

# State of the Industry 2015

2016 NPIRI Technical Conference  
October 25, 2016



# Management Information Committee

- **Jim Leitch**
  - **Bryce Kristo**
  - **John Jilek, Jr.**
  - **Mike Ball**
  - **Tony Laurino**
  - **John Sergeant**
  - **Bill McDermott**
  - **Kim Stone**
  - **Dave Grabacki**
  - **Michael Mosley**
- **Braden Sutphin**
  - **INX**
  - **Ink Solutions**
  - **Toyo Ink America**
  - **Sun Chemical**
  - **Modern Color**
  - **Ingevity**
  - **Flint Group**
  - **Keim-Additec**
  - **American Inks and Coatings**

# Source Data for Report

- **Quarterly Sales Report**
  - Collected Quarterly from members
- **Outlook Survey**
  - Collected once a year in January from members
- **Operating Ratio Survey**
  - Collected once a year in January from members
- **U.S. Commerce Dept., Bureau of Labor Statistics, OSHA**
- **NAPL State of the Industry Report**
- **NPES**
- **Markit**
- **PIA – Ronnie Davis**
- **Members Sharing**



**CliftonLarsonAllen**

- ❖ **Certified Public Accountants and Consultants are located in Washington, DC and Chicago. They specialize in exclusive service to the nonprofit associations.**
- ❖ **Among their numerous clients are Flexible Packaging Association, American Plastics Council, National Wholesale Druggists' Association and Paperboard Packaging Council.**

# Report Elements

- **Revenue and Growth**
- **Profit**
- **End Use Markets**
- **Foreign Trade**
- **Safety, Health and Environmental**
- **Questions and Comments**

# Top Current Concerns

- TAM Companies concerns heading into 2016:

<b>Overall</b>	<b>2015</b>
1. Overall Economic Activity	1
2. Imports	3
3. Customer Consolidations/Closings	2

<b>Market</b>	<b>2015</b>
1. Raw Material Costs	1
2. Government Regulations	2
3. New Print Technologies	3

<b>Internal</b>	<b>2015</b>
1. Qualified Workers	1
2. Healthcare Costs	2
3. Workers Compensation Costs	6

# Ink Companies say Printers Value

2015	
1. Consistent Product Quality	1
2. Technical Support	4
3. Price	2

# TAM Companies say Ink Companies Value

2015	
1. Price	2
2. Consistent Product Quality	1
3. Technical Support	3

# NAPIM Industry Outlook Survey 2015

**What additional value can NAPIM supply to the industry or its members, either ink or supplier?**

- Continued education and focus on low migration and Nestle standards**
- Continue lobbying for industry, very important to have a voice.**
- Continued guidance through gov't regulation changes; Perhaps partner with PRIMIR/NPES re: market reports esp.**
- Better quarterly industry statistics**
- Improve what we are trying to do on the environmental help and statistics. Try to get the value of NAPIM out to the ink suppliers customer base so it is a value our customers see and want from their ink supplier.**
- Whitepapers on all subjects is excellent, print statistics, more regular import/export data**
- Industry surveys among brand owners to determine trends going forward**
- Needs to shift from a primarily Print Media focused organization to one that is driven by Packaging, label and emerging technologies. It's mission statement must change to reflect this.**
- More comparative market data to Europe**

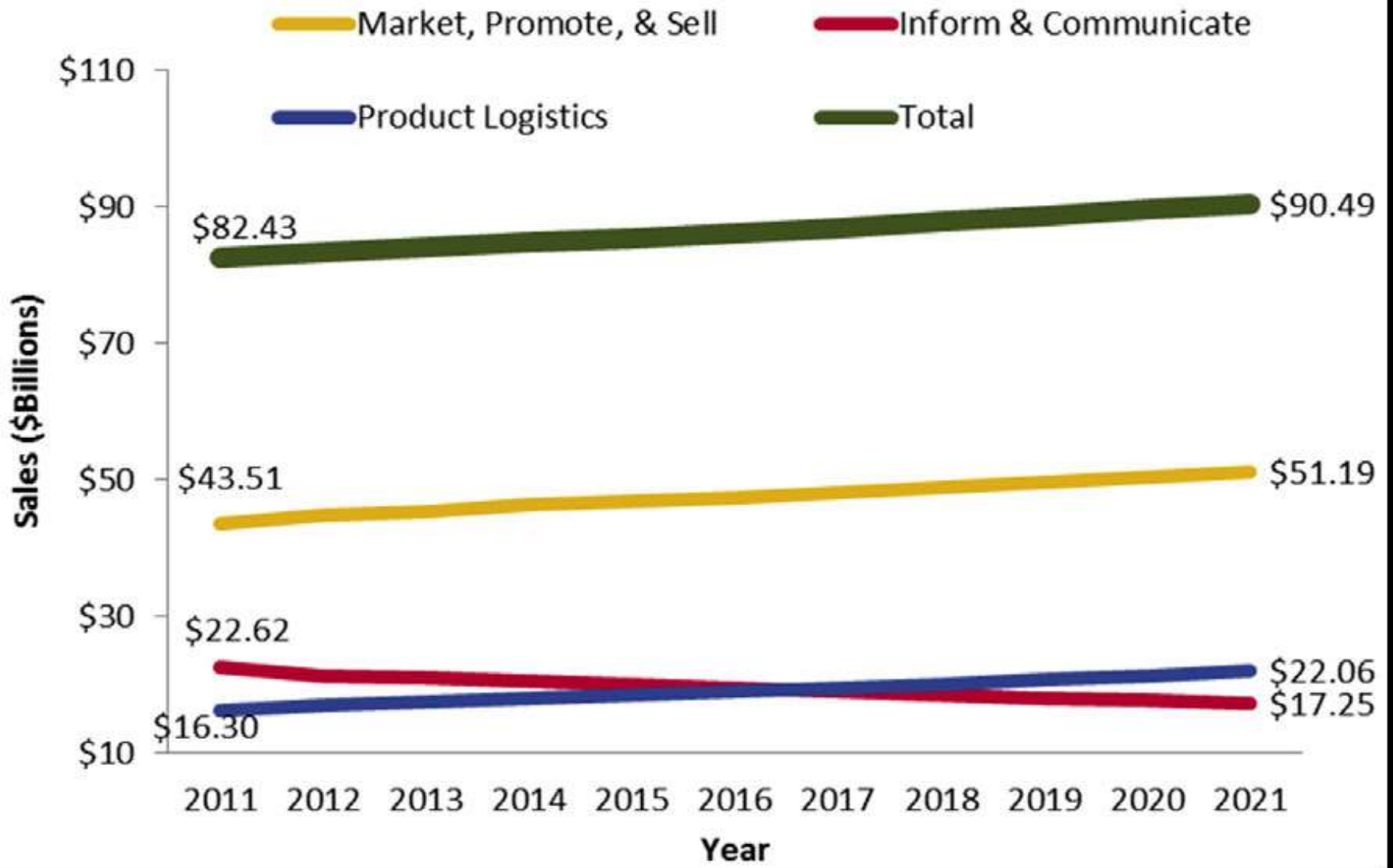
**Please list any legislative initiatives that are pertinent or relevant to your operation/company for example: Healthcare Reform, Environmental Regulation, and Immigration Reform:**

