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(M&A)

The Definitive Guide to Mergers & Acquisitions

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Let’s Get Started

It’s rare these days to not hear about another business merger or acquisition. That is why we have compiled the most comprehensive guide on the Internet regarding mergers and acquisitions.

The best part?

We are going to show you what every business owner should know about mergers and acquisitions.

We have made it easy. Below you will find the content broken down into small chapters based on specific topics. Just click on the chapter you want to see and you will be taken to that specific part on the page.

Let’s get started.

01 The Basics of Mergers and Acquisitions

Mergers & Acquisitions is an exciting and dynamic space in which to be. For many business owners, selling their company, merging with another company, or purchasing a business can be quite a thrilling (and hectic) process and one in which you want a good business attorney representing you.

While the goal of any mergers and acquisitions transaction is to generate value, it can also be fraught with pitfalls. The purpose of a good business attorney is to help the business owner navigate the merger and acquisition landscape to maximize value and outcomes at the same time reducing risks and obstacles.

6 Concepts You Should Know About Mergers & Acquisitions

1. *Know What "M&A" Stands For*

"M&A" simply stands for "mergers and acquisitions." This is just business-speak for companies buying another company or, in the case of mergers, joining together to form one business entity.

While the terms "mergers" and "acquisitions" are lumped together, they refer to two very different business procedures.

In a merger, two businesses fuse or merge, to form a brand new company. This is a mutual decision. Two companies go into an alliance and a third, previously nonexistent business entity, emerges from the process.

Acquisitions are much more straightforward. In an acquisition, one company buys another company. This can occur either willingly, in the case of a business owner cashing out of his business, or unwillingly, in the case of a hostile takeover.

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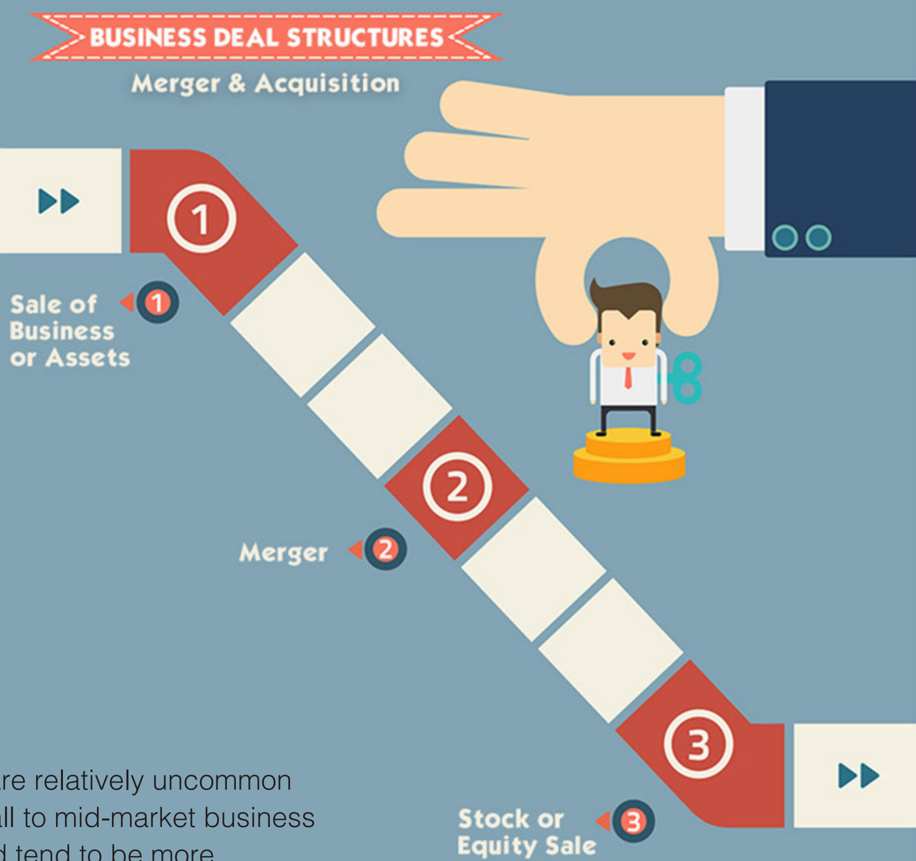


2. Know Common Mergers and Acquisitions Deal Structures

There are three basic merger and acquisition deal structures entrepreneurs and business owners should be aware of: (i) sales of business or assets, (ii) mergers, and (iii) stock or equity sales.

