

Tuning into AM

The Scottish daily business paper *Business AM* launched two years ago, is looking for a partner as it continues to miss circulation targets. The paper is printed at Scottish County Press near Edinburgh and is only selling about 11,000 to 12,000 copies a day. Its publisher Bonnier has admitted it is now looking for a strategic partner for the paper.

On the way back

American Banknote, the US security printer, has just emerged from nearly three years of bankruptcy protection. The company's debenture holders are trading in their notes for equity in the company, allowing it to reduce debt by \$100m. American Banknote's sales last year fell from \$260m to \$221m, but losses eased from \$16.9m to \$5.5m.

Cumbria calling

Newsquest is trying to buy the *Westmoreland Messenger* from Tindle Newspapers, subject to clearance by the DTI. Although primarily a southern company, Newsquest owns several weekly and daily titles in the region including the *Northern Echo* and the *Lancashire Evening Telegraph*.

RR Donnelley sees little sign of an upturn

By Alex Grant

There is little sign of any upturn at RR Donnelley, which has recorded a 9% fall in Q3 revenues to \$1.2bn.

The fall in sales followed a similar pattern to that seen at St Ives in the UK. The big difference is that because it started cutting costs earlier, RR Donnelley's net income was up 13% to \$61m.

The worst hit areas are catalogues, magazines and retail (sales down 13.2%) financial services documents (down 20.3%), and above all its direct mail arm RRD Direct (down 26.7%). Pre-press sales at its premedia division are also down by 14.7%.

But RR Donnelley has also been helped by \$175m-worth of

cuts in annual costs. Chairman, president and chief executive Bill Davis, says: "The improvements we are seeing on the cost side are working to offset revenue declines in a challenging economic environment."

Donnelley has trimmed capital expenditure plans to below \$280m and has revised earnings expectations for the year as a whole due to the sharp decline in financial services business. Having previously predicted profits of \$1.50-\$1.65 a share, the Chicago printer now expects to make only \$1.35-\$1.45.

However, here in the UK, RR Donnelley has won a three-year extension to its existing contract to print 29 million *Yellow*

Pages phone directories each year at the new Flaxby Moor site near York.

A five-year contract between Donnelley and *Yellow Pages'* publisher, Yell, was only signed last year but has now been extended from 2006 to July 2009.

"We wanted to see how Donnelley performed in the new plant before extending the contract," says Yell's Jon Salmon. "But they have continued to do an exemplary job for us."

Yell has also chosen Donnelley to print its *Yellow Book* directories in the US until 2007. Both parties are keeping quiet on what improvements Donnelley is expected to make in terms of workflow or productivity.

● America's largest sheetfed and 8pp web printing group, Consolidated Graphics, has managed a slight improvement in the July-September quarter. Sales rose from \$176.1m to \$181.8m year-on-year, and net profits are up from \$5.1m to \$5.4m.

Despite the distortion of last year's figures by the September 11 terror attacks, Consolidated says that market conditions "may have bottomed" and that earnings should hold steady in the final quarter of the year, despite a Christmas sales downturn.

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In brief

- RR Donnelley sees little cheer
- Q3 revenues fall 9%
- Hopeful of a future upturn

WPP lowers its sights once again

WPP, the global advertising group, has lowered its revenue target for the second time in three months and raised fears of a "double dip" recession. WPP's sales fell 3% in the third quarter.

Its chairman Sir Martin Sorrell had expected margins of 15% in the second half but now says that 12-13% is more likely. Recovery in advertising revenues he says is now not expected before 2004.

But while US sales fell by nearly 7%, WPP's UK sales

edged up 0.7% and not everyone else in the sector is so pessimistic.

Outdoor advertising group JC Decaux says it expects second half profits to be up and media buyer Omnicom has predicted a 4% rise in UK advertising bookings in 2003.

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In brief

- WPP lowers revenue target
- Second warning in three months
- Sees recovery in 2004

Heald departs

By Alex Grant

Baldwin Technologies, the maker of press ancillaries, has lost its president and chief executive John Heald to a sudden resignation just a week after extending its credit agreement with its bankers.

