

M&A Corner

Dealmaking tips specific to L&NW's readership

Determining the Right Time to Sell your Business...and the First Step.

By Allen Simon

As a brief background, before joining Corporate Development Associates I owned and ultimately sold a print manufacturing business with a 50+ year history. As most companies who have long histories, we made many transitions over the years to address changes in technology, competition, market trends and customer requirements.

Sound familiar? It should. Owning a business in the print and label industries requires a constant vision into the future. As a business owner, there is not a single day that goes by that the question of succession or exit planning does not cross your mind. Any owner that tells you different is probably not being totally honest. For me it was that 45 minute commute in each direction every day for almost forty years...plenty of time to think things over.

So, when is the right time to take the first steps in the process to address the sale of your company? Well that depends, but here are a few things to look at when making that determination.

- 1) How is your company positioned?** Are you positioned well for the immediate future (3-5 years)? Successful companies have a product mix in demand and with growth potential. Or is your company looking at the need to make substantial changes quickly to remain viable?
- 2) Technology:** Is production, imaging and processing technology your friend or foe? Are future technology related investments necessary to maintain the viability of your company? Also do emerging end user technologies impact the future of how your products are consumed?

3) Financial Performance: Is your current financial performance acceptable? That is an open-ended question but needs to be addressed honestly and objectively.

4) Bank / Lending Relationship: We all know the old saying that “banks are never there when you need them the most”. Are your financial results consistent with the requirements laid out by your lending partner? Are you and your bank on the same page regarding the level of support required for your future initiatives? Do you feel comfortable with your lending relationship?

5) Desire to Take on Debt: Anyone who has run a business for any time in the print and label industries has committed to that big investment that provided excitement, opportunity and yes, much debt to the balance sheet. Maybe that worked ten or twenty years ago, but as the owner do you have that appetite for debt today? It’s OK to say no. But if you decide not to pursue a necessary direction, think about the consequences going forward.

6) Lease / Building: Do you lease your building or is it owned? If you lease your facility, when does that lease expire and are you committed as an owner to renew that lease for another “x” number of years?

7) Management Team / Employees: Now more than ever the value of your employees is irreplaceable. With the recent hiring challenges in most any industry the ability to replace an experienced and dedicated workforce is nothing to be taken for granted. Look at your staff and determine the longevity of your employee base. Are your key employees approaching retirement age and what are their plans? Is it possible you may need to replace your management team in the near future? Take a hard look at your human resources requirements in the near future and determine if you are up to the task of rebuilding your employee base.

8) Family Situations. Most privately held companies in the print industry are family owned and have unique family issues. Does your company have a succession plan in place? Has communication amongst family members been open regarding the future of the business? Is the business prepared to be passed on to the next generation at the right time? Is the next generation prepared to take over the business or are they pursuing their own interests? These can be difficult issues but need to be addressed honestly and in a straightforward manner.

9) Yourself. How do you see yourself spending your time in the near-term future? Do you want to make a clean break from running your business? Or perhaps you want to continue working in some capacity. Both are acceptable answers. How is your health? Do you want to continue with the daily give and take as well as the financial obligations of running a business? Is it time to finally take that European vacation or fully commit to your golf game? Only you can answer these questions. But take a good hard and honest look at what you want to do with your time.

So, after giving much thought to these issues and perhaps others, you decide it is time to “examine your options”...which is normally code for “I need to take the first steps to sell my business”. The first thing to know is that you do not need to... nor should you enter this important stage without assistance. Contact a mergers and acquisitions consultant who has experience in providing the advisory services necessary to successfully navigate the process confidentially and meet your objectives. It is imperative to have someone on your side to provide the strategy necessary and the support to work with you on every step of this important journey.

Another important reality is that once you decide to sell, that becomes a new full-time job and one that dictates and impacts just about every decision you will make when continuing to operate your company. As the previous article in this space indicated, it is important to have your “house in order” to eliminate mistakes and errors especially in your financial reporting. Know your product mix, customer concentration, and other metrics of your business. Once again, working with a professional consultant will assist in these areas and others.

Finally, know you are not alone. It is OK and certainly a good thing that you are considering your future and the future of your company on a daily basis. This is why you have been a successful entrepreneur in the first place. In all honesty, your employees, customers and family may be thinking the same thing about your future plans. If the decision is to take “The First Step” then know you have made a normal and well thought out decision.

Every company has a unique and special story. Best of luck to you and your continued success! We are here to listen...and share.



Allen Simon is the Managing Director of the Pittsburgh, PA office of Corporate Development Associates (“CDA”). CDA is a boutique Merger & Acquisition consulting firm that has focused 100% on the printing industry since 1987. Website: www.printmergers.com Contact Allen via email: asimon@printmergers.com or cell/text: 412-445-9403