- **The complete impact of Healthcare Reform has not yet been felt. Coordination of Global Environmental Regulations just might be a benefit for companies that Import or Export.**
- **Affordable care act/ GHS labeling/ OSHA reporting 300/ nothing from immigration**
- **TSCA reform, proposed USEPA PCB regulation changes, CA regulatory changes**
- **Healthcare/taxes**
- **We are very interested in FAP's sustainability efforts and also global brand owners adopting the Swiss Ordinance.**
- **Healthcare Reform, Environmental Regulation, and Immigration Reform.**

# Revenue and Growth

# Printing Industries of America's Long-term Print Forecast

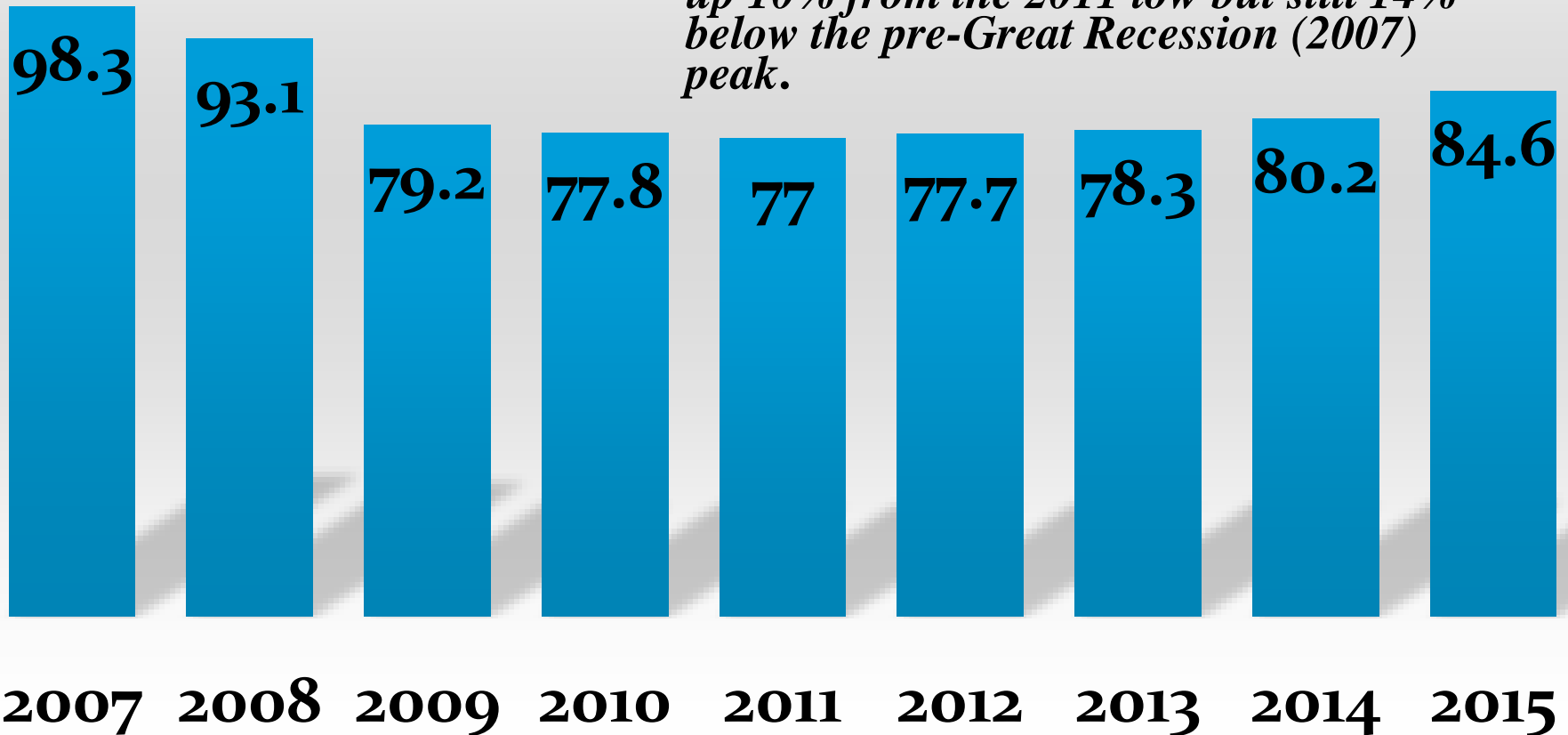
Commercial Printing & Related Support Activities (NAICS Code 323)



# Keeping Things in Perception

Value of commercial printing industry sales (all sources)  
by year in billions

*At \$84.6 VS 80.2 billion, sales are now up 10% from the 2011 low but still 14% below the pre-Great Recession (2007) peak.*



# Print's Competitive Forces

## Shipments (\$ Millions)

Printing and Related Support Activities	\$84,613
Print Related Media	\$71,346
<b>Total Industry Shipments</b>	<b>\$155,959</b>

## Establishments

Printing and Related Support Activities	27,526
Print Related Media	18,054
<b>Total Industry Establishments</b>	<b>45,580</b>

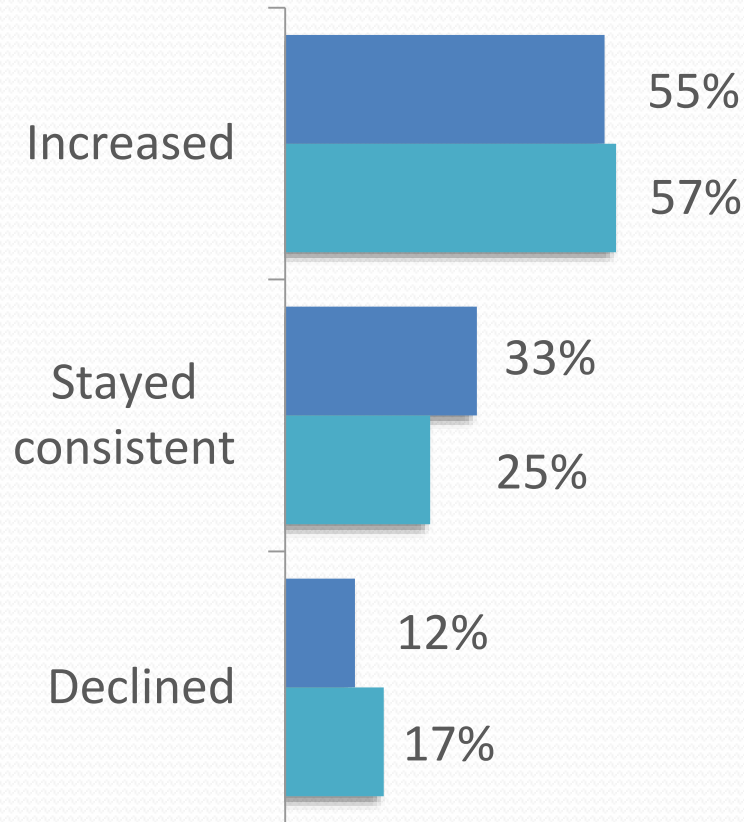
## Employment

Printing and Related Support Activities	471,611
Print Related Media	442,980
<b>Total Industry Employment</b>	<b>914,591</b>

