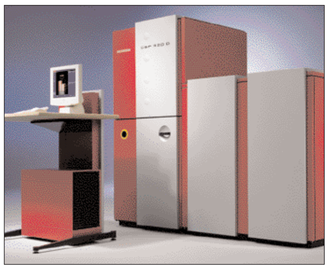
Xeikon sales suffer after Xerox withdrawal

By Alex Grant

Xeikon's sales have fallen sharply in the first quarter from $40.6m to $33.6m, with colour equipment sales dropping fastest of all, from $14.3m to $8.8m, mainly because of Xerox's decision to buy no Xeikon presses this year.

Losses have more than doubled from $5.2m to $11.5m. Xeikon lays the blame mostly at the door of Xerox and other Oems, whose sales of Xeikon products have fallen 80%. Xeikon's own sales of colour presses have actually increased.

"This was another difficult quarter for Xeikon," says president Alfons Buts. "As forecast, our colour business was affected by the complete lack of equipment purchases by Xerox. However, excluding sales to Xerox, our colour revenues grew 7% compared to the same quarter last year."



CSP 320D suffered production delays

However, another problem has been its CSP 320 D sheetfed press, launched before Drupa and supposed to be deliverable shortly afterwards. The company says that "full-scale shipments of the CSP are expected to begin during the third quarter of 2001" – about a year later than originally planned, because of production delays and the decision to beta-test the press after Drupa, not before. Since then, software and hardware problems have emerged and shipments have been capped at 40 worldwide until these are put right.

Xeikon's problems first began last summer, when profits began falling.

Indigo sees sales increase by 13%

In sharp contrast to rival Xeikon, Indigo increased its sales by 19% to $42.6m in the first quarter and has seen net losses fall from $4.1m to $3.5m in the first quarter.

The growing popularity of the UltraStream 2000 press will bring much higher consumables income due to the high print runs that the press can handle.

"While we are never happy reporting a loss in any quarter, we were able to report a lower loss than expected," says chairman and chief executive officer Benny Landa.

"We remain optimistic about the rest of 2001 and expect to break-even for the rest of the year, with an objective of achieving sustainable profitability by the end of this year.

"To date, the economic slowdown has not had any significant impact on

Havelock hit by PoS cuts

Havelock Europa, the point-of-sale and retail interiors company, is suffering a big fall in point-of-sale business, where sales were down 18% in 2000.

Two of Havelock Europa's major customers, which have not been named but are believed to include Marks & Spencer, cut back severely on their PoS spending last year, although there is "ground for optimism" so far this year.

Havelock Europa expects its customer base to broaden in 2001, to reduce the risk of over-exposure to a small few. Overall profits were up from £2m to £2.7m because of strong growth in retail interiors.

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Steady profits for Quebecor

Weeks after announcing the closure of two US factories at the cost of 1,000 jobs, Quebecor has announced another steady increase in profits. Profits in the first quarter of 2001 rose 13% to $42.5m, up from $37.6m a year ago.

However, sales have actually fallen slightly, from $1.63bn to $1.58bn. The decline has reached 5% in the US, which proves how cost-cutting in the wake of Quebecor's takeover of World Color in 1999 has been pivotal to its success.

The cutbacks and disposals continue. Quebecor has announced it is selling Proctectron, a Canadian security company, to a private investment firm for $61.5m.

And Quebecor has finally confirmed that it will close its 880-strong Salem factory in Illinois despite protests from union leaders and local politicians, and the offer of a multimillion dollar aid package. Local officials are now hoping another company will take over the 680,000 sq ft plant.

Partly because of such cost-cutting already implemented, profits rose 5% in the US despite the slow-

Jobs go at Donnelley

RR Donnelley has confirmed that it will close its Des Moines, Iowa, printing works, which employs nearly 800 people, in July 2002 (Printing World, April 2). Production will be transitioned gradually to other factories.

The Des Moines produces magazines under long-term contract, catalogues and newspaper advertising inserts. According to RR Donnelley, the decision to close the mill is based on the plant's size and scale; the age and quality of the printing equipment; and the plant's accessibility to major population centres.

