Bishop Fleming

Advisory guide

Guide to buying a company

Making Your Acquisition a Success

Acquiring another company can be a fast track route to expand your existing business.

Whatever the motivations are for an acquisition it is important to ensure that the opportunity is fully investigated before proceeding. Many of these deals do not deliver the anticipated growth or synergistic benefits and can have a detrimental impact on ongoing performance of the current business.

Acquirers need to address some key issues when identifying and evaluating the target to ensure the deal enhances their own shareholder value.

Why Acquire a Business?

There are many possible reasons for making an acquisition, which can help your business to grow. Outlined below are just a few potential benefits:

Reducing business risk by product and service diversification
Through portfolio expansion or complementary products, which can save you expensive development and marketing costs.

Increasing customer base and market share
Exploiting the distribution channels and marketing systems of the target business with your existing products or services.

Eliminating competition and consolidation of fragmented markets
Building a stronger market presence, and becoming the 'go to' presence in your business sector.

Synergistic savings
Shared overhead costs, increased purchasing power and cross-selling may allow the combined business to be greater than the sum of its parts.

Acquisition of talent and skill sets
It may be possible to 'buy-in' industry experts or efficient management teams.

Operational expansion
It is often cheaper to acquire additional capacity than develop the facilities from scratch.

Defensive acquisition
It may be of strategic benefit to acquire a target in order to prevent direct competitors from doing the same.

It is important to remember that the benefits arising differ for each target business. Your acquisition strategy should be focussed and well researched in order to achieve your growth aims and maximise your chances of success.

Identifying an Acquisition and Making Your Approach

Who to buy?

Identify the key criteria that your target acquisition needs to meet. This should be informed by your growth strategy and may include:

- Size
- Geography
- Product / service portfolio
- Access to markets
- Management or staffing team
- Technical knowledge and IP

How to find them?

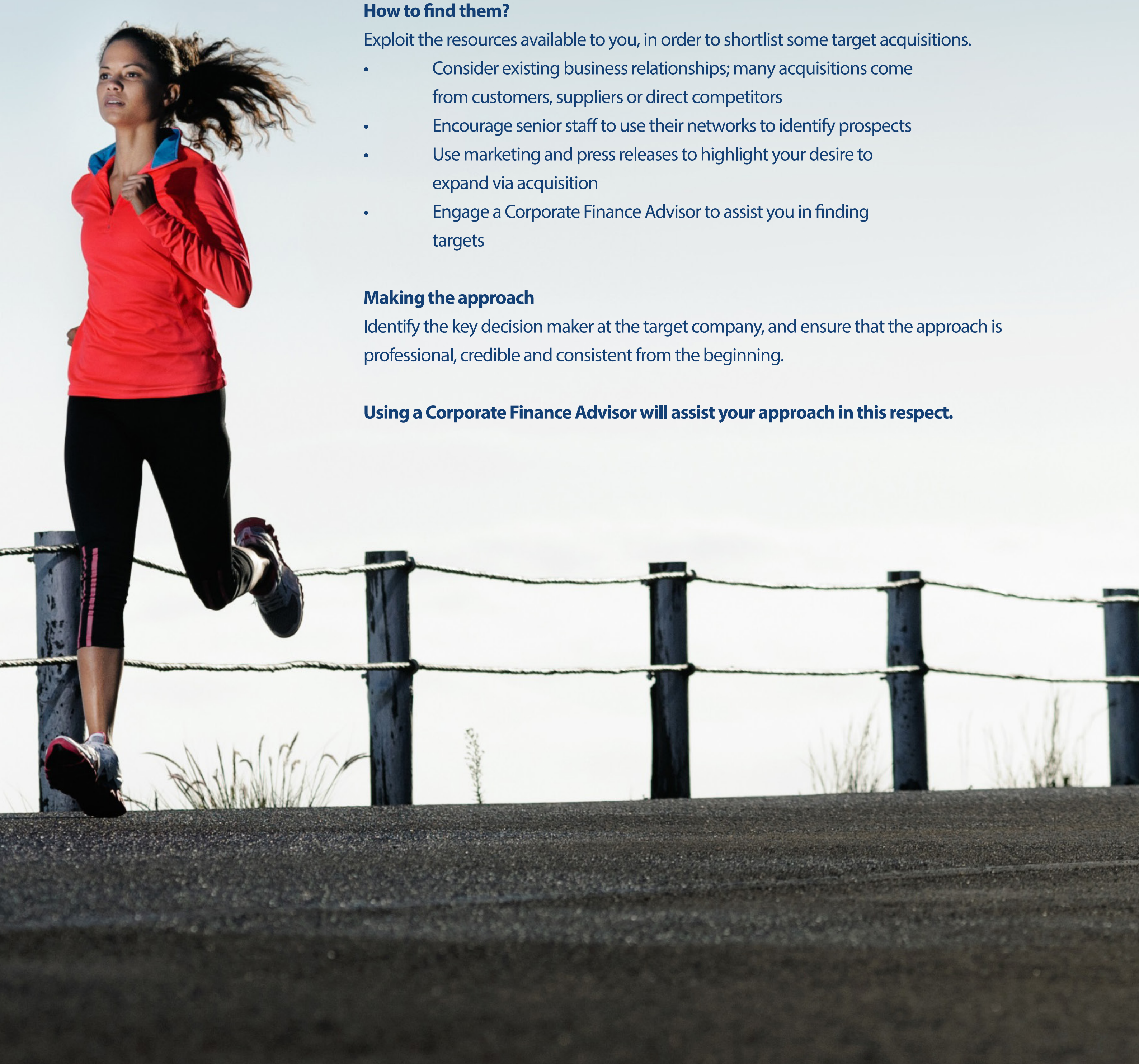
Exploit the resources available to you, in order to shortlist some target acquisitions.