# Changes in Sales: Packaging Printers

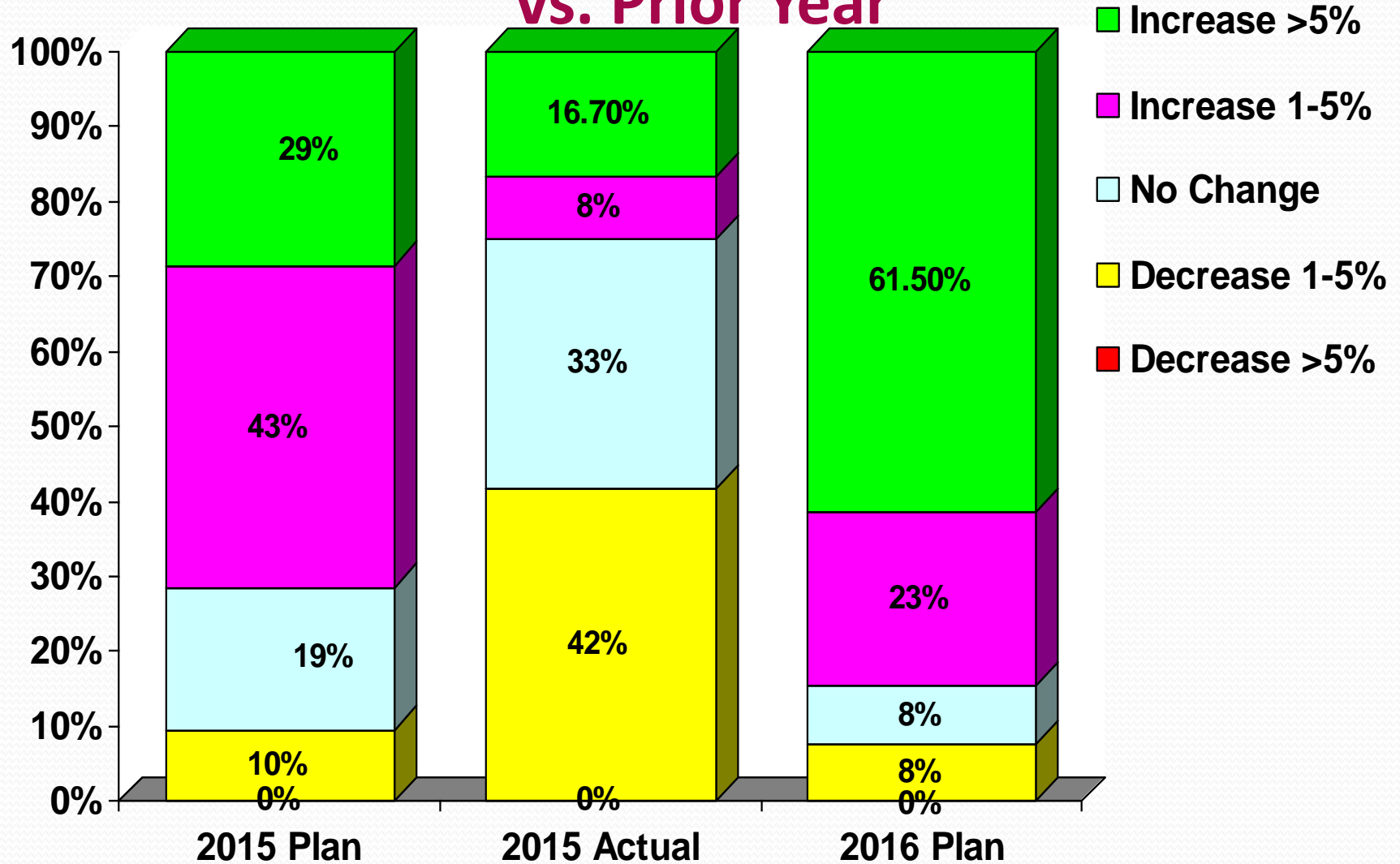
More than half of respondents indicate their company's sales and/or profits increased in the previous year, while a third say they stayed consistent.

