Live and Learn — Making the Right Decision in M&A

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Experience, they say, is the best teacher. I've certainly found this to be the case with mergers and acquisitions in the printing industry.

My personal involvement with M&As began when I was the president and CEO of a family business that originated as a newspaper publishing company in 1906. During my tenure, we sold our non-heatset web division and after that our sheetfed operation. Later, as president and CEO of the Printing and Imaging Association of Georgia, I worked with a number of our members who were considering M&A transactions of their own.

This experience taught me two things: that buying or selling a printing company is a very complex process; and that no one should attempt a purchase or a sale without guidance from professionals who know the industry and understand the nuances of M&A dealmaking within it.

Nothing makes the good sense of this plainer than valuation: determining the actual worth of a printing company and the selling price it can command. Often, the gap between what a seller expects and what a buyer thinks reasonable is enormous. To avoid shooting from the hip with an unrealistic asking price, a seller needs the help of experts in the methodology of print company valuations — a qualification that only a few M&A consultants can genuinely claim to possess.

There's no substitute for professional guidance in M&As, especially for sellers. Because a decision to sell also impacts the owner's family, estate and employees, clarity and objectivity are crucial to a good outcome. These virtues can be hard to come by internally. Emotions get in the way, and some voices will argue against selling in the first place. This is what makes the assistance of a neutral third party so vital to success.

Another lesson learned is one about timing. Once it has been made, a decision to sell should acted upon without delay. Admittedly, it's not always easy to move off square one. When business is good, for example, the sense of urgency is smaller, and the temptation is to put off moving forward with the sale for just a few more years in the hope that things will look even better then.

Unfortunately, this kind of optimism can be dangerous. Nobody can predict the future, and while sellers procrastinate, their key accounts might migrate to the competition. Departing salespeople could take business with them. The economy might enter another downturn. Taking equity now, while conditions remain favorable, is the safe route around these risks.

This isn't to say that every owner should be thinking in terms of an overnight sale. The reality is, however, that because the industry is changing so rapidly, every owner needs a decision with a timetable. Owners with long-term ambitions must commit to investing in the new technologies that staying competitive will require. Owners who are not prepared to make new investments should target a date for an orderly and rewarding exit and begin working toward it.

New Direction Partners thinks that 2017 will be another dynamic year for M&As among printing and packaging companies. One thing we all know is that the present pace of change will not slow down. Let the experience of qualified advisors be the teacher that guides you to making the right decision at the right time — a lesson you'll profit from learning.