

# Avoid the M&A trap

External M&A advisors can help companies find the best buyers and sellers while avoiding the potential pitfalls. **Corporate Advisors** Chief Executive Peter Timms, ACMA, tells Jim Banks how to make M&A simple and profitable.

M&A is rife at all levels, stimulated by potential changes in the credit market, which may be encouraging companies to sell before the market turns down. Having a healthy appetite for M&A, however, does not always guarantee success.

Any acquisition requires thorough research and due diligence, but it is equally important that time is not wasted. Furthermore, increasing globalisation means that companies searching for the right target company need to cast the net as wide as possible. M&A is becoming more complex and taking longer, driving more companies – both sellers and buyers – to seek advice from specialist consultants.

Peter Timms, Chief Executive of Corporate Advisors, says: 'Once companies understand what we offer, they become converts. They see the virtue in seeking external advice.'

Timms founded Corporate Advisors, which has offices both sides of the Atlantic, after long experience in corporate turnarounds and disposals and as a corporate strategy consultant. Having witnessed how M&A transactions succeed and fail, he saw an opportunity to improve the standard of advice for mid-market acquisition and divestment.

In this segment, Timms feels that companies are often failed by their advisors: 'In corporate life I became frustrated by how difficult it was to get investment banks to scour the world for the best buyer, who may be in China or India. Companies are not fully marketed, so at Corporate Advisors we set out to identify all of the potential buyers, wherever they are, which requires a lot of research.'

## Simplicity from complexity

Extending geographical reach in the search for suitors is ever more important as globalisation marches on. Buyers in China,

for instance, are becoming more acquisitive. Companies from China and India are increasingly looking for front ends in key foreign markets, so their inclusion in the search is vital.

This may well add some complexity to a deal, but M&A consultants such as Corporate Advisors believe that they can couple the fundamentals of thorough research with seamlessly international, highly confidential services – delivered by principals with global experience in M&A – to simplify the M&A process, offer greater choice of targets to both buyers and sellers and help clients avoid potential pitfalls.

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For instance, selling companies often find themselves trapped in exclusive offer periods from a potential buyer, which do not guarantee completion and limits their options.

Timms explains: 'Often a buyer comes in with a letter of intent and enters a period of exclusivity, during which all other buyers disappear. As a seller, do you sign and lock in or do you wait for another offer and potentially lose the buyer? When companies do this one-to-one they often find themselves locked in.'



With independent advice, companies can improve the level of transparency in the initial stages of a deal, progress negotiations with a choice of potential acquirers (or sellers) and ensure that the letter of intent is structured in a way that heads off problems before they arise, and while alternatives are still available if deal terms with one party prove unsatisfactory.

Timms says: 'We try to get the major issues out of the way at the letter of intent stage. We don't want deals to fall apart further down the line because the target company won't meet its sales figures for the next year. We show all the possible negatives up front.'

'Some professional buyers deliberately come in with a very simplistic letter of intent and then bargain down the headline price once they have secured exclusivity. We want to avoid that.'

Successful M&A is not just about numbers, it is also people and cultures. It is about looking further afield for potential suitors, yet making the process as transparent and simple as possible. This is where external advisors come into their own. ■

## Further information

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