



Optimizing Your M&A Strategy

By Daniel Murad, CEO
The ChemQuest Group, Inc.

Many are expecting merger and acquisition (M&A) activity to increase in the coming months, particularly with lower interest rates and improving comps compared to prior years. Whether you are targeting a buy-side (your company is making the acquisition) or sell-side (you are selling all or part of your business) transaction, preparation is absolutely vital. Your business and M&A strategies must be fully developed at the onset, and the process itself is a complex undertaking that requires significant amounts of time and effort to achieve the best possible deal.

In truth, you may find M&A planning and execution to be a drain on your internal resources. Many companies have chosen to optimize the process by partnering with a third-party firm, particularly one with extensive specialty chemicals expertise such as ours. With experience across business strategy, manufacturing and operations, and technology development, our teams work in concert to develop and execute an often multi-pronged approach in support of your specific M&A goals.

Buy-Side Transactions

Let's first consider a buy-side scenario. When looking to make an acquisition, it is essential to begin with a fully developed business strategy already in place. This information directly informs your acquisition strategy, the goal of which is to plug the gaps in your strategic roadmap.

For example, business strategy work may have uncovered challenges with expanding your company's regional focus or an inability to enhance your existing technologies. Only when those gaps have been identified and understood will it be possible to target attractive acquisition candidates and determine how they would fill the gaps were they to be acquired.



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The benefit of experience and deep relationships in additional steps, such as deal sourcing (i.e., pursuing those target companies and convincing them to come to the table) cannot be overstated. Longstanding connections and expertise within the industry support the process by ensuring:

- Acquisition targets are well-placed and amenable to discussion
- Potential synergies are uncovered, understood, and highlighted
- Market comparables are identified and analyzed

Sell-Side Transactions

On the sell side, particularly for small- to mid-size enterprises (SMEs), improving your company's bottom line is vital. Every dollar of savings results in a multiplier effect for the enterprise value. Our subject matter experts have extensive experience in manufacturing operations and will work with you to analyze and improve your end-to-end processes, whether in production, supply chain management, environmental health and safety, sales and marketing, and so on. Optimizing efficiencies and improving productivity drop dollars directly to the bottom line.

Keep in mind that both intrinsic value and strategic value contribute to the positioning of the business during the valuation process. Intrinsic value includes your company's inherent value based on current operations and growth potential, as well as the total addressable market (TAM), while strategic value takes into account synergies and diversification potential (see Figure 1).

Figure 1. Premium valuation drivers



Numerous strategies can help optimize the strategic value of the business to, for example, uncover target growth markets, demonstrate the total addressable market, and identify industry trends and customer dynamics. By fully understanding your company's existing technologies, technical capabilities, and pipelines, our team can help you better focus on the most attractive markets and the best pipeline for new product development and innovation.

Size Matters

While we anticipate that M&A activity overall will rise, your strategy will most likely vary depending on the size of your company. Despite the economic uncertainty of the past several years, we still saw large-scale acquisitions by sizeable public and global multinational companies in the CASE sector. Lower multiples do not tend to deter these big transactions as much as smaller deals because 10x vs. 11x EBITDA is often a drop in the bucket in terms of the total transaction and size of the players.

SMEs will continue to keep a close eye on the economy and hope that their business is able to demonstrate growth.

These larger organizations are refining their M&A strategy by increasingly looking to realign their portfolios. They are analyzing their businesses, looking deeply at strategic assets, and deciding what non-strategic elements could be shed. After these divestitures are complete, they will have cash available to make more strategic acquisitions in the future.

In contrast, SMEs generally have had a much more difficult time in terms of M&A opportunities. In addition to the high interest rates, the relative effect of lower multiples is felt much more deeply by this group. The difference between 7x and 8x EBITDA could translate to several million dollars, potentially a much more significant impact for companies in this size range compared to the large multinationals.

SMEs will continue to keep a close eye on the economy and hope that their business is able to demonstrate growth. For those that see improvements to the point of being in a position to sell, the latter part of the year is likely going to be the timeframe when they look to act.

Partnering for Profitable Growth

Whether you are looking to buy or sell, the most important thing to keep in mind is that patience and preparation are key. Your goal should be to achieve the best possible deal, and those don't just fall from the sky.

Our collaborative teams of subject matter experts with decades of experience across the value chain can work synergistically and hand-in-hand as strategic thought partners alongside your internal M&A personnel, advising on strategy, valuation, potential synergies, market comps, and so on. In addition, the team conducts due diligence on all aspects – from manufacturing and technology to market and commercial issues – and shepherds the process all the way to a successful closing.

To learn more, contact the author at dmurad@chemquest.com or visit <https://chemquest.com>.