## Change in Sales Last Year

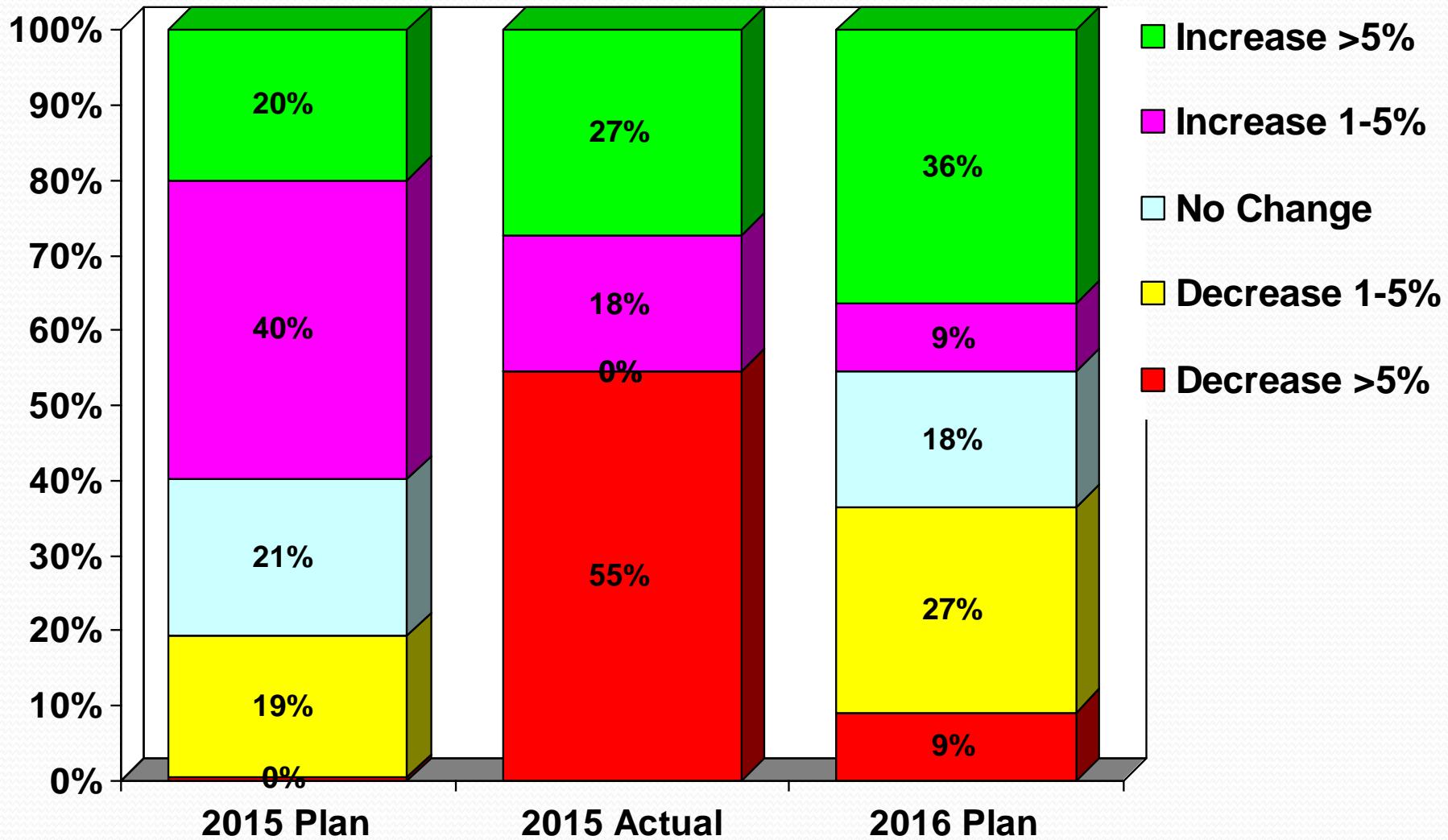


**BNP Media's Market Research Division, in conjunction with *Flexible Packaging***

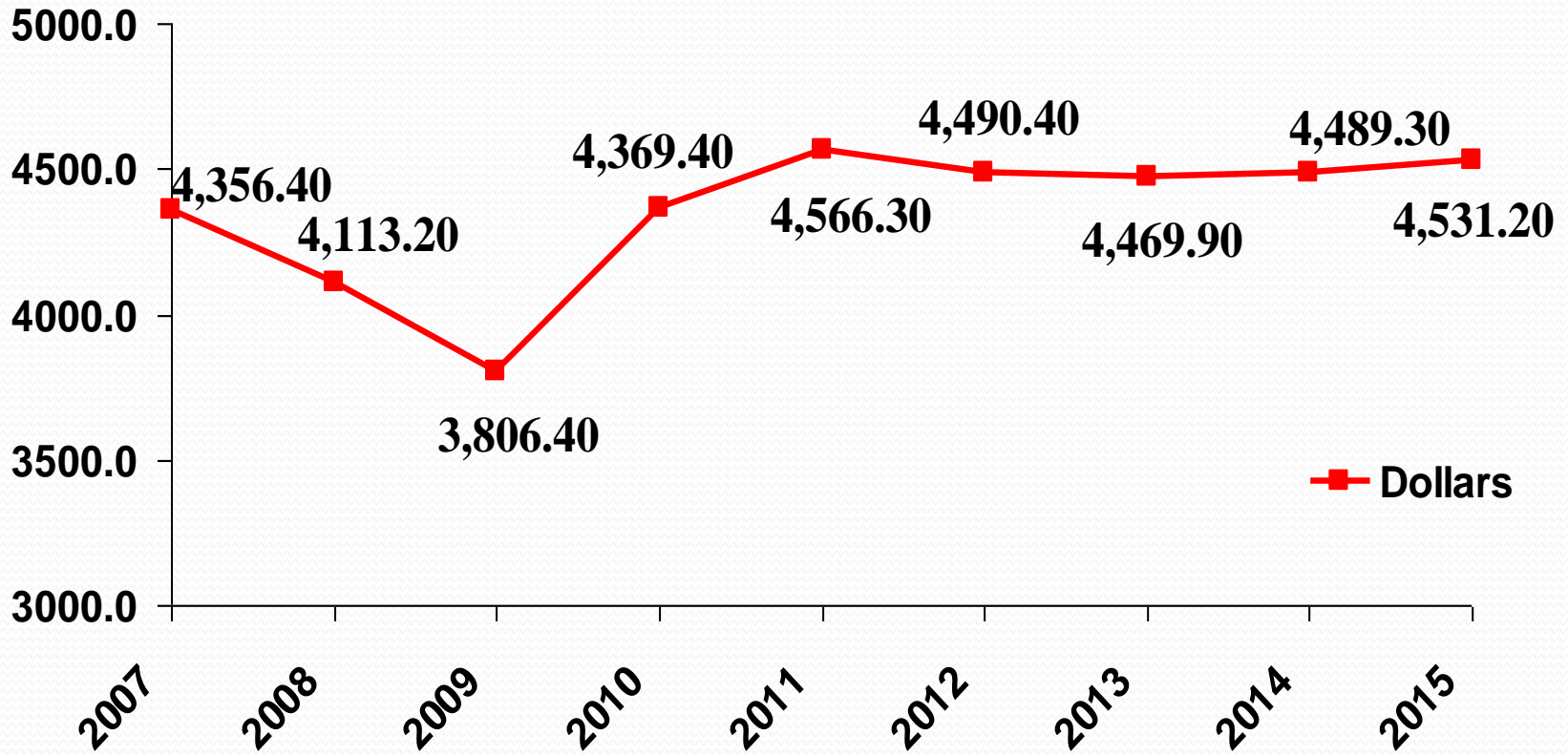
# Ink Companies' Sales Change vs. Prior Year



# Suppliers' Sales Change vs. Prior Year



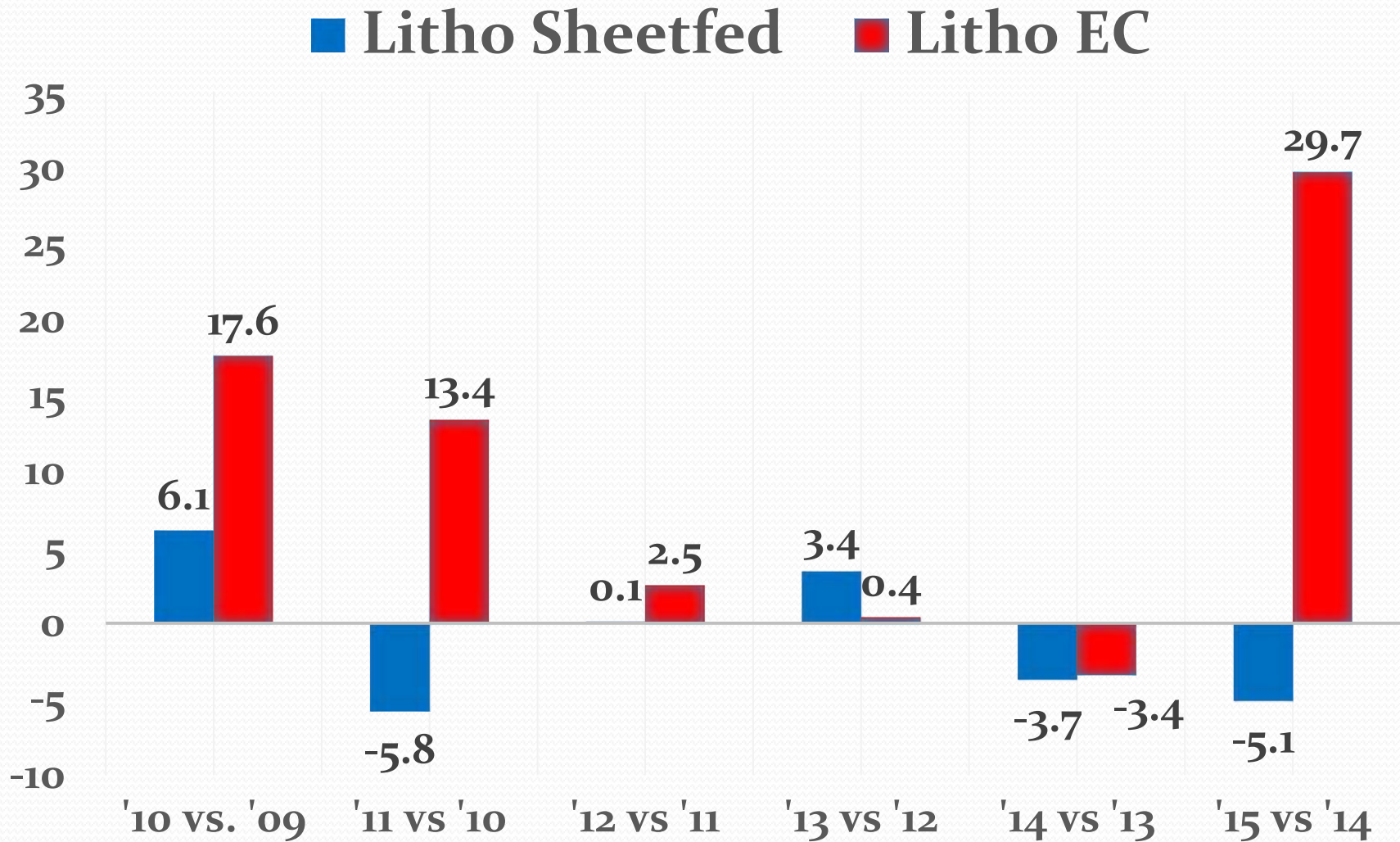
# U.S. Printing Ink Sales\*



\* Includes all ink applications including digital ink toner and inkjet inks.

