

# Polestar faces bondholders

By Alex Grant

A summit meeting was held last Wednesday between Polestar and its long-suffering bondholders, amid speculation that parent company Investcorp may be considering selling off Polestar entirely rather than hanging on to see if it ever gets a return on its investment.

Polestar announced a third quarter loss of £12.7m last month, and is in talks with bondholders about rescheduling its debts, which total around £480m. The bondholders have hired their own legal advisers and have told the company to put a plan together quickly.

"The results were truly

awful. Polestar bonds are trading at 18 cents to the dollar and are definitely junk," says Sarah Percy-Dove, a Merrill Lynch analyst. "Polestar has lots of operational and liquidity problems," she adds.

"But they're not quite at the fire sale stage yet. Polestar has a strong market position and good market share."

Investcorp generally looks to invest in companies for about five years and then float them or sell them on, although when it invested in Gucci it waited ten years.

But Polestar has immediate problems it must deal with, not least of which is a debt repayment of £17.5m

on October 4 which will be much more difficult now that a £16.3m property windfall has fallen through (*Printing World*, August 27).

Polestar has declined to comment on how the October repayment will be met.

However, Ms Percy-Dove says that as Investcorp has "deep and strong" links with the banks, a further loan looks likely.

"Investcorp will convert bondholders' debts into equity but the bonds will still be almost worthless," says Ms Percy-Dove.

Polestar recently received a Standard & Poor's rating of only CCC – which strongly suggests

## Independent increases

Independent News & Media, publisher of *The Independent*, has managed to increase both sales and profits in the first half, even though it was hit by less advertising, paper price rises and the costs of a huge new print centre in Ireland.

In the UK, *The Independent* saw readership rise 28.4% year-on-year and the *Independent* on Sunday 6.3%, with smaller rises at the *Belfast Telegraph* and *Sunday Life*.

While the 13% fall in UK ad sales was slightly below the average industry decline of 15%, worldwide IN&M has felt the slump just as hard as any other publisher. But as it has extensive radio and outdoor advertising interests and operates across four continents, IN&M does not depend solely on press advertising.

Worldwide, pretax prof-

its after exceptional items are 17.2% down, owing to the costs of the *Belfast Telegraph* takeover and the construction of the City-West print centre near Dublin, which has led to a round of cost-cutting mea-

sures, including a recruitment freeze, in Ireland.

These costs aside, however, profits were 13.5% up on last year at €109.3m, but without the effect of exchange rates the growth was only marginal. Further

## Regionals see slide

Regional newspaper sales in the UK have fallen by 2.8% in the first half of 2001, new figures show.

However, the *Newspaper Society* is putting a brave face on the figures, saying that bulk sales have reduced and "actively purchased" papers have reached record levels.

"While bulks have a legitimate place in the publisher's armoury, they should not be used to mask a decline in sales," says Johnston Press chief executive Tim

Bowdler.

"We believe that the short-term price of adverse circulation trends is more than outweighed by the consequent management focus on the primary task of building full price single copy sales."

Bulk sales are unpopular with advertisers as there is no certainty over who reads the papers, or whether they are even read at all. Most publishers are aiming to cut bulk sales to just 1%-2% of their print runs.

## Revamp at Rohm

Rohm & Haas, the maker of packaging adhesives, has promised a 'major reorganisation' following its takeover of *Morton International* two years ago. Splitting the company according to the markets it serves, the reorganisation is a long-term strategy, not a 'short-term reaction to economic events', the company says.

## Chill in US sales

*United Business Media*, owner of *Printing World* publisher *CMP Information*, is still feeling a chill in the US. *CMP Media*, which publishes high-tech titles in the US, suffered a 39% fall in advertising pagination in July, although market share rose from 24.9% to 28.8%.

## Surprise profit

*Bunzl*, the packaging group, made a surprise profit of £91.2m, 12% higher than last year. Despite the economic slowdown demand for food packaging, and outsourcing, is still on the rise.

