How One Buyer Made ‘DIY’ and ‘M&A’ Spell ‘Deal Closed”

By Thomas J. Williams

NEW DIRECTION PARTNERS

An M&A advisor’s extensive network of print industry contacts perfectly complemented a strategic buyer’s natural talent for dealmaking – and the result has been a continuing run of successful acquisitions..

There are exceptions to every rule, including the one that says owners of printing companies are better off not trying to arrange mergers and acquisitions without professional guidance. While we don’t advocate going it alone, we have seen it done – and we have seen it work.

Some years back, we represented a selling owner in a major metropolitan market whose business had attracted the attention of the owner of a family business based in another city. Our client’s company became the buyer’s first strategic acquisition, and closing the deal gave him two things: a foothold in the seller’s market, and an appetite for further growth by the same means.

His next buy was of another one of our clients. Now he was ready to strike out on his own with the subsequent purchase of a business whose owner we introduced him to over dinner. In this instance, we didn’t have a formal agreement with either the buyer or the seller – just the ability to bring two interested parties together through our knowledge of the marketplace and its principal players.

Learning by Doing

In retrospect, the buyer probably shouldn’t have flown solo for this deal, because what he ended up paying for the business was more than the price that we could have helped him negotiate. But by sharpening his understanding of the process, the experience taught him how structure a transaction and see it through to closing. It was clear that he thrived on the dynamics of M&As, and after he had made his fourth acquisition – a digital firm – we knew that more would be on the way.

At this point, our relationship with him was consultative and advisory as he forged ahead with his strategic plans. Our role was to connect him with owners of companies that might fit within those plans, acting as an intermediary trusted by both sides.

We can’t stress enough the need for a neutral go-between in the opening stages of an M&A transaction. A cold-call approach by a buyer to a seller is liable to be misinterpreted as a hostile act, particularly if both are located in the same city or region. An intermediary known to both parties can keep the overture from being wrongly seen as aggressive or predatory.

Another issue is that the cold-calling buyer’s knowledge of the condition of the seller’s business may not be much more than guesswork. If the seller is apprehensive about disclosing details, there will be nowhere for the conversation to go (assuming that one got started in the first place). Before any information can be shared, buyer and seller must get to know each other as people: the first step in building mutual trust.

The basic ingredient is buyer-seller compatibility. As advisers, a large part of our role is to judge as best we can the characters of the two parties and the likelihood of a cultural fit between their businesses. If our instincts are correct, the prospects should be solid.

Allow Us to Introduce

This is exactly what the strategic buyer in this story engaged us to do. By making selected introductions, we got him in front of the owners he wanted to meet. Breaking the ice and putting the encounters on friendly terms gave him an opening to proceed with the deals he had in mind. This he did entirely on his own – beyond the introductions, we didn’t provide him the services we typically do when representing buyers and sellers.

But by now his M&A muscles were well developed, and he proved it recently by making another major acquisition in the same metro market where his first one took place. Having grown his company's revenue fivefold since starting his buying spree, he now ranks as one of the industry's most active and successful consolidators of commercial printing businesses.

Although we weren't directly involved in the negotiations, we're proud of the role we've played in the growth of this remarkable company. It brings home the fact that there is no substitute for knowledgeable third-party assistance in M&A ventures in whatever form that assistance is provided.

Experience Adds Value
We continue to recommend seeking professional M&A advisement, especially for owners who have made the decision to sell. Because selling a printing company is something that most owners will do only once, the planning and execution have to be flawless. An advisor who has overseen scores or hundreds of transactions knows how to maximize value for the seller – the entire point of the exercise.

Some buyers may decide to manage their transactions themselves, and that is their prerogative. But just as the buyer in this story did, they can still benefit from drawing on an advisor's extensive network of industry contacts and consulting its "deal book" of M&As successfully closed.

We won't reveal this buyer's name, but we're predicting that he and his company will be heard from again as he continues to pursue his strategy of growth through acquisition. His exceptional track record to date reminds us that in the end, it's still all about whom you know.

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.