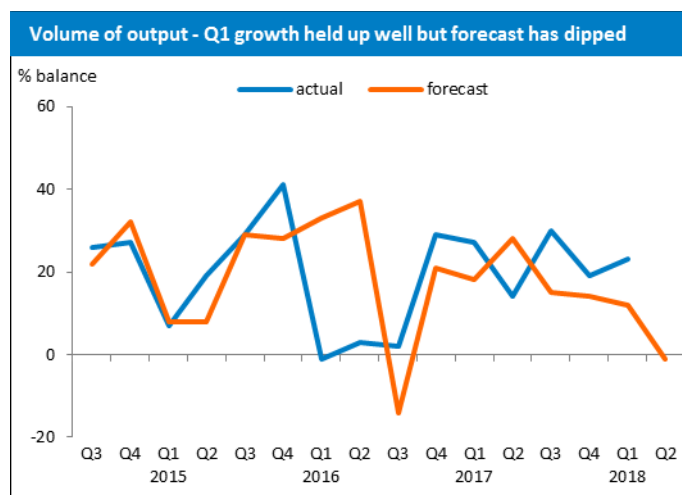


PRESS RELEASE - 14 May 2018

BETTER THAN EXPECTED Q1 FOR OUTPUT AND ORDERS – TOUGHER TIMES AHEAD AS PRICING AND COST CONCERNS DAMPEN FORECASTS

The UK printing industry continues to defy its own forecasts as both output and orders displayed positive growth, above the expectations for Q1 – unfortunately the Q2 forecasts reveal that concerns remain. The latest Printing Outlook survey shows 43% of printers increased output levels in the first quarter of 2018. A further 37% held output steady whilst 20% experienced a decline in output. The resulting balance (the difference between the ups and the downs) was +23; up on the forecast of +12 for Q1 and greater than the +19 recorded in Q4. Whilst the Q4 period was notable for the absence of a seasonal boost, it seems that some of that trade may have carried into the first quarter. This is the first time for seven years that Q1 output has outperformed Q4. Furthermore, the current Q1 output balance is slightly greater than the trend line for growth over the last four years (which sits at a flat 20% balance over the entire period).

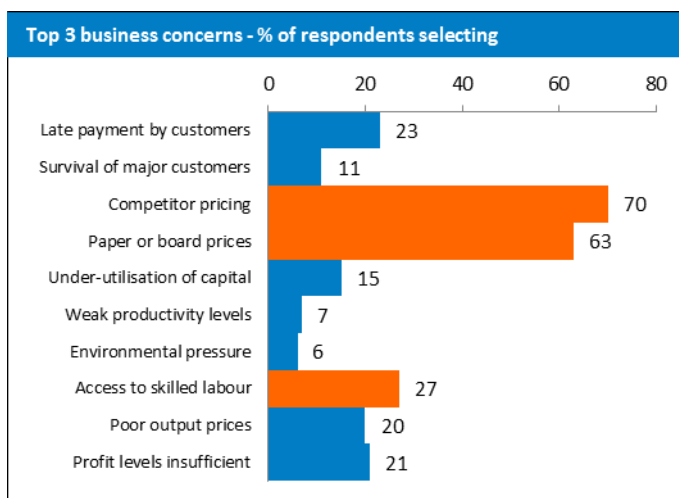
Recent forecasts have turned out to be on the pessimistic side, Q1's above-trend performance has done nothing to dispel the pessimism. In fact, the expectations for Q2 have now fallen into negative territory, and to a level that has not been experienced since Q1 2016. 29% of respondents predict that they will increase output levels in Q2, a further 41% expect output levels to hold steady. However, 30% forecast that output will fall in Q2. The forecasted balance of -1 would, if realised, be a significant downturn from Q1.



The output balance of +23 was above the forecast of +12 for Q1. A balance of -1 is forecast for the coming three months.

Confidence in the general state of trade in the printing industry flatlined in Q1 – whilst it remained marginally above the negative forecast, the expectations for Q2 show that confidence has eroded further. It seems the industry is expecting a tough trading period in Q2, and an intensifying battle to maintain output and minimise cost pressures. On this occasion the Q2 period may well be characterised by supply-chain cost and delivery concerns, wage pressures coming through and new legislative costs and burdens coming into force.

