Litho Supplies holds onto steady margins

By Jim Larkin

Following a £1.47m reorganisation charge, Litho Supplies has turned in a pretax profit of £570,000m for 2001 against £3.38m for 2000.

Litho Supplies is the major supplier to small and medium-sized printers and its results are therefore seen as a key barometer of the industry. A profit before exceptionals of £2.04m suggests things are tight but money is still there to be made.

Encouragingly, it says margins are holding steady and it is now well positioned to deal with any future upturn as and when it arrives. Turnover was down from £76.79m to £70.69m.

The biggest charge came through closing down its French subsidiary which contributed around £8m to group turnover. The company blames the closure on continental labour laws, saying workers almost had a vested interest in seeing the operation fail as it would see them better off financially.

Belgian operations have been slimmed down, but Litho Supplies says they are now performing satisfactorily in 2002. In the UK, four sites were closed down as part of the cost cutting plan. The company is planning further consolidation and an acquisition in the near future is deemed unlikely.

Share dividend fell from 5.8p to 1.4p, which seems like a sharp drop but the company claims some shareholders would have been happy with a 1p dividend knowing the money saved was going into further reorganisation.

The company is suffering at the hands of new technology, with a reduction in the demand for film as a result of the uptake of ctp. Likewise, the price of ctp plates has fallen dramatically.

However, it says sales of electronic equipment have reached record levels, rising from £12.09m to £13.56m. Likewise, sales of pressroom chemicals are holding up well.

"Figures are down primarily as a result of the restructuring charges, but we are also suffering as a result of a dip in the print market generally," says the company's new chairman Bernard Clark. "However, we are now well placed and have received strong backing from our shareholders.

"I'm very encouraged by a report from Goldman Sachs that predicts 1% growth in the advertising market this year, compared to a 2% decline last year. This has a crucial bearing on the printing industry so it is a positive sign."

jlarkin@cmpinformation.com

In brief
- Litho Supplies stays in profit
- Margins are holding steady
- Poised for future growth

UK bright spot

The UK was a bright spot for street advertising specialist JC Decaux. In the UK revenues for advertising and from supplying street furniture from litter bins to bus shelters rose almost 13%. Overall however profits for the French owned group fell by half to €10.2m on sales which increased to €1.54bn.

Mail ups and downs

Daily Mail & General Trust, the holding company for its national newspapers and Northcliffe regional newspapers group, has reported a slight increase in ad spend in its regional titles while spending in the national titles is down. The *Evening Standard* has noted a 40% drop in recruitment advertising income during the last quarter of 2001. The company anticipates tough conditions for the remainder of the year, with the expectation that *Metro*, the free title would break even before the close of the year.

Seiko to sell

Seiko, the Japanese watchmaker, has said that it is considering selling a percentage of its shares in Seiko Epson, the inkjet printer specialist. It plans to sell at least 6% for around $271m which would offset losses from bank shareholdings which could push the company into negative equity. Last year Seiko had planned to realise the value of its shares through an IPO of Epson which failed to materialise.

Advertising picks up in US

There is good news from the US where a study from UBS Warburg says the recession in advertising, which began a year ago, is coming to an end.

It had previously predicted a decline in ad spending of 2% for the year. It has now revised this prognosis and expects ad spend to increase instead by 1%. The findings back the straws in the wind feeling that media owners in the US have expressed in recent weeks.

However the first beneficiaries are likely to be broadcast media like television and radio rather than newspapers and magazines, particularly in the high tech sector. Leading the expansion are financial services and automobile manufacturers.

Any improvement will be welcome, of course. Last year advertising expenditure in the US fell 10%, causing the closure of many magazines ahead of the disastrous final quarter of the year.

gward@cmpinformation.com

In brief
- Revival in US ads predicted
- Recession said to be ending
- Television and radio beneficiaries

Richmond Capital offers analysis

By Gareth Ward

Richmond Capital Partners is introducing a new service for print firms analysing a company's strengths and weaknesses. This follows on from the positive reception given to its financial health checks service launched last year.

The business review takes a longer look at the state a company is in, examining its internal operations and the wider competitive position. It then advises on actions to improve company performance.

On the one hand this can lead to profitable expansion. At the other extreme it might save a company from insolvency.

The decision to go public follows work with a number of owner-managed businesses in recent months.

Chief executive Paul Holohan says: "From time to time every business needs to take stock of its situation and consider the challenges it faces.

"Until recently it has been possible to simply continue to rest on what has been successful in the past – no more, no less.

