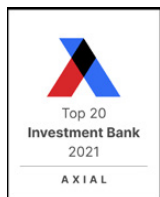


NEW DIRECTION PARTNERS

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.

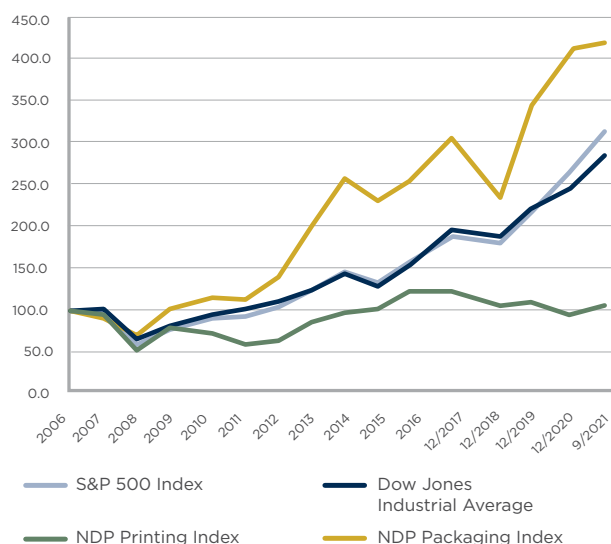
Recent Transactions

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

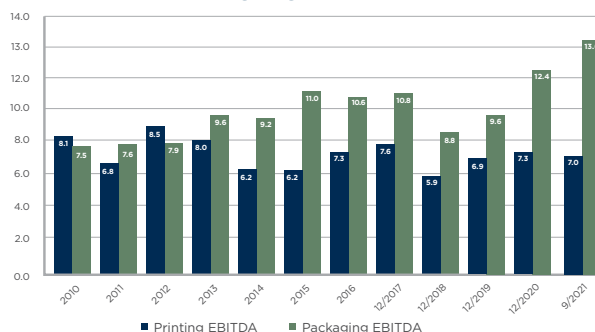
- ▶ Sale of Apogee Industries to Legacy Labels, LLC. New Direction Partners represented the Seller.
- ▶ Sale of Kingston Printing of Eudora, KS to Conquest Graphics. New Direction Partners represented the Seller.
- ▶ Sale of Overflowworks.com to Amsive. New Direction Partners represented the Seller.
- ▶ 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.

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

- ▶ Randy Camp will be attending the PIAG ImPRESS event on November 3, 2021 at the Delta Flight Museum in Atlanta, GA.
- ▶ Paul Reilly & Peter Schaefer will be at Digital Packaging Summit in Ponte Verde, FL November 8 - 10, 2021.
- ▶ Paul Reilly will be presenting at Xplor Conference in St. Petersburg, FL November 16 - 18, 2021.
- ▶ Jim Tepper will be at PIAAlliance Franklin Event on November 17th at Club 101, New York City. Honoring Tom Quinlan and Michael Duggal.
- ▶ Peter Schaefer will be speaking at the SPIRE Conference in Weston, FL on February 20 - 20, 2022.

Recent Webinars

- ▶ NAPCO hosted a recent webinar “A Creative Approach to Selling Your Business: Capitalizing on the Latest M&A Trends”, presented by Peter Schaefer and Jim Russell.

Are you thinking about selling your printing, packaging or display graphics company? As M&A experts in the printing, packaging and display graphics industries, Peter Schaefer and Jim Russell of New Direction Partners will be discussing the steps potential sellers need to be taking as they plan for a sale. With many years of experience in this area and having facilitated more than 300[CS1] industry mergers and acquisitions, New Direction Partners has its finger on the pulse of the latest trends, opportunities and barriers in what is arguably one of the most dynamic M&A environments we have seen in many years. In this session, you will learn:

- ▶ The steps potential sellers should be taking to prepare their companies for sale;
- ▶ The different types of buyers who are active in M&A in the printing, packaging and display graphics industries;
- ▶ The types of deals we are seeing and how they are structured; and
- ▶ How best to translate all of this to your decision-making process.

