WPP up 4% so far

Advertising giant WPP has bucked the poor forecast by Zenith Media (see story below), after reporting a 4% increase in turnover in the first five months of this year.

Following gloomy news from rival UK company Cordiant Communications and US groups Interpublic and True North Communications, the company's shares soared 21.5p to 676p on the news.

Turnover rose 69% following WPP's £3bn purchase of Young & Rubican in August, but stripping out acquisitions and currency movements, the rise was nearer 4%. Although it was below WPP's target of 7%, analysts are leaving full year profit forecasts unchanged at £550m.

WPP says the lower sales growth was a reflection of the impact of the US business-to-business recession which started in the fourth quarter of last year. It had

Johnston looks to buoyant times

By Tony Brown

Regional newspaper publisher Johnston Press will take a £5m hit as a result of its closure of Southern Web, in Burgess Hill, and the development of its new printing centre.

But the investment in the site at Portsmouth is progressing on schedule and is due for completion in March next year, says chief executive Tim Bowdler. The firm is installing the largest single Goss Universal 70 in Europe at its new site (Printing World, May 7).

Mr Bowdler blamed three reasons for such a large financial hit: Johnston will have to continue paying the lease on the building at Southern Web until it expires; the severance costs relating to job losses; and the extra start up costs incurred with the new printing site.

The regional newspaper

Largest single Goss Universal 70 in Europe to be installed at Johnston Press

publishing company released a trading update ahead of its interim results announcement on August 29 that covers the 26 weeks to June 30, 2001.

Trading for the first five months of this year has been better than expected, bucking the trend experienced by other publishing groups.

Like-for-like advertising revenue was 3% ahead of the comparable period in 2000 with the rate of growth dipping in April but recovering to 4% in May.

This compares with growth of almost 6% in the second half of 2000 and situations vacant advertising was again the principal driver. Overall circulation of the group's weekly titles is marginally ahead while the evening titles are showing a small decline.

Johnston Press's new media strategy is progressing satisfactorily with significant revenue growth over the comparable period in 2000.

Mr Bowdler says the advertising revenue slowdown had hit television and radio advertising harder than press adverts. "As a matter of fact, the regional press is still seeing modest growth," he says.

Johnston Press says it is undergoing a series of proactive cost controls to

3i moves on VNU

The educational publisher VNU is about to be bought for €220m by venture capital group 3i, according to reports last week. VNU's consumer titles are also up for sale, although Hearst has denied rumours that it is a likely buyer. 3i has already ruled out buying the consumer titles.

Des res sought

Richard Desmond, the owner of *The Express*, is looking for a new home for the national newspaper after announcing that the rent on the property at Ludgate House is too high. He has asked estate agents to find a £60m purchase in central London and plans to hand back the premises at Blackfriars to Lord Hollick, the former owner of Express Newspapers Group, and chairman of United Business Media.

Bucking the trend

US paper company Weyerhaeuser has bucked the industry trend with a trading statement predicting higher than expected second-quarter profits. The company says that earnings will be between 70 and 75 cents per share, not the 56 cents analysts expected, because of higher prices and demand for lumber, despite a recent strike at four of Weyerhaeuser's west coast papermills.

Scoot cuts 285 jobs

Scoot, the online business directory, has cut 285 jobs and parted company with chief executive Robert Bonnier, heightening the chances that its Loot printed paper might be sold off.

Scoot says it has "insufficient working capital for the next 12 months" but says that cuts could put it back in the black by the end of the year.

But its auditor, Arthur Andersen, has said that "the group's ability to trade beyond September 2001 will be dependent upon its success in raising capital from external sources".

Arthur Andersen says that selling off Loot or other assets may be necessary, as the company could have a £22m cash shortfall by next

Print 'to miss worst of ad fall'

UK advertising expenditure is due to drop this year but print will escape the worst of the decline, according to a report produced by sector specialist Zenith Media.

While advertising expenditure grew by 10% in 2000, it is expected to drop by 0.8% this year, the first decline since 1991.

The worst hit however will be taken by television advertising revenues, which are forecast to drop by 4.7% this year. Print's share will stay just above the positive at 0.1%, while ambient media, including outdoor poster advertising, will enjoy a period of sustained growth of 7%.

Zenith Media says: "The decline does not appear to be a direct response to anything happening in the UK economy; GDP is still expected to rise by over 2% in 2001; inflation is low, and consumer confidence high.

"The problem is business confidence, uncertainty over the health of the world economy, and the US economy in particular, has prompted many companies here to freeze their marketing budgets, especially those with headquarters in the US."

But the pain may be short

Split call to Novar

By Alex Grant

Novar, the security printing and building supplies group formerly known as Caradon, is under new pressure to split itself up after warning of "a significant fall" in profits this month.

Novar has been under pressure from the UK Active Value Fund to release cash for shareholders by selling off parts of the company.

However, while the building supplies and extrusion divisions are performing poorly, security printing is seeing "steady sales growth and improving margins" with more revenue from Internet fulfilment services.

Age timebomb faces directors

By Tony Brown

More than 15% of UK directors in the newspaper sector changed jobs last year, according to a new report by Plimsoll Publishing. But the average director has been in the job for more than six years, is 50 years old and earns more than £67,000 a year.

The report, The Changing Faces of the Newspapers Industry, says that despite the high level of turnover, almost 34% of directors had held their position for more than ten years. Of the 2,361 directors in the sector, 805 of them (34%) had held their position for more than ten years.

