



Williams Strategic Advisors
M&A Experts



ACQUIRING A STRATEGIC COMPETITOR



Buyer's Guide: 14 Steps to Acquiring a Strategic Competitor

Acquiring a strategic competitor can be a game-changer for your business, offering opportunities for growth, market expansion, and consolidation of resources. However, it's a complex process that requires careful planning, execution, and the consideration of various factors. This buyer's guide outlines the essential steps involved in acquiring a strategic competitor to help you navigate through the process successfully.

1. Determine the Correct Target Company:

- a. To determine the correct target company, engage in strategic discussions with your ownership and management team regarding your overarching strategic goals.
- b. This begins by asking critical questions such as:
 1. What are our objectives in pursuing an acquisition?
What size of a company aligns with our financial and operational capabilities?

2. Contact the Target:

The best route would be to have an advisor reach out, but the buyer certainly can contact directly.

3. Sign NDA, Acquire Company Financials:

- a. After signing the Non-Disclosure Agreement (NDA), confidentiality becomes mandatory.
- b. With the NDA in place, review the company's financials and materials to identify strategic overlaps aligned with your acquisition goals.

4. Further Data Gathering:

Complete extensive research on the company. To gather further data:

- a. Conduct thorough research on the company.
- b. Review the Confidential Information Memorandum (CIM), if available.
- c. Analyze current industry trends.
- d. Investigate the company's relationships with vendors and clients.
- e. Assess relevant macroeconomic trends.

5. Make an Offer Based on The Beringer Group's Guidance on Valuations:

- a. Craft your offer based on the valuation recommended by TBG. We offer precise insights into the M&A market and understand the exact multiples prevailing in deals.
- b. Offering lower multiples increases the risk of losing the deal. If your competitive offer receives tentative acceptance, proceed with the next steps in the process.

6. Management Meetings:

- a. During the management meetings, which occur once the deal is progressing, the buyers engage with the current management team. The purpose is to ensure continuity of control within the company.
- b. Additionally, these meetings aim to address any concerns that management, and consequently, the employees may have regarding the sale (for example, payment arrangements, insurance coverage, continuity of operations, preservation of company culture, and other relevant matters.)

7. Deal Structuring (Term Sheets/Letter of Intent):

Deal Structuring involves outlining initial terms in a non-binding agreement. Some terms, like exclusivity, bid price, choice of state law, and transaction expenses, may become binding.

9. Deal Assumptions:

Come to terms regarding general knowledge about the deal.

10. Final Term Sheet/LOI Analysis:

- a. Final pass over the tentative agreement before the formal purchase agreement is created.
- b. Since the purchase agreement is binding there is a significant legal cost involved in its creation so misunderstandings should be clarified before that stage.

11. Draft/Review Purchase Agreement:

- a. Contract legal counsel to draft the purchase agreement.
- b. Codify the term sheets/deal assumptions.
- c. Once completed, all parties review with independent counsel.

12. Due Diligence:

- a. Deep dive into the inner workings of the seller.
- b. Make sure no misrepresentation has occurred.
- c. Includes a quality of earnings report.
 - i. Generally created by an accounting firm.
 - ii. Seller revenue is audited to account for any irregularities.

13. Review Quality of Earnings:

Both parties review the Quality of Earnings report and alterations made to the purchase price based on accountant, legal, and TBG guidance.

14. Complete Purchase Agreement:

- a. Finalize the agreement.
- b. Last point to alter the agreement.

15. Closing:

- a. Sign agreement.
- b. Transfer business.
- c. Note that escrow clauses are often included in purchase agreements to ensure a smooth transfer of assets at closing.

Acquiring a strategic competitor can be a transformative move for your business, but it requires careful planning, diligence, and execution. By following the steps outlined in this buyer's guide, you can navigate the acquisition process effectively and maximize the value of the transaction for your organization. Remember to leverage the expertise of professionals, including financial advisors, legal counsel, and industry experts, to ensure a successful outcome.



Need more information? Reach out today.

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