

Growth Through Acquisition

LINK's Guide to the Buy-Side Process



Mid-market Sales and Acquisition Growth

You've probably thought about how to expand your business many times, and you've often considered the costs and benefits of growing fast, or the risks of growing too slowly. We at LINK Corporate would like to show you that there is a sure and fast way to growth through acquisition.

Benefits of Growing Through Acquisition

LINK Corporate clients who expand through acquisition realise all sorts of benefits, many of which may apply to your situation:

Being Bigger

Just by being bigger you may find that you can attract better employees, or retain your best ones longer, because they can see better career paths ahead. Larger customers that once thought you were too small to service them are now willing to deal with you. Your position with suppliers is stronger, because your volumes have increased. New economies of scale can be realised in overheads, purchasing, distribution and marketing. Size can help you better absorb economic shocks and cover peaks in demand.

More Customers

More customers means more business and deeper market penetration. More products or services means more opportunities to cross-sell within your newly expanded customer base. More staff means better coverage and smoother handling of leave and other issues and can open up opportunities to specialise. More locations may mean better access to new markets.



Competing Better

You may remove one competitor immediately, by buying them and you instantly become a bigger threat to the others. You may achieve dominance in your own specialised market niche.

Enjoying Synergies

Suddenly you have a broader product range, a wider customer base and less competition. New people bring new skills to your overall mix. Product or service duplications can be eliminated for greater efficiency. Better products can take the place of weaker ones. Vertical integration may secure your lines of supply, and eliminate process delays and mark-ups. New product combinations may be irresistible to your customers.

Proven Strategies

Avoid the risks associated with organic growth, such as new products that fail, new customers that are expensive to win over, and new staff that are costly to find and then just don't turn out right.



Knowing Where to Start

LINK Corporate knows that the best approach to acquisition is to start with a plan and a clear idea of your goals. This will give you a set of criteria to assess target companies and make your search for the perfect acquisition faster and simpler. It will also help us give you an honest appraisal of the chances of success. It is important to be proactive and to retain the initiative at all times – others in your industry are also hunting for a sound acquisition.

An Acquisition is Not an Event but a Process

LINK Corporate has evolved a structured six-phase approach to acquisition. Following this process, most mid-range businesses achieve a successful acquisition within four to six months.

Experience has shown that following a disciplined approach leads to clear answers to the important questions.



“How will buying this asset make my existing business more valuable?”

“How will I bring value to the asset I am buying?”

We guide our clients through the phases of the process, towards clear strategic objectives, detailed implementation plans and a focus on creating and capturing value – invaluable to any company, regardless of whether an acquisition is completed.





LINK

Corporate Division

Mid-Market Sales & Acquisitions

Phase 1

Research

- **Gather** market intelligence on industry growth opportunities and competitive position.
- **Draw** on sector research from LINK Corporate research databases.
- **Identify** the most desirable segments for acquisition, taking into account identified growth sectors, competitive and capability gaps, competitive and capability overlaps, conflicts, duplications, synergies and potential leverage opportunities.
- **Scan** the market thoroughly to ensure all viable target companies are included.
- **Build** a database of revenues, earnings, skill profiles, customers and suppliers, geographic coverage, culture and readiness to be acquired – all important information for future reference.
- **Sign** confidentiality agreements.

Phase 2

Self-analysis

- **Review** your company strategy and objectives, vision, mission, five-year plan, retirement plans, exit strategy.
- **Evaluate** alternative futures, sizes, alliances, positions in the value chain.
- **Perform SWOT** analysis. Integrate this with Phase 1 research and derive a set of scheduled actions to address all four quadrants.
- **Reconsider** acquisition to building the business organically (this is a sanity check).
- **Assess** and compare your opportunities – that emerged in Phase 1.
- **Appoint** an acquisition team from employees and selected professional service providers (legal, financial and commercial, including LINK).
- **Prepare** and agree on profiles for target companies, including all key features and metrics, and agree with the acquisition team.