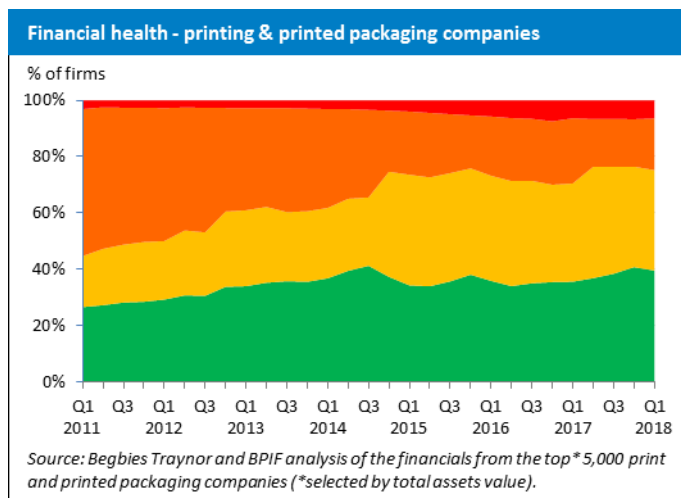
Competitors' pricing below cost continues to be the most voiced business concern – the proportion selecting it this quarter is unchanged from last quarter; it remains at 70% (it was 65%, 70% and 81% in the preceding quarters). Paper and board price concerns remains the second ranked concern; this was selected by 63% of respondents, up from 60% last quarter (and 47%, 42% and 32% in the quarters prior to that). Access to skilled labour remains the third ranked concern, with 27% of respondents selecting it (down from 32% previously). Access to skilled labour remains above late payment by customers which has returned as the fourth-ranked business concern.



We have been collaborating with Begbies Traynor to develop further relevant industry and sector analyses; some of which we are introducing in the latest Printing Outlook report. We have now compiled a detailed financial health analysis of data for the 5,000 largest print and printed packaging companies (as selected by total asset value ranking). The financials for each company have been rated and updated over time – analysis of this will provide some interesting insights and benchmarks.

Looking at the financial health chart, and working from the bottom up – the green proportion shows the share of the top 5,000 companies that are in a strong and secure financial

position. The yellow section shows the proportion of companies with a less strong financial position, representing an average credit risk.



The orange shading depicts the share of the top 5,000 companies that are considered to be a higher credit risk due to their financial results, past trading history, the lack of available information or the presence of detrimental information against them. Finally, the red section is for high risk companies with poor credit scores and/or serious detrimental information filed against them and companies that have undergone insolvency or have a striking-off action registered against them.

The *BPIF Printing Outlook Q2 2018* report goes into further detail.

Kyle Jardine, BPIF Research Manager, said:

“Producing the Printing Outlook report is only possible with a high reliance on collaboration – from responding members, other industry trade associations, sources of economic information and other relevant contacts. We are now working with Begbies Traynor and Red Flag Alert to develop our industry analyses. Not just so we can represent the industry but to provide more useful information back to the industry. We will continue to work with Begbies Traynor to develop the industry model and showcase more analysis from it.”

Charles Jarrold, BPIF Chief Executive, said:

“Brexit has taken a bit of a back seat this quarter as we wait to see what happens next during the negotiations. However, our latest Brexit Barometers suggest that the economic outlook confidence during negotiations has become slightly less negative whilst the post-Brexit outlook become more negative. In the meantime there are plenty of other matters for businesses to focus on. Costs pressures are mounting and margins are being squeezed further, as it remains difficult to raise prices. Companies must therefore keep a close eye on job profitability, work mix, and, as ever cash flow.”

