

# Xerox's \$800m cash injection

By Alex Grant

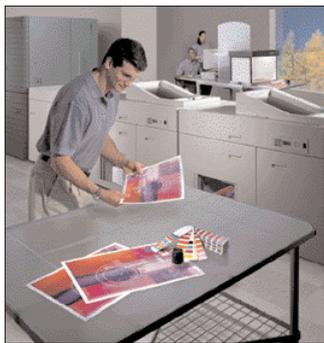
Xerox has reached an \$800m deal with GE Capital in the UK and Canada to give the company vital liquidity as it still waits for \$2.1bn in disposals and \$1bn in cost cuts to have an impact on its bottom line.

GE Capital Vendor Financial Services is loaning Xerox \$800m, using future lease payments by Xerox customers in the two countries as security.

Xerox owners will not pay GE Capital for their equipment's lease charges and will still pay Xerox, but in effect payments will go towards servicing the huge loans that Xerox has taken out. In Canada, the deal will immediately bring Xerox \$350m in Canada and in the UK \$450m.

GE Capital had already signed a deal to provide financing to US customers, which will bring Xerox some \$825m now and hundreds more millions of dollars by 2004.

"In effect we're borrowing this money from GE Capital, secured on future lease payments," says a



DocuColor iGen3 may boost revenues

Xerox UK source. "If we default on the loan repayment then future sale proceeds will go to GE direct."

Worldwide, by transferring all its equipment financing to third parties like GE Capital Xerox could save itself \$10bn of debt.

Since Xerox had its credit ratings cut to junk status earlier this year, it has been dependent on a revolving credit facility which expires next October.

The GE Capital deal came a week after a new bond issue in the US, which should raise another \$500m for "general cor-

porate purposes, including the payment of indebtedness". The redeemable convertible trust securities can only be bought by institutional investors.

At an investor conference last week, chief executive Anne Mulcahy promised that Xerox will make a "dramatic return to profitability" in 2002, and that she is still cautiously optimistic about a profit in the fourth quarter of this year.

Launches such as the DocuColor iGen3 will make 2002 "an exceptional year", she added. By 2005, Xerox expects to have annual sales growth of 5% or 6% and gross margins of around 40%, or 11%-12% operating margin.

A new marketing campaign, based on Xerox's sponsorship of next year's Winter Olympics, is also being touted as another boost to Xerox's fortunes.

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#### In brief

- Xerox wins \$800m injection
- Ties firm over while awaiting loans
- Secured on Canadian and UK leases

## That shrinking feeling

The British printing, paper and publishing industries will shrink by at least 2% in 2001 and will hardly recover at all next year, according to new research.

Paper, printing and publishing account for 30% of the "other manufacturing" category used by the Office of National Statistics. Overall, output in this category shrunk by 1.2% in 2000 and is expected to have reduced by 2% in 2001, according to research by Business Strategies.

Paper, printing and publishing, however, is out of step with different types of manufacturing. Although the sector only shrunk by 0.1% in 2000, the decline is expected to be 2.1% in 2001. Printing and paper were more resilient than other manufactur-

ing industries last year but are expected to suffer more this year.

Much of the decline in output is down to the closure of British papermills, with production transferred abroad.

Growth in 2002 is predicted to be only 0.1% (compared to 0.5% for all "other manufacturing" industries) and in 2003 just 1.2%, only marginally ahead of manufacturing as a whole.

The report predicts that this will be followed by "unspectacular expansion" over the medium term. The research appears to bear out the general view that printing is among the first industries to feel the effects of a recession, and one of the slowest to recover from it.

Printing output is predicted to decline faster this year than any other industry, other than rubber and plastics and textiles.

However, the fact that printing output only declined marginally last year suggests that print buyers have been more reluctant to cut advertising budgets and pagination than during the last recession in the early 1990s.

And the north-south economic divide seems to be widening, with the north-east England, Scotland and Yorkshire showing the biggest falls in output this year.

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#### In brief

- Figures predict industry shrinkage
- Fall of 2% seen for this year
- Papermill closures a major factor

## US ads still down

Knight Ridder, the big US newspaper publisher, is the latest to warn that its profits will be down because of poor advertising sales in October, which have not yet recovered. It follows similar warnings from Tribune Co, New York Times Co and the Dow Jones in warning of lower advertising revenues since September 11. Gannett says that October ad revenues fell 8%, and job ads were down 31%.