President of commercial print operations Robert Pyzdrowski says: "While the business decision makes sense, it's more difficult to make it when you see how it affects people's lives."

In brief

Profitable paper

Swedish papermaker Holmen is enjoying a rise in Q1 profits from Skr605m to Skr699m, with sales up from Skr641m to Skr703m. "Market conditions for newsprint and magazine paper were still good, and Holmen Paper's order situation remained strong," says the company, although market conditions for paperboard were weaker.

BASF inks suffer

BASF has suffered a fall in the profits it makes from inks, the company's first quarter results show. Thanks to rising raw material costs, profits in the colorants and finishing products division fell by 44.5% in the quarter, opposed to an 18.4% fall in the chemical company's profits overall.

Global situation

Reflecting on a 6.5% fall in first quarter profits Global Graphics, the owner of Harlequin and ICG in the UK, is aiming to reach a 15% profit margin by the end of 2001 through increased prices and job cuts. Global's sales have increased by 17% in the past three months and chairman Johan Volckaerts says that the US slowdown has yet to hit.

Epson cuts back

Epson is shedding 500 jobs at its factory in Hillsboro, Oregon over the next six months because of falling printer prices and "global economic factors," according to the company. Only 250 jobs will be left at the site, which has been open for 16 years.

Spotlight on Donprint

The future of Donprint, the Scottish label printer in East Kilbride owned by US group Worldmark, has been placed under the spotlight following the closure of Motorola's Bathgate factory with the loss of 3,100 jobs (Printing World, last week).

Donprint is known to have a major contract with Motorola for the printing of labels for mobile phones and is extremely vulnerable to shifts of production from Scotland to the Far East.

In February, Worldmark announced the closure of its Industrial Print subsidiary in Dublin, with 60 job losses, just days before another customer, Compaq, announced the closure of its Erskine plant. Worldmark is shifting production from Dublin to Hungary, the US and China because of lower costs.

Label printing sources say that Worldmark must have known of Compaq's decision in advance, although the company refuses to comment, either on Compaq or the impact of

Magazine merger blocked down under

PMP and Independent Print Media Group, two of Australia's largest printers, have had their proposed merger blocked by the Australian Competition & Consumer Commission because of the anti-competitive effect it could have on commercial printing and magazine distribution.

It is not yet clear what implications there could be for Attic Futura, the UK magazine publisher owned by PMP and up for sale since the IPMG merger was first mooted. Emap, IPC and National Magazines have emerged as possible buyers.

If the merger is over for good, IPMG could turn its attention from PMP to Diamond Press, Australia's third-largest printing group, which went into

legal notices

Compulsory winding up

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

● **PH Paper Ltd** 1st Floor, Clarence Mill, Clarence Road, Bollington, Macclesfield, Cheshire SK10 5JZ on May 9 at 10.30am. Petition by MoDo Merchants Ltd

● **Blue Print Music Ltd** 2nd Floor, The Old County Court, 2 High Street, Brentwood, Essex CM14 4AB on May 9 at 10.30am. Petition by Customs & Excise

The following case is due to be heard at Medway County Court, district Registry, Anchorage House, 47-67 High Street, Chatham, Kent ME4 4DW

● **Infront Magazine Ltd** 40 Riverside Estate, 2 Sir Thomas Longley Road, Rochester, Kent ME2 4DP on May 10 at 10am. Petition by JM Wright

Appointment of liquidators

● **GBR Business Services Ltd** Printer. Liquidator: T Papanicola, Langley & Partners, Langley House, Park Road, East Finchley, London N2 8EX

● **MMP Mail Order Ltd** Previous company name: **Green House Publishing Ltd** and **Sedvicta Ltd**, **Active Lives Ltd** Previous company names **Indigo Consumer Ltd** and **Riadown Ltd**, **HSM Realisations Ltd** Previous company name: **Hairstyle Media Ltd**, **Hairstyle Media Ltd** Previous company name: **Beltray Ltd**, **Westside Publishing Ltd**, **Untold Magazine Ltd** Previous company name: **Timelife Ltd** Magazine publisher. Liquidator: D Acland, Begbies Traynor, 1 Winckley Court, Chapel Street, Preston, Lancashire PR1 8BU