Source – NPES

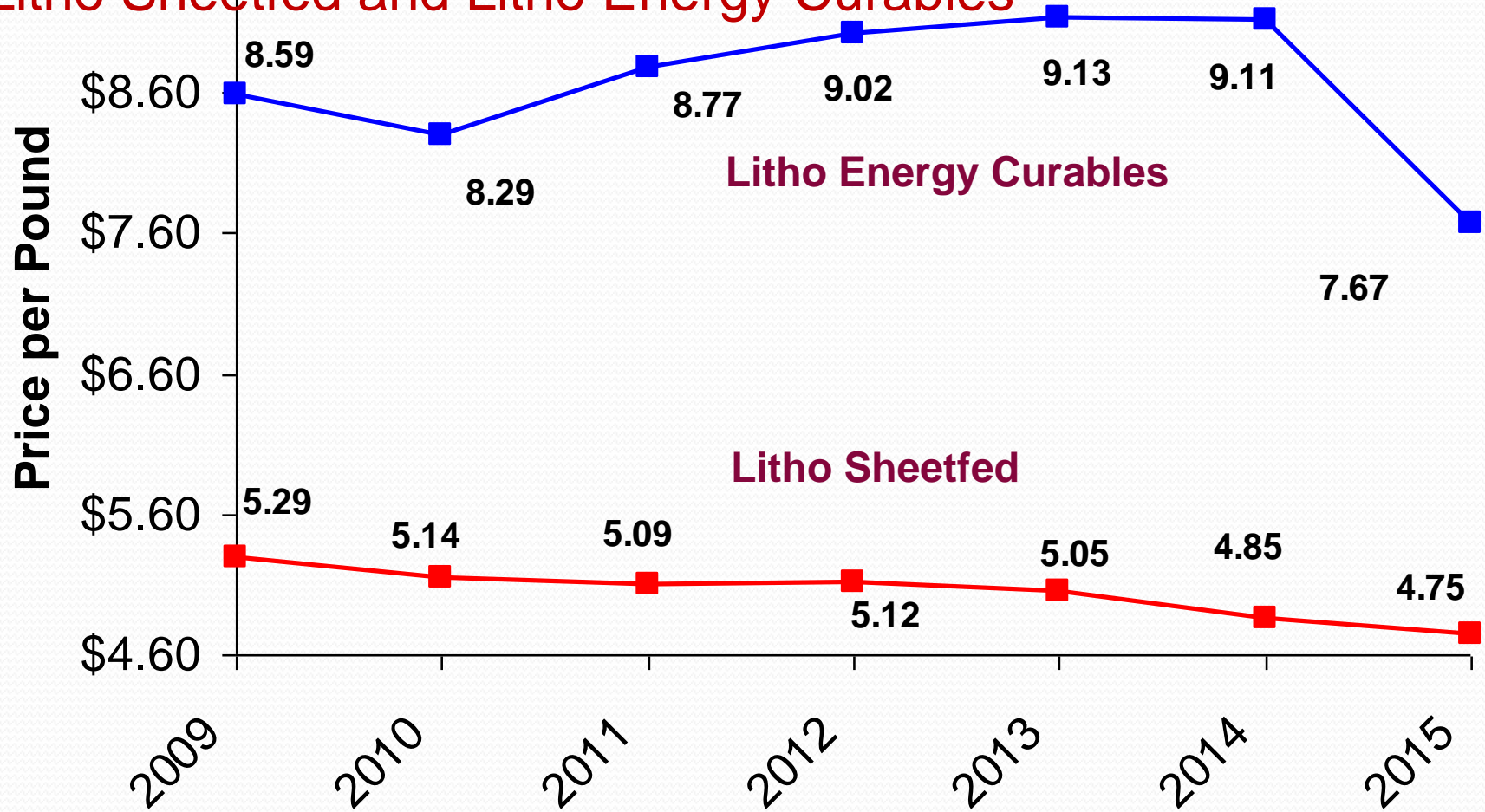
# Litho Ink Segments Based on Lbs.



