



*RKJ Partners, LLC is an Atlanta, Georgia based investment banking firm designed to specifically assist lower middle-market growth companies in executing transactions less than \$100MM.*

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# RKJ PARTNERS

## Sell Side M&A Newsletter

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### *Reasons Strategic Buyers Make Acquisitions*

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#### **WHAT DRIVES STRATEGIC ACQUISITIONS?**

In order to maximize your company's value as an acquisition candidate, it is invaluable to understand the primary motivating factors that drive strategic acquisitions. This will help position your firm by making it more appealing to an acquirer for reasons beyond the numbers on the financial statements.

When representing a client, we use the factors below to guide us toward companies that would be the optimal acquirers and recognize the most value. It is critical to determine which companies and industries would benefit from an acquisition by achieving synergistic benefits. The following are primary synergies that tend to drive strategic acquisition:

#### **IMPROVE REVENUE/SALES**

- ❖ *Cross-selling capabilities.* Captive clientele of both companies can be capitalized on, as each company can distribute additional products through the other's established channel of distribution.
- ❖ *Immediate growth goals.* Growth through acquisition enables more rapid expansion, especially in our current environment whereby it is challenging to grow organically.
- ❖ *Increase size and critical mass to become more viable relative to future acquisitions.* A larger company typically attracts more suitors at higher purchase price multiples.

#### **IMPROVE PROFITABILITY**

- ❖ *Vertical integration.* Vertical integration enables a company to increase control over product quality and service as well as reduce costs.
- ❖ *Consolidation of overlapping/redundant overhead and other expenses.* These expenses can include rent, labor, insurance and other back office functions. This expense consolidation can have a huge impact on profitability.
- ❖ *Economies of scale.* Increase purchasing power through economies of scale and gaining more importance and leverage with vendors.

## **DIVERSIFYING & REDUCING BUSINESS RISK**

- ❖ *Reduction of dependencies.* An acquisition can address product, customer or market dependencies and promote diversification.
- ❖ *Introduction of additional capabilities.* Customers will benefit from one-stop-shopping and vendor consolidation.
- ❖ *Smooth out cyclical sales trends.* Address seasonal cash flow issues by acquiring a company that has alternate seasonal revenue cycles. This also enables improved employee utilization.

## **CREATE COMPETITIVE ADVANTAGES**

- ❖ *Elimination of a competitor.* The addition of new product and service lines can differentiate the organization from that of competitors. The increased market share gained through the addition of new capabilities can propel a business ahead of competition.
- ❖ *Join forces with the competition.* Foster collaboration on R&D, engineering, product development and marketing efforts.
- ❖ *Expand current footprint.* An acquirer can gain presence and a base of operations in an expanded market area. Certain new markets may be difficult to penetrate without an acquisition.
- ❖ *Reputation & market awareness development.* Leverage a strong reputation into other product categories or market territories.
- ❖ *Access to an experienced labor pool.* Immediate access to qualified personnel and valuable expertise, especially in those industries in which qualified labor is scarce.

## ABOUT RKJ PARTNERS, LLC

RKJ is an established advisor to leading lower middle-market growth companies. We provide our clients with experienced-based solutions and unbiased advice. Our comprehensive array of strategic advisory and execution capabilities allows us to meet the needs of our clients and provide an outstanding level of service in connection with a variety of transaction processes, including:

- ❖ **CAPITAL ADVISORY:** RKJ possesses substantial expertise in assisting lower middle-market clients raise capital to fund growth strategies. Whether the capital source is senior debt, mezzanine/subordinated debt, private equity, or venture capital, RKJ has both extensive and relevant relationships within the capital community to enable the deployment of optimal solutions for our clients.
  
- ❖ **MERGERS & ACQUISITIONS:** RKJ serves as a trusted advisor in executing merger and acquisition transactions for lower middle-market clients. In addition to our significant investment banking transactional experience, RKJ's bankers have owned businesses and have served in interim CFO roles for clients. Because of our experiences as business owners and senior level managers, RKJ's bankers are able to bring a unique perspective to the mergers and acquisitions process. RKJ's mergers and acquisitions services include:
  - ❖ Buy-side and Sell-side Advisory
  - ❖ Divestitures
  - ❖ Leveraged & Management Buyouts
  
- ❖ **STRATEGIC ADVISORY:** RKJ provides financial advisory services to owners, management, shareholders and their boards to assist in the evaluation strategic alternatives and options for extending and/or maximizing shareholder value. RKJ's advisory services include:
  - ❖ Business Valuations
  - ❖ Capital Structuring & Planning
  - ❖ Negotiating Joint Ventures
  - ❖ Strategic Business Development