- Consider existing business relationships; many acquisitions come from customers, suppliers or direct competitors
- Encourage senior staff to use their networks to identify prospects
- Use marketing and press releases to highlight your desire to expand via acquisition
- Engage a Corporate Finance Advisor to assist you in finding targets

Making the approach

Identify the key decision maker at the target company, and ensure that the approach is professional, credible and consistent from the beginning.

Using a Corporate Finance Advisor will assist your approach in this respect.



The Acquisition Process

It is important to understand the full extent of the process of buying a company, and avoid missing any crucial steps.

Feasibility

- Analyse the opportunity fully and understand how the acquisition will realise your growth ambitions
- Assess the viability of the acquisition, and the chances of it being a success
- Make initial enquires of potential funders and gain an indication of the availability of financial backing

Negotiation

- Understand the motivation of the seller, and what they will require to conclude a deal
- Agree on 'Heads of Terms', including the outline deal value and structure, method of consideration payment and period of exclusivity to tie down as much of the structure as possible

Fundraising

- Approach funders with a business plan, financial projections and management presentation in support of your funding application
- Negotiate with funders – remember they are competing for your custom as much as you are seeking their backing
- Appoint your preferred funding source and introduce them to the other professional advisors acting on the deal

Completion

- Undertake due diligence on the target company's finances, legal matters and other aspects as required
- Ensure legal processes and paperwork have been finalised
- Seek warranties and indemnities from the vendor
- Project manage all professional advisors acting on the deal

Post deal

Time to celebrate! But;

- Be prepared for the work involved in the cultural integration of your new acquisition with your existing business
- Undertake post-deal exercises such as completion accounts preparation

Seek Professional Tax Advice

Before completing any acquisition it is wise to seek professional tax advice.

It is particularly important for the vendors to understand their tax position in respect of the deal but there are some significant tax issues for the buyer to consider too.

Issues that commonly need to be addressed can include:

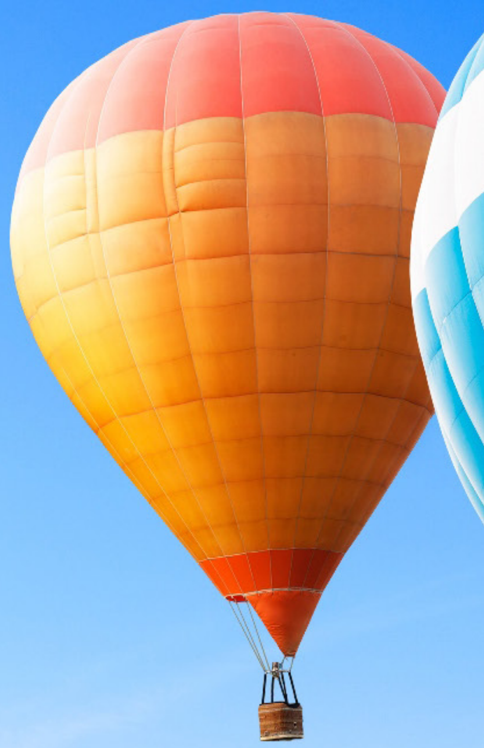
- The structure of the deal and any requirements for tax clearances from HMRC
- Tax planning opportunities to minimise any future capital gains and inheritance tax liabilities
- Seeking tax warranties and indemnities from the vendor
- Operational tax issues such as VAT registration or advice on the recovery of the VAT on deal costs incurred
- Payment of any 'deal' taxes such as stamp duty

