The Art of Successful Acquisition
How BCG Supports M&A Strategy and Target Search
Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we help clients with total transformation—inspiring complex change, enabling organizations to grow, building competitive advantage, and driving bottom-line impact.

To succeed, organizations must blend digital and human capabilities. Our diverse, global teams bring deep industry and functional expertise and a range of perspectives to spark change. BCG delivers solutions through leading-edge management consulting along with technology and design, corporate and digital ventures—and business purpose. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, generating results that allow our clients to thrive.
Learning from the Serial Acquirers

“Our track record is inconsistent. Even when we win we destroy shareholder value.”

“There are too few attractive targets. We keep seeing the same old names and those are not available.”

“We can’t get the numbers to work. The best-performing targets are too expensive.”

Unfortunately, these are real statements from global business executives who continue to struggle to see lasting gains from their merger and acquisition (M&A) activities. Their responses are hardly unusual: research reveals that M&A is no sure thing.

Long-time studies by Boston Consulting Group consistently show that more than half of all M&A deals actually destroy shareholder value. Analyzing acquirers’ performance for public-to-public deals (publicly listed companies buying other publicly listed companies), we have found that their cumulative abnormal return at the deal announcement has been negative (-1.05 percent) for most of the last quarter-century—the years from 1990 to 2018.

And yet there are companies that get enormous value from their acquisitions. Research demonstrates that these successful serial acquirers consistently create more value from deals. Time and time again, they produce gains for their shareholders when they buy or merge with other businesses.

So what differentiates those companies from the rest? It’s certainly not just luck.

Successful acquirers take a rigorous, systematic approach to M&A. They have well-built, purposeful, dedicated M&A...
organizations. They search for, pinpoint, and pursue targets which are an excellent fit, starting with a crystal-clear understanding of their current business portfolios. They search across entire industries, not just for individual organizations. And when the deal has been signed, they take pains to manage every step of the post-merger integration. (See Page 20, “Ensuring that the Deal Works After the Ink Is Dry.”)

Teva, a leader in generic pharmaceuticals, used these principles in a series of acquisitions that helped boost its share price sixfold in the decade up to 2010—a time when worldwide pharmaceutical share prices were flat. Danaher, the conglomerate, has a codified Danaher Business System for generating value from acquisitions that it has been refining for more than 30 years.

And as far back as 15 years ago, leading serial acquirers were evaluating several potential markets for every one they decided to enter—and scrutinizing at least five candidates for each deal they would do.

In short: these acquisition exemplars have well-defined agendas for creating value through M&A. At such companies, acquisition is simply another business decision that is fostered, cultivated, streamlined, and continually improved upon. In other words, it has become an “industrial” process.

The CEO of one serial acquirer has explained it this way, “It takes courage to walk away from a deal. It really does. You can get quite caught up in winning the acquisition and lose sight of what will make it successful.
That’s why we take such a disciplined approach.” (See Page 5, “Hallmarks of Successful Serial Acquirers.”)

BCG’s approach to acquisitions mirrors that philosophy. We understand that shortcuts simply do not pay off. It is not about drawing up opportunistic “shopping lists”—the process must be grounded in a systematic, strategic approach to identifying and selecting targets.

BCG has applied this approach to help many companies, across a wide range of industries, geographies, and deal types, to identify and implement transactions that help them realize maximum value from their acquisitions.

In deal after deal, we have demonstrated that good M&A requires a sound portfolio strategy. It is essential to ask three fundamental questions that are rooted in an effective analysis of the current portfolio of a business. What is the strategic potential of the overall business? What is its potential to create more value in the future? And can we, as the new owners, realize the business’s inherent value? (See Page 17, “Questions the CEO Must Ask.”)

Putting it simply: BCG helps management teams get acquisition right—beginning with disciplined target search.

Snapshot of the Right Approach to Buy-Side M&A

**Do Think:**

“Which deal(s) will help us realize the maximum value?”

