Heidelberg hit by woeful web sales

By Alex Grant

Heidelberg's profits have fallen 28% after sales of its web presses slumped following the September 11 terrorist attacks.

Despite €100m-worth (£62.5m) of cost cuts, full-year profits are now expected to be in the region of €200m-€220m, (£125m-£137m) well below the €283m (£176.8m) it made last year.

Heidelberg's quarterly profits have been at a standstill, or have only shown growth of up to 10%, ever since last autumn because of the US downturn.

But this is the first time that the downturn has led to an actual fall in Heidelberg's profits. After a first-quarter rise in profits of 22%, the second quarter (July to September) saw web press sales down by 30%, and losses in the web division are far greater than the €24m last year. "A lot of customers cancelled web press orders after September 11," says Hans-Dieter Siegfried, a spokesman. "The trouble is that it can take ten sheetfed press sales or 100 prepress sales to make up for one web press order."

Sheetfed press sales have risen slightly from €1.35bn to €1.57bn, and profits are up from €212m to €260m, but this has not been enough to offset the large fall in web press sales, where Heidelberg is very exposed to the US market. Fuller figures will be released on November 9.

Overall, profits from the third quarter are expected to fall from €110m, 28% below the €153m that Heidelberg made in the same quarter last year, even though total sales are up 4.8% at €2.3bn.

Suddenly, chairman Bernard Schreier's promise to increase annual sales from €5bn to €8bn looks much more difficult to achieve. Heidelberg needs to attract investors now that RWE has vowed to sell its 50% stake and allow Heidelberg to float fully on the Dax stock exchange, although this may not happen for another two or three years.

● There was more gloom from the US last week, with financial printer Bowne issuing a third-quarter profits warning and warning that it must reduce its workforce by 10%, and Standard Register making a third-quarter loss of $1.4m because of a sharp drop in sales after September 11.

agrant@cmpinformation.com

In brief

- Web sales fall hits Heidelberg
- US dependency has an impact
- Company sees growth in other regions

JP 'vindicated'

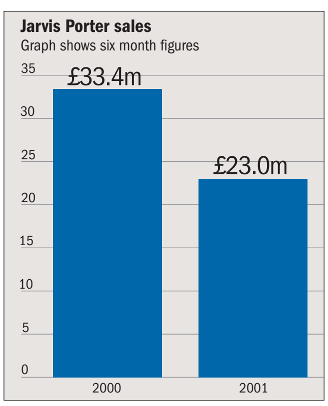
Jarvis Porter says its controversial decision to sell or close down its creative packaging and speciality print divisions and return to just label printing has been vindicated by its first half results, which show the losses at the surviving divisions have been curbed.

Overall, Jarvis Porter has suffered a 30% fall in sales from £33.4m to £23m in the six months to August 31, and losses have grown from £1.7m to £2m.

However, much of these figures refer to the discontinued businesses and the one-off restructuring costs involved in their closure or sale.

For labels and healthcare, the only two surviving divisions, losses have been cut from £1.45m to £22,000.

Management in the under-performing Paris factory, which has been loss-making since it was bought in 1995, has been cleared out and a recovery plan put in place, with its largest customers like Unilever and L'Oreal staying loyal.



The three other print sites in Leeds, Lewes and Utrecht are now profitable, says JP.

"We started the financial year experiencing difficult market conditions in all our business sectors: competition, price pressures and over-capacity in the industry," says executive chairman Michael Maher.

agrant@cmpinformation.com

In brief

- JP sell off is vindicated
- Losses are being curbed
- Company now in a stronger position

Imation move prudent

Imation, which earlier this month announced it was selling its Matchprint proofing business to Kodak Polychrome Graphics, appears to be right to pull out of the graphics arts market.

It made a profit of $13.4m in the third quarter against only $1.9m a year ago before special costs, but all of this profit was due to data storage products, not proofing systems.

Despite the increase in profits, sales have fallen from $290.3m to $290.7m. Imation puts the turnround down to a policy of backing out of graphic arts and concentrating on data storage systems, sales of which are seeing double-digit annual growth everywhere other than the US.

This follows a detailed "strategic review" by Goldman Sachs which started last year. Data storage systems already account for 74% of turnover.

In brief

- Imation moves out of graphic arts
- Data storage systems are growing
- They account for 74% of turnover

Publishing problems

Scottish financial paper *Business AM*, which has failed to reach its circulation targets since its launch last year, could lose the backing of its Swedish publisher Bonnier. The paper is only selling 12,000 a day rather than forecasts of 15,000 and 15% of its 130 staff could lose their jobs. The *Financial Times*, meanwhile, is shedding 150 jobs as part of a cost-cutting package.

