

PRESS RELEASE

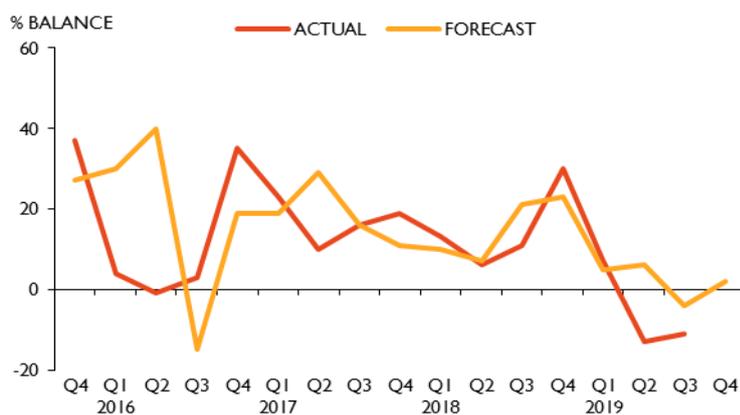
14 Nov 2019

LACKLUSTRE Q3 AS OUTPUT SKIPS THE SEASONAL BOOST – FLAT EXPECTATIONS FOR Q4 MAY BE BOOSTED BY ELECTION FEVER, DESPITE UNDERLYING CONFIDENCE ISSUES

The third quarter of 2019 was a disappointing one for the UK printing industry – both output and orders failed to live up to expectations and there was no repeat of the seasonal boost experienced last year. Orders and output had been expected to remain subdued in Q4, so an election surge will be well received. The latest Printing Outlook survey reveals that 37% of printers increased output levels in the third quarter of 2019. The remaining respondents were split fairly evenly; 31% held output steady and 32% experienced a decline in output. The resulting balance (the difference between the ups and the downs) was +5, a recovery from -2 in Q2 but some way short of the Q3 expectation (+19). This is the worst Q3 report for three years, since the aftermath of the shock EU referendum result, and particularly disappointing in comparison to the positive Q3 and Q4 performance levels last year.

Pricing pressure and unsustainable pricing in the industry are themes that have been repeated in comments from survey respondents to the latest survey, in particular with reference to competition from online printers. Brexit, and the heightened uncertainty surrounding potential Brexit outcomes and the potentially extremely short timeline for these to be realised, remains a frequently voiced concern of many printers; as does the delay of UK MPs to make any progress and decisions regarding Brexit.

VOLUME OF OUTPUT - Q3 BELOW EXPECTATIONS, Q4 FORECAST SUBDUED



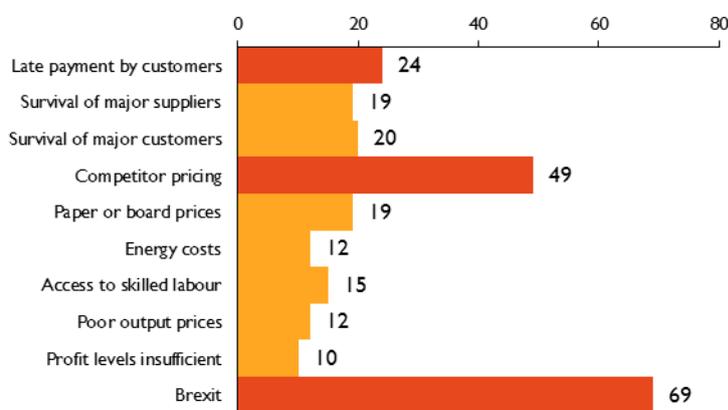
Source: BPIF Printing Outlook

The output balance of +5 was below the forecast of +19 for Q3. A balance of +2 is forecast for the coming three months.

Printers' output forecasting accuracy failed to return in Q3 – no shock given the continued uncertainty in the wider economic and political climate and the demands on the printing industry. Looking into Q4, printers are now expecting only a marginal improvement in their activity levels. Output growth is forecast to increase for just over one-quarter (26%) of companies. Exactly half of respondents predict that they will be able to hold output levels steady in Q4, and 24% expect output levels to fall. That leaves a forecasted balance of +2 for the volume of output in Q4 which, whilst still positive, is lower than the Q3 balance and provides a considerably poor comparison with Q4 2018.

Brexit continues to top the business concerns list, on this occasion 69% of respondents selected it as one of their top three business concerns (up from 61% in Q3). Competitor pricing is once again held to the second ranking with selection from 49% of respondents (down slightly from 52% last quarter).

TOP 3 BUSINESS CONCERNS - % OF RESPONDENTS SELECTING



Source: BPIF Printing Outlook

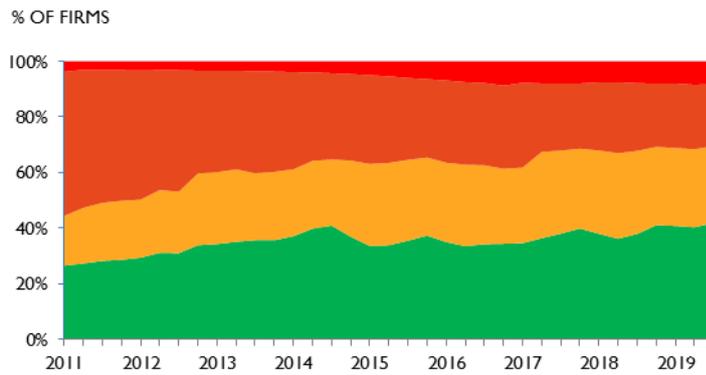
Paper and board prices has now fallen out of the top three concerns, it was selected only by 19% of respondents. It has been usurped by late payment by customers (with 24% of respondents selecting it). Survival of major customers had also pushed ahead of paper prices whilst survival of major suppliers has pulled alongside.

