

# Polestar ponders plunging profits

By Alex Grant

Polestar has suffered a further fall in profits to just £6.4m in the third quarter, less than half the amount it had to pay out in interest payments, and half the £12.8m profit it made this time last year.

It has also given up trying to sell its packaging division because of the poor prices that were offered, and will instead try to sell its Hungarian magazines plant, and possibly merge some of its UK sheetfed plants.

More disposals are seen as "not a sensible route to go down" and rumours that a break-up could be imminent are being denied.

Instead, Polestar is having to reschedule its debts



Nick Bryan: 'can make good progress'

(see news, page 3) at the instigation of bondholders who have seen their bonds fall 80% in value.

Although sales were up 11.9% in the quarter, Polestar has seen prices and margins squeezed in both web and sheetfed. While gravure was boosted

by several new contracts, the company says that "reduced paginations, smaller run lengths and lower insert volumes" are now the norm.

The packaging and Scientifica divisions together made a loss of £200,000 and suffered a fall in sales, but new chief executive Barry Hibbert is stuck with them as offers came in lower than the value of their net assets.

Overall margins are down from 18.8% to 13.1%. But Polestar chairman Nick Bryan says that once efficiency measures have kicked in they will improve, though full-year results will certainly be down on last year.

## Agfa looks to the Horizon

Agfa has ditched earlier forecasts of 10% profits growth in 2001 and has warned that "lacklustre" economic fortunes mean that profits will actually fall this year.

As with other companies, the decline is due to the US which accounts for 20% of Agfa's graphic arts business. "The UK is running at 4% over budget and Europe is right on budget," says Agfa's UK sales director Laurence Roberts. "We'll see how the second half pans out, but we're certainly not in recession." Prospects of a US recovery will depend on how many deals are signed at Print 01 in Chicago next month.

Although pre-tax profits and sales have increased 9% in the second quarter, Agfa has been hit by increased costs which will be addressed by a "Horizon

## US downturn hits AGT hard

Applied Graphics Technologies, the US prepress group which floated on the New York Stock Exchange in April, has suffered a big second quarter fall in sales as the US printing industry grows more slowly than at the depth of the recession ten years ago.

Although turnover fell from \$147m to \$118m in the three months to June 30, a \$98m windfall from the sale of its photographic operations meant that losses were only 81 cents per share, down from \$10.90 a year ago. But this masks the fact that continuing operations made a loss of \$102.8m in the quarter, opposed to a profit of \$4.6m a year ago.

AGT suffered a 19% fall in sales and losses of \$8.6m in

the first quarter, mainly because of American Midwest trading conditions which are even worse now. It has only narrowly avoided having to file for Chapter 11 protection last month, thanks to debt rescheduling.

With the Printing Industries of America, the US equivalent of the BPIF, reporting that the US printing industry grew at only 0.3% in the second quarter of 2001, compared to 0.6% in 1991, AGT and others are holding their breath until the expected rebound next year.

Elsewhere in the US, the Moore Corporation has sold off its Phoenix Group software division to Minacs Worldwide, and financial printer Bowne has bought the translation division of

## Banking on NCR

NCR, the cash systems company, has signed a \$13m deal with the Bank of China to supply cashpoints and passbook printing facilities. NCR has a factory in Beijing, as well as Dundee and Canada.

## Mead profits fall

Profits at Mead Corporation, the US containerboard maker, have been wiped out in the first half, sustaining a loss of \$5.6m after a \$87.1m profit in the first half last year. Falling prices and higher energy costs are to blame.

Merrill Lynch has downgraded its stance on the UK's David S Smith because of its "over-exposure" to the containerboard market.

## Rexam goes Danish

Rexam has bought Danapak, a Danish plastic packaging company, for £16m in cash. One of Danapak's plants, in Finland, is to close with production transferred to Rexam plants. Arla Foods, previously owners of Danapak, will remain a major customer.

## Virtual reality Consignia

Consignia, the owner of the Royal Mail and the Post Office which faces tougher competition from both electronic communications and the private sector, is to set up a "virtual post office" to allow customers to pay all their bills over the Internet.

It also has plans to relocate its 70 call-centres into 11 "super-centres." In June, Consignia announced annual profits of £49m on sales of over £8.1bn, which it describes as "disappointing". The company is trying to negotiate a no-strike

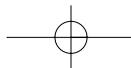
## Changes will help ControlP

ControlP's transformation from print dotcom to niche software provider will put it in the black before the end of the year, it says, even though the company has just posted a pre-tax loss of £2.4m on turnover of £560,341 for the 11 months to February 28 of this year. Losses for the 18 months to February 28 were £3.65m.

ControlP began life as print dotcom Ctrlp.com, but refocused as a provider of web-enabled software products that allow printers to move painlessly into e-commerce. Chairman Warren Tayler says that although the start-up phase was "slower than expected" order levels are now most encouraging, with Canon recently placing a large order for bespoke software. "The dotcom hype has truly passed and realism is the order of the day," he adds.

ControlP still has £5.5m cash in the bank and Mr Tayler said it is looking to

**Bad debt recovery**  
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## Business GROW-HOW



From Paul Holohan & the team at  
Richmond Capital Partners Limited

### BUYING A BUSINESS - A STEP BY STEP GUIDE

As you suggest we have conducted a strategic review and are now agreed that we should pursue an acquisition strategy to secure future growth. What steps should we take?

Highlighting, acquisition as the route to future growth puts it at the heart of company strategy. It is too large a subject to be covered in one piece so the next few issues of this column will provide a step by step guide.