Sale of businesses or assets

The most common deal structure small business owners and start-up entrepreneurs will face are Acquisitions. While companies can be purchased outright, some acquisition deals can also be executed through asset sales.

What this means is that parts or portions of a business, such as a particular department or product, for example, are sold a-la-carte rather than the entire company. For buyers, asset acquisitions carry much less risk since liabilities and contingent expenses stay with the selling company.

For sellers, this an easy way to shed unprofitable business operations while retaining thriving ones.

Merger

Mergers are relatively uncommon in the small to mid-market business space and tend to be more common at the level of larger corporations with multiple assets.

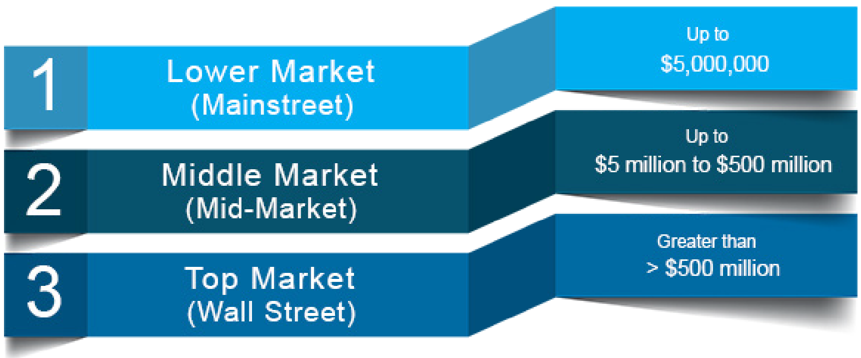
Of course, there are many types of mergers, such as horizontal mergers, vertical mergers, congeneric mergers, and a merger of equals, to name a few, that involve business of all sizes and that each requires strategies and approaches. We won't go into depth on these, for the time being, however, you can refer to [::: insert future chapter link here:::] for more information. In general, mergers tend to occur between businesses of equal to similar size.

Stock or equity sale

Equity sales, also known as stock sales, are similar to direct sales of businesses or assets. However, instead of buying assets or liabilities, the buyer purchases a controlling interest in the entire business through the acquisition of shares. By definition, that means the buyer must own at least 51 percent of a target company's shares, although it is possible to achieve a controlling interest in a company with less than 50 percent ownership in the company.

3. *Know Your Market Tiers and Valuation*

To begin the Mergers and Acquisitions process, you need to know which part of the market your company is in: the lower end market, middle market, or the top market. These are merely relative references to the size of a company in regards to its total revenue or asset base. As a result, there is no universally accepted valuation range for these terms. In general, however, many Merger and Acquisition experts use these rule of thumb numbers:



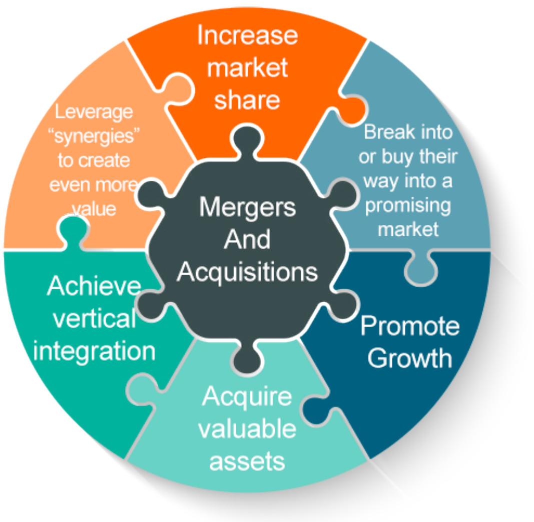
Each market segment has its own unique set of buyers and sellers. For example, buyers may pay a hefty premium for small market companies with the potential to grow into mid-market companies, and for mid-market companies with the potential to develop into top market companies.

Understanding relative valuations will help you determine who the players are in your market segment as well as identify potential buyers or sellers.

