

M&A Views



Deloitte M&A Views podcast:

How Deloitte's DigitalMIX asset can accelerate digital transformation

Rob Dieterich:

Welcome to Deloitte's M&A Views podcast, where we tap into what Deloitte professionals know about making smart, strategic M&A decisions. I'm Rob Dieterich. Today's podcast is part of our *Transforming While Transacting* series, and I'm joined by Chris Madsen, principal with Deloitte Consulting, who specializes in mergers and acquisitions, especially within that area, the technology that supports a business in the context of a transaction. Chris plays in the life sciences and health care space, but also dabbles in the tech sector, and specializes where those two intersect in Health Tech. One thing Chris has spent a lot of his time on is helping clients think through the accelerated journey of whether it's a carve-out or a stand-up or a transformation, especially using a solution that's been developed at Deloitte called DigitalMIX.

So Chris, how is modernization, or technology modernization, changing the way that businesses function?

Chris Madsen:

Yeah. Hey, Rob, and great to be here. So in the context of M&A, companies are thinking more and more about transforming as a part of that process, and transforming the technology, of course, is a key element of that. And clearly, technology modernization is changing the way companies and organizations compete, both in what services they offer and how they're offering their services. That's creating new capabilities, it's blurring the lines across industry verticals, and it's even blurring the lines across industry sectors, especially when we think about life science/health care. Players that typically don't operate in that space are entering that space, and in search for profit, they're taking market share from incumbents, especially for those higher margin products and services, and they're using technology to do that.

But then also, technology is changing how companies offer these services. Automation, efficiency, decreasing manual tasks and workflows, GenAI—you can't have a conversation without it these days. But it's allowing these companies to scale, it's allowing these companies and organizations to change in how and where they operate, whether it's outsourcing, offshoring, other creative operating models, and it's allowing them to make smarter decisions, data transparency, and a deeper understanding through the availability of data advanced analytics. The way they visualize data is allowing and informing them in ways that it hasn't before. All of this just changes the way companies and organizations think about competitive advantage.

Rob Dieterich:

Chris, would you like to add more about how speed to market is affecting customers, so the requirement of using external advisers specifically to navigate the digital change landscape today?

Chris Madsen:

Yeah. Speed and time to market is increasingly becoming more important. Those that have effective technology strategy, or control over their technology landscape, they can use that technology to create products and services faster. But technology continues to evolve at a rapid pace. You can't expect every company to know the extent of the digital tools that are available to them, nor do they have internally the breadth of experiences that some external advisers can provide. So companies and organizations, they rely

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on external advisers to bring a unique point of view, to help them think about what is the art of the possible and then how do they define what is practical, effective, and shape their agenda.

Rob Dieterich: Switching gears a bit, how are players in life sciences and health care, in the context of M&A, leveraging digital transformation to improve their decision-making?

Chris Madsen: Especially in life science/health care there are extreme pressures from multiple angles, whether it's governmental reform, inflation, increasing wages, entrance into their sectors that used to not play, as we mentioned before, especially from the technology space. The pressure is high, and it's taking their margin profiles down. But it's never been more critical for an organization to leverage technology, to maximize efficiency and profitability, to maintain compliance, and offer the absolute best care, services, and products to their patients and customers. It may be small enhancements to digital tools and reporting and analytics, or it might be full digital transformation. It's enabling clear visibility and an understanding of an organization's operational and financial data, and it's allowing those leaders to make more informed decisions, both where to invest [and] where to potentially divest and focus on their core competencies.

Rob Dieterich: What are the biggest value drivers for companies undergoing M&A, across both strategic buyers as well as private equity?

Chris Madsen: Clearly, profitability is always a driver. But strategics and private equity, they have different points of view, especially in the life science and health care space, there are a lot of organizations that exist to authentically carry out a mission. They want to care for and optimize health for a population around them. In M&A, it helps advance that mission. M&A helps organizations scale. It helps them access extended geographies from where they play. For example, health care provider organizations, they may operate in local or regional markets, and clearly, M&A is a way for them to grow their footprint, and there's a lot of that happening across the industry today as some incumbents are divesting of some of their core facilities at which they've operated for many years.

