



Accelerate Transformation Through Acquisition

KPMG is helping companies develop and execute M&A strategies that spur innovation and increase market value.



In agriculture, efficiency is everything. In core functions like spreading fertilizer, planting and harvesting, gaining efficiencies can be the difference between a successful farming operation and a failing one.

Advancements in technology have made it possible to deliver on the promise of autonomous farm equipment, which can deliver greater precision and more efficient resource allocation to agricultural operations. Like many equipment companies in 2020, CNH Industrial, a global leader in agricultural and construction equipment and services, had already been working to develop automation capabilities for some time. But rather than relying solely on internal development, CNH Industrial wanted to accelerate that process, and that led them to a different approach. In June of 2021, CNH Industrial acquired Raven Industries, a precision agriculture technology company, for \$2.1 billion.¹

But while the acquisition made CNH Industrial a leader in autonomous farm equipment virtually overnight, the process behind it was deeply researched and carefully planned. Harmonizing operations and culture required plenty of diligence and comprehensive strategic thinking. The integration was especially complicated thanks to the different natures of the two companies—CNH Industrial an agricultural equipment giant, and Raven's Applied Technology division functioning more like a disruptive tech upstart. The challenges were wide-ranging, and throughout the process CNH Industrial worked closely with professional services firm KPMG LLP, whose deal advisory and strategy division specializes in mergers and acquisitions.

"KPMG helped us understand in much greater detail the value opportunity of the acquisition. Their inputs were fundamental for us in developing a strategic integration plan," says Michele Lombardi, senior vice president of corporate development at CNH Industrial.

"Realizing the promise of an acquisition requires two companies to quickly come together and fulfill a shared goal—an exercise that greatly benefits from an experienced advisor."

— **Marc Schmidt**, Principal, Deal Advisory and Strategy Practice, KPMG LLP

KPMG LLP's outside perspective and collaborative approach proved central to the acquisition's success. "Fundamentally, KPMG has been a phenomenal sounding board. It's an intimate relationship, where they're suggesting approaches, bringing examples and challenging ideas," Lombardi says. "They understood our goals and challenges, and they helped us unlock new opportunities for revenue and growth."



¹Source: Ag Web Farm Journal, Margy Eckelkamp "CNH Industrial to Acquire Raven for \$2.1 Billion" (June 21, 2021) <https://www.agweb.com/news/business/technology/cnh-industrial-acquire-raven-21-billion>

Transforming from Traditional to Smart Industrial with M&A

Traditionally, M&A has been a means for companies to grow into adjacent markets, vertically integrate and increase efficiency to reduce operating costs. This approach has often led to a focus on cost synergies, which benefit from being more easily tracked than revenue synergies. Recently, though, many companies have adopted a more ambitious view of M&A.

“We have seen a shift toward transformative acquisitions, especially in the industrials sector, where players are making big bets to catapult their product portfolio and internal operations into more intelligent and connected networks of devices,” says Marc Schmidt, principal in KPMG’s deal advisory and strategy practice. In fact, KPMG LLP’s research indicates the industrials sector has made more technology acquisitions than any other major industry group over the last five years.

These higher-risk, higher-return acquisitions, Schmidt notes, tend to focus on expediting transformation and revenue synergies rather than cost synergies.

Managing integration to realize the full potential of these deals requires careful planning and thoughtful execution, says KPMG deal advisory and strategy director Alexander Aschenbroich. “Traditional integration playbooks often fail in this regard, as they tend to take a uniform approach across every function rather than focusing on the areas that will fulfill the deal’s promise,” he says. “With Raven, it was really predicated upon integrating the commercial function and the product technology.”

KPMG LLP’s highly detailed approach helped guide a strategy that also included key divestments of non-core business units within Raven that would allow for greater focus on autonomous technology development. KPMG helped orchestrate the divestiture and also played a key role in blending teams from CNH Industrial and Raven, bringing the right people together and giving them clear goals from the outset of the acquisition. Moreover, it structured their recommendations around integration to facilitate the quick development of autonomous agricultural equipment.

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“Integration is a long path,” Lombardi says. “It’s not something you achieve in one or two years. But the two teams are now working seamlessly together. Raven has maintained its identity. KPMG has provided a clear mission and strategic support.”

Collaboration Delivers Results

The acquisition didn’t take long to pay off. In August 2022, CNH Industrial unveiled the agriculture industry’s first autonomous spreader, meeting a growing customer demand while also driving revenue and strengthening the company’s market position. More autonomous equipment is on the horizon for CNH Industrial, which introduced the industry’s first all-electric utility tractor prototype with autonomous features last December. “We now consider ourselves to be leaders in autonomous agricultural technology,” Lombardi says.

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— **Michele Lombardi**, Senior Vice President of Corporate Development, CNH Industrial

The Raven acquisition also made CNH Industrial more attractive both to top talent in the tech world and to other technology companies, introducing further acquisition opportunities in a virtuous cycle that promises to accelerate innovation and further solidify CNH Industrial’s status as a leader in the agricultural equipment industry’s digital transformation. “Bringing in new people can reinvigorate your company,” Lombardi says. “It’s an incredibly exciting dynamic.”

It’s also an incredibly challenging one, made more navigable with the right partners.

“An M&A transaction is one of the most demanding cross-functional strategic initiatives a company can undertake,” Schmidt says. “Realizing the promise of an acquisition requires two companies to quickly come together and fulfill a shared goal—an exercise that greatly benefits from an experienced advisor.”

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²Source: LinkedIn, Marc Schmidt, <https://www.linkedin.com/in/marc-schmidt-7736545/>