**Turn Around Case Study: The One We Got Away With**

**Setting**

Australian Print Group (APG) was the 4th largest printing company in Australia. APG employs over 300 staff in a Victorian country town.

While book printing is the main line of the business, APG also does other printing and run the printing, warehousing and distribution needs of major publishers who provide subscription updates to their clients like legal and accounting practices.



The financial structure of the business was changed dramatically when one of the founding shareholder / directors offered to buy out his fellow shareholders. Not only did this cause a loss of experienced management, it also meant a huge increase in debt. To fund the leveraged buy out, over $14 million was borrowed from the bank – on an equity base of just $3.5 million.

A tough, competitive industry became tougher after the introduction of the GST. Previously, book publishers would stock up retailers with many copies of a potential big seller. If the book did not sell, the publishers would take back the books and pulp them. For a printing company, this was great – plenty of orders and long production runs. With the introduction of the GST and the problems of claiming back GST on book credits, publishers took the opportunity to simplify their business. They refused to take back any unsold books from the retailers. Overnight, retailers halved their book orders. Publishers responded by seeking faster response from the printers, shorter production runs and no increase in prices.

Profits and cash flows among printers plummeted. The second largest printer, Diamond Press eventually went to the wall owing its bankers nearly $200 million.

While smaller and with less debt, the problems in APG were no less acute. APG was starting to default on its loan conditions and there was a very nervous bank. With specialized equipment in a country town, the recovery amount in a liquidation was likely to be less than 25% of the loan amount.

**What we did**

We quickly analysed what APG needed to do to realign itself with the much tougher environment. Costs were cut and product lines streamlined. While we did not lay off permanent workers, we analysed where the overtime and rostering rorts were occuring and cut those.

We also identified erros in the costing and pricing systems. APG won the biggest book printing order for one year (a Harry Potter book) and lost money on it. At the time, the publisher was desperate to find an Australian printer who could deliver in line with the world wide book release.

Gaps and problems in the management team were identified and shored up – in particular, a good finance manager was appointed.

Key aspect in winning business was quote response time and ability to deliver. By the time APG managed to calculate its quote, the client had often made a decision elsewhere. We fixed up the response time to quote and to deliver and began winning more business.

By the time the bank called in the company about its loan defaults, we were able to present a detailed turn around that was already being commenced. This gave the bank confidence to give us more time.

Next, we approached the 3rd largest printer, McPhersons, to discuss possible production synergies: joint purchase of paper; smoothing out production peaks by sharing production and so on.

McPhersons were so impressed by the demonstrated synergies, they made an offer to buy APG. In the end, the owner of APG realised several millions of dollars for his business when in the dark times, he not only thought he would lose his business but also his house which was pledged to the bank as additonal security.

**The moral**

Our competitive world is changing faster than ever before. If we do not change with it and realign ourselves to the new realities, we will be left behind – or worse. The world does not owe us a living. But if we are good enough, we can make a good living.