- Systematic approach
- Clear definition of value creation logic
- Comprehensive screening
- Clear analytical framework
- In-depth analysis of industries and targets
- Integration is a factor
- Realistic synergy expectations

**Don’t Think:**

“Let’s get to a short list of candidates quickly”

- Opportunistic approach
- No sound strategic rationale
- No screening
- Deal- and transaction-focused
- Asset-based top-down analysis
- No consideration of organizational implications
- Exaggerated synergy expectations

*Goal: Systematic/realistic generation of targets—not an opportunistic shopping list*
Hallmarks of successful serial acquirers

• They have a strong M&A organization in-house.
• They have a sound portfolio strategy as a starting point.
• For every potential acquisition, they know why they would be a better owner than anyone else.
• They take a strategic approach to M&A, putting value creation first.
• They take a systematic approach to analyzing acquisition candidates.
• They look at entire industries, not just companies.
• They know which companies are available (or soon will be).
A few years ago, BCG was working with the Animal Health division of Boehringer Ingelheim (BI), the world’s largest family-owned pharmaceutical company, to help the division strengthen its growth strategy, when an unexpected opportunity emerged. It was a perfect fit with key elements of that strategy—a push to strengthen the division’s presence in the US, Canada, and Australia and further expand its position in the animal vaccine segment.

The auspicious opportunity came about as a result of a merger that was in the works between two other pharma companies. In order to clear the way for its mega-merger with Wyeth, Pfizer was going to be required by the US Federal Trade Commission and antitrust authorities in other jurisdictions to divest parts of Wyeth’s animal health business (Fort Dodge Animal Health), due to significant overlaps with Pfizer’s own animal health business.

The opportunity this presented for BI checked most of its strategic boxes. If BI could win the divestment, it would significantly strengthen its position in the US and in selected other global markets. It would also mean that BI could further expand and reinforce its vaccine expertise across animal species.

The Pfizer-Wyeth merger was on the clock, so things had to happen very fast. This deal was governed more by its complexity than by its size. It would require the carve-out of the divested product portfolio as well as the management and integration of a complex production network and of a thicket of intellectual property assets. On top of that, BI’s managers would have to be equipped to run the acquired parts of the business as of the closing date, to smoothly handle any discontinuities—from potential...
loss of knowledge to the transfer of key employees and customer relationships.

BI hired BCG to provide support with the due diligence, contract negotiations, and the post-merger integration to ensure a smooth transition at closing and beyond. BCG, with deep buy-side experience across many industries, quickly helped set up the organizational machinery to gear up BI as the intended winner of Pfizer’s auction of Wyeth’s animal health assets. Our buy-side team was on board from beginning to end of the deal, from earliest due diligence to the final stages of post-merger integration. BCG also helped develop and orchestrate a successful approach to the anti-trust authorities that were closely tracking the Pfizer-Wyeth merger.

The buy-side team worked with a large team from all across the BI organization—including finance, legal, commercial, and manufacturing. Throughout, BCG put its analytical rigor to work to define, establish, and drive the multiple workstreams needed to manage every aspect of the bid, to handle commercial due diligence on extremely tight timelines, and to communicate continually to all parties.

The deal was a major strategic leap for BI, doubling its business in the US, increasing its global animal health revenues by 30 percent, and moving it from seventh to sixth place in the global animal health market. The company now has one of the strongest portfolios and pipelines in the sector.

And at least as importantly, BCG supported the development of M&A capability at BI and passed on key M&A methodologies and approaches to the BI team for future use.
BCG has sharpened many target searches and acquisition processes. Imagine what we could do for you.

BCG takes a very deliberate approach to acquisition—and especially to target search. Our framework can be described in four steps:

**Step 1: Figure out where to play**
This means analyzing not only the industry where your organization is active today, but also other industries in which it could and possibly should be a player. The point is to fully understand each industry’s ecosystem and its dynamics and discover where the pockets of real value are along the value chain, who the key players are, and what will reshape each industry in the future. From the start, the emphasis is on the industries and the opportunity segments within those industries that are strategically relevant—not just the companies that look attractive.

**Step 2: Pinpoint companies of interest**
Only after understanding the industries is it time to start identifying specific companies that could be a good fit with your organization’s strategic direction. There can be no shortcuts in this phase either. The successful target search now involves qualifying a long list of potential candidates according to opportunity segment, then ranking each one in terms of its fit and the logic of how it should create value.

