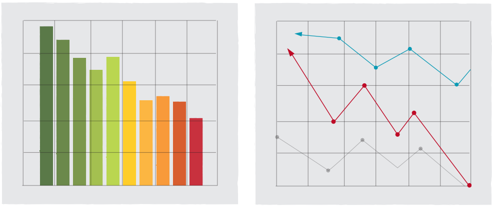
Buying a Business

Successfully Planning an Acquisition

This series, broken into three parts, examines the various stages to successfully planning, executing and integrating an acquisition. Each part of this series offers advice to help prospective business owners considering making an acquisition, such as:



- The importance of taking a strategic approach to acquisitions;
- How to maximize deal value through smart execution; and,
- How to ensure successful integration following an acquisition.

Is now the right time to buy a business?

Business owners often focus on timing and whether it is the right time to buy a business. From a timing perspective the current Mergers and Acquisitions (M&A) environment is relatively strong:

- Deal volumes have rebounded significantly from 2008/09
- The quality of deal opportunities is improving
- Capital is available and accessible, interest rates are low and remain stable and purchase prices are at sensible levels
- Deals are more widely available

The more ready availability of capital however, has had an impact: driving up valuations and creating a “sellers’ market” consisting of multiple buyers pursuing a limited number of attractive acquisition opportunities. In addition the weak Canadian dollar has made it cheaper for international buyers, increasing valuations and raising competition for deals.

Notwithstanding this, acquiring because ‘market conditions are right’ or ‘we have the available capital’ is not in itself a good enough reason to transact. Acquisitions should make sense within a company’s overall growth strategy.

Building an Acquisition Strategy

Best in class companies have a 'roadmap' of organic and inorganic routes to achieve business objectives. Acquisitions typically only add long term shareholder value if they are an element of this broader corporate development strategy. An acquisition strategy does not need to be highly complex, it simply needs to be applied consistently and with rigour. Ultimately an acquisition strategy translates your business plan objectives into a list of acceptable acquisition targets and deal parameters.

Why build an acquisition strategy?

- Provides a framework for evaluating acquisition candidates, thereby improving go-to-market efficiencies
- Enables stakeholders to arrive at consensus about acceptable parameters and ensures 'deal breakers' are identified early
- Can be communicated to management, ensuring their buy-in. Management shouldn't feel threatened by acquisitions – rather they should be involved in the process and help identify targets
- Increases the likelihood that an acquisition will 'add value' post integration
- Allows shareholders to consider what the organization can afford and prepare financially
- Identify divergences in plan between shareholders

Questions to ask the shareholder group as you build your acquisition strategy:

- Where do we see the business going over the next three to five years?
- How will acquisitions help / Can we get there without acquisitions – e.g. via Joint Ventures, Licence agreements etc.?
- What are we looking for in an acquisition – enlarged product portfolio, broader geographic coverage, additional end user markets, targeting specific customers?
- How does a specific acquisition fit in with the overall business strategy?

Once work on an acquisition strategy is completed implementation can begin
[See Part 2 – Sourcing, Evaluating and Closing an Acquisition].

For more information, **talk** to a CIBC business advisor, **visit** your nearest CIBC Banking Centre, **call** 1 800 465-2422 or **visit** www.cibc.com.