

Ask These Questions Before You Pursue an M&A Transaction

Your guide to making sure your transaction decisions are what's best for your business


M&A remains a key growth strategy in 2022, with more than one in five healthcare CFOs (22%) planning to pursue M&A this year, according to the [2022 BDO Healthcare CFO Outlook Survey](#).

With high valuations and uncertainty around future market trends, it's important that healthcare organizations carefully consider if an M&A deal is the right move for them, whether they're on the buy- or sell-side. When looking at acquisitions made in the last three years, more than a third of healthcare CFOs said they either did not successfully capture available synergies (10%), or synergies fell short of expectations (24%).


Are you trying to determine if it's the right time for M&A? We've provided a list of questions related to strategy, due diligence, integration and operations for both buy- and sell-side healthcare organizations. You should ensure you can answer all questions relevant to your intentions before deciding to go through with a transaction. While this is not a comprehensive list of all considerations for pursuing M&A, these questions can be used to help you build a strong foundation for any deal you pursue.

For healthcare organizations looking to acquire a company:


Strategy

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- ▶ Why are you acquiring this company?
 - ▶ What are you looking to achieve from the transaction? Have you clearly defined what success looks like and how you will measure it?
 - ▶ Does your strategy for the transaction align with your overall corporate strategy?
 - ▶ How much risk are you willing to take on?
 - ▶ Have you been realistic about your ability to do the transaction in terms of access to resources?

Due Diligence


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- ▶ What is the reputation of the company you'd like to acquire?
 - ▶ Have you completed diligence related to:
 - Synergies – Deal value drivers
 - People – Compensation strategy, culture
 - Technology – IT systems, 3rd-party solutions
 - Finances – Quality of Earnings (QOE) analyses
 - Operations - SG&A, supply chain
 - Regulatory Compliance
 - Go to Market Strategy
 - ▶ Do the results of your due diligence investigations match with the information you were provided?
 - ▶ Are there any outstanding issues with the company that you need to be aware of? If there are outstanding issues, what steps has the company taken to address them?

Integration


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- ▶ Have you defined the integration goals and priorities? Are they aligned with your transaction rationale and deal value drivers?
 - ▶ Have you defined the target operating model for the combined company (e.g., degree of integration)? Are you prepared to provide your integration teams a roadmap to facilitate integration planning?
 - ▶ Have you defined an integration management structure to support the integration and synergy capture planning and execution process?
 - ▶ Do you have a good understanding of the concerns that your stakeholders (e.g., employees, customers, partners, etc.) may have about the transaction? Have you developed a communications and retention strategy to address your stakeholder concerns?
 - ▶ What will it take to integrate the acquisition into your company's culture? Are the cultures aligned, and are they a good fit?
 - ▶ How will employee roles and responsibilities change with the deal? Have you taken steps to ensure the right people will be in the right roles?
 - ▶ Are your technology systems compatible? What support will be needed to integrate the technology systems, and what is the timeline for doing so?
 - ▶ What cyber and patient data privacy risks will come with the integration process? Do you have a plan to address and mitigate them?

For healthcare organizations looking to sell a company:


Strategy

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- ▶ Why are you selling your company?
 - ▶ What are you looking to achieve from the transaction? Have you clearly defined what success looks like and how you will measure it?
 - ▶ Do you have a clear sense of your company's value?
 - ▶ Is the potential buyer the right fit?
 - ▶ What is the expected impact on shareholders, employees and patients?
 - ▶ How will the transaction impact the company's reputation: positively or negatively?
 - ▶ When and how will the deal be announced?

Due Diligence

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- ▶ Is your organization prepared to go through a robust due diligence process that encompasses legal, financial, operational and compliance concerns?
 - ▶ Who can management tap to support the due diligence process?
 - ▶ How resilient are processes and systems throughout your organization? Is any infrastructure single-person-dependent?
 - ▶ Have you completed a sell-side QOE report?
 - ▶ Have you had an independent party do diligence on your company? Have you proactively addressed issues they identified?

Operations

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- ▶ Has the transaction perimeter or "what's in and what's out" been defined? Which executives, key employees, customers and assets will be part of the transaction?
 - ▶ What are your criteria for a buyer? Would you prefer a strategic or PE buyer? Do you have any operational imperatives for the buyer (e.g., do you want a soft landing for your employees, how will you maximize customer retention during the transaction, what is the buyer's corporate culture, etc.)?
 - ▶ Are there any strategic, revenue enhancing and cost reduction initiatives that have been identified or are already in-process that could increase the company's valuation at exit? What is the status of those initiatives? Should you continue in-process initiatives?
 - ▶ If you are divesting a business that will need to be carved out, how entangled is the business with the rest of your operations? Have you developed carve-out financials and defined the standalone costs for the business? Have you determined what transition services you are willing to provide the buyer? What will it take to operationally carve-out the business by transaction close?
 - ▶ What will it take to integrate with the buyer's operations?

Want to dive deeper into the data around healthcare's dealmaking environment?

[**Read our 2022 BDO Healthcare CFO Outlook Survey**](#) ▶

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Insights are based on the 2022 BDO Healthcare CFO Outlook Survey, which polled 100 healthcare industry CFOs with revenues ranging from \$250 million to \$3 billion. The survey was conducted in October 2021 by Rabin Research Company, an independent marketing research firm, using Op4G's panel of executives.