

## The Argument for Growth by Acquisition in the Australian Print Market.

Print spend is decreasing - Independent researcher, IBIS World, in their March 19 report rated the Australian Printing industry as “**Depressed: Competition from online alternatives has reduced demand for printing.** The Printing industry’s revenue has declined over the past five years, as falling demand, strong price pressure, and excess capacity have negatively affected the industry’s performance”.

Hence printers need to find additional sources of revenue to replace lost diminishing print volume or change their business model. The main alternatives to growth by acquisition are:

*To try to grow organically – i.e. getting more sales from existing business structure) or*

*To hire salespeople – common feedback however is they frequently over promise / under deliver, and what they do deliver is often poor quality in terms of margins, type of work and quality of clients.*

So for many growth by acquisition makes sense to stay viable. Other benefits are:

1. *Print business acquisition provides a very good return on investment.*

Due to the perceived increased industry risk, the “multiples” that are applied to profits to determine business value have decreased over time. This coincides with reduced values of plant and equipment – local demand is low, so much goes through dealers who buy at wholesale and export. The result is the returns made on good, well implemented acquisitions are very good – often over 50% ROI. Where else can you get that return?

Goodwill only purchases also provide the opportunity to obtain a very good ROI.

2. *Diversification - Acquisitions enable diversification into new markets such as wide format signage, labels and packaging. This diversification enables print businesses to spread the risk over their complete product / service offering and enter new growth markets.*
3. *Exit Planning – a good acquisition should provide a better ongoing bottom line, and with that an increased term business value.*
4. *Acquisition of quality staff – this is often underestimated but attaining new employees and the skill-sets they bring is frequently a major benefit.*
5. *Acquisition of better machinery, processes and systems. Again, often underestimated, but why not buy a firm as a means to update or add new type machinery?*
6. *Revitalisation of the business. Business acquisitions are positively seen by employees as they see that the business has a long-term future and is investing in growth. Also, potential employees see the business as a destination business. Attraction of quality staff should always be a priority.*

## The Argument Against Acquisition.

There are many reasons acquisitions fail to eventuate or fail to provide the desired result. These include:

- *Buyer’s lack of infrastructure and resources in their existing business.*
- *Poor business foundations. No acquisition will work if the buyer hasn’t got strong existing business foundations.*
- *Inability to handle the additional responsibility and drive required to run a larger business*
- *Insufficient funding in place to make the purchase and fund the cash flow.*
- *Bad, ad hoc targeting – buying the wrong firm. Inability to strategically target, analyse and identify key risks in the acquisition.*
- *Poor deal – in terms of price and terms. How do you know you’re buying it right?*
- *Poor due diligence.*
- *Inability to implement successfully – for example in the impact of new culture of employees, and the choice of which employees to bring into the business.*
- *Lack of process and resources required to successfully retain and grow the acquired customers.*

## How to Acquire?

There are two major alternatives:

### Do It Yourself.

- *Tell people you're in the market.*
- *Proactively target businesses, make contact, qualify, meet, go through the process.*
- *View business sales web sites – [www.seekcommercial.com.au](http://www.seekcommercial.com.au), [www.businesseview.com.au](http://www.businesseview.com.au), etc.*
- *Wait for the trade press to announce.*

All this is possible, but buying businesses is not your core skillset, or you don't have the time and resources, then option (B), should be considered.....

OR

### Engage an Industry Expert such as Ascent Partners to act on your behalf.

We think an industry expert is important as they understand the industry, the machinery, the business and have the networks to identify and target businesses. Here we are without peer:

We have the expertise and credibility – we've completed over 70 print related business sales / acquisitions, so can help avoid the traps / risks, and help structure deals, achieve a good ROI. We've been doing industry appraisals and business sales / acquisitions for 15 years.

1. *We have the network – we know who is selling / open to selling and have a data base of 2,500 contacts in the Aus. Print segment.*
2. *Potential purchasers are much more likely to speak to, and be open with, a known third party than another printer / competitor.*
3. *We have market evidence to back our appraisals – this is important, because otherwise how do you or they know they are buying / selling right?*
4. *We have the means to sell excess plant – via our web site, [www.printmachinery.com.au](http://www.printmachinery.com.au) and data base of Used Equipment dealers. You may not be buying plant, but the vendor needs a means to sell it.*
5. *We have access to advertising mediums – my web site, newsletter, Market Watch (2,500), and our bi-weekly ad in Print 21 on line newsletter (6,000 distribution).*
6. *Engaging a third party frees up your time and is a more proactive and strategic approach than the ad hoc, "wait and see" what's about approach.*
7. *Targets follow our approach / system – they know no better, so when we advise what the stages are they usually follow.*

### Next Steps.

If you're interested in growing your business by acquisition, and remaining viable long term, then contact::

Richard Rasmussen for a confidential discussion ::

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