

Making a Successful Acquisition

DRIVING LIFELONG PROSPERITY

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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 or entering a new market or geographical area. Your objective will in turn dictate your choice of acquisition target.

When a business is looking for expansion, purchasing another business can be an attractive option. 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. The buying process can be summarised in the following phases:

PLANNING YOUR CAMPAIGN

You should have a clear plan for your business which defines your objectives and sets the logic for the acquisition.

EVALUATION

You may be able to track potential acquisitions for some time prior to declaring an interest. This can be done by way of 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.

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 this 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 achieved, including introducing your management to the acquired company, integrating operations and financing requirements, aligning marketing and selling strategies 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. 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:

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