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Project Urban – Andrew Stevens

Stronger together – DFS Group and KHA Development Managers Merge

Background

Two of Queensland's most successful property industry consultancies decided to merge.

The firms, DFS Group and KHA Development Managers, had plenty in common. Each was located on the Sunshine Coast; they competed in the same pool of clients; and they had core services in common. However, they also had differences including key services not offered by the other. These specialised services had the potential to complement and enrich the other's client offer to generate significant additional fees for service.

Culturally the firms shared similar values. Administratively, while their systems were different, they were tasked with delivering the same outcomes. Combining systems would create economies that would result in significant cost savings while benefiting their combined clients.

Directors from both firms were also active participants in the Sunshine Coast Chapter of the UDIA. It was in the context of discussing regional development matters that then director of DFS Group, Peter Folker and Andrew Stevens, Director KHA Development Managers, found common ground that would pave the way for their firms to merge.

Coincidentally and significantly, a common denominator for both firms was that they both engaged the services of Ashley McGuirk of Core Business Accountants.

Overview

Ashley had acted for both companies for many years and had a strong financial understanding of both businesses and their industry.

He was also aware that each firm was at a crossroads. Each wanted to expand and each group of directors were engaged in their own discussions about the merits of growing organically versus growth by acquisition. He also understood that merging two significant businesses was outside the field of experience of each firm's management team.

Ashley, who had first-hand experience of his own business merger and had also guided other clients through mergers, offered valuable insights that extended beyond administration and accounting to the practicalities of bringing people and resources together.

While treading a careful line of confidentiality, Ashley attended an initial discussion with each firm's managing directors to consider opportunities and challenges.

It was clear from the outset that there was a rare compatibility of technical prowess and values that would allow what were two financially healthy firms to join forces. Importantly for each, the merge could occur without the usual collateral damage as no staff members would need to be 'let go'.

All concerned agreed that *together these two firms would be stronger*.

Our Process

Ashley and the Core Business Accountants team identified compatibilities as well as matters that would require practical compromise and resolution that would efficiently enable the merger to progress.

Ashley maintained objectivity throughout the process, offering informed but arms-length advice. He considered the practical commercial interests while clearly outlining the impacts, positive and negative, on the financial positions of everyone with a vested interest.

Engaged as the proposed entity's accountant, Ashley collaborated with the five accounting firms who represented the interests of the seven directors who would become shareholders of the new firm.

He briefed all parties, brokered agreement and implemented appropriate structures that would accommodate the firm and each individual's shareholding requirements.

Apart from coordinating with multiple shareholders and their accountants, Ashley also liaised with regulatory authorities including the ATO and other professionals such as lenders and solicitors. He was the pivot point where information converged and was collated into the merger plan.

Ashley's key objective was to create a seamless transition that would minimise business disruption.

In addition to attending to the financial aspects of the merger, Ashley facilitated meetings with the directors for streamlining operational matters. This included planning the relocation of staff from one business into the premises of the other, attending to legal compliance matters such as registering business names, securing ABNs and registering for tax; implementing superannuation, workers' compensation, transferring staff benefits and attending to a myriad of other staff facilities.

He helped the directors to understand time lines and formulate planning that enabled a smooth merging process and a public announcement that would convey confidence to staff and clients alike.

Supported by the Core Business Accountants team, Ashley was the central coordinator in a process that took six months from inception to completion.

Outcomes so far...

The merge process for the new entity was sufficiently progressed for it to be publicly announced within four months of the initial meeting with Core Business Accountants.

The respective teams were informed and introduced to one another in a friendly and well-orchestrated launch, 24 hours in advance of the combined cohort of clients and media receiving the official announcement.

Over the course of the following weeks, two teams became one. On their first anniversary, Project Urban as it is now known has 3 regional offices, 35 staff members who have been responsible for approximately 1200 new projects which have a combined value in the vicinity of \$1.554 billion in past, future and pending development projects.

What the client had to say...

Andrew Stevens, Managing Director for Project Urban said the leadership offered by Ashley McGuirk and the Core Business Accountants team underpinned an efficient and successful merging process.

“I was acutely aware that merging business entities is an uncommon, if not singular occurrence in a business lifetime. I also understood that an efficient and seamless process was dependent upon more than just financial and accounting expertise. We required practical, first-hand insights that considered the entire process beyond the numbers and the compliance obligations. With Ashley’s guidance, we identified some 160 tasks necessary to complete our merger. It was this type of leadership that allowed us, as a team, to mitigate financial stress commonly caused by business disruption and extraordinary expenditure and in turn, lessen the personal stress on directors and staff managing unfamiliar processes.”

*Cordells report March 2017.