

Year-End M&A Wrap-up: Enthusiasm, Energy, and Continuity

By Peter J. Schaefer



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Trends seen throughout 2021 explain why the present moment is a bright one, and the right one, for buying and selling printing and packaging companies.

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Anyone wondering about the present pace of mergers and acquisitions in the printing industry need look no further than December's announcement of the [merger agreement](#) between RR Donnelley & Sons and Chatham Asset Management, LLC. The fact that this blockbuster news came toward the end of 2021 is no surprise, since the entire year has been churning with deals that resemble it in intent if not in size.

Judging by what we have seen, 2021 is everything that 2020 would have been in terms of M&As if not for COVID-19 – and possibly even more. We expect to find the same forces at work in the M&A marketplace in 2022 – great news for prospective buyers or sellers of printing and packaging companies, and no less a boon for those who own these businesses.

The words “crazy” and “giddy” don't exaggerate the enthusiasm on display from some buyers, especially those in the private equity sector. We currently are working with a newly formed group of P/E investors who couldn't be more stoked than they are about opportunities to consolidate in the printing and packaging space. Making this all the more remarkable is the fact that these investors have to convince their financial backers that they know how to pick the right targets in a first venture – a critical test for them.

'Haves' Are Must-Have

What gives them this degree of confidence? They know that success doesn't necessarily hinge on putting together a group of companies in which each is enjoying 15% year-over-year growth. Instead, their strategy will begin with acquiring a few “haves”: print and packaging service providers with high-end capabilities, “sticky” customers, critical mass in their markets, and the profit margins to show for it.

Then, at much lower prices, they'll surround the haves with less well enabled “have nots,” creating a platform through which they can offer the value of the “haves” to a broader customer base.

It's a bold plan, but it speaks volumes about the mood of the P/E industry when it comes to printing and packaging. The mood is infectious: we're having conversations about opportunities along these lines with at least two other P/E firms.

We also detect renewed optimism and energy among strategic buyers: owners of print and packaging firms who see acquisition as their best route to adding new customers, broadening their territorial footprint, or gaining capabilities they do not offer. Strategic buyers are haves. Their targets often are underperforming have-nots who have realized the time has come to sell. We expect the industry's have / have-not dichotomy to go on driving deals and intensifying consolidation as buyers and sellers find each other.

More Headwinds than Tailwinds

Favoring the trend is the waning of the COVID-19 pandemic and the national economic rebound that we are at last starting to enjoy. Interest rates remain historically low, and banks are still willing to lend buyers the money they need. The Biden administration's proposals to raise taxes accelerated M&A activity in 2021 as buyers and sellers hastened to get deals done before new rates could be imposed. Taxation may or may not be an issue for dealmakers in 2022, but we don't see it as a serious drag on momentum.

The bottom line is that this moment is a really, really good time to be either a buyer or a seller – business conditions, after so many months of lockdown and loss, are just right again. We're betting that the moment will last into 2022, and we're advising all of our clients to jump-start any M&A plans they may have placed on hold.

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That's good news for the industry, because today, the M&A transactions taking place within it are what give it dynamism and a long-term lease on life. Smart acquisitions always create value for all stakeholders – and we foresee a great deal of that kind of value being created in what should be a most interesting year ahead.

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.