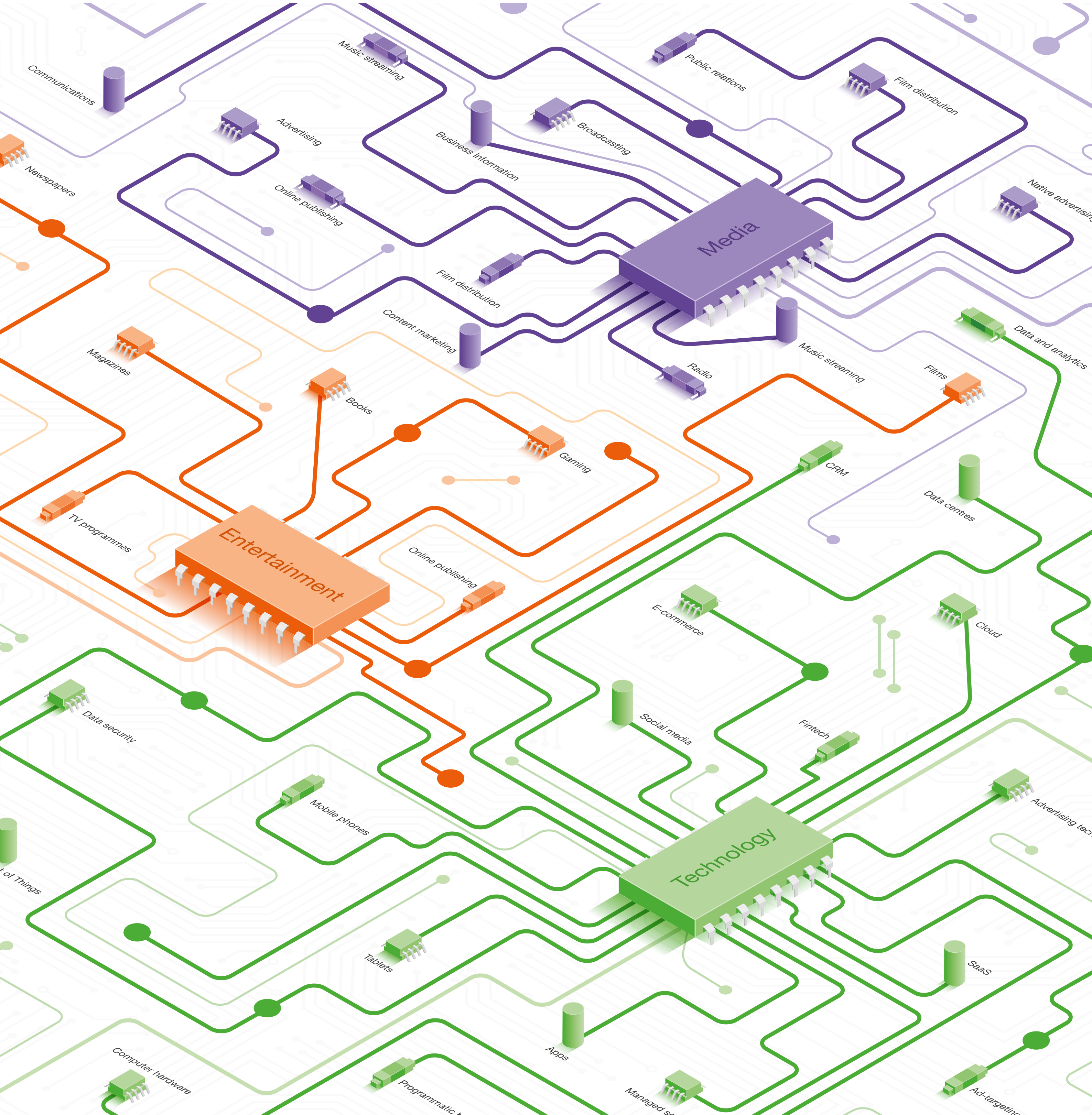
ReedSmith

MERGERMARKET

DEAL DIMENSIONS

Wired up:

The convergence of technology, media and entertainment



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Key findings and methodology

Technology also accounted for the highest proportion of value (41%), up from 18% in 2012-2013

"Convergence is generating a continued drumbeat of strategic buying pressure." William Doran, Reed Smith

The majority of respondents believe valuations for all three TME sectors will increase over the next 24 months

73% of respondents believe valuations in the mid-market for entertainment businesses are fair, while only 44% say this about technology companies

When it comes to post-merger integration, 31% of respondents expect difficulties in creating business synergies for mid-cap TME businesses

23% expect increased convergence to drive creative disruption for business models in the technology and media/entertainment sectors

Methodology

In Q1 2015, Mergermarket surveyed 100 corporate senior executives (CEO, CIO, Director of Strategy).

All of the companies included in this survey are considering an M&A transaction in the technology, media and entertainment (TME) mid-market under $500m over the next two years. All companies have their main operations in the TME sector, with 50% of companies being active in the technology sector, 25% in media and 25% in entertainment.

The representation by company size is $50m–$499m (45%), $500m–$1bn (45%) and +$1bn (10%).

The respondents are evenly split across the US (34%), Europe (33%) and Asia (33%).

The survey consists of a combination of qualitative and quantitative questions and all interviews were conducted over the phone by appointment. Results were analysed and collated by Mergermarket and all responses are anonymised and presented in aggregate. The research is complemented by interviews with Reed Smith's senior practitioners, conducted by Mergermarket.

M&A overview

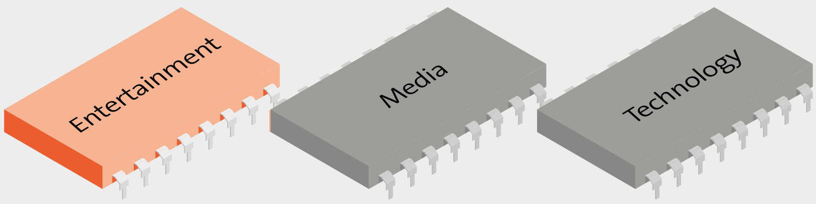
$34.5bn
value of cross-sector deals between technology, media and entertainment in 2014

up 11%
on the $31.2bn of convergence deals carried out in 2013

27%
say the key driver for M&A in the next two years is a favourable economic environment

33%
cite legal/ regulatory barriers as the greatest obstacle to completing a deal

Entertainment companies are the most keen to converge, with 34% planning a cross-sector acquisition



21% say they'll make a divestment in the next two years

57%
say their next deal is likely to be a cross-border acquisition

Targets
in Asia-Pacific are the most in-demand

Bidders
from North America are expected to be the most active

Foreword

From the explosion of smart devices and super-fast broadband to the rise of trends such as dual-screening and cord-cutting, the last decade has witnessed unprecedented shifts in the ways consumers access media and entertainment, with digital technologies unleashing successive waves of disruptive innovation.

For businesses active in the technology, media and entertainment (TME) sectors, these changes continue to have profound implications. In the face of aggressive and agile competition, trusted business models can no longer be relied on. For many companies, survival increasingly hinges on developing capabilities beyond their traditional core.

TME companies are well aware of the benefits of making cross-sector acquisitions and 84% of respondents say they expect to see more convergence deals over the next two years (26% believe there will be significantly more). Respondents are also articulating strong rationales and desires to execute convergence transactions, with 18% of firms confirming they have specific plans, and a greater number saying they are actively investigating cross-sector transactions. However, at present, appetites for convergence among respondents and TME businesses overall remain low. It seems that many businesses may be missing out on key opportunities to stay ahead of the curve.

This report explores the drivers of convergence, identifies potential deal-blockers, and considers steps firms need to take to ease the path to convergence.

We hope that you enjoy reading this report and, as ever, we welcome your feedback.

