Quebecor-World profits rise 20%

By Alex Grant

Profits at Quebecor-World, the world's largest printing group, have climbed 20% after its takeover of World Color in 1999 because of greater economies of scale and efficiencies.

Sales in the year to December 31 grew 31% to $6.521bn, and net profits rose 43% to $293.4m. Free cashflow has exceeded the target of $450m to $747m, which president and chief executive Charles Cavell describes as "unbelievable". Bank borrowings have also been reduced from nearly $1.75bn to less than $1bn.

But the big fly in the ointment was Europe, where quarterly sales are down 17% and quarterly profits slumped 27%, mainly because of the strength of the dollar against the euro and the pound. However, the company's performance in Europe is improving, despite "challenging market conditions". Without exchange rate effects, Quebecor's European profits rose 8% to €966.7m, and operating margins rose slightly, from 7.3% to 7.4%. The new international sales centre in Corby is "doing well" and Quebecor has won some major new accounts in Europe, like Ikea which has all its worldwide catalogues printed at the Quebecor factory in Belgium.

"We exceeded all our commitments," says Mr Cavell. "These results demonstrate the strength of our industry and the true power of our company within it."

A further $110m in cost savings is expected in 2001, mainly through making each production site specialise in one area of print and bringing each sector into a single business unit. Several works in the US have been shut down in the wake of the World Color takeover. Still more restructuring is now promised after Quebecor took over Groupe Vidéotron, a broadcasting

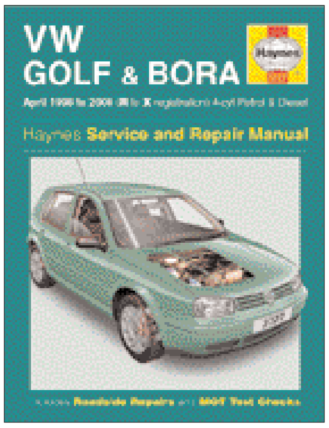
Spanner in Haynes' works

Haynes Publishing still needs to take a spanner and socket set to its business after reporting a "significant reduction" in sales of its car repair and maintenance manuals.

The company prints more than 8.5 million manuals a year which are beloved by a legion of amateur car enthusiasts. It has recorded an interim loss of £719,000 in the six months to November 30 compared to a profit of £2m last year. It sent the shares plunging 32.5p to 95p after the results were announced.

Chief executive Max Pearce blamed the general economic downturn, especially in the car market in the US following the problems at Chrysler Motors, the company's largest market, and in the UK after the difficulties at Rover.

Haynes says it has also taken a hit of £800,000 this year with the restructuring



The US scene has hit Haynes' results

and reorganisation costs in moving print production to Tennessee in the US in June last year and the purchase of its major competitor Chilton Publishing. In the UK, the company also bought Sutton Publishing in March last year. "We have incurred lots of costs but none of the benefits on our bottom line this year," says Mr Pearce.

The editorial and production functions are still handled from its Sparkford site in the UK.

Mr Pearce says it made economic sense for manual production to be transferred to the US, as more than 80% of its sales came from that country. That transition was now complete, and the purchase of Chilton, completed last month and described as the "last remaining competitor in the US," left it in a strong position.

The company has invested in CD-Rom technology and the Internet as an alternative to print, but Mr Pearce says: "By the very nature of car manuals, we are bought by people we do not necessarily have the money to take their car to the garage, so may not have access to the Internet. We remain committed to printing as the major source of our income." Mr Pearce says he expected the com-

Advert refocus

Despite its financial woes, Xerox is pressing ahead with plans to shift its advertising spend from above-the-line billboards to below-the-line direct mail and inserts. Its £8.5m European direct marketing account is currently with Impiric, but is believed to be up for repitch. One reason for the new marketing approach is the decline in photocopier sales, a key reason for the company's recent quarterly loss of $198m. Former photocopier customers need to be persuaded to buy Xerox software or printing engines.

JCM Media 'in talks'

Uncertainty over JCM Media, the Liverpool printer owned by Littlewoods, has been heightened by reports that Littlewoods is in talks with GUS about a takeover. GUS already owns the Argos and Kays catalogue brands, and might want to merge them with Littlewoods' Index Extra catalogue business.

