

ACQUISITION CRITERIA FOR PRINTING COMPANIES



DEVELOPED SPECIFICALLY FOR BUYING PRINTING COMPANIES

This Acquisition Criteria will help you:

- 1 Keep focused on what's right for you.
- 2 Get organized so that you are ready to act quickly when the opportunity arises.
- 3 Understand more about the printing industry and what you'll need to succeed.

I can't emphasize the last item enough. Printing companies are unlike any other acquisition. I've spent my entire life in the printing business, and I understand just how rigorous it can be. Margins are tight, new technologies emerge every day, and your expertise is highly specialized. Those who understand the printing business can be extremely successful. But in today's economy, you need to be extremely strategic in your approach. This Acquisition Criteria is your first step.



Timeline

Your timeline specifies how quickly you are ready to act on an acquisition. For printing and graphic communications companies, acquisitions can take about 24 months. This is the time span from the initial concept of the acquisition, all the way through the transition to new ownership.

Setting a timeline immediately focuses your search: You should only consider a shorter timeline if you have a transaction team in place, ready to move with funds in hand. You can do a deal in 6 months if you're well prepared and your team can focus on a well-managed integration.



Key Questions

- ❓ Are you looking to make an acquisition in the near future, or is this a 3-5 year strategy?
- ❓ Is this a planned series of acquisitions?
- ❓ Do you have your experienced transaction team in place and ready to move?

Business Type

You want to buy a printing company, but what kind of printing company?

A digital printer? A litho printer? A flexo printer? A screen printer?

Make sure the type of acquisition you're pursuing is well defined. It will allow you to move quickly when the right opportunity presents itself.



Key Questions

- ❓ What type of company are you looking for?
- ❓ Are you looking to complement your existing capabilities or add new services?
- ❓ What is the seller's competitive advantage? How will that advantage improve your profits?
- ❓ Analyze the sustainability of their niche and evaluate the risk. Is it within your comfort zone?

Geographic Location

The Geographic Location is generally based on your plans for expansion in local, state or larger territories. You may want to consider small geographic areas to begin with, then, as your investment reaches its growth objectives and you gain market presence, you can expand into a series of acquisitions in adjacent states.

Factors to consider include transportation costs, supply chain logistics, regional supply costs, deliver speed and availability, and the ability to keep inventory on hand.



Key Questions

- ❓ What geographic location aligns with your objectives?
- ❓ Is the acquisition opportunity local, regional, domestic, and/or international?
- ❓ What can the new geographic location offer in terms of supply chain advantages?

Market Penetration

For Market Penetration for a printing and graphic communications company, you'll want to look closely at the seller's customers. Consider their base accounts, which should indicate their overall focus, and their key accounts, specifically their top 5 customers.

Make sure these are long-term relationships, and that the percentage of sales is not dominated by any one client. For the print industry, no client should exceed 120 percent of annual revenue.



Key Questions

- ❓ What are their base accounts? Their key accounts?
- ❓ How long have the customer relationships been in place?
- ❓ Are there any risks to transitioning the accounts?
- ❓ Who will maintain the accounts in the transitional stage?
- ❓ How long will you handle overlaps in territories or assigned accounts?

Real Estate

Real Estate is a critical component in the acquisition process. Depending on the size of the printing company, a large percentage of the companies assets are tied up in real estate.

As you look at the tax implications and business advantages of real estate ownership, be sure to consult an expert in commercial real estate in your area, and your CPA, to get the best advice on adding property to your portfolio.



Key Questions

- ❓ What is the business strategy as to real estate ownership?
- ❓ Are you seeking a seller who owns or leases their property?
- ❓ Have you investigated the tax and financial implications of acquiring a company with real estate?
- ❓ What is the market demand for commercial real estate, should you decide not to keep the seller's property?

Synergy

Synergy combines the strengths of the acquisition with your resources to make it a greater value for you and the seller. You need to determine how your respective operations can complement one another. The goals of a synergistic relationship are to reduce costs, leverage capacity, increase sales, attract and retain talent, and improve operations.