Fleet National Bank and First Union Securities agreed in principle to get more credit on October 16.

A week later Mr Heald resigned completely from the company to be replaced by Gerald Nathe, who served as president and chief executive until 2001.

Baldwin suffered a 20% fall in sales in 2001-2002 from \$183.6m to \$145.6m, below Mr Heald's target of \$150m, according to figures released four weeks ago.

The company, whose motto is "Where there's printing, there's Baldwin," has sold its reel handling and inserting businesses in the last year to concentrate on on-press systems.

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In brief

- John Heald leaves Baldwin
- Gerald Nathe gets old job back
- Sales targets not reached

Presstek profit creeps to \$621,000

By Alex Grant

Presstek reported a small profit of \$621,000 in the third quarter, in contrast to its second quarter losses of \$11.5m.

Although total sales are still down, from \$26.3m a year ago to \$21m now, consumables sales are up 26% year-on-year to \$13.8m.

And equipment sales, which had been badly hit last year by cuts in orders for direct imaging technology from Xerox and Heidelberg, increased 7% from the previous quarter although they are still below the level a year ago.

President and chief executive Ed Marino puts the improvement down to better sales and

marketing rather than any fundamental improvement in the economy.

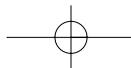
● X-Rite, the US colour measurement specialist, has also seen business improve in the third quarter. Sales are up 2.3% year-on-year and X-Rite has made a small profit of \$300,000, compared to a loss of \$1.2m a year ago.

"Our graphic arts, colour and appearance and retail paint matching markets appear to have rebounded after two years of weakness," says ceo Rich Cook.

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In brief

- Presstek edges into profit
- Turns back \$11m Q2 loss
- Better marketing praised



Business GROW-HOW



From Paul Holohan & the team at
Richmond Capital Partners Limited

Archant to bid for SMG

By Alex Grant

Archant, the publisher known as Eastern Counties Newspapers until last year, has won permission from shareholders to borrow up to £270m to make a bid for Scottish Media Group's newspapers.

Apart from a few weeklies, Archant's titles are all south of the border but the £144m-turnover group has said it wants to double in size. SMG's papers are expected to fetch about £200m and 3i, Newsquest and Northcliffe are also known to be interested.

"By increasing the powers to borrow to a level of £270m the company is now in a position, after due commercial consideration, to proceed with acquisitions of scale without further reference to shareholders," says chairman Richard Jewson. "This agility is in contrast to any quoted plc that would be likely to have to refer such a transaction to shareholders under the listing rules."

Archant's Scottish papers are currently printed at P Scrogie in Peterhead on a Linonews newspaper press, its printer owned by Archant which also does com-

mercial work. SMG has a much larger, new press centre at Carmyle, near Glasgow.

● Vivendi is selling off its UK Publishing arm, Vivendi Universal, to Lagardère for €1.25bn.

The sale will mean that Vivendi imprints such as Chambers Harrap and Kingfisher, a children's publisher, will now be in the same stable as Cassell and Hachette, already owned by Lagardère. Vivendi's imprints are not commenting on what the takeover means for production of their books.

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legal notices

Compulsory winding up

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

● **Ace Design & Print Ltd** 40 Hewett Yard, Hall Road, Norwich, Norfolk NR1 2SE on November 13 at 10.30am. Petition by Customs & Excise

● **Alpha Digital Ltd** Pearl Assurance House, 319 Ballards Lane, London N12 8LY on November 13 at 10.30am. Petition by PR Appleton, David Rubin & Partners

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

● **Response Publishing Ltd** 30 Mill Street, Bedford, Bedfordshire MK40 3HD on November 7 at 10.30am. Petition by Customs & Excise

● **Showroom Publications Ltd** Unit 7, Metropolitan Business Park, Preston New Road, Blackpool, Lancashire FY3 9LJ on November 7 at 10.30am. Petition by Customs & Excise

Appointment of liquidators

● **Freeway Media Press** Previous company name: Nevrus (739) Ltd. Publisher of books, journals and periodicals. Liquidators: DR Thornlily and CR Ashurst, Mazars, 24 Bevis Marks, London EC3A 7NR

