

Stu's View

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Industry Trends, Part 1: On the Rebound

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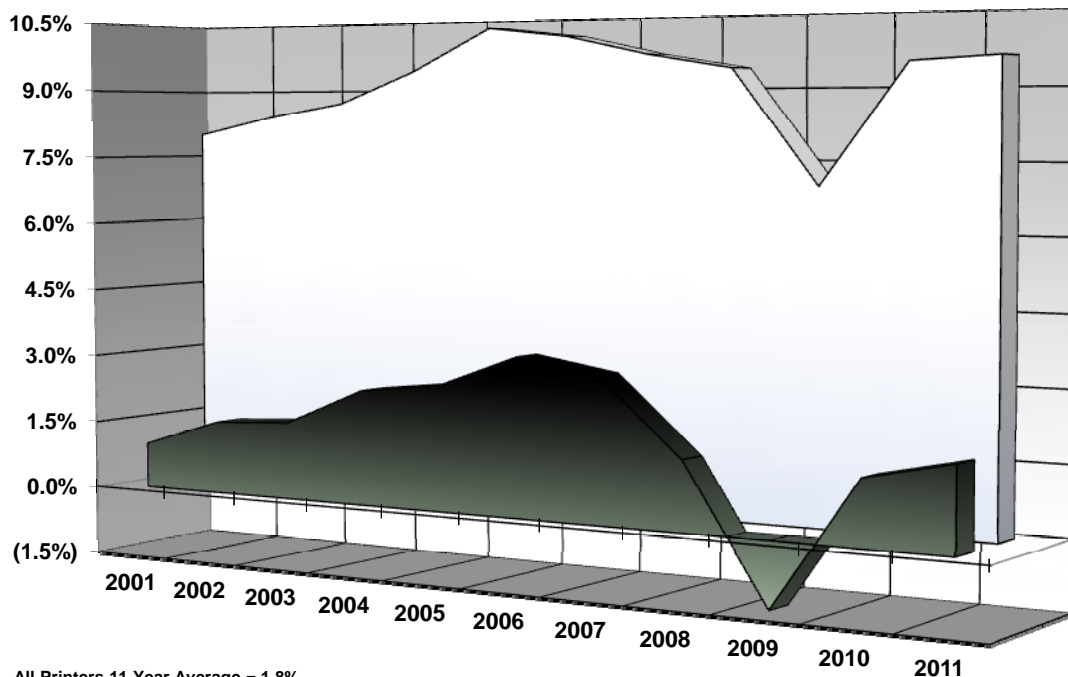
Given the three year deceleration in print industry profits from 2007 to 2009, one might be tempted to question how much the recent recession has impacted the industry's future. As evidenced by the recent Printing Industries of America Ratio Survey, however, there is positive news, and brighter days are ahead. The 2010 fiscal year data showed the first full recovery year for the industry. Better yet, the 2011 figures indicate print market profits continuing to accelerate for the second year in a row.

With fears of a “double dip recession” now behind us, this article begins a two-part series tracing the industry rebound as well as its future growth areas.

Let's begin with a comparative view of Profit Trends for the last 11 years:

Profit Trends 2001–2011

Profit as a Percentage of Sales



All Printers 11 Year Average = 1.8%
Profit Leaders 11 Year Average = 9.1%

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
■ All Printers	1.0%	1.6%	1.7%	2.5%	2.7%	3.4%	3.1%	1.5%	(1.4%)	1.4%	1.8%
□ Profit Leaders	8.0%	8.4%	8.7%	9.4%	10.3%	10.1%	9.7%	9.4%	7.0%	9.5%	9.6%

Participants in the Ratios survey revealed a 2011 profit of 1.8 percent on sales before taxes -- an increase of 0.4 percent from the previous year's average of 1.4 percent.

While still short of the peak profit year of 2006, the data shows the 2011 results (profit of 1.8%) are in line with the 11 year industry average (same 1.8%), and were achieved in two short, but tough years, after the recession.

The industry's Profit Leaders, those printers in the top 25 percent of profitability, saw their profits rise only slightly over the year, increasing 0.1 percent from the previous year to 9.6 percent. The Profit Leaders' performance for the last two years (9.6 and 9.5 percent) is above this elite group's average over the last 11 years of 9.1 percent.

The industry showed approximately \$1.5 billion in total profits over the course of 2011, surpassing the 2010 figures by \$0.3 billion. The number of printers reporting losses were down among printers participating in the Ratio Study, with 33 percent of survey participants reporting a loss -- down from the 38 and 55 percent who reported losses in 2010 and 2009, respectively.

The numbers don't lie -- the industry has taken a hit, but it is coming back into its own and continues to be viable and vital part of the US manufacturing scene.

In Part 2 of this article, we will further explore what the Ratios data tells us about profitability as it relates to company size, product segments, and productivity trends.

Stu's View is contributed by Stuart Margolis, CPA and Partner of MargolisBecker LLC to provide information that helps firms operate profitably. More information can be found at www.margolisbecker.com.

About MargolisBecker

MargolisBecker has long been recognized as the financial expert for the printing, packaging and allied graphic communications industries, assisting thousands of companies with strategic and financial management, valuation, mergers/acquisitions, accounting, audit and tax services. The firm is noted for its expertise in enabling companies to optimize profits. Proudly, it is the purveyor of the industry's *Cash is King*, and *Value-Added Principles of Management*, and compiles the annual Printing Industries of America Ratios, the printing industry's premier financial benchmarking tool.