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Threats & Opportunities Your Nonwoven Business Will Contend with In 2023

This year's decision by Department of Justice (DOJ) to derail the proposed sale of Crane's Engineered Materials segment for \$360M places more pressure on buyer and seller to be realistic in preparing for regulatory challenges; how do the firms remain poised for acquisition.

With 2023 fast approaching, it's an excellent time to take a new look at your nonwoven business to position it for success in the coming year.

With the industry changing at such a quick pace, owners need to adapt their business model to take advantage of new opportunities and protect it from new threats that may be right around the corner.

The average owner of a nonwoven business tends to spend more time working in their business, rather than working on their business, which can lead to losing sight of the strategic priorities and direction necessary for success.

Producers of nonwovens are finding success by adapting their models to accommodate some of the key trends: the rise in tech-enabled production equipment; the demand for more green materials inside of nonwovens and the impact of cross-border collaboration in the marketplace.

Smaller producer firms are having an increasingly challenging time competing given the growth in complex cross-border regulations and increased cost of business (e.g., think higher interest rates) that they may not be equipped or have the necessary expertise to handle.

Taking a proactive approach to assessing your business' threats and opportunities today will help maximize its value in the future.

Understand your business value & value drivers

With customer's needs changing, you need to consider

opportunities you may not have entertained in the past.

Think about the following questions:

- Could you be delivering your product or service in a more meaningful way to generate increased customer loyalty or engagement?
- How can you innovate your business model to deliver a better customer experience?
- Are there other complementary services that you could be providing to your customers?

Back in the good old days, if you delivered a quality product or service at a reasonable price, customers would always return. Not so today.

Businesses require constant innovation to meet the changing demands of their customers. The need to nurture and develop customer relationships is of paramount importance.

Threats to Engineered Materials M&A

We are now truly a global economy, thanks to technological advancements. While this has created opportunity for business owners, it has also paved the way for significant threats and challenges.

Consider:

- Are you seeing new and/or stronger competitors appear in your market?
- Are new technologies emerging that will impact your customers preferences or buying habits?
- Are you seeing more consolidation among producers supplying the Federal Government?
- Have you considered the impact of shrinking markets, new regulations and/or material shortages on your business?

While many of these threats may be outside of your control, their impact can be mitigated (or even deflected) with proper strategic planning.

Acquisitions to Engineered Materials Business Value

Businesses can flourish because of purchasing another company. The benefits can include instant access to new customers, products, and markets; access to new talent,

equipment, and technology; removing a competitor from the playing field; and getting a big jump in revenue, margins, and earnings.

Acquisitions can also be used to take advantage of opportunities in the marketplace as well as mitigate the impact of threats and challenges. Many producers, both large and small, have been availing themselves to acquisitions in the past several years, drawing considerable outside attention to the growing sector. Could an acquisition help you expand the scope of your Engineered Materials business by providing access to a complementary vertical market? Alternatively, you may consider using an acquisition to expand the scale of your business by consolidating smaller competitors.

Either way, acquisitions are a tool that can be used to maximize the long-term value of your Engineered Materials business. 2023 promises to be a year of both challenges and opportunities. Taking the time to craft a strategic plan to address those challenges and opportunities will benefit you in the long-term. The combination of favorable capital markets, the fragmented nature of the engineered materials industry and the desire among producers to become more “one-stop” shopping speaks to the direction the industry is moving in.

Now may be a good time to consider an acquisition to accelerate your growth strategy, capitalize on opportunities and maximize value for years to come.



About Len LaPorta

Len LaPorta is a managing director of The DAK Group, an investment bank specializing in middle-market, privately held companies. Len advises business owners on sell-side and buy-side transactions, capital advisory and valuations. He is a veteran of the U.S. Navy and former owner operator of a contract manufacturing company. He can be reached at laporta@dakgroup.com.