

NEW DIRECTION

PARTNERS

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



Thank you for subscribing to our quarterly newsletter. Please also follow us on [LinkedIn](#) where you will find frequent postings about trends and issues that will help you better plan your business strategies.

Recent Transactions

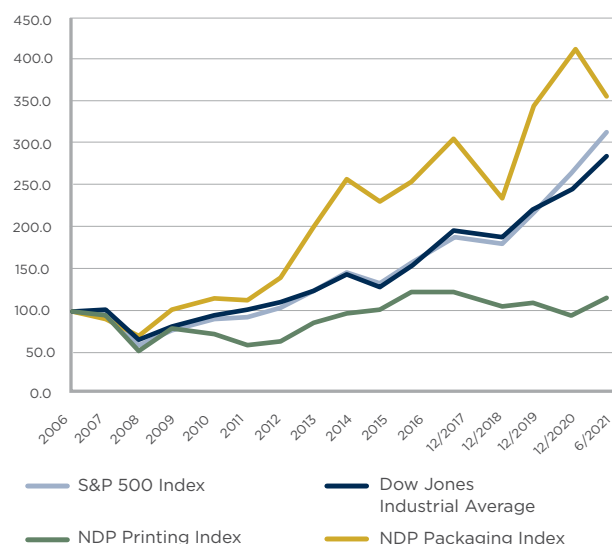
New Direction Partners, the leading middle market investment banking firm in the printing and packaging industries, has recently completed the following transactions:

- ▶ Sale of Overflowworks.com to Amsive. New Direction Partners represented the Seller.
- ▶ Sales of Chromatic Productions to Action Packaging & Signature Flexible Packaging (HIG Capital). New Direction Partners represented the seller.
- ▶ Sale of Creel to Mittera. New Direction Partners represented the seller.
- ▶ Sale of Trend Offset Printing to Mittera. New Direction Partners represented the seller.
- ▶ Power Marketing + Printing has acquired the assets of Keystone Press. New Direction Partners represented the buyer.
- ▶ Sale of Canterbury Press to Blackburne Search Ventures. New Direction Partners represented the seller.
- ▶ Sale of TCG Legacy Printing and Packaging to Core Industrial Partners. New Direction Partners represented the seller.
- ▶ Sale of TGI Direct to Carmel Hill Acquisitions, Inc. New Direction Partners represented the seller.
- ▶ Sale of Custom Color Corporation to GSP Retail. New Direction Partners represented the seller.
- ▶ Sale of The Goode Company to Almaden. New Direction Partners represented the seller.
- ▶ Power Marketing + Printing has acquired the assets of Market Place Color. New Direction Partners represented the seller.
- ▶ Sale of Holland & Crosby Ltd. to publicly-traded Transcontinental. New Direction Partners represented the seller.
- ▶ Sale of 2D divisions of SoftPrint Holdings to Reischling Press Inc. (RPI). New Direction Partners represented the seller.
- ▶ In an unannounced transaction, a PE firm acquired a package printer. New Direction Partners represented the seller.
- ▶ In an unannounced transaction, a NYSE publicly traded packaging firm purchased a controlling interest in a privately-held packaging entity. New Direction Partners represented the seller.

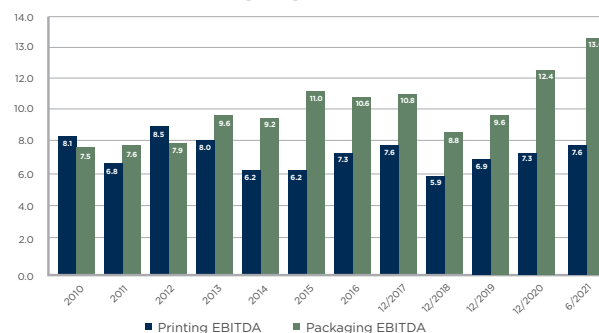
- ▶ Sale of Henry Wurst, Inc. Kansas City Division to Mittera. New Direction Partners represented the seller.
- ▶ New Direction Partners assisted SoftPrint Holdings, Inc. in the raising of growth investment funding through a private placement of a Convertible Debenture.

