

## Lessons from Savvy Corporate Investors

**How the best of the best succeed.**

*The savviest investors always address three key questions to transform the art of acquisition into a science.*

It is an unfortunate fact that two-thirds of mergers and acquisitions across all industries fail to achieve their anticipated results. Some actually destroy value. These findings were recently revealed by Dr. Robert F. Bruner at the University of Virginia, who analyzed 180 M&A activities over the past 20 years.

### What separates the successful one-third from the rest of the pack?

One of the great privileges of consulting is having the opportunity to assist some of the best corporate executives as they address critical decisions ... like investing in a new business. Observing how the best of the best approach the question of acquisition has led us to some valuable conclusions. The savviest investors always address three key questions to transform the art of acquisition into a science.

1. **What business?**
2. **Why now?**
3. **Why us?**

### What business?

Every corporate investor worth their salt does a good job addressing this question. They all follow a similar process:

#### Identify Attractive Segments.

##### 1. Identify Candidate Market Segments

BIC maps the segments within the need/delivery space for the targeted sector

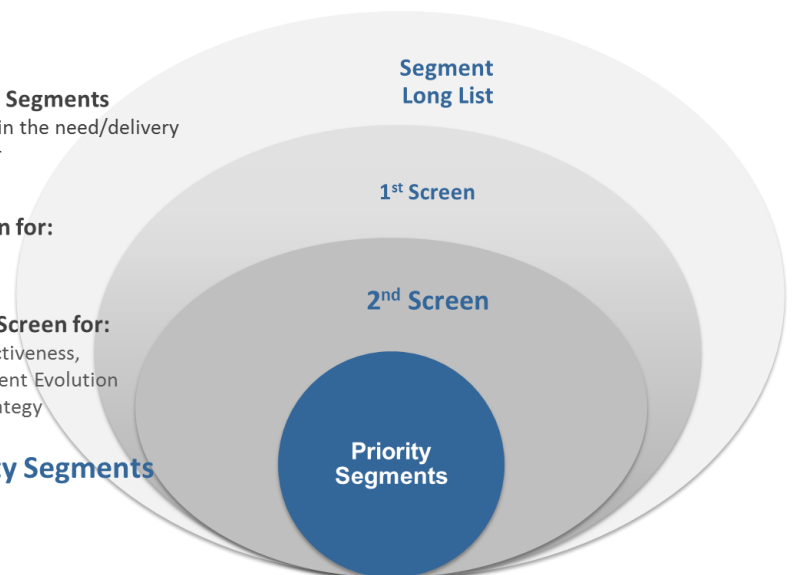
##### 2. Primary Segment Screen for:

- Market Attractiveness
- Strategic Position

##### 3. Secondary Segment Screen for:

- Competitive Attractiveness,
- Potential for Segment Evolution
- Fit with Client Strategy

#### Advance Priority Segments



**Identify Attractive Acquisition Targets.**

**1. Identify Potential Companies within Target Segments**

Initial List developed from Prior BIC research, client inputs, Major Market Research reports and On-line listings of applicable segment companies

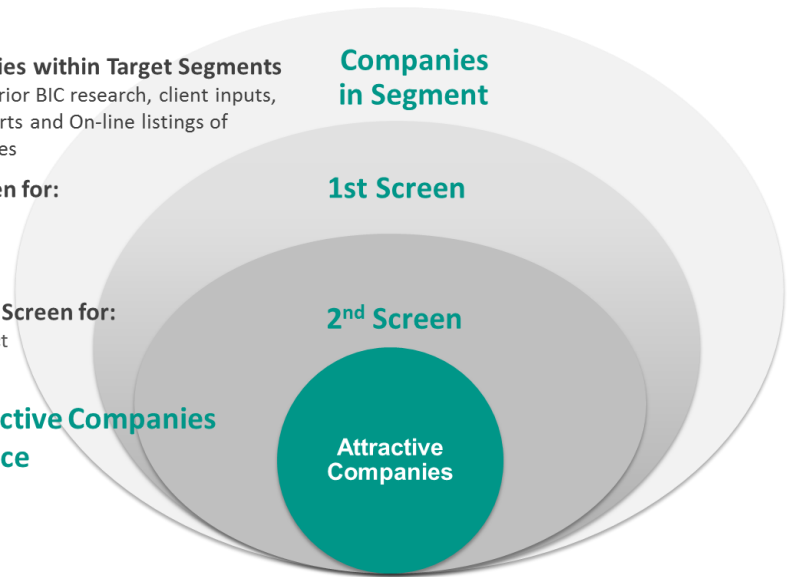
**2. Primary Company Screen for:**

- Competitive Offering
- Revenue Range
- Regulatory Approval

**3. Secondary Company Screen for:**

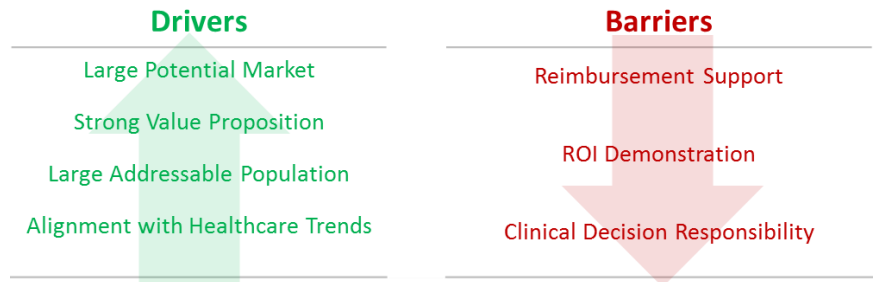
- Competitive Impact
- Time to Revenue

**Advance Attractive Companies To Due Diligence**



**Why now?**

This question is answered by the driving forces and barriers operating within the target market segment, and how the competition and regulators are poised to act. Possible drivers and barriers for healthcare company assessment are shown at right.



**Why us?**

The objective is to understand what competencies your firm brings to the relationship that will cause the acquired firm to perform better with you than without. Your firm's specific business and technical competencies are the key.

**An example...** BIC worked with a healthcare firm seeking to acquire emerging companies that would provide new areas of growth.

- A particular business competency of the healthcare firm was a powerful sales force with hospital, physician, and pharmacy relationships. This competency provides a key channel of growth for the acquired emerging companies.

*Two important questions less commonly addressed...*

- The technical competencies of the healthcare firm focused on several disease states such as cardiovascular, oncology, etc. It was crucial that the acquired companies operate within these disease states.

### A Final Word

It may be tempting to acquire or invest in a company solely on the perception of high quality and low sticker price. History has indicated that this approach is often unsuccessful. While those metrics are certainly important, they provide an incomplete view of some important considerations. Savvy corporate investors understand this... and consider The Three Questions an essential part of their analysis. Remember:

**What Business? Why Now? Why Us?**