M&A in Turbulent Times: Strike When Others Freeze

When markets get rocky, most leaders pause: hoarding cash, shelving big bets, and waiting for the storm to pass. But history shows the bold don't just survive volatility—they win big. In downturns, valuations drop, competitors hesitate, and motivated sellers emerge. For companies with vision and capital, this is prime time to play offense.

Why Turbulence Breeds Opportunity

Downturns aren't for the faint of heart, but they're gold mines for strategic acquirers, as history has demonstrated. After the dot-com crash, eBay acquired PayPal for $1.5B (almost double its IPO price), and by 2015, PayPal's valuation had exploded to $50B+. After the 2008 financial crisis, many large acquisitions occurred in 2009:

- **Pfizer's $68B Wyeth buy**: As patents on blockbuster drugs neared expiration, Pfizer pounced, diversifying into biologics and vaccines at a discount
- **Disney's $4B Marvel deal**: Disney saw potential in untapped IP from Marvel and unlocked multi-billion-dollar franchises, reshaping the future of both companies
- **Amazon's $1B Zappos acquisition**: Amazon asserted its e-commerce dominance by adding Zappos' loyal customer base and service expertise
- **Kraft's $19B Cadbury takeover**: Kraft used depressed prices to scale up snacks, eventually spinning off Mondelez as a standalone powerhouse

These moves weren't reckless gambles; they were calculated moves with a clear value thesis and long-term view. While most companies retreated, these industry leaders seized the moment.

Today's turbulence, from inflationary pressures to policy shifts, offers a similar moment of dislocation. Will you seize it?

What Sets Winning Acquirers Apart

1. *Have strategic clarity*

You can't buy your way to growth without a clear north star; otherwise, acquisitions risk becoming distractions instead of accelerants. In acquiring Wyeth, Pfizer sought to rebalance its portfolio and build a leadership position in biologics before the blockbuster Lipitor patent cliff hit. Amazon's 2020 purchase of Zoox wasn't about a bet on AV hype; it was a calculated move to own the future of last-mile delivery and logistics infrastructure. If you haven't developed a sharp, long-term vision first, then making bold moves becomes an exercise in 'spray and pray'.

2. *Develop clear plans for value creation and integration*

Know *exactly* how the target will create value and how integration plans will unlock synergies. Disney kept Marvel's creative engine humming by retaining key creative talent. Amazon provided capital and infrastructure (e.g., a new Bay Area production facility) to scale Zoox's robotaxi fleet without stifling its innovation. Strategic integration means folding in what matters and leaving alone what works.

3. *Know what it's worth <u>to you</u>*

Forget the sticker price. What matters is what the asset is worth *to you* based on your strategy and capabilities. Oracle's $8.5B acquisition of BEA Systems paid a 24% premium, but it was based on a clear fit with its middleware ambitions. Disney paid a 30% premium for Marvel that delivered manifold returns by tapping into under-monetized IP and world-class content creation. Anchor your price to your unique value-creation plan, not the market's mood.

4. *Tune out the noise*

Not every headline signals a need to move. Leaders should distinguish between short-term blips and structural shift. Tariffs, geopolitical headlines, and tech pullbacks may spook the market but often don't change fundamentals. The PayPal deal occurred during the wreckage of the dot-com hype because eBay saw enduring value in online payments. In choppy waters, risk tolerance drops, and many companies are too distracted or scared to act. That's when there is opportunity to strike. There are more motivated sellers and less competition.

5. *Move fast*

Opportunity windows are short. You should be ready to act: to fund, approve, and integrate quickly, before the competition wakes up. Kraft closed Cadbury in 4 months. Block (formerly Square) acquired Afterpay in a mere 11 weeks, and within months, its customers had a 'buy now, pay later' option. When the playbook is crisp and the need for urgency clear, companies extract even more value from M&A.

How HPA Helps: Turning Intent into Impact

At HPA, we're advisors and operators. We've sat in the hot seat, made the tough calls, and executed strategies efficiently. That's why clients turn to us for perspectives and results. Here's how we help during turbulent times:

- **Signal vs. Noise:** We cut through headlines to spotlight real opportunities
- **Strategic Clarity:** We refine your strategy so you know exactly *where to play* and *how to win*
- **Growth Through M&A:** We develop targeted growth strategies and sequencing plans so M&A isn't just opportunistic, but strategic
- **Execution Support:** From diligence to integration, we roll up our sleeves and drive results; in one recent merger, we delivered 100% of year-one synergies in just 100 days

Crises separate winners from the rest of the pack. When the dust settles, some companies will emerge stronger, leaner, and more dominant. Others will still be waiting for the "right time."

Which will you be?

Let's talk.