



Acquisition Search Case Study

Background

Harlequin (www.harlequincf.co.uk) specialises in finding strategic acquisition targets for its clients in the IT and Telecoms sector. As a 'headhunter' of acquisitions, Harlequin's targeted approach results in good value acquisitions that fit the strategic goals of its clients.

The dedicated and bespoke approach that Harlequin employs means that it doesn't just target companies that are actively putting themselves up for sale; but all those that match the strategic need of its clients. Leading companies don't wait, hoping to find the right CV if they are recruiting for a senior position, but employ headhunters to search for the right person. Using Harlequin they now no longer have to wait passively for the right acquisition target to present itself.

At the heart of everything Harlequin does is a personal involvement, as Ian Freeman has run the company since he set it up in 1999. This personal touch has helped to secure successful deals even in the middle of the current recession.

Working on a fee structure of low upfront fees with payments based upon success, Harlequin offers its clients a low risk option for increasing the reach of its acquisition targeting.

Edge Telecom (www.edgetelecom.co.uk) is a UK national telecommunication service provider. Targeting SMEs and corporates, Edge offers a range of solutions, including fixed and mobile, data connections and leased lines, Internet access, VLANs, to solve all their telecommunication needs. The company prides itself on its responsiveness and flexibility to customers.

While Edge Telecom is continuing to grow organically, acquisitions are an important part of its growth strategy. Harlequin worked with Edge to identify a suitable acquisition target, a successful project that was completed on September 3rd 2009.

"Harlequin specialises in telecoms and knew the sector well. That company had great experience in the type and size of deals we were looking for and proved to be an invaluable asset," said Don McQueen, Group CEO of Edge Telecom.

The Task

For a company leading its sector, like Edge Telecom, making the right acquisitions at the right price can be tricky. Companies that are available may not fit the strategic goals, while those that are a good match may look to raise their price to a successful competitor.

To get the best possible fit – making sure that the acquisition matches the strategic goals, has a culture that corresponds to Edge's, and, of course, is available at the best price – it is important to maximize the number of potential acquisition options.



The expertise that Harlequin has in this area meant that they were able to provide exactly the quantity and quality of leads that Edge was looking for. To achieve a successful outcome for Edge Telecom, Harlequin followed its own established methodology, adapting it for the specific requirements that Edge had.

The first element of that was to listen carefully and openly to the very specific requirements that Edge Telecom had for an acquisition that would grow the business in the right way. Once they were firmly understood, the long list of potential targets was created. Edge Telecom was already aware of a number of target companies, however Harlequin was able to use its knowledge of the sector to extend that list and open up a greater range of possibilities.

“Harlequin created a list of about fifty targets for us, some of which we’d never heard of, but all of them matching our brief,” said McQueen.

The next action was to contact all the targets and assess their interest in a sale. A letter was written to each of the targets that introduced the possibility of a sale. At all times, the confidentiality of Edge Telecom as Harlequin’s client was maintained and Harlequin was able to initiate conversations about a potential sale.

For many entrepreneurs growing the business is the main concern and very little detailed thought has been given to the final sale and cash-out at the end of the process. However, an approach by an independent expert such as Harlequin, allows the business owner to truly and dispassionately consider the opportunity and reach a conclusion.

The approach Harlequin takes is similar to that of an executive recruitment consultant. Instead of waiting for companies to be formally put up for sale, Harlequin targets all those that are a suitable fit. In this way Harlequin is able to take advantage of the natural curiosity of entrepreneurs about how much their business might be worth. For many the view is: “We are not for sale but if the offer is right we could be interested.”

Using this neutral, third-party ‘headhunter’ approach, Harlequin was able to work on behalf of Edge Telecom to get a clearer picture of whether there was any desire to sell, as well as a more accurate view of the preferred price. At the same time, for those business owners interested in a sale, they did not have to go through the lengthy and costly process of advertising the company to potential acquirers.

By working as an intermediary in this way, Harlequin creates a better deal for its clients, but also a smoother and therefore more pleasurable process for the seller. Often this translates into a better financial arrangement for all concerned. As the acquisition target has often not formally put itself up for sale, Harlequin’s clients are able to avoid a competitive bidding scenario.

Harlequin actively followed up on the letter to both screen the suitability of the targets but also to generate interest in a no obligation meeting with Edge. Harlequin also organised and held many of the first meetings with the targets, further assessing both their strategic fit with Edge



Telecom and the likelihood of a mutually-beneficial deal being reached. Throughout all of this process regular updates and reports were given to Edge.

Once the list of potential targets was fully screened and evaluated a short-list was created. Edge Telecom was now formally introduced to the relevant targets and Harlequin coordinated the conference calls and meetings between Edge Telecom and the targets.

However, Harlequin's involvement didn't stop there. Harlequin was also able to assist Edge Telecom structure the final deal, saving further management time and making the whole process smoother and more efficient.

“The quality of the opportunities presented to us by Harlequin was excellent,” said McQueen. “Harlequin was also able to take away much of the administration of the process, allowing us to focus our time on the core elements of getting the right deal for Edge Telecom.”

The Outcome

Using Harlequin, Edge Telecom was able to remain anonymous throughout the research phase of the acquisition process, enabling it to discover, assess and choose from more opportunities than it would have been able to do alone. Not only that, but Harlequin's knowledge and expertise of the telecoms sector meant that a longer and stronger list of acquisition targets was created; while its knowledge, skills and acquisition experience meant that support and expertise was offered throughout the deal structuring process.

“We've been delighted with the work Harlequin has done for us and we'll continue to use them as we continue to grow our business through acquisition,” said Don McQueen, Group CEO of Edge Telecom.

The deal was struck in June, only four months from the start of the search. All the due diligence and legal work then took place, with final completion on September 3rd, meaning that the process only took seven months from start to finish. Following the acquisition, Edge Telecom is continuing to actively grow its business.