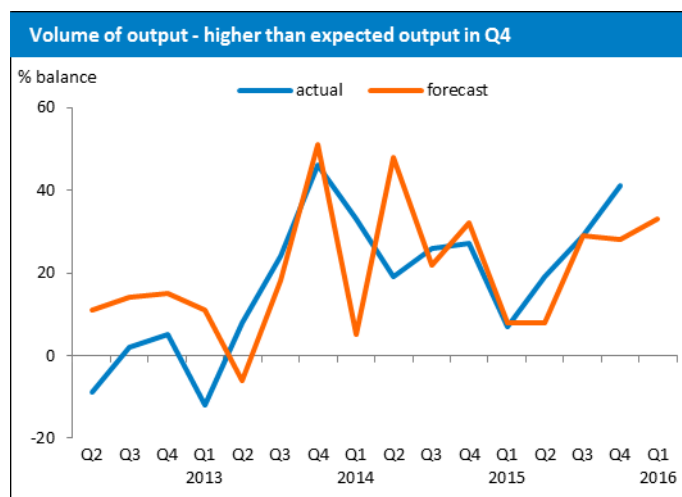


PRESS RELEASE

11 Feb 2016

OUTPUT AND ORDERS EXCEEDED EXPECTATIONS IN Q4 – POSITIVE FORECAST FOR Q1 AS SOME CONFIDENCE RETURNS

A better-than-expected seasonal boost in Q4 meant that both output and orders surpassed their Q4 forecasts – expectations for Q1 also remain positive. The latest Printing Outlook survey reveals that the majority of printers (56%) increased their output levels in the final quarter of 2015. A further 29% of printers managed stable output levels in Q4, whilst 15% suffered a fall in output. The resulting balance (the difference between the ups and the downs) was +41; well above the forecasted balance of +28, and more positive than the balance reported for the same period last year.



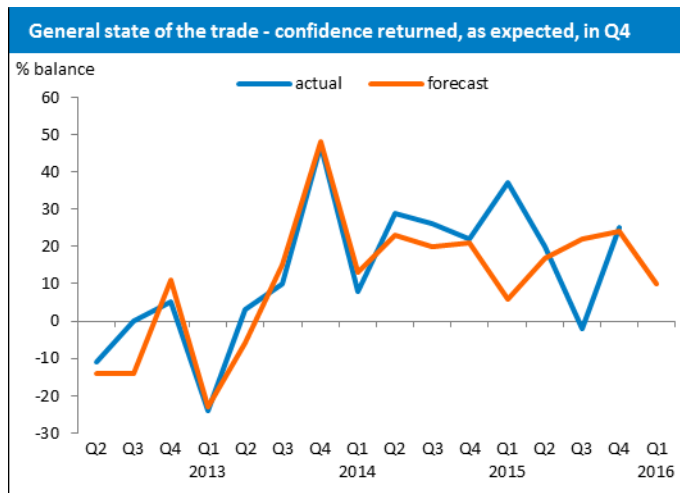
The output balance of +41 was greater than the forecast of +28 for Q4. A balance of +33 is forecast for the coming three months.

Printers expect output to hold up reasonably well in Q1. 46% of respondents expect to increase output levels, 41% predict that output levels will remain the same and 13% expect output to decline in Q1. The forecasted balance of +33, whilst less positive than Q4's balance, would (if realised) be a major improvement on Q1 activity from last year.

Confidence in the general state of trade in the printing industry bounced back in Q4, following receiving a dent in Q3. The Q1 forecast was proven to be accurate as confidence rebounded during the seasonally busy period.

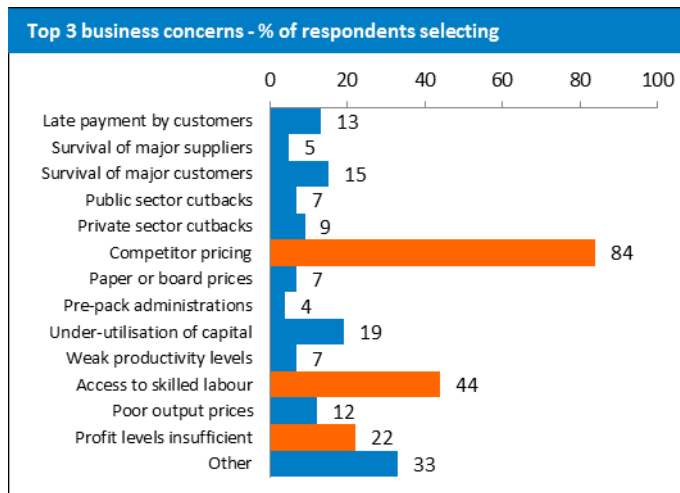
The balance between those believing that the general state of trade improved, and those believing that it had deteriorated, was +25 in Q4; significantly better than the -2 in Q3, and just above the Q4 forecast of +24. The positive balance for Q4 has come from 40% believing the general state of trade in the printing industry had improved and 15% reporting a deterioration. 45% reported no change in the general state of trade in Q4 2015.

Expectations for Q1 remain positive – though not to the same extent as the Q4 performance; and not matching the optimism evident in the orders and output forecasts. Almost two-thirds (63%) believe that the general state of trade in the industry will remain unchanged. Of the remaining respondents: 24% compared with 14% believe that the UK printing industry will improve, rather than deteriorate, in Q1.