## D&T at SMG

Scottish Media Group, owner of the Glasgow Herald, Sunday Herald and Evening Times, could be about to break up following the appointment of Deloitte & Touche to advise on an unspecified "new project". There are unconfirmed reports that this project could be the sale of part of the business to bring SMG some badly-needed capital.

## Sales growing

Printing.com, the small but growing copysheet chain, is still seeing sales growth despite the economy slowing down this autumn. Sales in the four weeks to November 11 were £505,000, £34,000 above the previous record, and the company says it is "on the cusp" of making profits for the first time. Manchester was its busiest store, with sales of £50,000 in the month.

## Loan for Donnelley

Giant US printer RR Donnelley, which has seen third-quarter profits fall by 35% this year, raised \$200m earlier this month through a new five-year loan issue.

## Exit for 'Mr Money'

Presstek's chief finance officer Neil Rossen is resigning at the end of the year after a year of deepening losses for the company.

Although the US firm made a net loss of \$2.8m in the three months to September 29 due to legal and warranty problems, sales were up 20% at \$26.3m because of the popularity of Heidelberg DI presses, for which Presstek is a supplier. Ironically, much of Presstek's recent misfortunes have been due to a patent dispute with Heidelberg which was only recently settled.

The company has tried to put a positive spin on his departure. "During his tenure, Neil has worked diligently to broaden Presstek's relationships with the financial community, both investment banks and commercial lenders," says president Robert Hallman.

"He was instrumental in securing extensions to the company's credit facilities, enlisting analyst coverage, and extending Presstek's institutional investor following."

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## Morgana sales boost

Morgana Systems is still seeing sales growth despite the post-September 11 downturn, which has hit its exports.

The Milton Keynes firm saw sales rise 20% to £7.2m in the year to the end of March, and a further 24% rise in the seven months following. Profits are also up "by a healthy margin."

But recent growth has been in UK sales, with exports slightly down. Some 24 folders were sold in the UK in July alone, and more field technicians are being recruited. "Despite the strength of sterling, our exports have held up well in recent years, largely due to the introduction of new and innovative products," says export manager Andy Cooper. agrant@cmpinformation.com



## Business GROW-HOW



From Paul Holohan & the team at  
Richmond Capital Partners Limited

### VALUING YOUR BUSINESS

**I am frequently asked by clients if I can tell them what I think their business is worth. I usually make one key response:**

"The real test of the value of any asset is what a willing buyer is prepared to pay for it."

The only true way to value a business is to actually try and sell it. However, as this can be a risky business, many owners only want to take this route when they are ready to sell. Many owners need to know an approximate value in order to decide their future direction.

The following issues will determine the ultimate value achieved for your business:-

- The timing of the sale
- The condition of your business
- Its attractiveness to the buyer

Never accept a verbal, off-the-cuff valuation. This is unprofessional and at worst is insulting to you - as your business is probably your greatest asset - both emotionally and financially. It is better to pay a small fee to value the business and to insist on a written confirmation outlining the rationale.

Always use advisors with strong industry knowledge as they will have a better 'handle' on deals in the marketplace. They will also know who is buying and their buying criteria - so this is a key issue.

And remember that you do not have to be selling in order to obtain a valuation. It is a good idea to have one carried out say every 3 years to measure your wealth creation. We know that if vendors are realistic about the value of the business, when marketing it, a sale will almost certainly be achieved which is acceptable for both buyer and seller.

One other point worth remembering is that many advisors consider marketing a business to be simply a matter of sending out information to potential buyers, advertising (at your cost) and generally telling as many people as possible.

A better, and more discreet, way is to focus on just a few known buyers and "test the water."

Finally, when you understand the basic rules of valuation you can plan ahead and develop strategies designed to maximise the value of your business!

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

## SE Labels stays Norwegian

SE Labels' days as a public company seem to be numbered, with a takeover underway by a Norwegian packaging group. Skanem Industries is a private company which has already bought 52.1% of its shares.

SE Labels has factories in Denmark, Norway, Sweden, Germany, and five in the UK. Turnover is £100m and the company recently went from loss into profit, although UK sales have fallen.

The company was sold by its

former Norwegian parent company, Rieber & Son, to its UK management last summer.

The buyout team had expected SE Labels to survive as a public company with a listing on the Norwegian Stock Exchange. Restructuring has seen the closure of a labels site in Park Royal, north-west London.

Now, however, management is putting a positive spin on another takeover of SE Labels. "This is a positive move which will create a stable base from which SE Labels

can grow and further enhance its strategic position in labelling," says managing director Ken Forster.