Profits warning

Novar, the cheque printing and building supplies group, has warned that demand for security printing in North America fell in the third quarter, prompting it to issue its second profits warning so far this year.

Takeover deal

Livingstone Guarantee, the merger and acquisitions firm that has brokered many deals in printing, is being taken over itself. The new owner is Tenon Group, which has bought Livingstone Guarantee for £25m and has promised that the name will survive for trading purposes.

Johnston presses on

Johnston Press is persevering with its bid to buy eight newspapers from Trinity Mirror in the East Midlands, even though they would give Johnston a virtual monopoly in the area (*Printing World, October 1*). The takeover was blocked by competition minister Melanie Johnson, but it will now go to the Competition Commission for a ruling.

Boise Cascade Q3 slide

By Fiona Fraser

US paper and office products company Boise Cascade has reported a third quarter 2001 net income of $15m, significantly down on last year's income of $84.6m.

The company blamed the terrorist attacks in the US for a drop in demand across its businesses. However, sales remained steady over the quarter at $1.9bn.

Boise Cascade's chairman and chief executive George Harad says: "Positive results were offset by a modest decline in income from our office products distribution business and a more significant decline in income from our paper business, which reflects weak markets and higher energy costs."

Third quarter 2001 operating income in the office products segment was $37m, compared with $38.5m in 2000. Sales for the quarter declined 9% to $848m.

In brief

- Boise Cascade down in Q3
- US papermaker blames attacks
- Cuts in production levels

Ad spend set to rise

Hard though it may be to believe amid the advertising downturn, the majority of British media buyers expect to increase their ad spend next year rather than reduce it, according to the Institute of Practitioners in Advertising's Bellwether report.

Of advertisers interviewed in the immediate aftermath of the September 11 terrorist attacks, a third are already planning their 2002 budgets. Of these, 42% are increasing their spending next year and only 23% have cut it.

Although travel, entertainment and financial services advertising is down, food, retail and car ad spending appears to be holding up.

In brief

- Media buyers in buoyant mood
- They predict an increase in ad spending
- Food and car ads are holding up

Jefferson Smurfit merger rumours

By Alex Grant

Jefferson Smurfit, the Irish print and packaging group, could merge with its US containerboard subsidiary Smurfit-Stone, according to unconfirmed press reports.

A fortnight ago Smurfit said it would start filing its financial results quarterly, as is common in the US, fuelling speculation that a unified, transatlantic group could be created. Smurfit-Stone says only that "no announcement is imminent".

Smurfit-Stone's third quarter profits, released last week, have fallen from $79m to $28m, and a 10% fall in sales from $2.328bn to $2.088bn.

However, the figures were better than the second quarter and Smurfit-Stone says that cost reductions and debt refinancing have been a success, despite lower demand for containerboard.

"Looking ahead, we do not expect a near-term turnround in the overall economy," says president Ray Curran.

"Demand is set to remain weak. Our focus is on intelligently managing the current slowdown by controlling inventories, using free cash to reduce debt and reducing costs."

agrant@cmpinformation.com

In brief

- Possible Jefferson Smurfit merger
- Smurfit-Stone integration move
- S-S Q3 figures fall sharply

X-Rite profits down in Q3

By Alex Grant

Profits at X-Rite, the maker of colour management tools, are down by 80% after third-quarter sales fell from $23.1m to $21.7m.

X-Rite has recently cut 60 jobs and announced a fortnight ago that the UK price of all its colour measurement instruments would be cut by up to 10%.

The company says that the cuts were down to growth rather than decline: UK sales are said to have risen by 25% in the last two years. But the US economic slowdown has meant this was not repeated on the other side of the Atlantic.

X-Rite is hopeful however of a new product for dentists, ShadeVision, and a new partnership with micro-electronics manufacturer Karl Suss America.

agrant@cmpinformation.com

legal notices

Compulsory winding up

The following case is due to be heard at Leeds District Registry, The Courthouse, Oxford Row, Leeds LS1 1BG

● **Astec Digital Print Ltd** Unit 7A, Jubilee Estate, Tindall Street, East Moors, Cardiff on October 30 at 10.30am. Petition by Customs & Excise

Appointment of liquidators

● **Freeway Newdawn Print Company Ltd** Printing. Liquidator: ML Rose, Elliot, Woolfe & Rose, 12th Floor, Premier House, 112 Station Road, Edgware, Middlesex HA8 7TT

● **SLG International Ltd** Graphic design/desktop publishing. Liquidator: J Berman, Berley, 76 New Cavendish Street, London W1G 9TB