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

- ▶ New Direction Partners will be at Printed United show in Orlando, FL on October 6 - 8, 2021.
- ▶ Paul Reilly will be at Fall EMA in Louisville, KY Oct 12 - 15, 2021.
- ▶ Paul Reilly & Peter Schaefer will be at Digital Packaging Summit in Ponte Verde, FL November 8 - 10, 2021.
- ▶ Paul Reilly will be at Xplor Conference in St. Petersburg, FL November 16 - 18, 2021.
- ▶ Peter Schaefer will be speaking at the SPIRE Conference in Weston, FL on February 20 - 20, 2022.

Recent Webinars

- ▶ NAPCO hosted a webinar, "2021 - The Best Time In Over A Decade To Sell Your Company", presented by Peter Schaefer and Paul Reilly.

The combination of a robust economic recovery out of Covid and pending capital gain tax rate increases, coupled with rising interest rates, makes 2021 the best time in many years to evaluate the sale of your business. Peter Schaefer and Paul Reilly of New Direction Partners, two of the most experienced investment bankers in the printing and packaging industries, will guide you through the complexities of today's M&A world. They will explain how pending capital gains tax increases can wipe away any improvements that might be achieved by waiting for your profits to increase, as well as how rising interest rates will impact the ability of buyers to complete acquisitions. In this session you will learn about:

- ▶ The latest M&A trends in the printing and packaging industry
- ▶ How the proposed legislative and regulatory changes are likely to affect overall mergers & acquisitions in the printing and packaging industry
- ▶ What printing and packaging businesses should think about when considering a sale
- ▶ The perspective of potential buyers in this environment
- ▶ [View presentation here.](#)

- ▶ GAA & PIA Alliance hosted a webinar, "Successful Succession Planning...Is the Future of Your Business Secure?", presented by Peter Schaefer.

One of the most often overlooked aspects of strategic planning is succession planning. When you are looking for an exit strategy, area ready to hand off the business to other family members and head for the beach, or face unforeseen circumstances, having a strong succession plan in place is critical. And it can take several years to execute on that succession plan. In this session, participants will learn about the key elements of the plan to successfully transfer leadership and ownership of a printing and packaging firm, typical timelines, and strategies for ensuring optimum valuation. The program focused on:

- ▶ Key elements of a succession plan.
- ▶ Exit strategy timelines.
- ▶ Leadership and Ownership changes.
- ▶ Ensuring bench strength.
- ▶ Valuation methods.
- ▶ [View presentation here. Password: 5YC51g.s](#)

- ▶ GAA and PIAAlliance hosted a webinar "10 Attributes of High-Growth Companies" presented by Peter Schaefer.

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 shared 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 presentation here.](#)

▶ NAPCO hosted a webinar “A Three-Pronged Route to Post-Pandemic Business Recovery” In this session, Paul Reilly and Tom Williams shared their perspective on how best to achieve post-pandemic business recovery. Taking the right actions now, can leave a printing business in better shape for the future than it would be if the need for change hadn’t been as urgent. They will provide insight and guidance on:

- ▶ Keeping employees safe and reiterate some of the guidance that has been provided by PRINTING United Alliance;
- ▶ How to safeguard and strengthen the health of your business;
- ▶ And how to use — and not use — PPP loans and other resources provided by the CARES Act.
- ▶ [View presentation here.](#)

▶ New Direction Partners experts recently presented a number of sessions entitled Re-imagining M&A in These Unprecedented Times. These events were co-sponsored by NAPCO and PIA Affiliates.

They included an update on trends and how the M&A market is shifting due to the impact of the pandemic. A key result is an expectation that we will see more tuck-ins as we come out of this crisis, which has placed significant stress on many businesses in our industry.

The tuck-in process, various ways of configuring tuck-ins, and gain a general overview of the M&A environment in what is likely to be our new normal, including how the COVID-19 pandemic is likely to affect valuation were also covered.

