



## What Are Buyers Looking for in Lower Middle Market PCB, PCBA, EMS, Semiconductor and Advanced Manufacturing Companies?

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**A cheat sheet for busy company owners looking to build value and sell in the near future**

In this paper, I will briefly outline for you much of what lower middle market (\$20-250M revenue) PCB/PCBA/EMS/Semiconductor and Advanced Manufacturing company acquirers are looking for these days and how you can position your company as a valuable entity to those buyers, resulting in the best sale outcome for you, your people and your company.

How do I know what buyers are looking for? Because I specialize in this industry and am speaking to buyers all the time. And frankly, many of the areas in which buyers of PCB/PCBA/EMS/Semiconductor and Advanced Manufacturing companies focus are very similar to other industries, in which I also have experience. Many of the areas below are what company acquirers focus on after sale. It turns out that knowing what these “value creation” strategies are and implementing some of them pre-sale can prove to be extremely valuable for owners of companies planning for exit.

Caveats: Although these industries are similar, they are not exactly the same for buyers. PCB companies for example, are viewed somewhat differently from PCBA/EMS companies. Manufacturing companies differ from service companies. Companies with formal intellectual property (IP) are viewed differently. Strategic buyers often vary somewhat from financial buyers. I’m happy to discuss the differences.

Lets walk through some important issues for PCB/PCBA/EMS/Semiconductor and Advanced Manufacturing company buyers. I typically break out these companies into some of the following categories (and more which we can discuss), which you should recognize, and probably more or less look at in a similar way.

# 6 CATEGORIES

## Advanced Manufacturing & Electronics



### LEADERSHIP TEAM

- The company is not too dependent upon any one person. This is critical.
- Deep breadth and depth. This is usually in the top few issues for PE buyers. Less so for Strategics.
- Coachable and willing to stay on for a while to create value for yourself, your people and your investors. This is critical for PE buyers.
- Strategic-thinking
- Well paid with equity
- Solid culture demonstrating that your company and people are special and different. You are Apple, not Lenovo. This is critical.



### PEOPLE

- Been at the company for a while (low churn). This is critical.
- Generally happy with their working conditions and loyal. This is critical for many reasons, including confidentiality.
- Well paid
- Well trained



### MARKETING/SALES

- Well trained, deep and active sales team. Hunters (door knockers) not just farmers (account managers). This is often an area in which buyers focus on improving and adding value.
- Robust backlog and sales pipeline
- Low customer concentration (no more than 10% each). This is critical.
- Digital marketing. This is often an area in which buyers focus on improving and adding value.
- Automatically renewable, long term (min one year) contracts
- You and your customers are in growing industries. This is critical.
- Products and service offerings are broad and best of breed.
- Don't be a commodity, especially in manufacturing. In the U.S. and Europe, you have to be a value added provider. Value can be quality, delivery, service, IP, etc. Can be an issue for buyers.
- Run a professional M&A process when the time is right, with the right advisors and great marketing materials. This is critical.



### FINANCE

- Stable, growing revenues, EBITDA and strong balance sheet. This is usually in the top few issues for most strategic and PE buyers.
- Robust reporting and accurate, detailed financials that are audited or have had a "Quality of Earnings" (Q of E done). This is usually in the top few issues for buyers.
- Run by financial expert(s) who can professionally communicate with buyers and slice and dice your data by customer and product. This is critical.
- Robust, minimum two year financial model/forecast with assumptions. This is critical.



### OPERATIONS/ MANUFACTURING

- Make sure your (ERP, IT, Productivity, other) systems, processes and procedures are well documented and modern. This is often an area in which buyers focus on improving and adding value.
- Modern, scalable facility.



### LEGAL/RISK

- Key contracts updated, legally transferable to a buyer. This is critical.
- Work to develop and document as much IP as possible.
- Maintain robust insurance
- Understand the internal and external risks which could severely hurt your company performance and value.

# ADVANCED MANUFACTURING INDUSTRY

You should run through these attributes with respect to your PCB/PCBA/EMS/Semiconductor and Advanced Manufacturing company and score your company on each of them, paying particular attention to the critical ones I emphasize. Once identified, most of these bulleted areas require careful planning and execution to improve. I can't hope to compile all possible value creation and sellability areas in a short paper like this. I would be happy to provide you more data should you contact me per the below. We also provide exit planning/valuation/value creation services to assist you on your journey in building a valuable, sellable PCB/PCBA/EMS/Semiconductor and Advanced Manufacturing company. Finally, we can help you build powerful marketing materials for buyers and guide you through the exit process with our investment banking services. So, from now to exit, we've got you covered!



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*Paul Dickson has completed over \$1B in business transactions over 30 years of international business experience. Mr. Dickson has worked in sales/marketing, operations, law and finance in industries such as advanced manufacturing, microelectronics, semiconductor, software, consumer, and food and beverage.*



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