

# How to Approach an Acquisition Target

By James A. Russell

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Print company owners wishing to test their diplomatic skills will find all the challenge they want in approaching the owner of another company with an offer to acquire

*“Hey, Bob, I hear from the paper guys that your company is struggling, and that you want to sell!”*

Now that we’ve identified and eliminated the worst possible way for a buyer to engage with a prospective seller, let’s see how to make the initial outreach start a dialog that’s likelier to result in a deal.

Approaching acquisition targets is a delicate business – so delicate that buyers frequently ask third-party mediators to act as their proxies. But, with the right mix of candor, timing, and tact, a buyer can break the ice, earn the seller’s trust, and set the stage for the negotiations to follow.

Begin by putting yourself in the seller’s frame of mind. You’ve just received a request for a meeting, and your skepticism is running high. Who are these “buyers,” and what do they really want? Are they serious, or are they just fishing for information to use against me? And what qualifies them to buy and run a company like mine, with all the loyal customers we’ve served for so many years?

What this tells you, as the buyer, is that the seller will have as many questions for you up front as you will have for the seller later on. The seller won’t respond well to hesitation or uncertainty on your part. If you appear to be hedging, your first conversation with the acquisition target may be the only talk the two of you will have. And, if you’re too aggressive, the discussion probably will be a short one.

This is why it’s best to make your self-introduction gradually, allowing time for some of the tension to ratchet down. Begin with a get-to-know-you meeting that doesn’t plunge straight into business details. Once you and the seller are comfortable with each other, the next stages of the interaction will go more smoothly.

Much will depend on how well you know the seller. If you are friendly competitors in the same town or region, an equally friendly exploratory meeting shouldn’t be difficult to set up. Even a first-time visit to a non-acquaintance, if arranged as recommended above, should be productive. But if you and the seller have ever been at odds for business or other reasons, think seriously about engaging an intermediary to represent you initially.

Whether representing yourself or working through an intermediary at the first brass-tacks meeting, expect the seller to query you about your motives, your intentions, and your capabilities. The FAQs are usually about the following:

- The buyer’s reasons for wanting to acquire the seller’s company. It’s a fair question, so don’t be reluctant to share your acquisition strategy with the seller. Your objective may be to gain a product or a capability that your company doesn’t have. You could be looking for a way to break into a vertical market where you don’t do business, but the seller does. Or, geographical expansion could be the aim. Knowing that there are clearly defined parameters will put the seller at ease and help both sides to focus subsequent discussions.
- The buyer’s financial situation. Simply put, you have to be able to convince the seller that you have the wherewithal to make a deal happen. Anticipate questions about where your funding will come from and how you’ll furnish payment once a deal is closed.
- The buyer’s manufacturing capacity. This is certain to come up if, after closing, the buyer does not intend to operate the seller’s company as a separate, going concern. The seller naturally will want assurance that the acquiring company has enough capacity to produce work for the seller’s customers as well as for its own. In particular, a buyer proposing to tuck in the accounts of a larger company must be able to show the seller how the surge in volume will be handled.

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- The impact on the seller's employees. Here, both parties should work together to determine who will stay on after the deal closes, and who won't. If there is to be a reduction in staff, the seller will want to know whether the head count will be adjusted equally, or only by terminating the seller's personnel. Alternatively, is there an opportunity to create a new and improved management structure by moving the best people from both sides into the right positions? These will be among the most sensitive issues that buyer and seller will have to face.

Third-party advisement takes the pressure off the principals by letting a disinterested individual – meaning someone without an emotional stake in the outcome – orchestrate the initial approach and manage the protocol. But, it's not simply about business etiquette.

A qualified third-party adviser, having arranged many first-time encounters between buyers and sellers, has creative ways of getting around the roadblocks that frustrate owners attempting to work things out for themselves. The adviser's broad knowledge of M&A market trends also helps the parties arrive at a realistic and mutually acceptable selling price – the ultimate goal of every deal.

There's also the fact that an adviser may be able to pick better targets than the ones the buyer has identified – companies that are more closely aligned with the buyer's immediate objectives and long-range plans. The more favorable the fit, the more fruitful the opening and subsequent discussions are likely to be.

Print company owners wishing to test their diplomatic skills will find all the challenge they want in approaching the owner of another company with an offer to acquire. Our advice is to open the conversation cordially, listen sympathetically, and proceed gently but steadily to the best conclusion that you and the seller can reach in good faith and harmony.

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](http://www.newdirectionpartners.com).