

Buy-side considerations for M&A

Merger and acquisition (M&A) transactions come with unique challenges, like understanding a target company's primary revenue streams, or gaps in historical financial accounting and reporting, which is why due diligence and transaction planning are particularly important. When evaluating potential acquisition targets, acquirers should consider the following areas to mitigate risks and improve their overall deal outcome.

Understand target's accounting methods

Does the target organization use the cash-basis or accrual-basis method of accounting? There could be significant differences in reported earnings between these two methodologies, and financial due diligence can help provide a more accurate picture of the target's true earnings in a given period.



Calculate true earnings potential

Pay close attention to financial and operational key performance indicators (KPIs) and month-over-month financial reports, focusing on identifiable trends, to better understand recent performance and assist with forecasting more accurate future projections.



Make a plan for post-deal integration

A proper integration strategy should consider how the acquired target company aligns with your strategy as well as what resources may potentially be required to fully integrate the acquired organization. Consider how you will address any geographic overlaps, new service offerings, software implementations and back-office integrations.



Address change management and staffing

Be transparent with employees; communicate your strategy, vision and goals for the newly combined organization. Also consider what your post-deal arrangements may be with the seller, such as incorporating an earn-out bonus into the purchase price to keep the seller engaged.

