes with their cloud service provider(s) as they often have a variety of funding vehicles, support services, and strategic programmes available for use by their banking customers during due diligence, integration planning, and the integration execution phase of an M&A transaction.[iv]

iv. Examples of M&A-specific support available to banking customers from AWS include Equity Valuation, Divestiture Accelerators, and a Venture Innovation Program

Effective ‘end-to-end’ data governance and stewardship is key to creating a consolidated view of the merged organisations for regulatory compliance and competitive advantage. Cloud provides the platform and tools to facilitate this imperative.

## Facilitating data governance and stewardship through cloud.

The ability to report and provide data-driven insights as a single entity is a high priority for merging banks, both for regulatory compliance purposes, and management and operational reasons. Under normal operating circumstances, a bank’s disparate data sources, data silos, and evolving data governance structure can lead to risks in accurate regulatory and financial reporting. These risks are amplified during an M&A transaction. Effective data governance and data stewardship is fundamental to countering these risks by ensuring quality data and consistent and reliable reporting within the bank, and to the regulators.

Cloud providers can support data governance and provide the foundation services for a bank’s regulatory compliance solution. Data stewards and compliance stakeholders can use these services to find, ingest, store, process, analyse, and visualise vast amounts of data from various disparate sources by aggregating them in one place. As part of this process, cloud data analytics tools can crawl and classify data into a combined data catalogue. These services provide data stewards and M&A stakeholders with advanced functionality for data extraction, transformation, and insights to support regulatory compliance; cross sell, upsell, and gaining a 360-degree customer view across the merged entity, as well as other reporting and analytics use cases.

A further requirement for building good data governance and a regulatory compliance solution for the merged entity is the ability to track and log how data moves through a system. Hyperscalers can meet this need with advanced logging, data preservation, data lineage solutions, and tooling. Additionally, audit trails can form the basis for automated auditing of controls and data access for regulatory compliance.

The business should actively work with IT to identify where technology — including cloud — could create sources of digital value and risk to be included in the M&A deal thesis and then be part of maintaining that focus during due diligence, integration planning, and integration execution.

**The value presented by technology and cloud capabilities in an M&A transaction will be placed at risk if not governed within a framework of business outcomes.**

Technology is playing an increasingly pervasive role in every aspect of banking operations.

Savvy executives realise that their ability to digitally transform the business landscape is maximised by forming a strong partnership between the business and IT — with a strong focus on improving business outcomes.

This observation is equally true in an M&A where business and IT need to partner from the beginning, with a focus on how technology fits into the broader acquisition objectives and integration strategy. This needs to be in terms of identifying the value generation opportunities that can be exploited (digital value) and the integration issues that need to be solved (digital risk). Concurrently, those involved in M&A should seek to identify opportunities to maximise the value generated by M&A spend by exploring opportunities that will exist between M&A actions and being able to accelerate the merged entities' digital and cloud strategy journey.

A review of cloud strategy and the status and outcomes of completed and inflight cloud initiatives should form part of this work. Its focus should be on getting it right as this will have a direct impact on M&A outcomes, and in the longer term, the bank's ability to compete effectively in the digital era.

Establishing a strong business and IT partnership focused on delivering the targeted M&A outcomes and value is key in the integration execution phase of the merger or acquisition. Core to this is the integration management office (IMO) — an M&A program management office. Key inputs to its effective operation will be an integration roadmap and value strategy that tie the technology and non-technology aspects of integration planning to key milestones, business goals and benefits in the deal thesis. This needs to be supported by a measurement system for tracking and reporting on milestone, goal, and benefits achievement.

When the IMO is considering decisions (e.g., priority calls and trade-offs) during integration execution that may change initiatives on the integration roadmap, a focus should be maintained on how change might impact M&A outcomes and value. Losing this outcome-based connection to the technology aspects of the M&A will result in it devolving into IT activities solely focused on IT outcomes, with resulting shortfalls in delivered M&A benefits.

Speak with one of our experts today.

## About the authors

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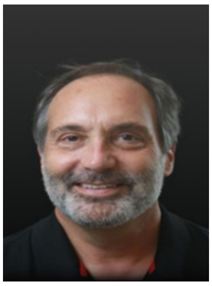
Alexander is the Director and General Manager of Banking and Capital Markets across Australia and New Zealand, and Asia Pacific. With more than 25 years' global experience in financial services, Alexander's experience extends across banking services, capital markets, insurance and mortgage banking. He has directed the development and standup of digital-first operating models, cloud strategy and value frameworks across global and ANZ banking sector with the focus on, Cloud, AI and FinTech offerings focused on ongoing optimization and value realization. Alexander's expertise spans large enterprise cloud and AI business service strategy, ITO service management, IT budget transformation and value analysis. He is also highly skilled in the areas of application transformation, service (API-based) platforms adoption, IT governance assessments, and IT assets and process transformation.

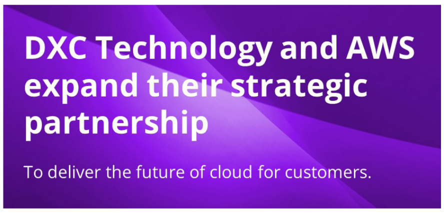


### Steven Brucato, Amazon Web Services (AWS)

Steven Brucato is a Principal Solutions Architect for FSI at AWS where he works with financial service customers globally on a wide range of cloud projects including new development and migrations in capital markets, banking, and insurance. Steven's experience includes senior technology and quantitative roles at Goldman Sachs, Credit Suisse, Morgan Stanley, and Trading Technologies including CTO of Redi Trading at Goldman, Global Head of Quantitative Trading Strategies for Rates at Morgan Stanley, and CTO at TT. Steven has also been active in the blockchain and digital assets space including trading, exchange, and settlement systems.

### Steven Wong, Amazon Web Services (AWS)

Steven Wong partners with GSIs, focusing on accelerating innovation and adoption of AWS cloud technologies for our mutual FSI customers. Steven is a seasoned executive with over 20 years of experience in the financial services industry, including leadership roles at Merrill Lynch and PwC Advisory. Prior to joining AWS, Steven specialized in advising top tier financial institutions how to design transformative technology programs and regulatory governance models, and working closely with global and cross-functional senior stakeholders to ensure successful program implementation and realized business benefits.




DXC and AWS are collaborating to scale their migration methodologies, solution accelerators, and combined expertise in large-scale cloud migrations.

**Read more**

DXC Technology, leveraging its AWS strategic partnership and Financial Services competency, can help banks navigate the effective use of cloud services through M&A transactions. Getting this right can be a game changer in addressing the IT aspects of the complex integration and realising the deal value.

DXC's approach carefully assesses the strategic, operational, financial, and technical realities of the entire IT estate and provides an integrated vision for the future enterprise. This lays in the technology foundation for success, enabling a secure, technically appropriate, and cost-effective platform for solving immediate M&A requirements and long-term business objectives.

AWS provides hundreds of cloud services, as well as best-practice guidance, and assessments to determine compliance and IT governance.

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### About DXC Technology

DXC Technology (NYSE: DXC) helps global companies run their mission-critical systems and operations while modernizing IT, optimizing data architectures, and ensuring security and scalability across public, private and hybrid clouds. The world's largest companies and public sector organizations trust DXC to deploy services to drive new levels of performance, competitiveness, and customer experience across their IT estates. Learn more about how we deliver excellence for our customers and colleagues at DXC.com.