

Interview with Andrew Mondi

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SPEAKERS

Andrew Mondi, Steve Divitkos

S Steve Divitkos 00:00
Andrew Mondi, welcome to the show.

A Andrew Mondi 00:02
Hi, Steve, good to see you. Good to hear from you again.

S Steve Divitkos 00:05
It's great to be with you. And thank you very much for joining us today to share your story. And you have a very interesting story. You purchase a business, you ran it a CEO for over five years. And like all of us had to deal with a lot of curveballs. But before we get into those curveballs, and what lessons you extracted from them, maybe you could just tell us a bit about yourself and your story for those who may be unfamiliar with it.

A Andrew Mondi 00:35
Yeah, sure thing. And before we dive in too, I just want to say thanks to you, Steve, for, you know, all the great content that you've put out on your podcast. I'm honored to be here, and I'm a listener too, and a reader of your blog. And then also, you know, as I'm sure we'll get into, you provided some really key advice to me as I was going through my journey, and I remain grateful for that. So thank you.

S**Steve Divitkos 01:03**

And well, thank you. Your check is in the mail Andrew.

A**Andrew Mondri 01:08**

Yeah, so as a searcher I, so I searched for a little bit over a year, I was self funded. So I the business I ended up finding was a very niche, print services, business. Print Services is a huge market in the US and globally, this provided kind of niche wholesale services to other printers. At the time, when I bought the business, you couldn't even really find anything about this particular niche in the industry reports. Now it comes up, private equity is very interested in this space. But at that time, you know, this was 2015, it really wasn't even on people's radar. And so I felt that I had found an interesting niche, I had an attractive business. And that I thought I had something that was, you know, insightful here. I also liked the business because it fit with my skill set. It was a very operationally heavy sort of business. You might hear I know, within search circles, there's kind of talks that there's the sales CEO, there's the Strategy and Finance CEO, and there's the Ops CEO, and I knew going into it, I was very much the opposite CEO type guy. So I operated the business for just over five years. And it was a wild, wild, wild, ride. And and if you like we can dive into that in greater detail.

S**Steve Divitkos 02:59**

Yeah, I mean, I know obviously, just from our personal relationship, that there were a couple major, I don't know if inflection points is the right term to use, but some events that you had to deal with. And just to set the table, we had private equity coming into your market, there was a one in 100 year negative event in the form of COVID. And then there was, I guess, in a way, a one in 100, positive event that happened by way of a snowstorm in Texas that had a lot of implications for your business. So maybe we can dive into into round two, or I guess question two, I should say, which is the generalizable lessons that you took away from these experiences that others might benefit from. And as you share those lessons with us, maybe you can weave in exactly what happened and what led to each of those lessons.

A**Andrew Mondri 03:49**

Yeah, absolutely. I'll kind of start off with, you know, after I bought the business, some very close advisers and mentors, to me emphasize the importance of managing a conservative balance sheet. And I did that. And I have to tell you, all the things that I did wrong, and all the things that I did right, by far and away, that proved to be critical to a point that I just I cannot emphasize enough.

S**Steve Divitkos 04:26**

I love that lesson, especially in this environment. I just love that lesson. And I totally agree with the mentors that were obviously smarter and more experienced than I am, but apologize for interrupting you. But I just want to double click on how important that is.