Source - NAPIM QSR; Publ HS and News not reported

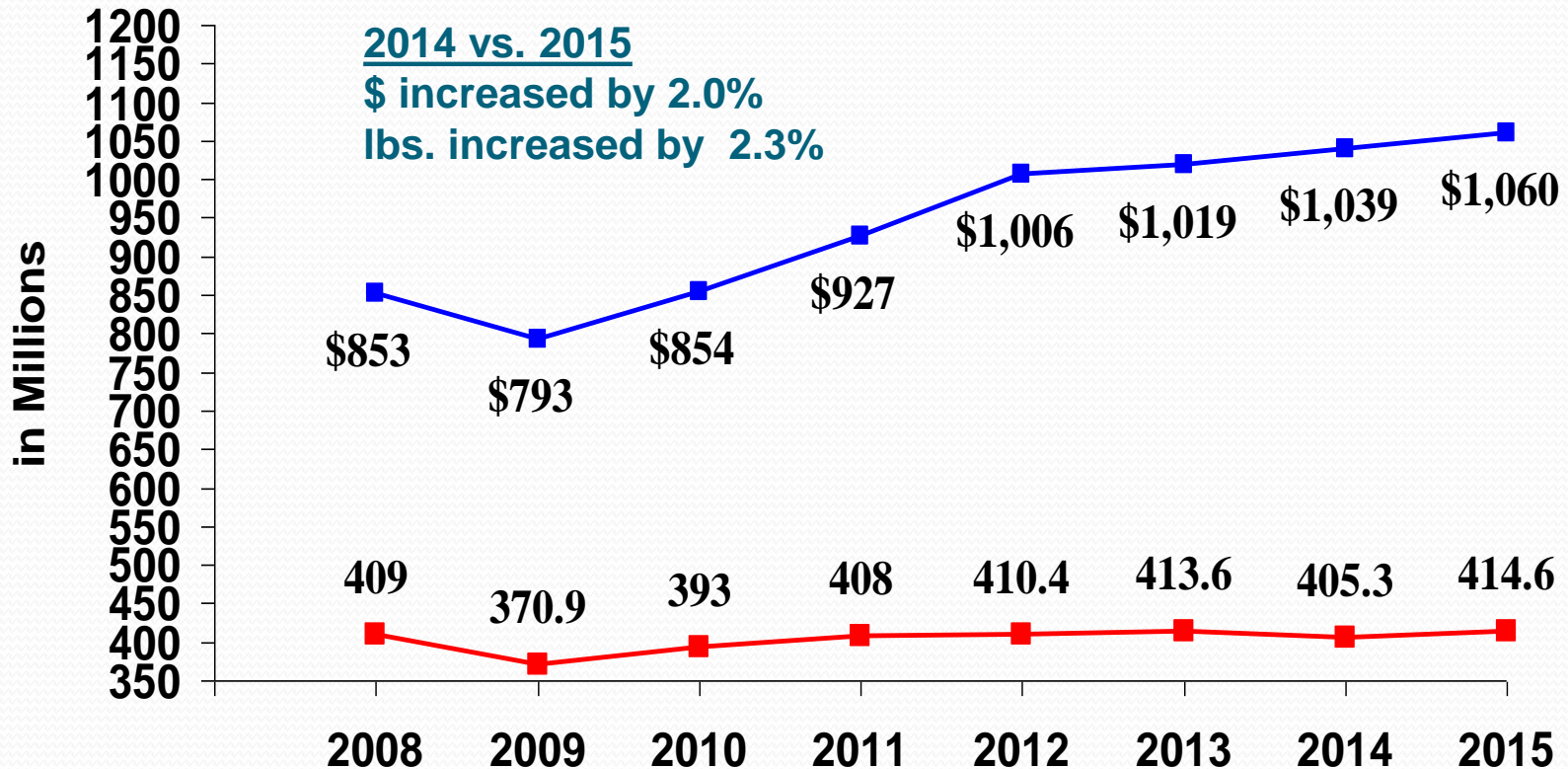
# Average Selling Prices

## Litho Sheetfed and Litho Energy Curables

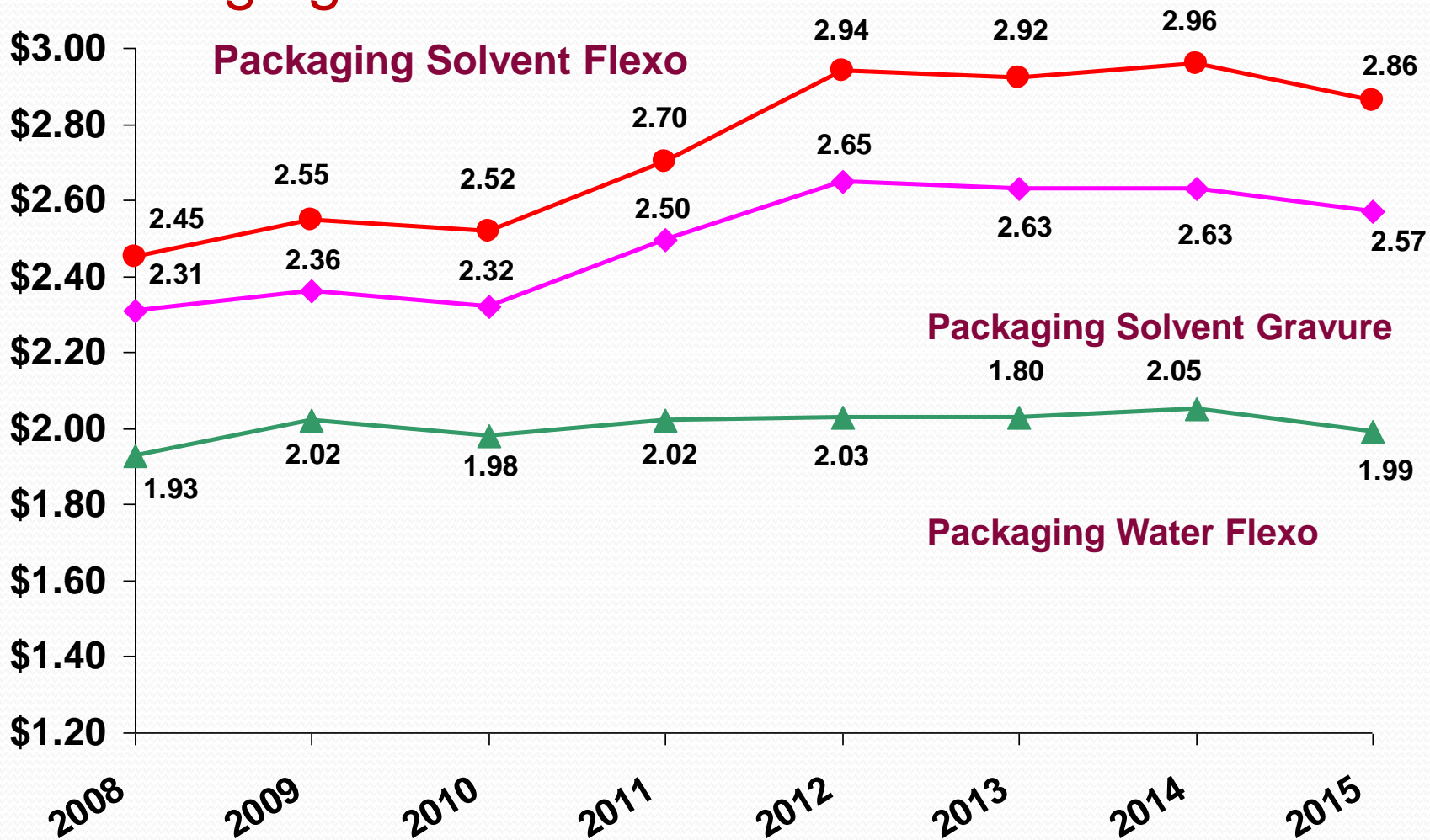


\*Based on NAPIM QSR Sample.

