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## THREE KEY FACTORS TO M&A SUCCESS FROM SERIAL ACQUIRERS



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In order to better understand the factors behind a successful deal, The Boston Consulting Group surveyed a group of serial acquirers who possessed a track record for successful acquisitions. Deal specifics can vary widely depending on the company and industry. However, the survey revealed that successful acquisitions had the following things in common:

### HAVING A CLEAR INVESTMENT THESIS

Before approaching an acquisition candidate, dealmakers should have a good understanding of not only how the business operates to generate money, but also how an acquisition can make the company more valuable over time. An investment thesis that defines the specific reasons for and benefits of an acquisition can prevent entering into a deal that results in unsatisfactory returns.

Koch Industries has a unique approach to [acquisitions](#). The conglomerate seeks fundamentally sound asset intensive businesses with some earnings uncertainty. Koch does not invest for the short term, but uses its internal expertise to grow revenue and improve performance over the entire length of its planned holding period. Koch took the time early on to define its investment strategy and the company approaches each new acquisition with discipline and realistic earnings expectations. Koch's orderly approach has allowed it to acquire companies across a wide range of asset-intensive vertical industries that share common characteristics, from electrical connectors to pulp and paper, supporting rapid growth and steadily increasing value.

### INVESTING IN THE M&A CULTURE

Successful serial acquirers invest in people, time, and resources that are dedicated to M&A. This allows for the continual vetting of potential deals, as well as the formulation and implementation of pre- and post-integration plans.

Successful serial acquirers have acquisitions in their DNA, from the highest C-level executives on down. Looking for potential acquisitions is not an occasional activity at these firms; it accounts for as much as 40 percent of key executives' [time](#). Top executives are personally involved in M&A activities, and they use their entire team to find and nurture potential targets. This investment starts at the top. The CEOs, presidents, and general managers of businesses at successful acquirers are constantly on the lookout for the next target.

External deal support helps bolster in-house efforts, especially when it comes to performing the necessary [due diligence](#) requirements.

*continued on page 2*

### DEFINING THE “DEAL BREAKERS”

While it is important to have a comprehensive, built-out process for all deal stages (from targeting to valuation and due diligence, to negotiation and integration), successful serial acquirers have a high-level checklist that they use to evaluate each critical phase. This helps to identify and find solutions to issues that can affect the deal. Acquirers should also know at what point they should walk away from a deal.

Knowing how to find a target is only half the battle. Successful serial acquirers also know when to walk away from a deal. They have a checklist of deal breakers that separate the golden opportunities from the deals that may be more troublesome and less valuable in the long run. Typical items on these checklists may include the following:

- › Unaddressed potential litigations
- › Unclear rights to IP
- › Poor reputation for quality or delivery
- › Inability of the target to guarantee a locked vote
- › Excessive valuation or liquidation expectations (which can lead to [legal liabilities](#))
- › No available value incentive for key employees
- › Lack of trust in the target’s candor
- › Insistence on the escrow fund as the only remedy for future issues

### CONCLUSION

Instead of waiting for the right opportunity to present itself, top acquirers work for the long-term on supporting an active M&A culture, clearing defining intent and expectations, and committing to acquisition best practices in order to make success happen.



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