

# Slack demand spurs Potts offset review

By Alex Grant

Thomas Potts, the print group that almost bought Hyway Printing last month, has increased its profits by 32% this year, but warned that it is considering whether or not to quit offset printing entirely.

Chief executive Mark Scanlon, who was headhunted from Adare last year, is leading a strategic review which will report by the end of September. Two main options are being considered: either expanding Thomas Potts' offset printing operations three or fourfold, or selling off its litho interests, including its flagship Premier Metropolis subsidiary in London's Docklands.

Although sales have risen from £21.6m to £38.25m in the year to March 31 because of a wave of print management acquisitions, Thomas Potts has warned that this year will be one of "retrenchment in a more difficult trading environment", and cut the dividend to shareholders by half.

As a result, chairman Stephen Hargrave says: "We are having to face the fact that commercial lithographic work in particular is a part of our industry in which competitive pressures may be greater than we are prepared to put up with."

Finance director Adrian Povey, who was brought in from

a medical supplies company to replace Ed Slater in June, adds that Potts "needs to be bigger" in litho to survive. "We believe that lithographic printers of our size are just not viable in the longer term," says Mr Povey.

With an honesty that is often missing from chairman's results statements, Mr Hargrave says that he hopes shareholders will understand the cut in the dividend as "we have been obliged to lay off a number of our workforce owing to slack demand". In the last year, 35 jobs have been cut from a workforce of 330, with most of the cuts at Premier and Serigraphic, Potts' screenprinting arm.

In trading terms worst hit are Premier Metropolis and G&E which have found print volumes have fallen, though its print farming arm CCS Potts has just lost two major accounts, one a mobile phone operator and the other a major retailer.

Mr Hargrave continues: "The current year has not started well. I will resist using the modish expression 'challenging'. Conditions throughout the industry are tough."

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#### In brief

- Potts considers quitting offset print
- Despite profits being up 32%
- Results of review due next month

## Post merger sales slump

Hewlett Packard and Compaq have seen their sales fall since HP's takeover, but they deny that this means the megamerger was a mistake.

Combined sales have dropped from \$18.2bn to \$16.5bn in the three months to July 31 and net losses have increased from \$116m to \$2.029bn.

But Imaging and Printing did better than other divisions, clocking up a 10% increase in sales to \$4.73bn and profits of \$813m, more than double the level a year ago.

Most of this growth was in the home and office printer market, though Indigo press sales have also seen "strong growth in its active customer base and average page volumes per press". RR Donnelley has just signed an order for Indigo presses for books-on-demand production. Operating margin in the division has grown from 7.9% to 17.2% year-on-year.

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#### In brief

- HP and Compaq see sales tumble
- Combined sales down \$1.7bn
- Imaging and Printing sales up

## Directory dealings on the up

By Alex Grant

The decidedly old economy business of telephone directories continues to attract investors, hot on the back of Yell's expansion in the US and the news that BT is to go back to publishing its own business phonebooks.

In yet another directories deal, Qwest Communications in the US has sold off its directories arm, QwestDex, to two finance houses – the Carlyle Group and Welsh, Carson, Anderson & Stowe – for

over \$7bn. Forty-five million Qwest directories are printed each year, netting Qwest \$1.6bn in turnover last year.

Without the deal there had been fears that Qwest faced imminent bankruptcy.

Meanwhile British directories company Yell has reported a first-quarter loss of £30.9m, which it blames on the cost of buying McLeod Publishing's directories last year.

However, revenue from the Yel-

low Pages in the UK was up 6.3% on the back of more colour pagination, despite a 6% cut in ad rates ordered by the Office of Fair Trading. BT has announced plans to launch a rival range of Purple Pages directories, probably printed at Benhamgoodhead-print (*Printing World*, August 12).

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#### In brief

- Phone directories big business
- QwestDex sold to finance houses
- Sold for \$7bn

## Inveresk takes sales hit

By Alex Grant

Scottish papermaker Inveresk has suffered a 13% fall in sales in the six months to June 1, because of its decision to back out of selling lower priced boards and papers. The company has also breached the terms of its loan agreements with the Royal Bank of Scotland.