Today this is no longer a feasible option as many owner-managed business are at a cross roads because of the ever more technical challenges of the industry and the high cost of introducing this technology."

Richmond's print background provides an insight perhaps lacking in the similar services from banks and other financial institutions. The review is something that Mr Holohan says ought to be carried out every two or three years, regardless of the impression a company has of its own position.

He adds: "Our experience shows that a business review galvanises the efforts of the whole team, frequently breathing new life into businesses which could well have been on the road to failure."

gward@cmpinformation.com

In brief
- RCP offers new service
- Business Review for guidance
- Can breathe new life into firms

Maxwells escape

Ian and Kevin Maxwell and other directors in the spotlight over the flotation of Mirror Group Newspapers are to escape prosecution despite last year's DTI report which branded Kevin Maxwell's behaviour in the run up to the float as "inexcusable".

It seems legal advice given to the DTI indicated that there was little likelihood of a successful prosecution and less still that such action could be considered to be in the public interest.

Trade and industry secretary Patricia Hewitt says: "After careful consideration of the advice from leading counsel, officials have recommended, and I have agreed not to institute disqualification proceedings."

At an earlier trial both brothers were acquitted of fraud. Kevin Maxwell has since gone on to lead Telemonde a telecommunications company that has been hit hard by the slump and is now struggling to stay alive.

Last year's report criticised directors of MGN for their failure to prevent Robert Maxwell running the group for his personal benefit.

gward@cmpinformation.com

Adobe struggles but sees slight improvement

Adobe continues to find trading tough in the first figures released last week, but there is improvement from the last quarter of the previous financial year.

In Q1, revenues were $267.9m ($329m), which is above the $264.5m from the last quarter of the 2001 financial year.

It is not much of an improvement, but enough for president and chief executive Bruce Chizen to say: "We had a solid quarter with Acrobat once again leading the way.

"We also made solid progress against our strategy, including the pending acquisition of Accelio Corporation which will give Adobe a leading position in the electronic forms market."

The operating profit return improved quarter by quarter from $67.9m in Q4 to $72.7m. But this is still down year on year when in Q1 last time Adobe recording an operating profit of $119.0m.

The company is not expecting any change in market conditions looking ahead, but does expect to complete the Accelio acquisition in April. As a result, revenue will be $305m-$325m, which will result in a slight improvement to earnings per share.

The company will be looking to a boost to sales from upgrades to its InDesign and Photoshop applications introduced in Europe since the start of the year.

Its longer term focus is on a strategy where Adobe has the key role to play in the transition away from a paper based world to one where information is supplied on the device needed and at the time it is needed.

legal notices

Compulsory winding up

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

● **Riverside Graphic Design Ltd** Charter House, The Square, Lower Bristol Road, Bath BA2 3BH on March 26 at 10.30am. Petition by Customs & Excise

● **Letterbox Direct Ltd** 4 Bradley Street, Manchester, Lancashire M1 1EH on March 26 at 10.30am. Petition by Customs & Excise

● **Barley Books Ltd** 2 Vesper Road, Kirkstall, Leeds LS5 3NX on April 9 at 10.30am. Petition by Barley Books Ltd

Appointment of liquidators

● **Qui Media Ltd**, Qui Media Holdings Ltd, Overcall Ltd Publishing and advertising. Liquidators: DJ Elliot and EJ Kirkwood, BKR Haines Watts, Sterling House, Maple Court, Maple Road, Tankersley, Barnsley S75 3DP

● **Lasergraphics Europe Ltd** Previous company name: **Leeds Lasergraphics Ltd** Printing. Liquidators: DL Cockshott and RH Barker, Baker Tilly, Carlton House, Grammar School Street, Bradford BD1 4NS

● **Express Publications (North East) Ltd** Previous company name: **Letterdirect Ltd** Liquidator: JH Madden, Taylor Rowlands, High Street, Yarm TS15 9AE

● **Express Data Solutions Ltd** Trading name: **TCR Digital** Printer. Liquidators: P Bridger, Bridgers, 47 London Street, Reading RG1 4PS and D Beat, 75 Springfield Road, Chelmsford CM2 6JBl

● **Central Media Group Ltd** Printer. Liquidators: DL Cockshott and RH Barker, Baker Tilly, Carlton House, Grammar School Street, Bradford BD1 4NS

● **Source of Supply (UK) Ltd** Publisher of directories/websites. Liquidator: C Presscott, Moore Stephens Corporate Recovery, 1-2 Little King Street, Bristol BS1 3HW

