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Pre-Acquisition Plan

Many of the best companies in the world grow through acquisitions as a component of their strategic plan. Companies use acquisitions to expand their position in existing markets and venture into new ones. Acquisitions are no different than any other strategic plan; plan the work, and work the plan. Consider the following as a guide if you want to follow a proven and effective strategy of growing your business through acquisition:

Developing Criteria

Before making any inquiries into potential acquisition candidates, develop your set of criteria, which allow you to focus time and energy toward the type of candidates that will best meet your objectives.

Consider the following: type of business, minimum (and possible maximum) revenues, minimum earnings, geographical location, geographical coverage, years established, post-merger management in place, ability to relocate the business, turn-around situation (if looking at under-performing companies as possible acquisitions), capital requirements to grow the business further, and product and/or service line complement to your existing business.

Financial Resources

Prior to proceeding with any conversations, determine your financial resources to acquire the potential candidate. Do you have cash and committed capital on hand or easily accessible or do you have to review each deal on a case-by-case basis? Speed of financing can determine success of the acquisition.

Required Initial Information

Companies are, at times, reluctant to divulge information. Determine in advance the required information you need to make an informed decision. Only deal with companies willing to comply with your realistic requirements; their responsiveness and ability to provide the information you need also is an indicator of how serious the seller is.

Communication

Good communication between both parties moves the transaction forward; poor communication (by either party) hinders success. Before implementing a plan to grow through acquisition, form your internal deal team. Establish who the points of contacts will be when you are searching for and reviewing acquisition contacts. Outline their

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responsibilities so that you have a strong flow of information and follow up accountability. Make one person the key interface with the acquisition candidates; they should manage the details of your interaction with the business that is being considered. These things are essential in order to have a solid communication plan in place so that suitable acquisition candidates are handled in the most efficient and professional way possible.

How the communication is handled between the two companies is important; often the selling company is being pursued by other buyers; an efficient and professional process by you (as a potential buyer of the sellers business) can only increase your chance of success.

Post-Merger Integration Plan

Determine what you are going to do with the business after you have bought it; this is as important as finding the business to buy. The plan will have to be modified and tailored to specific acquisition candidates, but having a template to work from will allow you to integrate your acquisitions more smoothly and leverage acquired assets, technology and techniques to grow both businesses. Without a plan or template you have to identify and manage the integration “on the fly” and “by the seat of your pants”. Since the acquisition may represent a sizeable investment of capital, resources and time ... it is in your best interest to make the integration go as smoothly as possible.

Acquisition Team

As mentioned above; establishing your deal team is very important from a communication standpoint. Throughout the entire process questions will arise that may be outside your area of expertise; have internal and external team members to cover areas in which you are not proficient. Team members may not just consist of you and your internal management but also outside consultants experienced in areas of need. They can assist in your plan to grow through acquisition, manage the search, coordinate the team’s efforts, cover things that are not in your area of expertise and help the entire process become more efficient and productive.

[Magtin](#) is a consulting firm that works with manufacturing business [buyers](#) and [sellers](#) to meet there merger, acquisition, [reverse merger](#), [initial public offering](#), and operating capital needs.

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