



# Execs view M&A as critical to growth

February 15, 2018

Careful planning and preparation should start well in advance of an M&A deal – even several years ahead of time -- not only to bolster a deal but to make it successful. This is something well known to professionals who help guide companies through the process. Yet it is not always obvious to executives, who may view M&A as critical to their growth strategies yet lack real experience in such transactions.



## Ojel Rodriguez

Partner Head of Advisory  
Kevane Grant Thornton  
T (1) 787 754 1915  
E [ojel.rodriguez@pr.gt.com](mailto:ojel.rodriguez@pr.gt.com)

### Visit our website

[www.grantthornton.pr](http://www.grantthornton.pr)

Do company leaders know what is valuable and what's a strategic asset? Do they know what correlates with or builds on what the company has? Are all C-suite executives in agreement? Not doing a thorough [enterprise-wide approach](#) can lead to a deal's not living up to expectations, or failure.

### What the NCMM says?

That M&A is a driver of middle market growth, was borne out by [results of a survey](#) by the National Center for the Middle Market (NCMM), which found that in the past three years, more than half of middle market companies have bought or sold all or part of a business, or have merged with one. Executives at these companies view M&A as critical to their growth strategies – buyers in particular hope to recognize 26% of their future growth from acquisitions – yet most executives say they lack real experience in such transactions; about 30% of middle market companies that bought or sold in the past three years were doing a first deal, and 40% do deals infrequently.

Significantly, the NCMM survey showed dealmakers often fail to hire outside professionals whose business is helping companies understand and prepare for all aspects of a deal, even though [outside expertise and support](#) pave the way to winning transactions.

### What drives high-growth companies?

The NCMM survey found buyers are looking to drive growth by acquiring market share, capabilities, technology and talent. Sellers more often have financial reasons and a need or desire to monetize all or part of a company, or they want to divest themselves of divisions that are not part of the core business. Most buyers and sellers make their decision, then begin looking sensibly for a potential target or buyer. Yet unexpected opportunities can arise and seem irresistible. Contributing to a competitive M&A market are a favorable economy and an abundance of capital from record-high corporate profits, bank loans and other debt capital, as well as private equity.

### Preparation is key

The NCMM survey showed middle market leaders are unprepared for the challenges and complexities of the M&A process. Becoming deal-ready requires that the necessary capabilities and connections be in place well before a transaction. Tips for success include:

- gain a better understanding of the M&A landscape.
- identify areas that need careful consideration well in advance of execution.
- do a better job of sourcing sellers or buyers, conducting due diligence, crafting smarter deals, and planning for post-merger integration.
- acquire and work with expert outside advisers.

Almost all deals have hiccups. Yet when companies invest in careful planning and assemble the right deal team, their M&A decisions are more likely to deliver the desired results without painful surprises and interruptions.

### Key takeaways from the NCMM survey

- **half of companies plan to do an M&A deal.** In the past three years, 51% of middle market companies have participated in acquiring or selling all or part of a business.
- **financial conditions are driving competitiveness.** While actual deal counts have increased only slightly, more players are in the game, creating a sense of urgency and contributing to the perception that M&A in the middle market has increased even more than it has.
- **M&A is critical to growth.** Driving growth is the No. 1 reason companies consider M&A. Companies that have completed a merger or acquisition in the past three years hope to achieve 26% of their total growth through inorganic means.
- **most middle-market companies have little M&A experience.** Among companies that have completed a purchase in the past three years, 29% were doing their first deal and 41% had limited previous experience. Among sellers, 46% were selling for the first time.
- **not understanding the complexities hurts deals.** Forty-one percent of buyers and 50% of sellers find it very or extremely difficult to assess the value of the business they are buying or selling. Parties on both sides face difficulties obtaining, assessing and analyzing financial data. Post transaction, 44% of both buyers and sellers say integration -- related to technology and systems, culture and people -- is a major challenge.



- **not leveraging external advisers hinders finding targets and buyers.** Middle market leaders say that finding the right target or buyer is confusing, yet they often don't seek help from outside professionals, relying instead on internal executives and top managers.
- **careful planning and preparation help deals succeed.** Most deals take three to 12 months to complete, yet planning to become deal-ready should take three to five times that long. Developing capabilities in planning, financial reporting, valuation and execution as much as four to five years in advance of having a specific target in mind ensures that companies are ready to move when the time comes.

You can read more; [Execs view M&A as critical to growth](#)

We are committed to keep you updated of all developments that may affect the way you do business in Puerto Rico. Please contact us for assistance in relation to this or any other matter, we will be glad to assist you.



DISCLAIMER: This update and its content do not constitute advice. Clients should not act solely on the basis of the material contained in this publication. It is intended for information purposes only and should not be regarded as specific advice. In addition, advice from proper consultant should be obtained prior to taking action on any issue dealt with this update.

© 2018 Kevane Grant Thornton LLP All rights reserved. Kevane Grant Thornton LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please visit [www.grantthornton.pr](http://www.grantthornton.pr) for further details.