MOORE

FUNDING AMBITION

How to secure the best deal for your future

Mergers and acquisitions (M&A) are a powerful way for growing companies to propel themselves forward and also for sellers to secure the financial future of their families and companies.

The appetite for well-considered strategic deals continues to buck global trends, especially among mid-sized firms. In the past year alone dealmakers in the Moore Global Corporate Finance (GCF) network have advised on more than 450 deals with a combined value of €5.3 billion.

Those transactions typically contain the same crucial ingredients for success:

- They enabled acquiring companies to increase scale, expand faster and add new revenue streams.
- For selling shareholders, they struck a balance between extracting value and ensuring continuity for both the business and its staff.
- For entrepreneurs, being acquired can quickly move their companies to the next level of competitiveness and position them for a sustainable future.

Moore GCF works mainly with business owners, entrepreneurs and management teams who have spent years patiently building strong foundations for their companies and growing organically. Often advisors from GCF firms have been alongside them throughout the journey helping to refine their business models or develop specific strengths in order to stand out.

450

deals successfully managed by Moore Global Corporate Finance

€5.3bn

The value of deals Moore Global Corporate finance has advised on

4,250

The number of completed deals in 2022*

€200bn

The value of Europe-wide M&A activity in 2022*

**Source: Vlerick/ MooreGCF Compass Report*

GCF prioritises companies with revenues of €10 million to €200 million that are the backbone of the global economy. These firms would traditionally have focused on buying local rivals – or selling to bigger players in their home markets – but the opportunities offered by cross-border M&A are increasingly attractive.

Research for GCF by Vlerick Business School in Brussels shows there were around 4,250 of these deals last year in Europe worth a total of €200 billion.

Firms within Moore Global Corporate Finance (GCF) are reporting high levels of pent-up demand from potential acquirers eager to make strategic acquisitions – with US buyers among the most active but also growing interest from Asia.

Targets include businesses that operate in the same sector as the potential acquirer, or those that offer avenues into related products and services and have potential to generate additional revenue streams.

Grasping the strategic logic for embarking on M&A is one thing: making it happen and maximising the benefits requires months of effort and a range of finance and legal expertise.

Due diligence on a potential partner is highly complex and requires in-depth local knowledge as well as sophisticated financial modelling to understand the commercial drivers of the business.

Cross-border transactions often throw up legal, tax and regulatory issues that can have an impact on how the deal needs to be structured and practicalities like future cash flow monitoring.

Understanding the motivation of both parties to the agreement is often overlooked, yet this can be the difference between success and failure. This human aspect goes way beyond the people round the negotiation table: optimising future performance of the acquired company's workforce or merging teams together is every bit as important than closing the deal.

Many mid-sized companies are reliant on a single finance director, or even the owner, to stay on top of all the complexities and make the dozens of hourly or daily decisions that are required to push a transaction over the line.

It is a huge responsibility – one that puts individuals under intense pressure. However, Moore Global Corporate Finance (GCF) brings together the power of its international network to relieve that stress and seamlessly handle all elements of the deal.

Moore GCF assembles specialist teams that understand the many issues that can cause delays. Advisors can assist at any stage of the process, from pre-deal evaluation and due diligence through to the completion of a transaction and post-deal integration or separation.

While experts from two or more countries might be involved, the client only has to deal with one main point of contact. Whether they are buyers or sellers, this approach makes for complete transparency and quick decision-making – factors that are vital to ensure a successful long-term outcome.

Moore GCF: the dealmaker for every situation

The international teams of dealmakers at Moore Global Corporate Finance help business leaders achieve their goals – whether it is funding growth, identifying and executing acquisitions or planning an exit.

We understand mid-sized firms and family-owned businesses have specific needs. That's why we offer the dedication and flexibility of a boutique combined with the knowledge and power of an integrated financial services network.

As well as working on deals in their own countries, the teams in Moore Global Corporate Finance co-operate on cross-border transactions where local knowledge of market conditions ensures negotiations run smoothly.

Each firm plays to its individual strengths but our clients only see one team working tirelessly to bring their deals to a successful conclusion.

The best M&A transactions are those that deliver benefits to everyone involved – sellers get a price that reflects their years of hard work, while buyers see enough upside potential to justify the purchase price.

Meanwhile, the business itself is positioned for a stronger future with a new management team that has a long-term perspective.

How M&A drives faster growth

Companies focused on expansion see M&A as a way to achieving their goals faster than relying on organic growth which may require years of patience.

Organisations that make, on average, more than five deals per year grow at double the rate of companies that only selectively pursue M&A, according to a report by McKinsey. They also spend 38% less on each acquisition.

One of the most attractive reasons for buying companies with specialist skills or technology is the potential to open up new markets for a product or service that the acquirer might otherwise struggle to break in to.

Buying rivals reduces competition and allows acquirers to increase market share. This, in turn, usually has a positive impact on profit margins.

Merging similar operations should provide synergies and opportunities to cut costs. That results in a stronger balance sheet which will ultimately assist the enlarged company in financing its overall growth strategy on more favourable terms.

While some sellers are focused on achieving an exit, others see M&A as a way of growing their business and making it more sustainable for future generations.

Selling a company can help owners mitigate risk, especially if their sector is facing uncertainty or the business is heavily reliant on a few key customers or star employees.

Many mid-sized companies lack access to resources – advanced technology, a diversified product range, staff with cutting edge skills – to move beyond their traditional customer base. Being part of a bigger group opens up possibilities for taking the company forward in exciting new directions.

Many owner-managed companies do not have access to capital markets or sophisticated financial products, making financing growth harder and more expensive. For example, selling to a big multinational or joining forces with a specialist private equity firm injects liquidity and offers the prospect of faster and better investment decisions as well as funding future expansion.

38%

Potential savings on M&A deals for active players

The 10 mistakes that ruin great deals

A successful merger or acquisition can be a boost for any business but not all work out as expected. That is often because sellers or buyers made one or more of these mistakes:

SELLERS BEWARE

1. Unrealistic price expectations: economic conditions change so it is important to be objective when determining the value of a business.

2. Not preparing the business for sale. Unclear business models or an inappropriate structure that may need to be unpicked after the transaction can cause issues in due diligence and reduce the level of interest among potential buyers.

3. Failure to reach the right potential buyers. Selling locally may be convenient but may not always be the best option: a more suitable purchaser could be in another country or a different sector.

4. Failure to consider what buyers might want from the business and to articulate its strengths and future potential.

5. Rushing the process: the prospect of achieving a dream outcome blinds some owners to the need for calm reflection. The outline of a deal can be agreed on a handshake but detailed negotiations might take 3-6 months.

BUYERS REGRET

1. Not having a transition plan in place: there needs to be a clearly defined process for the transfer of the business so management and staff of the merged company know exactly what is required.

2. Ignoring cultural differences. The merged entities may operate in completely different ways or be located in countries far apart – buyers imposing an alien culture often fail to extract full value from the deal.

3. Missing the big picture. Advisers like Moore GCF are on hand to tackle the minutiae of a deal, freeing leaders of the businesses to focus on how to achieve the promised long-term strategic benefits.

4. Seeing only problems rather than solutions. Unforeseen issues arise in every transaction but it is important to accept this and move quickly to finding an alternative way of achieving the same outcome.

5. Failure to focus on the correct structure of the deal. Much of the preparation for a transaction should be around finding the most beneficial tax, legal and financial frameworks as well as building the management team for the future.

To avoid these pitfalls, engage an expert M&A professional. They have the experience to handle all aspects of the deal and tackle the difficult issues that might otherwise be ignored.

CONTACT US

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