

# Why and How to Make the Most of Trade Show Opportunities

By Thomas J. Williams



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*With its full calendar of trade shows, 2024 is a great moment for owners to get up to speed competitively by adding the capabilities, products, and services that their customers – and their prospective buyers – expect them to have.*

Three major international trade shows for the graphic communications industry – the just-completed drupa 2024 event, Label Expo Americas, and PRINTING United Expo, both in September – mark this year as an exceptional opportunity for those who are ready to invest in new production technology. It's a double opportunity that adds capability to the business now and improves valuation when the time comes to sell the business to a new owner.

Valuation – the process of determining the worth of an asset or a company – has many different components. But for a printing business, none is more important to making a favorable determination than the state of its equipment.

The highest valuations, along with the most rewarding selling prices, belong to companies that have embraced technology by investing substantially in it. Businesses that continue to rely on outmoded legacy equipment get the opposite reaction when they go to market.

## **Shortcomings Are Costly**

From the buyer's point of view, a competitive capability that the seller lacks – say, wide-format printing or label and packaging production – represents an investment that the buyer will have to make after the sale is complete. The seller experiences the decline in valuation in the form of a reduced offer from the buyer, who will deduct the amount that he or she expects to spend on whatever needs to be added.

Our most successful selling clients are always the ones who don't hesitate to equip their companies to provide the products and services that today's print buyers find most desirable. On the other hand, owners of chronically underinvested companies may have nothing more to look forward to than selling their book of business and liquidating their obsolete machinery – a less remunerative way to wind down.

The goal, therefore, is to invest in a way that increases the valuation of the company beyond the cost of the investment. This is what makes 2024, with its full calendar of trade shows, a great moment for owners to get up to speed competitively by adding the capabilities, products, and services that their customers – and their prospective buyers – expect them to have.

For owners planning to sell in the near term, there are a few points to keep in mind about timing and debt. Assuming that a major purchase of equipment is made at any of this year's big shows, it wouldn't be realistic to put the company up for acquisition before the equipment is installed and running in full production – most likely early in 2025. Then, expect to spend the balance of next year marketing the business and closing the transaction.

For most owners, buying new equipment will mean taking on debt. Because companies typically are sold on a debt-free basis, any debt remaining at closing will be retired in one of two ways: by the seller, from proceeds received from the buyer; or by the seller, who assumes the debt and reduces the offering price accordingly. The net impact on the seller is the same in both cases.

## **Reality of Interest Rates**

Along the lines of financing, we all have seen what has happened to interest rates since the Federal Reserve started raising them in March 2022. But, those who are letting the higher cost of money hold them back from making the investments their businesses need should remember that we have been here before.

The fact is that the rates we are currently seeing are the same rates that printers typically have paid prior to 2020 to borrow for capex purposes. They are what they are, and reductions to their former near-zero levels are not likely to happen. Banks and other commercial lenders remain willing to help printers acquire equipment as well as other printing companies. There's no point in using rates as a justification for deferring investments that can and should be made for the sake of valuation right now.

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It's better to concentrate on finding these opportunities at trade shows like drupa, Label Expo Americas, and PRINTING United Expo now that we can attend them again after the COVID hiatus. Of course, showgoing isn't the only way to build an investment plan. Owners can also pinpoint their needs through consulting with customers, staff, and, vendors; conducting market research; following the trade media; and networking through peer groups and trade associations.

Getting the most from the shows starts with assessing the company's present capabilities and determining what it needs to add or upgrade. Compiling a short list of preferred vendors for each item to be researched will make the show floor easier to navigate.

## **Go to School at the Show**

Trade shows aren't only about kicking tires on new equipment. They're also exceptional venues for personal education with their multi-day agendas of keynote presentations, vendor briefings, and breakout sessions. These programs detail new technologies coming to market and the ways printers can use them to improve performance and profitability. They're well worth the time of sitting in on.

In the exhibit halls, remember that increasing the attractiveness of the company to prospective buyers is the whole point of the exercise – if not now, at a future point when selling will be most advantageous. Look at the company as a buyer would perceive it, and identify the assets that the buyer would want an acquisition to include. That's the best way to have a good show this year and a great transaction whenever the moment to sell is right.

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).