#### STEP 1 STRATEGIC REVIEW

You have already completed the first important step i.e. a strategic review. Next you should:-

#### STEP 2 IDENTIFY ACQUISITION TARGETS

The best candidates are unlikely to suddenly land in your lap, so go out and find them BEFORE they are offered for sale. This will put you ahead of the competition. Then:-

- Be proactive – create your own opportunities. Don't publicise that you are looking as this could well result in a lot of wasted time and effort. Use your advisor instead.
- Use advisors to conduct research discreetly for you using their specific industry knowledge and resources.
- Ensure that you are comfortable with your advisors as this relationship is key. Trust, ethics and mutual respect are vital characteristics of a good 'chemistry'.

#### STEP 3 MAKING THE APPROACH

Being proactive means that you will make opportunities. But the dialogue has to start somewhere. So:-

- Use your advisor to make discreet approaches on your behalf
- Retain anonymity initially
- Let the target know that you are a serious player
- Establish that they are serious about selling

Once you have defined your strategy, identified suitable targets, appointed your advisors and made the initial approach you are ready to undertake the next step – the initial review of the target business.

More on this next week.

The author accepts no legal responsibility for the advice given. Comments and advice given in this column do not necessarily represent the views of Printing World.

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BusinessADVICE

## HP staff face anxious wait

Hewlett Packard's staff in the printing and imaging division have yet to find out if they are to be hit in the 6,000 job cuts announced by the company last week.

More than 3,700 staff work in the UK across all the divisions. HP has admitted it has "several hundred" staff working on its range of inkjet printers, but refused to say if any would be affected by the jobs cull.

HP issued its third profits warning in as many months in July, saying that third-quarter sales could be 14-16% lower than in 2000 and that it must reduce its costs by \$500m a year. Its consumer division has been worst hit, with sales expected to fall 24%, while outsourcing revenues

should buck the trend and grow by 20%.

Staff have already been asked to take a 10% pay cut and now face restrictions on travel and hiring temporary workers, as well as the threat of redundancies. But HP says "there is no information about the impact of these actions at the local level". It could be several weeks before HP UK finds out how it will be affected.

HP is a largely non-unionised company so the Manufacturing, Science and Finance union is not mounting a high-profile campaign against the job cuts, as it did recently at Marconi.

● HP has distanced itself from US reports that some of its print servers have suffered "collateral dam-

## Branding is the best

Buyers of office printers are more and more likely to choose a product on brand values and the look of the supplier's website, not technology, new research from Cap Ventures has found.

"Most products have very similar feature sets and are being sold through the same channels," says Cap Ventures' research director Jeff Hayes.

"If a vendor is not closely managing critical aspects of its brand, it is in jeopardy of losing valuable market share."

Another factor is that with sales growth slowing markedly, the only way that companies are likely to grow is through brand values. The most respected brands in the laser and inkjet markets are HP,

September 3 at 11.30am

● **Global Print Services Ltd** (formerly **Wordcraft Global Print Services Ltd**) at David Rubin & Partners, Pearl Assurance House, 319 Ballards Lane, London N12 8LY on August 23 at 10.30am

### Notices to creditors

● **Harman Imaging Ltd** (t/a **Limehouse**) Creditors to send claims to ST Bennett, 35 Ballards Lane, Finchley, London N3 1XW by August 31

● **Leeds Photo Litho Ltd** Creditors to send claims to MC Bowker, Jacksons Jolliffe Cork, York House, 15 Clifford Street, York YO1 9RG by August 31

### Final meetings

● **Alugraphics Ltd** at Neville Eckley, 33A Chipstead Valley Road, Coulsdon, Surrey

CR5 2RB on August 31 at 10am for members and at 10.15am for creditors

● **Quad Reprographic Services Ltd**

● **Crosstech Ltd** (t/a **Prontaprint**) at Langley House, Park Road, East Finchley, London N2 8EX on August 17

● **Cambrian Graphical Productions Ltd** (t/a **Welsh Offset**) at Norwich House, 1-2 Gold Tops, Newport, South Wales NP20 4PG on August 21 at 2pm

● **Printrepublic Ltd** at No 1 Riding House, Street, London W1A 3AS on August 15

● **Cambridge Pre-Press Ltd** (t/a **CDP**) at the Cambridge Post House, Bridge Road, Impington, Cambridge CB4 9PH on August 21 at 10.30am

● **Rowton Press Ltd** at BKR Haines Watts, Canterbury House 5th Floor, 85 Newhall Street, Birmingham B3 1LH on August 16

● **Screen Rule Graphics Ltd** at Regent House, Clinton Avenue, Nottingham NG5 1AZ on August 22 at 11am

● **Print Matters Ltd** at The Liphook Millennium Hall, 2 Ontario Road, Liphook, Hampshire GU30 7LD on

## legal notices

### Appointment of liquidators

● **Highlight Repro Ltd** Previous company name: **Specialised Productions Ltd** Repro service providers. Liquidator: MB Davis, Fisher Partners, Acre House, 11-15 William Road, London NW1 3ER

● **Cropmarks Direct Imaging Ltd** Printing. Liquidators: NS Wood and J Earp, Grant Thornton, Grant Thornton House, Malton Street, Euston Square, London NW1 2EP

### Meetings of creditors

● **Duncan Web Offset Ltd** at The Oaks Rooms, The Durrants Hotel, 26-32 George Street, London W1H 5BJ on August 30 at 11am

● **Knockout Colour Ltd** at RBS Chartered Accountants, 16 Beaufort Court, Admirals Way, March Wall, London E14 9VL on August 10