Even if you don't see a sale on your immediate horizon, this session will provide you with valuable information and insight about the best ways to position your company so you are better prepared if and when that time comes. [View presentation here.](#)

- ▶ 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](#)

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- ▶ GAA and PIA Alliance 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.](#)

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- ▶ 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:
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 - ▶ Leadership and Ownership changes.
 - ▶ Ensuring bench strength.
 - ▶ Valuation methods.
 - ▶ [View presentation here.](#)

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- ▶ 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

▶ For Sale Marketing Service Provider located In Western US

Our client specializes in working with multi-location companies and franchisors in providing a broad variety of marketing material. The Company offers offset, digital and wide format printing along with graphic design and extensive direct mail capabilities. Total revenue in FY2021 was approximately \$4.2M and it employs 29 individuals. The majority of its customers are located throughout the United States. The Company was established in 1979 and ownership wishes to retire and is willing to remain with the Company through a reasonable transition period.

Contact:

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

▶ Marketing Service Provider located in North Texas

Our client provides turnkey print solutions; E-Commerce and fulfillment, Direct mail services and data management. This firm has 2021 projected revenue (print/postage) of approximately \$4.2M; EBITDA - \$162K. The Company's owner wishes to find a strategic buyer who can provide additional capabilities and capacity. The owner would like to remain with the acquiring company in a sales role focusing on existing and new account growth.

Contact:

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

▶ 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.

▶ 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.

▶ 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:

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

▶ **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.*

▶ **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.*

Firms Seeking Acquisitions

▶ **Multi-National Firm Seeking Adhesive Manufacturer**

Our client is a multi-national firm seeking to purchase an adhesive manufacturer in the U.S. The adhesive manufacturer should service the printing, packaging and paper converting markets and preferably be between \$5 million to \$30 million in sales. Our client's strategy is to purchase a company with a committed team to support its strategy of expanding its global manufacturing footprint.

Contact:

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

▶ **Buyer Seeks Acquisition of Firms within 200 miles of Indianapolis.**

Our client is interested in acquiring print and/or a marketing service providers (MSP) with strong digital and mailing capabilities and located within 200 miles of Indianapolis IN. The ideal firm would have sales between \$4M - \$10M.

Contact:

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

▶ **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.*

▶ **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.*

▶ **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.*

▶ **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 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.*

▶ 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.*

▶ 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.*

▶ 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 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.*



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

By Peter J. Schaefer

The stage of acquisition known as due diligence is the deep-dive part of the process: a scrupulous reality check that takes place between the buyer's submission of a letter of intent (LOI) to acquire and the formal closing of the deal. In due diligence, the buyer reconfirms that all the details of the transaction are in fact what they appear to be. It's basically about avoiding the kinds of surprises that trigger buyer's remorse after ownership changes hands, when it may be too late to do anything about them.

The LOI usually will specify that the buyer has 30 to 90 days to complete due diligence, during which time the financing and the preparation of legal documents also will be finalized. In our experience, a 30- to 60-day window is wisest to shoot for, as it encourages the buyer to bring potential negatives to light as quickly as possible.

Think of due diligence as a cross-examination of evidence previously presented. The goal is not necessarily to add new information to the picture, but to vet and verify what the buyer already has learned about the company he or she intends to purchase. This means asking pointed questions that the seller, hopefully, will be candid in answering. The due diligence checklist that we recommend to our acquisition-minded clients would include, among other things, the following key points:

Understand company culture. Sadly, many a deal has failed because the seller's values and behaviors didn't align with the buyer's. Without this kind of harmony, no acquisition can succeed in the long run. Admittedly, "culture" can be a tough thing to gauge, but getting personally acquainted with the seller and key management personnel during negotiations will provide clues. So will finding out whether the company boosts morale by congratulating employees on their birthdays, hosting picnics and holiday parties, or conducting other team-building activities. These things can be every bit as vital to the health of a business as its sales.