The balance of +25 was just above the forecast of +24. A balance of +10 is forecast for the coming three months.

There has been no change in the fact that competitors pricing below cost continues to be by far the most voiced business concern – on this occasion over four-fifths (84%) of respondents reported that this was one of their top three business concerns. Concerns regarding access to skilled labour have continued to mount, once again this is the second ranked concern but has now been selected by 44% of respondents (up from 43% last quarter and 36% prior to that). The remaining concerns are bunched some way back – ahead of the chasing pack on this occasion was profit levels insufficient to encourage investment, this was selected by 22% of respondents.



Kyle Jardine, BPIF Research Manager, said:

“Given the enduring pressure on prices and margins, printers are optimistic regarding the performance of their companies – and, though to a slightly lesser degree, the wider industry.

“Labour costs will be a focus for many companies in Q1 and Q2 as pressure on wage increases mount and the introduction of the National Living Wage draws closer.

Charles Jarrold, BPIF Chief Executive, said:

“The prices and margins climate doesn’t appear to be clearing in the near future but firms are backing themselves with investment in innovation, training and – as one might expect in a drupa year – plant and machinery.

“As for forthcoming pay reviews – I would urge BPIF members to examine the wage benchmarking information available on our website and contact your BPIF HR Advisers.”

Summary of key findings:

- A better-than-expected seasonal boost in Q4 meant that both output and orders surpassed their Q4 forecasts – expectations for Q1 also remain positive.
- Confidence in the general state of trade in the printing industry bounced back in Q4, after receiving a dent in Q3.
- Competitors pricing below cost continues to be the most voiced business concern – by far; access to skilled labour is a mounting worry.
- Capacity utilisation in January was lower than in October; though many were in the 80-89% range.
- Recruitment remained positive in Q4.
- There was no recovery in price levels during Q4.

- The majority of respondents in Q4 have continued to report stable input costs; as in each of the previous five quarters, the main cost pressure in Q4 was from labour. Respondents predict that there will be more downward than upward pressure on paper, energy and ink costs in Q1.
- The excursion for margins into positive territory proved to be short-lived once more as Q4 saw a return to decreasing margins.
- Export orders, and prices, experienced a significant downturn in Q4; more pressure expected in Q1.
- Printing companies have strong capital investment intentions for 2016.
- Access to finance has generally improved throughout 2015, however there are some concerns over the availability of credit lines.
- One-quarter of respondents conducted pay reviews in Q4; awarding increases averaging 2.2%.
- UK demand for printing papers and boards in Q1-3 2015 was down 4.4% in comparison to Q1-3 2014.

Also in *Printing Outlook* this quarter:

- Pay Reviews – activity and average % changes.
- Web-to-print - just how much of printing companies turnover is currently derived through Web-to-print?
- Data on capacity, productivity, costs, margins, investment and more.
- Consumables – paper consumption data and printing ink volumes and values.
- A more in-depth look at energy costs.

Printing Outlook is available (free to BPIF members and £40 to non-members) from the BPIF website: www.britishprint.com/printingoutlook/

ENDS

Endorsements:

*“In everyday life we get a raft of information thrown at us. The thing I like about *Printing Outlook* is the fact its questions are written by people who understand our industry, they are addressed to people working at the heart of our industry and they are presented back to us by people who represent the members of our industry. It’s clear, well laid out and with relevant narrative and interpretation.”*

Miles Linney

Managing Director, Linney Group

“Duplo used the data provided by the BPIF to map the UK Print Industry, and this coupled with the overlaying of our own CRM data, we were able to create a picture which formed the cornerstone of our sales and marketing strategy regarding our higher-end production equipment. The results of which attributed to 20% sales growth in one year. Thank you BPIF!”

Peter Jolly

Managing Director, Duplo

“The BPIF Outlook report has become a reliable barometer for Kodak to gauge the condition and trends of the printing industry. As well as an in depth read the report also expresses the data with easy to understand graphic charts which can be quickly digested and explained to an audience. It helps define decision-making and market approach – which is so crucial to a company like Kodak.”

David McGuinness

Marketing Manager, Kodak UK & Nordics

Editors' Notes

The online trading trends survey was carried out during 8-21 January 2016 and received responses from 98 companies employing 4,111 people with a combined turnover of £470 million. For more information on Printing Outlook, visit www.britishprint.com/printingoutlook/

The BPIF is the principal business support organisation representing the UK print, printed packaging and graphic communication industry. We are one of the country's leading trade associations and we strive to ensure our members' requirements come first. Through listening to their needs we have developed an unrivalled range of products and services that go well beyond those provided by a traditional trade association.

We provide the highest standard of support for printers to grow and develop healthy, sustainable and profitable businesses, aiming to provide an environment geared towards their businesses' success. Here at the BPIF we offer practical, value-adding solutions for all areas of a print organisation, ranging from Health, Safety, Environmental and Quality issues; with the implementation of HR requirements; provide resolutions of technical or legal issues; as well as advice and support on marketing, sales and finance. This is all delivered by individuals and teams of highly skilled and experienced print and media industry specialists.

We also offer a wide range of opportunities for networking both regionally and nationally, including prestigious events, special interest groups, seminars, conferences, workshops, training and short courses on a wide range of topics and skills.

For more information on the BPIF, visit www.britishprint.com