Mullins: boost business value by acquisition

David Williams.

IF FUNDING is not an issue – and that is a big 'if' for many small and medium businesses in the current economic environment – now is a great time to acquire other companies that will help drive overall business value.

According to Mullins Lawyers partner, David Williams, right now there are great opportunities for acquiring bolt-on businesses – butf it has to be well managed.

"In the post-GFC economic climate, business owners are placed in an environment that is difficult and unique to any economic conditions we have previously experienced," Mr Williams said.

"There is no doubt financial institutions are under significant restraints in regards to funding business generally. The experience we are seeing is that banks are requiring property security and/or cash contributions by the borrower to be put on the table for a bank to consider funding any potential acquisitions."

The first hurdle, Mr Williams said, may be obtaining suitable funding – but then the real challenges of integration begin.

"It is important that when you are undertaking an assessment of any potential bolt-on acquisition that it is clear in your mind that the acquisition needs to create value to you, otherwise why would you do it?" Mr Williams asked.

"Integration of any new business is a significant undertaking and will impose additional costs and other pressures upon you if not done correctly. It is important that you plan your integration strategy and that nothing is left to chance."

Particular attention to the due diligence process always pays dividends, Mr Williams said.

"The process of due diligence arises after your assessment stage of the potential acquisition has passed," he said.

"The first step of your due diligence is the commercial due diligence which is undertaken by you to decide whether or not the business you are looking to acquire is in fact a good fit for you. If this step is satisfactory then the financial and legal due diligence processes can commence."

Mr Williams said the current economic challenges for business can be turned to advantage.

"Whilst the current economic climate is challenging, it also provides to you opportunities that you may not otherwise have access to," he said.

"Therefore acquiring businesses can, when the right opportunities arise, enable you to increase the value of your existing business so that when you come to exit your business the sum of the parts of your business together with those acquired by acquisition significantly increases the value of your original business."

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