A**Andrew Mondri 04:41**

Yeah. And I want to say kind of embedded in that too, is a second just absolutely critical lesson for searchers in the search phase and in the operating phase and frankly in the afterlife phase, so to speak too, that at engaging your mentors in understanding how they fit in to your team is absolutely, absolutely critical. And you have to keep those conversations going. It's very, very easy. When you're searching, and frequently it's easier when you're operating to become lonely. And in doing so, you will, you will make mistakes, you will miss opportunities. And it's the big ones. It's kind of the big silent ones that I like to think about, or will come up from time to time and one is managing that balance sheet. There's nobody there that month after month kind of says, what's that balance sheet look like, is that off by a couple percentage points here or there? Shouldn't you maybe have an extra 20,000 \$100,000 in that account, there's nobody that really has the insight in the business to be able to say that at that level, you just need to understand the general guidance that you need to be conservative here, and do what makes sense for your business. And you're the only one that can do that. So to two key lessons there. So after buying the business, shortly after buying the business, I noticed a pattern inspired by outfits like Vistaprint and Shutterfly. This thesis took root primarily in the private equity category, that basically an Omni service printing business can be built. And will be more efficient than sort of the disintegrated, not vertically integrated printing businesses, printing services businesses. And so historically you had your commercial printers that had a million dollar printer, sitting in a 40,000 square foot plant. And then they just did everything to keep that one piece of equipment running, and then they outsource everything else. So now this thesis comes into place that all of the different sorts of printing equipment needs to be under one roof. And you need to sell comprehensive services, particularly to the large commercial buyers. So in my business, I was mostly wholesale, I serviced three, I had kind of six big customers, six big wholesale customers. And I noticed over the basically over the course of weeks, three of those six got snapped up by private equity. And instead of being my biggest best customers suddenly became my meanest, toughest competitors. They basically bought equipment that was competitive to me. And I very quickly had a mess on my hands. I remember vividly going to one of the printers in kind of the next tear down going to the owner of the printer and saying, hey look what's going on, these vertically integrated players that are moving into our market are going to put you me out of business. We should team up and arrange a wholesale agreement, I can sell your services, you can sell mine, we already had a pretty good working relationship anyways. And we can take these guys on and he says, you know, Andrew, you're obviously a smart guy, because you're the only person thus far in the area to recognize what's going on. But I need to tell you that I just cut the PO for a piece of equipment that is basically designed to put you out of business. And if all goes well, I just discussed this with my new private equity owners that just bought me in my business, and which I didn't know about at that time. And we actually discuss specifically putting you out of business would be a good measure of success. Wow. Wow. Welcome. Welcome to leadership. Exactly, exactly. He said but you know, when we do you have a job here we've got a lot of respect for you and your shop. Well game on, right. So over the course of frankly a year, I tried all different kinds of things to to basically compete against this new force in the marketplace

and really with with no success. But going back to the mentors lesson, one of my mentors that was an industry guy kept telling me over and over an elderly gentleman who had been gotten out of the industry, but he said you basically need to go get one step ahead of the competition on the equipment race. And that will be, and then get out of the wholesale game and go direct to consumer. And I knew I had to go direct to consumer in some way, but I didn't know how to do it. So it took about a year before this strategy really became clear to me, and I essentially had to shut my business down for close to two weeks, I bought a new printer, a custom built printer. The thing was so big, I had to actually remodel my factory just to get it in the door. And then basically went to market at with a better class of service, both in terms of speed and price and quality than what anybody else in the market had. And I focused in on that just hammered one segment of the possible customer base, and just focused in on that exclusively. And it worked. But I have to tell you, it was so challenging taking that leap. And there was a certain degree of, you know, let's call it calculated risk taking, or recklessness. I don't know where on the spectrum that falls, I'd like to say I'm closer to the calculated risk taking side of things, but I had plenty of close advisers and mentors also say this is this is a little reckless, but I felt I was out of options.

S Steve Divitkos 11:56

Right. Because without the war chest, either caused by being conservative with your use of cash and or not leveraging the acquisition to the hilt at the beginning, that cash or that liquidity cushion provided you with the ability to withstand all of these unanticipated events, private equity coming in, your top three customers turning into your top three competitors, etcetera.

A Andrew Mondri 12:23

Yes, exactly. Exactly. And I'll just share more broadly, as I have conversations with searchers, you know, essentially, with small business operators, you know, every industry gets upended in some way, every call it two to five years, every industry does, that's business and in you. So if you're not pivoting in some way, either, then you're very lucky or something's really wrong. So and also the folks in venture capital will, you know, or the startup community will tell you this, but it's true in traditional business and in leveraged buyouts, as well is it's easy to get money when you don't need it. And it's impossible to get money when you do. So, the only way you can have money when you actually need it, is to have it beforehand.

S Steve Divitkos 13:25

So another another instance, where this liquidity was very helpful to you was more, let's call it offensive in nature. I mean, thus far, we've been discussing how liquidity was useful for you from a defensive perspective, for lack of a better phrase. But we alluded to the idea of you purchasing another business, which further underscored the importance of your liquidity. Maybe you could tell us a bit about that.

