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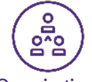
Organization

Money

The buy- side of a deal

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Improving a company's odds of a successful acquisition takes clear goals and a detailed, defined strategy that allows for the inevitable surprises. It should involve the early-on input and support of the company's board of directors.

Ojel Rodríguez
Partner Head of Advisory
T (1) 787 754 1915
E ojel.rodriguez@pr.gt.com

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Where to begin

The process starts with the buyer's business strategy, which aligns with and bolsters the separate acquisition strategy that a board typically helps to guide. Elements include determining the criteria and the plan, pinpointing targets, evaluating and valuing, negotiating deal terms, performing due diligence, purchasing and financing, and implementing/integrating.

Strategizing a strategy

Similar scenarios can be mitigated by putting together a strategy even before you are ready to do a deal. The strategy outlines your rationale and the criteria for what is appropriate. Do you want to change market perceptions of your business, get bigger, own and control key suppliers or accelerate a business strategy? Identify geographies and categories you want to expand into (e.g., to increase market share, enhance products and services, etc.) and companies that would be good fits, whether or not they are for sale.

Onboard with valuations

Once the board is onboard with a buy, the valuation process begins. The board should understand how the management team and the external advisers came up with a value for the company and how this impacts negotiating strategy.
Executives have advised asking a lot of questions about an acquisition and gave these examples:

- What Enterprise Resource Planning (ERP) system does the target have, and is it the same as ours or different?
- Is the target going to migrate to our system, are we going to migrate to its system, or do we keep two systems?
- What about key management — how do we retain them?
- More generally, who is going to stay, and who is going to go?
- How do we consolidate facilities? What are the steps?

Due diligence should cover the usual legal, environmental, tax and financial considerations, but it should also include an assessment of risk. The company should not be overly surprised — for example, when a big environmental liability surfaces — and should also have a back-up plan if a risk seems too great.

All in the details

Having a detailed integration plan is critical and should be part of acquisition approval. The next task is to focus on the key performance indicators for judging that office. Management and the board should have an agreed-upon set of expectations and a timeline that says what success will look like three months from now, six months from now, a year from now — and how we will adjust if what we expect is going to happen doesn't materialize or there's another opportunity that actually could provide more value, or we have some tsunami hit us and we have to change our risk management profile.

Assessing as you go

Even after a deal is done, the company needs to assess how it is doing against its objectives, monitoring progress such as sales growth, profit growth and synergies. An integration manager should monitor how fast you're moving, to understand when you can spend money, for example on new product development or upgrading the ERP or Human Resoruces (HR) system.

Once a deal is "done," you usually don't want the asset to just sit there, potentially losing value. Go back to the reasons you bought it and make decisions quickly that will get you to your goals.

Source:
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