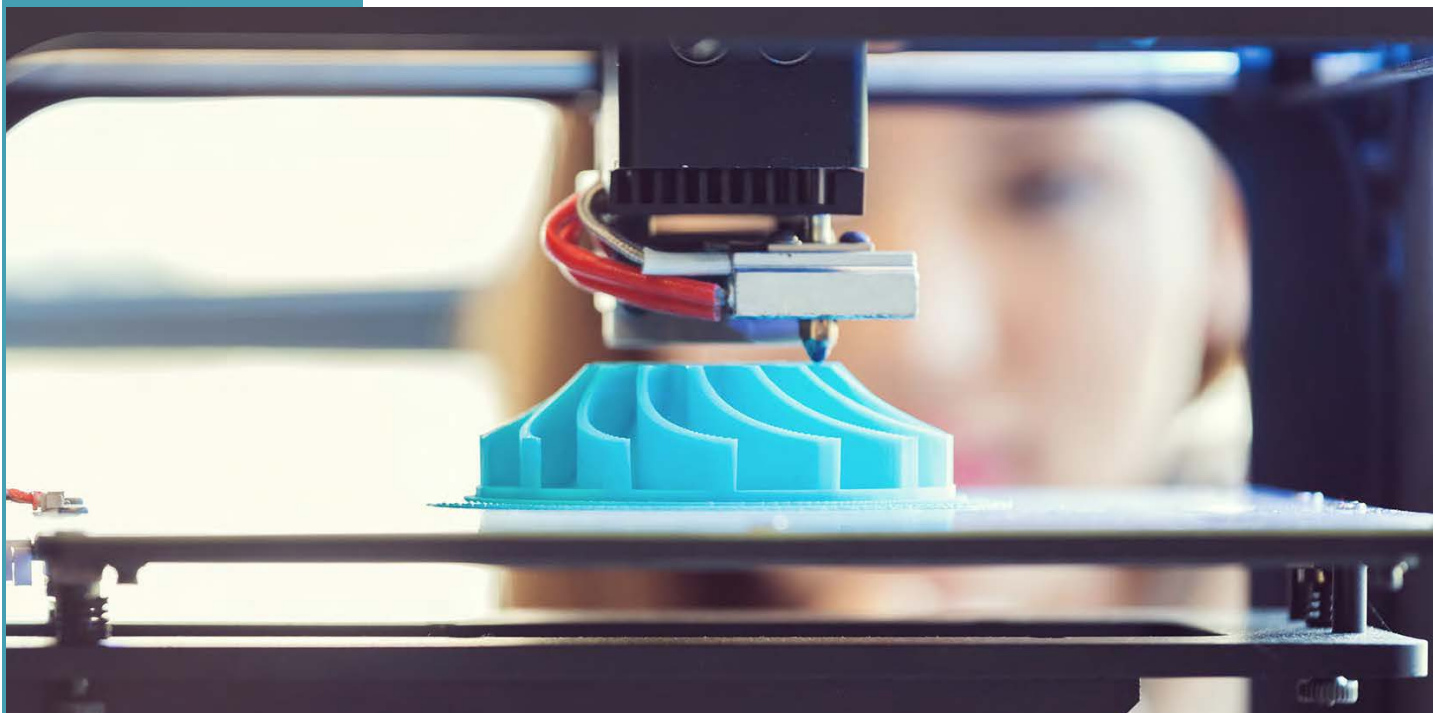
Key Questions

- ❓ Is there a synergistic candidate in mind?
- ❓ Which competitors may be a suitable candidate?
- ❓ Which technologies complement your growth strategy?
- ❓ What is the supply chain management strategic model you seek?
- ❓ How can your combination of talent work together profitably?
- ❓ Does the seller have an operational advantage you can benefit from?

Development Status

The development status of a company is the products and services currently being researched and developed and the status of the products in the pipeline.