- ▶ Hosted by NAPCO. [View presentation here.](#)
- ▶ Hosted by PICA & PIAG. [View presentation here.](#)
- ▶ Hosted by PIASC and WSPrint. [View presentation here.](#)
- ▶ Hosted by PIAAlliance, GAA and PINE. [View presentation here.](#)
- ▶ Hosted by GMA. [View presentation here.](#)

▶ GLGA hosted a webinar “Profit Matters Webinar – Managing Customer Concentration in Today’s Printing and Packaging Environment” presented by Tom Williams and Peter Reilly. 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. During this session, attendees learned:

- ▶ Managing customer departure risks
- ▶ Leveraging customer concentration for business growth
- ▶ Customer concentration considerations in mergers & acquisitions... and more
- ▶ [View presentation here.](#)

▶ NAPCO hosted a webinar “Succession Planning”, presented by Paul Reilly and Tom Williams. One of the most often overlooked aspects of strategic planning is succession planning. When you are looking for an exit strategy, are ready to hand off the business to other family members and head for the beach, or face unforeseen circumstances, having a strong succession plan in place is critical. And it can take several years to execute on that succession plan. In this session, participants will learn about the key elements of the plan to successfully transfer leadership and ownership of a printing and packaging firm, typical timelines, and strategies for ensuring optimum valuation. The program focused on:

- ▶ Key elements of a succession plan.
- ▶ Exit strategy timelines.
- ▶ Leadership and Ownership changes.
- ▶ Ensuring bench strength.
- ▶ Valuation methods.
- ▶ [View presentation 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.](#)

Featured Listings

Firms for Sale

- ▶ **Offset & Digital POP, Signage and Fulfillment Operation**

Our client is the premier printer in the Southeastern United States for large format UV offset printing with facilities located in a major Southeastern metro area, specializing in Point-of-Purchase and collateral retail marketing materials. The firm serves all their client’s retail environmental printing needs, including Point-of-Purchase displays, banners, clings and more. This offering provides a unique opportunity to acquire a technologically competitive digital printing and fulfillment operation in a major business center within the fastest growing regional economy in the country.

Contact:

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

- ▶ **West Coast Digital Printer**

This 100% digital, highly profitable (20% EBITDA) firm with \$12 million in sales .. Seller wishes to retire after a mutually agreeable transition period and seeks a new owner who will continue to invest in the firm’s long-term future. Company serves a national base of long term customers in the financial, pharmaceutical, automotive, healthcare and book markets. Company’s long-term success is driven by its proven solution provider and strategic partnership culture and transactional printing expertise. Success is enabled by its leading edge technology and very productive workflow.

Contact:

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

or

Frank Steenburgh

@ FSteenburgh@NewDirectionPartners.com

- ▶ **Midwest Envelope Converter**

Our client is the leading independent envelope manufacturer in its region with a successful history for over 75 years. With a highly diversified, loyal customer base, the Company sells to trade printers, end users and print resellers in the Midwest and Mid-Atlantic regions of the country. The Company uses both FL Smithe and WD equipment to produce highly customized short run envelopes. The Company’s leased facility is in a 35,000 + square foot facility near a major airport.

Contact:

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

- ▶ **Midwest based Provider of Integrated Data and Fulfillment Solutions**

The Company is a Provider of Integrated Data and Fulfillment Solutions located in the Midwest. With roots dating back to the 1970’s, it assists clients with their data, personalized document and distribution needs. The Company has established a track record of growth and success utilizing principles rooted in personal service, flexible support, and innovative solutions. 2020 Revenue of \$9.5 million and EBITDA of \$1.1 million.

Contact:

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

- ▶ **Multi-Channel Marketing Partner**

A marketing execution company that serves a national base of Fortune 500 type, brand conscious customers from its strategic Midwest location. TTM revenues of approximately \$21.5 million and EBITDA of \$3.0 million. Top line organic growth in excess of 20% YTD 2019.

