

SYNOPSIS OF FINANCE WORKSHOP AND NETWORKING EVENT ON THE 18th/19th June 2013

Growth Strategies for SME's

Outlined below are the key messages from each speaker, to access slides of their presentations please visit the EI corporate website at www.enterprise-ireland.com/financeforgrowth

1. **Brian Hyland, Partner at Baker Tilly Ryan Glennon** explored growth strategies for SME's, focusing in particular on mergers and acquisitions. Some key highlights;
 - In excess of 50% of acquisitions fail to deliver expected value - On average acquirers returns are 5% lower than peers for at least 5 years after acquisition
 - Manage your working capital cycle to ensure sufficient cashflow, creditor days that are in excess of debtor days means that the company will need to fund
 - Poor management of working capital can lead to overtrading e.g. rapid expansion. This can lead to a negative cycle. An increase in interest expenses negatively impacts net profit, which leads to less working capital, which then leads to increased borrowings. Increased borrowings lead to more interest expenses and the negative cycle continues
 - Companies can grow their business Organically V's In-Organically
 - A merger can be described as combining the forces of equal companies in order to increase their combined strength while an acquisition is one larger company taking over a smaller company to increase their own strength
 - Mergers can be vertical and horizontal
 - The culture of an organisation needs to be contemplated when considering a M&A, failure to do so may result in not achieving the projected synergies and may even result in increased ineffectiveness
 - Potentially there could be 3 cultures in a newly merged company – the two merging company's cultures and then the culture of the extra staff necessary to upscale the operations and ensure that the whole is greater than the sum of the respective company's parts
 - No matter how careful the due diligence effort, nearly every merger and acquisition experiences legal surprises

2. **Donal Leahy, Tax Director at Baker Tilly Ryan Glennon** examined the relevant tax planning issues for growing SME's. Some of the topics discussed were;
 - If considering the sale of a business you need to ensure that all your tax affairs are in order – failure to do so would likely be revealed during the due diligence process and could result in the previously agreed price being revised downwards
 - Business models are becoming more sophisticated and tax regimes are adapting slowly – you need to obtain good tax advice to ensure that you are not creating a taxable presence when entering foreign tax jurisdictions