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A Guide to Global Acquisitions

✱ Larry D. Stern



**A Team Approach and Methodology**

# A Guide to Global Acquisitions

**Larry D. Stern**

- \* Define Contractual/Legal Arrangements
- \* Determine Analytical Requirements
- \* Assess Investment Risk
- \* Create a business plan

**SSD Global Solutions**



# **A Guide to Global Acquisitions**

by

**Larry D. Stern**



*Fultus™ Books*



# A Guide to Global Acquisitions

Larry D. Stern

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# Forward

Each one of the topics covered in this book is based on the author's actual experience in performing as a member of and managing an acquisition team. This experience was gained in an international setting where the evaluation process is not always as straight forward and easily performed as might be the case in domestic acquisitions. A diverse group of businesses located in different countries present unique requirements for the team in acquiring the data required for a thorough analysis. By the same token accounting requirements, tax laws, and corporate documents are mandated in much different ways internationally and present some interesting challenges to analysis.

The intent of this book is to provide a reference document for an analysis team for the purpose of thoroughly evaluating Investment Opportunities. Due to the diverse nature of investment and portfolio analysis, each analysis assignment will be different; no two evaluations will ever be exactly the same. As analyses are performed, the team should realize that there are high level strategies and approaches that should be followed. By utilizing a common methodology, the resulting analysis will be:

- Consistent
- Accurate
- Impartial

This publication is designed to guide analysts to follow a methodology that is robust and thorough. However, each organization has its own internal culture and "way of doing things". This book covers areas of acquisition analysis that are essential to performing the investment analysis process.

The topics in the Table of Contents are arranged in a logical order of sequence. After reviewing and understanding the topics in this book the analyst will be in a position to understand why each topic is important and essential to the analysis.

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With the understanding of the areas, analysts should be very well prepared to address nearly every permutation that will occur in the analysis effort. Since these topics are generic, the analysis team must realize when, where and how subject matter expertise should be requested for specific evaluation of product.

When you have a good comprehension of the areas covered in this book, you should be able to use the book as a guide to performing the essential steps that should be followed in any acquisition evaluation.

*Larry D. Stern, President, SSD Global*

# Introduction

Responsibilities are focused on identifying and reviewing new business opportunities that are presented to your company, normally via the Board of Directors. The Board should be encouraged to be firm when developing guidelines for reviewing new investment proposals and not feel obliged to accept all opportunities presented.

Each new investment opportunity will have a different set of tasks. These tasks are:

- Review the new option to invest
- Analyze the viability of the investment
- Progress it through to a stage where it delivers value to your company

Your investment analysis team is also responsible for managing processes that assist with workload planning, strategic direction and the ability of your company to review these same opportunities on an ongoing basis to ensure their continued viability within the company's investment portfolio.

The purpose of this document is to provide any analysis team with a set of guidelines that will allow the team to perform consistent and reliable analyses of new investment opportunities and monitoring of ongoing portfolio positions.

Finally, it is also important to confirm that any decision to progress with an investment is made on the agreement that it continues to meet your company's strategic direction.

## How to Use This Document

The intent of this Book is to provide a reference document to the analysis team for the purpose of thoroughly evaluating Investment Opportunities.

Due to the *very* diverse nature of investment and portfolio analysis,

each analysis assignment will be different; no analysis can ever be exactly the same. As analyses are performed, the Team should realize that there are high level strategies and approaches that should be followed. By utilizing a common methodology, the resulting analyses will be:

- Consistent
- Accurate
- Impartial

This publication is designed to guide analysts to follow a methodology that is robust and thorough. However, each organization has its own internal culture and “way of doing things”. I do not expect your company to be any different in this regard, and, in no way implies that it is wrong! In fact, it is something that is expected. Therefore, this document has been designed by both subject matter [topics] that are essential to performing investment analyses and the process [recommended methodology] for the same.

When using the Book analysts must utilize the information in two ways:

1. Subject Matter Reference – the topics in the Table of Contents are arranged in a logical order of sequence. Analysts should familiarize themselves with the content of each topic [both individually and jointly] and strive to understand the reasons behind and why each topic must be addressed.

I cannot emphasize this importance of UNDERSTANDING. Without a good foundation in knowing the REASON for the topics, the analyst will be in a situation where he or she will not be able to proceed logically when encountering an analysis problem that was not encountered before. Without the fundamental understanding, you will eventually reach a “stop point” and will not know how to proceed.

2. Process Methodology – after familiarization with the Table of Contents topics, the Book will provide both high level and topic specific flow charts and algorithms on how to apply the topics to the investment analysis.

With application of the Process Methodology and understanding of the Process Topics, analysts should be very well prepared to address

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nearly every permutation that will occur in the analysis effort, and, know when, where and how subject expertise should be sought for assistance as required.

### High Level Process Steps

The following are the *general*, high level process steps that should be followed for ANY analysis:

1. Perform a strategic criteria analysis
2. Understand the target company's business
3. Evaluate all elements that affect the target company and its likely post investment performance.
4. Evaluate all aspects of the post-transaction company's go-forward strategy
5. Create alternative strategies
6. Determine company lifecycle
7. Determine internal value
8. Determine external value
9. Determine social value
10. Determine methodology
11. Perform business analysis
12. Create business plan
13. Define contractual and legal arrangements
14. Define funding mechanisms
15. Define management and operations structure
16. Portfolio management
17. Execute funding
18. Create organization
19. Implement operational plan
20. Determine analytical requirements
21. Perform due diligence
22. Evaluate diligence reports
23. Determine desired management stake
24. Assess investment risk
25. Determine investment value
26. Consummate investment
27. Create management interface
28. Evaluate reporting requirements
29. Monitor return