William Doran
Reed Smith corporate partner, Chicago

Michael Young
Reed Smith corporate partner, London

TME: the sectors defined

The terms 'technology', 'media' and 'entertainment' are often loosely used and areas of overlap are significant. For clarity, the following classification scheme is used throughout this report:

Technology
Data and analytics, advertising technology including ad-targeting and programmatic buying, cloud technology and data centres, financial services technology, data security, mobile operating hardware and software, internet of things (IoT), software as a service (SaaS) including CRM, managed services, software applications development, e-commerce, social media and computer hardware/components.

Examples: IBM, Oculus, WhatsApp, OpenTable, Viber

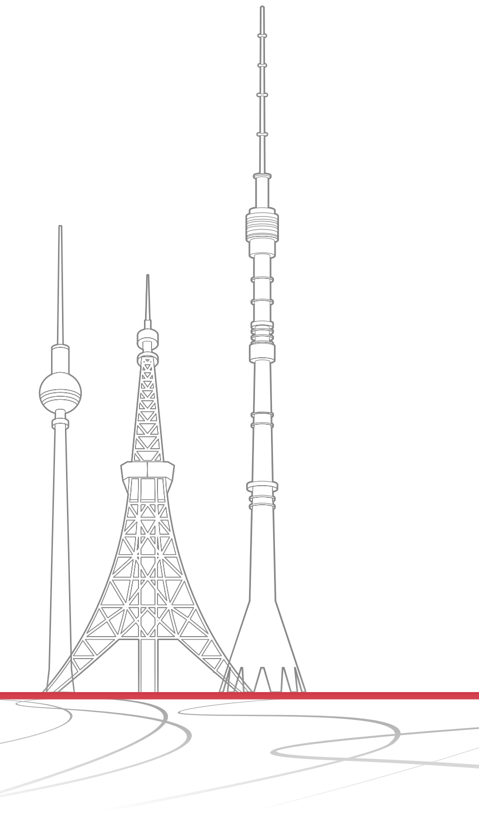
Media (distribution and monetisation)
Advertising agencies, content marketing/native advertising, public relations/communications, television broadcasting, radio broadcasting, music distribution, film distribution, online publishing and business information.

Examples: Sky, Liberty Global, Yahoo

Entertainment (content)
Newspapers, periodicals and books, film, television and music production, and gaming.

Examples: AMC Networks, Time, Penguin Random House, Sony Music Entertainment

Convergence on the horizon

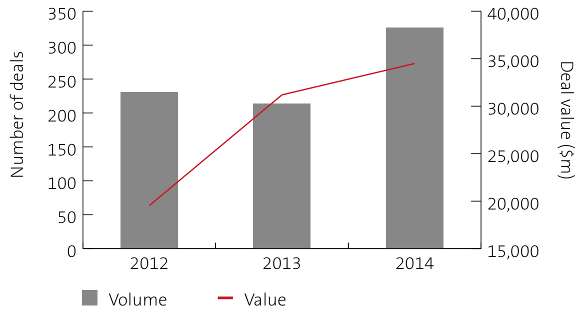


Faced with pressure to offer customers a more holistic experience and to keep pace with competitors, TME firms are increasingly reaching out beyond their core

As the race for audiences intensifies, organisations find themselves locked in an increasingly fierce battle for the competitive high ground. Cross-sector convergence – expanding beyond traditional core activities to acquire new capabilities – is a vital weapon in that battle.

And convergence delivers dividends, with the likes of Amazon, Apple and Google reaping the benefits. Despite their different origins – Amazon in ecommerce, Apple in devices and Google in internet search – each business now offers products and services that reach far beyond its original core. All three are now TME businesses. Every base is covered.

TME convergence M&A, 2012–2014



The urge to converge is by no means monopolised by global giants. The recent upsurge in so-called 'quad play' deals – those in which telecom providers seek to become a one-stop shop for TV, broadband, fixed and mobile telephony – underlines the continuing allure of convergence as businesses race to make sense of a world in which the boundaries between technology and content are becoming increasingly blurred. The advent of aggregated data and programmatic buying has also created additional incentives for tech firms to merge with content.

Cross-sector plays

The interplay between TME's constituent sectors is often far from simple, with convergence plays driven by a number of factors. The top convergence deals of 2014 through to Q1 2015 (to date*) underscore this point. These transactions include technology firms acquiring media and entertainment companies, and both media and entertainment businesses targeting technology.

Top of the table for 2014 through 2015 to date is a technology-entertainment transaction: US-based Scientific Games Corporation's more than US$5bn merger with gaming operator and distributor Bally Technologies. The aim of the deal is to create the world's leading gaming and lottery entertainment and tech company.

Also in cross-sector megadeal territory is South Korea's internet portal operator Daum Communications' US$3.2bn merger with mobile software applications provider Kakao Corporation (a media-tech tie-up), and in the US, publisher Media General's US$2.4bn acquisition of TV station operator LIN Media.

Convergence in context

Cross-sector deals in TME have a long history. The creation of the British Broadcasting Company (BBC) is a case in point: formed in 1922, initially as a private firm, the BBC's founders were wireless manufacturers – among them Marconi and GE. Back then, there was not much to tune into and devices were useless without content. As a result, the BBC provided programmes to drive sales of radio sets.

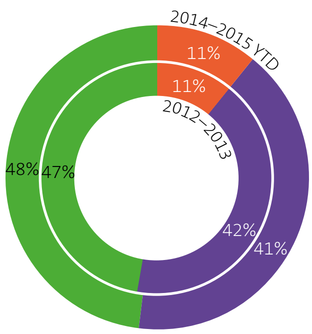
Nearly 100 years later, convergence drivers remain strikingly similar. One of those forces is disruptive

*Q1 2015

innovation: new devices, methods of delivery and types of content will all spur M&A activity as businesses scramble to grab an audience and consolidate competitive advantages.

In addition, rapid consumer adoption of digital media is changing the M&A landscape. "Consumers are now used to dealing with technology, which drives acquisitive behaviour. Even Facebook sometimes needs to acquire a fast-growing competitor," says Gregor Pryor, Reed Smith partner and co-chair of the firm's global Entertainment and Media Industry Group, London.

Convergence M&A: TME deal volume split by subsector



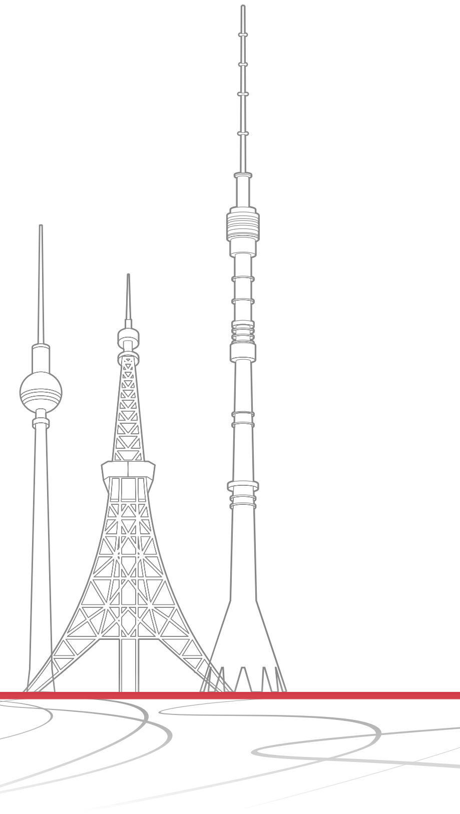
Top convergence deals, 2014–2015 (to date)

Announced Date	Target Company	Target Sector	Target Country	Bidder Company	Bidder Sector	Bidder Country	Deal Value $(m)
01/08/2014	Bally Technologies	Entertainment	USA	Scientific Games Corporation	Technology	USA	5,009
03/11/2014	Sapient Corporation	Technology	USA	Publicis Groupe	Media	France	3,295
26/05/2014	Kakao Corporation	Technology	South Korea	Daum Corporation	Media	South Korea	3,251
21/03/2014	LIN Media LLC	Entertainment	USA	Media General	Media	USA	2,363
05/08/2014	Classified Ventures, LLC (73.2% Stake)	Technology	USA	Gannett Company	Media	USA	1,800

Reed Smith on entering France

Non-French companies seeking to invest in the media and telecoms sector in France should consider the scrutiny of the French government on such deals. Purchases of a company operating a TV or radio channel in the French language are limited to 20% of the share capital or voting rights, and acquisitions in the telecoms sector may be subject to the prior authorisation of the French government.

