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5 QUESTIONS TO ASK PROSPECTIVE BUYERS BEFORE ENGAGING IN M&A

BY THOMAS TRULLINGER, SENIOR VICE PRESIDENT OF MERGERS AND ACQUISITIONS

When it comes to mergers and acquisitions, it's not unusual for potential buyers to come to the table with a long list of questions to vet the business they want to acquire. But there's often less emphasis placed on the questions the seller may have for the potential buyer.

That's an oversight that can derail meaningful deals and degrade partnerships. Asking the right questions can help qualify prospective buyers, streamline the process and ultimately ensure a win-win scenario for all parties involved.

Before signing on the dotted line, everyone considering selling a stake in their business should ask a few critical questions of the prospective buyer. Below are 5 questions to start the conversation:

1 WHAT IS YOUR EXPERIENCE WITH M&A AND BUSINESS INTEGRATIONS?

While many businesses may be quick to discuss the number of transactions they've made over the last several years, sellers should inquire further into their experience integrating companies. The integration process is often overlooked, but remains critical to the success of any transaction. Buyers must be able to articulate their plan for executing a successful business transition that benefits customers and employees. It can also be helpful to ask about prior examples as well as speak to any references they can provide. This can offer the seller insight into how the process will impact their customers and employees and set the transaction up for success.

2 WHAT FIRST ATTRACTED YOUR INTEREST IN OUR COMPANY?

In the most successful transactions, buyers are attracted to more than just the target's book of business. Sellers should consider asking prospective buyers what initially sparked their interest in the company to see if there is a high level of alignment between the two companies. Buyers should be able to articulate the unique value a potential target presents to their business. This will provide decision makers with insight into what aspects of the business the buyer intends to maintain and what they may change in the integration process. It's important for both buyers and sellers to agree on the aspects of the business worth maintaining in the long run.

3 WHAT WILL POST-MERGER INTEGRATION LOOK LIKE?

Owners and executives should enter into a transaction with a full understanding of how the deal will impact current customers, employees and vendors. Business leaders can start by asking the buying party about their vision for the combined entity. What role will existing leadership play in the day-to-day operations? Will the selling company keep its own brand and office locations? Will employees be forced to relocate and will their job roles materially change? How much autonomy will existing leadership have in the future of the business? These are critical questions that both parties must align on before inking a partnership.

4 WHAT'S YOUR COMPANY'S FIVE-YEAR PLAN?

For any transaction to reach its full potential, it is important that the company be featured as an integral part of the buyer's long-term business plan. Strategic buyers have a clear idea for what the near and long-term future of their business holds and are looking to augment that growth and complement its capabilities by making acquisitions. Successful transactions start out with a firm understanding of how the partnership will help the combined entity reach its goals. Selling parties should be clear on what their role will be in this plan.

5 CAN WE MAINTAIN OUR COMPANY CULTURE?

Beyond making sense from a business perspective, business leaders should ensure there is cultural alignment between the two companies before merging. What is the dress code? What is the paid time off policy for employees? Are workers given autonomy over their positions, or do orders come down directly from management? Any major change to these areas can be disruptive to a business. But when the two companies align, the integration runs smoothly. Ensuring a cultural fit between the two companies is an important yet often overlooked component of a successful merger or acquisition.

While the above five questions are not a comprehensive list, they offer a solid starting point for any business owner considering selling a stake in their company. Entering into a merger or acquisition should never be rushed. To ensure alignment, both from a business and cultural perspective, owners and management must engage in honest conversations around the process, the integration and the desired end result.

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THOMAS TRULLINGER
Vice President of Mergers and Acquisitions
856-614-4495
ttrullinger@connerstrong.com