

# Making a Successful Acquisition

**Businesses look to acquisitions for a variety of reasons. Purchasers may look to acquire a business to reach a certain goal, such as establishing a new branch, taking competitors out of the market, buying in experienced staff, acquiring technology, entering a new market or geographical area or just to meet specific targets.**

Regardless of the reason for buying a business, careful consideration of all available alternatives needs to be made. Indeed, other options to acquiring a business, such as developing the resources internally or acquiring specific assets, may be worth considering.

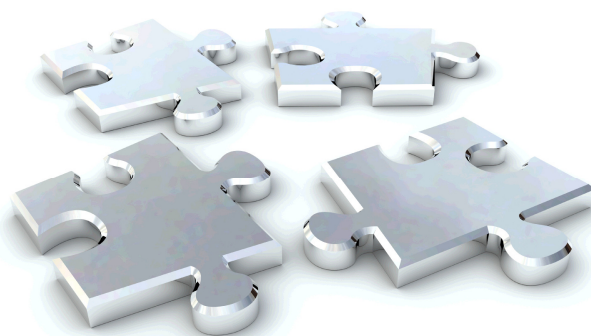
When a business is looking for expansion, purchasing another business can be an attractive option. Reasons for the move may include greater economies of scale, achieving critical mass or an enhanced geographic coverage.

Depending on the transaction, the process of acquiring a business can often be complex. It is important therefore for the purchaser to understand the acquisition process so that an informed decision can be made.

The buying process can be summarised in the following phases.

## **Planning your campaign**

Prior to embarking on the adventure of acquiring companies, make sure you have done your homework. You should have a clear plan for your business which defines your objectives and sets the logic for the acquisition. Opportunistic acquisitions can be successful, but they are more likely to fail than those carefully researched.



## **Evaluation**

You may be able to track potential acquisitions for some time prior to declaring an interest. This can be done in many different ways, including discreet enquiries with customers, suppliers, bankers and professionals. When you have done your homework, you will find it valuable to brainstorm the findings with an objective, but interested, outsider who can adopt a devil's advocate role.

## **Spreading resources**

The prospect of an acquisition can be very exciting but avoid the risk of spreading management resources too thinly, as the acquisition process is time consuming. Avoid the trap of focusing on the acquisition so much that your existing business suffers.

**HAZLEWOODS**

DRIVING LIFELONG PROSPERITY

# Making a Successful Acquisition

## How much to pay?

In planning and evaluating opportunities, set price limits. This will include the maximum price you can justify and the price at which you will commence negotiations. Do not vary these limits. Terminate discussions if you exceed your maximum price. In packaging the price, look for different ways of accommodating the vendor without breaching your limits, such as keeping the seller on as a consultant and basing part of the fee on performance as a future earn-out.

## Negotiation

Retain control of the process as far as possible. Work in a partnership with a complementary representative of your business. Listen to the vendor's requirements so that you can use the information in negotiations. Your objective in the negotiations is to agree a suitable Heads of Agreement that reflects the substance of the agreed deal.

## Due diligence

Following the Heads of Agreement, the acquiring company should undertake extensive commercial, financial and legal due diligence to confirm the merits of the business to be acquired. Depending on the outcome of the due diligence, certain terms may have to be varied and negotiated.

## Completing the deal

Determination balanced with a keen sense of realism is key. Involve your legal representative to deal with the documentation. Make sure you are fully aware of the documentation and what it means. The momentum of the deal process should be maintained by regular dialogue with your opposite number. Do not become hypnotised by the desire to complete.

## After completion

As you implement your plans, a host of things will need to be done, including introducing your management to the acquired company, integrating operations, marketing and selling strategies, completing financing arrangements for the combined entity, and setting up financial reporting procedures for the acquired business. Unfortunately, many acquisitions fail because the management teams find it difficult to integrate two companies with possibly very different systems and cultures. Think carefully about post-deal integration and formulate a plan.

Overall, the idea of acquiring a company may sound attractive, but the process of transforming the idea into reality has many obstacles. By engaging a mergers and acquisitions advisor early in the process, successful acquisitions can be made.

For further information, or to arrange a free initial meeting, please contact **Paul Fussell** on **01452 634800** or email [paul.fussell@hazlewoods.co.uk](mailto:paul.fussell@hazlewoods.co.uk)

This release has been prepared as a guide to topics of current financial business interests. We strongly recommend you take professional advice before making decisions on matters discussed here. No responsibility for any loss to any person acting as a result of this material can be accepted by us.

Hazlewoods LLP is a Limited Liability Partnership registered in England with number OC311817. Registered as auditors by the Institute of Chartered Accountants in England & Wales. Hazlewoods LLP is authorised & regulated by the Financial Services Authority.

**HAZLEWOODS**  
DRIVING LIFELONG PROSPERITY