Remember, it is often too late to address tax issues after the fact. Seeking professional advice early on in the process can prove extremely valuable.

Making the Acquisition Work Post Deal

Once you have completed the acquisition of the target business, the hard work must start.

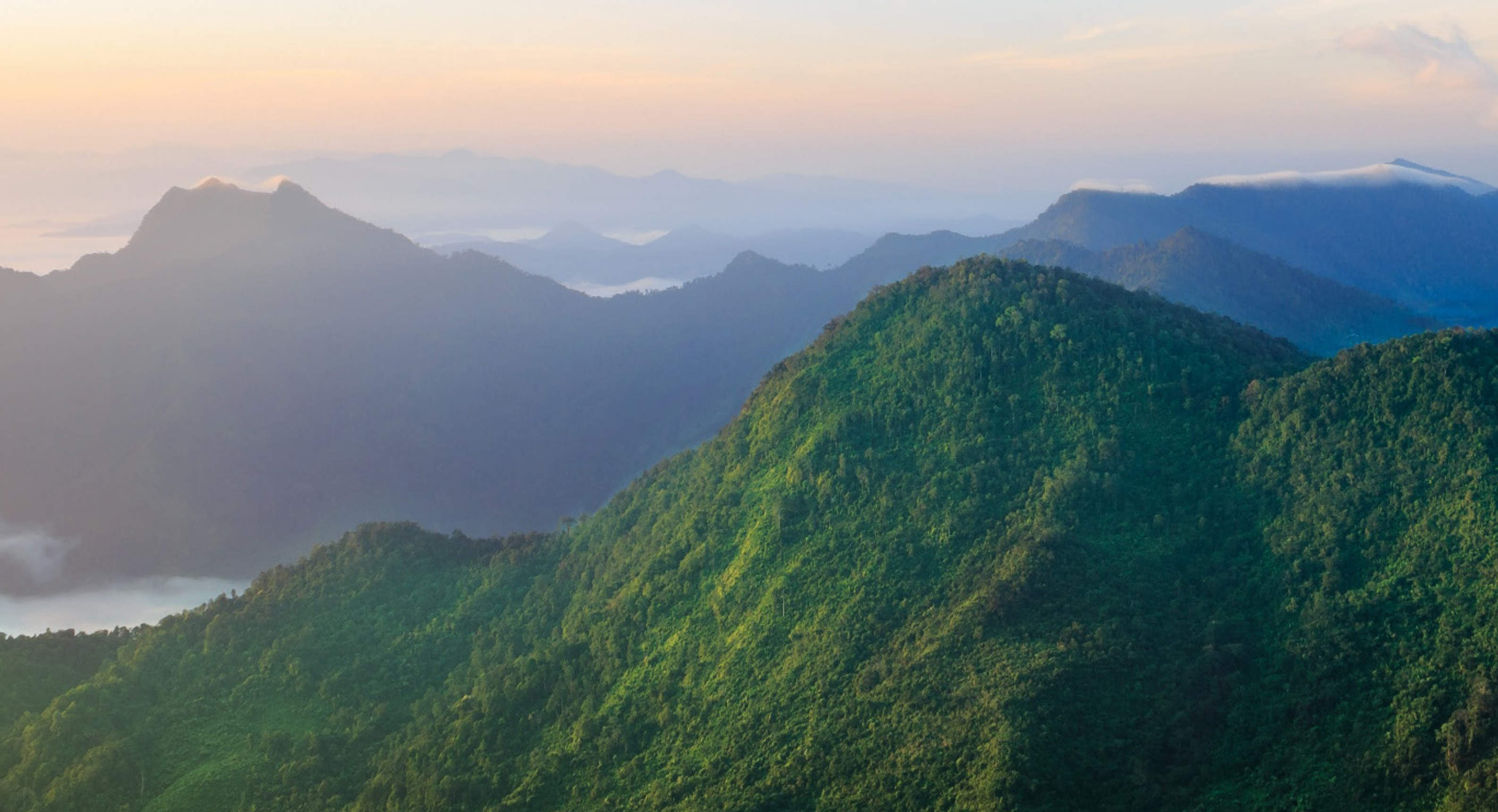
The first few months post acquisition are the most critical in making a success of the deal. Many managers put together a 100 day plan which addresses some of the key objectives to be achieved in the immediate aftermath of completion.



