

INSIGHT FROM TOFFLER ASSOCIATES

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- Toffler Associates
Engagement Leader

Toffler Associates Helps Multi-National Defense Company Identify Acquisition to Access to U.S. Defense Market

STRATEGY: ENTERING THE U.S. DEFENSE MARKET

With a market worth over \$514 billion per year, the U.S. Department of Defense outpaces all other countries' defense budgets by ten-fold. For companies who manufacture defense products, having a presence in this huge market is critical. One international manufacturer wanted to enter the U.S. defense market quickly and efficiently. The management team turned to Toffler Associates to help.

With an aggressive growth strategy, the company had decided the most expedient way to enter the U.S. market was to acquire a reputable company that they could leverage in a particular segment. From the manufacturer's perspective it seemed logical to focus on the electronic systems products they already had in production, rather than to invest in developing new product lines. But some acquisition targets would help more in that segment than others. Toffler Associates determined that the manufacturer's best strategy was to acquire a company that possessed all of the following:

- A large, existing contract base
- Strong relationships with the U.S. Department of Defense
- Electronic systems products closely aligned with the manufacturer’s own product offerings.

Additionally, of course, the manufacturer needed a company that was financially sound and that was open to being acquired.

PROCESS, RESEARCH, AND CAPABILITY

The next step was to identify companies that met the criteria. “Toffler Associates has a real core competency in identifying niche companies with the capabilities our clients desire. With our methodology and proprietary database, we can help companies complete their search efficiently and with positive outcomes,” the Engagement Leader said. With years of expertise and a depth of resources, Toffler Associates was able to get work immediately.

THE TOFFLER ASSOCIATES ADVANTAGE

Toffler Associates followed a proven approach for discerning acquisition candidates for its client. First, the team identified candidates that aligned with the company's explicit requirements using two key resources - Toffler Associates' relationships in the defense industry, venture capital, and R&D communities, and its proprietary database. The database, comprising detailed and forward-looking company profiles, providing the client immediate insight about a wide range of niche companies. From these two sources, a list of candidate companies meeting the manufacturer's explicit criteria emerged.

Next, the team researched the candidates in detail, evaluating the nuances between each. Toffler Associates went beyond just the explicit criteria; knowing their client's longer-term ambitions, Toffler Associates zeroed in on companies that offered additional complimentary benefits for the client's growth. The final lens for evaluation was Toffler Associates' unique understanding of the ultimate Defense Department customers' emerging future needs, which suggested some candidate companies would be more valuable over the long-term to position the client for future as well as near-term growth. Ultimately, the Toffler Associates team put the candidates into tiers from most to least attractive and recommended a short list of four companies with which the client should initiate communication.

RESULTS

The manufacturer was thrilled with the results. They had looked into acquisitions before, but had not been able to find the right range of candidates on their own and their choices were not truly representative of the market. Working with Toffler Associates enabled them to find companies that would aid in executing their strategy for entering the competitive U.S. market. "Utilizing all our resources and experience, we were able to identify companies that aligned with our client's strategy. This allowed them to start conversations with the right companies for their future," offered the Toffler Associates Engagement Leader. With solid analysis in hand, the manufacturer held first-round communications with all four short-list companies. Today, the client is in second-round negotiations with two of those, and confident they will make an acquisition this fiscal year.