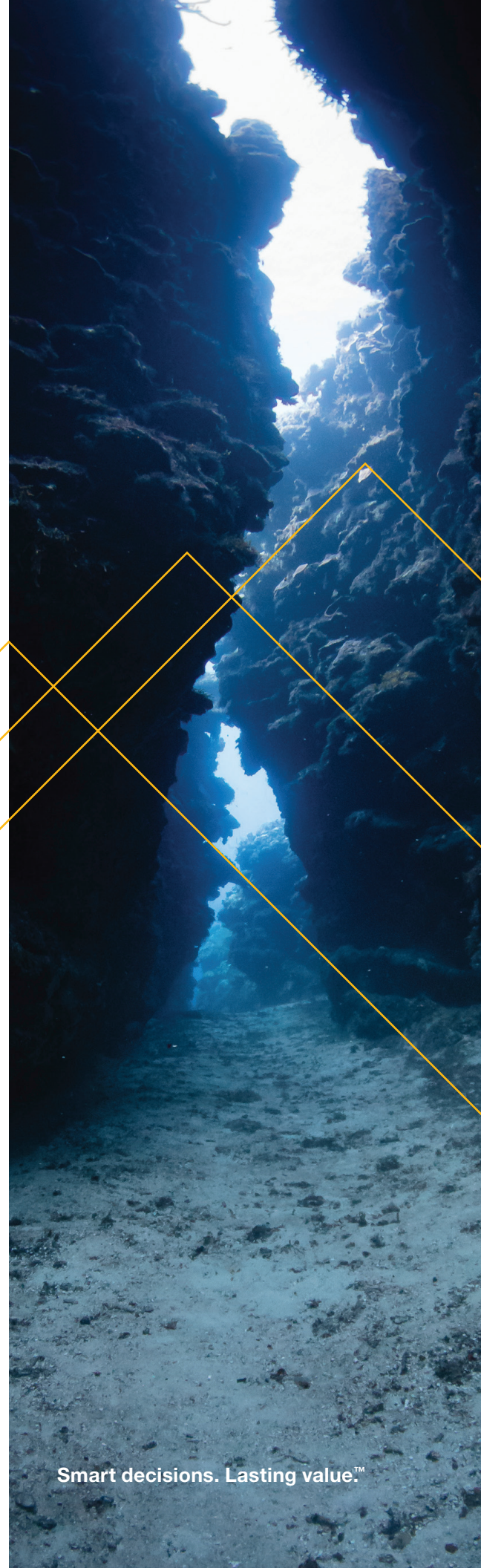




Strategic merger and
integration case study

Magseis Fairfield

Front-end preparation leads to
post-merger success



Smart decisions. Lasting value.™

When Magseis ASA, a publicly traded Norwegian marine science technology company, prepared to acquire major operating units of Fairfield Geotechnologies, the proposed transaction offered numerous potential benefits to Magseis shareholders. Yet the complex divestitures by Fairfield presented financial reporting and accounting challenges for both entities. Assistance provided to Fairfield by an advisory team from Crowe was instrumental in enabling the transaction to proceed. In fact, the Crowe team's work proved to be so helpful that Fairfield, which became the largest shareholder in the newly merged entity, Magseis Fairfield, asked Crowe to extend its engagement to help with the critical post-merger integration process planning as well.

Global leadership in underwater seismic technology

Prior to the transaction, both Magseis and Fairfield Geotechnologies were recognized as leading participants in the demanding field of ocean bottom seismology, providing underwater seismic survey, testing, and mapping services to many of the world's largest oil and gas exploration and production companies. Houston-based Fairfield was a pioneer in the industry with a global presence, a strong performance record, and an industry-leading client base. Oslo-based Magseis, although smaller and younger than Fairfield, was a recognized technology leader, known for its development of small, flexible, and reliable nodes that are capable of supplying high-quality seismic data in all water depths using a variety of deployment methods.

Magseis' proposed acquisition of Fairfield's seismic technology business would produce an enterprise valued at \$233 million, with global reach and a diversified business model. The new enterprise, to be named Magseis Fairfield, would be well-positioned for accelerated growth in the overall marine seismic industry. In addition to being competitive in terms of size and scale, Magseis Fairfield also would offer a differentiated line of superior-quality products and services.

Complex diligence and transaction challenges

To facilitate the transaction and realize the potential benefits, Fairfield Geotechnologies turned to Crowe for assistance in developing a structured timeline and process for the exchange of data between the two companies. Crowe also provided transaction support services to Fairfield, including extensive accounting and financial reporting support as well as due diligence on the financial aspects of Magseis. The complex transaction involved the carve-out of three business lines from the Fairfield Geotechnologies organization, with Fairfield retaining ownership of a fourth operating unit.

The carve-out required the development of complete pro forma financial statements for the Fairfield operating units, two of which had not previously produced separate financial reporting. These statements also needed to reflect appropriate intercompany charges for various engineering and support services that had been provided by other Fairfield units in the past.

In addition, Fairfield had recently undertaken a significant liquidation of inventory and assets and was restructuring its long-term vessel leases as the company transitioned to an asset-light business model. These ongoing shifts required complex financial statement adjustments in order to present an accurate, credible, and representative picture of the acquired businesses' day one working capital position and future performance expectations.

As a transaction involving two competitors in the same markets, the creation of Magseis Fairfield required that all participants be prudent about the exchange of information regarding individual contracts, vendor pricing, and other competitive issues, especially because the two companies had been rivals in another acquisition only a few months earlier. The transaction also had to be structured in a way that mitigated any potential antitrust issues, and it had to comply with Norwegian accounting guidance as well as all disclosure requirements for a publicly traded company in Norway. The Crowe team offered extensive support in accommodating these intricacies.

“Crowe was of invaluable assistance throughout the transaction, helping us establish a structured and systematic approach that allowed us to proceed quickly. In addition to producing accurate and credible pro forma financial statements, Crowe also helped us comply with the complex disclosure and reporting requirements of the regulatory organizations in Norway.”

– Jose Xavier
Senior Vice President of Corporate Development
Fairfield Geotechnologies

Accelerated post-merger integration

After seeing the results of the Crowe team's efforts during the front end of the transaction, the executive team at Fairfield asked that Crowe extend its engagement to help plan and launch the critical post-merger integration phase as well.

Crowe integration specialists began working with the chairman of the board of directors, the chief integration officer, and the integration steering committee to set guiding principles for the effort and to advise on vision, values, and cultural alignment issues. Crowe then facilitated a leadership summit for the new company's top executives to help set the course, define objectives, and launch the integration planning effort.

In addition to providing such high-level advice and support, the Crowe team also provided hands-on assistance in integration management, deploying the initial objectives across 20 workstreams and facilitating development of detailed integration plans for the new global business. The Crowe team helped Magseis Fairfield management develop and launch a 100-day plan that addressed the most immediate priorities the new company needed to tackle during the initial post-merger phase.

"In addition to handling numerous complicated accounting and financial reporting issues prior to the transaction, Crowe was extremely helpful during the post-merger integration. The team's extensive experience in complex integrations, coupled with its supportive and accommodating approach, helped us position the company to accelerate the process so we could begin to take advantage of our new opportunities quickly."

– Kevin Crosby
Executive Vice President and CFO
Fairfield Geotechnologies

Learn more

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