

M&A Corner

Dealmaking tips specific to L&NW's readership

Developing an Acquisition Strategy for your Company

By **Roger Buck**

There are two sides to the world of mergers and acquisitions. Most of our time is spent on the sell side where an owner has elected to exit and needs to find a suitable buyer. The other side encompasses companies who are looking to grow by acquisition. Just like buying a new piece of equipment for the pressroom, it is important to have a strategy in an acquisition. Developing a strategy can start with a simple question of why, what, where, when, who and how. Here are some ideas to consider when forming your acquisition plan.

Start with the “Why”

There are several good reasons to consider an acquisition. Growth, talent, technology, new products, location, and redundancy. Some companies are merely looking for higher revenue in the same product line or market. Others may have need of a specific talent such as sales, product, or IT. Maybe you want to get into a growth technology or product line but want to skip the learning curve. Acquiring a company with the desired technology or complimentary product can be a wise move. Buyers are often looking to widen their service area footprint. We have seen this in cases where a company in one city may want to expand to other towns within a specific geographic range. This not only expands their footprint and revenue, but it also generally means acquiring a competitor in the process. We have also seen cases where the geo target is the other side of the country. Another reason that has come up in past years is that of redundancy. Many companies have a disaster plan, but does that plan cover a complete shutdown for an extended period of time? Having a second production site with mirrored capabilities can reduce the

risk of a production shutdown. It also provides back-up capacity to manage delivery time during a peak season.

Once you have decided why you want to make an acquisition, this will help you decide the “what” and “where.”

As mentioned earlier, this could be a complimentary product, new technology or just to increase revenue. Location needs to be a consideration. Running a remote location halfway across the country can be challenging. Will the acquisition come with a strong management team? Will you need to replace exiting members (owners) with management talent? Is there an advantage to a specific region? Is there a specific area where you want to increase sales? What level of cross product selling could occur with a remote location offering a new product line? These are all valid questions to consider with an acquisition.

What is your timeline? This is another area where we see a variety of answers. In the case of new growth technology, you may want to move quickly before the market becomes saturated with competitors. Another consideration is the potential decline in the availability of good targets. Some sectors of the print space area are seeing a lot of acquisition activity, and it has become a race to buy good companies before they are all gone. If you are in a niche or specific market, you may want to speed up your search and timeline to make sure you have ample acquisition prospects. Perhaps your company is growing rapidly organically, and you just need to buy more capacity. You may have a long-term growth goal. You have \$10MM in revenue now and you want to grow to \$50MM within 12 years buy a combination of organic growth and acquisition. A long timeline can allow you to be more selective and strategic in your acquisitions. Having a clear understanding of your “why” will help you develop a timeline to achieve your end goals.

So, your plan is nearly complete. You know “why” you want to make one or more acquisitions. You understand what you want to produce and the general location of where you want a remote operation(s). You have a timeline that, if met, will allow you to reach your growth goals.

The next step is the “who.”

Searching for acquisitions takes time. You may have defined your “best target profile,” however, someone has to find them. Someone has to research each prospect and develop a profile. This can take many weeks for each target. Who in

your organization is going to be the key driver? How much time do they have to dedicate to the hunting process? Having an acquisition team is a good idea if your staffing allows it. It is important to have a process that includes the right team members as well as making sure that the team meets regularly. (Frequency may be dictated by your timeline.) If staffing does not allow for a team, or if you want to keep your acquisition goals private, using an industry advisor is another path. Merger and acquisition companies specializing in the print and promo space have the pulse of the industry. They know how and where to hunt...

A final consideration in your M&A process is the “how.”

You may want to consider this the first step or intermix it between each of the steps mentioned. How do you determine what you want to produce? How do you determine the geo location? How do you determine your timeline? How do you select your acquisition team? And, most importantly, how are you going to fund your acquisitions? If you are cash flush and planning on small acquisitions, funding may not be an issue. However, if you are looking at financing a \$10MM acquisition four states away, some pre-liminary financing planning should take place. You would be surprised how often deals have crashed at the last minute because someone “thought” they had financing.

In summary, growth by acquisition can be a complement to organic growth. Developing your acquisition strategy is a process that needs to be managed like any other process, whether you use an internal acquisition team or an external M&A advisor. By determining the why, what, where, when, who and how, you can create an action plan. Then, it is simple....make the plan, work the plan.



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