

NEW DIRECTION PARTNERS

New Direction Partners, LLC will be 10 years old on March 25, 2019

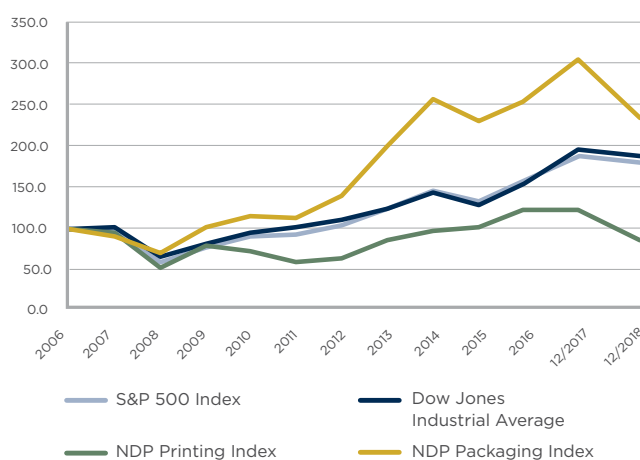
Recent Transactions

New Direction Partners, the leading middle market investment banking firm in the printing and packaging industries, has recently completed the following transactions:

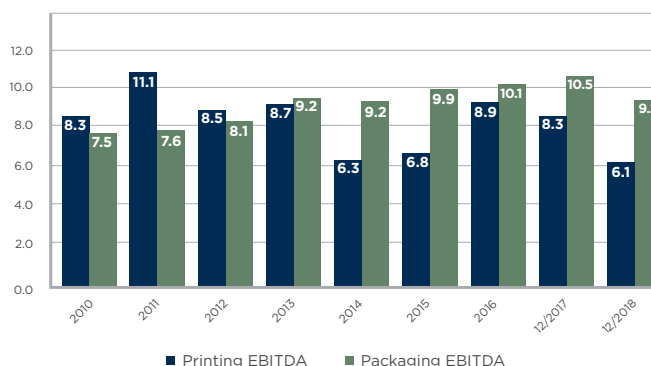
- ▶ Sale of Henry Wurst, Inc. Kansas City Division to Mittera. New Direction Partners represented the seller.
- ▶ Sale of Cranberry Print Marketing Partners to Reynolds DeWalt. New Direction Partners represented the seller.
- ▶ Sale of Prographics to Drummond Press. New Direction Partners represented the buyer.
- ▶ New Direction Partners assisted SoftPrint Holdings, Inc. in the raising of growth investment funding through a private placement of a Convertible Debenture.
- ▶ Allen Datagraph Systems was purchased by a Private Party. New Direction Partners represented the Seller.
- ▶ Sale of Badger Press Photographic to Brookstone Printing. New Direction Partners represented the seller.
- ▶ Sale of Great Lakes Integrated to Traxium. New Direction Partners represented the seller.
- ▶ Sale of FLM Graphics to Phase 3 Media Corporation. New Direction Partners represented the Seller in this transaction.
- ▶ Sale of Screen Works Inc. to an Individual Buyer. New Direction Partners Represented the Seller.
- ▶ Sale of Gooding Company, Inc. to Nosco Inc. New Direction Partners Represented the Seller.
- ▶ Sale of Tepel Brothers Printing to The Vomela Companies. New Direction Partners Represented the Seller.
- ▶ Sale of McArdle (a wholly-owned subsidiary of Bloomberg BNA) to Corporate Press. New Direction Partners represented the seller.
- ▶ Sale of Halm Industries to W&D Machinery. New Direction Partners represented the seller.
- ▶ Purchase of MHG by Michael Murphy. New Direction Partners represented the buyer.
- ▶ Sale of Consolidated Press to KP Corporation and Gemini Investors. New Direction Partners represented the Seller.
- ▶ Sale of ASAP Printing Corporation to 4over, Inc. New Direction Partners represented the Seller.

Industry Trends by Peter Schaefer

The New Direction Partners Printing & Packaging Stock Price Index



The New Direction Partners Printing & Packaging EBITDA Trend



It is important to note that private businesses typically sell for lower EBITDA multiples than the multiples of their publicly-traded counterparts due to private company status and a lack of liquidity as well as size and risk differential.