● **P Linard & Co Web Ltd** Web printer. Liquidator: J Berman, Berley, 76 New Cavendish Street, London W1G 9TB

● **Quick Pages UK Ltd** Promotion and advertising. Liquidators: MG Tailby and NC Money, CBA, 39 Castle Street, Leicester LE1 5WN

● **Flair Press Ltd** (in administrative receivership) Previous company name: **Opinionate Ltd**. Printer of promotional leaflets and advertising literature. Liquidators: AW Graham and RJ Philpott, Aquis Court, 31 Fishpool Street, St Albans AL3 4RF

● **Revolution Design & Print** Design and print. Liquidators: DL Cockshott and RH Barker, Baker Tilly, Carlton House, Grammar School Street, Bradford BA1 4NS

● **Colortek Ltd** Printer. Liquidators: FA Simms and JM Munn, Insol House, 39 Station Road, Lutterworth, Leicestershire LE17 4AP

● **Paperlink Office Products Ltd** Supplier of office stationery. Liquidators: MC Bowker and S Payne, Clive House, Clive Street, Bolton BL1 1ET

● **Lee Bank Proofer Ltd** Printer and proofer. Liquidator: RG Butcher, Moore Stephens Corporate Recovery, Beaufort House, 94-96 Newhall Street, Birmingham B3 1PB

● **Deansgate Press Ltd** Printer and stationer. Liquidators: SJ Wainwright and S Lord, Poppleton & Appleby, 32 High Street, Manchester M4 1QD

● **August Media Ltd** Paper, printing and publishing. Liquidator: JJ Schapira, Leonard Curtis & Co, One Great Cumberland Place, London W1H 7LW

● **Martello Press Ltd** Printer and print finisher. Liquidator: M Newman, Smith & Williamson, The Meeting House, Little Mount Sion, Tunbridge Wells, Kent TN11 1YS

Meetings of creditors

● **Perfect Print Finishing Ltd** at Levy Partners, 86-88 South Ealing Road, London W5 4QB on October 29

● **Captive Media Group Ltd** at Leonard Curtis, 1 Cumberland Place, London W1H 7LW on October 30

● **Redgrave Publishing Ltd** at CBA, 39 Castle Street, Leicester LE1 5WN on November 7 at 11am

● **Warrington Digital & Print Ltd** at 20 Winmarleigh Street, Warrington, Cheshire WA1 1JY on October 30

● **Callan Publishing Ltd** at 1 Bentinck Street, London W1U 2ED on November 1

● **Business South Magazine Ltd** at The Croydon Park Hotel, 7 Altyre Road, Croydon CR9 5AA on November 5 at 2.30pm

Disclaimer

Arun Labels wishes to make it known that it no longer has any connection with **NEWabe & Co Ltd** as mentioned in Legals of October 28

MAKING AN EXIT

Last week we discussed the first stages of exit planning. This week we will look at the next steps in the process.

Step 3: Business Structure and Tax

The shareholders' tax position can make or break a deal. An experienced tax advisor should be part of the 'loop' to ensure that a deal structure is created which achieves the commercial objectives in a tax-efficient way.

Step 4: People Structure

The most common issue for privately owned printing businesses is the need to ensure that the business can survive without them.

The greater their success in achieving this, the more likely that a purchaser will be comfortable with the acquisition.

A gradual transfer of responsibilities must be real and not cosmetic. It is not easy, but this transition is important. A good advisor will help in developing the team whilst monitoring progress of the business.

Step 5: Building Value

Grooming is not a 'one off' but a continuous process over an agreed period of time. Momentum must be sustained.

Finally the personal aspirations of shareholders must always be balanced with the continuing development of the business.

A good grooming process can build disproportionate benefits when compared to costs.

It is a proven process that is considerably aided by an external facilitator with industry experience.

Grooming should look at all aspects of the business from marketing to production processes.

Ensure that your management team are clear on objectives and rewarded on results thus creating a positive WIN/WIN situation.

Good grooming!

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

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