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Océ sees Q3 profits fall 29%

By Alex Grant

Since the terrorist attacks, Océ has seen US sales grind to a virtual halt, and all bets on its fourth quarter performance are off.

Even before September 11, the Dutch digital imaging manufacturer's third quarter profits were down 29% to €21.1m in the three months to August 31.

Wide format sales dropped 1% over the quarter, while document printing systems fell by 5%. Since then, US sales in September were down 20% year-on-year.

The only consolation is a 3.5% rise in sales of production printing systems and a slight increase in revenues from software, service and facilities management.

But this result was largely due to a big order from State Farm, an American insurance company, which in the current economic climate is unlikely to be repeated.

Following last month's attacks, in which it lost its own facilities management site in the World Trade Centre – but fortunately sustained no casualties – Océ is now making no forecast about full-year results.

As recently as September 20 chief executive Rokus Van Iperen told journalists that Océ would make a profit in the second half, albeit lower than last year's level.

However, no sales whatsoever were made in the US in the week after September 11 and Mr Van Iperen now says the US market is "an economy at war".

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In brief

- Océ profits down by 29% in Q3
- Slight rises seen in some areas
- US attacks taking their toll

The market segment

UK managing director Mike Cornish says that while the crisis has yet to hit Europe, "manufacturing is now definitely in recession and the service sector is slowing down seriously".

However, Mr Cornish says that job cuts are unlikely as Océ is already a "tight ship" in the UK. Expenditure has already been cut by 5% through reduced working time at Océ's factories and laying-off of temporary staff. But chief executive Rokus van Iperen adds: "If there is any further deterioration we will look at further cost cuts and restructuring."

Océ still has market share of 26% in wide format and 22% in digital production printing. But while these markets are predicted to grow by 5% a year, the market for software and services is growing at 16%-20% a year.



Mike Cornish: 'In recession'

Over the first nine months of the year, Océ's profits have fallen by 27%. Although sales have risen by 3%, this is due to interest rate changes. In real terms, sales have fallen for all types of Océ's machines, although sales in facility services and software are slightly higher.

Publishing suffers

The media industry is facing a mounting crisis in the wake of the September 11 terrorist attacks, with stock prices crashing and now only slowly recovering.

Shares in France's Havas Advertising have fallen 17% since the disaster as it announced another restructuring and warned that it was not expecting an upturn before the beginning of 2003.

It said the speed and size of the downturn was unprecedented.

In the UK, United Business Media fell to a nine year low of 345.5p, down 9% in a single day, after reporting US technology advertisers spent one third less year-on-year in August. The share price has since rallied to 397p.

The US publisher McGraw Hill also said all three of its main divisions had been hurt by the worsening economic conditions in the wake of the attack.

Dutch publishers VNU and Elsevier also took the news badly. Trade journal publisher VNU had already lost 20% of its stock price since September 11. Elsevier fell 7.4% to €11.90, before rebounding to €12.90.

Shares in Pearson, owner of the Financial Times, have also fallen 8% to 645p. Although the price has since recovered to 722p, Pearson chief executive Marjorie Scardino says the outlook for financial advertising had worsened. Educational titles make up a third of Pearson's revenue and the downturn was likely to hit targets for the year, she says.

The news comes hard on the heels of Future Network, the IT publisher headquartered in Bath which announced it was suspending its shares and undertaking a debt restructuring programme last week.

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In brief

- Loss of confidence hits shares
- The result of September 11 attacks
- Recovery slowly occurring

Sale is called off

WH Smith has suddenly called off the long-expected sale of its distribution arm after ABN Amro Private Equity dropped the price it was willing to pay. It is prompted in part by the sharp falls in the stock market since the September 11 attacks.

Inca's £2m win

Inca Digital Printers, the inkjet press supplier that has three installations so far, has won another £2m of funding from Advent Venture Partners, a venture capitalist. Advent had supplied Inca with its first £2.6m of funding. Since then, the company's value has gone from an estimated £6m to £27m. Sales are predicted to go from £9m to £60m by 2005, and staff numbers from 70 to 250, says managing director Bill Baxter.

World report

A new report for IT Strategies predicts that revenues from global sales of wide format inkjet equipment will rise from $3.7bn to $7.5bn by 2005. NUR, however, expects that its third-quarter results (out next month) will show flat sales of around $30m and that it will only just break even.