Places to See NDP

- ▶ Paul Reilly and Randy Camp will be attending PIAG's Annual meeting on January 31, 2019 at PIAG Headquarters in Smyrna, Georgia. Paul will be speaking on "Competing with the Majors".
- ▶ Jim Russell and Peter Schaefer will be presenting at the PIA President's Conference March 3-5, 2019 at the Marriott Resort Tempe at The Buttes in Phoenix, Arizona.
- ▶ Peter Schaefer will be speaking at The Imaging Network Group in Napa, California on March 5, 2019.
- ▶ Jim Russell will be speaking at the Printing Industries of Ohio and Northern Kentucky Breakfast Forums in Cleveland on March 12th and Cincinnati on April 9th.
- ▶ Jim Russell and Paul Reilly will be presenting a business growth workshop for executives at the Dscoop Edge Conference on March 24th in Orlando.
- ▶ Paul Reilly and Peter Schaefer will be hosting one-on-one conferences at the Inkjet Summit, April 8 - 10 in Ponte Verde FL.
- ▶ Paul Reilly will be attending the Envelope Manufacturers Association Spring Meeting April 10-13 at Lowes Vantana in Tucson AZ.
- ▶ Peter Schaefer will be speaking at Graphics Canada in Toronto on April 11 - 12, 2019.

Recent Webinars

New Direction Partners experts present frequent web sessions in partnership with associations, publications and others. Some have no cost associated with them; others carry a small fee for non-members of the organization. We invite you to listen to some of our recent educational sessions and contact us at info@newdirectionpartners.com with questions or for additional information!

- ▶ Dscoop hosted a webinar "10 Attributes of High-Growth Companies " presented by Peter Schaefer & Tom Williams.

In a highly competitive industry, printers must focus on two things to succeed: efficiency and growth. The first delivers a better bottom line; the second produces a more robust top line. In this session, New Direction Partners experts share what they have found to be the 10 attributes of high growth printing companies, providing insight to owners and managers about how they can ensure high growth in their own businesses. This includes:

- ▶ Ensuring the right sales and sales management strategies.
- ▶ Putting in the time and effort to create and execute on actionable business plans.
- ▶ Ensuring accountability within the organization for achievement of strategic and tactical goals.
- ▶ The role of mergers and acquisitions and more

[View the presentation here.](#)

- ▶ Paul Reilly and Peter Schaefer presented a Dscoop hosted webinar on "Managing Customer Concentration In Today's Printing And Packaging Environment"

Customer concentration is occurring more frequently today, especially in family-owned firms between \$5 million and \$75 million in sales. This is the result of the successful outcome of a customer focus/solution selling sales strategy. While too much customer concentration can be risky, there are also advantages to embracing your strategic success. Our experts provide insight into how to manage customer concentration risks for profitable growth. The program focused on:

- ▶ Managing customer departure risks
- ▶ Leveraging customer concentration for business growth
- ▶ Customer concentration considerations in mergers & acquisitions
- ▶ ...and more!

[View the presentation here.](#)

- ▶ Dscoop hosted a webinar with Joe Polanco and Paul Reilly and "Creating the Perfect Sales Compensation Plan". Sales are the life blood of any organization, and it's no different for print providers who compete in the dynamic ever-changing world of communication. The 21st century sales rep must understand the broad range of solutions offered by today's print/marketing provider and how those solutions help a client's business. Just as important is management creating a sales compensation plan which creates the right incentives for growth and balances it with the company's profitability.

In this presentation, explored the various compensation methods used in the industry and discuss the strengths and weaknesses. Commission, salary-based plans, value added, and hybrid plans were covered in this quick moving session along with key points in creating the “Perfect Plan.” This session discussed:

- ▶ Which Plans are commonly used in the industry – and are successful.
- ▶ Changing compensation strategies reflecting changing product mix.
- ▶ Balancing incentives with profitability
- ▶ Why matching individuals with right plan is more crucial than ever.

