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Corporate Structures
Newsletter | September 2018

Nine tips to improve post-acquisition integration

Part 3 of 3

Closing the deal is just the beginning. Where the acquirer and target businesses operate in the same or complementary fields, the acquirer will often want to integrate the two businesses with a view to saving costs and generating value for its shareholders through meeting synergy targets. However, bringing together businesses with different trading relationships, histories and cultures inevitably poses substantial challenges, especially in the case of multinationals. Thus, over the course of three newsletters, we provide nine tips to improve post-acquisition integration.

In our January and April newsletters, we presented our first six tips to improve post-acquisition integration:

1. Have internal staff and outside advisers work closely together
2. Do due diligence
3. Establish how to combine local companies
4. Secure an optimal pre-integration structure
5. Anticipate directors' departure
6. Keep the waiting periods in mind

Here are our final three tips.

7. Remedy corporate compliance deficiencies

The due diligence investigation may highlight deficiencies in the corporate compliance status of the group that need to be dealt with to avoid delays in the integration. For example, if acquired subsidiaries are technically insolvent or have not complied with their annual filing or maintenance obligations, it will typically be necessary to remedy these deficiencies before any significant integration steps, such as mergers or liquidations, can be undertaken.

8. Do not overlook any branches or subsidiaries

It is important to identify branches and subsidiaries of the target company. In some jurisdictions, if an entity disappears in a merger, its branch offices will not automatically become branches of the acquiring company; the acquiring company will have to register a new branch to account for its assets and activities in that jurisdiction. Furthermore, don't forget to de-register branches of a disappearing company before completing the merger. Otherwise, authorities may treat the branch as continuing to exist, which means it will have ongoing filing and other obligations. De-registration may be greatly hindered or even technically impossible if the company no longer exists.

Similar complications can ensue if it is assumed that shares of subsidiaries will automatically transfer when the original parent company is merged into another group company. Effecting the local legal transfer of the shares of the subsidiaries can be problematic if not identified and planned in advance.

9. Check for local corporate restrictions on the proposed transactions

Integrations typically involve non-routine transactions. Therefore, it is necessary to consult applicable local law and the articles of association or other constitutional documents of the entities involved to determine if there are any corporate restrictions on the proposed transactions that may require the constitutional documents to be amended. In any case, it is necessary to take appropriate steps to authorize the transactions, such as passing board resolutions and/or shareholders' resolutions.

If you would like to learn more about how to face the challenges involved in integrating two businesses, please take a look at our Post-Acquisition Integration handbook. You can download the handbook or request a copy by clicking on one of the red buttons below.

Download handbook

Request a hard copy

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