As you evaluate the development status of the seller, think about what products and services in your own company would benefit from the research and development on the sellers side.



Key Questions

- ❓ What products or services are in the seller's pipeline?
- ❓ What kind of innovations would you like to pursue in your own company?
- ❓ Does the seller have any documented intellectual property or patents? What is the status of those?
- ❓ Does the development status of the seller's company align with your own strategy on investment and technology?
- ❓ What marketplace advantage does the seller enjoy, and can it be leveraged when combined with your existing capabilities?

Financial Strength

The combined strengths and weaknesses of both the buyer and the seller determine financial strength. Identifying these areas will help you create a win-win situation for each party, which is the key to a successful transaction.

Integrity is crucial at this point: this is where two parties must establish trust and honest communication. Your due diligence process must be extremely accurate, responsible, timely, and systematic. Dishonesty in any seller's representation will be a deal breaker.



Key Questions

- ❓ What are the combined financial advantages?
- ❓ Is the data you are measuring during your due diligence process trackable and verified?
- ❓ What points might the seller be willing to concede upon?
- ❓ Is the seller asking for a premium price? What is your strategy on this point?

Management Team

Management teams for both buyers and sellers are critical. As a buyer, you need to determine the quality of the employees in the company you are considering. Furthermore, you want to understand who actually runs the business, and who you can rely upon.

If this is a merger, these are the people who will integrate the two cultures, which is critical for the success of the transition. The best practice is for both the buyer and the seller to appoint a manager who is focused on the execution of the transition. These individuals will work with the respective transition team throughout the process.



Key Questions

- ❓ What is the quality of talent on the seller's management team?
- ❓ Are they committed to the long haul? Can they execute swiftly with positive results??
- ❓ Is the team strong, capable, and unified as a high performance group?

Process of Corporate Finance

This is the methodology behind how your potential acquisition structures their budget and invests in assets. Make sure you fully understand how they allocate their resources.

For example, if they recently purchased a wide-format digital press, make sure you're clear on how they logically justified and financed the asset. You'll also want to see how their processes integrate with yours.



Key Questions

- ❓ How are the financials planned, reviewed, and executed?
- ❓ How are the finance variances handled?
- ❓ How do they handle operational issues that affect the bottom line?

Transaction Structure / Transition Team

The Transaction Structure is the structure of the overall deal. It includes the financing, tax strategy, and legal structure of the potential transaction.

You need to assemble a transition team to shape the Transaction Structure. It should be experienced at handling issues like valuations, real estate options, and intellectual property. The team should consist of legal, financial, strategic transition, and real estate experts. Consult with very best tax attorney – one that can provide very specific advice.

Each transaction structure is highly customized and will develop as the deal takes shape. It should also be a structure to provide a win-win scenario for both you and the seller.