Isabelle MacElhone
Reed Smith corporate partner, Paris



Convergence on the horizon

Reed Smith on breaking into the US

For non-US companies making acquisitions in the US, there is an increased emphasis on advance planning for tax strategies, including transfer pricing and opportunities to locate IP off-shore. Non-US buyers also need to consider the increased scrutiny of the US government on sensitive technology and data transfers, and the possibility that CFIUS review and approval may be required.

Herb Kozlov
Reed Smith partner and head of the Global Corporate Group, New York

Financial cycles also drive convergence. Buoyant debt and equity markets as well as an abundance of cash-on-hand are spurring transactions. The danger is that the collision of easy capital, rapid technological change and the return of 'animal spirits' risks generating a bubble market.

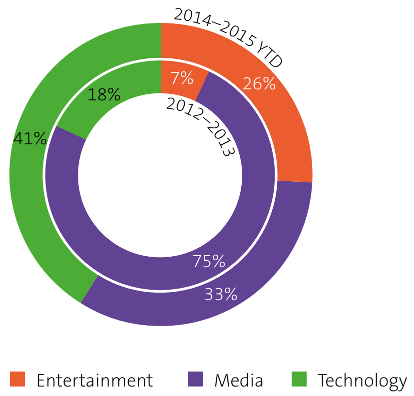
Announced TME convergence activity has rapidly gained steam. According to the latest data, 2014 saw deals worth more than US$34.5bn – an increase of 11% on 2013. Transaction volume rose even more dramatically, with 326 deals in 2014, up more than 52% on the previous year.

According to William Doran, Reed Smith corporate partner, Chicago: "Convergence is generating a continued drumbeat of buying pressure, particularly for firms that need to reformulate their strategies to stay competitive. These firms feel the need to acquire because there is often not enough time or the ability to develop internally."

Delving into TME's sectors reveals a consistent pattern in terms of the past few years' deal volumes. The bulk of deals are in technology, which has accounted for 48% of transactions between 2014 and 2015 (to date), a one percentage point rise on the previous two years.

The year-on-year value split across the TME sectors is more dynamic. The proportion of value represented by entertainment and technology has risen dramatically: entertainment's share of value rose 19 percentage points to 26% between 2014 and 2015 (to date). Technology also saw a rise in its share of value, up from 18% in 2012–2013 to 41% in 2014–2015 (to date). By contrast, the share of value represented by media fell significantly, sliding more than 40 percentage points to 33% of overall value in 2014–2015 (to date). These shifts reflect the growing preponderance of deals with technology and entertainment targets at the upper end of the market.

Convergence M&A: TME deal value split by subsector



Musical chairs

In the coming months, announced activity will likely pave the way for more convergence deals, with media firms buying technology to keep cloud, data, analytics and mobile platforms in-house.

There are two scenarios that are likely to drive activity. In the first, early-stage tech businesses are acquired by mid-market firms that want to take over several similarly positioned companies. In the second, media businesses are buying up-and-coming digital production firms to integrate increasingly key functions internally.

Already in early 2015, international media conglomerate News Corp announced the purchase of India-based VCCircle, a technology firm that concentrates on digital data and information, for an undisclosed sum.

Technology businesses are also eyeing media opportunities, especially those involving advertising and advertising platforms. Currently, Google is in talks to buy InMobi, an India-based mobile advertising firm. And with media content increasingly becoming web-based, convergence is expected to extend to music and film production.

"Companies are working out how to deliver and make money from content," says Michael Young, Reed Smith corporate partner, London. "And technology companies are working out what content they need to have. The market is asking itself questions such as: what is the right level of advertising to pair with ad-supported content which is free to the consumer, and what is the right price point for content available on an ad-free subscription model? And how do we make money with all the new devices?"

Cross-border M&A rises

TME companies in search of growth are increasingly crossing borders, with a decisive majority of survey respondents (57%) saying that their next acquisition is likely to be outside their home market.

Of those businesses in search of cross-border opportunities, 37% say they are most likely to target Asia-Pacific, followed by Western Europe (23%) and North America (17%).

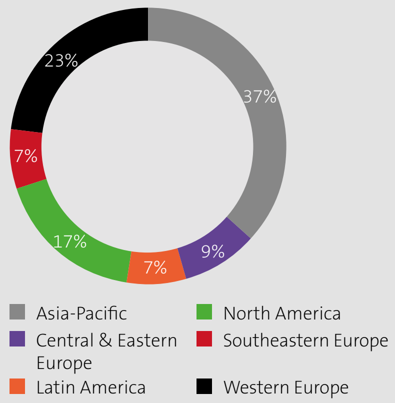
Certain countries, the UK for example, are not only targets in their own right but also act as strategic bridgeheads. "A lot of the M&A activity we are seeing in London is from the United States," says Michael Young. "London is regarded as an entry point into Europe, not just the UK."

Stephan Rippert, Reed Smith corporate partner, Munich, believes that TME companies' ability to offer content has increased the appetite for international groups to tap into Europe. He also advises that "international buyers should consider using the harmonised consumer and contract rules within the EU for online offerings."

While cross-border M&A offers huge opportunities for growth, firms need to understand political and regulatory risks in the target markets.

US firms, for example, need to take account of Europe's tougher data privacy rules and the more employee-friendly labour laws. For inbound investors, there is also a high degree of uncertainty because the European Commission is trying to break down what it considers territorial borders for copyright

If you are planning a cross-border deal, in which region is your next acquisition most likely to be targeted?



in Europe. "Firms need to have strategies in case geo-blocking of content is limited by the EU in its attempt to create a digital single market," says Rippert.

Meanwhile, companies looking to do deals in the US are getting increasingly frustrated as the market favours sellers and places much of the regulatory burden on the buyer.

But there are steps companies can take to help deals proceed smoothly. For instance, companies can better position themselves against regulatory changes by being more involved in public affairs or trade associations. Also, products and services can be structured so they can adjust to changes quickly, for example in data protection laws. While cross-border deals often come with additional challenges, savvy companies can plan accordingly and make the right connections.

Appetites for convergence

Within the next two years, convergence won't just be a trend, it will be commonplace, according to survey respondents. And corporates realise that the rewards for taking the plunge could be huge

Survey respondents clearly see the tides turning towards convergence. When asked about increased cross-sector activity, nearly all respondents (84%) say that they expect to see more over the next two years. Breaking this down, 58% expect to see somewhat more convergence, while 26% expect to see a significant increase.

Recognising the value in cross-sector M&A, a number of respondents say that convergence will become more common as businesses fear missing out on opportunities, or strive to offer their customers better experiences. The rewards for convergence are potentially enormous: expansion of the customer base, enhanced revenue streams and a closer alignment with constantly changing consumer expectations.

Two-way street

Respondents describe convergence as a multi-faceted, multi-directional trend, with cross-sector deals involving both media and technology acquirers. More than half of the survey respondents say that technology firms will be looking to enhance content (61%), or increase advertising capabilities (58%).

Yet, cross-sector activity cuts both ways: 71% of respondents believe that media companies will be driving convergence as they look to improve technology platforms and delivery tools. "The need for technology will not decrease," says the CEO of a technology corporate based in India. "Media and entertainment businesses will explore the idea of becoming TMT conglomerates so that they can reduce the ongoing costs of technology advancements."