Communicating with your new (and current) staff, customers and suppliers is key to creating confidence in you as the new owner. The first most parties will know of any takeover will be post completion, and they will be seeking comfort about your future intentions. The single most common reason identified by managers for a failed acquisition, is the lack of 'buy-in' to the new corporate culture by staff at the acquired business.

There will also be a need to install new operating procedures and systems so the two businesses can work together efficiently. This is especially relevant if the newly acquired business has little internal reporting, which is often the case with smaller acquisitions.

Creating a strong control environment and culture across the new business as a whole is the only way to truly maximise the benefit from your new acquisition.



How Bishop Fleming Corporate Finance Can Help

Whether you have identified an opportunity to acquire another business or believe your company may benefit from an acquisition strategy, Bishop Fleming Corporate Finance can provide valuable assistance and advice to help drive your transaction forward.

We can help with any aspect of the transaction or provide a full life cycle service, assessing your strategic options, identifying and approaching target businesses, negotiating the deal and managing the whole transaction process, providing financial and commercial input throughout.

Our experienced team have advised on a number of acquisitions, and helped achieve the best possible deals for our clients. To view some of our recent deals, and get further details of the services we provide, please visit our website at www.bishopfleming.co.uk.

No obligation initial meeting

Bishop Fleming Corporate Finance can help with your acquisition strategy or expansion plans, and would be happy to arrange a no obligation meeting with you to discuss your proposal further.

Contacts

For more information or to arrange for an initial exploratory meeting please contact a member of the Corporate Finance Team at your nearest office:

Bath	01225 486 300
Bristol	0117 9100 250
Exeter	01392 448 800
Plymouth	01752 262 611
Torquay	01803 291 100
Truro	01782 275 651
Worcester	01905 732 100

Or email:

James Finnegan: jfinegan@bishopfleming.co.uk

Corporate Finance Partner

Buying a Business - Quick Guide

Consider your reasons for acquisition
Buying an existing business can be an efficient way to diversify your product offering, increase your operating capacity, increase your market share and make synergistic cost savings.

Identify and approach your targets
You must consider the criteria for your acquisition search which should be informed by your strategic objectives. Many channels exist to identify targets that meet these criteria. Once a target is identified a professional and credible approach needs to be made.

Negotiate the deal
Once interest in a deal is established the terms of the deal need to be agreed. Consider deal value, structure and the method for satisfying the deal consideration.

Secure your funding
Produce a business plan and financial forecast and approach potential funders. Remember to negotiate with funders too; they want your custom as much as you want their backing.

Complete the transaction
Undertake financial, legal and other due diligence as required. Instruct professional advisors to organise the legal documentation and project manage the deal to completion.

Post-completion integration
Introduce yourself, your values and your future plans to the staff, customers and suppliers of the acquired business. Ensuring a successful outcome from your acquisition requires a strong control environment and the right corporate culture for your newly enlarged business.

Bishop Fleming

To find out how we can help you or your business, contact us:

T: **03333 21 9000**
E: **advice@bishopfleming.co.uk**
W: **bishopfleming.co.uk**

KRESTON

ICAEW CHARTERED ACCOUNTANTS

A member of Kreston International. A global network of independent accounting firms. Bishop Fleming is a trading name of Bishop Fleming LLP, a limited liability partnership registered in England and Wales No. OC391282. Registered office: Stratus House, Emperor Way, Exeter Business Park, Exeter, Devon EX1 3QS. A list of members' names is available at the above address.