"We look forward to working with an industrial owner with over 20 years' experience in the packaging industry."

No-one at Skanem was available for comment.

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#### In brief

- SE Labels takeover bid
- Norwegians expand holding
- Management's positive stance

### legal notices

#### Appointment of liquidators

● **Colour Direct Mail Ltd** Direct mailer and distributors.

Liquidator: SG Taylor, 4 Charterhouse Square, London EC1M 6EN

● **Toucan Graphics Ltd** Trading name: **Screen Trio** Printing. Liquidator: DL Platt, Roskys, Gable House, 239 Regents Park Road, London N3 3LF

● **PAK Screen Print Ltd** Screenprinter. Liquidator: DH Bottomley, The Till Morris Partnership, 32 Brook Street, Warwick CV34 4BL

● **Photobition CPL Ltd** Previous company name: **Photobition Ltd** Holding company. **Photobition Investments Ltd** Previous company name: **Timedale Ltd**

**Photobition International (No 1) Ltd** **Photobition International (No2) Ltd** **Photobition Overseas Ltd** Holding companies. Liquidators:

R Bailey, DK Duggins and RD Fleming, PO Box 55, 180 Strand, London EC2R 2NT

● **Tasto Ltd** Publisher. Liquidator: C Mackenzie-Thorpe, Chris Mackenzie Thorpe, Lynstan House, 64A Bolton Street, Brixham TW5 9DH

● **Flexographics Printing Plates Ltd** Composition and platemaking. Liquidators: A Cooper and J Russell, Poppleton & Appleby, 93 Queen Street, Sheffield S1 1WF

● **PP&P Ltd** Retailer of paper products. Liquidators: PJ Windatt and GS Pettit, BRI Business Recovery & Insolvency, 102-104 St James Road, Northampton NN5 5LF

● **Laser Bureau Ltd** Printing. Liquidators: P Clark and A Stoneman, Menzies Corporate Restructuring, 17-19 Foley Street, London W1W 6DW

● **Inform Graphics Ltd** Graphic printer. Liquidators: RC Keyes and F Wessely, Chantrey Vellacott, 81 Station Road, Marlow, Buckinghamshire SL7 1SX

#### Appointment of receivers

● **Snap Printers Ltd** Printing. Receivers: D Oakley and A Redmond, Tenon Lathams, Arkwright House, Parsonage Gardens, Manchester M3 2LF

● **The Pheon Press Ltd** Paper printing and publishing. Receiver: KB Stout, Keith Stout & Associates, 138 Park Lane, Romford, Essex RM11 1BE

● **Wealthstream Ltd** Publish journals and periodicals. Receivers: D Oakley and A Redmond, Tenon Lathams, Arkwright House, Parsonage Gardens, Manchester M3 2LF

● **G & G Print Finishers Ltd** at Wetheron House, 56 Dingwall Road, Croydon, Surrey CR0 0XH on November 22

#### Meetings of creditors

● **Essential Screenprint Ltd** at Old Library Chambers, 21 Chipper Lane, Salisbury, Wiltshire SP1 1BG on November 19

● **Graphic Direct Ltd** at The Apollo Hotel, Aldermaston Roundabout, Basingstoke,

Hampshire RG24 9NV on November 27 at 11am

● **Panic Button Press Ltd** at Leytonstone Library, 6 Church Lane, London E11 1HG on November 20

● **Pentland Press Ltd** at Tenon Jennings Johnson, 6 Foyle Street, Sunderland SR1 1LB on November 23

● **Apex Digital Systems Ltd** at Hodgsons, George House, 48 George Street, Manchester M1 4HF on November 30 at 11am

#### Notices to creditors

● **Newpar Press Ltd** Creditors to send claims to S Cohen, Pitman Cohen, Great Central House, Great Central Avenue, South Ruislip, Middlesex HA4 6TS by December 14

#### Final meetings

● **Pulse Graphics Ltd** Moore Stephens, Corporate Recovery, Victory House, Admiralty Place, Chatham Maritime, Kent ME4 4QU on December 20 at 10.10am for members and at 10.15am for creditors

● **Ace Print Finishers Ltd** at Wilson Pitts, Devonshire House, 38 York Place, Leeds LS1 2ED on December 28 at 10am for members and at 10.15am for creditors

● **Presscraft Publications Ltd** and **Presscraft (Hartlebury) Ltd** at PricewaterhouseCoopers, Cornwall Court, 19 Cornwall Street, Birmingham B3 2DT on December 13 at noon and 2pm respectively