## Stratus moves

*Stratus Holdings*, the publisher and printer of on-demand books, is closing its London HQ and shedding 20 jobs as it concentrates all its British operations at its print site in Thirsk. *Md David Lane* did not return calls to *Printing World* last week, but has been quoted denying reports that *Stratus* has called in the receiver.

## Ad spend to fall further in Britain

Advertising spending will decline faster in Britain than most other European countries next year, according to new research from *Zenith Media*.

This year, ad spending is predicted to fall by 3% year-on-year, compared to a 1.8% decline in Europe as whole.

However, television is still worst hit, showing a 12.6% real-terms decline opposed to a fall of 2.2% for newspaper advertising and a 2% rise for outdoor advertising.

Next year, outdoor is expected to be up by 3.9%,



Outdoor advertising is expected to grow

but newspaper advertising (down 1.2%) and magazines (down 0.5%) are still expected to show small declines in real terms.

While some advertisers like *Proctor & Gamble* have increased their ad spend in magazines, the high-tech slump has hit midweek advertising in broadsheet newspapers very severely, with some now experiencing double-digit drops in income.

Next year, UK ad spending is now predicted to barely show any recovery at all, with a real-terms fall of 2.3% expected in the US. Experts now say that a proper recovery might not arrive until 2003. Although the US could still see a real-terms decline of 0.1% in that year, European revenues are forecast to rise 2.6%.

A report from *Merrill Lynch*, due out on September 7 is expected to add to the pessimism, predicting that US ad revenues will fall by 4% this year and rise by only 1% next year.



## Business GROW-HOW



From Paul Holohan & the team at  
Richmond Capital Partners Limited

### BUYING A BUSINESS - A STEP BY STEP GUIDE

You have now agreed a deal with the current owner. Now you are in a position to be able to have a closer look at the company.

#### STEP 6

#### DUE DILIGENCE

What is Due Diligence?

*Due Diligence is an investigation into the financial and/or operational activities of a business in connection with a proposed acquisition or disposal of an interest in that business. Source: KPMG*

This could include:-

- Financial and tax matters
- Commercial aspects
- Legal aspects
- Property issues
- Environmental issues
- Health & Safety matters
- Information Technology aspects
- Pensions issues

Who carries out Due Diligence?

It is best to use experts in each field. However, classic advisors are:-

- Accountants
- Lawyers
- Specialist experts (e.g. environmental consultants/actuaries for pensions)

Never forget that concluding a transaction is a stressful, time consuming and risky business.

We strongly recommend that the commercial Due Diligence [which is rarely done by the lawyers or accountants] is performed by yourself with the support of advisors with a printing industry background.

You may question why you need Due Diligence. If you need to raise money to fund the acquisition, it is highly likely that external funders will require this information.

For your own peace of mind you should make thorough investigations. Do not rely on your accountants/lawyers to uncover problem issues - particularly if they are being paid on contingent fees! Often a 'box-ticking' exercise is all you will get.

Once you have completed Due Diligence, the next step is to finalise negotiations. You may have uncovered issues which necessitate further negotiations.

When these have been completed you are ready to focus on completing the deal itself but even more importantly the post acquisition 'integration'.

These are the subjects of next week's article in the "Buying a Business" series.

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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## Late payment rife in UK

British companies are far from the worst in Europe when it comes to paying bills on time, the Bank of England's latest small business statistics show.

Almost half of all late payments are the fault of overseas customers rather than UK ones, figures from Grant Thornton show.

And of these overseas cus-

tomers, Italian and Greek companies seem to be the worst offenders, taking an average of 78 and 88 days respectively to pay bills.

Reinforcing the "mañana" image, Spanish customers take an average of 70 days to pay, and Turkish customers 58 days. Nordic customers are far prompter: a Norwegian or

Danish client will take an average of 33 days to pay, Swedish customers take 36 days, and Finnish firms just 28 days.

UK firms take 47 days on average to pay bills, about half way down the European league table. Further afield, Middle Eastern customers are found to be the slowest to pay their bills.