M&A also helps life science/health care organizations access additional capabilities, whether it's products or service offerings to improve quality of care, or whether it's proprietary technology or other IP. It helps them access talent. It can also be a defensive move; M&A can help organizations acquire competitors that might be taking some of their market share. But then, M&A isn't just about acquisitions and integrations; it's also about divesting. Noncore assets that don't support a core mission of an organization, or may not be as profitable, they're opportunities to divest, so that way, it allows organizations to focus more on what really drives their competitive advantage.

Rob Dieterich: Tell me more about the PE side of that.

Chris Madsen: They're looking for opportunities to create value. Many opportunities to create value come from acquisitions of carve-outs, and when we do that, when we support private equity clients in acquiring carve-outs, it usually requires them to stand up those organizations, to implement technology, to implement operations and other internal services to support the scale and growth that they're looking for.

Rob Dieterich: That's good stuff. How does Deloitte expedite digital transformation? What are the accelerators [and] enablers that differentiate Deloitte from other players?

Chris Madsen: So we have lots of accelerators and enablers, as any other consulting firm does. But what we have built is a capability we call DigitalMIX. About 10 years ago, we realized that when we're helping organizations through a transformation or a carve-out and a stand-up, and we're implementing SaaS solutions as a part of that journey, the leading practices that we configure in those solutions are pretty similar within an industry sector. And so, we started industrializing that. We've invested heavily over many years building code to configure those tools, to integrate those tools, across the end-to-end capabilities of an organization, and we bring that to improve the value, improve the speed, reduce the cost, which our clients can achieve.

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This applies to carve-out stand-ups, as well as acquisitions and integrations when transformation is a part of that journey. It's the asset, it's the artifacts, and it's the talent that has deep experience in doing this. We have helped clients on this journey where we have reduced the timeline by up to 60%, 70%, we've avoided TSAs, we've reduced the cost profile, both the one-time as well as the ongoing operating expenses, because of the lean technology stack and the improved operating model that we implement.

Rob Dieterich: Can you talk a little bit more about the challenges that Deloitte is solving through the DigitalMIX offering and maybe sum up here with how it provides value to clients?

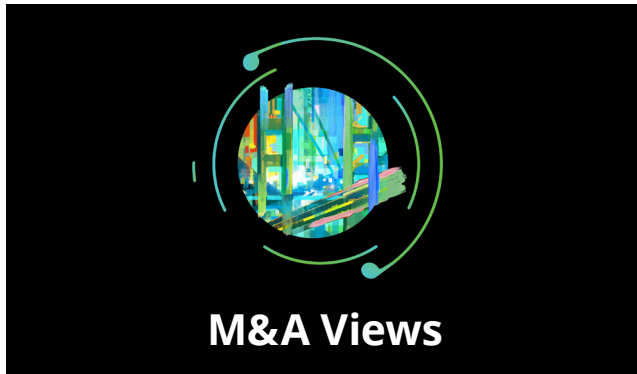
Chris Madsen: It's simple: Time, cost, and capabilities. Time, as I mentioned, we've invested heavily in building IP to accelerate these journeys. When the journey is faster, when the investment has already been made in a solution that will naturally fit in what many of our clients are looking to do, that cost comes down, that timeline comes down. The capabilities have been designed with leading practices already implemented to allow clients to support their eventual goals of growth and scalability. And if desired, we can evolve the functional and technology operating models as a part of a transformation to not only modernize the technology, but to also modernize the organization to achieve the objectives that it may have going forward.

Rob Dieterich: OK. Thank you, Chris, for taking the time today.



Chris Madsen: Thanks, Rob. Appreciate the time, and certainly looking forward to what the market has in store.

Rob Dieterich: This has been Deloitte M&A Views. We've been talking with Deloitte's Chris Madsen. I'm Rob Dieterich. Thank you for listening.

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