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Having Built Direct Marketing
Leaders Twice, The Lehigh Press'
Ray Frick Scores A Hat Trick With...

The Midas Touch

Through explosive organic growth,
aggressive capital expansion and
a renewed focus, Lehigh continues
to blossom in a consolidating market.

Raymond A. Frick Jr.,
CEO and president,
The Lehigh Press

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The Midas Touch...Again!

Ray Frick's latest formula for rebuilding another printing company heavyweight is getting back to nature—organic growth. Not an easy task in a consolidating industry.

By Erik Cagle

THERE IS little doubt that Ray Frick enjoys a challenge, and no doubt in regards to his ability to conquer one.

The CEO and president of The Lehigh Press, headquartered in Pennsauken, NJ, finds himself in familiar territory. For the third consecutive time in his career, Frick has orchestrated a commercial printer into the position of market leader.

After a highly successful career progression with major, blue chip corporations, including DuPont and Donnelley, Frick built Banta into the nation's leading direct marketing printer in 1993 and 1994 as president of its Direct Marketing Group.

Frick then weaved similar magic with Quebecor USA, where he was president and COO of the Commercial, Book and New Market Groups. He grew the Quebecor Direct Group from ground zero to more than \$300 million in sales during 1995 to 1998 by spearheading a number of acquisitions including Petty Co., Sayers Communications Group and Eagle Lithographers—as well as the reconfiguration of existing Quebecor facilities. This feat once again catapulted a Frick-led direct marketing printing enterprise to the top of the marketplace mountain.

Frick arguably found his greatest challenge to date with The Lehigh Press, a venerable, independent company that, at the time of his recruitment, was less than a year away from its 75th anniversary, but hardly in a celebrating mood given recent operating performance. Now, three years later, the champagne is flowing freely at Lehigh.

"The bottom line is up dramatically," notes Bill Love, CFO and a veteran of 27 years at Lehigh. "What we've also seen is a terrific increase in revenue generation. There's been a huge change in company spirit and the overall morale. We've had incredible improvements in the past three years and have invested very aggressively in capital...it's been literally a rebirth of our 77-year-old company," he adds. "You simply wouldn't recognize this company from three years ago. John D. DePaul, majority owner of The Lehigh Press, deserves a lot of credit for somehow attracting Ray Frick to Lehigh as CEO and president."

Frick succeeded John D. DePaul as CEO in May of 1998. DePaul served as Lehigh CEO for nearly 50 years before retiring in 1998. DePaul still continues as the Lehigh non-executive chairman and remains majority holder. Frick holds the minority ownership position. Frick is highly complimentary of DePaul's business acumen and credits DePaul as being an ideal advisor/counselor.

"John D. DePaul is literally one of my heroes in this business," praises Frick. "He is an authentic industry visionary and a truly successful entrepreneur. Imagine building a stellar book component printing company, an off-shore pharmaceutical printer and green fielding a *TV Guide*-dedicated printing facility, while also acquiring a prepress company and a premier in-line finishing direct marketing printer (Cadillac in



The Lehigh Press' senior management team includes, seated from the left, John R. DePaul, president of the Lehigh Publishing Group; and Paul Palmer, president of Lehigh Cadillac Direct. Standing, from the left, are Damon Snyder, senior vice president of operations; Ray Frick, CEO and president of The Lehigh Press; and Bill Love, CFO.

1974), not to mention a publication printer (Kansas Color in 1980), a catalog printer (Steck-Warlick in 1976), as well as a packaging company.

"All this was achieved well before 1990 and prior to the current era of printing consolidation," Frick points out. "John did it all. He has my full admiration."

Lehigh Growth Platform

The Lehigh Press is composed of four principal operating units: Lehigh Press Lithographers in Pennsauken, NJ, home to its market-leading educational book component manufacturing operation; Lehigh Cadillac Direct in Broadview, IL, its pioneering direct marketing printing division; and Colortronics, located in Elk Grove Village, IL, which houses the company's highly advanced digital prepress platform. Lastly, the Lehigh Press Puerto Rico affiliate is a leading pharmaceutical label and insert printing operation.

