

FOCUS ON

Key steps to a successful corporate acquisition

As successful businesses with strong balance sheets start to look forward, our award-winning Corporate Finance Principal Laurence Whitehead outlines the key steps to a successful corporate acquisition and how our Corporate Finance experts can add real value to the process.

Identifying and approaching target companies

If you choose the wrong targets initially or approach the right ones in an 'inappropriate manner', your whole strategy can hit the rocks on day one. Use an experienced corporate financier to work with you to identify the right targets and to make the first approach to the owners. Put yourself in the sellers' shoes - they want comfort that the approach is genuine. Getting your adviser involved from the outset adds immediate credibility to your strategy.

Valuing a prospective target

This is an art, not a science. An experienced corporate finance adviser will look not only at the asset base of the business but also its potential to generate cash. Valuing a business based purely on its net asset value does not normally bring us to a 'fair value' if the target business is profitable and generating cash. So a valuation based on a multiple of adjusted sustainable earnings before

interest and tax tends to be far more appropriate in such circumstances. Deciding what is a sustainable level of underlying profit and what is an appropriate multiple both require judgement and expertise from your corporate financier.

Financing

Finding the right targets and valuing them correctly only gets you so far. How do you ensure there is a funder out there prepared to back you financially? There are a number of ways to finance acquisitions - conventional bank debt, private equity, venture capital, business angels, mezzanine, asset-backed lending and structured finance to name but a few.

Talented corporate financiers will be able to introduce you to the appropriate financiers (not just your local bank manager) and will work with you using bespoke financial models to get the right funding in place.

Heads of terms

Agreeing a detailed outline of the deal with the vendors can be time-consuming and costly if it is not dealt with in a focused manner from the outset. We will work closely with you to ensure that all key issues are addressed and clarified before the heads of terms are agreed. Once the heads of terms have been signed, it is then time to get your corporate lawyer on board to work alongside us on the due diligence and detailed documentation.

We would be delighted to talk to you about your requirements. Please call 0845 366 4793 or email mhcfinfo@mhllp.co.uk to arrange an initial no obligation meeting.



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