But executive chairman Ken Minton's radical restructuring, which has seen its Kilbagie and Westfield mills closed down, appears to be beginning to pay off. Over 200 staff have been

laid off, reducing headcount across the group by over 20%.

Although first-half sales were 13% down at £37.8m, operating losses have fallen sharply from £2.2m to £1.2m – although they have rocketed from £2.7m to £11.5m after restructuring costs. "Improved performance" is now expected in the second half.

Inveresk has also restated its 2001 full-year results, making some changes to the figures. Sales fell from £116.8m to £106.4m in the year to December 1 2001. But losses also fell from £8.56m to

£6.29m, mainly due to restructuring costs amounting to £6.77m.

Without the restructuring, Inveresk made an operating profit of £1.9m compared to an operating loss of £4.7m the year before. Inveresk has also been helped by lower pulp prices, although these have risen again in the first half of this year.

Net debt was also down, from £20.7m to £18.9m. But no dividend was paid to shareholders because of "balance sheet constraints".

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## War of words

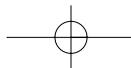
A war of words has broken out between Axel Springer, Germany's largest newspaper and magazine printer-publisher, and WAZ Gruppe, the rival regional newspaper company that is considering a takeover bid. The defunct Kirch Media's 40% stake in Axel Springer is currently up for grabs and could be the basis for a takeover of the company entirely.

## Magazine catastrophe

Metal Bulletin, the specialist magazine publisher, has seen profits fall nearly tenfold because of 'the most difficult trading conditions for more than 20 years' in its markets. Although turnover has risen 5% to £20.9m for the first six months of 2002, pretax profits are down from £4.5m to £491,000. Production costs are being cut by electronic distribution of its magazines, which are mostly printed at The Magazine Printing Company in Enfield.

## More in the middle

The CBI is lobbying the Department of Trade and Industry to focus more on medium-sized companies with turnover of £300m-£1bn, the likes of Polestar and St Ives. The CBI says the Government has forged close links with multinationals and listened more to smaller businesses through the creation of the Small Business Service, but left a 'vacuum in the middle'.



## Business GROW-HOW



From Paul Holohan & the team at  
Richmond Capital Partners Limited

### IT'S ALL IN THE PLAN!

**We are thinking of selling our printing business and have been advised to prepare a Business Plan for the next 2-3 years. Is this really necessary?**

You have been well advised! It is essential to have in place a good Business Plan when selling the business. Of course new owners will have their own ideas but nevertheless will be impressed that you are planning ahead.

The Business Plan should be more than a budget for the year ahead - this is a common misconception. It should form the basis of the company's direction for the future.

Business planning is a **vital** component of any successful enterprise but it can become neglected due to the pressures of day to day work. It can act as a shield against a variety of the challenges facing businesses.

An effective plan can safeguard investment and help you spot pitfalls in advance, ease external financial problems, provide a tool to measure success and focus efforts.

Surveys show that those businesses undertaking regular business planning achieve 55% higher profit margins when compared to those that do not!

A good Business Plan should provide the business with control so that businesses are not allowed to 'drift' - a common mistake.

Business planning is an essential management tool and should act as a blueprint for your business. It certainly is not just a case for borrowing money or preparing for growth via investment.

Where to begin? Whilst preparing a business plan can seem a daunting task you should remember that outside help is available - often funded by local business support organisations. Choose an advisor who understands the industry - this can save an awful lot of time and effort!

Preparing a business plan now should increase your profits, and therefore your wealth! At the very least it will enable you to focus on the key issues.

Good planning!

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

## Refinance failure for AGT

Applied Graphics Technologies, the US prepress company which owns Seven Worldwide in the UK, has failed in its bid to refinance and will now have to find another way to survive after its loans and credit facilities expire next April.

Noteholders were called to a special meeting at Seven Worldwide's offices in London on August 27 and asked to accept just

10.5p in the £1 for each note. But the motion was defeated by a "comfortable margin", and AGT's vice president and treasurer Patrick Grady says the company is reviewing its options and will now "either make a further offer for the notes or let them stick in the market where they stand".

Either way, AGT will have to move quickly ahead of the loans

and credit facility being called in by its bankers in April 2003, though Mr Grady says there is a "large enough window of time for matters to be resolved".

AGT made a net loss of \$337m last year.