Sixty-five percent believe that convergence will be driven by both technology and media firms looking to become conglomerates. This could be driven by highly publicised moves by TME giants such as Google, Disney and Facebook, but could also point to the increased scale of converged businesses in the future.

"Companies with a motive to establish footprints in the global market and the ones looking to become TME conglomerates are the top drivers of the convergence trend," says the CEO of a US entertainment business. "This is driving these companies to acquire more talent

Reed Smith on talent acquisition

Making acquisitions to secure talent – or acqui-hiring, as it has become known — is also part of the convergence picture. For some of the larger US buyers in particular, small to mid-sized deals are seen as recruitment exercises to acquire staff and intellectual property. Buyers are looking for clever products with clever people to bring into the stable.

Michael Young
Reed Smith
corporate
partner,
London

and methodologies through which they can grow rapidly."

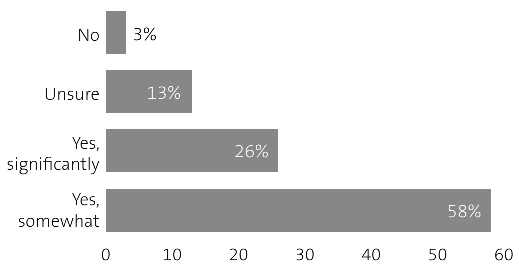
Underpinned by this anticipated activity, survey respondents predict that valuations will increase across all three sectors over the next two years. Tech valuations are expected to rise most – 34% expect a significant increase in this sector. "The low interest rate environment and the aggregation of significant cash resources in the hands of tech-focused private equity funds has also helped drive valuations," says Herb Kozlov, Reed Smith partner and head of the Global Corporate Group, New York.

Meeting new needs

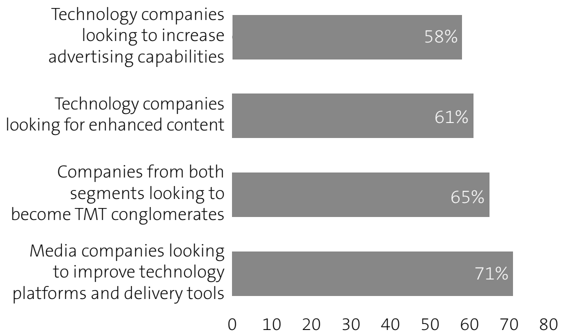
The trend towards convergence needs to be understood in the context of firms' wider M&A aspirations. A number of widely cited acquisition drivers, such as entry to new product offerings and acquisition of new technology, have a strong cross-sector flavour but vary in importance for the different types of businesses.

Thirty-four percent of technology companies say that entry into new geographies is the most important driver for acquisitions.

Do you expect to see more cross-sector acquisitions between technology corporates and media/entertainment corporates in the next 24 months?



In your opinion, what is driving the convergence trend?



Reed Smith on increasing attraction

Bidders should think about how they position themselves to their targets. In addition to the financial prospects of a sale, target business owners will be attracted by the prospects of growing their technology, their team and indeed even their own careers through the resources and reach of the larger organisation. Buyers should strive to augment the economic elements of their proposal by emphasising the strategic benefits to the target company of combining with the buyer. They should also highlight how they will offer a good cultural and strategic fit.

William Doran
Reed Smith corporate partner, Chicago

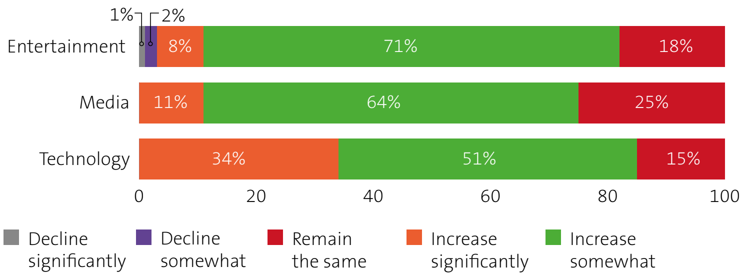
Appetites for convergence

Reed Smith on the need for knowledge

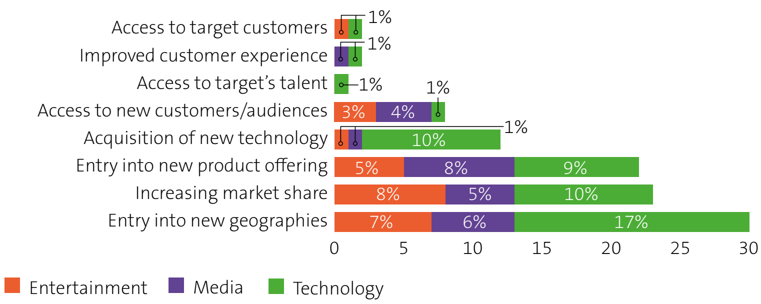
One major challenge for cross-sector acquirers is understanding a new area of business. It's tough, for example, educating a tech company about music copyrights. If you look at the big music companies, they get very seduced by the idea that Apple or Google are going to change their commercial paradigm in the next five years. If you are a big tech company, the biggest challenge is just understanding the space. Film doesn't operate the same way as music or the same way as computer games. Companies need to learn about a new sector.

Gregor Pryor
Reed Smith partner and co-chair of the firm's global Entertainment and Media Industry Group, London

What do you expect to happen to valuations over the next two years?



What does your next acquisition seek to accomplish? (Please select the most important)



However, the strategies behind territorial expansion are varied. For example, the CEO of a Malaysian media company says he aims to leverage risk by entering new markets, while the CEO of a UK-based media company says that expansion into new markets allows his firm to create synergies and ease currency and inflation pressures.

According to 25% of respondents, increasing market share across existing products and geographies remains the key for growth. The principal of extending the core to create adjacency growth is clearly well established for such firms, whether or not they plan to acquire within their own sector.

"We are initiating our diversification strategy through an upcoming acquisition. This will give us access to the target's customers and internal talent. It will also afford us experience in another industry and an alternative income stream, with a chance of securing a market position and independent operations in the future," says the CEO of a Thailand-based entertainment firm.

A question of value

TME is perceived as a sellers' market, with valuations spurred by a glut of buyers and a shortage of high-quality targets. But breaking down survey responses by sector reveals a more complex picture. In the technology sector, for example, 56% of respondents consider valuation multiples to be high, with a large minority (44%) considering them fair. Nobody considered tech asset valuations to be low.

"Technology companies have high valuations in the mid-market due to their proven efficiency and success," says the CEO of an India-based tech firm. "These companies have been catering well to investors and are showing high profitability, and that is creating more demand for them."

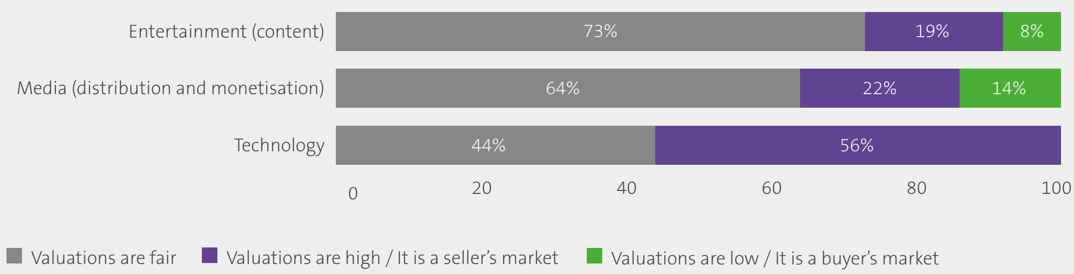
Technology businesses are also often overvalued because there is a premium on IP, which is hard to value. "These companies buy a bunch of patents that seem to have inherent value, but it is hard to determine what exactly that value is. We have seen some high valuations in North America, especially pre-revenue businesses. Part of that could be due to fundraising processes, when valuations become baked into the overall value of targets," says Gregor Pryor.

