

WPP offers bleak media outlook

By Gareth Ward

Media companies, and indirectly, printers shuddered last week when WPP, the world's largest advertising and marketing services group, warned that it would most likely miss its profit targets this year.

It also says that there would be no pick up in trading until the end of the year at the latest. Shares in ad agencies like WPP and Cordiant Communications fell on the announcement. The statement contradicts a comment made two months ago, when WPP was clearly hoping for an improvement in business. But the latest news dashes those hopes.

It says there are "few if any, signs of recovery in the advertising and marketing services industry. Our view continues to be that the recovery will be gradual – saucer or bath shaped, rather than U- or V- or W-shaped, and will be American led."

In the worst case there will be no recovery until the Athens Olympics or US presidential elections in 2004. US newspapers are, however, noting the first green shoots of recovery. Large newspaper publishers are reporting that the rate of ad revenue decline is slowing and that real estate and motor vehicle advertising is improving.

Recruitment is not, however, perhaps because many recruitment ads have migrated to the Internet.

The prognosis is crucial to print because most is related to advertising volumes in one way or another. Further corporations are questioning the value of broadcast advertising with many that have backed the World Cup disappointed so far. Few have gone as far as Italian television company RAI which has threatened to sue Fifa over the manner of the country's failure which it

says will have a major impact on revenues.

Within WPP, more than half its money comes from below the line activity including public relations and direct mail. Some of these areas have suffered more than advertising. Corporate branding projects and PR activity have been hardest hit.

The group's reaction has been to cut costs, specifically the numbers of people it employs. Last year it sliced almost 9% of its jobs leaving 51,000 working for the company.

The only areas for growth have been in information management and consultancy which have expanded 6%. Overall in the first five months of the year, sales were down 2%.

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In brief

- WPP gloom at speed of recovery
- Changes predictions
- US papers seeing some benefits

US tax man probes Scitex

The US Internal Revenue Service is to open an investigation into Scitex's federal income taxes for the years 1992-96.

The two have been in negotiations with regard to an audit of the US operations and Scitex has already made advance payments of \$21.5m on account for the audit period and has agreed to partial assessment of \$10.6m of income during the period.

Now the IRS is proposing to assess a further \$29.6m of federal income taxes, an amount which with state income taxes and interest would almost double. For its part, Scitex plans to dispute the issues raised by the IRS.

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In brief

- Scitex federal taxes investigation
- Audit of US operations
- Scitex plans to dispute IRS issues

Be alert for euro referendum: BCC

The British Chambers of Commerce says a referendum on the single currency is close and is urging its 135,000 SME members to make preparations, in case the vote backs a currency switch.

The organisation has teamed up with the Royal Bank of Scotland to release a Euro Fitness Guide which was published last Monday. The guide details the possible impact of the new currency on various company departments.

It recommends that businesses assess computer systems and start pricing products and services in euro rates as well as sterling. The BCC says companies following the guide would avoid rushing the changes at the last minute.

BCC president Anthony Goldstone says: "Small businesses are understandably reluctant to

spend substantial sums of money on preparing for the possibility of UK entry into European monetary union.

"However there are steps that businesses can and should take now that will save them money in the long run and minimise any risks of not being ready in time, should Britain decide to join."

The guide's release comes as an ICM poll was published, showing that euro enthusiasm in the UK might not be as strong as europhiles had hoped. According to the survey, just 4% of Britons opposing the euro have visited the euro zone since January and returned with a changed mind.

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In brief

- Euro referendum alert from BCC
- Firms urged to be prepared
- New booklet details possible impact

RIP for RIP

Rexam Image Products has finally been sold by Rexam, completing its exit from the graphic arts. RIP, which makes substrates and coatings for wide format printing, has been bought by Sun Capital Partners of Boca Raton, Florida, and will be renamed Intelicoat Technologies. Intelicoat has 800 staff in six factories in the US and offices in Europe and Australia. Tom Dickie remains as the European managing director.

Hill Bros sell-off

Northcliffe Newspapers has agreed to buy the newspaper publishing interests of Hill Brothers, Leek, Staffordshire, for £350,000 subject to approval by the DTI. The Hill Brothers Group publishes the *Leek Post & Times*, *Cheadle Post & Times* and *Uttoxeter Post & Times* plus a weekly property guide.

Croda quits sector

Chemical group Croda International is shedding 150 jobs with the closure or sale of five factories in Yorkshire, Staffordshire and Leicestershire. The firm is withdrawing from the solvent recovery, varnish media and textile chemicals market, to focus on its oleochemicals business.

