

## ADOPTING AN ACQUISITION STRATEGY

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Growth by acquisition is the most popular growth tactic in the market place today. Easier said than done!! Having said that – some advisors are very successful. Their secret? They make it part of their business development plan and then work very hard at it. The following is some of their secrets.

Here is how to get started:

#### 1. Buyer Profile

Membership to [www.queenston.net](http://www.queenston.net) is free. This will help us introduce you to potential targets. But this is one minor tactic. Properly executed you will have more success than we will. We are working with thousands of advisors so we use a scatter gun approach while you can use a rifle with a scope.

Step one to taking advantage of your [www.queenston.net](http://www.queenston.net) membership is to complete the Associate profile. This series of basic questions gives the team at Queenston an overview of your company and your team so we may be able to help you find opportunities.

Step two is to prepare a Marketing Handout of your business describing why you are a great person for the target to consider. The target wants someone who has similar philosophies and will take care of their clients.

#### 2. Know the market of the targets

Know the rules of thumb of that market. Advisors are constantly referring to multiples. What they do not clarify is multiple of what? Be sure you are on the same page.

Know the valuations and transition prices.

Know the different deal structures – share purchases, asset purchases, earn outs, income stream.

Know the concerns of sellers – each platform is a little different.

#### 3. Elevator Pitch

This is your first impression. Stress your value proposition. Of course, you will want to tailor your message further for each unique inquiry, but that doesn't mean you can't spend some time crafting the perfect base message to save time.

Think of it like your Bio. These are things you'll want to tell every seller. Include the relevant facts about you and your practice, as well as some unique details that make you an excellent choice of buyer. Use a funnel strategy – start with the general and move to the specific.

## ADOPTING AN ACQUISITION STRATEGY

### 4. Have a Business Plan

Today's acquisition market is competitive. Sellers only have to whisper they are for sale and a line will form. Focus on finding the right opportunity that fits into your long-term strategy. Then you can spend a little more time presenting yourself as the right buyer for the specific target acquisition. Describe your target market. Use the W's. Who. Where. What. When.

Create a prospect list. This list should be the same Dealer as you or a small Dealer. If you are at a small Dealer you should consider moving to the acquisition. Do not waste your time outside of your preferred geography.

Be realistic. If the target is much bigger than your business; why should they move to you?

Your strategy should include several options for the target to consider. Sell, sell and stay, merge, partner etc. Remember they are thinking how it works from their perspective. They are not selling to you because you are a great guy.

Remember - If the strategy is not written, realistic and measurable – it is a dream not a strategy.

### 5. Get Pre-Qualified for Financing

Your Dealer says they will finance? Get it in writing. All Dealers say they will finance and few actually do.

Bank financing is a relatively new tool in our industry, and it has opened many doors for financial services businesses to grow through acquisition. Even if you don't intend to use bank financing, a pre-qualification indicates to a seller that you're financially equipped to purchase a business without any issues.

Additionally, by getting pre-qualified you avoid the risk that the acquisition may go to another buyer while you're spending time getting your financial ducks in a row.

The most important part of any deal are the terms of the deal. Not the multiple, not the Revenue, etc. The terms. Frequently the decider is the money up front. If you can finance the majority of the purchase price and amortize it over 5 -7 years; you are closer to a deal and cash flow positive.

The quicker you have satisfied the deal with the seller allows you to control the relationship. I strongly recommend keeping sellers around but that does not mean there are not conflicts going forward.

There are a few banks that have developed loans specifically tailored for financial services business. These banks understand the uniqueness of advisory practices as well as the nuances of the industry. Queenston can introduce/suggest a banking partner as well as help you get a head start on the paperwork.

### 6. Create Opportunities through Continuity Partnerships

Sellers choose buyers based on who they trust to take care of their clients after they exit. What better way to build trust than to establish relationships with other advisors before they even think about selling. One of the most effective ways to do this is to become a continuity partner. While you can only

## ADOPTING AN ACQUISITION STRATEGY

have one continuity partner poised to take care of your own business, you can serve as that safety net for multiple advisors.

Continuity is a huge concern for advisors, and for their clients who are asking, “What happens to me if something happens to you?” But while the need is apparent, it has historically been difficult for advisors to find a continuity partner they feel comfortable with.

On the same token, it might seem difficult to know whose looking. While you could put an ear to the ground within your own community and professional circles, there are larger networks designed to pair advisors looking for a continuity partner they’re comfortable leaving their clients with.

However, you make a continuity connection; it’s an effective avenue to develop a trusting, professional relationship that might one day lead to a smooth and successful acquisition.

### **7. Prepare Your Business for Growth**

Acquisitions are typically made by firms that are at least twice the size of the selling practice. This is because these firms have grown to the point where not only do they have the means to buy, but their infrastructure is capable of handling an influx of new clients. Remember acquisitions are just one strategy. Do not ignore organic growth, growth by hiring, partnerships, etc.

How to prepare for growth? Processes are the most important attribute with Service Businesses. Not just a process for new clients – everyone has that! I mean processes in writing – sales, service, marketing, administration – in writing, preferably with flow charts – everyone on the same page. When onboarding clients do you want different members of your team sending a different message. Also, do not forget staff/associates etc. Hiring and training the best people.

As you consider your acquisition strategy, think about what areas you need to focus on in order to grow. The best way to identify and stay on top of these areas is by performing annual valuations. With a formal and comprehensive valuation, you can know how much your business is growing and why; and when you pair that with an annual benchmarking report you can get an idea of how your growth stacks up to your peers and leaders in the industry.

Knowing how and why you’re growing is one thing, but being proactive about jump starting growth is another. In doing so you will position yourself for a successful acquisition.

### **8. Know What You Have to Offer a Seller**

What are the benefits to move to you? Transition bonus. Your on-boarding process. Staff in place. Etc.

Utilizing bank financing to remove the burden of the loan from the seller which can be an attractive detail—not only showing stability with pre qualification, but actually taking advantage of the financing offered.

Offering potential acquisition targets a Valuation Report of your business is an early sign of goodwill and can help build trust from the start. Demonstrating compassion and consideration of the fact that selling a business is an emotional process can put a nervous seller at ease and solidify your relationship.

## ADOPTING AN ACQUISITION STRATEGY

Showing a seller, you're informed, capable, and eager to make the process as smooth as possible paints you in a more attractive light than predatory buyers who are likely to provide resistance at every turn. Remember, actions speak just as loud as words.

Envisioning yourself in the seller's shoes. Help cultivate a deal and transition process in which you would still feel comfortable in even if the tables were turned.

### Conclusion

The advisors successful at growth by acquisition have the most important variable for this strategy – REFERRALS. If you do a few and you are fair and honest – your acquisitions will refer you to others. Remember their peers are in the same boat as they are – looking for a Continuity and Succession Plan.

**and FINALLY – my most important tip? Be flexible, open and creative.**