Debt help at hand

Business Debtline, the free debt advice service, says it has seen a big increase in calls from small firms since the September 11 attacks. 'We are now receiving panic phone calls from small business owners complaining that that trade has totally dried up,' says co-ordinator Tessa Farrell. The number is 0800 197 6026.

KPMG departs

Xerox has replaced its auditor KPMG as a result of its investigation into accounting irregularities, which the company has already admitted were widespread at its Mexican operations.

As part of the probe, KPMG had found what it called "material weaknesses" in the company's accounting procedures. Xerox has decided "it is appropriate at this time to bring in new accountants," says Xerox chairman Paul Allaire.

After more than 30 years with KPMG, Xerox is now using PricewaterhouseCoopers instead.

Chief financial officer Barry Romeril has also said he is retiring at the end of the year, although Xerox insists that his departure is unrelated to the inquiry into internal accounting procedures.

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In brief

- Xerox replaces auditor
- KPMG out after 30 years
- PwC steps into the breach

Consignia to cut £1.2bn from costs

Mail operator Consignia is making up to 20,000 staff redundant as part of a £1.2bn cost-cutting package.

Although the details are still being negotiated with the unions, 70% of Consignia's costs are staff wages and there are certain to be cuts from its workforce of 200,000.

Consignia has vowed to cut costs by 15% over the next 18 months, following stagnant mail volumes, a wave of industrial action and the loss of its monopoly over letter delivery.

Hays, the business services group, is now allowed to deliver letters in parts of London, Manchester and Edinburgh.

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In brief

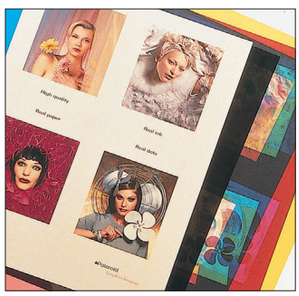
- Consigna aims to save £1.2bn
- 20,000 staff to go
- Details still be negotiated

Chapter 11 move may be on the cards for Polaroid

By Alex Grant

Consumer imaging products group Polaroid, which engaged advisers to look for a buyer in July, may now be facing bankruptcy after a big downturn in its fortunes since the September 11 terror attacks.

Polaroid now finds it almost impossible to make asset sales. A Chapter 11 filing, to protect itself from creditors, is seen as inevitable now that demand for photographic products is dropping in line with travel and leisure spending.



Demand for Polaroid products is falling

Polaroid has been trying to transform itself from a photographic company into a digital imaging one with the launch of Opal, a new kind of thermal printer, but its bankers are unconvinced.

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In brief

- Polaroid sees big downturn
- Chapter 11 may be next
- Demand for products falling

legal notices

Appointment of liquidators

● **Brightbusiness Ltd** Supplier of printing stationery and office equipment. Liquidators: J Bell and SJ Lunday, Hawdon Bell & Co, 4 Northumberland Place, North Shields, Tyne & Wear NE30 1QP

● **Fastset Newspaper Services Ltd** Typesetter. Liquidator: RE Speight, Moore Stephens Booth White, Beaufort House, 94-96 Newhall Street, Birmingham B3 1PB

● **Tegate Ltd** Print finisher. Liquidator: RJ Rones, ThorntonRones, 418-420 Cranbrook Road, Gants Hill, Ilford IG2 6HW

● **City Print (Manchester) Ltd** Printer. Liquidator: GAM Simmonds, Crown House, 217 Higher Hillgate, Stockport, Cheshire SK1 3 RB

● **Bootique Ltd** Publishing. Liquidator: AJ Findlay, Findlay James, Saxon House, Saxon Way, Cheltenham GL52 6QX

● **Colour-Tech Graphics Ltd** Previous company name: **Magnaprint Ltd** Reprographics. Liquidator: J Taylor, Begbies Treynor, The Old Exchange, 234 Southchurch Road, Southend on Sea, Essex SS1 2 EG

● **Deborah Miles Ltd** Stationery supplier. Liquidator: DG Kirk, David Kirk, Southernhay Lodge, Barnfield Crescent, Exeter EX1 1QZ

● **Reprographic Systems Ltd** Xerox concession. Liquidators: PM Boyden and PW Harding, PricewaterhouseCoopers, 31 Great George Street, Bristol BS1 5QD

● **StationeryTeam Ltd** Stationery supplier. Liquidators: SJ Michaels and DH Gilbert, BDO Stoy Hayward, 8 Baker Street, London WCU 3LL