Phase 3

Targeting

- **List** all potential target companies to ensure completeness – first produce a long list.
- **Determine** targets' synergy with the acquisition strategy and rank accordingly.
- **LINK** to present you with a long list (no more than one month after approval to proceed).
- **Review** the target company ranking and agree or amend.
- **Agree** on the short list of targets – the best opportunities, at least five.
- **LINK** will collect further target data subject to availability and if required by you.

Acquiring another company can often help fast track growth in your own company, but it is fraught with challenges. Working with our specialist team at LINK we will take you on a 6 phase journey to ensure that the growth opportunities presented to you surpass your expectations:

Phase 4 Contact	Phase 5 Negotiation	Phase 6 Integration
<ul style="list-style-type: none"> • Decide who should be blind approached and should not know about your plans. • Plan when to make information available and prepare non-disclosure agreements. • Prepare a format for your meetings and evaluation of target companies. • Schedule contact with target companies. • Interview directors of target companies about potential benefits of acquisition. • Assess directors' interest. • Compile analyses of each target company (e.g. financial, SWOT, current and future market analysis). • Evaluate their match against your original profiles and goals. • Review synergies and other growth opportunities. 	<ul style="list-style-type: none"> • Value each company still under consideration. Consider sales of comparable companies, industry formulas and valuations. • Determine future roles of seller (e.g. director, manager, employee, shareholder) and key employees. • Agree restrictions on the seller, such as non-compete agreements. • Negotiate transaction terms and structure and agree how payment is to be made • Raise and structure financing, if required. • Write letters of intent or a non-binding offer. • Commission mutual due diligence: investigating the seller's business documentation. • Draft contracts of sale specifying the sale price, deposit sum, any securities, payment process, liability and representation, transfer of leases, all future commitments. • Comply with all jurisdictional requirements for transfer of entity or assets. • Sign all papers. 	<ul style="list-style-type: none"> • Co-ordinate the closing and transition periods, to help minimise business disruption for all parties. • Plan the integration of workforces, operations and financial management. • Update the new company integrated business plan, now that many uncertainties have been removed. • Ensure that key managers remain and are motivated by the new company goals. • Instigate a progress review cycle, track goals and share feedback on performance. • Develop your acquisition strategy (effectively drafting a new company strategic plan based on acquisition).



About LINK Corporate

LINK Corporate is a specialist business brokerage with services tailored to mid-market clients – with enterprise values in the range of \$1 million to \$50 million. We are small enough to assure you of personal attention, big enough to get things done.

LINK Corporate is backed by the biggest business brokerage in Australasia, LINK Business, and has the largest team of mid-market business brokers in the southern hemisphere. LINK Business was founded in 1996 and now has offices across Australia, New Zealand, South Africa and United States. LINK have brokered well over \$1 billion of business.

LINK Corporate brokers are a team of skilled acquisition and divestment specialists providing a high quality, highly confidential service to buyers and sellers of businesses. Our brokers have managed hundreds of acquisitions, in every major sector of industry. Most have owned their own business or held senior corporate positions.

All members of the brokerage team are licensed and duty-bound to work ethically and with the utmost integrity. They are devoted to your best interests and respect your confidentiality at every stage of the acquisition process.

LINK Corporate brokers understand the scientific analysis required to value a business. They have the ability to not just analyse the financial merits of an opportunity but also the range of other criteria based on the characteristics of a business. What makes LINK Corporate unique is the access they have to the largest industry database in Australia of current market data on actual business sales.

LINK is a member of the Australian Institute of Business Brokers, a member of the International Business Brokers Association, and publisher of Business Broker Magazine.



