Acquisitions are a topic of much contemplation and fear, but also of importance, for many companies and their owners.

There are so many layers to it!

The following are only some of the questions and concerns we have gleaned from our clients and personal experiences over the years, as advisors, principals and private company executives:

When do I buy another company?

How do I do it, exactly?

Where do I start?

What are the key steps?

How do I protect myself and my company?

Is this really a good idea? How do I know for sure?

Do I put my existing business at risk?

How disruptive will this process be?

Can I do it with my team, or do I need an advisor?

What are the costs of this process?

What are the timelines of this process?

Which of my employees do I bring into the loop?

Are the market conditions right for a deal?

Where do I go from here?

Over the next nine instalments, we will attempt to provide insights on many of these important questions.

We can’t cover all the bases here, but hope we can illuminate the topic of acquisitions relating to private companies, and provide insights on areas for further examination.

(Selling your company and exit planning are a whole other topic, which we cover in another series available separately.)

Watch this space for upcoming instalments, and happy reading!

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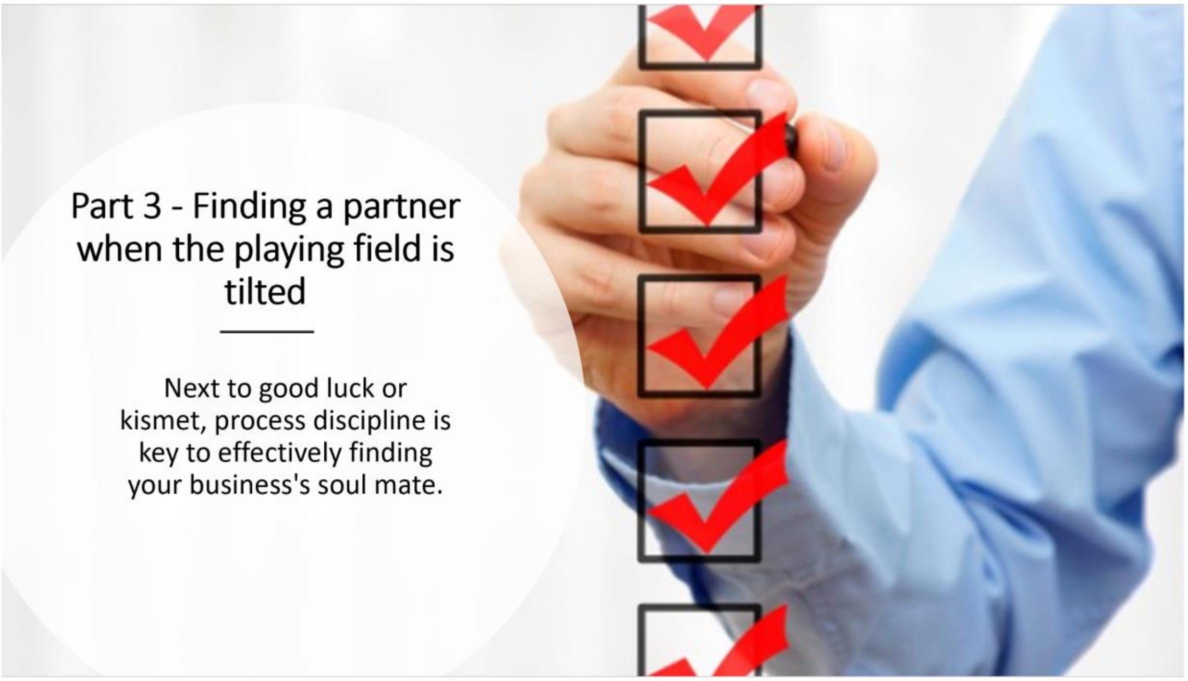

Friendly and engaging, hardworking, bright future, no skeletons in the closet . . .

I'm not talking about a soul mate, rather these are attributes medium-sized private businesses should be looking for in a merger or acquisition.

For many companies other than those in the hottest areas in the current COVID-19 era, such as telehealth, e-com/logistics, wellness, and certain enterprise software applications, the playing field is still tilted toward buyers.

Although the surplus of trillions of dollars of committed venture and private equity capital available for deployment is well-documented, and there is even a sizable new bucket of capital available with the advent of corporate venture capital[1], many good companies remain capital-starved and hence more open to selling, often at compelling prices.