**Step 3: Prepare for the pursuit**
Now the actual chase can begin. Not all potential targets will be available, of course, so your organization will harness its M&A team to continuously monitor those candidates and prepare regular updates about them, their industries, and their availability. Then, when a candidate does become available, all the preparations are in place to make a bid.

**Step 4: Move forward with due diligence**
With targets now in view, it’s time to pinpoint and prioritize key issues unique to each target and to identify relevant markets in all dimensions. Against that backdrop, a clear, detailed picture will emerge of the target’s business environment—its competitive landscape and key success factors, and the relative performance of leading competitors. The due diligence step also highlights each target’s potential for value creation, including identification of key drivers and sensitivities.
Step 1: 

Figure out where to play

Most companies still approach M&A opportunistically, usually when an attractive target becomes available, or a surge in available cash encourages a “spend” mentality.

But opportunistic acquisitions are not the way to create value. There are no shortcuts to finding targets. BCG’s comprehensive approach helps make sense of “where to play” in the first place. Instead of going straight to reviews of alluring candidates—the typical jumping-off point—BCG’s approach phase starts with a detailed exploration of the industry ecosystem—the environment in which the acquirer operates, and the suppliers, customers, and partners with which it interacts. Then comes an exhaustive analysis of potential opportunity segments—the sectors where there might be attractive companies to buy. This part of the process ends with the drafting of a “long list” of candidates.

Analyzing the industry ecosystem
The purpose here is to challenge the acquirer to develop a defensible rationale for the acquisition. The company must be able to demonstrate the logic of how the deal will create additional value. So the key questions map to the ways in which M&A adds value: Will the purchase help the acquirer grow its core business; make it easier to enter attractive new customer segments; extend its offer along the value chain; bring in a new, game-changing technology; and/or help it enter adjacent markets? Whatever the rationale, it must clearly articulate how the acquisition will strengthen the acquirer’s position in the market and hence create value for shareholders.

The kickoff for this stage is an unblinking review of industry trends, looking not just at the current influencing factors but at what will reshape the industry in the future. For example, in the retail sector, the analysis might chart the pace of current multichannel sales activities and look ahead to new waves of automation in the sector, such as grocery delivery by drones.

Defining opportunity segments
After identifying the general industry sectors and defining the overarching value creation logic, the next stage is to identify specific opportunity segments. For
each search direction, the results of our analysis are summarized in a scoring matrix. The matrix looks at two dimensions:

- How strong is the strategic fit with the acquirer (in terms of technological suitability, customer perspective, and business model attractiveness)

- How attractive is this segment (in terms of its growth, margin potential, and competitive intensity)

Segments with a high score in both dimensions are highlighted as opportunity segments.

**Creating the long list**

It’s within these prioritized opportunity segments that the search begins for discrete targets. Every potential acquirer can start its search using Standard Industrial Classification (SIC) codes and the databases derived from them. But that search doesn’t shine light into all possible corners of the acquisition universe. Few companies have the tools or data to do that, but BCG has a wide range of proprietary information at its fingertips.

Identifying an initial target universe is not a simple exercise. Working with the prospective acquirer, we involve our client’s industry and functional experts and use a wide range of proprietary tools and databases to draw out all pertinent market knowledge, not only from within the acquiring company, but.
from BCG’s global network of industry and business-function experts. The upshot: in any industry, we can help find the hidden champions and emerging technology leaders that most of our clients do not have on their radar screens.

**BCG ADDS VALUE IN THESE WAYS:**

- **Value creation comes first:** We put value creation first and focus on the definition of a clear rationale which drives shareholder value—strategic thinking is at the core of what we do.

- **Tailored approach:** Since no two businesses are exactly alike, we start the target search by listening to you, understanding your expectations, and defining the key search parameters. We partner with companies to find the best options together.

- **Industry expertise:** We understand industries in depth and know where to focus—BCG has a broad global network of functional and industry experts at its fingertips.