Summary of key findings:

- The UK printing industry continues to defy its own forecasts as both output and orders displayed positive growth, above the expectations for Q1 – unfortunately the Q2 forecasts reveal that concerns remain.
- Confidence in the general state of trade in the printing industry flatlined in Q1 – whilst it remained marginally above the negative forecast, the expectations for Q2 show that confidence has eroded further.
- Competitors' pricing below cost continues to be the most voiced business concern – the proportion selecting it this quarter is unchanged from last quarter; it remains at 70%.
- As Brexit progresses the UK printing industry continues to voice a diverse range of opinions and emotions – overall confidence has continued to become slightly less negative.
- Capacity utilisation exhibited a welcomed pick-up in April in comparison to January, despite the Easter period falling amidst the survey period.
- Recruitment growth slowed in Q1 and ducked below the forecast, but it does remain positive.
- Average prices in Q1 have continued to reside well below recent forecasted levels – as a result the expectation for Q2 has dropped in comparison to the recent forecasts.
- All cost areas have continued to be under significant upward pressure in Q1 – paper and board increases grab the headlines once more.
- The relentless pressure on margins is showing no signs of abating.
- Printers have reported a more pressurised profit distribution in April, with more in the red zone in comparison to January.
- Export orders exceeded 5% of turnover for 22% of respondents; for these companies export order growth was surprisingly only marginally positive, on balance, in Q1.
- Exactly one-quarter (25%) of respondents reported that they had conducted a pay review in Q1 – 51% expect to do so in Q2.
- UK consumption of printing papers and boards fell overall in 2017, though packaging cartonboard experienced some growth.

Featured in *Printing Outlook* this quarter:

- The BPIF's Brexit and Post-Brexit Barometers.
- Costs – paper & board, ink, labour and energy.
- Pay Reviews – activity and average % changes.
- Data on capacity, productivity, margins, and more.
- Consumables – paper consumption and printing ink data.

For further information on *Printing Outlook* go to www.britishprint.com/printingoutlook

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Endorsements:

"We are very happy to get the opportunity to associate ourselves with the BPIF and support Printing Outlook, it's a fantastic report providing invaluable insights into the current state of UK printing."

Bernard Cassidy

Marketing Development Manager, Konica Minolta

"The BPIF Printing Outlook report is a really useful tool for myself and co-Directors in viewing the performance of the print industry as a whole, keeping us up to date with current trends and offering a snapshot of member performance in an easy to digest format."

"Most importantly, the report acts as a trusted and valued voice of the marketplace, presenting a unique round up of the most crucial issues effecting members in this diverse and fast-paced industry."

Jacky Sidebottom-Every

Sales Director, Glossop Cartons

"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

"Any serious businessman needs to have an understanding of the market they are operating in. Printing Outlook delivers this in quite considerable detail – and knowing the manner in which it is put together, I know I can place reliance on its content. This information helps us all."

"I would ask that if you have not yet completed a survey, but are reading this article, please do so, but be as accurate as you can – then look at the results of the survey – I think you will be pleased you took part."

Nigel Lyon

Managing Director, Pinstripe Print Group

"I believe it's important to take part in responding to the BPIF Printing Outlook questionnaire - the more respondents there are the better the information coming back, so I feel we have a responsibility to do take part."

"The report itself it provides an interesting insight into the state of our industry and the immediate trends in a quick to understand, easy to use format - it helps us know where we are, and where our sector is in the mix."

Darren Coxon

Managing Director, Pensord

"I read Printing Outlook in order to better understand the health and direction of the BPIF members and of the print industry. We cross-reference the reports with our own findings to compound our understanding of key industry trends."

"I contribute to Printing Outlook so that our views and experiences can be both shared with the Industry and also represented by the BPIF at different levels – which should make us collectively stronger. I find that the more one puts in, the more one gets out."

James Buffoni

Managing Director, Ryedale Group

“Printing Outlook gives me an idea of how our industry as a whole is feeling. This is really important in this post-Brexit era in planning our marketing and any investments. This coupled with information from the BPIF acts as our barometer.”

Terrye Teverson

Managing Director, KCS Trade Print

“The BPIF Printing 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

“We are sometimes in our own world trying to ensure our businesses are successful, Printing Outlook enlightens us as to what is actually happening in the rest of the Industry. It has clear and concise information that is easy to understand and it helps to enhance the decisions that may have to be made in the future. I am sure we all get a lot of publications that drop on our desks but Printing Outlook is a must read for me. Well done BPIF keep the Printing Outlook coming!”

Ian Wilton

Managing Director, Oxuniprint

Editors' Notes

The online trading trends survey was carried out during 3-20 February 2018 and received responses from 126 companies employing 8,278 people with a combined turnover of over £1.2 billion. 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