

## Thinking About Selling? Start Early and Hire an Expert!

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About five years ago, the management team at The Allied Group determined it was time to develop a succession plan. The company's president, Bob Clement, explains, "My partner is older than I am, and he wanted to retire; I did not. We hired New Direction Partners to help me build a plan, especially as it related to recapitalization of the company, and that's what they did."

Clement notes that he has known Paul Reilly and Jim Tepper of New Direction Partners for years and had actually used the firm five years ago to do an acquisition with a great outcome. "So it made sense to re-engage them as we transitioned to new ownership," he said.



Bob Clement

The Allied Group is a diversified company, providing commercial printing, business forms and labels. "But we also do a lot of kitting and fulfillment for the life science and healthcare industries," Clement states. "It's an exploding field, doing kits for home diagnostic testing. We're now doing this for some of the COVID-19 tests. We do the printing, put the labeling on, secure the medical components, design and procure the box, assemble the kit and distribute domestically and internationally. I think you will see more and more of this for everything from cancer detection to prenatal testing and more. It's less expensive and less risky than sitting in a doctor's office waiting room. This part of our business has been growing at 60% to 70% of late."

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Example of medical kits produced by The Allied Group

During the search for a buyer, which took the better part of a year, The Allied Group worked with New Direction Partners to sort out what Clement saw as a complex puzzle with a lot of unique pieces. “I knew I needed to work with someone who could play an investment banker role that would help me through this,” Clement says. “They did everything. They did a valuation of the company so we knew where we stood. They took us to market. They coordinated and facilitated all the different steps along the way. The go-to-market process started around Labor Day 2018, and we closed a deal in April of 2019. There’s no way we could have done that on our own. And Paul and Jim’s knowledge of the industry was a huge benefit.”

Clement points out that in 2019, the M&A market was strong, adding, “We were looking for a private equity partner. We were not looking to join another existing company in our industry. We wanted a financial buyer, someone that wanted to invest in The Allied Group and grow the company but wanted current management to lead the day-to-day charge. That’s a more common approach among private equity buyers, as opposed to strategic buyers in the same industry where typically people lose jobs. We were in a strong position and felt it was a good time to secure a financial buyer.”

New Direction Partners worked to establish a valuation baseline and a good understanding of Clement’s objectives, and then initiated a search, applying a lot of filters based on the stated goals and objectives. Clement reports, “They started out sending teasers to about 150 different potential PE firms, with about 30 coming back with some level of interest, finally narrowing it down to about ten that really wanted to come talk with us. That was another benefit of working with New Direction Partners: If you are just talking to one person, you have no way of knowing if

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they are offering a reasonable deal. At the end, we had three or four serious suitors, and because we were able to compare across those, we knew right where the final offer should be.”



Ultimately, with guidance from New Direction Partners, The Allied Group chose Compass Group Equity Partners in St. Louis, a family office private equity firm. Clement says, “What I learned in the process is that some private equity just wants to buy you and spend the next two years making you worth more to sell you, a churn and burn approach. I wanted something that was longer-lasting, maybe someone who could build a platform with us as a starting point. I wanted a longer-range future not so much for me personally – I was looking for a three- to five-year kind of future employment – but someone that would keep everything going for the rest of our company of almost 200 employees.” The life sciences kitting and fulfillment part of the business was especially attractive to Compass Group.

The acquisition literally resulted in zero personnel changes, Clement notes. “As long as we do a good job, that’s what they want as well,” he says. “One of the changes for me and my executive team is there is now a Board we answer to, and they have been great, very easy to work with. Their goal is to add value and be helpful. What the deal did for us is strengthened our future, especially in light of the subsequent pandemic. If anyone looked at us now, it might be a different story, with my partner at 70 and me at 65. That uncertainty all went away. In addition, they are all about growth. We now have a lot more money behind us if we need it to grow, make acquisitions or invest in technology. When you enter into an arrangement like this, you have to understand both parties and have an alignment in direction. A year into it, I feel comfortable that we were successful in finding that. Finding that match was a big value add that Paul and Jim brought to the mix.”

As part of the deal, Clement’s partner was able to retire with the resulting recapitalization of the company, and Clement captured a good portion of his value of the company as well. “I reinvested a lot of that back into the company,” he says. “I’m still a shareholder and am plugged in for any incentives with a strong desire to make it successful over the long term.”

Another benefit of being acquired by a financial buyer like Compass Group was access to more prestigious banking. “One example was the recent availability of PPP funds,” Clement explains. “We secured a very nice amount at midnight on the first day because of our partners in St. Louis. We didn’t have quite that much pull locally.

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Their scale and their experiences in different industries added value in a positive way.”

As a result of his experiences, Clement has this advice for his peers: “We had been talking to New Direction

Partners over the five years of planning for this eventuality. I highly recommend you start talking early to someone like New Direction Partners well before you are ready to pull the trigger to learn what is involved – there is a lot involved, and they were the right partner for us to walk us through it to a successful conclusion!”

The fact-finding exercise known as due diligence is a deeper dive than many business owners are used to taking. But, cooperating fully in it is the key to completing a successful M&A transaction.

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).