Contact:

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

▶ Southeastern Offset & Digital POP, Signage and Fulfillment Operation

Our client is the premier printer in the Southeastern United States for large format UV offset printing with facilities located in a major Southeastern metro area, specializing in Point-of-Purchase and collateral retail marketing materials. The firm serves all their client's retail environmental printing needs, including Point-of-Purchase displays, banners, clings and more. This offering provides a unique opportunity to acquire a technologically competitive digital printing and fulfillment operation in a major business center within the fastest growing regional economy in the country.

Contact:

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

▶ Mid-Atlantic Flexo and Digital Label Printer

Our client is a industry leading pressure sensitive label printer and converter, as well as a reseller of automatic labeling equipment. The company has experienced consistent year over year organic revenue growth, and stable profitability. Their diverse client base enables them to generate annual revenue of \$6.5 million, with EBITDA of \$550K.

Contact:

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

▶ 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.

Firms Seeking Acquisitions

▶ Atlanta Client Seeks Strategic Acquisition

Our client is a recognized firm approaching 50 years of experience with innovative technology applications and unmatched customer loyalty seeks digital, offset, label and large format companies within the proximity of Atlanta, GA.

Contact:

Randy Camp @ RCamp@NewDirectionPartners.com or by phone at 770-601-0199.

▶ Multiple Location Firm Seeks Southeastern Digital Providers

Our client integrates marketing and large format print services to develop brand loyalty for its customers seeks acquisitions primarily in the Southeastern US area.

Contact:

Randy Camp @ RCamp@NewDirectionPartners.com or by phone at 770-601-0199.

▶ Firm Seeking Acquisition

Our client is interested in acquiring print and/or marketing providers with strong digital and mailing capabilities. The ideal firm would have sales between \$4M - \$10M.

Contact:

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

▶ Seeking Forms/Label Printer

Established client seeks acquisition of a firm serving the healthcare markets with forms, labels, administrative, and/or marketing products in the greater Northeast area. Desires a stable client list and helpful to have a strong sales and customer service team. Additionally, client is interested in providing manufacturing services to firms not looking to exit that might need extra capacity to serve current customers. 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 Digital Print Provider on the West Coast

West Coast forms/document specialist is searching for a digital print provider to compliment their existing sales/markets. Our client has ample capital and a desire to move quickly. The ideal firm with have sales in the \$5 million to \$10 million range.

Contact:

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

▶ 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.*

▶ Buyer Seeks Wide and Grand Format Printer

A national producer of wide and grand format digital printed products, including textiles, seeks to purchase a manufacturing operation, preferably in the Southeastern US.

Contact:

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

▶ 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 printers, mailing and fulfillment providers or marketing agencies in New England. Seeking firms with strong 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.*

▶ Looking for Agency and/or Direct Mail Firm

Client in the New England market is seeking to purchase or partner with a digital agency, printer or direct mail company. Interested in a firm that might compliment or be interested in a partnership / buy in to current operation. Client is profitable and has a strong, successful sales team with an aggressive client listing active in the direct mail/fundraising arena.

Contact:

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



Strategic Buyers and Financial Buyers: Do You Know the Difference?

By Peter J. Schaefer

Know your buyer: it's baseline advice for owners of printing and packaging companies preparing to sell their businesses. This begins with understanding what distinguishes buyers who buy to own from buyers who buy to invest: the two primary categories.

Selling a printing or a packaging business is about more than just pocketing the proceeds – it's also about finding the right steward for your business going forward as you turn the page to the next chapter of your life. That's why it's important to be certain that the business objectives of the buyer are going to align with the seller's personal plans. What those objectives will look like depends strongly upon the type of buyer the seller is dealing with.

There are two broad categories: strategic buyers and financial buyers. At the risk of oversimplifying, we'll say that sellers looking for a relatively quick exit and full compensation at closing may be more properly matched with strategic buyers. Financial buyers, on the other hand, are the right partners for sellers who want to stay engaged in growing the business and are open to retaining an equity stake in it – an arrangement that can pay off nicely if and when the buyer's investment objectives are met.