- **Clear analytical approach to ecosystem analysis:** We have a proven and robust analytical framework to drive comprehensive industry analysis—we only focus on the segments with a strong strategic fit and high segment attractiveness.

- **Richer insights:** We combine our global industry reach with our deep knowledge of corporate finance to provide detailed insights that are much more useful to acquirers.
Step 2:
Pinpoint companies of interest

Whereas the prior phase helped identify the relevant industries, this phase starts to focus on specific companies. Now it’s time to start pinpointing and evaluating the businesses that are good candidates for acquisition.

Again, this isn’t something that happens overnight. Whittling down an initial long list to a prioritized set of companies is a complex process requiring real discipline. BCG applies a robust stage-gate process to help acquirers prioritize and identify the right companies.

At this stage, many acquirers emphasize the financial performance of targets and their attractiveness. They tend to believe that only companies that are performing well are good acquisition targets. BCG believes that such an approach falls short.

The key is to properly assess two dimensions: the strategic fit between potential candidate and acquirer, and the feasibility of a deal. Then, and only then, can the acquirer identify the targets it should pursue.

Assessing the strategic fit
It’s not just about how attractive the company is, but how well it fits. How complementary are its operations to those of the acquirer; its geographic footprint; its set of customers; its suppliers? BCG’s processes enable acquirers to gauge the significance of the cost or revenue synergies that a particular purchase might generate.

Assessing the feasibility of the deal
When you want to buy a company, you first have to know whether it is available. Conventional approaches to target search do not make that fact apparent, and so acquirers may waste time.
In order to assess deal feasibility, BCG tests on two levels: ownership structure and market intelligence on the likelihood of a sale. The first level yields crucial information. For example, history has shown that companies with long-term shareholders such as families or trusts are less inclined to pursue active M&A opportunities, whereas those owned by financial investors such as hedge funds or private equity firms, with their shorter investment horizons, are far more receptive to the idea.

The second level of investigation supports the first. BCG’s market intelligence mechanisms—its extensive industry and functional network and its databases and other resources—mean it is among the first to know whether a company is considering M&A. Our mechanisms quickly get answers to key questions such as: has the company been put on the block by its parent? Has there been a recent change in ownership which might favor a transaction?

**Financial performance**

BCG also considers the financial performance of an asset. As explained above, financial performance should not be used as a knockout criterion with which to prioritize targets. The financial performance will likely dictate the premium and affect the acquisition price, but it does not help to distinguish attractive from unattractive targets.

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**Two Levels of Investigation into Target Availability**

Illustrative—to be Adapted to Industry and Acquirer Context

<table>
<thead>
<tr>
<th>Ownership structure</th>
<th>Likelihood to sell</th>
<th>SCORE RATIONALE</th>
<th>SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>officially available</td>
<td>Single negotiation party</td>
<td>++</td>
</tr>
<tr>
<td>&gt; 50% freefloat</td>
<td>Rumors in press/analyst universe</td>
<td>Unlikely seller</td>
<td>––</td>
</tr>
<tr>
<td>&quot;Natural&quot;/long-term</td>
<td>Recently acquired with strategic rationale</td>
<td>More likely seller</td>
<td>+</td>
</tr>
<tr>
<td>e.g., family, trust</td>
<td>Currently no indications</td>
<td>Difficult bargaining</td>
<td>–</td>
</tr>
<tr>
<td>Financial Investor</td>
<td>Recently acquired with strategic rationale</td>
<td>High coordination effort (tender offer)</td>
<td>––</td>
</tr>
<tr>
<td>e.g., banks, invest. funds</td>
<td>Recently acquired with strategic rationale</td>
<td>Strategic logic for exit</td>
<td>++</td>
</tr>
<tr>
<td>Strong minority</td>
<td>No reference cases</td>
<td>Low likelihood to sell</td>
<td>–</td>
</tr>
<tr>
<td>e.g., trusts</td>
<td>No reference cases</td>
<td>&quot;Natural&quot; owner of core</td>
<td>––</td>
</tr>
<tr>
<td>Fragmented shareholders</td>
<td>No reference cases</td>
<td>With clear exit rationale</td>
<td>++</td>
</tr>
<tr>
<td>Core business</td>
<td>No reference cases</td>
<td>&quot;Natural&quot; owner of core</td>
<td>––</td>
</tr>
<tr>
<td>e.g., &gt;50% business</td>
<td>No reference cases</td>
<td>With clear exit rationale</td>
<td>++</td>
</tr>
<tr>
<td>BCG assessment</td>
<td>No reference cases</td>
<td>Strategic logic for exit</td>
<td>++</td>
</tr>
<tr>
<td>Non-core business</td>
<td>No reference cases</td>
<td>Past reference cases</td>
<td>+</td>
</tr>
<tr>
<td>e.g., &quot;orphan&quot; &lt;10%</td>
<td>No reference cases</td>
<td>No reference cases</td>
<td>––</td>
</tr>
</tbody>
</table>

