Blowing the myth of acquisitions

Mergers and acquisitions are the only sure fire way I know to double the size of your business in an afternoon. By selling companies you can create meaningful wealth that gives you choices in life, that allows you to go where you want, with whom you want, and do the things you want.

But the myth that you need lots of capital to do acquisitions is just that – a myth. I have completed over eighty transactions, most with no money down, or at least not my own. I invest my wealth in boring things that create passive income streams: real estate, commodities and structured investment products. I don't use or risk my own capital to acquire companies. Think about when you buy a house, do you pay for it all in cash? No, most people borrow the money from a bank in the form of a mortgage. Buying companies is the same.

Raising capital

How do you go about raising millions of pounds (or dollars, euros etc) in funding for mergers and acquisitions? It may surprise you to discover that it's actually fairly straightforward. I won't provide an exhaustive list of all the different funding solutions, as there are many, I will summarise four deal structures that can be deployed. If you have never done an acquisition or don't own a business, it will be difficult to get the first one over the line so it may be helpful to partner with someone more experienced who can guide you through the process. But it is possible to do it alone. Before we get into the specific deal structures, I'll share with you some advice on raising investment from my good friend James Harbour, who helps business owners raise capital, whether equity or debt.

Find a good match

You will, most likely, have thoughts whirring around about making sure an investor is the right match for your business. This is to be expected at the point where you're seeking investors. But potential investors are thinking the same thing. They need a business to be the right match for them and their investment portfolio. This makes things quite simple – go and find out what investments a particular investor has made before. Does your business sit logically alongside them? Investors make decisions based on the information provided to them and that which they can obtain from the public domain. This means they will be drawn to strong business plans which contain a compelling narrative of the business. A great business plan will answer their questions and provide evidence of your intent and thought processes. It demonstrates that you've thought through the business, future growth and investment. No investor will part with their cash without a strong business plan, which should contain the following core information.

- Your target market with accompanying data
- Financial breakdowns and projections
- Sales and marketing channels with data to support your selection
- Marketing strategy and plans
- Competitor analysis
- Projected time scales and investment goals
- Potential problem areas and approaches/ solutions

Be prepared

Investors expect you to be prepared, ready and able to be the business's greatest advocate. This means you're going to have to put in a lot of legwork before you even get to the pitching stage. Your request for investment needs to be clear, well explained and supported with evidence. It goes beyond passion – it's facts and figures that entice investment. You need to know and ask for exactly what you need, and have clear plans that anticipate how you will ensure a return on their investment. You need to clearly explain why you need the investment and where it will be spent. This requires a clear investment structure which details how investment can be legally made, including an exit strategy for the investor who, remember, ultimately wants a return on their money – they need to be able to see from the beginning where they will end up. All of this will be open to negotiation in due course, but you need to demonstrate that you have thought carefully about it.

Business launch platforms

There are a number of different platforms where you can look for investors who might be a good match for your business. Some of the key ones are:

Websites: There are many start-ups in need of investment, and so there are several websites you can turn to for help. They don't just help with investment but also the nuts and bolts of getting started. Two good examples are www.startups. com and www.gust.com.

Angel investors: These are typically individuals with their own cash to invest alongside mentorship. Angel investors have created their own networks and platforms to collaborate and identify new investment opportunities. Top angel investor networks include: Funded.com, the Angel Investment Network (with regional branches), Angel.co and the UK Business Angels Association (UKBAA).

Social media: Social media is a key place where investors look when hunting for new opportunities. A strong social media presence shows credibility. LinkedIn is particularly relevant here, enabling you to connect across industries and with investors.

Crowdfunding: Crowdfunding sites are generally used as a way of getting support for a business idea from the general public, but angel investors in particular are no strangers to hunting down opportunities on these sites.

Private equity firms: This is a traditional route for investors. They are mostly looking for large investments which will yield high returns, so are therefore best suited to businesses who anticipate significant growth in a short period of time.

Incubator and accelerator schemes: By being part of an incubator or accelerator scheme, which provides intensive support and coaching to a cohort of start-ups over a set period of time, you can piggyback on the success of another business and benefit from resources.

There are many strategies which will help you to grow a business, but they will take time and effort. So, focus on acquisitions, which are much less effort. Buy a similar-sized competitor and overnight you'll have doubled your sales.

This is an edited extract from *Buy, Build, Sell* by Paul Seabridge.

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Buy Buy Build Sell

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