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SPECIAL FEATURE

Special Feature:

Small, Local Mergers on the Rise

By Carol Brzowski

Amvest Financial Group in Independence, Mo., is an investment banking firm that specializes in mergers, acquisitions, and corporate financing, and includes a focus on the printing and graphic arts industry. The firm, which has been in business for 27 years, does work throughout the United States. Its president and CEO, Charles Oppenheimer, has owned printing companies and a daily newspaper in his career. Recently, *Printing News* interviewed Mr. Oppenheimer for his take on the current state of mergers and acquisitions in the printing industry in the United States.

Q: What is the future for mergers and acquisitions in the commercial printing industry?

I see local and regional com-

panies buying each other and merging. We're seeing it now based on calls we're getting and the people we are talking to. You will still see the occasional acquisition by Consolidated Graphics, for example. You will see the occasional big company get bought by another one. Some of these are equity group-backed companies, so they typically want to exit at some time. You are, unfortunately, going to continue to see people go out of business.

Q: How does the printing industry stack up against the background of other industries? How does the merger and acquisition environment differ within this industry?

I think there are exceptions, but I'm not sure that a lot of other industries are facing the

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same challenge the printing industry is. The printing industry has to re-engineer itself as to how it does business. You can't just do what you did for the past 10, 20, or 30 years. Other industries are probably not going through the same changes. There are different changes, some manufacturing, others going offshore. In some service companies, there are more larger players than there are in the printing industry.

Q: How does the economy affect a mergers and acquisitions frenzy?

There's not going to be another frenzy. I don't think you are going to return to the 1990s from a commercial printing standpoint in mergers and acquisitions activity. The economy is certainly showing signs of picking up, but the industry has changed. It doesn't necessarily mean that sales are going to automatically increase and you're going to have plenty of money to be able to go out and do all the things you want to do. I think the economy, in the loosening of some of the banks as far as lending money, will make some difference. During the last couple of years, it's been a real challenge to get financing without putting a heavy amount of equity into the deal.

Traditionally, printing companies are

not necessarily rich companies, and there are very few equity groups that have any interest in backing consolidations in commercial printing because they look back and say, "Okay, look at the equity groups that backed the various consolidators in the 1990s and where are those companies today?" They've gone out of business, or into Chapter 11. I don't see a great return to that.

Q: What kind of company these days would benefit most from becoming part of a mergers and acquisitions effort?

Someone who wants to grow and diversify. You also have to have the right people to run it. You have to understand your customers. To me, a printer today is not a printer—they are a solutions provider. They need to connect to their clients to find out what they need. The printer who walks in and says, "What do you have for me to print today?" isn't going to be here that long because so many of them are competing on price.

You ask printers, "What sets you apart?" They say their service. Frankly, if you don't have service, you are out of business. That's a 50-years-ago thing. Or they may say, "We have great turn-around time." The same thing applies. The customer wants it when he wants it. If you get it to them, you get the next order.

The next one is, "We can produce it cheaper." Well, so what? You've got five

printers calling on the same company. The last one gets the job and loses money. That doesn't help anybody. It's important to go in and offer solutions. Take a day and go listen to your customer. What do they do? How can you help them? The printers who have done that have become very successful.

Q: How do the strategies of the firms doing the consolidating differ now from five years ago? What are these companies looking for?

One thing that's fairly plain with what they've done is they've occasionally been buying companies and folding them into their existing plants. What they're really looking to do is grow sales. I think a lot of people who were consolidators at one time were frankly out there to buy companies to keep the stock prices up and to make the numbers look good. I question whether Consolidated is still a true consolidator. They've been around so long you can call them a real printer. They're going to continue to grow because they are going to make that occasional acquisition. Are they going to go out and buy 20 or 30 more companies in the next couple of years like they did before? No, I don't think so. They're going to want to grow strategically in locations where they may need them and opportunities where they can still be a company and fold it in, like in a market they're not in.

Q: What makes a good marriage between a consolidator and a commercial printing company these days?

From a consolidator's perspective, it's sales. They gain a management person who maintains a presence in an area they didn't have before or they gain something into a new segment where they didn't have the capabilities before. From the point of view of the person who wants to cash out, there are different reasons. In some cases, maybe they just see that there are too many challenges to being an independent owner of a printing company today and they are not necessarily old enough to retire. They want to stay in and they'd like somebody to support them. They want somebody who is going to bring training to them, bring in sales, and the ability to buy that new six-color press they feel they need, [even though they] don't want to tie their names to \$2 million.

From the seller's point of view it can certainly be succession planning. They obviously like selling to a consolidator because they have the financial ability to pay cash, or they are strong and sound enough that you know that if you take 75 percent in cash and you get a note for 25 percent that you are going to get paid. The guy across town, you can't necessarily be that sure of. **PN**

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