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Andrew Mondri 13:49

Yes. So as kind of on the heels of turning on my new machine, there was another business that was not far from me, that I had, another printing business that I was both a vendor and a customer of. So we had a two way wholesale relationship. And one day, my delivery driver comes in and says, I was over at the the other shop, and the front doors unlocked. But the lights are off, nobody's there. I picked up our work. I think something's wrong, you should go over there. So I did, went over there. I found the owner of the business. And he said to me, it's over. And I said, what are you talking about? And he was a friend of mine. He still is, and I said what are you talking about? He said, I let everybody go. I got my balance sheet messed up, just to summarize what he said. And I'm going to have to file for bankruptcy. And I said, No, no, let me take a look at your books, you have a nice business here. And I did. And there I saw path forward. It was a difficult one. But there was a path forward. And he, he said, he kind of fast forward, he said he just wanted out of the business, he was done. And I said, alright, how about I position myself to purchase your assets, and I'll hire you and some of your key employees. And we'll fold your business in the mind. And he said, I'd love that. And so now in that situation, the way that that all happens, there isn't time to go raise money, or anything, I there came a moment where I had to cut a check. And actually, I remember waking up that morning, still not sure what that check amount was going to be. But if I wanted to make this deal work, I needed to do that. And I said this was on the heels of installing that new printer. And again, liquidity was everything, there was absolutely everything to it. There was also a good lesson here, kind of as I've reflected on this episode here and my episode in dealing with private equity, which at that time, I still wasn't out yet. But all of these situations, too, there's always a way forward. And that really stuck with me. There's always a way forward through every business problem. There's questions around money and resources and that kind of thing. But to ever admit that there's not a way forward, probably isn't the right act in the response or the resolution. The way forward, if there's a question on if it's the right thing to do. And if it's the appropriate thing to do for all the stakeholders in the business, but to say that there isn't a way forward, is not correct.

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Steve Divitkos 17:14

So at this point, you've dealt with a negative surprise in the form of competitive pressure, you've dealt with a what I'll call a positive surprise in that you were able to buy a complementary business in a way that suited you and your company at the time. And then knocking on your door was another negative curveball that we all had to deal with. But in some industries more than others in the form of COVID, which necessitated a turnaround of sorts in your business. So maybe you can walk us through what happened there and what lessons you extracted from that experience?

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Andrew Mondri 17:51

Yeah, yeah. Well, yeah, with the new equipment, and with the distressed assets of the business, roughly six months prior to COVID, I was cash flowing better than I ever had. The business was in great shape. And everything was just looking up. What I failed to mention earlier in our conversation, Steve was this customer segment that I was focusing on, the direct customer segment that I was focusing on, after I pivoted away from the wholesale model was the events management industry. So when COVID hit, I lost approximately 70% of my top line. And, yeah, it was devastating. I had seen my sales dwindle away over the course of months. Prior to, you know, when private equity was moving in now, I saw my sales disappearing in hours. And it was particularly tough after everything, both my team and I had been through in you know, essentially in rebuilding the business and kind of only being able to see the fruits of that for about six months. So immediately I went into cash management mode, looked at my AR, my AP and made cuts in the business wherever I could. I'll say this, you know, the key lesson here is the only fair expectation to keep is what is unexpected in the business. You must expect the unexpected. And I think that there's just no other way for it and some of it goes back to by the way to the balance sheet as well. That you know the balance sheet is your insurance and against some of the unexpected. I want to mention one other interesting thing that happened in this time, when I leaned out the organization and started managing things on a very short term sort of a basis, I realized a lot of efficiencies in the business that I didn't think, frankly, were financially achievable before. And my team began working in ways that were fundamentally different than the ways that they had worked before to this drove a lot of interesting innovation. So I think a lesson on that was, don't accept your margins. We kind of have this mentality that such and such a business is a, you know, let's say, is a 50% GP business, and that's just the way it is in this industry. That's not true. When you can be in a position where you can get the focus and the resources on bringing operational excellence to the next level, you can realize outsized margins, outsized operating margins. So that was fascinating to me. And honestly, I wish I had kind of dug into that earlier, or, frankly, didn't accept this status quo, around how my business worked.

