Market Penetration by Acquisition

Mergers & Acquisitions _ Buy Side

Fueled by consolidation within the technology, energy and healthcare sectors, the market for Mergers & Acquisitions in the United States reached new heights in 2016; thus, middle market deals are expected to dominate in 2017, per KPMG.

M&A is rising to the forefront, regardless of the current global economic uncertainty. This was listed as a key, positive topic among 2,300 respondents in Deloitte's 2016 M&A Trends Report.

Companies involved in M&A have been most interested in acquiring relevant technologies and responding to the transformation in their industries, as well as a desire to expand their products. M&A also helps companies improve synergy, diversify, grow, and increase supply-chain pricing power and market share.

Business valuations have stabilized and are not going to recede any time soon. Thus, firms are looking to use M&A as a tool both for smaller, strategic, niche acquisitions as well as bold transformative deals. Indeed, many years of economic growth make it more difficult to find the right partner for accelerating a business growth. Only 1 among 6 investments by the venture capitalist in the US delivers its projected Return on Investment.

For the foreign direct investor (FDI), the way to finance the deal will depend on the deal structure - asset purchase or stock purchase and the access to funds as needed. While there are many considerations when negotiating the type of transaction, tax implications and potential liabilities are the primary concerns. If the business in question is a sole proprietorship, a partnership, or a limited liability company (LLC), the transaction cannot be structured as a stock sale since none of these entity structures have stock. Instead, owners of these entity types can sell their partnership or membership interests as opposed to the entity selling its assets. If the business is incorporated, either as a regular C-corporation or as a sub-S corporation, the buyer and seller must decide whether to structure the deal as an asset sale or a stock sale.

Slow international growth, political crisis or ongoing wars in few areas of the world and, global uncertainty have made the U.S. a favorable investment destination.

Regardless, companies can get the most out of their deals through proper focus, preparation and execution. There is no substitute for a well-thought-out M&A strategy and a solid execution plan to improve prospects for the completion of a successful M&A deal.

Looking to identify the right target, engaging in a discussion about your project, performing a business due diligence, legal due diligence (with others), or business valuation, crafting a deal, negotiating, integrating and accelerating growth, are all activities that COGNEGY is conducting while being part of your M&A 's team.

Please contact Phil Jafflin with any questions you might have: phil.jafflin@cognegy.com