

Calculating Ownership Costs and ROI



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Where Do I Start

- ▶ Strategic Planning
- ▶ Disciplined Cost Analysis
- ▶ What Are The Variables?
- ▶ Developing a Pricing Strategy

Strategic Issues

- ▶ Transactional vs. Static vs. Variable
- ▶ Run Lengths
- ▶ New Market Segment vs. Replacing/Complimenting Equipment
- ▶ Costs of Sales Acquisition
- ▶ **SYNERGIES!**

It's All About Profitability!

- ▶ What's the incremental value necessary to create an appropriate ROI for my investment?
 - Production savings don't translate into incremental sales
- ▶ What's an appropriate ROI?
 - 7% (Gross Assets)/12% (Net Assets) – PIA Ratio Studies Profit Leaders
 - Is this enough?

It's All About Costs!

Acquisition Costs - \$1,000,000	
Fixed Costs	
Equipment (3 Year Amort.)	\$333,333
Maintenance/Operational	\$80,000
Operator Costs	\$46,800
Total Fixed Costs	\$460,133
Variable Costs	
Paper	\$193,000
Ink	\$90,000
Total Variable Costs	\$283,000
TOTAL (Break-even)	\$743,133

It's All About Sales!

Breakeven Sales	
Break-even Costs	\$743,133
Sales Commission	\$59,431
Break-even Sales	\$802,584
15% Margin on B/E Sales	944,216
30% Margin on B/E Sales	1,146,549

Where are the “Gotchas?”

- ▶ Maintenance Agreements – What’s included?
- ▶ Costs of Inks & Coatings
 - Can be 3-4X cost of Litho
 - Types of Paper
- ▶ Technology Upgrades
 - Part of Maintenance Agreement?
 - Inkjet Heads
- ▶ Additional Support Staff (IT)
 - Variable Data
- ▶ Cost of Workflow
 - Integration with other equipment/workflow

Where are the “Gotchas?”

- ▶ Operational Speeds
 - Roll-to-roll
 - 2-up; 4-up; 6-up
 - IPH
- ▶ Plant/Operational Considerations
- ▶ Working Capital/Short Term Debt
- ▶ Additional Staff
 - Production
 - Support
- ▶ UPTIME!

Pricing Strategies

- ▶ Pricing
 - BHRs?
 - Market Dictates
 - Customer Value Added
- ▶ Cost of Sales Acquisition
 - Support Staff
 - Compensation Structure

Summary

- ▶ What's your strategic position?
- ▶ Incremental Sales/Out-of-Pocket Costs Savings – Where Are they going to come from?
- ▶ What are your “Gotchas?”
- ▶ Pricing Strategy
- ▶ Synergies & Workflow!

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Thanks for Listening

