Merger & Acquisitions
Key Performance Indicators (KPIs)

SMARTEGIES

A key performance indicator (KPI) is a measurable value that demonstrates how effectively a company is achieving key business objectives. When engaging in M&A activity, the following KPIs are helpful in tracking.

CUSTOMER KPIs

Customer Retention
You want to retain clients at the same rate as you always have post M&A.

Customer Health Index
Make sure your customers are happy and that they are excited to keep being your customer after an M&A deal.

Customer NPS
Is your company one that your customers would recommend to others? Are your customers happy with your company? Make sure that you are maintaining your customer's happiness and even growing it over time.

Customer Acquisition Cost
The amount spent on sales and marketing to acquire a customer. This cost will indicate the efficiency of your marketing effort.

Lifetime Value of a Customer
How much a customer is worth. This is important to measure because it will help you decide how much you can spend on sales and marketing costs.

Social Media and Website Engagement
How much your customers are engaging with your company's social media and website.

EMPLOYEE KPIs

Employee Retention of A Players
Make sure you are keeping the people you want to keep. If your best employees are all quitting, perhaps you need to adjust the company culture.

Employee Health Index
Measure your employee health to ensure there is no burnout. Are the same four employees handling a workload that would otherwise require eight employees? Are your employees working reasonable hours and taking advantage of vacation days?

Employee NPS (Net Promoter Score)
Is your company a place where your employees are happy at? Is your company a place that your employees would recommend and speak highly of? Make sure that you are maintaining your employee's happiness and even growing it over time.

PROCESS KPIs

System Conversation/Adoption
If both companies were using different systems, there will need to be a conversion from one of those systems to the other. Make sure to set expectations on when the conversion will be completed so it is easier to maintain employee and customer health.

Actual v. Budget
Make sure that you have a clear picture of projections regarding issues such as expenses, margins and profits. Make adjustments if your projections were wrong.

Productivity/Efficiency
Make sure your productivity and efficiency measurements speak to your company culture. If productivity and efficiency measurements are favorable, you know your culture is working well.

Progress Against Growth Objectives
It's important that progress against objectives/ operational KPIs can be monitored in real-time. Key growth metrics may be financial and include revenue and EBIT contribution from closed deals, etc. but could also be more qualitative – such as in relation to the number of employees on-boarded as part of an acquisition.

REVENUE KPIs

Sales Revenue
Each company came with a certain amount of assets. Make sure the company maintains both of these values.

Expected Growth/Expansion
Put metrics to the expected amount of growth gained from the M&A.

Profit/Margin
After completing the deal, there is an anticipated loss or flatline in profit. Make sure that profits rise when projected, and make adjustments if they don't.

Overhead Costs
These costs are important to measure because they will indicate the efficiency of the company.

SALES & MARKETING KPIs

Client Acquisition Cost (CAC): Marketing Cost / Number of New Customers = CAC
CAC gives you an idea of how expensive a single customer is to acquire. The lower the number is, the better. A high CAC could be a red flag that your marketing efforts are ineffective or that your sales team is performing poorly.

Customer Lifetime Value (CLV): The Annual Profit from the Customer x Number of Years – CAC = CLV.
CLV evaluates how much profit each customer brings to your business. Therefore, prioritizing marketing resources to focus on high-profit clients makes sense. Understanding a client's CLV is vital because it helps you decide how much you can afford to spend to acquire them. It also lets you determine which clients are significantly more profitable so you can focus your resources on them. Lastly, having a solid understanding of your Clients' CLV allows marketing departments to support seller-doers and business developers in finding more customers like them.

Marketing Influenced Clients (MIC): Clients that Interacted with Marketing / Total New Customers = Marketing Influenced Customers
This metric proves the importance of content, email campaigns, and other initiatives that help customers move through the funnel and to the purchase.

Marketing Return on Investment (ROI): (Sales Growth – Marketing Cost) / Marketing Cost = Marketing ROI
Marketing ROI compares the amount of money you spend on marketing and the amount marketing generates. Another way marketers measure ROI is the revenue to marketing cost ratio, which represents how much money is generated for every dollar spent on marketing.

Overall Pipeline Value
Shows the potential revenue contribution attributed to targets in different deal stages.

Reason for Targets Being Abandoned/Put on Hold
Understand the reason for targets being abandoned/put on hold – e.g. (i) is this largely under a company's control and due to poor internal deal sourcing (ii) attributed to poor opportunities being introduced by intermediaries (e.g. by investment banks) (iii) due to poor fit (e.g. across strategy/financials/products/services, etc.) (iv) are targets not proceeding beyond due diligence or (v) are market drivers out of a company's control at play (e.g. such as valuations being driven up, thus putting targets outside of an acceptable valuation range).

Split of Targets by Value Driver/Deal Rationale
Helps a corporate development or deal team to understand the composition of a pipeline by way of a strategic focus and establishes if resources are being allocated to the right mix of targets based on strategic goals and industry focus or if there is bias to certain deal types (which may or may not align to the corporate strategy or be proving problematic when it comes to closing). Additionally, this metric provides a company with oversight of all potential deals and where the primary focus is at any one time, which only helps with M&A pipeline management.

Time to Move A Target Through the Pipeline
Helps a corporate development/deal team understand how quickly (or slowly!) targets are moving through the M&A deal flow.

Target Count Per Deal Stage
Helps a corporate development/M&A team understand how productive those working on deal origination/target evaluation and highlights the project owners that are consistently doing a good job of pushing targets to the next stage of evaluation. Additionally, tracking this metric helps identify whether a company needs to increase its deal origination activities so as to meet corporate objectives.

Targets by Geography
Helps a corporate development/M&A team understand the composition of the pipeline by geographic/region focus. This can be important in the case where geographic diversification is a strategic goal.