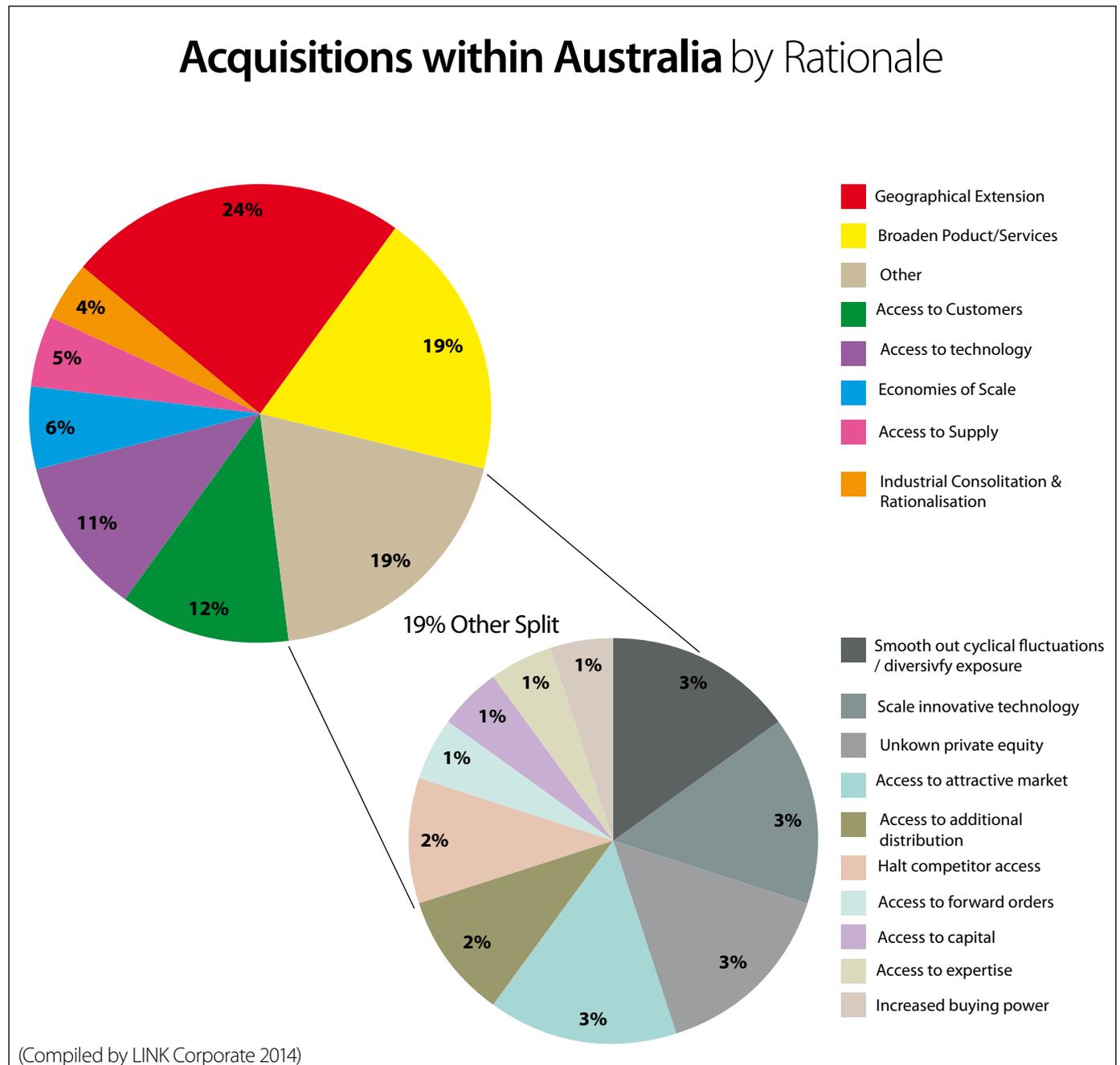
Working with your Acquisition Team

LINK Corporate brokers and advisers are highly experienced business intermediaries who help you prepare for acquisition and achieve the best value, by identifying the right sellers and constructing deals that work.

LINK Corporate brokers have been through the acquisition process numerous times – they know the path and its pitfalls – and they are there to guide you. Our six-phase approach provides you with a structure that creates a safe and efficient path to growth by acquisition.

The LINK Corporate team are able to complete an array of valuations, ranging in engagement from limited scope indicative pricing to complete risk analysis and due diligence valuation.

Get in touch with us to make a business transaction now or in the future, and ensure that you get it right the first time, by speaking with the team at LINK Corporate for ethical, confidential advice with complete integrity.





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