● **Think Print (Essex) Ltd** Print supplier. Liquidator: SJ Michaels and DH Gilbert, BDO Stoy Hayward, 8 Baker Street, London WCU 3LL

● **Upjohn & Bottomley (Printers) Ltd** Printing. Liquidator: JSF Bennett, Casson Beckman & Partners, 3 Dyers Buildings, Holborn, London EC1N 2JT

● **Paintbox Publishing Ltd** Greetings card manufacturer. Liquidator: PW Ellison, Hurst Morrison Thomson, 5 Fairmile, Henley on Thames, Oxfordshire RG9 2JR

● **Bizzy Print 2000 Ltd** Printer. Liquidator: IC Brown, Parkin S Booth & Co, 2 City Road, Chester CH1 3AE

● **Premier Design & Print Ltd** Screen printing. Liquidator: DM Clements, BKR Haines Watts, 6 St Stephen's Court, 15-17 St Stephen's Road, Bournemouth, Dorset BH2 6LA

Meetings of creditors

● **Channel Magazines** at The Grange Langham Court Hotel, 31-35 Langham Street, London WC1 5RE on October 17 at 11am

● **Prisma Holographics Ltd** at The Novotel, Knebworth Park, Stevenage, Hertfordshire SG1 2AX on October 23 at 11.30am

● **Com-Tech Print Ltd** at Lewis, Alexander & Collins, 103 Portland Street, Manchester M1 6DF on October 12 at 11.30am

● **Investors Internet Journal** at Smith & Williamson, 1 St Swithin Street, Worcester WR1 2PY on October 16 at 11.30am

● **The Graphic Station** at Maidment Judge, 60-62 High Street, Harpenden, Hertfordshire AL5 2 SP on October 23 at 11am

● **Addkey Print Ltd** at Soloman Hare Business Rescue, Oakfield House, Oakfield Grove, Clifton, Bristol BS8 2BN on October 19 at 11am

● **Mere Design & Print Ltd** at Sherlock House, 73 Baker Street, London W1U 6RD on October 18 at 11am

Final meetings

● **Rigpress Ltd** at Poppleton & Appleby, 141 Great Charles Street, Birmingham B3 3LG on October 26 at 2.30pm

● **Sound & Visions Publishing Ltd** at Haslers, Johnston House, 8 Johnston Road, Woodford Green, Essex IG8 0XA on November 8 at 11.30am

● **Barlodge Flexible Packaging Ltd** at St John's Court, Wiltell Road, Lichfield WS14 9DS on November 9 at 10am

Disclaimer

● **Print X Press**, 11 Pen Street, Boston, Lincolnshire, PE21 6TJ wishes to make known that it has no connection with **Print-X-Press (UK) Ltd**, the former company name of **The Print Connection Ltd**, as mentioned in Legals last week

Business GROW-HOW



From Paul Holohan & the team at Richmond Capital Partners Limited

DO YOU WANT TO PUT YOUR FEET UP?

Is it better to sell now or to wait? I own a label printing business and I have been told to wait by my accountants for tax reasons. Are they right?

Yes and no!

The decision to sell the business and retire is one of the biggest a person can make in his or her life. Above all it is about choosing the lifestyle you wish to lead in the future.

A key factor will be security — in particular adequate pension provision. As a rule, the earlier you start the better. You don't give details but consider this carefully.

Tax issues are worth careful consideration too. In simple tax terms, where the likely gain is less than £200,000, the best strategy is to sell while 100% retirement relief can still cover the gain.

For larger gains, the timing of disposal will be critical to maximise the available combination of retirement and taper relief.

Remember that there are other factors to take into account:-

• Taper relief does not require you to retire and, in some situations, nor does retirement relief.

• Maximum retirement relief is only available where the qualifying conditions have been met for ten years.

• Taper relief applies to disposals of business assets not just disposal of a whole business. This makes it more flexible.

• Don't forget future potential inheritance tax liabilities. This is a good time to review your estate planning, particularly your Will.

• The decision about retirement or selling the business should never be made solely to save tax.

Only you know your true feelings – be guided by them.

Furthermore a serious purchaser now is worth an awful lot! It could be worth 'testing the water' to gauge interest and you have little to lose. One caveat – use an advisor to retain confidentiality and prevent rumours starting.

'Grooming' the business for disposal should be a key part of your plan too because it could add significant value to the business.

Food for thought?

Business ADVICE

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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