● **Hamilton & Co Publishers Ltd** Publisher. Liquidator: JP Sugden, Auker Rhodes, Royd House, 186 Manningham Lane, Bradford BD8 7BP

● **Kingfisher Foils Ltd** Sales and distribution of hot foils. Liquidator: BJ Ward, Ward & Co, Bank House, Shaw Street, Worcester WR1 3DT

● **100 Per Cent Ltd** Advertising and print services. Liquidators: B Hoffman and I Yerrill, Gerald Edelman Business Recovery, Suite 2, Kent House, Station Road, Ashford, Kent TN23 1PP

Meetings of creditors

● **People in Print Group Ltd** at The Wellington Hotel, 84 Mount Ephraim, Tunbridge Wells, Kent TN4 8BU on May 9 at 11.15am

● **Good Press Ltd** at 1 Riding House Street, London W1A 3AS on 4 May

● **Premier Press Ltd** at Hodgsons, George House, 48 George Street, Manchester M1 4HF on May 11 at 11am

Final meetings

● **Marsden Publishing Ltd** at Radfords, 12 Portland Street, Southampton SO14 7EB on May 30 at 10.30am

● **Hatfield Book Co Ltd** at Tong Hall, Tong, West Yorkshire BD4 0RR on May 30 at 11am for members and at 11.30am for creditors

Business GROW-HOW

From Paul Holohan & the team at Richmond Capital Partners Limited

Business ADVICE

FACTORING AND INVOICE DISCOUNTING

My accountant has suggested that we switch to factoring or confidential invoice discounting. My print firm is medium sized and growing steadily but I am not sure whether this option is right for us. What do so many printers seem to find attractive and what does it cost?

Over £60 billion of invoices were transacted in 1999 through factoring or invoice discounting. More than 16,000 firms are using factoring and over 6,000 are using invoice discounting. There are at least 50 active providers of these services. So what are factoring and invoice discounting?

The **Factor** buys the invoices that you (the client) raise on normal credit terms (30, 60 or 90 days). The factor will then remit to you, normally within 48 hours, between 70% and 85% (depending upon the agreement you have with him) of the VAT inclusive value. This will give you immediate access to working capital. The process is normally referred to as 'drawdown.'

As part of the factoring service, the factor will administer your sales ledger, issuing statements and chasing your clients through phone calls and letters. They will endeavour to maintain goodwill with your customers. When the customer pays the factor, the balance of the money is passed to you. Sometimes the agreement may also protect you from failure by your customer to pay.

The cost to you is a service charge of normally between 0.5% and 3.0% of turnover with an additional Discount Charge of between 2% and 3% over current base rate.

Invoice Discounting or Confidential Invoice Discounting is broadly the same as factoring, but you maintain the control of your sales ledger and existing methods of credit control. Service charges are less than for factoring and Discount Charges are usually between 1.25% and 3% over base rate. This method of finance is becoming increasingly popular in financing mergers and acquisitions, MBO's and MBI's. It is most common in well established and profitable firms.

Benefits include:-
- Good for growing businesses
- Improved cash flow, no upper limit (unlike an overdraft)
- Usually no security beyond a charge over the book debts
- Overdrafts are payable on demand
- Access to information on clients' credit worthiness (or otherwise)
- Frees up management time
- Debtor days usually reduce
- Can be used for exports to most countries

but:-
- Factors don't accept every type of debt or debtor
- Your customer knows (if not Confidential Invoice Discounting)
- Costly
- Usually a minimum term of agreement (sometimes 1 year but can be as long as 3 years)
- Customers can get upset by insensitive chasing

In summary much depends on your own case and needs. Take independent advice before committing yourself and cost out both options (existing costs and factoring costs) for comparison purposes.

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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