

The Acquisition Process

The following list summarizes the acquisition process. However, we can provide greater depth on any step in the process.

1. Develop acquisition target criteria.
2. Identify a field of potential targets derived from the criteria.
3. Profile and rank the targets to determine the fit/attractiveness of each potential company.
4. Develop a contact strategy and message that introduces the Company to the targets in a favorable manner.
5. Reach out to targets and establish a dialogue to gauge their interest in pursuing a transaction.
6. Filter the interested targets via direct dialog with their ownership/representatives to determine their level of commitment to a sale and expectations.
7. Acquire and review the confidential information that will be used to develop a value, offer and proposed deal structure.
8. Negotiate deal terms and considerations with the target.
9. Manage the due diligence to include coordination of accounting, legal, and other professionals who are engaged in the process.
10. If required, acquire capital for financing the acquisition and related working capital.

Unlike the sale of a business, acquisitions are a little more challenging to price because there is a level of uncertainty as to whether or not targets will be found, how many can be identified and, of course, how many are actually considering a sale. This makes it difficult to estimate the level of effort required to start the process. The other challenge with acquisitions is that success is often tied to the timing and to the relationship that can be built with the target. Be prepared, sellers can be reluctant to engage immediately.

Because of this, the majority of acquisition searches we undertake are done under a retainer based approach. When done hourly, we require an upfront payment before undertaking any engagement. We generally stay away from success fees in acquisitions as they create an incentive structure that runs counter to the buyer's best interests. When utilized, we generally tie them to performance not related to the purchase price.