4. *Know Why Companies Pursue Mergers and Acquisitions*

Companies pursue mergers and acquisitions to generate value. Utilizing an M&A approach, companies can:

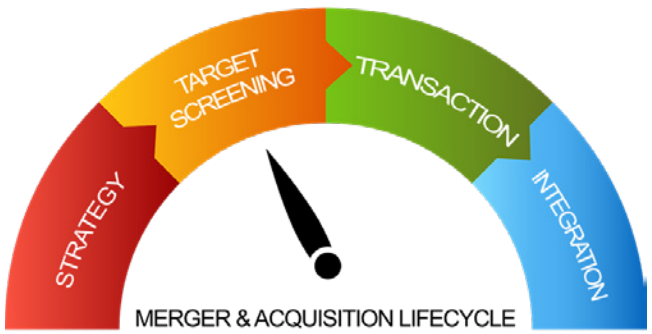
- Increase market share
- Break into or buy their way into a promising market
- Promote growth
- Acquire valuable assets
- Achieve vertical integration
- Leverage "synergies" to create even more value

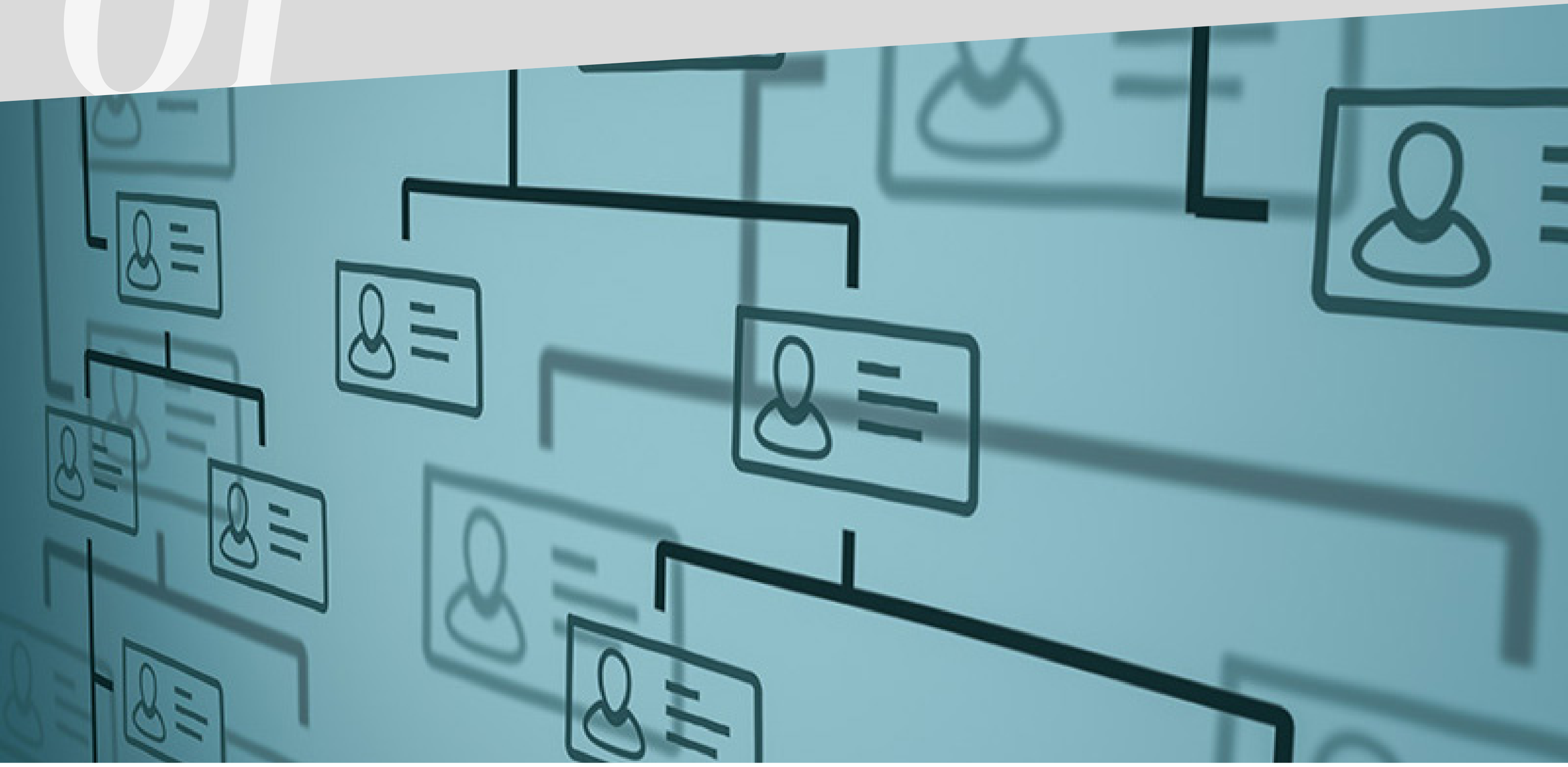


5. *Know the Typical Merger & Acquisition Lifecycle*

While each Merger & Acquisition deal is unique, there are broadly defined interdependent phases of every M&A deal that every entrepreneur or business owner, whether they are buying or selling, should strive to understand: strategy, target screening, transaction, and post-M&A integration.

- M&A Strategy - Identify value-creating merger and acquisition opportunities.
- M&A Target Screening - Identify promising merger and acquisition targets to acquire or sell to.
- M&A Transaction - Execute the merger and acquisition deal.
- Post-M&A Integration - Seamlessly integrate an acquisition. Identify issues and challenges from this deal to take into account for future transactions.





6. *Know Who Is Involved in Mergers & Acquisitions*

Seller - This is the company looking to be acquired.

Buyer - This is the company seeking acquisitions.

Transaction lawyers - Transaction lawyers are a must for any deal. They provide transaction advice, manage negotiations, and provide legal documentation for the sale. Transaction lawyers aid in legal due diligence.

Accountants - The role of accountants in any merger and acquisition deal are many and varied. Accountants are involved throughout the process from the initial stages of financial due-diligence to the final closing process and beyond.

Tax Advisers - Tax advisers provide expert analysis and assessments of a deal's tax implications and overall financial feasibility. They help achieve structuring goals of both the buyer and the seller in a merger and acquisition deal.

Integration Consultants - Integration consultants ensure a seamless post-acquisition or post-merger transition, such as the integration of new management. They help manage changes to the business after an M&A transaction, including changes to a business's talent and culture.

Business brokers - Business brokers help businesses in the lower end or mid-market sell to individual owners or private equity groups.