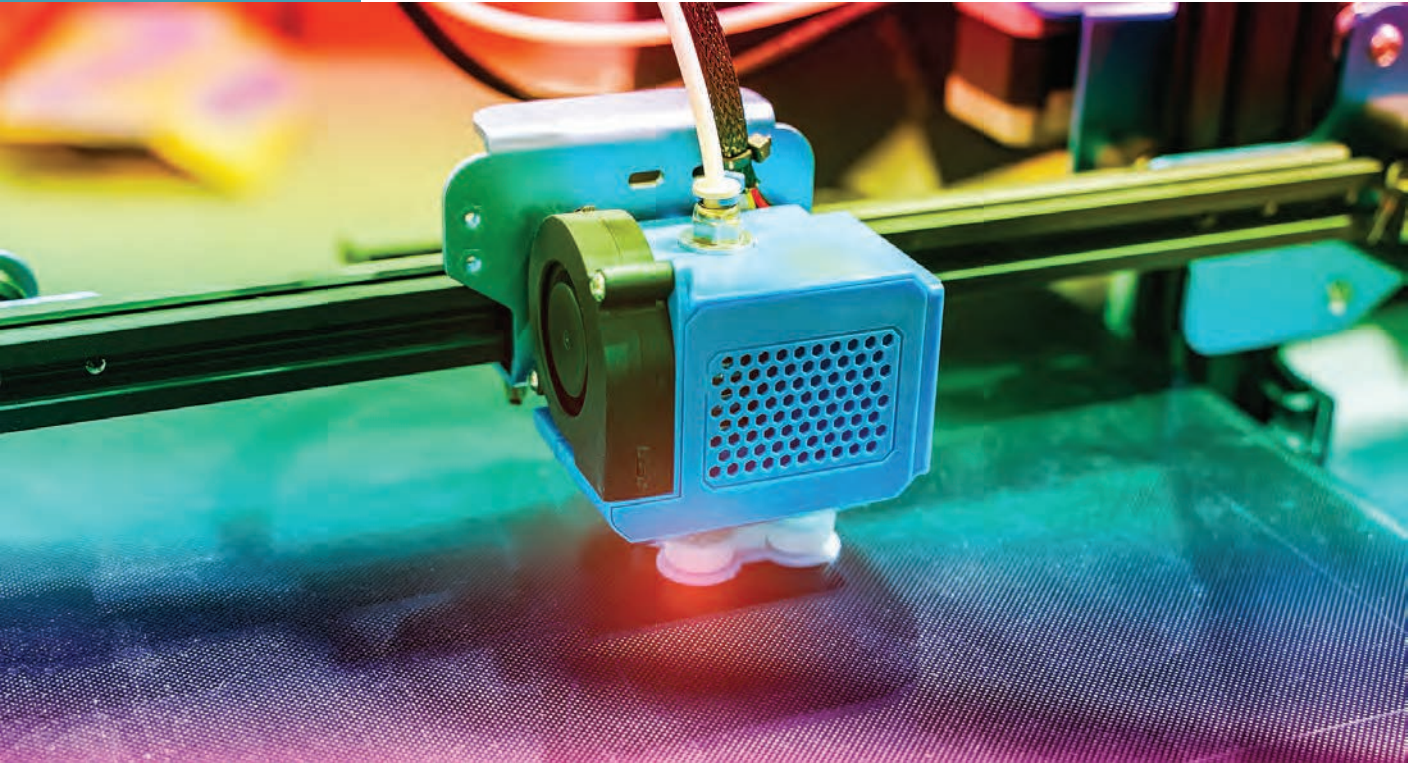


Key Questions

- ❓ Do you have a team that is experienced, skilled, and trusted with legal, financial, strategic transition, and real estate experience?
- ❓ Have you planned in advance with your strategic team which compromises you would be willing to make?

Acquisition Value

The acquisition value comprises all assets, real estate, tangible and intangible property, goodwill, and brand value. Based on your answers to the previously asked key questions, you should have a good idea of the value of any potential acquisition. You should be in a good position to either make a fair offer or be able to identify a good deal.



Key Questions

- ❓ What is the acquisition range you are considering? What can you afford?
- ❓ Do you clearly understand your net worth, your company's net worth, your capacity to loan or borrow, and your risk tolerance?
- ❓ What is your capacity to obtain funding and move quickly? Is it personal or private funding?
- ❓ What is your desired investment strategy in your expansion plan?

Rock LaManna

LaManna Consulting Group

Rock LaManna is the President and CEO of LaManna Consulting Group. LaManna Consulting Group helps printing company owners and CEOs use their company financials to prioritize and choose the proper strategic path.

Based on an approach that provides quantitative and qualitative analysis, LaManna Consulting Group provides industry-specific guidance on how to grow a printing business, merge with a synergistic partner, make a strategic acquisition, or create a succession plan.

Complimentary Review

I am happy to review your acquisition criteria with you. We can help you more accurately define your criteria and open the door for new opportunities. Contact me today!

Phone: (561) 543-2323
Email: rock@rocklamanna.com
Skype: rocklamanna
X: @rocklamanna
Web: rocklamanna.com