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**Legend**

A: Single negotiation party
B: Unlikely seller
C: More likely seller
D: High coordination effort (tender offer)
E: Financial investor typically with clear exit rationale
F: "Natural" owner of core
G: Low likelihood to sell
H: Strategic logic for exit
I: Past reference cases
J: No reference cases
K: +
L: ––
M: ++
Defining an action list and a watch list

Armed with detailed scores of each target based on strategic fit, deal feasibility, and financial performance, BCG and the acquirer can summarize the results of this phase in a prioritization matrix. Companies on the long list that are not a good enough strategic fit are no longer given high priority, regardless of their availability (further reinforcing the shift away from opportunism).

Those still on the list and found to be a strong strategic fit are split into two categories:

- **Action list**: Companies with high strategic fit and deal feasibility. In our experience, these target companies are typically open to exploring a sale, and there is an immediate window of opportunity.

- **Watch list**: Companies with high strategic fit but low deal feasibility. An immediate acquisition seems unlikely, but given their high strategic fit, it makes sense to keep them “on the radar” in case their availability changes.

But it is not only about the action list and the watch list. A proper target search process arms the acquirer with a detailed repository of potential targets, which helps clarify whether a target is of interest or not—and makes it easier to decide whether it’s worth acting on the information memoranda that acquirers’ investment banks send to potentially interested parties.

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**BCG ADDS VALUE IN THESE WAYS:**

- **Detailed analytics**: Target search takes real discipline and sometimes can feel like finding a needle in a haystack. BCG takes a stage-gate approach and has a proven methodology to find the most attractive candidates.

- **Proprietary frameworks**: We have developed proprietary frameworks and tools to support your target search. Our deal feasibility framework has been tested and helps you understand, in a systematic way, which companies are available. The assessment of strategic fit is also based on a battle-proven framework and helps us identify companies with high synergy potential early in the process.

- **Creation of a comprehensive target search repository**: In a target search project, you do not simply get a short list with potential acquisition candidates, but also a comprehensive target search repository. The repository contains key information (financials, strategy, etc.) on a large set of companies and is a central aspect for all future target search and M&A efforts.
Step 3: Prepare for the pursuit

The approaches described thus far help acquirers to short-list the most attractive companies, dividing them into two categories. Now it’s time for them to put their M&A teams in high gear.

1. **Action list:** For each action-list target, the teams should start compiling a dossier that assesses the target’s revenue and cost upsides. BCG has abundant experience carrying out thorough value assessments that can be added to the dossier. The information collected will help teams pressure-test each target’s potential for adding shareholder value. With a richly detailed dossier in place, BCG can then work with the acquirer to present its management team with a solid argument for buying the target.

2. **Watch list:** For the targets on this list (acquisition candidates with a strong strategic fit that currently are not available or candidates that aren’t yet a good fit because they’re going through restructuring, for instance), BCG establishes a continuous monitoring process. We have put such processes in place for many companies. The objective is to have a mechanism that alerts the acquirer to anything that might lead to a change in availability. The target search should not be a one-time effort. Continuous monitoring methods can include triggers that send out alerts when there are changes (or signs of changes) in ownership. They can extend to regular patent screening in order to pinpoint interesting new players in key industry sectors.
When the key target search themes have been communicated to the executive team and the board of directors, the chief executive is in a position to lead active discussions around the topic. Here’s a quick checklist of some of the key questions that the chief executive should be asking at the next executive management meeting:

1. When we look for acquisition targets, are we doing more than just reviewing our direct competitors in our industry?

2. How clearly can we articulate the value logic of a possible acquisition in an adjacent industry sector, or up or down our industry’s value chain? How does that logic then inform the acquisition moves we make?

