

Why Six is the Number That Counts in Successful M&As

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Preflight. Imposition. Proofing. Printing. Postpress. Delivery. Every production job takes place as a series of interlinked events that lead to a satisfying result. It's the same with buying or selling a printing business.

At New Direction Partners, we have found that closing a deal is almost always the culmination of a number of steps—six, to be precise—in a process that applies both to buying and to selling. After introducing them here, we'll discuss the steps in greater detail in posts to follow.

Every owner can put this six-part M&A “workflow” to good and profitable use, but we want to emphasize that flying solo with the plan is not the way to make it work. Owners need the guidance of trusted advisers—attorneys, accountants, bankers, and M&A consultants—at each stage. We have seen again and again that the team approach leads to the best outcomes and that principals who try to go it alone usually fail to get everything they want.

The steps are simple and logical.

The process begins with forming a strategy for finding a qualified buyer or a suitable company to acquire.

Identifying a target comes next, followed by a preliminary review of the candidate.

This leads to negotiation with the target company and to due diligence aimed at identifying the company's strengths and weaknesses.

The final step is to circle back and review the sequence of events from the beginning. Now the owner should have all of the information he or she needs to decide whether to make an offer or accept one.

It's not hard to see why everything depends on starting out with a clear and actionable strategy. The first strategic move is simply to begin thinking of oneself either as a buyer or as a seller—a mindset that New Direction Partners urges every owner to adopt. This prompts the owner to start setting objectives: for example, as a buyer, do I want to acquire a list of productive accounts for financial reasons, or is my goal to gain new capabilities and enter markets I'm not currently serving?

We'll present the six steps as a linear sequence of separate events, but in actual practice, there can be a good deal of overlap among them. Due diligence, for example, often proceeds while the parties are still negotiating. Once a letter of intent is signed, negotiation becomes a continuous process that can go all the way down to the wire at closing.

Circling back comes last in line, but it, too, can be continuous from the get-go. Careful negotiators like to review their actions as they take them as well as at the end of the sequence, fine-tuning their next steps in response to the progress they make or the roadblocks they encounter.

The important thing is to have a structure for pursuing a transaction and a commitment to sticking with the program. When our clients say to us, “I've decided to buy (or sell)—now tell me what to do,” we can give them a six-part answer with a track record of successful deals behind it. We'll explain how and why the parts work in subsequent posts.

New Direction Partners is an investment banking and financial advisory services formed by Peter Schaefer, Paul Reilly, Jim Russell and Tom Williams to serve the printing and related industries. Services include merger advisory services through the representation of selling shareholders as well as buy side representation, valuation services, financing and refinancing efforts, turnaround and restructuring services, and temporary/interim management consulting. To learn more about New Direction Partners, visit New Direction Partners' website at www.newdirectionpartners.com.