# Packaging INK (Flexo & Gravure) In Pounds & Dollars

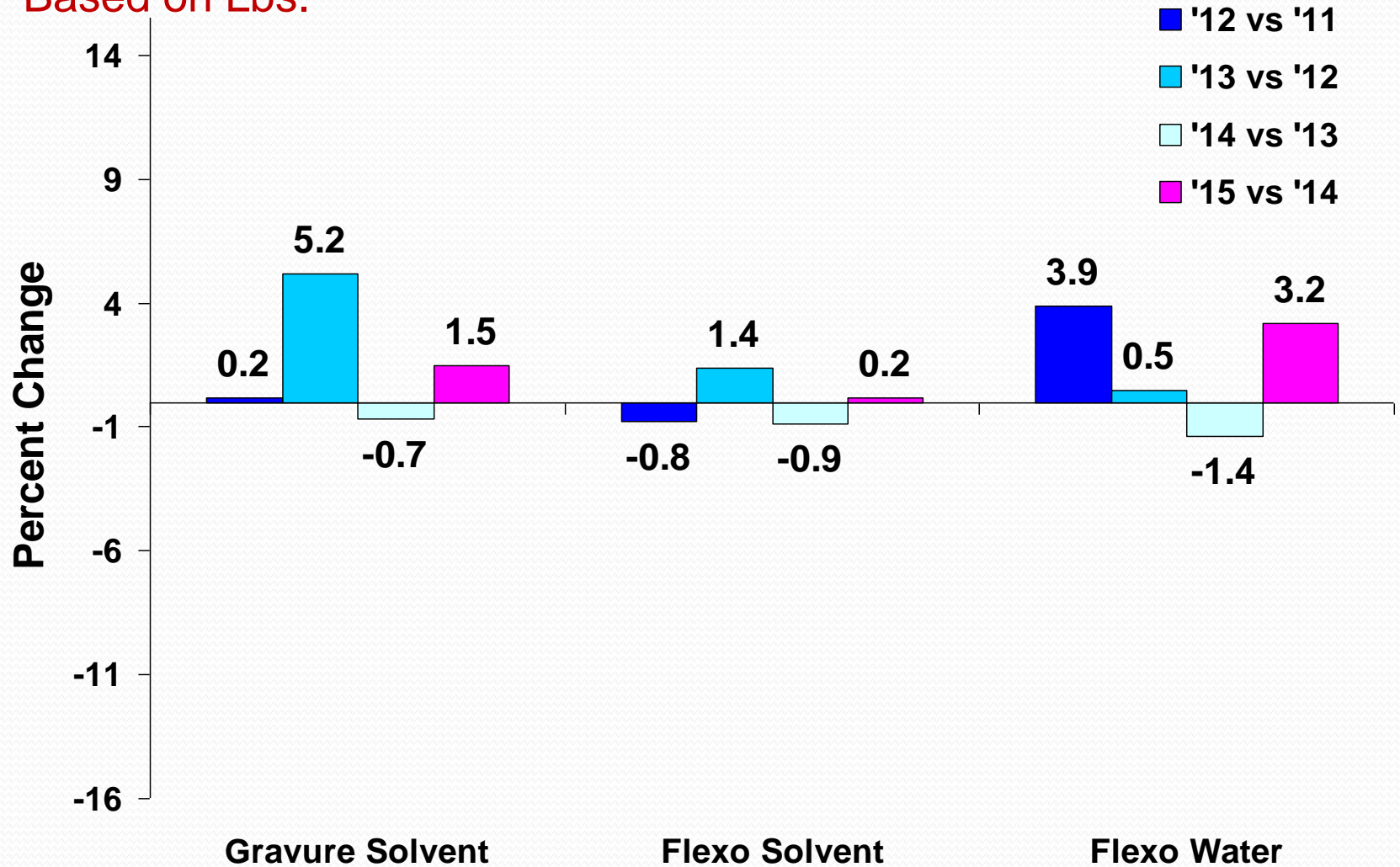


# Average Selling Prices Packaging Gravure & Flexo



# Packaging Ink Segments

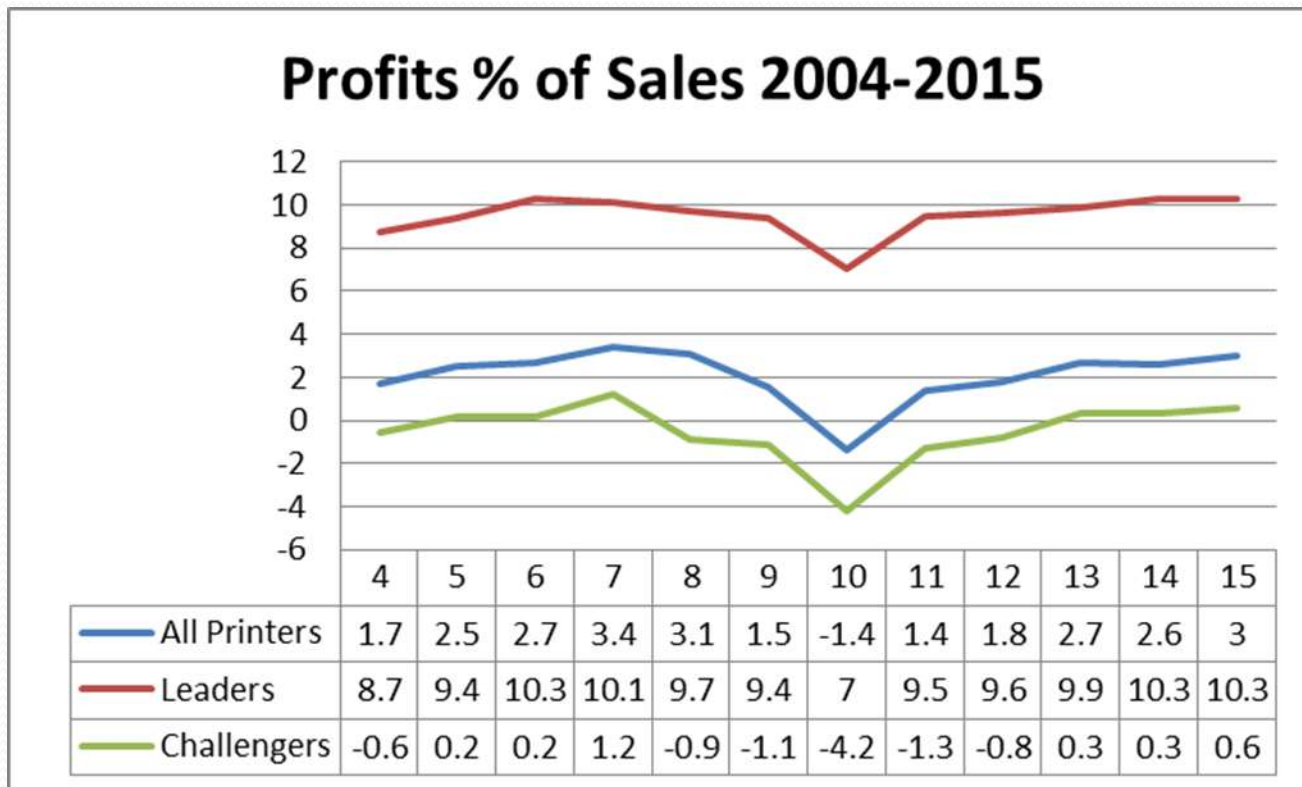
Based on Lbs.



