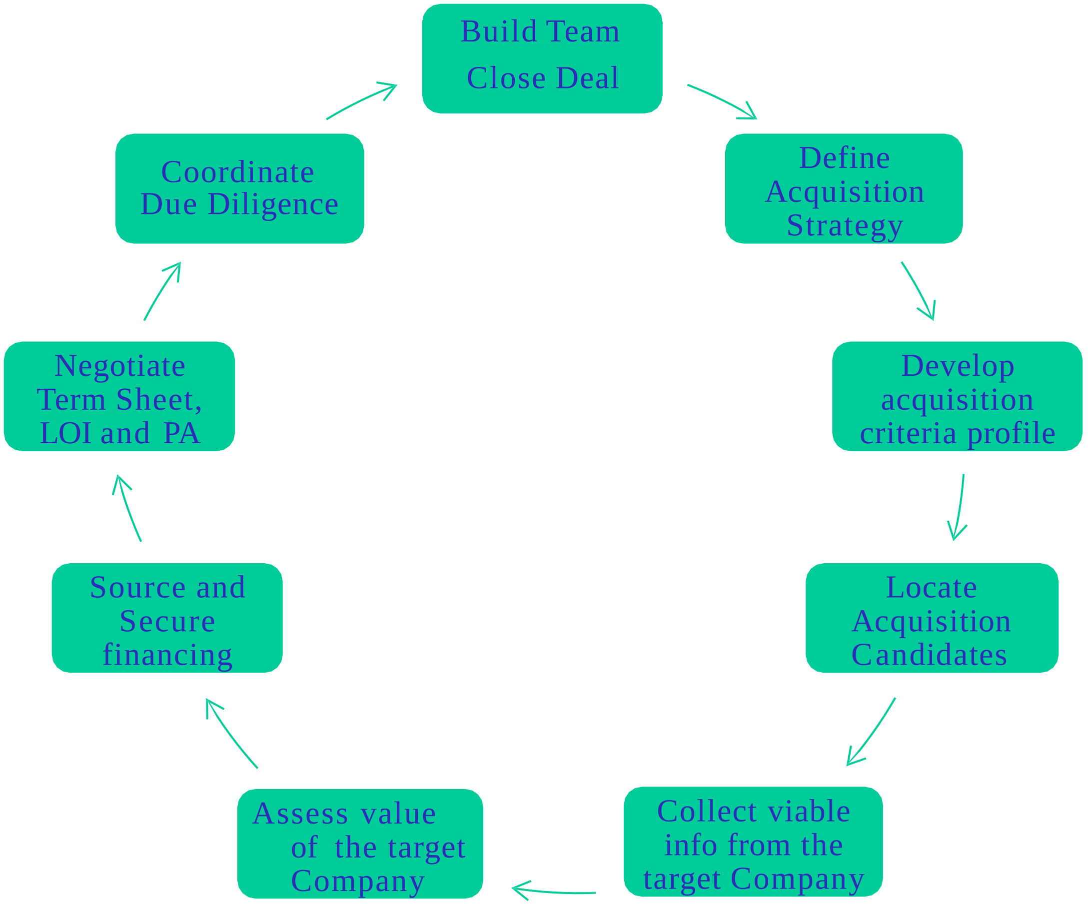
Merger and Acquisitions

Acquisition Cycle

The CHV Process

The Process



Build Team
Close Deal
Define Acquisition Strategy
Develop acquisition criteria profile
Locate Acquisition Candidates
Collect viable info from the target Company
Assess value of the target Company
Source and Secure financing
Negotiate Term Sheet, LOI and PA
Coordinate Due Diligence

Define Acquisition Strategy

SWOT Analysis
PEST Analysis
Critical Success Factor
GAP Analysis
Porters Five Forces

Define Improvements and Synergies need to be greater than premium, and outperform the Competition

In your Strategy Plan or Business Plan, acquisitions needs to be mapped out and defined clearly.

Develop acquisition criteria profile

Financial
Geographical
Industry Segment
Products or Services
Supply Chain
Culture

Your strategic plan must define the acquisition criteria, no compromise, only if it benefits the bottom line.

Close the mapped GAP

Locate Acquisition Candidates

National and International

Collect viable info from the target Company

Finances, Organizational Structure, Culture, Products

Assess value of the target Company

Financial Model, Integration Assessment

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Source and Secure financing

Do not acquire with cash during an Acquisition boom cycle

Negotiate Term Sheet, LOI and PA

Map Synergies: Improvements and Synergies need to be greater than premium, and outperform the Competition

Coordinate Due Diligence

Final review and check

Financial Model
Customer Matrix
Product Matrix
Legal / Contracts
Operational Compatibility
- IT systems
- Procedures

Integration plan developed for execution

Pros and Cons

- Speed
  - One of most efficient growth strategy
- Market Power
  - Quickly build market share
- New resources and competencies
  - Diversity, new products, technologies for outsmarting Competition
- Financial Gain
  - Synergies, Capital Equipment utilization
- Reduced Entry Barrier
  - Reducing risk

- Financial fallout
  - Cost savings, synergies overestimated
- High Cost
  - Bidding process out of control
- Integration issues
  - Culture clashes
- Unrelated diversifications
  - Managing resources, competencies
- Poorly Matched Partners
  - Pre-Acquisition analysis?
- Distraction from Operations
  - Too many challenges

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Acquisition –the 6 major errors

"Give the sellers the price they want, but structure the deal in a way that helps to mitigate the risk."

- Inadequate Due Diligence
- Price too high
- Wishful thinking on Synergies
- Timing (Product / Technology)
- Failure to deal adequately with cultural issues
- Failure to have a strategy for integrating the target into buyer, and moving with appropriate dispatch

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