● **Booth & Heywood Ltd** Manufacture of paper stationery. Liquidator: DA Horner, David Horner & Co, 2A Pioneer Business Park, Clifton Moor, York YO30 4TN

● **Copyspeed Printing plc** Instant printer/photocopiers etc. Liquidator: R Valentine, Valentine & Co, 4 Duncastle Court, 14 Arcadia Avenue, London N3 2HS

● **Harnchester Ltd** Commercial printer. Liquidator: J Sinclair, Sinclair Harris, 46 Vivian Avenue, Hendon Central, London NW4 3XP

● **Com-Tech Print Ltd** Commercial and technical printing. Liquidators: S Hoffman and MD Alexander, Lewis Alexander & Collins, 103 Portland Street, Manchester M1 6DF

● **Forme Print & Design Ltd** Commercial printer. Liquidator: KB Stout, Keith Stout & Associates, 2 Nelson Street, Southend on Sea, Essex SS1 1EF

Meetings of creditors

● **Phototech Graphic Supplies Ltd** at The Broomhill Hotel, Holdenby Road, Spratton, Northamptonshire on October 23

● **Toucan Graphics Ltd** (t/a **Screen Trio**) at Gable House, 239 Regents Park Road, London N3 3LF on November 1 at 11am

● **Southern Reprographic Supplies Ltd** at 5 Park Court, Pyrford Road, West Byfleet, Surrey KT14 6SD on October 26

● **PAK Screenprint Ltd** at Copthorne Hotel, Merry Hill, Level Street, Brierley Hill, West Midlands on October 31 at noon

● **Flexographic Printing Plates Ltd** at Posthouse Haydock, Lodge Lane, Newton le Willows, Merseyside WA12 0JG on November 6 at 11.30am

● **Active Colourprint Ltd** at 1 & 2 Raymond Buildings, Gray's Inn, London WC1R 5NR on October 30 at 10.30am

● **Laidlaw Colourgraphics Ltd** at 93 Queen Street, Sheffield S1 1WF on November 6 at 11am

● **Colour Direct Mail Ltd** at 4 Charterhouse Square, London EC1M 6EN on November 6 at 3pm

● **ADS Print Ltd** at Mollington Banastre Hotel, Parkgate Road, Chester CH1 6NN on October 31 at 2pm

Final meetings

● **Dornier Print Engineering Ltd** at Prospect House, 2 Athenaeum Road, London N20 9YU on November 29 at 11am

● **AM Graphics International Ltd** at 84 Grosvenor Street, London W1K 3LN on November 28 at 10am

Disclaimer

● **Design2Print (Llandudno) Ltd** Builder Street West, Llandudno LL30 1HH wishes to point out that it has no connection with Design 2 Print Ltd as mentioned in Legals of October 8

Business GROW-HOW

From Paul Holohan & the team at Richmond Capital Partners Limited

Business ADVICE

TAPER RELIEF: HIDDEN TRAPS

I am planning to sell my printing business next year. Someone told me that I should allow 10% Capital Gains Tax. Is this correct?

The rules for Taper Relief are not straightforward so I cannot be sure from what you have told me whether you would qualify for the 10% rate.

You tell me that you have held the business for well over the four year qualifying period. However, you still need to be aware of 'hidden rules' which are going to create problems for many business owners in your position.

For example there are three features that can prevent an owner getting relief. They are:-

- Having too much property
- Having too much cash
- Having a minority or equal investment in other companies

Any of these means that the company is no longer a pure trading company and will not qualify for taper relief.

If you have a 50:50 joint venture with another company for example, then that could spoil your chances of getting taper relief. To get around this you need to own 51% of the other firm.

Another problem is mixing trading with investment activity. Many owner-managers have investments or surplus cash on deposit — which can pose taper relief problems. If the money on the balance sheet amounts to more than 20% of the value of the business or its sales, this will disqualify the owner from getting the tax relief.

Renting out spare office space is another fraught area. Companies need to put the rented building into a separate company to remain eligible for the tax relief.

Selling the trade of the business, and not the company itself, can also be tricky. If you sell the trade and put the cash on deposit you will also lose relief. To qualify you have to wind up the firm immediately. This is particularly relevant to our industry.

Giving away company shares at the wrong time can mean you will have to re-start the four year period. This is also true if you put shares into a trust for the children.

Altogether it is clear that many owners do not understand or are not even aware of the rules.

Do not assume that you will qualify. If you are waiting for next April to sell the business ask your tax advisor to check your individual circumstances — the sooner the better.

It could save you money and heartache!

Good luck!