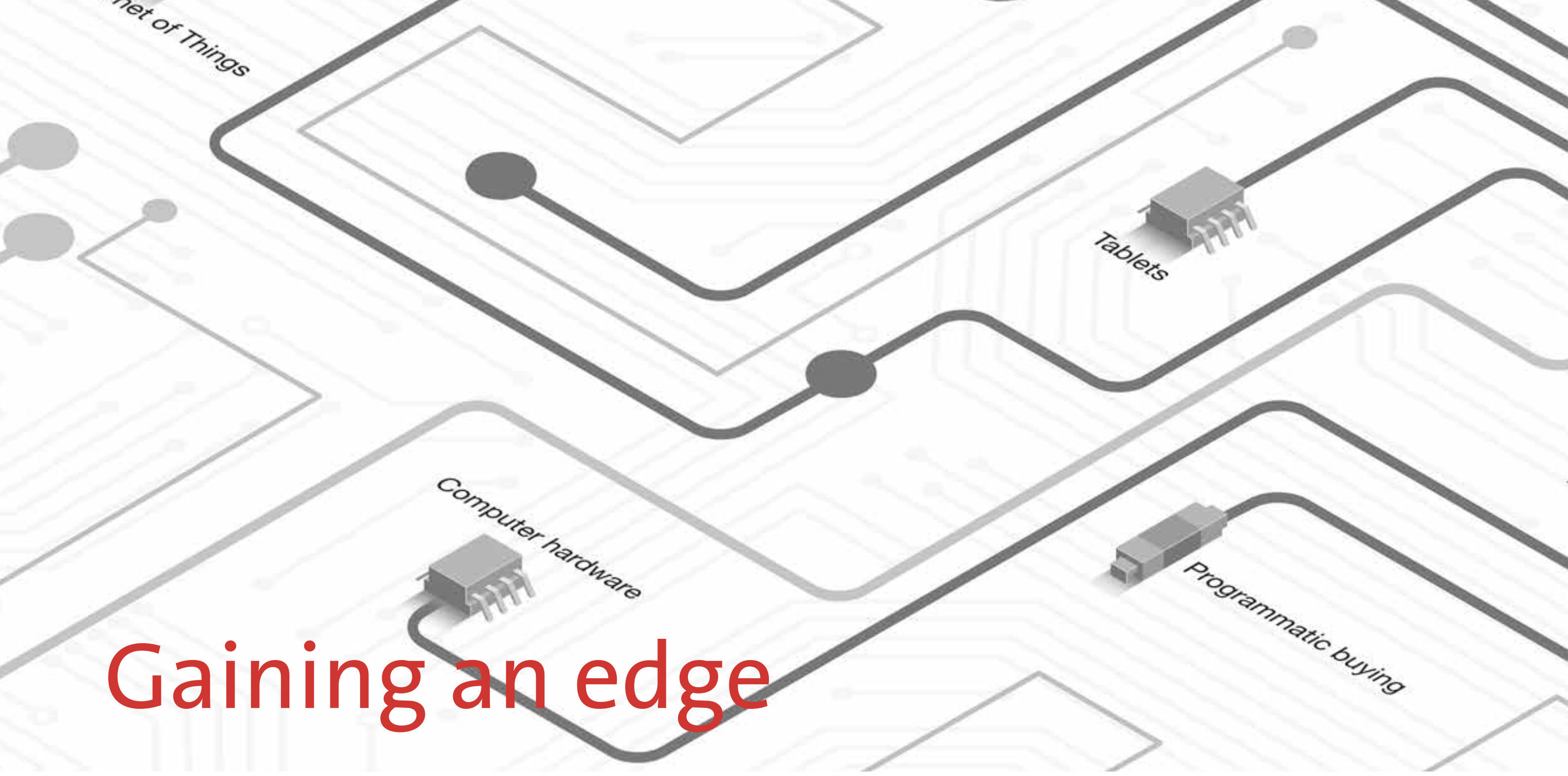
Striking a bargain in this complex pricing environment is no easy matter. Convergence deals amplify the challenge: buyers are at a disadvantage because they are entering new and unfamiliar sectors.

Many technology companies that have entered into content and entertainment are seen as deep-pocketed. To avoid overpaying, "the first thing is to approach a competitive situation in a disciplined way," says William Doran. "Go in with your budget, but avoid the temptation to exceed it."

He also suggests searching for deals outside the auction process. "While easier said than done, buyers should seek out opportunities that are not being marketed competitively. This helps to avoid overpaying, because the auction dynamic always bears that risk."

What do you think the current valuation multiples in the mid-market indicate?





Gaining an edge

While respondents almost unanimously agree that convergence is on the rise, many are still acquiring within their own sectors. However, forward-looking companies see convergence as the key to a bright future

While convergence is a distinct trend – and respondents recognise it as such – the majority of participants are considering acquiring closer to their main line of business. However, the picture is far from uniform and cross-sector intentions vary widely across the technology, media and entertainment sectors.

Technology is an ivory tower, with businesses highly conservative when it comes to reaching outside the core. Almost all (99%) say their next acquisition is likely to be another tech firm. However, the acquisition of Nokia's mobile devices business for $6.1bn by Microsoft stands as a case in point that diversification from within the technology sector has enough breadth to offer advantages such as new delivery platforms and IP licences.

Media firms are more willing to branch out. While 77% are targeting in-sector acquisitions, 19% are considering acquiring an entertainment target with 4% looking to buy in the technology subsector.

Entertainment businesses are the most outward looking of the TME trio. More than a third of companies are planning non-entertainment purchases, with 21% targeting media and a further 13% planning to pursue technology firms.

Deal blockers revealed

Although interest in convergence continues to grow, and awareness of the benefits is high, many companies remain unwilling to step outside their comfort zone: fewer than one in five firms say they plan to make a cross-sector transaction in the next 24 months. Companies seem to be cautious about venturing into cross-sector territory. So which acquisition challenges present the greatest problems?