[Download the presentation here](#) or [view the webinar archive here.](#)

- ▶ NAPCO hosted a webinar on “M&A Trends in Print & Packaging” Presented by New Direction Partners’s Paul Reilly. The webinar covered what is happening in today’s M&A market. Today’s transaction structures are different from just a few years ago in response to a restructuring industry. Participants learned why an acquisition strategy has never been more important and what types of transactions are occurring. They also covered the details of these various types of transactions in order to make better decisions for their own businesses. The experts from New Direction Partners also talked about the current M&A market, why now is a good time for these transactions, and how long the market might remain strong. They will also shared real life examples of things gone right, and a few that have gone wrong, from the many transactions they seen over time. The presenters also outlined EBITDA ranges that affect the value of businesses being sold and how to enhance that value [View Archive.](#)

- ▶ Jim Russell and Al Reijmer presented a webinar hosted by GLGA on “GLGA’s latest Profit Matters webinar – the Great Lakes Graphics Association’s effort to address all issues regarding profitability in the print industry in a session entitled Are You a Buyer or a Seller?”

In today’s print market, organic growth is hard to come by. In an industry that is still contracting, and with buyers and marketers who have less time to meet with new vendors (your sales people), organic growth is a serious challenge for most printing companies and their sales teams. For the last few years, the team at New Direction Partners has been advising that printers who are struggling with organic growth should be either a buyer or a seller... And that is still the case today.

Which one should you be? Is your company positioned properly to effectively manage a “tuck in” of new business and grow through acquisition, or should you be considering the sale of your company to another firm better positioned to help you grow your revenue? And if so, how do you determine your company’s value. Takeaways from this session included:

- ▶ Identify the key traits and characteristics of businesses that should be buying other companies
- ▶ Learn which types of businesses might be better suited to merging with or selling to a friendly competitor
- ▶ Find out how values are determined in those transactions, and
- ▶ End with a few guidelines for ensuring your business has the best value
- ▶ [View Archive](#)

Upcoming Webinars

- ▶ SGIA will host the following webinars:
 - ▶ Calculating Ownership Costs and ROI February 19
 - ▶ What Your Momma Didn’t Tell You about BHRs May 21
- ▶ PPI will host the following webinars:
 - ▶ 10 Attributes of High Growth Companies February 12
 - ▶ Pros and Cons of owning your own real estate and the effect on valuation March 14
 - ▶ Succession Planning April 9



Featured Listings

Firms for Sale

▶ **Midwestern Packaging Partner**

Our client designs and manufactures both boxes and folding cartons. Products include candy boxes, gift boxes, cosmetic boxes, complete folding cartons and gameboards. Revenues of this highly profitable firm are approaching \$10 million.

Contact:

*Peter Schaefer @ PSchaefer@NewDirectionPartners.com
or by phone at 610-935-1000.*

▶ **National E-Commerce Web-to-Print Provider**

Our Client is a company with Eastern and Western facilities allowing one and two-day delivery to North America. Their E-Commerce web-to-print online portal supports all types of products including commercial print, promotional products, inventory fulfillment & packaging. With a sophisticated e-commerce operating platform, robust marketing capabilities, and technically advanced production capabilities, this is a highly desirable property.

Contact:

*Tom Williams @ TWilliams@NewDirectionPartners.com
or by phone at 203-856-0120.*

▶ **Midwest Direct Marketing Provider**

Our client is a leading solution provider of marketing and direct mail production services to the automobile industry. The firm is fully integrated with the automobile industry including providing call center support. Our client provides a complete range of direct mail services including products covered under US Patents. With revenue of approximately \$10 million it is highly profitable.

Contact:

*Paul Reilly @ PREilly@NewDirectionPartners.com
or by phone at 303-520-7803.*

▶ **New England Area Grand Format Printer**

Our client produces large format banners, signs and in store window displays and graphics for many well-known national retailers and regional business. With revenue of \$4 million and an impressive EBITDA margin of nearly 30%. This represents a great opportunity for a commercial printer looking to enter the grand format market in a big way, or for an individual looking to own and operate their own very successful business. The company is not a likely tuck-in candidate.

Contact:

*Jim Russell @ JRussell@NewDirectionPartners.com
or by phone at 248-891-6992.*

▶ **Industry Specific Temporary Employment Provider**

We represent a progressive, national temporary and permanent employment firm heavily servicing the graphic communications industry. This is a very innovative firm that has developed and implemented procedures and practices to attract, screen, and supply highly qualified, skilled workers to their clients. With offices in numerous cities across the US, and a number of significant contracts, they are able to successfully provide service to the industry's major firms.