We advise our selling clients to court both kinds of buyers, making sure that they understand the distinctions between the two types so that they have the luxury of making an educated choice.

Generally speaking, sellers will be more familiar with strategic buyers, who (like themselves) own printing businesses and know the industry well. Strategic buyers' reasons for wanting to acquire other companies are also familiar: for example, to expand the geographical footprint, or to add a capability that the acquiring company doesn't have. Strategic buyers usually hold onto their acquisitions permanently once they've brought them into the fold.

A Breed Apart

Financial buyers are a different breed: well-funded private investors with cash to spend within industries that they may not know particularly well but see as potential sources of high returns. Financial buyers like to build platforms of related businesses through acquisition that they can manage for maximum profitability. Very often, reselling the companies they've acquired is the end-game of their plans.

The nature of the buyer is the key to the terms that will be offered to the seller, especially when it comes to the seller's role after closing.

Strategic buyers will want selling owners to stay on for a transition period of six months to two years, but are typically flexible beyond that. In contrast, a financial buyer will need the expertise of the seller and his or her management team for considerably longer, given that the buyer probably doesn't want to be involved in the day-to-day operation of the business. This is why sellers should expect to put in at least two to three years of active participation after acquisition by a financial buyer.

There also can be a world of difference between the ways sellers are compensated by each type of buyer. In strategic acquisitions, payment in full at closing, or cash and/or earnouts over a set period of time, is a common formula. Sellers don't typically retain any equity – the transfer of ownership is 100%.

But, financial buyers often want sellers to “keep skin in the game” by rolling some of their proceeds into equity. That way, the seller and the management team stay motivated to grow the business and keep pushing it in the direction that the buyer wants it to go. In these situations, the seller often retains 15% to 35% of total equity. Strategic buyers, with their focus on integration and synergy, are less likely to offer equity opportunities to sellers.

One or the Other

Sellers of well-managed, profitable companies can judge for themselves which type of acquisition offers them the best path toward the exit from ownership that they are seeking. For sellers willing to work with financial buyers in shared-equity transactions, the rewards can be substantial.

Not long ago, we arranged for one of our clients to sell the company to a financial buyer, a private equity group, with the client keeping 25% interest. Three years later, with our help, the PE investors sold the company for more than three times the initial purchase price. Our client made more on the second transaction than on the first.

Two other clients, the owners of a flexible packaging company, weren't even interested in offers from strategic clients. Like the first client, they wanted to keep skin in the game by selling the company while retaining equity in it – which they have done, successfully.

We realize that this kind of transaction won't appeal to everyone. It's often a function of age: owners approaching retirement are going to be less excited about retaining an equity stake in the business than younger ones. They prefer to take their proceeds at closing and withdraw at their own pace. Others don't want to deal with the distractions of working for financial buyers who would rely on them both to run the company and to find additional businesses to acquire.

Shedding and Sharing 'Skin'

But, shared-equity deals can be flexible. One of our clients is a retiring owner who has children in the business. The equity that he retains in the sale will go to them, so that the skin in the game becomes theirs. The shareholders of another client worked with their PE buyers to convey an ownership stake to a professional manager they had hired to run the company after their retirement – a rewarding solution for everyone.

These are all good examples to learn from now that the industry is returning to normal after the beating it took from COVID-19. We found that during the pandemic, the financial buyers remained very interested in getting transactions done. They had the funds, and they were hungry for good deals. Strategic buyers, understandably, were likelier to hit the pause button while they steered their own companies safely through the crisis. But the strategics are coming back, finally seeing that long-overdue light at the end of the tunnel.

Given the attractive economic and lending climate we're heading into, we expect there to be more activity by both financial and strategic buyers as companies come onto the market to be acquired. But our advice is, hear every offer out. Weigh the details against personal aspirations, and decide which form of acquisition is going to be more consistent with what the seller wants to do. There's no better basis for making the call than that.

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.

Phone: (610) 230-0635 | Email: info@newdirectionpartners.com | Website: www.newdirectionpartners.com

Corporate Office: P. O. Box 496, Valley Forge, PA 19481-0496