ANTHONY BOLANTE | PSBJ

A NEW CHAPTER IN EVERETT

Why Penguin Random House, the world's largest book publisher, acquired Compendium, an Everett-based gift company

The 52-story, steel and concrete skyscraper in Midtown Manhattan that January day felt intimidating to Kobi Yamada, 57, and his colleague, Jim Darragh, 54.

"Does this look like some big, nameless, faceless, cold organization?" Yamada, president of Everett-based book and gift distributor Compendium, remembers asking his longtime friend.

They entered the Penguin Random House Tower, the eponymous headquarters of the world's largest book publisher. An in-house merger and acquisition team made up of seasoned professionals and executives greeted them – with smiles. It was a celebration.

The meeting shortly after New Year's Day was the culmination of a deal that took more than 18 months to complete. On Dec. 2, publishing giant Penguin Random House officially announced that its Crown Publishing Group division had acquired Compendium. Terms of the transaction have not been disclosed.

For Penguin, which hit $5.6 billion in revenue last year, the acquisition is an expansion into the gift industry in a way that complements its 300 individual book brands. For Compendium, joining a publishing behemoth equates to substantial notoriety and influence in the marketplace. It also provides the company opportunity to scale.

"And to be perfectly honest, they've been very welcoming," Yamada says. "They've been real-

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Compendium President Kobi Yamada, right, and Senior Vice President Jim Darragh visit the company's massive warehouse in Everett.

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ly warm. They're wonderful people. We have really enjoyed just the human beings we got to work with back there."

'Compendium can grow'

Compendium was founded in 1985 as a gift company with a single product – a die-cut card that popped open to reveal inspirational messages. Today, it produces and sells more than 500 products, from greeting cards to boxed note cards, stationery and notebooks, journals and books.

The products can be found online and at roughly 5,000 local and national brick-and-mortar stores such as Barnes & Noble, Whole Foods Market and Fireworks Gallery in University Village. Compendium's creative team conceptualizes and designs the products. The manufacturing and printing are carried out by third-party providers.

Yamada joined the company in 1992 right after college. He bought an ownership stake in 1995 around the same time he became the president and CEO.

Darragh, who previously was a partner at accounting firm Clark Nuber, consulted at Compendium from 1999 to 2007. Yamada hired Darragh and made him the chief operating officer and chief financial officer in 2007, when he also became a co-owner.

In early 2014, Yamada published his first picture book, "What Do You Do with an Idea?" It rejuvenated the company, quickly becoming a New York Times best seller. Over 2 million copies have sold. Yamada has since published half a dozen more picture books.

Leading up to the acquisition, Compendium generated between $20 million to $25 million in revenue annually. About 60% of that revenue was from Compendium's gift line business. Darragh says that was the hook.

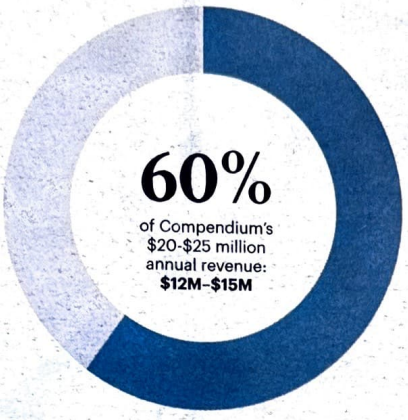
"(Penguin) loves our books, absolutely. And they love having that in their lineup," he says. "But they also want to tap into, 'How do you guys do gift trade so well? And how does that work?'"

Penguin plans to build on Compendium's success to scale and gain a foothold in the gift market.

"(Penguin) has encouraged us to grow our team a bit and to actually do more of what we're doing," Yamada says. "So, they really see Compendium as a growth opportunity. They think that, with their resources, Compendium can grow at a greater rate than what we were doing in the past."

GIFTING SUCCESS

Nearly two-thirds of Compendium's annual revenue is generated through its line of gift books, boxed note cards, greeting cards, stationary and journals.



Penguin wants to "aggressively and robustly" expand Compendium, Yamada says. About a dozen new partnership contracts have been signed so far this year that will enable Compendium to expand into new international markets. The publishing titan has some 14,000 customer accounts that Compendium can also sell into.