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Steve Divitkos 21:39

You know, Andrew, one thing that I want to double click on only because I went through it, too. And so it resonates with me is this idea of having to trim payroll, focus on cash, all of this precipitated by COVID, of course. You know, in my experience doing that in 2020, and so many CEOs who are running their companies in 2020, can likely resonate, that took a really big personal toll on me. And I know, it took a personal toll on you as well. And I think there was a point where you're questioning, you know, am I still learning? Am I still growing? What are the merits of persisting? What are the risks of persisting at all costs? So maybe if you could tell us a little bit about that experience? And maybe what lessons you extracted from that?

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Andrew Mondri 22:28

I was not, how do I say, not comfortable, I was not pleased, I was upset with having to let part of my team go through COVID, and I also, I remember just kind of walking around the factory. And on certain days, you know, it was too quiet, right? There's something energizing about the the noise and the hum of the machines in the factory, you know, that things are getting done.

But on some of those days, through the middle of COVID, you don't hear that, and that is haunting. And it's very dark. And so I over the course of that year of COVID, I found myself kind of, frankly, saying to myself over and over primarily due to my experience in purchasing the the assets of the distressed business with there is always a way forward. Right. That was kind of the lesson that I took at that time, there's always a way forward. Versus is this really the right thing for this business right now? And is this the right way forward? So is there always a way forward? Versus Is this the right way forward? And that's an important, a really important sort of reflection or something, it's really important sort of thought exercise, and I would urge all of your operating listeners to contemplate what's the right thing for this business? And I think, you know, so the way I defined what is right for the businesses? Well, you know, who are the key stakeholders here, it's the customers, it's the employees. It's the brand. And I found myself, I think those are kind of the easy ones to check off. It's the provider, right? It's the equity holders, you know, those are the easy ones. The one that's hard to add to that list or that I found hard to add to that list was me. You know, and there came this point where I just said, I'm not learning anything anymore, I'm not growing. I'm going essentially through a second turnaround. The first turnaround was hard enough, here's the second one now. And this one is just so, it's the result of, as you said, a once in 100 year catastrophe. And, and it didn't feel right. So I can't really point to an exact moment. But over the course of that time, I just said, some kind of exit has to happen here. It's the right thing to do for all of the stakeholders, and including me. And in particularly recognizing kind of what had changed in the market more broadly. So and I think also, look, I've done endurance, sports, triathlons, and swimming, and running and all that stuff. And, you know, I think, I think that teaches persistence. And persistence is a great, and valuable lesson. But it's a great and valuable lesson. But I also think that you'd like every lesson, every good lesson, it comes with a cost. And persistence is an interesting one, because there's a bit of an ongoing cost to it. And I just realized, I am investing time in here, and what am I getting back for it? And frankly, what am I stakeholders getting back for it too, but what am I really getting back for it. And the thing that really, you know, brought it into focus is when I said I'm not learning, I'm not learning anymore. And so that's where I knew it was time to move on. So that brings me kind of into the last chapter here. And that was, so I started quietly shopping the business around. And I realized, I sort of wavered I'll say back and forth between this is the right time to sell this is not the right time to sell. You know, I should wait until the Event Management market comes back. Well, I had a relationship with a gentleman that was doing a roll up in the space that I had met years before. And we talked about a deal kind of at a very high level. And then he came with a formal proposal. And it wasn't where I felt it needed to be. And so I said no. And you know, that's fine. We'll keep the conversation going over the ensuing years, and it's a great. And so, in this process, I should also mention, quite some time before, really during the first turnaround, I had started making arrangements to move the business further away from the city center to reduce overhead. And the lease on that new building was supposed to deliver in very early 2021. Well, a once in 100 year event, a very tragic event that Texas snowstorms came, and Texas lost power, there were rolling blackouts throughout the state. And a big part of the state lost power and people passed away and it was it was awful. In that process, that my new building, I lost it. Basically ran into some electrical issues, and then it wasn't going to deliver until August or September, instead of delivering essentially in January. So all of a sudden, I because of this snowstorm, I didn't have a long term lease obligation on the business. So my business could be but I still had scheduled all the cranes and the equipment to actually pick up my business and move it. So, I went back to the gentleman who eventually became my buyer. And I said, you know, in your outpost here in my city, you have enough extra square footage, where we could pick up my business and fold it into your existing factory. And that increases the value of my business quite a bit. This becomes highly synergistic all of a sudden, and we can bridge the gap. Well, sort of sure enough, we had the first draft of our asset purchase agreement, I think it was on March 12. And