### legal notices

#### Compulsory winding up

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

● **Printers Express Ltd** on September 19 at 10.30am. Petition by Paul Raymond Publications Ltd

#### Appointment of liquidators

● **Crosstech Ltd** Printing services. Liquidator: DA Butler, Nunn Hayward, Rycote Place, 30-38 Cambridge Street, Aylesbury,

Buckinghamshire HP20 1RS

● **Global Print Services Ltd** Previous company name: **Wordcraft Global Print Services Ltd** Printer. Liquidator: L Bednash, Pearl Assurance House, 319 Ballards Lane, London N12 8LY

● **Studio Technology Ltd** Services to the printing industry. Liquidator: AJ Nichols, Redman Nichols, Maclaren House, Skerne Road, Driffield, East Yorkshire YO25 6PN

● **CDA Magazines Ltd** Publishing. Liquidator: S Thornton, Houghton Stone Business Recovery, The Coniers, Filton Road, Hambrook, Bristol BS16 1QG

● **P Norris & Co Ltd** Trading name: **Prontaprint** Printing and copying. Liquidator: AJ Crooks, HLB Kidsons, Friars Courtyard, 30 Princes Street, Ipswich

IP1 1RJ

● **Cambridge Pre-Press Ltd** Trading name: **CDP Graphic design, reprographics.**

Liquidator: SM Rout, Stephen M Rout & Company, 12 Signet Court, Swann Road, Cambridge CB5 8LA

● **Shildon Community Press Ltd** Newspaper publisher. Liquidators: ME Fergusson and DM Walker, BKR Haines Watts, Sterling House, 22 St Cuthbert's Way, Darlington DL1 1GB

● **Topgrade International Ltd** Traders in goods by way of direct mailing and electronic retailing.

Liquidator: D Rubin, Pearl Assurance House, 319 Ballards Lane, London N12 8LY

● **Beider Design Ltd** Print and packaging agency.

Liquidators: JM Munn and JGM Sadler, Insol House, 39 Station Road, Lutterworth, Leicestershire LE17 4AP

#### Meetings of creditors

● **Printworld Design Group Ltd** at HLB Kidsons, Devonshire House, 36 George Street, Manchester M1 4HA on September 11 at 11.30am

● **FKB Publishing Ltd** at Old Library Chambers, 21 Chipper Lane, Salisbury, Wiltshire SP1 1BG on September 6

● **Pressequip Ltd** (formerly **Dornier Printing Machinery Ltd**) at Prospect House, 2 Athenaeum Road, London

N20 9YU on September 3

● **Bromley Design & Print Ltd** at Moore Stephens Booth White, Beaufort House, 94-96 Newhall Street, Birmingham B3 1PB on September 7

● **Books by Post Ltd** at the Harlington Centre, Harlington Way, Fleet Way, Fleet, Hampshire on September 10 at 2.30pm

● **Deadline Printing Ltd** at Moore Stephens, 1-2 Little King Street, Bristol BS1 4HW on September 11 at 11.30am

#### Notices to creditors

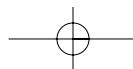
● **Anchor Lithographic Ltd** Creditors to send claims to AG Stoneman, Menzies Corporate Restructuring, 17-19 Foley Street, London W1W 6DW

● **Miller Printing Machinery Ltd** at KPMG, Aquis Court, 31 Fishpool Street, St Albans, Hertfordshire AL3 4RF on October 12 at 10.30am

● **Tiger Print Litho Ltd** at RSM Robson Rhodes, Centre City Tower, 7 Hill Street, Birmingham B5 4UU on September 24 at 11am for members and at 11.30am for creditors

● **Planet Go Publishing Ltd** at Old Library Chambers, 21 Chipper Lane, Salisbury, Wiltshire SP1 1BG on September 28 at 10am for members and at 10.15am for creditors

● **Tyneside Publicity (Posters) Ltd** Creditors to send claims to AR Marlow, 2 Osborne Terrace, Jesmond, Newcastle upon Tyne NE2



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