3. What’s the analytical basis for our long-list filtering process? How transparent is it? Can we be sure that it’s solid enough to use as reference for potential future opportunities?

4. How do we know if the most attractive candidates on our list are really up for sale—or soon might be? What’s our mechanism for knowing this?

5. What’s our process for continually monitoring the most attractive candidates? How can we be sure the process is robust enough that we don’t miss great opportunities?

6. Have we got the in-house M&A capabilities and processes needed to drive a proper target search and due diligence process? If so, can we deploy those capabilities and processes without getting lost in governance issues and without compromising our value-creation agenda?

7. Have we named the dedicated team of internal experts (and external advisors where needed) who can react quickly when an opportunity arises?
Step 4: Move forward with due diligence

Ideally, after making the moves described in Step 3, not only will the desired target be clear, but the acquirer will be the only viable buyer on the horizon—a situation much more in its favor than any auction process will be. Then due diligence can begin.

Due diligence moves through four phases: getting a close-up picture of the attractiveness of each target and its market, examining the synergies of the potential deal, digging into the target’s business plans, and reviewing the feasibility of a deal—the investment required, the realities of retaining the acquired company’s talent, and so on.

Even following the four stages, no two due diligence projects are the same. Rather than run through a standard checklist of items—which can lead to deal-breaking gaps in analysis—BCG’s experts draw on deep experience to focus on the target’s key issues. We apply a well-defined due diligence methodology and standardize our processes and documentation to give a predictable look and feel to our results.

BCG is uniquely positioned to create value in due diligence, thanks to our extensive global network. We combine our fact-based, highly analytical strategic and industry perspectives with a willingness to challenge conventional wisdom, our skill at tailoring our approach to each client’s unique circumstances, and our unbiased engagement with client management. The end product: capabilities unmatched by other firms.

In addition to identifying and prioritizing key issues unique to the target, we identify the target’s relevant markets in all dimensions—its segmentation logic, growth drivers, and forecast demand. Against that backdrop, we build up a clear, detailed picture of the target’s business environment—its competitive landscape and key success factors, and the comparative performance of leading competitors. We examine in detail the target’s potential for value creation, including identification of key drivers and sensitivities. This close analysis enables BCG to thoroughly assess the business case for the acquisition—and challenge it, as needed. (See Page 21, “Real Deals, Real Results.”)

The result is a professional, realistic, and neutral assessment of the target and the deal, allowing for a rational, well-considered decision.
Ensuring that the Deal Works After the Ink Is Dry

The successful signing of an M&A deal is the beginning of the actual merger activity, not the end. Now comes the hard work of integrating two disparate organizations.

These days, investors expect cost synergies 12 to 24 months after a deal has been signed. The longer it takes to integrate the target after signing, the more likely that management will get distracted, potential synergies will go unrealized, and key staff will begin to decamp.

So-called clean teams can help ensure that synergies start to be realized the moment the ink on the deal is dry. These are groups set up by independent third parties like BCG to collect and analyze sensitive data before the deal closes, and to sanitize and share certain results with the buyer ahead of time, provided that those results are approved by both parties’ legal advisors. These steps enable the buyer to get past what would otherwise be blind spots and to start acting on the integration. BCG has always urged these imperatives for post-merger integration success.

- **Setting the direction.** At first glance, that seems like an obvious prescription. But BCG has found that direction setting can be more aspiration than execution because the hard work of deal-making can get confused with day-to-day operations priorities. Best-practice mergers always manage PMI as a discrete process and they set up and rely on well-organized integration teams with a dedicated program management office (PMO).