Investment Bankers - Like a business broker, investment bankers help a business buy, sell, or merge. However, investment bankers typically only work at the upper end of the market and deal with complex business transactions. In general, investment bankers help corporations sell to other corporations.

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Did You Know?

The value of global mergers and acquisitions deals reached

$3.24 trillion

in 2016. The highest value of M&A deals was signed in the financial sector.

TALK TO US ABOUT M&A

02 Pros & Cons of Mergers & Acquisitions

Mergers & Acquisitions is often referred to in business conversations as a single monolithic process or deal-making play. The two terms "mergers" and "acquisitions" have become increasingly blended together and are often used in conjunction as "M&A." In reality, mergers and acquisitions are two very different deal structures, each with their advantages and disadvantages. Either two companies merge, or one company is bought or sold by another.

Under a merger structure, two companies of relatively equal standing engage in a deal. Typically, both entities are merged into a new entity and cease to exist and a new legal entity is created keeping one of the entity's names or having a new name. This may be known as an actual "merger of equals."

Under an acquisition structure, two companies are also involved. However, once the deal is done, only the acquiring company remains while the acquired company is absorbed by the purchasing entity. Acquisitions are by far the most common deal structure in the world of business today.

...in reality, mergers and acquisitions are two very different deal structures

Both mergers and acquisitions have the same end goals: to leverage synergies, combine resources, or take advantage of specific market conditions to enhance growth. In this sense, both mergers and acquisitions share some significant similarities concerning advantages and disadvantages.

We will discuss the broad implications, including the general pros and cons associated with all M&A deals. This will include mergers and acquisitions under the broad umbrella of the term "M&A." In this way, we hope to help executives and owners better understand the world of M&A including the key similarities and crucial differences between the merger and acquisition components of general M&A.

While the goal of any M&A transaction is to generate value, it can also be fraught with pitfalls.