Additionally, about 40 new products will be added to Compendium's portfolio this year, according to Penguin.

For Yamada, leveraging the resources of Penguin was more exciting than the "equity piece." Compendium now has access to the industry-leading business and supply chain resources that Penguin has at its disposal.

"Instead of our small group having to go out and find other potential resources in other regions of the world, they already have that in their portfolio of who they work with," Darragh says. "So, if we do make a decision to make some changes to our factories, it's already been vetted."

The streamlined and systematized processes have allowed the team to put most of their focus and attention into creating and building out the product line.

Yamada is already in the process of writing a new book.

"Honestly, more established processes in regard to HR and business (have been) great," Yamada says. "It actually provides (me) more sleep."

M&A RECAP

Penguin Random House acquired Everett-based Compendium in December. Compendium is a gifts and book publishing company. It now aims to scale and grow with Penguin's backing and influence.

'Smartest people in the room'

Post-acquisition, Compendium functions as a standalone imprint, the trade name that Penguin will use. It conducts business with its own brand identity and operational and editorial independence.

But the organizational chart has evolved. Darragh's official title is now senior vice president of finance and operations. Renee Holmes, formerly the chief marketing officer, transitioned into the role of associate deputy publisher. Aaron Wehner, an executive vice president at Crown Publishing, joined to serve as the publisher.

Yamada gets to keep his title as the company's president but now works under a "boss" for the first time in decades.

"We don't have to be the smartest people in the room," Yamada says. "We want to be able to work with smart people. And we are engaging with a lot more smart people. We think that's going to benefit us. Not only in products, but in the way that we sell them, the way that we distribute them, all the way down the line."

The possibilities are endless, he said. But none of it might have happened if not for an unsolicited and unexpected attempt by a different publishing giant to acquire Compendium in late 2022. Compendium didn't share which publisher made that offer.

After being approached with that buyout, Compendium hired Book Advisors, the New York-based investment banking firm that specializes in the publishing industry.

"They not only provided advice on potential acquirers and guidance on what to expect with the acquisition process, they also expanded the marketing of Compendium to many other publishing companies," Darragh says.

Book Advisors then introduced Penguin to Compendium in the spring of 2023, signaling Penguin's initial interest in the Everett publisher. A year later, Penguin's mergers and acquisitions team visited Everett to formally discuss a deal.

That first in-person meeting was five hours long, and the due diligence ahead was longer.

Yamada, Darragh and the other co-owners of the Everett-based company sat through dozens of meetings with Penguin's team in 2024. Each meeting involved significant deliberation over the company's financial health.

Darragh sometimes logged 100-hour work weeks. He was helped by a sole tax accountant to scour and dig through the sticky legalese and hundreds of pages of documents.

"Every week, I'd get a new list of requests that they wanted to dive a little bit deeper into," Darragh remembers. "Which was fine."

Apart from the lengthy discussions and formal meetings to reach a deal, there were opportunities to casually connect with Penguin's C-suite executives. The working relationship grew alongside the likelihood of an acquisition.

Then in August 2024, Penguin sent out the official offer. After receiving it, Yamada recalls feeling excited, anxious and overwhelmed, all at once. At that moment, it occurred to him that they might actually sell the company.

"We've built a company we love with people that we really care about," Yamada says. "So just the process of coming to that decision, that took months, too. Because it's emotional as much as it is financial or professional."

Compendium, which has 52 employees, is planning for steady growth and some changes ahead. The company anticipates its headcount will grow in the coming months.

Depending on the need, the company might also expand its physical footprint. In Everett, it leases a 30,000-square-foot warehouse and distribution center.

In 2022, the company relocated its headquarters from Eastlake in Seattle to the Everett facility, since the majority of employees work remotely.

A 15,000-square-foot warehouse in Kentucky supplies the eastern half of the country.

"We're excited about the future and what we could potentially do," Yamada says. "It looks like we are going to be expanding within all the categories that we work in. But it's not the goal to just make more. We want to do more strategically with quality."