

## Bolt-On Acquisitions

**Bolt-on acquisitions may be popular but statistically more than half will fail. Richard Hall, Partner at HW Corporate Finance LLP in the South, explains how to avoid this.**

Acquisitions generally, and bolt-on acquisitions, in particular, have proved an extremely popular means of achieving rapid growth. In the main, a bolt-on allows for larger firm to acquire a smaller specialist operating in an area in which it currently doesn't excel, and with it gain access to new markets, sectors, or channels, whilst reaping improved economies of scale.

But over 50 per cent of bolt-ons fail. Why?

### **No clear plan**

Before you do anything, make sure you have a clear idea as to why you are buying the business. If the business case doesn't add up, think long and hard about whether it is the right move. Don't forget, other opportunities will come along.

### **Lack of due diligence**

Make sure you do appropriate due diligence. Post-deal, you do not want the distraction of resolving unforeseen issues.

### **Failure to integrate**

Integrating a company can be far more demanding than buying it. Ensure there is an integration plan in place to facilitate as smooth a process as possible. IT systems in particular should be thoroughly considered so as to fully reap efficiency benefits.

### **Clash of cultures**

One of the biggest issues with bolt-ons is culture shock. Smaller acquired companies can struggle to adapt to the ways of their new parent. Whilst natural, it poses a difficult question. Do you force your culture on the business (and potentially lose what made it so attractive in the first place)? Or do you leave it to continue as before but with maybe different reporting and financial structures in place?

With any bolt-on the secret is creating the vision, getting everyone's buy-in to the plan, and taking good advice along the way. Bolt-on opportunities arise on a regular basis. So make sure you do the groundwork first to ensure it is the right one for you.