

# **Building Value in Your Company**



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# Why is it Important to Build Value?

- You are an owner or work for owners.
- Your job is to build value – you are managing wealth for the owners.
- Typically, owners have most of their wealth tied up in their company.
- Your future – retirement, tuition or other investments – depends on obtaining satisfactory returns on that wealth.

# It's a Tough Industry and a Tough Job!

- Printing is capital and people intensive.
- Printing is the “job shop” manufacturing process.
- It's difficult to be a “super profit” printer.



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# The Value of Your Equity Can Float Your Boat (“Super Profit”)

- \$18 million specialized printer just sold – shareholder received \$15 million at closing.
- \$28 million general commercial printer just sold for \$21.5 million.
- \$30 million half-size sheetfed printer sold - netting the shareholders \$20 million.





- Last year, a shareholder sold his \$13 million general commercial printer and received only \$600,000 for his retirement.
- He received enough to pay off the personally guaranteed debt of \$5.5 million, thereby saving foreclosure on his house and assets.



# Or, the Value of Your Equity Can Row Your Boat (“Low Profit”)

- Last year, a shareholder sold his \$13 million general commercial printer and received only \$600,000 for his retirement.
- He received enough to pay off the personally guaranteed debt of \$5.5 million, thereby saving foreclosure on his house and assets.
- He had lost focus on his business.



- A shareholder turned down a \$10 million offer, demanding another \$1 million.
- Six months later, he lost his top two accounts.
- The Company was padlocked and the bank repossessed his sailboat, plane and house.



# Or, the Lack of Value Can Sink Your Ship (“No Profit”)

- A shareholder turned down a \$10 million offer, demanding another \$1 million.
- Six months later, he lost his top two accounts.
- The Company was padlocked and the bank repossessed his sailboat, plane and house.
- He still has not landed on his feet.







	No Profit	Low Profit	Super Profit
Revenues	\$15,000,000	\$15,000,000	\$15,000,000
EBITDA	\$500,000	\$1,500,000	\$2,500,000
EBITDA Multiple	<u>X 4.0</u>	<u>X 4.5</u>	<u>X 5.0</u>
<b>Enterprise Value</b>	<b>\$2,000,000</b>	<b>\$6,750,000</b>	<b>\$12,500,000</b>
Less: Debt	<u>\$4,000,000</u>	<u>\$4,000,000</u>	<u>\$4,000,000</u>
<b>Equity Value</b>	<b>\$0</b>	<b>\$2,750,000</b>	<b>\$8,500,000</b>

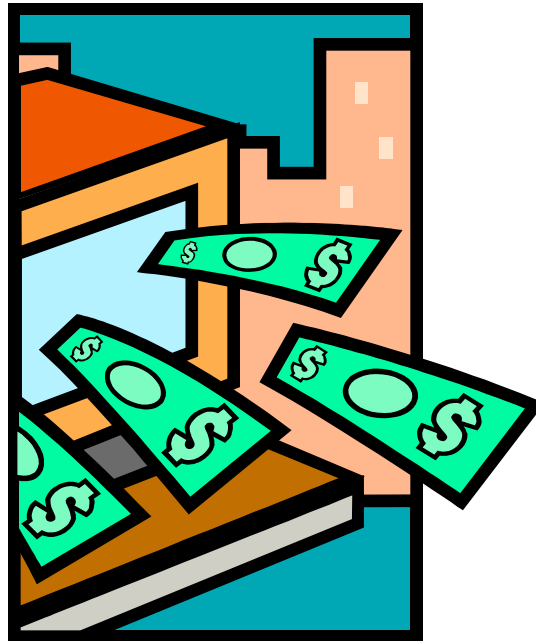
# What's the Difference?



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# “Super Profit” Printers

- How did these companies become so profitable?
- How do they generate superior results in the face of intense price competition?
- How do they prosper while most others struggle to earn 5% or less?



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# Value Attitude

- Long term value maximization:
  - Value growth over short-term earnings growth; and
  - Growth of equity and less dependence on debt.
- Managing target capital structure.
- Rely on sound financial benchmarks:
  - ROI; and
  - EVA.
- Focused on obtaining perfect financial statements **as well** as perfect dots.

**“Leaders understand how their actions impact financial statements”**



# External Vulnerabilities Managed

“Super Profit” printers are mindful about external threats:

- The actions, investments, strengths and weaknesses of competitors;
- Behavior and performance of buyers;
- National, regional and local economic factors;
- Banking conditions and trends;
- Supplier and technological conditions and trends;
- Labor pool conditions and trends; and
- Impact of community on the business.

**“Externally as well as Internally Focused”**

# Conquer the Job Shop Manufacturing Process

“Super Profit” printers generate superior gross margins with:

- A fanaticism for engineering plant throughput in every department;
- Advanced prepress and pressroom technology;
- Motivated, empowered and stable workforce; and
- “Engineered” maximization of equipment utilization.

**“State-of-the-art but not an R & D Lab”**

# **“Profit” Corporate Culture**

- Culture that challenges the status quo and motivates and rewards better practices.
- Leaders who are modest and self-effacing and put anyone at any level at ease.
- Leaders who are universally respected and considered by co-workers to be “one of us”.
- Leaders who are energized by their work and committed to their companies.
- Leaders who are multi-interested and balanced, and not preoccupied with only sales, estimating or any other function.

## **“Level 5 Leadership”**

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# Focused, Quality Management

- People-oriented leadership;
- Compelling, persuasive leadership;
- CEO is the quality leader;
- Quality embraced by the people;
- Leaders who are more “liberally” educated than “technically” educated.

**“Quality drives Customer Satisfaction up and costs down”**



# Superior Sales and Marketing Functions

- Highly skilled and energetic salespeople;
- Empowered (but managed) salespeople;
- Leadership hands-on in daily sales activity; and
- Sales team tenure longevity.

**“A Managed Sales Force”**

# Customer Loyalty and Pricing Markups

- By focusing on quality management, “super profit” printers attract customers with similar values – thereby generating customer loyalty.
- Focused Sales / Marketing Direction
- “Super Profit” printers show no pricing fear:
  - They have well-developed pricing intelligence systems; and
  - Price “at market”.
- Clients are billed for AA’s and overtime.

**“Leaders are Focused and Not Afraid to Charge”**