Printing.com buys two Komoris for big push

By Tony Brown

High street print chain Printing.com has invested £3m in two new four-colour Komori presses as it prepares for an aggressive expansion of its franchise business.

The company has announced the UK market will sustain at least 70 Printing.com stores rather than the 45 originally planned. The company has 15 sites at present in prime city centre locations across the UK.

Chief executive Tony Rafferty says as many of 25 of those could come from within the M25 boundary, a potentially vast untapped market.

"We have had time to gauge the profit margins in the principal cities, such as London, Birmingham and Manchester, and the sub-regional cities such as Bristol," says Mr Rafferty.

The group said it was considering a number of options to enable it to accelerate its store opening programme and was discussing the alternatives with its advisers.

Mr Rafferty also says he has been in discussion with a company about the possibility of expanding into the US market – a bigger market than the UK but much more competitive.

Printing.com's business model differs from that of its high street rivals such as Kall Kwik and Prontaprint because it does not have any equipment on site. This makes the start up costs of new stores very cheap.

The printing is done from Salford, Manchester.

Tony Rafferty: 'potential to handle £12m'

The new Komori B1 presses will replace two B2 presses in the coming months, making the costs of ganging up print jobs much more efficient.

"Looking at the first print job, we generated around £4,000 of revenue which took only 12 minutes to print," says Mr Rafferty.

"With our present equipment we have the potential

Rafferty unfazed by £1.19m loss

Printing.com chief executive Tony Rafferty was unperturbed about the £1.19m pretax loss made by the company for the year to March 31 2001.

It was higher than the £750,000 the company had expected, which was accounted for by the faster then anticipated fall off from "traditional" businesses, which includes printing services for the entertainment and nightclub scene. This sector had since recovered its profitable business, he says.

Turnover, at £3.9m, was around 15% lower than expected largely because of the decline in sales in its traditional markets. Mr Rafferty says the loss these traditional sales had more than been made up by increased store sales.

"Last year to March 2000 we had a turnover of £3m, of which £2.6m came from what we saw as our traditional market," he adds.

"This year, turnover was £3.9m, of which only £2.1m came from our traditional market but sales from stores grew from £400,000 to £1.6m."

It will not be long before the company is cash generative, according to Mr Rafferty. "The company is now generating £400,000 worth of revenue a month.

"It has to reach a level of £465,000 a month to reach cash equilibrium and £500,000 a month to operate profitably. I am quite optimistic that the potential exists to generate cash in the short term," he says.

Sales from the e-commerce trading site had been

Johnston Press boosted 14%

Regional newspaper publisher Johnston Press has bucked the trend with a 14% increase in half year profits. The improvement came on the back of a modest increase in advertising revenue, although the company warned the market will slow for the second half of the year.

In the six months to June 30 2001, profit before exceptional items increased 14.3% to £40.2m, compared to £35.2m the previous year. The results impressed broker Deutsche Bank, which had forecast a pretax profit of £38.3m for the period.

On a like-for-like basis, newspaper publishing operating profit increased by 9.7%.

However, Johnston took a £5m hit against the restructuring operations on the South coast resulting in the closure of the pressroom at Burgess Hill in West Sussex.

But almost all of the firm's principal publishing centres reported increased earnings with particularly encouraging performances from the recently purchased Tweeddale Press, Bedfordshire Newspapers and Portsmouth & Sunderland Newspapers.

The printing division performed well, reported the company, although operating profit fell back as a result of the replacement of external contracts with group work.

The increased newspaper revenues were attributed to rising advertising rates, in a market that has generally seen falling yields as the economic downturn takes hold. It put its success down to the limited exposure to the

Bong ups and downs

Swedish envelopes company Bong Ljungdahl has seen net turnover increase by 6% to SKr1.25bn, up from SKr1.18bn, for the six months ended June 30.

However, according to Bong, the European envelope market is estimated to have declined by around 3-5% in volume during the first half of the year. Profits decreased in the first six months by SKr57m to SKr44m.

The UK market experienced a strong start in

Cinven's new move

British investment group Cinven plans to follow up the £1.1bn sale of IPC Media with a £1.26bn purchase of the business and health publications of France's Vivendi Universal.

Billboard blues

Motorists driving through New York City are getting a sign of the times – empty billboards. According to the Outdoor Association of America, revenue for the industry actually increased 2% in the first quarter of this year, although it is well down on the double digit growth of the late 1990s. The US industry's billboard revenue was $5.2bn in 2000.

Brits behave badly

A new survey claims British business travellers behave badly abroad, costing firms £250m by fiddling their expenses. CityOrganiser.com says one in seven has broken the law, 5% buy illegal drugs and one in 50 takes away a 'romantic companion' on business trips.

Find your way through the finance maze
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Oakhill warns on performance

By Fiona Fraser

Oakhill, the Irish print group, has warned of a poor full-year performance.

The company says sales from continuing operations were down 10% from €57.5m to €37.9m in the first half ended June 30 compared with the same period in 2000.

Operating profits from continuing operations were down 43% to €2.07m. The company says: "Overcapacity and increased competition has resulted in continuing pressure on prices and volumes."

In view of the sharp decline in operating profits, the company will not pay an interim dividend.

Oakhill plans cost reductions and has already sold its US Keytech business earlier this month for $300,000. The Stinehour business may also be sold.

It is hoped that the group

Hargrave confident

Thomas Potts says that both turnover and profits are exceeding targets, five months into its trading year.

Chairman Steven Hargrave says: "If current trends continue, it appears that profits for the six months to September 30 2001 will be ahead of the corresponding period last year and well ahead of the depressed level of the second half of last year.

