

M&A in the Social Enterprise Sector

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Introduction

- What do we mean by “merger” & “acquisition”?
- Why merge?
- Initial legal/practical considerations
- Further considerations
- Process and timeline



Spot the difference

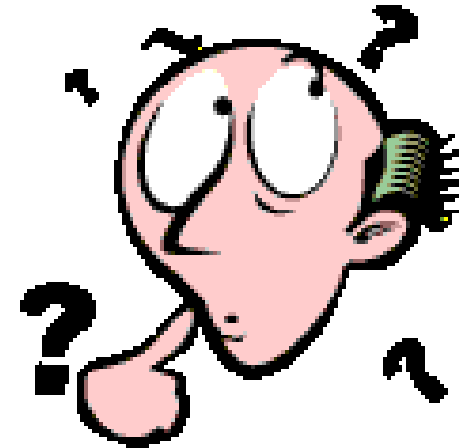
“acquisition”: the act of acquiring or gaining possession.

“merger”: any combination of two or more business enterprises into a single enterprise.



When is a merger not a merger?

- Joint venture
- Co-operation/collaboration
- Partnership
- Trading contract
- Asset pooling



Why merge?

- negative or positive reasons?
- pressure from financial resources
- synergistic benefits ($1+1 = 3$)
- cost savings
- political/economic climate
- protect an asset
- loss of leadership
- end of project
- growth strategy



Initial considerations – due diligence

- Identify assets
- Identify liabilities
- Identify synergies
- Identify consents
 - ▶ Landlords
 - ▶ Funders
 - ▶ Customers
 - ▶ Suppliers



Further considerations – due diligence

- TUPE & staff issues
- Insurance
- Pension issues
- Tax
- Consideration & warranties?
- Is any funding/working capital required?
- Cultural fit?



Merger Timeline & Process

Partner
Identified
(Day 1)



Merger/
Acquisition
Completed
(Day X)



Timeline & Process (cont)

Partner
Identified



Initial due
Diligence



Timeline & Process (cont)

Initial due diligence



Take advice



Timeline & Process (cont)

Take
advice



Agree heads
of terms



Timeline & Process (cont)

Heads
of terms



Further
due
diligence



Timeline & Process (cont)

Further
diligence



Agree
legal
documents

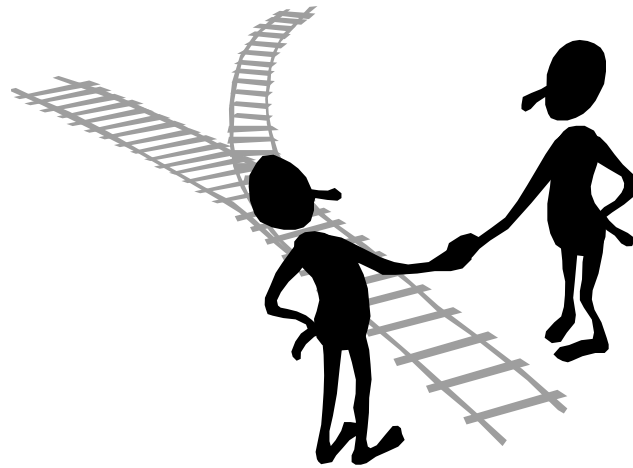


Timeline & Process (cont)

Legal documents



Completion/
Integration



Summary



- Can $1+1 = 3$ for you?
- Do your diligence carefully and fully
- Be aware a merger is time consuming
- Agree main principles of the deal early
- Plan integration early and well
- Take advice early
- Consider other alternatives to merger (eg joint venture)
- Identify early the consents needed



Conclusion

“Before anything else, preparation is the key to success”



(Alexander Graham Bell)





QUESTIONS?

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