A detailed financial health analysis of data for the 5,000 largest print and printed packaging companies (with Red Flag Alert data from Begbies Traynor) provides some interesting insights. This financial health analysis rates the financials for each company and updates them over time so that a financial health chart can be produced.

Concentrating only on the red and green sections in the financial health chart. The red section depicts 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. Fortunately the red section represents a small portion of companies – but it has grown from 3% to 8% between 2011 and 2019.

The green proportion shows the share of the top 5,000 companies that are in a strong and secure financial position; the number of companies categorised here has increased from 27% in Q1 2011 to 42% in Q3 2019.

FINANCIAL HEALTH – PRINTING AND PRINTED PACKAGING COMPANIES



Source: Begbies Traynor and BPIF analysis of the financials from the top* 5,000 print and printed packaging companies (*selected by total assets value).

The BPIF Printing Outlook Q4 2019 report goes into further detail.

Kyle Jardine, BPIF Economist, said:

“It is important to point out that all of the survey responses were collected before a new deal was struck with the EU (on 17th October) and therefore before that deal was agreed, in principle if not in practise or timeliness, by UK parliament (on 22nd October).”

“Parliament has also subsequently voted in favour of a general election. It now seems likely that a number of printers will benefit from a welcomed boost to orders and output in Q4. We’ll be looking to see if that comes through in the next Printing Outlook survey.”

Charles Jarrold, BPIF Chief Executive, said:

“Understandably Brexit continues to dominate the headlines, however company failures have also featured highly too. The Printing Outlook report is not solely reliant on the data picked up from survey respondents, it also pulls in intelligence from other sources. The section on insolvencies clearly puts current levels into historical context whilst the Red Flag Alert statistics provide a valuable picture of the financial health of the Printing Industry.”

“Yes, it is concerning that the proportion of companies considered to be a high financial risk has increased to 8%. However, the proportion of companies that are now in a strong and secure financial position has increased to a record high of 42%. The UK printing industry is working hard to display the power of print.”

Summary of key findings:

- The third quarter of 2019 was a disappointing one for the UK printing industry – both output and orders failed to live up to expectations and there was no repeat of the seasonal boost experienced last year.
- Orders and output had been expected to remain subdued in Q4, so an election surge will be well received.
- The uncertain climate is not a breeding ground for confidence, that much is clear. Confidence in the general state of trade in the printing industry in Q3 remains in the negative zone, and below expectations for the quarter.
- Brexit remains the most voiced business concern, on this occasion 69% of respondents selected it as one of their top three business concerns (up from 61% in July).
- A new deal has been struck, the 31st October deadline has been circumvented with a “flexextension” and a Withdrawal Agreement Bill has passed its first reading stage with Parliament – however nothing is yet certain.
- In the latest survey respondents were asked what their preference was – no Brexit, Brexit with a deal, or a no-deal Brexit. Brexit with a deal topped the poll with 46%, just ahead of no Brexit which attracted a 44% share of respondents, whilst a no-deal Brexit received a 10% share.
- The primary Brexit concern is maintaining a reliable and secure supply chain, selected by 81% of respondents. General cost inflation and non-tariff barriers were second and third, with 46% and 42% respectively.
- Overall capacity utilisation was up in October in comparison with July.
- Unfortunately the forecast for average prices proved to be accurate as the change balance plunged deep into negative territory in Q3.
- Input cost inflation has continued to add to the pressure companies are under in Q3 – as in Q2 the cost of paper and board has not been the main perpetrator. For the second consecutive quarter energy, labour, and ink have all exerted greater cost pressure.
- Significant pressure continues to be exerted on margins as the period of consecutive quarterly reports of negative balances is extended to four years.
- Export orders exceeded 5% of turnover for 17% of respondents; for these companies export order growth remained positive, on balance, in Q3.
- Almost one-quarter (23%) of respondents reported that they had conducted a pay review in Q3. The resulting average (mean) increase in basic pay was 2.1% (unchanged from Q2).
- UK consumption of printing papers and boards in Q2 2019 fell in comparison to both Q2 2018 and Q1 2019.

Featured in *Printing Outlook* this quarter:

- The BPIF's Brexit and Post-Brexit Barometers.
- Costs – paper & board, ink, labour and energy.
- Industry insolvency and financial health statistics.
- 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

For any queries on this release please contact kyle.jardine@bpif.org.uk

ENDS

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 affecting 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

“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 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

Operations Director, CDS

Editors' Notes

The online trading trends survey was carried out during 1-17 October 2019 and received responses from 125 companies employing 10,940 people with a combined turnover of almost £1.5 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

The British Printing Industries Federation (BPIF)

The BPIF is a thriving, best-in-class trade association invigorating a modern, progressive print industry. We inspire those within the UK print, printed packaging and graphic communication industries to see opportunities for growth. Our members form a diverse and influential community and together we ensure the industry's voice is heard in Government.

We help solve business problems and drive strategic change providing the highest standard of support so our members can grow and develop healthy, sustainable and profitable businesses.

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