

New Direction Partners Co-Founder Paul Reilly Easing into Retirement

Please join the New Direction Partners team in wishing Paul Reilly success in his next adventure. Reilly has announced that he is in the process of retiring after a long tenure in the industry, beginning when he joined Polychrome in 1978. "I still have some engagements ongoing," he said, "and I will continue to work with my clients until their needs are satisfied. Support, honesty and hard work on behalf of clients has always been a hallmark of my career, and that is not changing." Reilly remained at Polychrome until 1993, at which time he was President and responsible for the Americas and Australasia.

Reilly notes that printing was not a new industry to him, even way back then, saying, "My wife comes from a family of printers. Her father was in printing as a photo engraver, and her grandfather was a print salesperson. Of course, back then offset wasn't nearly what it is today, and there was a lot of skepticism on the part of my photo engraver father-in-law that manufacturing and selling offset plates would provide a good living for my family. Of course, in the end, offset put his business out of business because it replaced what he did. And we have seen that happen over and over again as new technologies have emerged and replaced more traditional processes."



His point is that people in the industry that have changed the way they look at their businesses, and have been open to adopting new technologies, new ways of thinking and new ways of providing value to their customers are the ones who have been most successful in the long run.

Paul then ventured into the production side of the business as a partner with Gerald Mahoney in a Jersey City envelope company, Pavey Envelope & Tag. That was the beginning of an acquisition spree which evolved into Mail-Well, later renamed as Cenveo, where Paul served as President and COO from 1998 to 2001, ultimately accepting the role of President, CEO and Chair of Board of Directors until he left the company in 2005. During those years, Cenveo became one of the largest players in the North American printing industry, specializing in offset and digital printing, custom and stock envelopes, and business documents and labels, and positioning itself as offering one-stop services ranging from design through fulfillment.

According to Cenveo's company history, "From its incorporation as Mail-Well, Inc. in February 1994 through 2000, the company bought 59 businesses, serving as a leading consolidator of what it called the 'highly fragmented printing industry.' Revenues grew from \$260 million to \$2.43 billion, but the company was saddled with more than \$1 billion in debt just when the economy soured. Mail-Well spent the next few years streamlining its operations and jettisoning underperforming lines of business, before emerging in 2004 as a slimmed-down and more focused firm with a new name, Cenveo. Ultimately, the company acquired more than 200 companies, giving Reilly a deep understanding of the M&A market, especially as it related to the printing industry. It was also the start of building a substantial network of contacts throughout the industry, both on the producer and supplier sides, which positioned him well to enter the M&A advisory business, first with the founding of Compass Capital Partners, and ultimately co-founding New Direction Partners in April of 2009, together with Peter Schaefer, Jim Russell and Tom Williams. Over time, the company added five directors, all very experienced printing industry executives, to build it into its form today.

Since that time, the company has completed more than 200 transactions, over \$4 billion in sales value. Today, Reilly says, there are still opportunities in a consolidating industry to do roll-ups, perhaps not to the level that Cenveo and others in that period experienced. He adds, "In commercial print, labels and even envelopes, there are several companies doing regional roll-ups. Essentially, they are providing for local companies a broad range of product lines and the ability to service all of their customers' print needs, including packaging to some degree."

New Direction Partners Co-Founder Paul Reilly Easing into Retirement

As to the types of buyers, Reilly identifies three primary categories:

- Strategic buyers, which are printing companies acquiring other printing companies, to broaden their geographic footprint, add new lines of business or consolidate competitors. A couple of well-known examples of this are Taylor, 4-Over and Mittera. These buyers typically contract the seller to a two-year transition period.
- Financial buyers. These are private equity companies looking to build a platform, and they find the printing industry interesting, especially growth areas such as labels & packaging or wide format, as well as software infrastructure companies. These are companies like Snow Peak, TENEX, Cerberus and others. These buyers are investing in the management team, who will need to remain with the company at least two to three years, and they typically retain the company between three and seven years before seeking an exit strategy and return on investment.
- The third category, probably less familiar to readers, are search funds. These companies acquire long-term to indefinitely and do not always maintain the existing management team, yet they do tend to retain employees. Active search fund operators include Sun & Moon Capital, Clear Bridge, Carmel Hill Acquisitions and others.

He notes that all three categories are quite active in the printing and packaging industries today, and likely to remain so for some time.

When asked what the most important piece of advice he would have for the owners of a printing or packaging business, his response: “Embrace change. You don’t have to be on the bleeding edge, but you do need to stay current with emerging trends. For example, having technology-enabled interfaces with your customers that allows them to easily do business with you 24/7. Incorporating digital printing is also important in terms of offering more flexibility in run lengths, time to market, personalization and more. Analog printing will still be around for some time, of course, but as run lengths shorten, the speed and quality of digital continues to increase, and there is demand for faster time to market, digital printing will continue to play an important role. I would say that in the next ten years, there will be a significant reduction in the number of new offset presses manufactured.”

Reilly concludes, “Even though I am on the path to retirement, I am as busy as I have ever been, working with clients I have supported for many years. And the outlook for New Direction Partners is equally positive. We had a record year in 2021, and we expect 2022 to exceed that. I also sit on several boards, and will continue to do that, as well as explore other business opportunities, especially in the arena of clean energy. You won’t find me sitting on the porch in a rocking chair, but I do feel it is time to look at the next chapter.”

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.