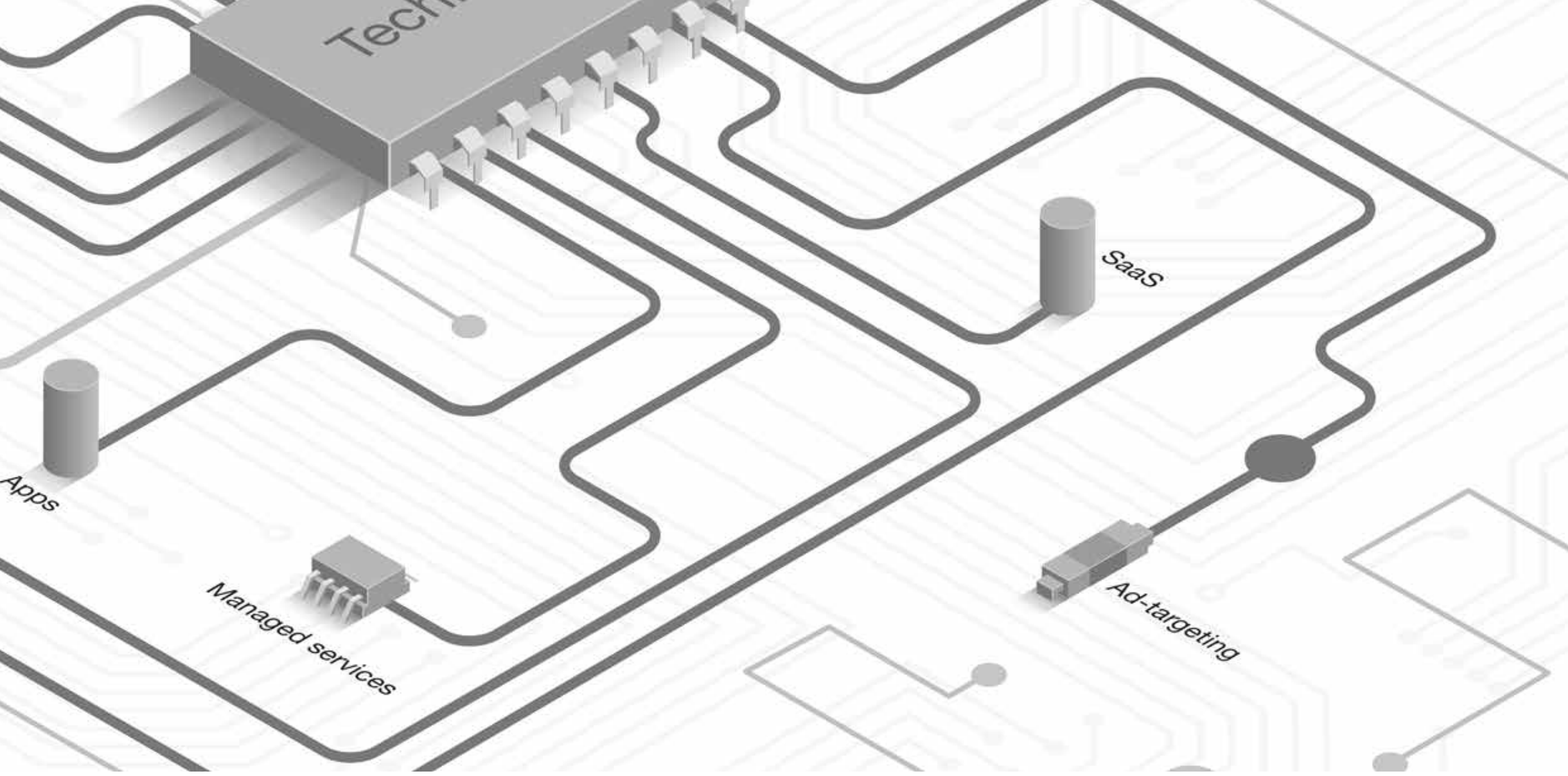
To determine the major barriers to convergence, we asked respondents to identify their concerns across three key areas: completion, integration and post-closing terms.

When asked to select the most important challenge to completing an acquisition, 33% of firms highlight legal/regulatory barriers, while 22% point to IP rights-related issues and 17% are concerned with the seller/buyer valuation gap.

Integration is perhaps the thorniest of M&A issues. The majority of respondents (31%) point to the difficulty in creating business synergies once the acquisition is completed. And 18% say affecting actual transformative change is also a challenge when integrating an acquisition in the TME space. Meanwhile, high post-merger integration costs and the challenge of operating outside of core competencies were of least concern to most respondents.

Integration planning starts during the diligence process and should accelerate even as term sheets and transactional documents are negotiated and signed. "An effective integration plan needs to be identified and its leaders should be working together well before closing occurs," says Herb Kozlov.

Post-closing terms pose slightly different challenges for companies carrying out cross-sector transactions. Top of the list are indemnification-related issues: 44% of firms consider these to be the most challenging issue to address, while contingent compensation (including earnouts) is less of a worry – these are cited



by 36% of companies. This may be because sellers only agree to valuations that would be satisfactory even if no post-closing payments are realised.

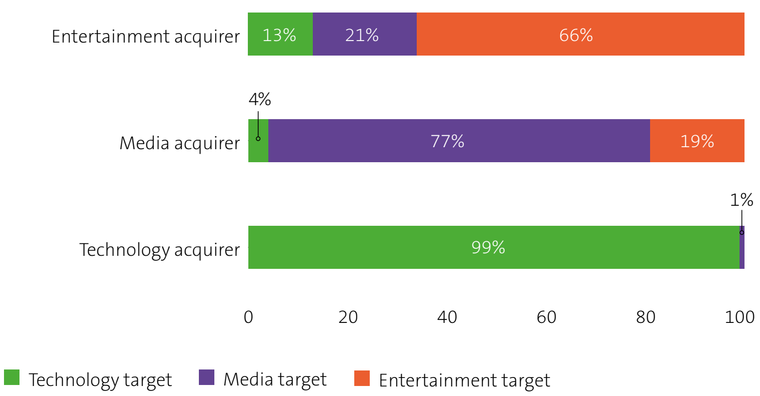
Looking ahead

Willingness to embrace convergence opportunities could put acquisitive businesses ahead of the curve. Although intentions for convergence transactions are currently at modest levels – around one in five transactions across the TME spectrum is cross-sector – respondents readily articulate the potential benefits.

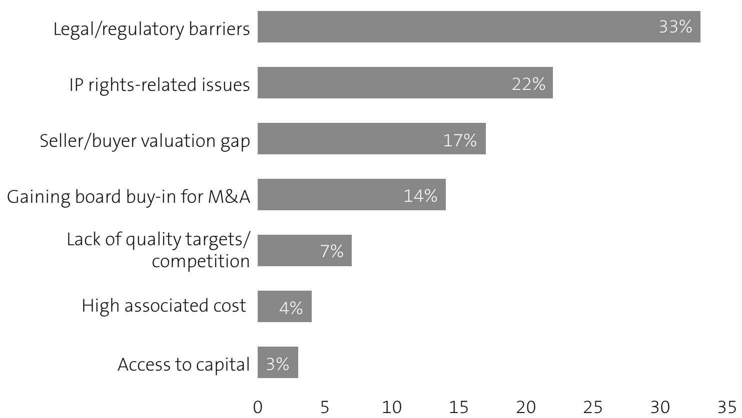
Cooperation between TME's constituent sectors is considered to be the most important benefit by the majority of respondents (29%). "Synergies in deals will help to unlock potential and encourage businesses to try their luck with future opportunities," says the CEO of a Sweden-based entertainment corporate.

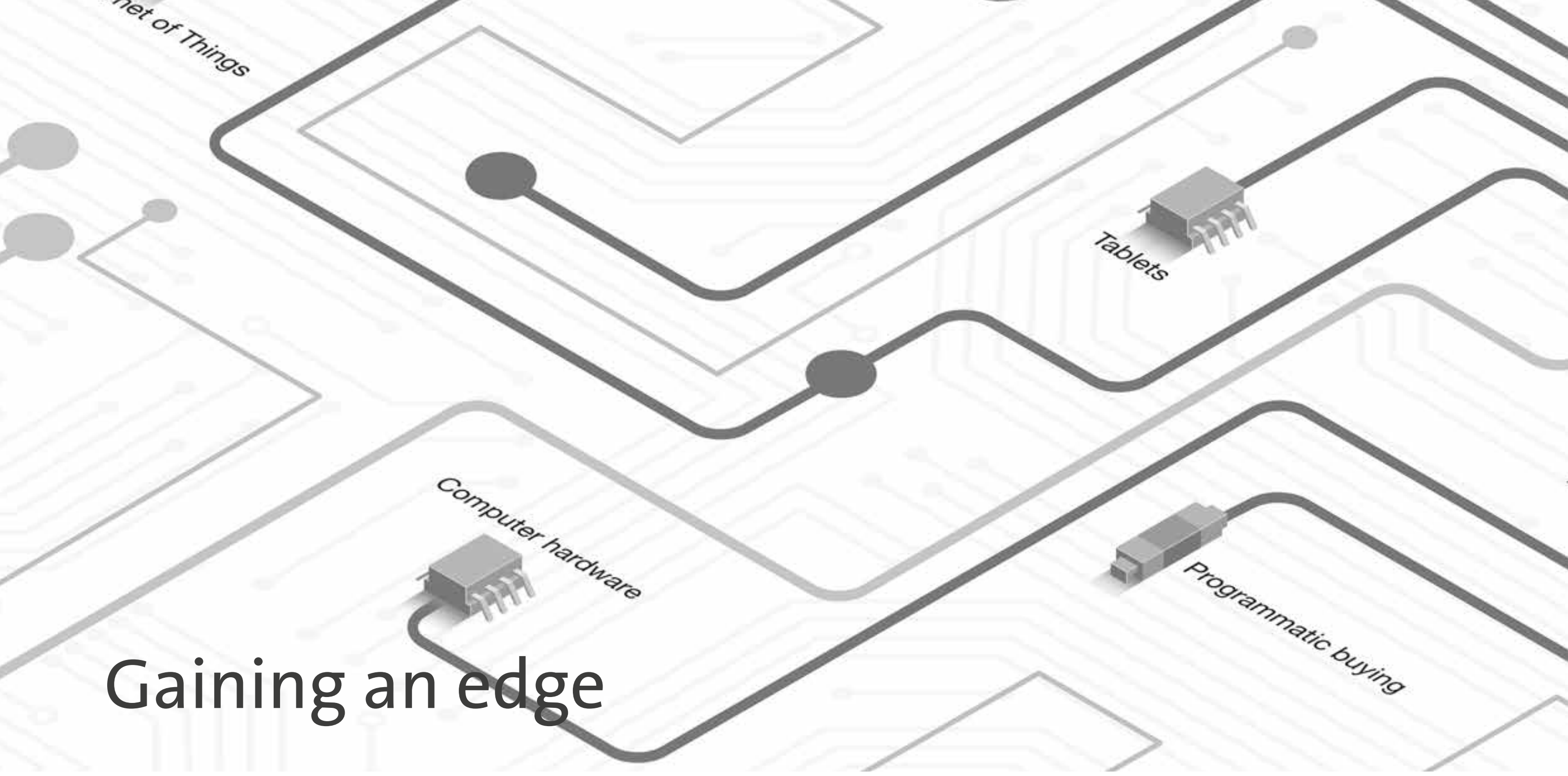
A number of respondents discuss how convergence will make TME businesses even more international. Some describe the benefits of combining customer bases and market