Bigger SRH stake

Dundee printer and publisher DC Thomson has increased its stake in Scottish Radio Holdings from 9.5% to more than 10%, fuelling rumours that it is to make a full bid for the media group.

Johnston in Lincs

After the go-ahead from the DTI, Johnston Press has completed its acquisition of four newspapers in Lincolnshire – the *Horncastle News, Louth Leader, Skegness News* and *Market Rasen Mail* – from Mortons Media.

Chesapeake shrinks

Chesapeake Corporation, the US speciality packaging group that owns Boxmore, First Carton and Field Packaging, has announced fourth-quarter profits down by more than 50%, mainly because of the unfavourable exchange rates between the dollar and pound.

Fourth quarter profits in the three months to December 31 stand at $4.3m, compared to $8.8m a year ago. For 2000 as a whole, profits stand at $15.9m, compared to $18m in 1999, indicating that as with other print groups, the shortfall occurred suddenly in the last three months of the year.

Extra large print volumes in the run-up to the end of 1999 have also distorted the picture, says the company.

However, the company hopes that further disposals from its merchandising and speciality packaging operations in the second quarter of 2001 will bring profits back on track.

"Once these divestitures are complete, the strength of our continuing operations will no longer be masked by the less profitable businesses that are being sold," says chairman and chief executive officer Thomas Johnson.

With exceptional costs and proceeds such as the sale of its 5% stake in paper company Georgia-Pacific included in the picture, the contrast between 1999 and 2000 is greater: profit of $46.1m in 1999 compared to $11.2m last year. Yet with acquisitions, sales have actually risen, from $397m in 1999 to $655m in 2000. The trouble is that margins have fallen back sharply.

The paperboard division, which includes Boxmore and Field, saw pro-forma sales fall by 3% and pro-forma profits by 17%. Plastic packaging fared much better, with pro-forma annual

Danka dampener

Things are not getting any better for Danka, the US copier supplier. The company is in talks with its bankers about a new finance package after third quarter results showed a restructuring charge of $27.5m, pushing the company towards a $31.8m loss in the three months to December 31. Danka's nine-month losses now stand at $93.2m.

The charges related to a radical pruning last year, involving the closure of 50 sites around the world and 1,200 job losses, about 8% of its workforce. Further restructuring costs of $19.7m are expected this quarter. Shares fell 20% from 13.75p to 11p at the news.

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Deluxe slumps

US check printer Deluxe has reported fourth quarter profits down by nearly 50% – just days after buying back 14 million of its own shares and saying it was on target to meet 2001 profits forecasts. Profits in the last three months of 2000 were $37.8m, down from $3.6m the year before. The com-

legal notices

Compulsory winding up

The following case is due to be heard at Manchester District Registry:
● **Orbit Publishing Ltd** 3 2 B Barnsley Road, Wakefield, West Yorkshire WF1 5NW on February 19 at 10am. Petition by the Orchard Agency Ltd

The following case is due to be heard at Leeds District Registry, The Courthouse, Oxford Row, Leeds LS1 1BG
● **Woodleigh Printing Services Ltd** Belmont House, Kimberworth Road, Rotherham, South Yorkshire S61 1AD on February 22 at 10.30am. Petition by the Customs & Excise

Appointment of liquidators

● **The Business Community Press Ltd** Commercial printer. Liquidator: A Simon, Langley & Partners, Langley House, Park Road, East Finchley, London N2 8EX
● **Roffenmark Ltd** Ceramic printers. Liquidator: MF McCarthy, Walletts Insolvency Services, Adventure Place, Hanley, Stoke-on-Trent, Staffordshire

Appointment of receivers

● **Delprint Display Ltd** Printing. Receiver: AH Tomlinson, AH Tomlinson & Co, St John's Court, 72 Gartside Street, Manchester M3 3EL
● **Partners the Stationers Ltd** Retail, books, newspapers, stationery etc. Receivers: MA Halley and AW Graham, 2 Cornwall Street, Birmingham B3 2DL

