

Five Red Flags for Sell-It-Yourselfers

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As the former president of a Printing Industries of America regional affiliate, I had the good fortune to work with many smart and successful owners of thriving printing businesses—folks who set their sights on strategic objectives and then went out and achieved them. I had the greatest respect for their abilities, but then as now, there is one thing that I would never have recommended that they attempt: selling their companies without professional representation and advisement.

Here are five reasons why flying solo is a high-risk activity for owners wishing to sell.

You don't know who the buyers are. This is somewhat dependent on size. If your company is a small, single-location business, it's possible that you can identify likely acquirers in the immediate vicinity. But larger firms and those with specialties such as packaging or wide-format output probably also will be of interest to buyers (including private equity investors) from outside their regions. No matter what your size, if you don't have access to a database containing the names of everyone for whom your company would be a desirable target, you can't be certain of attracting the best offers.

Structuring a good deal isn't easy. Can you sell the business as a going concern, or does the buyer only want to tuck in your active accounts? How is payment going to be made? Will you be expected to stay on in a management role after the sale? What about your plant, equipment, and employees? The task of crafting and negotiating the terms of an acquisition is, to put it mildly, complicated. Without expert advice, it's all too easy for sellers to leave money on the table.

You can't afford to take your eyes off the ball. Selling a business is time-consuming. It's not uncommon for the acquisition cycle to take eight to 10 months! Thus, it easily becomes a major distraction from the day-to-day management of the business. With too much distraction to the owner, the business falters, and its value declines. This depresses the selling price. An owner who can't delegate the selling process to a qualified third-party representative is an owner at a disadvantage.

There is a lot of poor advice out there. Some of it is well intentioned, such as the information about EBITDA multiples that printing company owners get from accounting firms. Once the word is out that your company is for sale, business brokers and equipment dealers may join the chorus as well. The problem is that any advice that doesn't come from experts focused exclusively on M&As in the printing industry is likely to be unrealistic. Unrealistic advice leads to unrealistic expectations on the seller's part—and to disappointment when those expectations collide with the realities of the marketplace.

Selling is stressful. You built it, and now you're preparing to step away from it. That's emotional enough. Your spouse, family members, partners, and employees will have emotional reactions of their own. Add to dealing with this the pressures of meeting and bargaining with buyers. One of the most important functions of a third-party advisor is to act as an emotional referee—a disinterested party who de-stresses the situation by serving as a buffer and keeping everyone focused on facts, not feelings. A seller who acts without an intermediary will wish for one when the emotional temperature starts to climb.

If you are thinking of selling, now is the time to proceed—but not without the help of experts who can guide you every step of the way. Get the advisement you need, and get the best deal you can!

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.