In which sector(s) are your next acquisition(s) most likely to be targeted?



What do you expect will be the greatest obstacle to completing a deal in the TME spaces for mid-cap companies over the next two years?





Gaining an edge

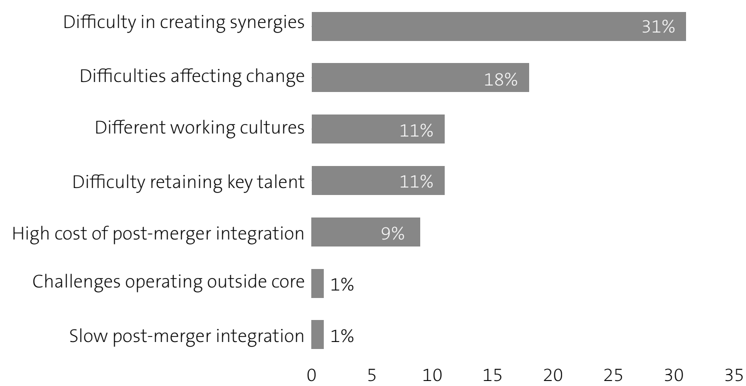
shares, thereby increasing joined-up businesses' visibility.

Convergence is also seen as a trigger of creative disruption in TME corporates by 23% of respondents. "Business models for both industries will drastically change," says the CEO of a European technology corporate. "More interdependency will assure specialisation and quality of products and services. This will help companies to expand their customer base and to target new product lines for higher profits."

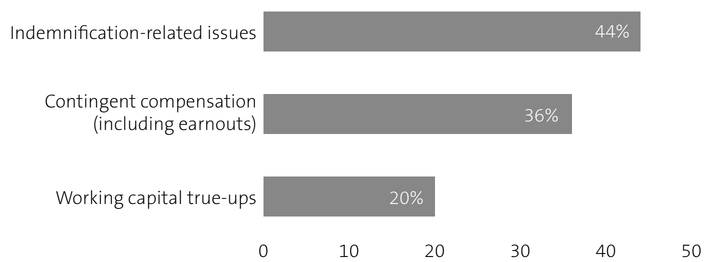
Further, convergence has the power to transform business performance by playing to the unique strengths of the subsectors – a point emphasised by the CEO of a UK technology firm: "Technology businesses will be able to collect revenue to further develop software and systems that offer value-added advantages, while media and entertainment businesses will be able to attract customers based on complex offerings of technology to adjust to changing trends."

While the case for convergence is clear, it seems that TME businesses are not putting knowledge into action. Corporates should think creatively when considering their next acquisition, and not be afraid to step outside their comfort zones.

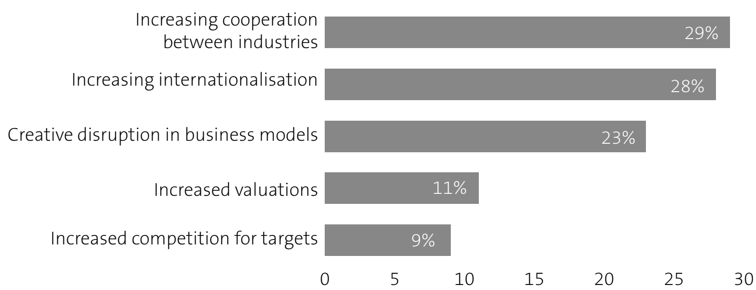
Which risk do you think will pose the biggest obstacle to integrating an acquisition in the TME spaces over the next two years?

