

Article

Getting Ready For An M&A Transaction If You're The Buyer

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I recently wrote an article about how to get ready for an M&A transaction if you're the seller; [click here](#) to access that article. Here's a list of critical actions a buyer can take to successfully prepare for an M&A transaction:

- **Build a good, effective deal team.** If the buyer is a strategic buyer, its deal team needs to have sufficient political stroke within the organization in order to obtain sufficient resources and guidance regarding strategic matters. Buyers also need to choose outside service providers who will be capable and efficient members of their deal team, those who can be counted on and can move quickly. In my experience, one of the best ways to manage transaction fees is to carefully choose the individuals at the firms who will be working on your transactions. Generally speaking, the size of your bill will increase as the number of outside professionals working on your deal increases and as the experience level of those professionals decreases. Finally, buyers should educate outside advisors on the key business objectives of the transaction so that the advisors may focus their efforts to support those objectives.
- **Scope your due diligence.** The challenging economy makes it even more important that your due diligence be like Goldilocks' porridge — not too little, and not too much. A meager due diligence effort, while less expensive, will expose you to unnecessary risks, and a "turn over every stone" due diligence effort is often cost prohibitive. Due diligence is an area where good checklists are a must; they should identify the material risks to be assessed. Once a transaction is in view, you can use these checklists to determine the scope of the due diligence review and allocate responsibilities among your inside and outside team, which will result in a more efficient and effective due diligence process.
- **Determine the negotiating "fairway."** When an M&A transaction is initiated, it helps to have an understanding in advance of your initial negotiating positions on key issues, as well as fallback positions and areas where you have little room for compromise. An understanding of the negotiating fairway enables your negotiating team to move quickly, and it protects them from making mistakes in the negotiations.
- **Use forms that fit the transaction.** I've often seen practitioners take a "one size fits all" approach that isn't consonant with the size of the transaction. This often wastes time and money and can even kill the deal. Buyers and their advisors who use forms that fit the size and character of the transaction are in the best position to successfully execute on the transaction.

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