A merger or acquisition deal is a once

By: Bob Hanson

The worldwide mergers and acquisitions (M&A) wave continues unabated and, everyday, there are reports of more takeovers and acquisitions, joint ventures and other deals. It seems that no industry or region is being left out! And the pet world is no different.

We have seen increasing activity in particular from the private equity industry where Advent International has bought up the Provimi pet foods business for €188 million and Perusa's expansion has continued with the purchase of Flamingo from Belgium, alongside their 2010 acquisition of Karlie in Germany.

Within the industry itself, there has been a lot of action too with Zolux in France taking over the French Saint Bernard. In the retail world too, Target Holding in Holland (who operate the Dobey franchise group and Van Ree wholesale operation) have agreed to buy the Faunaland retail group.

The M&A process and how outside advisers can help

For the majority of us, buying or selling a company is a rare occurrence and one where experience is, by definition, limited. But an M&A deal is incredibly important to both parties and is life changing. The pressure is there to make sure that the deal is the right one, that the terms and conditions are acceptable and that everything moves smoothly to completion. There is no opportunity to go back and change things afterwards, so it is vitally important to get it right first time! So it is good to know that there is help available from professional advisers to understand the intricacies of M&As as well as the business and people side of these deals.

Getting legal and financial advice is a must

The main area where advice is needed, and the one most people are aware of, is for financial and legal advice. The investment banks are increasingly becoming household names as they feature again and again in the press and they provide much of the financing for the big deals along with other banks. Beyond that, everyone needs to have advice on the tax implications of a deal and help to structure it in the most effective way, as well as integrating the businesses later.

During the purchase process, one of the key steps is due diligence, during which the details of the company being acquired are pored over and evaluated by accountants alongside other business experts. This is the real opportunity to understand what you are buying and whether it is in line with your expectations when you made the offer to buy the company!

The other main area is, of course, legal advice in evaluating contracts which the target company has signed, including their intellectual property, as well as any distribution agreements that may be in place. And above all, advice is necessary for drafting and negotiating the various contracts that are required to be signed to complete the deal.

It all starts with strategy...

The reasons for buying or selling a company are varied. Often it is to get into or out of markets, or to get hold of new manufacturing technologies, capacities, capabilities and brands. Buying a competitor can strengthen your brand and market position or open new opportunities in current markets or new segments. But whatever the reason, acquiring or disposing of a company or business

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in a lifetime experience

is not to be taken lightly and has to be an integral part of your vision and strategy for the company.

Acquisitions (or disposals) have to be based on a well thought through and evaluated strategy and the development of this is often supported by various advisers including consultants, but also accountants and bankers.

Once the decision is taken that an acquisition is the right route for the business, the next challenge is to identify the potential targets and evaluate them. Here industry and market knowledge is needed and consultants can help in independently identifying potential targets, evaluating them and finding the most appropriate way to make contact with the best opportunities. Very often, the ability to identify options, evaluate them and then have the contacts to be able to approach targets and determine their interest in selling quietly and confidentially, is one of the key benefits which our clients value.

What is the value of the business?

Working out the value of a business is central to everything and needs to be calculated. Depending on the calculation system used, any company will have different valuations and these can vary dramatically. These methodologies are based on multiples of historic or future earnings, asset values of plant, machinery and other physical resources, as well as intellectual property (patents, technologies, brands and licences et cetera).

The seller wants the highest price and will value the business highly whereas the buyer is, conversely, looking for the lowest price. Finding the way through this apparent impossible difference of opinion is a question of negotiation and one where outside help and experience is highly recommended. Knowing what similar companies have been valued at, as well as understanding the 'value' of the business to the other party, are part of the skills that experienced outside advisers and consultants can bring to the process.

Integration, implementation and change management

Once the contracts are all signed, the work starts on integrating the businesses. Based on the plans made earlier on how the new business will be integrated, there are many projects and tasks that need to be achieved, with one of the most important concerning building the new culture for the business and integrating the new staff into the structure. At the end of the day, as always, it is the people in the organisation, with their skills, motivation and abilities that will make the acquisition a success. And this should not be left to chance: it needs planning and experienced advisers can make all the difference.

Management consultants and other advisers are an important resource for many companies. They bring rigour in analysis, creativity in strategic thinking and the ability and experience to make change happen. They provide extra resources and skills in situations where companies are stretched or lacking in the particular expertise to make M&A deals work. ■