Confirm quality of earnings, with support for major assumptions being made. A buyer will want to ensure that recent revenue and expenses are accurate, and have not been impacted by some unusual, one-time event: for example, loan forgiveness under the Paycheck Protection Program (PPP). Another area to investigate is validating add-backs: confirming that expenses a seller has represented as discretionary and will not be incurred after closing are in fact not key to business success. Depending on the buyer and the size of the transaction, a third-party firm is frequently engaged to perform the Quality of Earnings report.

Beware client concentration and sales vulnerability. A "20/80" imbalance in the client list, with a small number of accounts producing an excessively large share of total sales, is an obvious red flag. Losing any of these accounts post-sale would be a severe financial blow. To assess that risk, the buyer should visit the seller's top customers as part of due diligence - but only at the very end of the process, perhaps a day or two before the anticipated date of closing. This is the surest way to get a sense of their immediate moods and the strength of the relationships that the buyer is about to inherit.

Identify tenure and concentration issues among the sales team. Along the same lines, the buyer will want to find out whether the seller has placed too much business in the hands of too few salespeople - especially long-serving sales reps who might decide to leave and bring their accounts with them once the new owner takes over. Due diligence is an opportunity for both parties to review who has what and, if necessary, redistribute the accounts more efficiently.

Compare business pricing models: low-cost provider vs. high-margin producer. A high value-added printer enjoying better-than-average margins gains no advantage by acquiring commodity work sold at prices that will be difficult to raise to market rate. Scrutinize the seller's customer list for low-ball accounts, and plan accordingly.

Determine the management team's long-term intentions. How can the buyer be sure of retaining key personnel whose presence will be essential to making the transition of ownership a success? This is something to nail down with the help of the seller, who may, for example, offer the key players bonuses for staying on for a set period of time. In most cases, senior managers with long records of service probably won't be thinking of leaving – but taking steps to cement their loyalty is still a good idea.

Working capital needs: does the working capital target provide enough capital to operate the business going forward? In its simplest form for a business transaction, working capital equals current assets (accounts receivable, inventory, prepaid expenses) minus current liabilities (accounts payable, accrued liabilities). A transaction based on a multiple of EBITDA includes a fixed amount of working capital as part of the value of the company being acquired. This is the money that the buyer will use to run the business for the first couple of months after closing. If it's not enough to cover day-to-day requirements, the buyer will have to put in his or her own cash to bridge the gap.

CapEx requirements: will the acquired company need a significant CapEx investment in the near term, after the deal is finalized? If the seller's equipment is being purchased as part of the deal, the buyer ideally will want that equipment to have a substantial amount of productive life left in it. But, if a press is at the end of its tether, its capacity will have to be replaced – at the buyer's expense, post-sale. This usually means reducing the purchase price by the amount of capital expenditure needed. Expert equipment appraisal during due diligence will clarify the buyer's likely CapEx obligation.

Customer perceptions: how is the company being purchased viewed in the marketplace? Alignment with the buyer's image and goals is crucial. Combining two companies with clashing reputations can never produce a whole greater than the sum of the parts, and customers will be the first to spot the mismatch. They know the difference between low-end shops and industry leaders. No aspect of the deal should be allowed to compromise the favorable marketplace perception that the buyer has worked hard to build and maintain.

Confirm that the property has no environmental issues. If building and grounds are being acquired as part of the deal, they must be fully compliant with all environmental regulations. Look at records of past inspections, noting any violations, fines, and corrective actions related to them. Find out also whether there are situations on the premises, such as buried fuel tanks, that may need remediation in the future. Consultation with an environmental specialist may be needed here.

These recommendations don't cover every angle of due diligence, but they highlight the care that buyers must take at every step of the way toward the home stretch of the acquisition. Strict attention to detail is the best prescription for sleeping peacefully – and confidently – on the night before closing.

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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