#### In brief

- AGT fails to refinance
- Credit runs out next April
- Noteholders rejected offer

## Banknote buyout an expensive mistake

Apax Partners has admitted that its takeover of the German state banknote printing works in 2000 has been a costly mistake that has forced it to write off £120m it first invested in the deal.

At the time, the £615m deal was a small blow for English pride as the British-based private equity group stole the newly privatised Bundesdruckerei from

under the nose of security printing groups like Oberthur, Schlumberger, De La Rue and Giesecke and Devrient.

Sales of telephone smartcards, which the Bundesdruckerei prints alongside banknotes, have not met expectations because telecom companies have postponed the roll out of such technology.

Some in Whitehall would like to privatise or part privatise the Bank of England's banknote printing works in Debden, which is now the only remaining security printer that is entirely in public hands.

#### In brief

- Apax admits takeover mistake
- Written off £120m
- Sales did not meet expectations

## Legal notices

### Compulsory winding up

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

- **Temple Print Ltd** 72 Kaerou Road, Newport NP20 4HJ on September 4 at 10.30am. Petition by Inland Revenue
- **Wika Wika Woo Publishing Ltd** 1 Conduit Street, London W1R 9TG on September 4 at 10.30am. Petition by Customs and Excise

### Appointment of liquidators

- **Marketing Plus (Europe) Ltd** Graphic design consultants. Liquidator: P Barrett, Radfords, 12 Portland Street, Southampton SO14 7EB
- **20/20 Media Ltd** Magazine publishing, Internet, events. Liquidator: N Koumettou, Alexander Lawson & Co, 641 Green Lanes, London N8 0RE
- **SJC Colour Printers Ltd** Printing. Liquidator: K Bailey, Royce Peeling Green, Hilton Chambers, 15 Hilton Street, Manchester M1 1JL
- **Zoneweb Ltd** Printers. Liquidator: SS Sahota, BBK Chartered Accountants, 311 Ballards Lane, Finchley, London N12 8LY

- **Repro Technology (Europe) Ltd** Sale and maintenance of digital reprographic equipment. Liquidators: K Mistry and JPW Marlow, HKM Harlow Khandhia Mistry, The Old Mill, 9 Soar Lane, Leicester LE3 5DE
- **CY at MK Ltd** Print brokers. Liquidator: NA Spearing, Spearing & Co, 2 Bennett Drive, Myton Grange, Warwick CV34 6QJ

### Appointment of receivers

- **New Day Printers Ltd** Printing. Receivers: C Burke and GJ Corbett, Milner Boardman & Partners, Century House, Ashley Road, Hale, Cheshire WA15 9TG

### Meetings of creditors

- **Welton Print Ltd** at 141 Great Charles Street, Birmingham B3 3LG on August 30
- **Reflexion Digital Ltd** (formerly t/a **Whitebridge Press Ltd**) at Buckingham Beales Hotel, A421 Ring Road, Buckingham, Buckinghamshire MK18 1RY on September 5 at 11am
- **Brimdsen Colour & Commercial Printers Ltd** at the Gonville Hotel, Gonville Place, Cambridge on September 4 at 10.15am
- **Soho Publishing Ltd** at Dains, St

John's Court, Wiltell Road, Lichfield, Staffordshire WS14 9DS on September 10 at 10.30am

### Notices to creditors

- **Printcity (Stratford) Ltd** Creditors to send claims to S Draine, Moore Stephens Corporate Recovery, 3-5 Rickmansworth Road, Watford, Hertfordshire WD18 0GX by September 30
- **Stewartprint Ltd** Creditors to send claims to DH Bottomley, The Till Morris Partnership, 32 Brook Street, Warwick CV34 4BL by September 30

### Final meetings

- **Premier Press Ltd** at George House, 48 George Street, Manchester M1 4HF on September 23 at 11.15am for members and at 11.30am for creditors
- **Bookbiz Ltd** at Harris Lipman, 2 Mountview Court, 310 Friern Barnet Lane, Whetstone, London N20 0YZ on September 20 at 10am for members and at 10.15am for creditors
- **Omega Labels Ltd** at Wallwork & Company, 14-16 St Thomas's Road, Chorley, Lancashire on September 20 at 1.30am for members and at 2pm for creditors

