MEMORANDUM

From	Dr. Michael Hirt, H&F
Subject	**Key Considerations for Acquiring a Company**

This list provides an overview of key considerations an acquiring company should take into account when preparing for and executing the acquisition of another company.

1. Defining transaction goals at the outset

- What goals do we want to achieve with the acquisition?
- What competitive advantage do we want to realize?
- What should happen after the acquisition?
- Critical examination of the acquirer's managerial capabilities
- What kind of transaction? (e.g. assets, shares, minority etc.)

2. Forming a competent team in due time

- Building of internal M&A team
- Responsibilities: planning, transaction analysis, implementation of transaction
- Size of team depends on: complexity of transaction, type of transaction, size of acquisition vs. size of acquirer, size and experience of acquirer's staff
- Depending on the experience of the organisation and the team, the internal team should be formed at least 8-12 months ahead of the transaction
- Building of external M&A team (M&A consultants, strategy consutants, lawyers etc.) to secure experienced, independent and professional transaction support that minimizes internal disruption and maximises the achievable selling price/minimizes warranties

3. Securing funding and a suitable financial structure

- Financing requirements to be clearly identified
- Critical examination of financial burden of acquisition on acquirer under different performance scenarios of the acquisition
- Negotiating with several financial providers
- Finding a suitable financial structure
- Securing financing on time

4. Avoiding an auction

- In auctions, purchase prices tend to increase and conditions to deteriorate
- Additional bidders reduce probability for acquisition of target
- Obtain exclusivity for negotiations with seller – if feasible

5. Setting a realistic price range

- Acquisition prices of unquoted companies vary as much as share prices of quoted companies
- Valuation
- Valuation only on a yardstick
- Price will be determined by supply and demand
- Flexibility and willingness to compromise concerning price, conditions, representations and warranties

6. Professional project management

- Establishing professional project management and an effective coordination of the internal teams of the acquirer and the target and all external advisers

7. Understanding cultural fit

- Thoroughly understanding cultural fit between company and target and what can be done to overcome any expected difficulties

8. Proper Due Diligence

- Making sure that sufficient Due Diligence is done in a professional and well-coordinated way

- Making sure that Due Diligence is not only done from an accounting, tax and financial perspective, but also from a strategic, cultural and human resource perspective and other perspectives that give a complete an thorough picture

9. Involving and committing managers

- Management of Acquirer (an acquisition means substantial additional workload)
- Management of the target company

10. Coping with solvable difficulties

- Overcoming seller's and target management's concern of opening all files for Due Diligence
- Missing or incomplete documentation
- "Hockey stick effect" – business plan does not explain turnaround
- Not transparent, clear company and ownership structure

11. Considerate and speedy post merger integration

- Of utmost importance for value creation
- Starts long before signing the sale and purchase agreement
- Prerequisites: clear goals and expectations on future of target
- Timely, goal oriented, objective and consequent
- Task of the top management (acquirer and target company)
- Use of integration teams
- Avoid insecurity and fear through open communications (employees, customers, suppliers, business partners, shareholders)
- The first 60 days are critical