The print management unit, CCS Potts, was also enjoying a good half year

legal notices

Compulsory winding up

The following case is due to be heard at Manchester District Registry, 184 Deansgate, Manchester

● **South West Envelopes Ltd** Wellesley House, 7 Clarence Parade, Cheltenham, Gloucester GL50 3NY on September 3 at 10am. Petition by Riveremere Design Ltd, trading as Tower Supplies

Appointment of liquidators

● **Grasp Multimedia Ltd** Graphic designer. Liquidator: C Prescott, Moore Stephens Corporate Recovery, 1-2 Little King Street, Bristol BS1 4HW

● **Ark Design Ltd** Graphic design. Liquidator: P Sargent, 36 Clare Road, Halifax, West Yorkshire HX1 2HX

● **Manor Document Technology Ltd** Printing. Liquidator: C Prescott, Moore Stephens Corporate Recovery, 1-2 Little King Street, Bristol BS1 4HW

● **Knockout Colour Ltd** Previous company name: Ashwera Services Ltd Printer. Liquidator: J Sinclair, Sinclair Harris, 46 Vivian Avenue, Hendon Central, London NW4 3XP

● **UIG Sands Ltd** Publishing. Liquidator: DW Darrell, the Chancellors Group, North Wing, Warlies Park House, Horseshoe Hill, Upshire, Essex EN9 3SL

● **The Nash Corporation Ltd** Paper, printing and publishing. Liquidator: NA Bennett, Leonard Curtis, 1 Great Cumberland Place, London W1H 7LW

● **Actcrown Ltd** Trading name: **BA Print** Printer. Liquidators: DF Wilson and JNR Pitts, Wilson Pitts, Devonshire House, 38 York Place, Leeds LS1 2RF

● **EP Lowe Ltd** Printer and stationer. Liquidator: AG Haden, Haden Insolvency, Haden House, 485 Birmingham Road, Bromsgrove, Worcestershire B61 0HZ

● **Holcot Press Ltd** Printing and publication. Liquidators: B Hoffman and I Yerrill, Gerald Edelman Business Recovery, Suite 2, Kent House, Station Road, Ashford, Kent TN23 1PP

● **Rowton Press Ltd** Publishing. Liquidators: MA Shaw and JD Travers, BKR Haines Watts, Sterling House, Maple Court, Maple Road, Tankersley, Barnsley, South Yorkshire S75 3DP

Appointment of Receivers

● **R&T Print Finishers Ltd** Printing. Receivers: DH Gilbert and SJ Michaels, 8 Baker Street, London W1U 3LL

Meetings of creditors

● **Jacee Print Productions Ltd** at 63 Walter Road, Swansea SA1 4PT on August 31

● **Swift Print UK Ltd** at Valentine & Co, 4 Duncastle Court, 14 Arcadia Avenue, London N3 2HS on August 31

● **Opium Print Service Ltd** at Insol House, 39 Station Road, Lutterworth, Leicestershire LE17 4AP on September 7 at 11.30am

● **Chameleon Print & Design Ltd** at 15A Hallgate, Doncaster DN1 3NA on September 6 at 11am

● **The House of Print Ltd** at Innkeepers Lodge, Redstone Hill, Redhill, Surrey RH1 4BL on September 3 at 10am

● **Traxdata Wales Ltd** at the Posthouse Cardiff City, Castle Street, City Centre, Cardiff CF1 2XB on September 3 at 1pm

Notices to creditors

● **Studio 78 Reprographic Services Ltd** Creditors to send claims to MJ Wilson, Baker Tilly, 46 Clarendon Road,

Business GROW-HOW

From Paul Holohan & the team at Richmond Capital Partners Limited

Business ADVICE

BUYING A BUSINESS - A STEP BY STEP GUIDE

So far we have defined our strategy, identified targets, made an approach and reviewed the suitability of the targets.

STEP 5
MAKING AN OFFER (HEADS OF AGREEMENT)

Now (and only now), it is time to make an offer. It is important to communicate the offer in the right way – you may only get one opportunity.

Use your specialist advisor. A good advisor has seen it all before and you can use him as a foil. He will also know the best way to present the offer.

What should the offer contain? When deciding on the offer, you need to consider the following:-

- How much is the business worth to you?
- How will you improve the business and 'add value'?
- How much is the business worth to the current owners?
- What is the most you would pay?
- What do you want to acquire [the shares, assets, goodwill]?
- What are you going to offer?
- How will it be paid? Will it be paid on day one or will some of it be deferred? Could part be in shares – re-purchaseable in x years?
- Hand over period and key people retained

Once you have formulated the offer, it needs to be communicated to the current owner. Negotiation is inevitable so use your advisors and keep a degree of distance between yourselves and the negotiations. This prevents the negotiations from becoming a personal issue.

So you have agreed a deal now and this is where "Heads of Agreement" come into play. The aim of Heads of Agreement is: -
To create a written agreement summarising the principal terms of the offer as agreed between yourselves and the current owners.

It needs to include:-

- The price to be paid
- How the price will be paid [deferment, earn-out]
- What will be acquired [shares, assets]
- What will not be acquired – any excluded assets
- Exclusivity period

The last item 'exclusivity' or 'lock-out' is important. As you and your funders are likely to incur significant time, effort and cost in order to deliver the offer, it is reasonable to expect a period of exclusivity.

This will prevent the owners negotiating with or selling to someone else. This period can be anything from one week to six months, but it is important to agree. Typically eight weeks is a suitable period.

The Heads of Agreement seeks to agree the commercial aspects of the offer rather than being a binding legal agreement and is subject to due diligence. The document can be drafted by any competent person. However it is important that it is accurate and unambiguous. This prevents disputes or re-negotiation at a later stage.

Once prepared you are ready to agree, sign up and move on to the next step – Due Diligence. More on that next week.

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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