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Did You Know?

The Vodafone / Mannesmann merger, in 2000, was worth over

$180 billion

and is the largest merger and acquisition deal in history.

As a result, UK based Vodafone became the largest mobile operator in the world. Many Germans were against this deal because they wanted Germany to remain a key player in the global marketplace.

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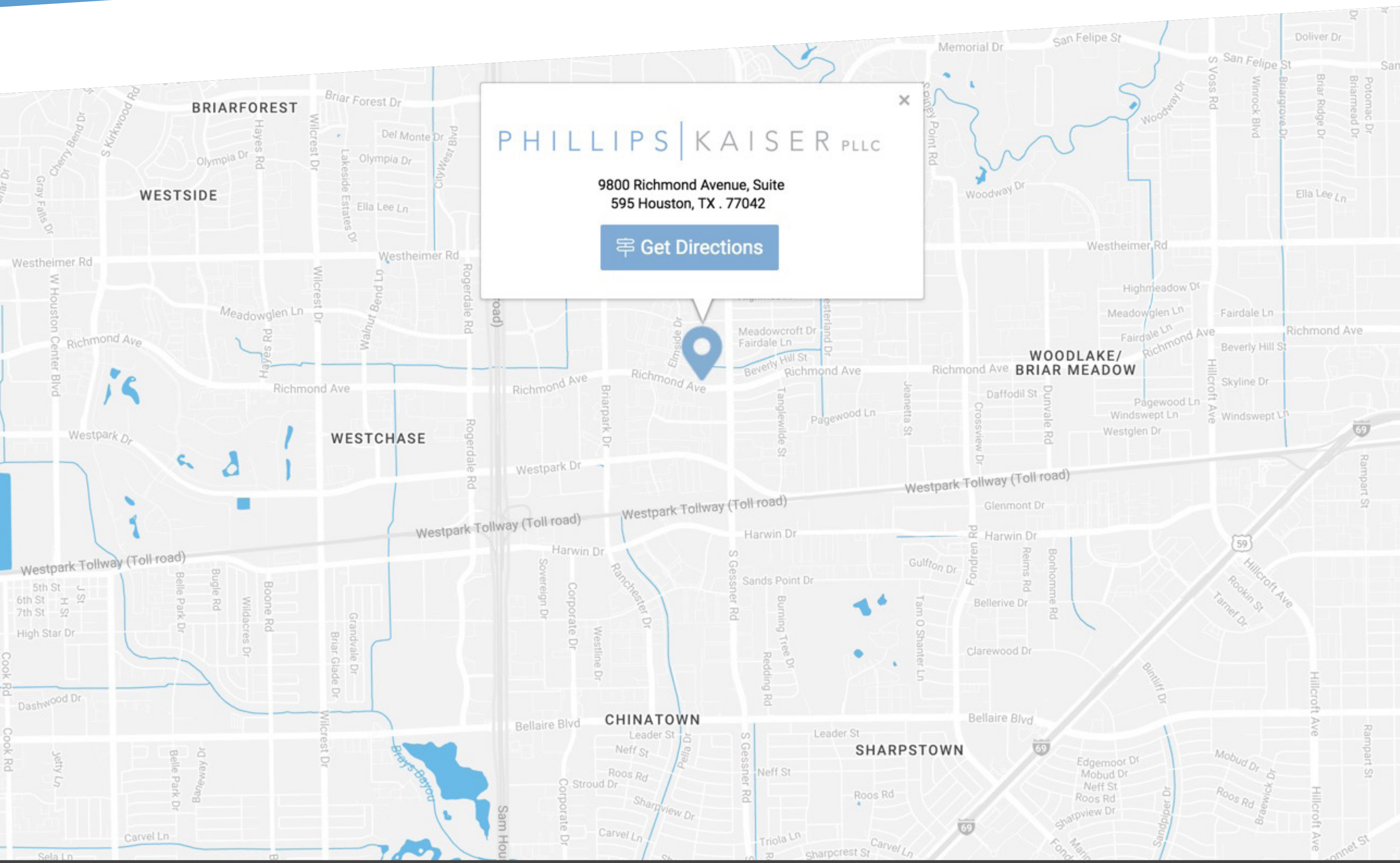

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