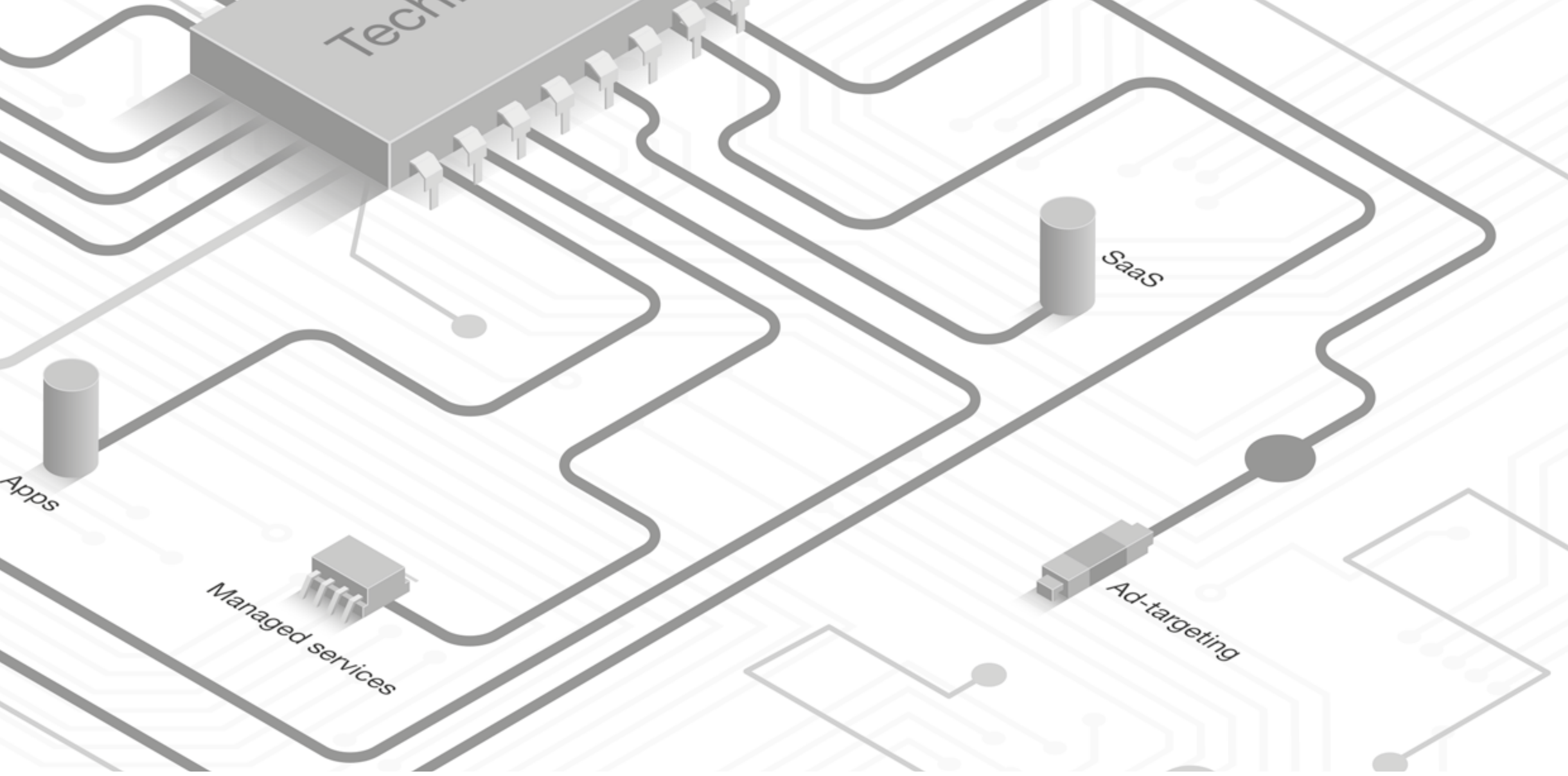


Which post-closing terms do you expect to be the most challenging to address?

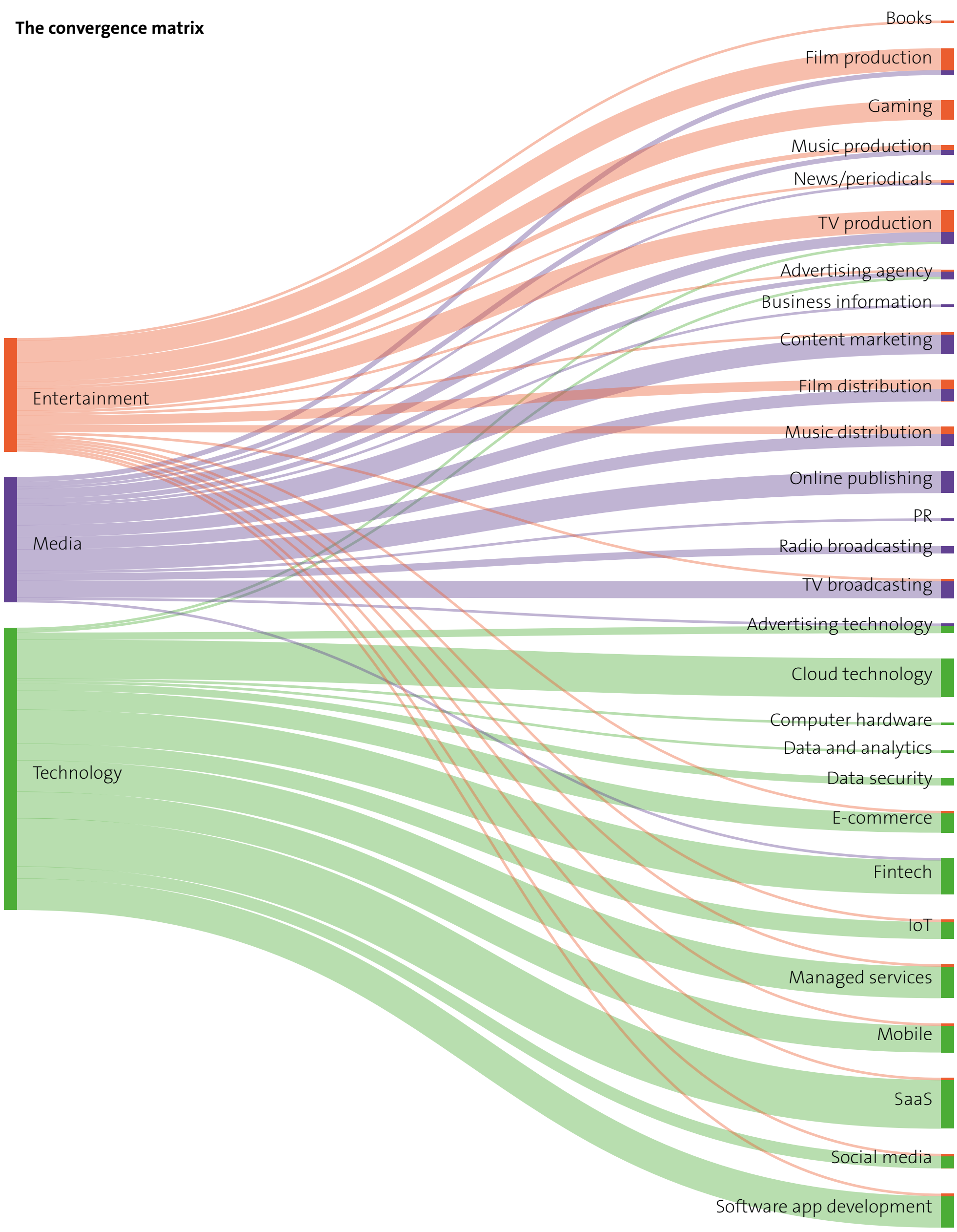


What impacts would increased convergence between technology and media/entertainment corporates have on the sectors?





The convergence matrix



The matrix (left) shows the waves of convergences from each of the three main sectors into their subsectors. Taking technology first, it's easy to see that its tendrils are very much connected to its own subsectors. In media and entertainment, there are only two convergence deals from technology — one in TV production and one in advertising.

However, the matrix reveals that media and entertainment are showing a nascent but keen desire for convergence.

While there is still a concentration of media companies buying within their own subsectors, they are spreading their tentacles fairly far and wide, especially into the entertainment subsector. However, there have been a handful of deals within the technology subsectors.

The entertainment sector has been the busiest in terms of convergence acquisitions. Not only have entertainment companies done at least one deal in the majority of media subsectors but they have also done deals in over half the technology subsectors.

The matrix very much bears out the findings of the report — in terms of convergence, tech lags behind, media firms are more willing to branch out, and entertainment is ahead of the pack.

Seizing convergence opportunities

Despite the obstacles, the outlook for cross-sector acquisitions is positive. To make the most of convergence opportunities, growth-focused firms need to take the following seven points into account:

1 Choose with care
With valuations rising, buyers can help their efforts by doing more legwork themselves. "That means making greater efforts to seek out and create the connections that can lead to non-competitive situations," says William Doran.

2 Try before you buy
Short-term deals allow companies to test the water before buying. "Not necessarily M&A, but commercial deals of limited duration that allow participants to explore what works – and whether to move on to something more significant," says Michael Young.

3 Be prepared
In a competitive environment, the ability to execute swiftly may make the difference. "Just as speed to market is often critical to the success of a tech company, speed to signing and closing is often critical to the success of an acquisition strategy," says Herb Kozlov.

4 Be aware
Every jurisdiction is different. For example, US buyers in Europe need to take account of tougher data privacy laws. There are also key differences in employment law. Businesses also need to understand that they may find it hard to enforce their IP rights in some countries.

5 Be diligent
Focus on integration-oriented due diligence. "Look at elements that are going to be essential for integration — key personnel, client relationships, information technology and overlapping business units and functions," says Doran.

6 Engage to win
Effective communications can make all the difference in creating business synergies. Engaging with the target helps to keep the workforce on site, and can dispel the concerns acting as a barrier to successful integration.

7 Be creative
The right deal structure works. Sophisticated consideration mechanisms can be put in place as buyers struggle to justify valuations. Earnouts will drive deal delivery, but don't agree to an unsatisfactory valuation if earnouts don't materialise.

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