Meetings of creditors

● **Jade Reprographics Ltd** at The Old Exchange, 234 Southchurch Road, Southend-on-Sea, Essex SS1 2EG on February 12 at 10.15am
● **B&K Reprographics Ltd** at 43 London Road, Kingston-upon-Thames, Surrey KT2 6ND on January 31
● **The Print Packaging Co Ltd** at 86-88 South Ealing Road, London W5 4QB on February 6
l Artfoil Security Print Ltd at Sargent & Co, 36 Clare Road, Halifax HX1 5HX on February 16 at 10.30am
● **Tower House Graphics Print & Design Ltd** at 43 Blackstock Road, London N4 2JF on February 12 at 10.30am
● **Mollin Publishing Ltd** at the Insurance Hall, 20 Aldermanbury, London EC2V 7HY on February 14 at 12 noon
● **Weston Business Forms Ltd** at PricewaterhouseCoopers, Savannah House, 3 Ocean Way, Ocean Village, Southampton SO14 3TJ on February 7

Notices to creditors

● **Burton Finishing Co Ltd** Creditors to send claims to KR Cottam, Cottam Bell Partnership, Barclay House, Hospital Hill, Dawlish, Devon EX7 9NS by March 31
● **SP Investments Publishing Ltd** (formerly **Express.Co.UK Publ Ltd**) and **SP Digital Media Ltd** (formerly **Express Digital Media Ltd**) Creditors to send claims to SPJ Wadsted, Spectrum House, 20-26 Cursitor Street, London EC4A 1HY by May 19
● **PBQ Print & Design Ltd** Creditors to send claims to P O'Duffy, IP Services, 9 Woodhill Road, Portishead, Bristol BS20 7EU by April 3 0

Final meetings

● **Paw Print (London) Ltd** at Langley Hotel, Park Road, East Finchley, London N2 8EX on March 6 at noon for members and at 12.15pm for creditors
● **Mosaic Direct Ltd** (t/a Business **Books Direct**) at the Old Library Chambers, 21 Chipper Lane, Salisbury, Wiltshire SP1 1BG on March 6 at 10am for members and at 10.15am for creditors
● **Connaught Printers (Cheshire) Ltd** at Barringtons, Richmond House, 570-572 Etruria Road, Basford, Newcastle, Staffordshire ST5 0SU on March 5 at 10am for members and at 10.15am for creditors
● **Concept Graphics Ltd** at PricewaterhouseCoopers,

Business GROW-HOW

From Paul Holohan & the team at Richmond Capital Partners Limited

Business ADVICE

DISPOSALS

Over the years we have developed quite a large printing group with several operating companies segmented into divisions. One of these, whilst profitable, causes problems by requiring a disproportionate amount of time allocation. Should we decide to dispose of this division?

There are several points to consider when contemplating divesting yourself of a division or operating company:-

- Is the division taking up so much of your time that you neglect other things? What would you do if you no longer had to worry about the division? If you have no other plans to take up the time freed, is it worth disposing of it? What would your company proposition look like without this division? Would your customers miss it? Would you be closer to, or further from, your strategic mission? Does it act as a business generator for other more profitable divisions?

- What opportunities would be created from the disposal? How would you redeploy the extra capital and the manpower time which is freed up?

- Does the division account for less than 15% of your revenue stream? In general it makes more sense to divest of a division which is not a significant source of income.

- Do you have a dominant market leader position in this area?

- Is the management team up to the task?

These days forward thinking companies consider disposals as an integral part of their corporate growth strategies. Realising that focus and efforts dedicated to 'core business' should not be given up to the quest for critical mass, many companies adopt a clever policy of disposing of non-core assets to release cash in order to pursue new opportunities where they can be more dominant.

In effect old, diversified conglomerates are being replaced by a philosophy of specialisation with the result that disposals are a growth area. To decide on retention or disposal, try modelling your firm's performance without the division and with an alternative or alternatives. This is best done with a group of key personnel in a "brain storming" session and should ideally involve input from specialist external advisors to ensure objectivity.

Whilst certainly not exhaustive, these questions and points should form a basis for your decision. Remember disposals can, ironically, be part of a clever strategy for growth and are no longer regarded in the wider world as an admission of failure.

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