Contact:

*Paul Reilly @ PREilly@NewDirectionPartners.com
or by phone at 303-520-7803.*

▶ **West Coast Commercial Printer**

Our client is an established, profitable firm located on the West Coast of the US. It has a strong, stable listing of customers from varied industries all with consistent track records. The firm has long-established relationships with many of these clients and successfully attracts new clients with its service offerings and its dedicated focus on building strong strategic partnerships with clients and suppliers. Our client provides a complete range of capabilities for customers from prepress through mailing and fulfillment. With a capable management team in place, and the principal of this privately owned company exiting for retirement, this is an excellent opportunity for a quality, growing acquisition.

Contact:

*Paul Reilly @ PREilly@NewDirectionPartners.com
or by phone at 303-520-7803.*

▶ **Northeastern US Mass Customized Manufacturer of Photo Products**

Our Client, a privately-owned company located in the Northeast United States, is a mass customization manufacturer of printed products specializing in the photo products market. The foundation of the Company's success has been its propriety workflow technology which connects customers via the web to manufacturing operations enabling a high level of efficient and profitable customization. The founders of the Company have a long history of starting successful companies in the technology and digital print industries. The Company develops all its own technology in-house and its operations are well-known in the printing industry. The Company's software is sold in a SAAS platform throughout the world. Recently, the Client extended its customer reach via an acquisition of mass marketer which sells customized photo products directly to consumers.

Contact:

*Paul Reilly @ PREilly@NewDirectionPartners.com
or by phone at 303-520-7803.*

▶ **Southeastern Print Solutions Provider**

Our client is an established, high-growth print solutions firm located in the Southeast region of the United States. The firm's strong year over year growth has been fueled by leveraging their core competencies of quality craftsmanship with 21st century technology to create a sustainable competitive advantage in the commercial printing marketplace. While high-end printing is at the heart of the company, they are a true end-to-end solution provider. From pre-press services to optimized manufacturing processes through on-demand fulfillment, the company offers their customers a complete communication package without the hassle of coordinating across several smaller firms.

Contact:

*Tom Williams @ TWilliams@NewDirectionPartners.com
or by phone at 203-856-0120.*

▶ **Central Texas Print Provider**

Our client is located in Central Texas and is one of the largest full-service commercial printing operations in this rapidly growing region of Texas. Sales in FY 2018 were \$10.3 Million, with Fortune 500 companies comprising a major portion of its client portfolio. Along with state-of-the-art prepress capabilities, the firm offers its clients a broad range of services including offset and digital print, plus variable data print, data processing, direct mail, fulfillment and warehousing services. The Company is family owned, holds minimal debt, and is profitable.

Contact:

*Joe Polanco @ JPolanco@NewDirectionPartners.com
or by phone at 214-336-8586.*

▶ **Southwestern US Commercial Printer**

Our Client is located in a large city offering a full spectrum of print and web-based business tools. The company has a strong reputation within its industry and the local business community. The Company's technical resources include state-of-the-art digital premedia in conjunction with traditional offset printing, digital presses, large-format capabilities, and comprehensive binding, mailing, and fulfillment capabilities.

Contact:

*Paul Reilly @ PREilly@NewDirectionPartners.com
or by phone at 303-520-7803.*

▶ **Producer of Flexible Packaging and Labels**

New Direction Partners has been retained to sell a leading producer of flexible packaging film, labels, shrink sleeves and pre-formed pouches. Strategically located in the Far West, the Company is growing and is highly profitable, generating revenues in excess of \$5 million with an EBITDA margin in excess of 20%.

Contact:

*Peter Schaefer @ PSchaefer@NewDirectionPartners.com
or by phone at 610-935-1000.*

▶ **Sale of Midwestern Multi-Channel Marketer**

This Midwestern multi-channel marketing firm provides its clients more solutions than print alone, including targeted omni-channel marketing campaigns employing innovative technologies. The firm is a provider of conventional, digital and large format print, direct mail, digital marketing, lead generation, brand asset management and a client web to print marketing portal for marketing asset management.

