Case Study F

This Canadian engineering firm has expanded into the U.S. market through acquiring two U.S. companies. Both acqusitions have taken place during the past five years. In each case, the U.S. offices themselves are now expanding more aggressively into environmental markets. The core business of the two firms was not directly in environmental consulting although there is a sufficient fit with environmental matters to make a gradual expansion feasible. The firm views their U.S. penetration as part of a long-term strategic plan to expand further - probably with an additional 1-2 offices. In this regard, the firm feels that "it's easier to expand in the U.S. than in other Canadian provinces".

In both of its acquisitions, F searched appropriate firms and subsequently engaged an outside firm to evaluate the candidate's qualifications and status, including its stability, size, track record, nature of business, and so on. The "times earnings" approach was the method of evaluation and negotiation followed by F in making the purchases. Typically, the acquisition price was approximately 3-4 times the annual earnings of the firms. In some instances, F is aware of firms in higher growth environmental service areas where the asking price ranges as high as 8-10 times earnings.

In conclusion, F warns firms against expecting quick profitability. "You must put in a couple of years and some good dollars before seeing profits".