Frick has proven to be the ideal choice for Lehigh, since the company was positioned in two key market niches—book components and direct

mail—that both fed into his demonstrated career strengths. He immediately implemented tough love, cost-cutting measures while concurrently initiating aggressive capital investment in equipment upgrades and state-of-the-art digital technology. Frick had long been recognized as a master sales recruiter and rapidly rejuvenated Lehigh's sales and marketing engine through a combination of renewed focus and new blood.

Employee-employer relations were radically improved in 1999 with the functional decertification of the Teamsters union at the Pennsauken plant—a big management coup. This impressive company victory was followed shortly thereafter by Lehigh achieving a progressive and highly unique, six-year contract with the Graphic Communications International Union (GCIU) at Lehigh Cadillac Direct.

According to Paul Palmer, president of Lehigh Cadillac Direct and a long-time business associate, Frick's greatest leadership contribution to Lehigh clearly has been to instill a sense of renewed confidence in the future through the articulation of an exciting and achievable, long-range strategic vision. "Ray also brought to Lehigh, as he has elsewhere in the past, his extraordinary energy level and a high sense of urgency. An overall raising of the managerial expectations bar has permeated the entire enterprise. And we've all embraced this enthusiastically."

Cost rationalization combined with aggressive building activities have yielded an explosive growth rate of 35 percent over the past 24 months—with enterprise annual sales now approaching \$150 million. And, most impressive, Lehigh's growth has been 100 percent internally generated.



New Attitude, New Gear

"There's been sharp customer focus and exciting new business development in both the book component and commercial/direct marketing segments," Frick says. "We've been particularly aggressive in capital investment, with a two-prong focus on our equipment portfolio and state-of-the-art technological advances. Numerous business re-engineering activities have been prioritized and put in place. We are very gratified to enjoy exceptionally close collaboration with Lehigh's fine, talented employee population—our entire business family.

"We're an open shop again in New Jersey and our GCIU contract in Chicago is very innovative, featuring a creative and flexible approach to crewing and higher productivity with reduced crew sizes. We also offer a choice to our craft personnel of either conventional, eight-hour, five-day shifts or as of 2000 new three-day, 12-hour shift options.

The company's capital investment program hit full stride in 1999 and 2000 with the addition of four new 40" Heidelberg Speedmaster CD sheetfed presses at Lehigh Lithographers, bringing the total there to nine. Two new full-size web presses and three recently rebuilt presses form the Lehigh Cadillac Direct equipment foundation to compete aggressively. A new six-unit Heidelberg M-600 web press coupled with a very advanced, in-line finishing system is scheduled for installation later this month. Lehigh Cadillac Direct offers a total of eight web presses, each with a sophisticated in-line finishing system.

Frick attributes some of Lehigh's rapid success in its Fix...Build...Buy growth vision to its important 1999 recapitalization and financial support from Fleet Capital, whose financial backing and confidence have provided the economic resources for robust growth. Lehigh has operationally improved its overall financial foundation by a careful combination of cost-model rationaliza-

tion, focused capital spending geared toward enhanced productivity, and concurrently strengthening the company's sales and marketing engine. These goals have been accomplished while also achieving an impressive \$8 million debt reduction in the year 2000.

"The central dynamic of a printing company turnaround is normally time urgency in the presence of limited economic resources. Timely and profitable new business development is invariably vital, as well," Frick reveals. "I've been through the printing company turnaround process six or seven times over the span of my career and, I suppose, have become a bit more of a fireman than I'd ever contemplated."

A Classic Turnaround

"Lehigh had drifted out to sea a bit in the mid-'90s after decades of market leadership and financial prosperity. When we came aboard in 1998, Lehigh had become a classic turnaround situation. We brought in several new senior management figures to augment the very fine Lehigh team already in place. Our uncomplicated management approach continues to be: Simplify, Focus and Execute," Frick adds.

"We have been absolutely committed to the proposition that positive change must be revolutionary, not evolutionary. Again, our strategic mission is Fix...Build...Buy and virtually every move we make is for and about the precious customer."

Frick is the first to acknowledge that Lehigh benefits greatly from solid leadership at the divisional president level, led by Palmer, president of Lehigh Cadillac Direct, and John R. DePaul, president of the Lehigh Publishing Group. Palmer and Frick have enjoyed a highly successful, 20+-year working partnership that long predates Lehigh. Like Frick, Palmer maintains a single-minded intensity that focuses on winning in the marketplace.