The initial public offering (IPO) market is similarly limited as an alternative option for the mid-sized company, with that market's current obsession with 'unicorns' and 'soonicorns' and 'maybecorns' and 'babycorns'—okay, I made the last two up, but the point holds.

All this is particularly relevant in the technology and tech-enabled services sectors, with technology-driven market convergence making many companies relevant new targets for a broader range of buyers.

Rather than delve here into how to execute on deals, or the benefits and pitfalls of mergers and acquisitions, here we will focus on how to find good targets as a mid-sized private company:

1. **Analyze honestly why you are considering a merger or acquisition.**

   Are you solving a problem, filling in a weakness, or exploiting an opportunity?

   If it is to get big for big's sake, to hide poor performance in deal chaos, or to feed an addiction to the excitement of a deal, it might be time to rethink.

2. **Recognize you are looking for a needle in a haystack.**

   Form an internal "deal team" of employees you will bring into the inner circle about your acquisition plans, and assign specific responsibilities.

   This team should start the process by compiling a database on your industry and its players, along with pieces of intelligence picked up.

   Track basic information including name, location, offering, estimated sales, known or perceived strengths and weaknesses, key customers, pricing, and positioning in the marketplace, as well as any other unique facts or speculations.

   Your senior sales or business development people can be helpful here.

   Finding the right target is half serendipity, so increase your chances by asking the team to keep their eyes and ears open and ensure they add any intelligence garnered to the database.

   Don't worry about being exhaustive or complete, you can build the total body of intelligence piece by piece.

   The Web is a good place to find information on most companies, but there is no real, exhaustive analytical framework.

   Websites such as BizBuySell.com are attempting to organize the market, but the jury is out on whether they can bring more than quantity.

There are also a growing number of free + paid deal and private company information services such as CrunchBase, Owler and PitchBook. Data quality and completeness varies, particularly at the smaller end of the scale.

If you get creative, you can also find sites that offer free searchability features.

For example, the U.S. government site (www.sba.gov) has offered databases of companies that are applying to become government suppliers. Users are able to sort companies by location, size, number of employees, etc.

In the technology realm, ITinCanadaOnline.com and others have offered basic but good searchable databases, and a department of the federal government named 'Innovation, Science & Economic Development Canada' (or ISED) offers its Digital Technologies/ICT portal, a unique source of information that maps the structure of different industries, which could be particularly helpful to companies looking to acquire tech companies.

But any search should start by talking to competitors and customers to get a feel for the companies on your radar, at trade shows etc. -- these are probably the most valuable leads. This can be tricky, of course.

Business brokers also can be a source of leads if your search process does not pan out, but their quality and motivations vary widely.

3. Decide what your "public" position will be on M&A.

It is certainly less sensitive and risky to tell people you may be a buyer than to say your company may be for sale.

The bigger risk is being distracted by the process and overwhelmed with information.

Your personal, professional, and business networks can generate a reasonable volume of raw leads. If you add a reasonable success-based referral fee to the mix, you can amp up the volume, if not the quality.

The offset is the additional work to process the leads.

4. **Develop a Top 5 or 10 prospects list and regularly update, discuss, and amend it.**

   This facilitates the creation of robust criteria to best evaluate targets and more quickly decide whether a target is worth more digging, or even an exploratory meeting.

   It will also allow you to react more quickly to opportunities, which may arise without forewarning.

   Being nimble can mean the difference between getting the deal and having to compete in an auction—or missing the opportunity altogether.

5. **Decide if and when you need professional help.**

   The first four steps will help you ascertain what skill sets you have on your team and whether you can carry out an effective target search and evaluation process in-house, and move to the next phase when the time comes.

   Without question, this process is time-consuming, and is littered with targets with little to no real value to you, so you should carefully consider how many internal resources to take away from your core business by committing the attention of key employees to the M&A realm.

   The entire process is more art than science -- instinct and horse-sense drawn from experience will play a key role in conjunction with your business strategy.

   Next to good luck or kismet, process discipline is key to effectively finding your business's soul mate.

Footnotes

1 – 'Corporate Venture Capital' or 'Corporate VCs' largely consist of large public or private industrial or tech companies making VC-type or private equity-type investments as a way to outsource R&D or to augment their corporate and product development pipelines.

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