



## Diversified Conglomerate

Birmingham, Alabama

### *Market Due Diligence of Acquisition Candidate*

#### ▶ **Background.**

A large, privately held conglomerate sought to diversify its business by purchasing a company outside of its core holdings. The conglomerate was in the final stages of its due diligence process and needed assistance evaluating historic economic trends and validating anticipated marketing forecasts.

Prior to closing the deal, the conglomerate was interested in researching the historic and anticipated advertising market potential in the target's industry. To get the greatest return on its investment, it required a detailed understanding of the company's leading advertisers, along with the advertisers' plans for introducing new products. The conglomerate felt strongly that it could substantially grow the target if its leading advertisers were actively introducing new products.

#### ▶ **The Challenge.**

The company had completed its financial, operational, and organizational due diligence, and was within three weeks of closing the transaction. As it neared closing, its team became concerned about a deceleration in advertising spending, negatively impacting the ability to grow the target business once it was acquired.

Forecasting advertising spending, particularly in the target's industry, proved difficult, as many advertisers have transitioned towards business-to-consumer and electronic mediums. A high degree of confidence in future advertising was required prior to completing the acquisition.

#### ▶ **How We Helped.**

Markstein Consulting developed a market study of the acquisition's industry and the forecasted and anticipated advertising spend by major suppliers. Industry data was gathered, analyzed, and presented to the client in a way that provided specific suggestions on where future value creation opportunities exist.

- **Gathering of Historical Facts.**

Markstein Consulting gathered historic industry data as a basis for determining the trends in advertising in the acquisition target's industry.

- **Analysis of Future Spending.**

Markstein Consulting evaluated the industry trends and studied the 27 leading advertisers to determine if they had plans for product launches in the next three years.

- **Presentation of Findings.**

Markstein Consulting presented its findings to the client and gave specific visibility into the product launch schedules for the seven advertisers that account for 30% of the advertising investment in the industry. This information provided a focused plan of attack for growing the acquisition's business over the following three years.

#### ▶ **Results.**

The company utilized the market study, in conjunction with its financial, operational, and organizational due diligence, to evaluate the potential returns of the acquisition. The market study provided detail on the industry and its trends that was previously unavailable to the conglomerate and the acquisition target. Further, it provided specific opportunities about where the client could grow the value of the acquired company after the transaction closed.

The company followed through on its plans to buy the target. Following the acquisition, the client began the process of integrating the acquisition's operations and growing its business.

#### ▶ **About Markstein Consulting**

Markstein Consulting, LLC is a management consulting firm exclusively focused on developing and implementing effective business strategies for its clients. We help companies transform their business challenges into strategic opportunities through four practice areas: corporate strategy, marketing and communications, operational effectiveness, and organizational dynamics. Markstein Consulting is based in Birmingham, Alabama, and can be reached at 205.323.8208.