- **Building the organization.** It’s essential to manage the people-side with the same rigor as you would the financial and the operational aspects. The acquiring company’s leaders must have clear ideas about the NewCo’s structure as soon as the deal closes. Best-practice PMI also demands nonstop communication through many different channels. If you’re buying the other company largely because of its renown in analytics, say, you’d better reassure their analytics experts that they’ll thrive when they belong to your organization. It’s simply not enough to send out a couple of bulletins declaring that analytics jobs are safe.

- **Capturing the value.** This involves efforts to retain customers when they may be concerned about what the deal means for them. It also means confirming synergies in revenue (not just in costs), highlighting the need to define explicit cost and revenue targets, and revisiting them at the earliest point possible. Here again, the clean-team approach kicks in. The clean team can use hard data to confirm how those cost and revenue synergies will be achieved, in which product categories, to which customer segments, by which salespersons.
When Dutch company Royal DSM wanted assurance that it was getting fair value in its proposed joint venture with a US private equity firm, its executives turned to BCG. They wanted truly independent input, and they knew about BCG’s strong track record with due diligence in pharma and particularly in the pharma contract manufacturing space.

Several weeks—to arrive at a joint view of Patheon’s strengths and weaknesses.

The work included a revenue forecast based on a review of Patheon’s existing contract base and pipeline. This level of rigor provided significant new insights into the shape, risks, and upsides of the top line compared with the business-plan assumptions that were based on market growth.

The outcome: DSM now had the confidence to go ahead with the highly leveraged joint venture.

The deal led to formation of DPx Holdings, a global contract development and manufacturing organization with 8,000-plus employees in more than 20 locations across North America, Europe, Latin America, and Australia.

DSM—a global science-based company active in health, nutrition, and materials—wanted to merge its pharma contract manufacturing division with Patheon, a pharmaceutical services company based in the US. The proposed deal saw Patheon being withdrawn from the public market by JLL Partners, the private equity firm that owned most of its equity, prior to forming a joint venture that would be co-owned by JLL and DSM.

The Dutch company asked BCG to carry out an exhaustive due diligence exercise on Patheon, an effort that included examination of possible dissynergies. BCG worked hand-in-hand with the DSM team—putting time and energy into aligning processes and people from day one of the due diligence and sharing an office with DSM’s merger teams for several weeks—to arrive at a joint view of Patheon’s strengths and weaknesses.
When Norway’s Coop grocery chain was pushing to purchase rival ICA’s stores in the country, BCG supported every aspect of the company’s acquisition process. Later, that work translated into a detailed implementation plan.

As the deal would come under scrutiny from the Norwegian Competition Authority, BCG deployed its Alteryx and GeoAnalytics capabilities to model the local competition for every store in the Norwegian market, as important inputs for the pre-deal reviews. We also supported the lawyers in developing the documentation for filing, and in executing the needed remedies.

To determine the sourcing synergies (both costs of goods sold and goods not for resale), BCG deployed “clean teams” prior to closing. That move ensured a strong fact base and readiness to run any renegotiations quickly. It also helped realize very high run rates within a few months of the deal closing.

The entire end-to-end initiative, from strategic consideration to deal execution to integration, called for rigorous process management—a staple of BCG’s approach.
“It takes courage to walk away from a deal. It really does. You can get quite caught up in winning the acquisition and lose sight of what will make it successful. That’s why we take such a disciplined approach.”

— CEO of Fortune 500 serial acquirer
Meet Our Team

BCG’s experts represent a rich and diverse group whose experience comes from solving the key issues faced by companies around the world. For every focus area, we also have local experts who provide pivotal insights into the dynamics of individual markets.

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BCG’s Transaction Center is the hub of the firm’s global Transaction and Integration Excellence expertise, providing businesses with end-to-end transaction support, including strategic decision-making in mergers and acquisitions, preparing and executing divestitures and joint ventures, supporting IPOs and spinoffs. We create and execute winning strategies for Post-Merger Integration that unlock synergies quickly and build high-performance organizations in order to realize the full potential of deals. The Transaction Center combines BCG’s deep sector expertise with our comprehensive experience in all aspects of Transactions and Integrations. Over the past ten years, we have supported more than 7,000 transactions with a market value of more than $5 trillion. With more than 300 professionals worldwide, we help both corporate and private equity clients execute deals efficiently and more importantly, maximize value.

