Spotting the M&A pitfalls

Richmond Capital Partners specialises in mergers and acquisitions in the print and packaging arena. Here, chief executive Paul Holohan reflects on the benefits of a merger or acquisition and also the potential dangers for those stepping into uncharted territory.

A merger or acquisition is a well proven way to grow a print business and has been successfully employed by a number of forward thinking print companies despite the gradual size reduction of the UK print and paper sector.

However, it is an unfamiliar route to most print owners and requires considerable knowledge to avoid the many pitfalls awaiting the unwary. As well as being a key to growing a business, mismanaged it can even bring down a previously successful company.

So what kind of pitfalls are most common? And what are the easiest to spot?

- ' Optimistic accounting' i.e. overstating turnover and profits
- Private assets held on the company books (e.g. the holiday home)
- Overvalued plant and equipment
- Understated pension commitments
- Asbestos on the premises
- Ownership of the premises
- Differing company cultures.

These are just some of the pitfalls that have been experienced by those setting out on the acquisition trail. Finding all the loopholes is essential if the merger or acquisition is to be completed at the right price and to fit in with the existing business.

A specialist in mergers and acquisitions – and one who has experience in seeing through successful mergers and acquisitions in the unique and complex world of print and packaging – is essential to spot these potential problems and at an early stage before too much time, effort and cost have been expended. A specialist will have seen it all before and would have the knowledge, support and expertise to identify potential problems.



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What are the key factors in getting it right? 'Hard' issues are the more obvious considerations, i.e. what is the business worth, how much should I pay, how am I funding the acquisition? In the exhilaration of the acquisition process – 'deal fever' – it is all too easy to forget the real reasons why you are getting into this area of business activity.

The 'Soft' issues can easily be overlooked but they should always be at the forefront of considerations. Why are you doing it? Do you have other options? Is this a personal thing? Does the acquisition fit within your planned strategy? What are you buying? Do you really know and understand what the target company does? By determining your acquisition requirement before you step into the market, it is easy to make sure that the acquisition target clearly does fit the bill by referring to the checklist. And do not be afraid to walk away if it does not.

Make sure you research and identify a number of suitable business targets, whether they are on the market or not. Never just take one which appears, as this is most unlikely to fit your acquisition checklist. Remember, you will often get a better hearing and potentially a better deal by approaching someone who is not actually looking to sell the business – they are more likely to be realistic and you can build empathy with them by explaining your plans for the business.

Make sure you have the time and resources available to get into the acquisition process. If you do not, it is most likely you will have problems. Due diligence is a key area in the purchasing process, once the initial processes have been made. This is where thorough investigation and questioning will establish exactly what you are and are not buying.

And one final thought: when the acquisition has been completed, you must have a clear 'first 100 days' implementation plan. This is where you can make or lose the money, and there is clear empirical evidence that this has a direct influence on the success of the venture. So remember: the job is just starting once you complete. Good luck.' ■