

# Trade Shows: A Learning Experience for the M&A-Minded

By Peter J. Schaefer



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*Whether or not they have current M&A plans, those attending PRINTING United Expo can make smart investment decisions that will strengthen their positions when the time arrives.*

As many of us plan our trips to Atlanta for [PRINTING United Expo](#) in October, it's a good moment to reflect on how a trade show of this kind connects to the general trend of mergers and acquisitions in the printing and packaging industries.

Of course, company owners and their teams don't go to trade shows with M&As uppermost on their agendas. But, the capital investment decisions they make at these events have something to tell us about who will fare best as buyers or sellers after the purchasing agreements have been finalized and the technology has been delivered and installed.

If our show-bound clients have their sights set on anything, it is expanding their digital capabilities not just as producers of print, but also as controllers of the data that drives virtually all graphic production today.

One of them, a well-known provider of direct marketing services, is convinced that the next acquisition it makes should be of a business that specializes in data analytics. Our client understands that once a print-based company has mastered data management to a point where it can plan and execute end-to-end multichannel marketing campaigns for its customers, it is out of the price commodity trap that less data-proficient producers may find themselves unable to break free of.

## **The Multichannel Imperative**

One takeaway from PRINTING United Expo surely will be that staying competitive as a printing or a packaging company means being able to support customers in multiple channels of marketing and business communications.

A multichannel provider becomes "sticky" to its customers once they realize that going to a competitor would be an unacceptable sacrifice of the advantages the existing relationship gives them. Experience also tells us that the multichannel "stickies," with their outstanding profit margins, command customer loyalty and premium pricing multiples when they position themselves for sale.

Printing and packaging trade shows are by their nature equipment shows, and at this one, we expect digital printing solutions to take the spotlight. The industry's shift to digital, and particularly to digital inkjet, is unmistakable.

Another of our clients, a \$60 million commercial printer, now produces the bulk of that volume digitally with just one sheetfed press remaining in its offset department. Others tell us that they're holding off making additional offset investments because they believe that genuinely long-run digital presses are on the brink of coming to market.

This isn't to say that offset is fading from the picture – its place in the print manufacturing mix is secure, above all for high-volume packaging. But, it does point to the fact that producers know it's no longer enough, in most cases, to be an offset-only operation.

The good news is that the path to diversifying for profit leads in many different directions: for example, to promotional products, an ancillary business that many mainstream printing operations are doing very nicely with. Fulfillment and logistics also come to mind. PRINTING United Expo should be a great venue for exploring these and a host of other possibilities for firms that want to branch out.

## **'Cloud Nine' for Private Equity**

We know of one group who are eager to treat the show as a learning experience: private equity investors, whose interest in printing and packaging has been intense for a good number of years now. A PE buyer whom we invited to the Expo last year came away almost on cloud nine after discovering how multifaceted the industry is and how technologically advanced it has become.

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PE investors are opportunists, and mature, fragmented industries such as printing and packaging offer them precisely the kinds of opportunities they thrive on.

What attracts them initially is being able to create synergies and reduce costs among the pieces they acquire. Once the investment platform has been built up as a “have” – a multichannel profit leader – the PE investor then can expand it either by adding more “haves” or by acquiring less sophisticated “have nots” and the cross-selling opportunities they bring with them. This year’s PRINTING United Expo should be fertile ground for private capital seeking to plan and execute along these lines.

## **No Slowdown Detected**

We’re sometimes asked what effect the rising cost of money is having on capital investment and on the availability of funding for M&As. Judging from what we’re seeing and hearing, neither activity has slowed down much because of increased interest rates.

Banks and other sources of financing are still lending, and the M&A market remains a great place to be for both buyers and sellers. A recession – at least for now – appears to have been avoided. Where we find reluctance to invest, it typically has more to do with personal reasons than with doubts about the state of the economy.

On the eve of the show, our advice about the timing of capital spending bears repeating. Owners planning to sell their companies should also be planning to invest in the equipment and technology they need to keep the business competitive, even as they strategize a personal exit.

## **Now Rather than Later**

Remember, a buyer who sees a gap in the seller’s capability will have to fill it by purchasing the press (for example) after the deal closes. That will reduce the offering price accordingly. It’s better for the seller to make the investment now than to let deferring it complicate negotiations later on.

New Direction Partners will be on hand throughout PRINTING United Expo for the same reason as everyone else who’s planning to attend: to see and appreciate everything the industry now consists of in one all-encompassing experience. We’re especially looking forward to networking with clients, friends, and new acquaintances about M&A preparation or anything else that bears on managing a printing or a packaging business. If you’re going, have a great show – we definitely expect to!

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](http://www.newdirectionpartners.com).