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Our clients operate in nearly every industry and region around the world, and they come to us for fresh approaches to the issues that matter most to them. Through a rigorous analysis of each client’s individual situation, we develop customized solutions that meet the organization’s specific needs. The case examples here illustrate how we help clients sharpen their capabilities, create value, and deliver sustainable advantage.

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Articles and Reports

The 2019 M&A Report
Downturns Are a Better Time for Deal Hunting
The 2019 M&A Report examines how dealmakers should think about pursuing M&A activity in a downturn.

The 2019 Value Creators Rankings
The firms topping BCG’s 2019 Value Creators rankings demonstrate that it is possible for companies to achieve superior performance over the long term, despite their having to endure multiple cycles of volatility and disruption.

Cracking the Code of Digital M&A
To get the most value from digital acquisitions, dealmakers need to think more creatively about synergies. Less tangible sources of value—such as scientific acumen and social media influence—are critical to justifying the high price of digital assets.

Six Essentials for Achieving Post-Merger Synergies
How you lead your organization through an integration following a merger or acquisition can make or break the original deal. Explore BCG’s latest thought leadership on post-merger integration to develop a winning strategy that unlocks synergies quickly, and returns value to investors.

As Global M&A Slows Down, Investor Activism is on the Move
Activist-led deals can be highly effective in creating value—but they’re also highly public. Companies need to prepare before they become the target of a campaign.
Breaking the Culture Barrier in Post-Merger Integrations
Cultural differences spring from behaviours as well as from values. Leaders who address these differences seriously and promptly are more likely to achieve a successful merger.

How Bold CEOs Succeed at M&A Turnarounds
For leaders with strong transformation experience, a slowing economy can be an opportunity to buy troubled assets at a discount and create value by turning them around.

Lessons from Eight Successful M&A Turnarounds
When a company buys an underperforming asset, it needs to make improvements and start creating value on day one. These acquirers show how it’s done.

The 2018 M&A Report
Synergies Take Center Stage
Dealmakers seeking to convince their board and shareholders that an acquisition creates value have a clear imperative: prove that synergies justify a high valuation.

2018 Value Creators Report
20th Anniversary Edition
When it comes to achieving superior performance over the long term, the firms topping BCG’s Value Creators rankings have perfected the art.
Deals That We’ve Helped Happen

- **2019**
  - BNP PARIBAS
    - Strategic advisor to the buyer
    - $516M
  - Millennium
    - Strategic advisor to the buyer; Strategic advisor on PMI
    - $484M

- **2018**
  - Bayer
    - Clean Team as an integral part of PMI
    - $16.8B
  - Monsanto
    - Strategic advisor to the buyer
    - $1.5B

- **2017**
  - Ferrero
    - Strategic advisor to the buyer
    - $1.2B
  - BARD
    - Strategic advisor to the buyer; Strategic advisor on PMI
    - $24B
  - Novartis
    - Strategic advisor to the buyer; Strategic advisor on PMI
    - $5.2B

- **2016**
  - ABB
    - Strategic advisor to the buyer
    - $0.9B
  - KONECRANES
    - Strategic advisor to the buyer
    - €1.3B
  - United Airlines
    - Strategic advisor to the buyer; Strategic advisor on PMI
    - $573M

- **2015**
  - Willis
    - Strategic advisor to the buyer
    - $8.1B
  - Repsol
    - Strategic advisor to the buyer
    - $547M
  - MANN+HUMMEL
    - Strategic advisor to the buyer
    - $13B

- **2014**
  - CDC Bank
    - Strategic advisor to the buyer
    - $200M
  - Bridgestone
    - Strategic advisor to the buyer
    - €910M
  - Saint-Gobain
    - Strategic advisor to the buyer; Strategic advisor on PMI
    - $956M

- **2013**
  - ING
    - Strategic advisor to the buyer
    - $484M
  - Wirtgen Group
    - Strategic advisor to the buyer
    - $160M
  - Exelon
    - Strategic advisor to the buyer
    - $6.8B
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