

MERGERS & ACQUISITIONS: THE 7 ESSENTIAL STEPS

MERGERS & ACQUISITIONS: WHAT YOU NEED TO KNOW

The success of a merger or acquisition depends on a structured and rigorous process. Whether it's a vertical integration, a horizontal merger, or a strategic transaction between complementary businesses, each phase is critical. Here are the key steps in an M&A transaction, from the initial strategy to post-closing integration.

STEP #1 — STRATEGIC PLANNING AND OBJECTIVE SETTING

Before initiating any action, it is essential to define the economic, legal, and operational goals of the transaction:

- Why pursue this acquisition or merger?
- What synergies are expected?
- What risks need to be anticipated?

This strategic phase provides a framework and helps identify suitable partners or target companies.

STEP #2 — SIGNING A LETTER OF INTENT (LOI)

The letter of intent formalizes the parties' mutual interest in negotiating, without yet committing to the deal. It outlines:

- the main terms of the transaction (estimated price, scope, etc.);
- the conditions precedent (due diligence, exclusivity, etc.);
- an indicative timeline.

Although non-binding (except for specific clauses), it lays the foundation for serious negotiations.

STEP #3 — LEGAL DUE DILIGENCE

Due diligence is a crucial phase. It consists of a full legal, tax, financial, and HR audit of the target company to identify potential risks.

It generally covers:

- ongoing contracts;
- employment and HR matters;

- pending or potential litigation;
- tax and environmental liabilities.

This analysis may have a direct impact on key elements such as price adjustments and the warranties required by the buyer.

STEP #4 — DRAFTING AND NEGOTIATING AGREEMENTS

Once due diligence is complete, the M&A lawyer drafts the final documents, including:

- the share purchase agreement (SPA);
- the shareholders' agreement, if parties remain associated;
- representations and warranties to cover identified risks.

This is a strategic phase that shapes the legal framework of the deal.

STEP #5 — OBTAINING REGULATORY APPROVALS

Depending on the nature of the transaction, regulatory bodies may need to be consulted. For example:

- notification to the French Competition Authority (if thresholds are met);
- approval from the European Commission for cross-border deals;
- information and consultation of employee representatives.

Failure to comply with these obligations may result in the nullity of the transaction or even penalties.

STEP #6 — CLOSING: THE LEGAL FINALIZATION OF THE M&A DEAL

Closing is the legal act that formalizes the completion of the deal. At this stage:

- shares or assets are transferred;
- the purchase price is paid;
- final legal documents are signed.

All parties and their advisors are typically involved in the closing.

STEP #7 — POST-CLOSING INTEGRATION AND MONITORING


After the transaction, the integration phase begins:


- aligning legal and tax structures;
- managing internal and external communications;
- monitoring performance of contractual commitments;
- enforcing non-compete clauses, earn-out provisions, etc.

The M&A lawyer's role does not stop at closing: they continue to support their client through post-deal reorganization and integration efforts.

M&A transactions are complex operations that require careful preparation at every step to ensure legal security and maximize value.

Planning to carry out such a transaction? Contact The Line.

the  Line



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