"I think Ray's revitalization of Lehigh may be his crowning career achievement to date," Palmer states. "This has been exemplified in the tough, but fair and necessary, cost-cutting measures, state-of-the-art upgrades and facility enhancements,

as well as his exceptional people skills in dealing with the unions and all our internal and external constituencies.”

Palmer notes that Lehigh Cadillac Direct's sales organization has also been re-energized, as have been purchasing practices due to improved relationships with trade suppliers. Cadillac Direct is highly focused on an aggressive marketing effort—which has expanded its national scope—and a broader product offering has also been developed.

Palmer has achieved new direct response marketing opportunities, particularly in Texas, the West Coast and the Pacific Northwest. Among the markets Palmer sees on the rise: cosmetics, pharmaceutical, telecommunications, fashion and entertainment sectors, as well as e-commerce collateral requirements.

“We have an expanded array of products to include highly personalized, direct marketing components with superior-quality printing,” Palmer states. “We're offering unique applications for special coatings and adhesives—on-press UV drying and complex diecutting. We also provide proprietary dimensional printing formats or pop-ups. These exciting products have much greater retention and raise response rates, providing positive contributions to our customers' businesses.

“We believe our uniquely focused and customized customer service delivery system is our competitive edge,” Palmer continues. “When clients deal with Cadillac, they see a noticeable difference. Our response time and flexibility, coupled with our creativity and top-quality lithography, have substantially rewarded us with a growing account base.”

Book Cover Market Leader

The last 36 months have been an exciting time, as well, for Lehigh's Publishing Components division chief, John R. DePaul, on several fronts, notably the new infusion of both talent and capital accompanying Frick's arrival. In terms of the market itself, Lehigh Lithographers



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—RAY FRICK
CEO & PRESIDENT, THE LEHIGH PRESS

enjoyed a banner 2000, buoyed by an excellent performance from the educational sector. Strong new book title adoptions supported by state spending complemented the division's increase in market share.

Given that its core business is both seasonal and cyclical, DePaul states that the previous two years and the next two are considered to be very solid. Product-wise, Lehigh Lithographers won the opportunity to produce the Harry Potter *Goblets of Fire* book jacket. Other key nonbook specialty products included highly decorative game boards and game board packaging.

In addition to the aforementioned four new six-color, 40" Heidelberg Speedmaster CDs, the book component printing facility enjoyed a significant infusion of capital investment, including two new 40" Bobst foil stampers, four film laminators, a second CreoScitex platesetter, and a complete re-layout and workflow redesign of the prepress area.

DePaul states that the book component facility will take advantage of new business opportunities in order to keep the growth engine revving. “We're presently launching new processes that will give us everadvancing decorative techniques,” he says. “We have several new ideas in development at all times and work hard for our customers to help them be more successful.”

Damon Snyder, senior vice president of operations, adds that Lehigh has been very focused on improving profitability through productivity across the organization. “This has been accomplished through high ROI-yielding projects that include new technology, strong attention to

process controls and improved consumable purchasing at all levels.

“The net result has been to significantly lower Lehigh's unit costs throughout the enterprise, thus making our entire company very competitive in the marketplace,” Snyder notes.

Further expansion for the company overall is anticipated to result more from business acquisition than through continued organic growth, Frick reveals, perhaps accounting for two-thirds or so of future growth. A seasoned and skillful deal-maker, particularly from his days at both Quebecor and Banta, Frick finds himself talking to the investment banking community regarding possible M&A transactions on a monthly basis.

As for the ideal candidate for future Lehigh acquisitions, “Whatever opportunity we examine, the end game is not simply closing the deal, but rather successful integration. A target company must be financially accretive and highly strategic, offering good operational synergies. Its culture and management simpatico are also key.”

With such a consistently successful track record at printing industry leaders, as well as skillfully steering the turnaround at The Lehigh Press, Ray Frick has truly demonstrated the Midas Touch again. And one senses the best is yet to come as he ponders the numerous growth opportunities that lie ahead.

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