Acquisition Solutions

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With the current economic climate driving a dramatic reduction in corporate spending will M&A continue in 2009? The answer is clearly yes – albeit at a much lower level than recently experienced. M&A is a natural corporate phenomenon and happens in good times as well as in bad.

The credit crunch has a number of important implications for M&A. The most obvious is the reduced number of buyers and lower growth projections massively driving down business valuations. Just like the house seller, companies that don't need to sell are increasingly waiting until market conditions improve.

The reduced availability of debt impacts on deal structuring options and clearly cash will be king in 2009. As the economy weakens, more companies will become distressed. While this can be a good time for companies to make cheap buys, it will be the companies with a clear acquisition strategy, strong balance sheets and cash in their pockets that will lead in making acquisitions. There will also be an increase in paper-based transactions and mergers as businesses seek the cost reduction and strategic benefits of consolidation but don't have the cash or access to debt to effect an acquisition.

RATIONALE THINKING

One of the potential benefits of the cold winds of the credit crunch is a much lower incidence of deal fever.

Historically, once people get involved in the deal, and egos are on the line, especially that of the acquirer; it's difficult for the acquirer to acknowledge that it is paying too high a premium for a deal.

Acquirers are much less likely to get shareholder approval to pay a large premium and in addition the competitive pressure to do so will be less. In an environment where cash flow and profit improvement are critical, failure to deliver on the acquisition business case will not be tolerated.

For many companies, acquisitions are an integral part of their growth agenda, yet very few have business processes to enable them to successfully manage mergers and acquisitions. An even smaller number of companies can deploy employees who have a thorough understanding of the M&A process. This is despite well published analysis that an alarmingly low number of transactions are successful in actually delivering their stated objectives. With increased levels of redundancies this risk increases.

If a company lost £10 million because its internal control processes were poor it is likely that senior management jobs would be at risk and the appropriate processes and controls would be put in place. Yet when, time after time, companies fail to successfully deliver on the acquisition business case they rarely implement processes to ensure success in the future.

There are many reasons why acquisitions fail. Robust M&A processes however help ensure you deliver the value originally envisaged. Companies that consistently get M&A right have spent the time and resources to document their M&A processes, train their people and capture the learning from past acquisitions. It was just this approach that we took to develop and implement best practice M&A processes at The BOC Group Plc.

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M&A process is not just about due diligence checklists and valuation models but also includes the range of activities involved in finding the right business to buy and, importantly, post-merger integration.

Acquisition Solutions offers a complete M&A process covering each key role, phase and work stream. It includes the detailed processes, tasks, toolkits, templates, example documents and wisdom gained from previous acquisitions. These processes can be tailored to your company so they become a seamless part of the way you run your business.

Contact:
Chris Brown to discover how to improve your M&A performance.

Our services include:
- *Embedding best practice M&A process into your company*
- *M&A training*
- *Post-merger integration training*
- *M&A transaction support*
- *Interim management.*