we signed a redlined version of it in my office on March 29. The cranes came and picked up my equipment on March 30. And we got the rest of stuff out of the building by March 31 and locked the doors. So the buyer kept all my employees through their 90 days, and the deal was highly synergistic. It went very, very well for him, from what I can tell. And in so I'm really, really happy for him. Frankly, you know, some of the takeaways from that are, you know, I want to highlight a couple of things is one, every conversation matters, I kind of glossed over this a little bit. I mentioned, I met my buyer several years before, we even actually started talking about, you know, a possible acquisition. And I have to tell you, this speed with which we executed that the deal, and the manner in which it was executed, particularly the handshake around keeping my employees around, was built on the fact that there was some underlying trust between the two of us. And that really started years before in very casual conversations. And it goes to show, every, every, every conversation matters. And the impression that you give, or the values that you live by, do become apparent, sometimes most so in your most casual conversations. And so as a result, you know, I think you also hear, particularly in higher achieving circles, you know, you must always be on, you gotta gotta be on your game gotta be on your game. That's not possible. You always can only be you. And I remember that first conversation I had with my buyer, and my mind never went anywhere close to him possibly buying me, or me being conscious of me trying to make a good impression on him or whatever. I was just myself. We talked about sports. You know, we, we talked about sports and family and a little bit about the printing industry. And then moving on, no, I didn't know what he was thinking in that conversation, I'll say, but that's what I was thinking about. I hope that all makes sense and resonates here.

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Steve Divitkos 33:37

It does. It does. And Andrew, after you bought this business, obviously, you you had to deal with a lot of unexpected surprises, some on the upside, and some on the downside. And I think anybody, any CEO, any searcher any entrepreneur, particularly those who have been in those respective seats for a while, know that they're seemingly always a surprise around the corner, and particularly a bit of a gut punch, right? There's kind of always a gut punch around the corner. So there are people listening to this right now, who have just been punched in the gut, some sort of negative, unexpected surprise, has just fallen upon them. As you zoom out from your many years as an entrepreneur and CEO who's dealt with all the punches to the gut, what do you say to that person who's going through a negative surprise right now?

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Andrew Mondri 34:34

Yeah, that's a great question, Steve. And I'd say this. There's several bullet points of advice that pop into my mind and these are not in order of importance or an order of operations, okay. But, one, take a look at your balance sheet. And if it's not where it needs to be, you need to figure out how to fix that. Secondly, look at your bench of mentors and advisors and investors. And with conviction and authenticity, share your assessment of the situation with them. And engage them, I'll just say engage them in whatever way is appropriate. don't shrink from engaging them. Don't shrink from giving the bad news. Third, you have to do a mental check. I talked about the loneliness of a searcher and the loneliness of being a CEO. The chances are, is you are more lonely than you should be. And so you and by the way, I every bad decision, I can think that I've made I did while I was lonely. And every good decision I made, I did not do well. I did it while I was surrounded by people and surrounded by voices and surrounded by, I had my informal team engaged. And then also, don't let the gut punch get you unfocused. Don't use it as an excuse not to work on whatever the core problem is in front of you. I'm now with all of that. Here's the one extra piece of advice. I talked about the conviction and the authenticity. You know, you also need to evaluate when when you arrive at your solution to your problem. Is this the right solution for the business? Right? Is this the right way or not? Is this just another way forward? But is this the right solution for the business? And what does that mean for you? For me, that meant customers, employees, you know, equity and debt holders, but also myself. And then that is okay to say.

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Steve Divitkos 37:27

The most important stakeholder of all I would argue is you, because if you're not being taken care of, then almost by definition, those other stakeholders won't be, right. It's that old cliché of put your own oxygen mask on first. But I guess clichés are clichés for a reason, because they tend to need proof. Andrew, you've been very generous with your time and with your insights and with your willingness and ability to share. And I think we're all better off for having listened to it and having learned from it. So thank you very much on behalf of everybody listening.

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Andrew Mondri 38:02

Thank you.