UBM is 'robust'

United Business Media, parent company of *Printing World* publisher CMP Information, updated shareholders ahead of its interim results, saying its performance has been 'robust'. CMP says revenues in the US were in line with its planned assumption for the year of 40% down against 'record' levels in 2000.

Print chain progress

By Sasa Jankovic

Printing.com's preliminary results for the year to March 31 2002 show a reduced pretax loss for the period.

Chairman George Hardie says: "[Printing.com] has continued to make excellent progress in its second year, with significant advances being made towards our aim of establishing Printing.com as the pre-eminent supplier of printing needs to small and medium sized enterprises throughout the UK."

Turnover was £5.6m (2001: £3.85m) which resulted in a pre-tax loss of £776,000 (2001: £1,191,000). Trading results from the 14 company operated stores show rolling 12-months average sales continuing to improve.

The company's franchise scheme is also making progress. The first deal was concluded in January with The Color Co which bought a franchise for six of its outlets. A further 18 franchises have since been sold to other firms so that Printing.com now has a network of 38 outlets comprising company-operated stores and franchises.

In June 2001, Printing.com undertook a limited cash raising exercise through a placing of 1.73 million ordinary shares at 18p per share to realise £312,000 and in April 2002, raised a further £1,025,000 (after expenses of £100,000) through an Offer for Subscription, resulting in 5.627 million ordinary shares at 20p per share being issued.

Mr Hardie says: "We remain on target to achieve our objective of having 175 outlets by September 2005 and I am pleased to report that our unaudited management accounts for the first two periods in the current financial year showed a small pretax profit, compared to a pretax loss of £148,000 for the same period last year. We look to the future with increasing optimism and confidence."

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In brief

- Printing.com cuts losses
- Excellent second year
- Confident of bright future



Business GROW-HOW



From Paul Holohan & the team at
Richmond Capital Partners Limited

GREAT EXPECTATIONS

I own a £1 million turnover printing business and recently had it valued with a view to selling. I have spent 25 years of my life building it up and was very disappointed (to say the least) with the valuer's opinion. What should I do next?

This is a common situation and is really about managing expectations.

The expectations of yourself, and others in a similar situation, are to provide a reasonable sum for your retirement by selling the business. This is fair enough but you should also consider the position of the new owner. Should they overpay to fund your retirement?

The key to this situation is to:-

- Plan ahead.
- Understand the basic principles of valuation methods (a good adviser will explain this in easy-to-understand terms).
- 'Groom' your business for sale. This can add real value.
- Only use a valuer with formal qualifications and industry experience.
- Have your business valued every 3 years or so.

Many owners relate the valuation to their needs but it is unrealistic to ask or expect a buyer to take on your:-

- Overdraft
- Hire purchase commitments
- Mortgage
- Liabilities

Furthermore, at present your business appears to be making losses and leaking cash so it does not represent a great buy to a would-be acquirer.

Whilst this may seem brutal, it is an honest appraisal of your situation.

Your choice is actually quite simple. Either:-

- Sell the business now at a fair price. Remember an industry specialist could help you to find a buyer keen on your goodwill to boost this price.
- or
- Groom the business with professional advice for 1/2/3 years. This can deliver excellent results when supported by industry specific advice.

You should be able to sell for much more than at present as you should have paid off debt and improved profits. (This should have been explained to you by the valuer).

Your position is not good at present but if you feel up for a challenge you should be able to do much better.

Apologies for the brutal, but honest, truth!

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.

BUSINESSADVICE

'Consignia' fear for the OS

The Government has been warned that plans to transform Ordnance Survey into a public limited company might be as disastrous as the change in status of the Post Office. The advice not to alter the position of the Ordnance Survey comes from a sub-com-

mittee of MPs. Its report says: "Basing the evolution of Ordnance Survey on the Consignia model could prove a dangerous misjudgement." OS's future lies with providing mapping information in electronic format for customers with specific needs

and it has begun to develop in this direction, while retaining its print and conventional publishing business.