Contact:

*Tom Williams @ TWilliams@NewDirectionPartners.com
or by phone at 203-856-0120.*

▶ **Southeastern Packaging, Label & Commercial Printing Marketing Services Provider**

Our client is a privately-held marketing services provider specializing in the manufacture of folding carton packaging, commercial printing and flexographic labels. For over 25 years, their dedicated team has delivered award-winning, customer-centric, print and packaging solutions. The firm operates a state of the art facility with over 70,000 square feet of manufacturing and fulfillment space in a major Southeastern city. They offer a wide range of in-house capabilities and marketing services, integrating print with a variety of electronic correspondence, social media and mobile technologies. Annual revenue exceeds \$15 million.

Contact:

*Tom Williams @ TWilliams@NewDirectionPartners.com
or by phone at 203-856-0120.*

▶ **Digital Book Printer**

The Company is a leading, response oriented digital book printer located in the Midwest. The Company's platform provides customers with the ability to print short run lengths more efficiently and cost effectively. All of the Company's revenues are generated via the Internet, eliminating the need for any sales representatives. The Company has grown each year to its current level of \$5 million in revenues and an extremely impressive EBITDA margin in excess of 30%. It has been exceptionally profitable each year.

Contact:

*Peter Schaefer @ PSchaefer@NewDirectionPartners.com
or by phone at 610-935-1000.*

▶ **Highly Differentiated Omnichannel Marketing Partner**

Strategically located in the Midwest, the Company specializes in one-to-one communications by providing fully integrated marketing across all relevant channels including variable data inkjet print, personalized websites and interactive video. Its services encompass the entire cross media life cycle, including design through creation through personalized media solutions. The business has generated outstanding organic growth with unparalleled profitability. Revenues are approximately \$20 million with an unadjusted EBITDA margin in excess of 30%.

Contact:

*Peter Schaefer @ PSchaefer@NewDirectionPartners.com
or by phone at 610-935-1000.*

▶ **West Coast Grand Format Printer**

The Company serves as a marketing partner to its customer base which is comprised of Fortune 500 type brands and retailers. Services include grand format, digital and offset production as well as cross-channel design, complete fulfillment/kitting and store-tracking. Operates in 150,000+ square feet with 125 employees. Revenues and EBITDA are approximately \$30 million and \$3 million, respectively.

Contact:

*Peter Schaefer @ PSchaefer@NewDirectionPartners.com
or by phone at 610-935-1000.*



Firms Seeking Acquisitions

▶ Label Firm Seeking Strategic Add-ons

Our client seeks to purchase Label firms anywhere in the US. Our client is well capitalized, conservatively managed and looking to grow its national footprint. The ideal target will be profitable with revenues of \$10 million or less.

Contact:

*Paul Reilly @ PReilly@NewDirectionPartners.com
or by phone at 303-520-7803.*

▶ Buyer of Digital and Direct Mail Firms within 150 Miles of New York City

Client seeks to purchase digital printers and direct mail/mailing firms located within 150 miles of New York City. The ideal target will be profitable with revenues in excess of \$8.5 million.

Contact:

*Peter Schaefer @ PSchaefer@NewDirectionPartners.com
or by phone at 610-935-1000.*

▶ Buyer of New England Commercial Printers

Client seeks purchase of commercial, speciality, mailing and marketing printers/agencies throughout New England. Seeking firms with strong management, sales and production staff and a history of serving the corporate, institutional, and organizational markets. Poised for a quick transaction with capacity and funding in place.

Contact:

*Jim Tepper @ JTepper@NewDirectionPartners.com
or by phone at 508-523-9033.*

▶ Buyer Seeks Wide and Grand Format Printer

A national producer of Wide and Grand Format digital printed products seeks to purchase a manufacturing operation preferably in the Southeastern United States.

Contact:

*Tom Williams @ TWilliams@NewDirectionPartners.com
or by phone at 203-856-0120.*

▶ Buyer of Commercial Printers within 100 Miles of Philadelphia

Client seeks purchase of offset/digital printers or mailing entities located within 100 miles of Philadelphia.

Contact:

*Peter Schaefer @ PSchaefer@NewDirectionPartners.com
or by phone at 610-935-1000.*



What Drives Value In Today's Market?

By Paul V. Reilly | Partner, New Direction Partners

Simply — as we learned in Economics 101 and 102 — Supply and Demand!