● **Klaus Nickel & Co (UK) Ltd** Newspaper printing. Liquidator: G Craig, Begbies Traynor, 1 Winckley Court, Chapel Street, Preston, Lancashire PR1 8BU

● **Jistlynn Ltd** Printer. Liquidator: SM Katz, Fisher Partners, Acre House, 11-15 William Road, London NW1 3ER

● **Ventis Ltd** Paper manufacturer. Liquidator: GG King, Kings, 3 College Street, St Albans AL3 4PW

Meetings of creditors

● **Dorling Print Ltd** at Wilkins Kennedy, Bridge House, London Bridge, London SE1 9QR on March 21

● **Wizard Print Finishers Ltd** at Moriston House, 75 Springfield Road, Chelmsford, Essex CM2 6JB on March 22

● **Colourpath Ltd** at 84 Grosvenor Street, London W1K 3LN on March 21

● **The Alliance Printing Co Ltd** at 4 Charterhouse Square, London EC1M 6EN on March 28 at noon

● **CG Litho Ltd** at AG Kakouris, 43 Blackstock Road, Finsbury Park, London N4 2JF on March 28 at 11am

Notices to creditors

● **Docutech Ltd** (t/a **Kall Kwik Centre 1273**) Creditors to send claims to M Dunham and CWA Escott, RSM Robson Rhodes, Colwyn Chambers, 19 York Street, Manchester M2 3BA by April 22

Final meetings

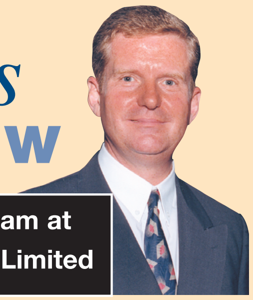
● **Hamilton Print Ltd** at Baker Tilly, Exchange House, 446 Midsummer Boulevard, Milton Keynes on April 4 at 10.30am for members and at 11am for creditors

● **Diamond Colour Reproduction Ltd** at Stephen Conn & Co, 17 St Ann's Square, Manchester M2 7PW on April 16 at 10.30am for members and at 10.45am for creditors

● **Waterside Litho (Chesham) Ltd** at 21-23 Station Road, Gerrards Cross, Buckinghamshire on March 19

● **Stanley Printing Co (Wirral) Ltd** at Parkin S Booth & Co, 44 Old Hall Street, Liverpool L3 9EB on April 23 at 2.45pm for members and at 3pm for creditors

Business **GROW-HOW**



From Paul Holohan & the team at Richmond Capital Partners Limited

Business **ADVICE**

MANAGEMENT BUYOUTS (MBOs)

I keep hearing about MBO's. Exactly what are they and how do they work? How does one go about carrying out an MBO and how successful are they likely to be?

MBO's came to prominence during the enterprise' years of the 1980's. Basically, an MBO means that all, or part, of the management team of a business, usually with the backing of institutional investors, takes over ownership of the business where they are employed.

Often a large company will hive off one of its subsidiaries or divisions by selling to the management team. Alternatively it could be a family business whose owners are retiring or wish to realise their wealth. Sometimes MBO's are effected to resolve irreconcilable differences between partners (often family members) in the business.

The acronym 'MBO' has even passed into other languages. You can see 'Le MBO' in the Paris financial press. There are other acronyms too.
MBI Management Buy-in
BIMBO Management Buy-in/Buy-out

There are several different ways of structuring an MBO. Usually a 'newco' is formed which will act as the vehicle for the transaction. An MBO almost invariably requires investment capital funding. A healthy return on their investment will be required so it is essential to make sure the business plan can realistically be expected to allow for this within three to five years - a typical investment timescale for venture capitalists. Anyone wishing to consider an MBO will need a specialist consultant to advise on raising capital, preparing the business plan and the procedure of purchase and sale.

There are clear criteria for MBO opportunities:-

● Marketplace and growth predictions
● Strategy for the business
● Track record of team, particularly the proposed Managing Director
● Amount of consideration paid and reasonable valuation of the business
● Coherent business plan

Regarding success, there are risks associated with MBO's, as with all business ventures, but in the right circumstances they represent an excellent way of resolving succession issues and realising personal wealth for the existing owners/management.

Speak to a business advisor with practical knowledge and experience of MBO's in the industry. This will give you independent advice - vital in the world of MBO's.

We hope this throws some light on this topical issue.