Describing them as "Old Hats", Plimsoll says 29% of UK directors are now more than 60 years old. It also named 75 firms where every board member is over the age of 55 and as a result are listed as acquisition prospects.

"Over the next three to five years, as these bastions of the industry reach retirement age, there could be a profound effect on the companies they formerly controlled," says Plimsoll.

On the other end of the scale, 160 directors are under the age of 35 and can be considered the Young Guns. Over the last 24 months 58 new directors

Quebecor buys again

As rival RR Donnelley continues to close factories, Quebecor World is buying an US east cost print group and installing a new Goss C700E press at its works in Merced, California.

Quebecor is buying Retailing Print Corporation's gravure sites in Taunton, Massachusetts and Nashville, Tennessee, to give it more insert printing capacity.

RPC is worth about $100m and has 400 staff. The extra capacity will let Quebecor offer better "coast to coast solutions" to customers that run promotions across the US.

Meanwhile, subsidiary Quebecor Media has issued a letter for credit facilities

legal notices

Compulsory winding up

The following case is due to be herd at the Royal Courts of Justice, Strand, London WC2A 2LL

● **Graphics Unlimited** Roas Villas, 38 Hampton Road, Twickenham, London TW2 5QB on July 11 at 10.30am. Petition by Customs & Excise

Appointment of liquidators

● **Contralam Print Services Ltd** Printer. Liquidator: K Blades, Charlotte House, 19B Market Place, Bingham, Nottingham NG13 8AP

● **E-Photomail Ltd** Previous company name: **Ecommercenet Ltd** Provider of digital photographic services. Liquidator: SD Swaden, Leonard Curtis, 1 Cumberland Place, London W1H 7LW

● **Print & Marketing Services Ltd** Packaging and dispatch. Liquidator: M Lloyd, PKF, Regent House, Clinton Avenue, Nottingham NG5 1AZ

● **International Transmedia Ltd** Brochure/publications producer. Liquidator: K Berman, Berley, 76 New Cavendish Street, London W1G 9TB

● **Westzone Publishing Ltd** Previous company name: **West Zone Publishing Ltd** Publisher of photographic books. Liquidator: J Earp, Grant Thornton, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP

● **Technical Laminating Co Ltd** Trading name: **TLC Laminating** Liquidator: DP Hudson, Begbies Traynor, The Old Exchange, 234 Southchurch Road, Southend-on-Sea, Essex SS2 2EG

● **Sponson (Plant Hire) Ltd** Trading name: **Penny Press** Printer and graphic designer. Liquidator: S Law, Ensors, Cardinal House, 46 Nicholas Street, Ipswich IP1 1TT

Meetings of creditors

● **Wessex Media Ltd** at Langley House, Park Road. East Finchley, London N2 8EX on July 23 at 11am

● **Bookflow Ltd** at Ward & Co, Bank House, Shaw Street, Worcester WR1 3DT on July 6 at 11.30am

● **Cadogan Publications Ltd** at 37 Essex Street, Middle Temple, Arbitration Rooms, London WC2R 3AT on June 27

● **Alpha Publications Ltd** at The Woodlands Centre, Southport Road, Chorley, Lancashire PR7 1QR on July 4 at 11.30am

Notices to creditors

● **Print & Marketing Services Ltd** Creditors to send in claims to M Lloyd, PKF, Regent House, Clinton Avenue, Nottingham NG5 1AZ by September 11

● **Marshbrights Ltd** Creditors to send claims to DF Wilson, Wilson Pitts, Devonshire House, 38 York Place, Leeds LS1 2ED by July 11

● **Amy Macpherson Publishing Ltd** Creditors to send in claims to Crawfords, Stanton House, 41 Blackfriars Road,

Business GROW-HOW

From Paul Holohan & the team at Richmond Capital Partners Limited

Business ADVICE

HUMAN ASPECTS OF MERGERS & ACQUISITIONS

I am considering a merger or acquisition as part of our growth strategy. I have a good finance director and advisor but worry about some of the 'softer' issues and would welcome your advice.

Surveys show that a merger or acquisition has less than a 50% chance of delivering on the synergies promised by the business plan. The main reason for this is cited as failure to take into account the human aspects of the transaction. So what can you do to enhance your prospects of success?

Considering the human aspects of the deal at due diligence stage is a **must**. The human aspects of an organisation are often its largest cost base and therefore represent considerable risk. Many deals focus on the considerable potential cost savings especially where jobs are duplicated in both organisations. Take expert legal advice on this issue but also recognise the risk of not bringing the people along with you.

The management and employees often constitute the intellectual capability of the two organisations - often paid for in the purchase price. A sound retention plan - perhaps simply taking steps to reassure key employees - should be put in place to prevent loss of critical skills.

Organisational culture is a vital issue when considering a merger or acquisition. M & A teams can often overlook this and should conduct a review to highlight potential problem areas. There are professionals who specialise in company culture and they will consider the issues and propose actions.

A well planned and executed communication plan helps to pre-empt the inevitable rumour-mill and to dispel doubts.

Above all, the integration process needs to be carefully managed to protect the day to day business and to counter any offensive launched by competitors. Produce a plan for this and treat it with the same importance as the financial projections you produce.

Successful campaigners in the world of mergers and acquisitions have refined this process almost to an art form. Even then there are risks, but you can learn from the experience of others.

Never go it alone to save money. You will regret it! It is a specialist area in which you are unlikely to have wide experience.

And be aware that most advisors are focused on "the numbers" often overlooking these issues.

You are right to consider these other factors with respect.

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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