

Print Business

Couple of the new entrants into the SNV Value Focus Fund are in the print business – QUAD.Graphics (QUAD), a \$4 Billion commercial printing business for magazine publishers and Courier Corp (CRCC), printer for Gideon Bibles and Pearson, publisher of educational textbooks. While QUAD has been acquiring its' competitors, CRCC has been shutting down plants.

Barnes & Nobles, Borders and other book stores have been closing down as more of the literature and newspaper are being made available online. Obsolescence fear, shifting in the relationship dynamic between publisher/printer and the ubiquitous, growing presence of soft print reading material is weighing heavily on the current publishers. However, we feel this is not going to make the publishers obsolete in the long run.

We like these businesses because they have a tangible asset base and tend to be older businesses with predictable cash flow. Also, they are sold at a discount relative to other industries – normally at 3-4x Equity/FCF. As such, if the business goes out of business, there is considerable downside protection in the form of buildings, assets and land holdings. Until obsolescence is fully in place, the companies should generate reasonable cash flows. We don't expect any of these large, print publishers to go out of business in the next 10 years. So, we feel comfortable investing in these businesses.