- Paul V. Reilly

Over the last three years there has been a dearth of fully integrated digital solution providers for sale. There have been exceptions but clearly supply has been way below demand. Supply is increasing but today and for the foreseeable future we expect the market to remain a "SELLERS MARKET".

"...today and for the foreseeable future we expect the market to remain a 'SELLERS MARKET'."

The demand side of the supply / demand equation is far more complex. Demand is being determined by the financial position of potential buyers and by the attributes of the sellers.

Financial Position of Buyers

Strategic buyers (i.e. firms already in related industries) and private equity firms represent the logical and most active buyers for integrated digital solution providers. Strategic buyers are stratified into those whose own value is low (below 5x EBITDA) and those whose value is high (above 5 EBITDA). The low value firms need to purchase fast growing integrated digital solution provider in order to reposition into faster growing markets. Sometimes these buyers, usually connected to the commercial print industry, can't afford to pay a full price for integrated digital solution providers. More frequently than not, low value buyers see their offers rejected for integrated digital solution providers.

Value Creator - Distance your firm from just being a commercial printing.

The high value buyers are usually connected with fast growing markets such as packaging, grand format, digital solution providers or are commercial printers that have transformed into marketing solution providers. These firms can afford to pay more for your firm. Private equity firms are also active in the ownership of digital solution providers. They have significant money to invest.

Private equity will seek investment returns north of 25% pa. Private equity relies on leverage and growing markets to achieve these superior returns

Value Creator - Position your firm into faster growing markets.

Attributes of Sellers

The strongest creator of value is growth - sales and profits. Certainly, historical growth in sales and profits is the best predictor of future growth. Such firms are rewarded with the highest values. The next most important creator of value is size - the larger the firm the higher the value multiplier. We see a significant increase in buyers for transactions with a value greater than \$25 million. The sellers in these transactions normally enjoy a 1 times to 1.5 times EBITDA increase in value.

Most Influential Value Creators

1. Rate of growth of sales and profits including growth rate of underlying markets.
2. Size of firm

Beyond rate of growth and size, several seller attributes drive greater value.

Increasingly, successful digital solution providers employ technology that interfaces with clients and facilitates the design, ordering, production and fulfillment of jobs. Such technology is frequently self-developed and increases the "stickiness" between printer and client.

Most internally developed technology increases value. Proprietary technology drives sustainable differentiation. Participants in other segments of the printing industry have often seen their value destroyed because they only used technology available to all participants. They were unable to differentiate their service offering. The use of self-developed proprietary technology is the most significant mega trend impacting graphic communications. In fact, I believe propriety customer interface technology will change the dynamics of competition and result in a healthier and more prosperous industry.

“...proprietary customer interface technology will change the dynamics of competition and result in a healthier and more prosperous industry.”

Customer concentration may decrease value but its impact can be mitigated by length of relationship, contractual relationship or by the structure of a transaction.

There are several destroyers of value. Roller coaster sales and profit performance indicate either inadequate management systems or inconsistent execution of marketing and sales strategies. Poor production work flow dampens the ability to scale and many buyers will discount value for the cost to reconfigure workflow.

Concentration of customer relationships and reliance on a single key executive will increase the risk of business continuity. All firms regardless of their timing to seek liquidity should have a succession plan that reduces the risk of reliance on a single key executive.

In summary, sales growth, profit growth and size create value. Potential sales and future profits are kinetic. If an owner of a digital solution provider seeks liquidity in the near future, his or hers foremost mission should be in driving sales and profits.

Paul V. Reilly is a partner with New Direction Partners, a leading investment banking firm servicing exclusively the graphic communications industry. In the last year Mr. Reilly participated in over 20 transactions including digital solution provider and digital packaging engagements. He can be reached at 303-520-7803 or at preilly@newdirectionpartners.com.

New Direction Partners is an investment banking and financial advisory services formed by Peter Schaefer, Paul Reilly, Jim Russell and Tom Williams to serve the printing and related industries. Services include merger advisory services through the representation of selling shareholders as well as buy side representation, valuation services, financing and refinancing efforts, turnaround and restructuring services, and temporary/interim management consulting. To learn more about New Direction Partners, visit New Direction Partners' website at www.newdirectionpartners.com.

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