The Government's proposals are aimed at ending inefficiencies and providing it with the freedom to manage its own destiny.

legal notices

Compulsory winding up

The following case is due to be heard at Liverpool District Registry, Queen Elizabeth II Law Courts, Derby Square, Liverpool

- **Southern Graphic Services Ltd** 75a High Street, Fareham, Hampshire on July 15 at 12.00am. Petition by HM Customs & Excise

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

- **Eclipse Envelopes Ltd** Unit L, Broad Lane Industrial Estate, Cottenham, Cambridge CB4 8SW on July 8 at 10.00am. Petition by Empire Castiglioni Ltd

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

- **SMS Howards Labels Ltd** Unit 1, Kelpatrick Road, Burnham, Slough SL1 6BW on July 10 at 10.30am. Petition by Surrey Laminators Ltd

Appointment of liquidators

- **J&L Composition Ltd** Typesetter. Liquidator: R Sadler and GE Blackburn, Begbies Traynor, 30 Park Cross Street, Leeds LS1 2QH

- **Microdot Visual Communications Ltd** Graphic design company. Liquidator: HJ Sorsky, Sorskys, Gable House, 239 Regents Park Road, London N3 3LF

- **Purple Patch Ltd** PR and marketing agency. Liquidator: R Valentine, Valentine & Co, 4 Duncastle Court, 14 Arcadia Avenue, London N3 2HS

- **Swift-Sure Print Ltd** Printer. Liquidator: GL Down, BN Jackson Norton, 14 Orchard

Street, Bristol BS1 5EH

- **DHJ Media (UK) Ltd** Projection advertising. Liquidators: FC Satow and PJ Long, PFK, New Garden House, 78 Hatton Gardens, London EC1N 8JA

- **Vogue Packaging Ltd A** packaging business. Liquidator: P O'Hara & Co, Wesley House, Huddersfield Road, Birtley, Batley, West Yorkshire WF17 9EJ

- **Wizard Publishing Ltd** Magazine publisher. Liquidators: PS Dunn and SR Thomas, Tenon Recovery, Sherlock House, 73 Baker Street, London W1U 6RD

- **Profile Creative Communications Ltd** Graphic designers

Liquidators: DM Walker and ME Fergusson, BKR Haines Watts, Park House, Park Square West, Leeds LS1 2PS

- **Benhay Ltd** Print services. Liquidator: P Weinberg, Marks Bloom, 60-62 Old London Road, Kingston upon Thames, Surrey KT2 6QZ

- **Turner & Earnshaw Ltd** Bookbinding and finishing.

Liquidator: A Poxon, DTE Corporate Recovery & Insolvency Services Ltd, 24 Wellington Street, St Johns, Blackburn, Lancashire BB1 8AF

- **The Atlantis Ink Co Ltd** Manufacture of inks. Liquidator: J Taylor, The Old Exchange, 234 Southchurch Road, Southend on Sea, Essex SS1 2EG

- **John Jennings (Printers) Ltd** Printing. Liquidator: N Price, Moore Stephens Corporate Recovery, Beaufort House, 94-96 Newhall Street, Birmingham B3 1PB

Appointment of receivers

- **24.7 Colour Ltd** (previous name of company **Cornbrook Precision Colour Ltd**). Joint Administrative Receivers: MT Getliffe and DE

Hull, CLB, 14 Wood Street, Bolton BL1 1DZ

Meetings of creditors

- **Atlas Design Ltd** at HKM Harlow Khandia Mistry, The Old Mill, 9 Soar Lane, Leicester LE3 5DE on June 25

- **Pigeon Sport Publications Ltd** at Gerald Edelman Business Recovery, 25 Harley Street, London W1G 9BR on July 12 at noon

Notices to creditors

- **Charisma (Stationery & Envelopes) Ltd** (t/a **Personality Envelopes**) Creditors to send claims to J Taylor, Begbies Traynor, The Old Exchange, 234 Southchurch Road, Southend-on-Sea, Essex SS1 2EG by July 26

Final meetings

- **Colour Graphic Proofing Ltd** at 43-45 Butts Green Road, Hornchurch, Essex RM11 2JX on July 19 at 10.30am

- **Buzzword Group Ltd** at Pannell House, 159 Charles Street, Leicester LE1 1LD on July 16 10.15am

- **First Team Publishing Ltd** at 40-42 High Street, Maldon, Essex CM9 5PN on July 18 at 10am for members and at 10.30am for creditors

- **The Sphere Print Group Ltd** at Baker Tilly, Barclays House, 41 Park Cross Street, Leeds LS1 2QH on July 30 at 10am for members and at 10.30am for creditors

- **Hunter Screen & Display Ltd** at No 1 St Swithin Street, Worcester WR1 2PY on July 22 at 10.30am
- **Just Ink Ltd** at 24 Conduit Place, London W2 1EP on July 25 at noon

