

International Social Enterprise Business Models Conference – Mergers, Acquisitions & Partnerships



Session 1

Acquisitions – Practice and Process



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Social Firms Scotland



Social Firms create work in commercial businesses for people who are severely disadvantaged in the labour market.



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Context



- Research
- Programme outcomes
 - 10 new Social Firms
 - Provide acquisition resources for Third Sector
 - Partnerships across Third Sector and with private sector

Why?

- Increase the mix
- Risk and Capacity

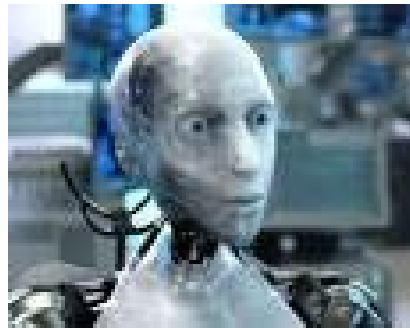


- Acquisition failure

- Risk Management



How?



Partners

- Johnston Carmichael
- RBS
- Baker Tilly
- Big Lottery Fund
- Brodies
- BTO
- CEIS
- DTAS
- Chambers of Commerce
- Eriskay Associates
- Scottish Family Business Ass.
- Social Investment Scotland
- Cranfield Trust
- Inspiring Scotland
- Forth Sector
- MacRoberts
- Morton Fraser
- Pilotlight
- Scott Moncrief
- Kersland Associates
- Scottish Government
- Senscot
- SSEC
- Triodos
- Shepherd + Wedderburn
- Acumen
- Ledingham Chalmers
- McGrigors



Process



Phase 1 Strategy	Phase 2 Planning	Phase 3 Execution	Phase 4 Negotiation	Phase 5 Completion	Phase 6 Integration
Business plan	Identify team	Approach target	Heads of Agreement	Completion documentation	Implement integration plan
Acquisition strategy	Start search	Give confidentiality	Due Diligence, plan integration	Completion meeting	Monthly integration review
Finalise acquisition criteria	Identify & screen targets	Social screening	Finalise deal structure & price		1 yr strategic review
Fund raising proposal & implementation		Evaluate synergies	Finalise agreement		

Acquiring business 4 good programme support from Social Firms Scotland

Intermediary support from programme stakeholders

Professional advisers

Who?



- Purchasers
 - “maybe considering acquisition”
 - Ready to buy
- Sellers
- Funders
- Advisers
- Investors
- Intermediaries



www.AcquiringBusiness4Good.com

Mahua Nandi

ECT Group



ECT Group

Mahua Nandi
Finance and Corporate Director

ECT brief history

1979 - founded as a community transport project, incorporated 1987

1995 – first recycling project

2002 – subsidiary holding company established

2003 – acquired Avon FoE

2005 – acquired first community rail businesses

2008 – disposed of recycling business to May Gurney, rail business to Iowa Pacific Holdings



Turnover and profit

	Turnover	Profit margin
2002	8,909,102	5%
2003	13,126,013	6%
2004	22,866,597	3%
2005	26,914,274	3%
2006	46,135,484	3%
2007	51,777,800	2%



Debt repayment

	Interest payable	Interest cover
2002	37,020	12.28
2003	141,531	5.40
2004	343,532	2.07
2005	508,403	1.58
2006	646,299	1.87
2007	929,721	1.09



Cash flow

	Cash increase/ decrease
2002	295,280
2003	196,496
2004	-1,911,136
2005	-792,989
2006	-829,494
2007	-2,433,345



Lessons

Protect the integrity of your social mission

Governance matters

Finance matters

The balance is never perfect

IT CAN HAPPEN TO YOU



David Whyte

Momentum