Source - NAPIM QSR

# Profitability

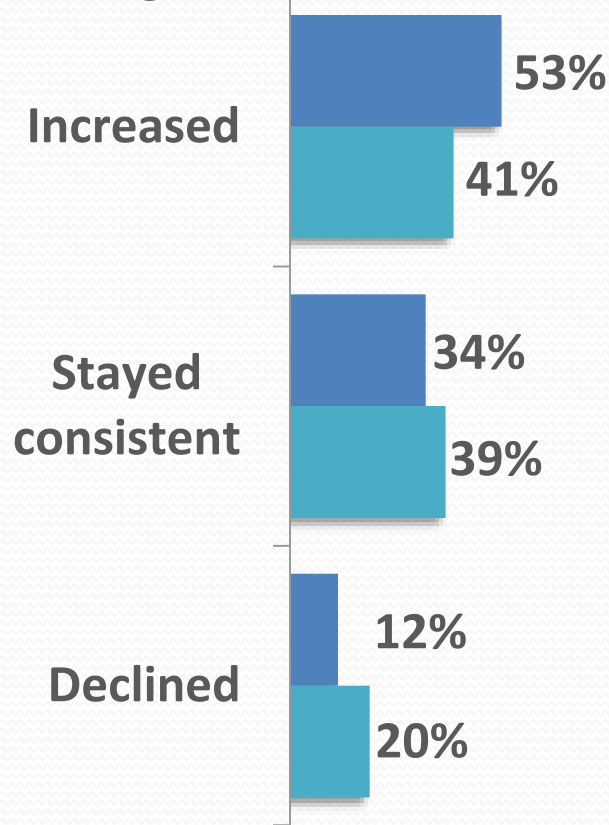
# Print's New Competitive Forces



# Changes in Profits: Packaging Printers

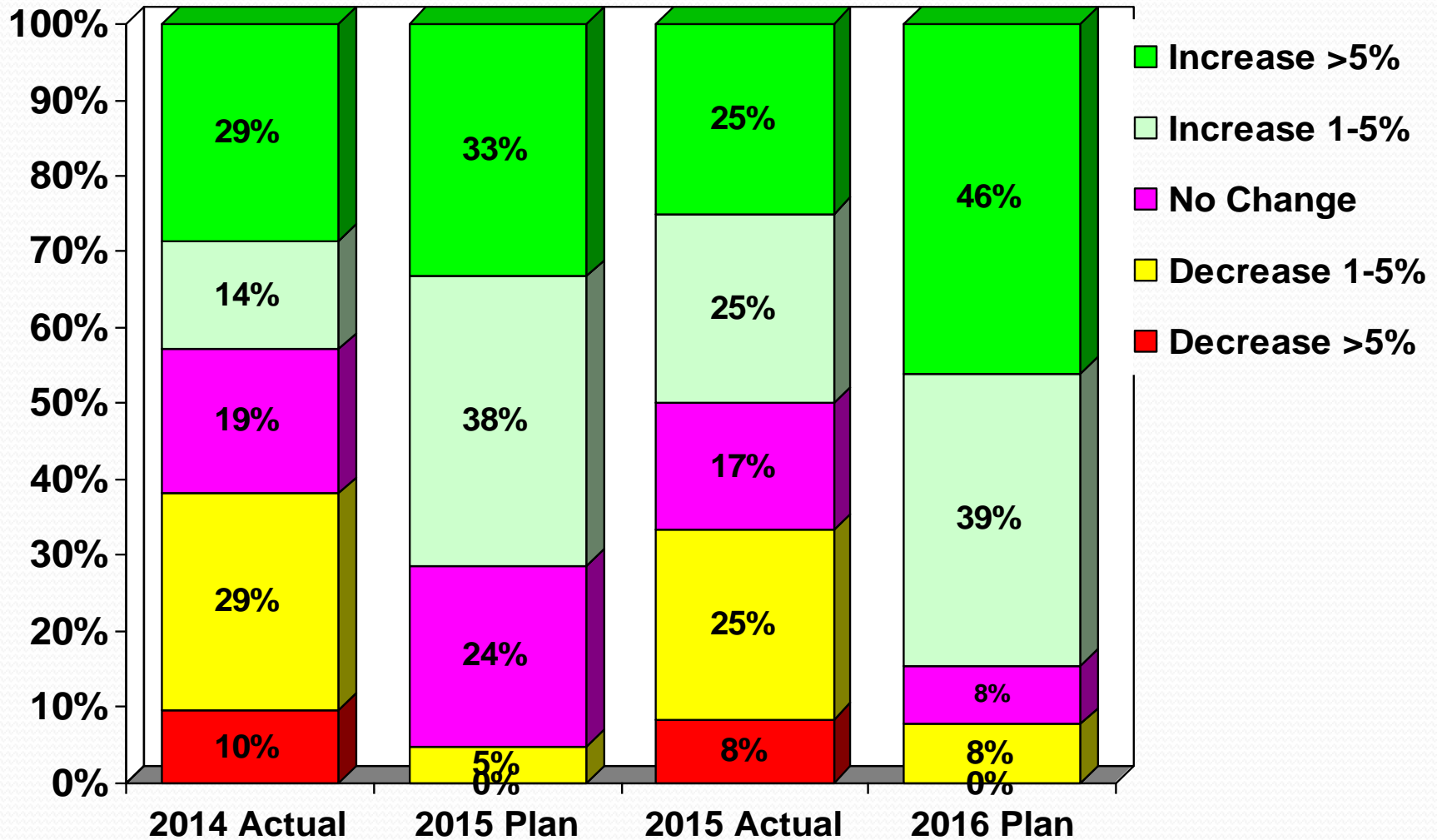
More than half of respondents indicate their company's sales and/or profits increased in the previous year, while a third say they stayed consistent.

## Change in Profits Last Year

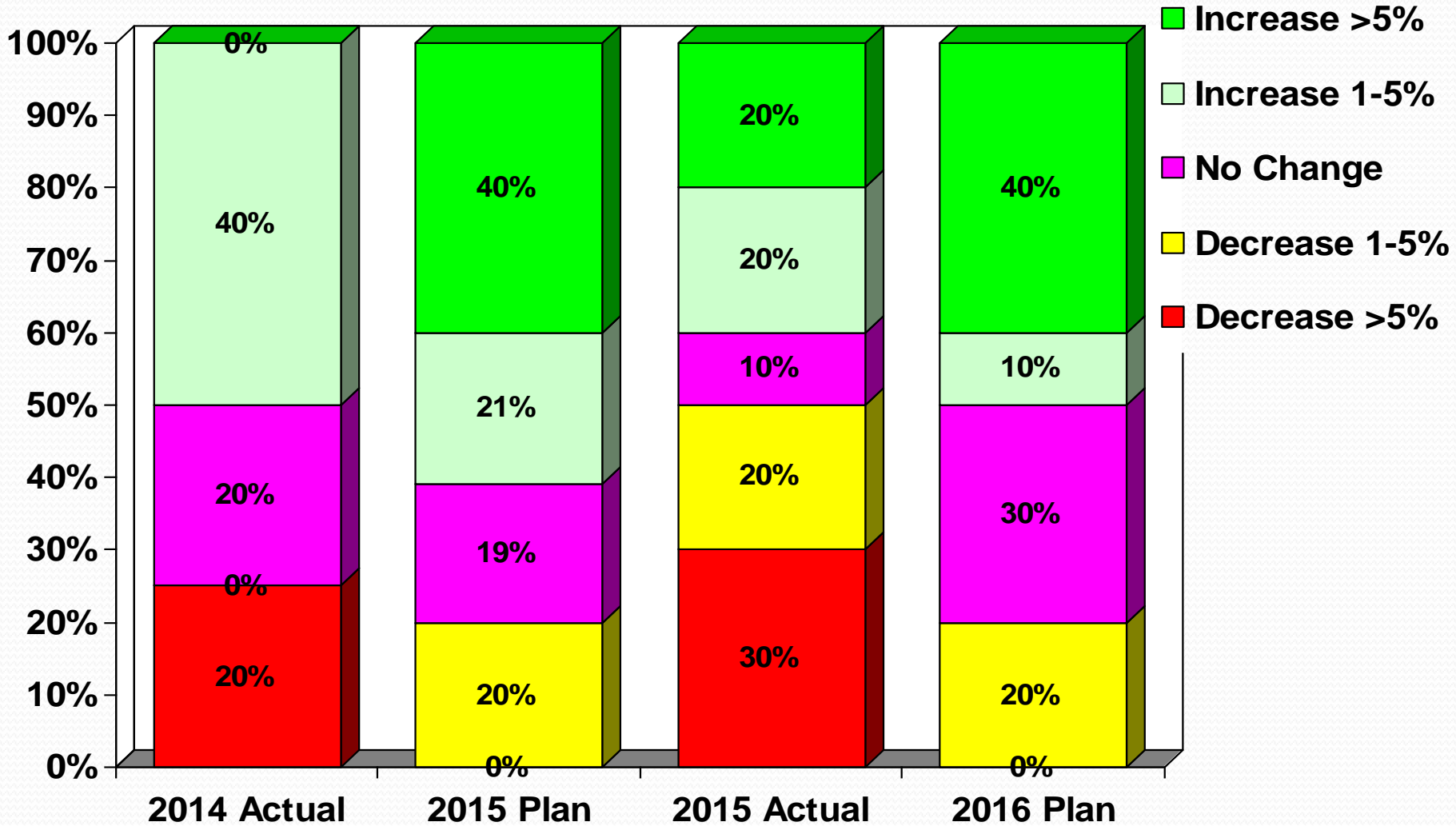


BNP Media's Market Research Division, in conjunction with *Flexible Packaging*

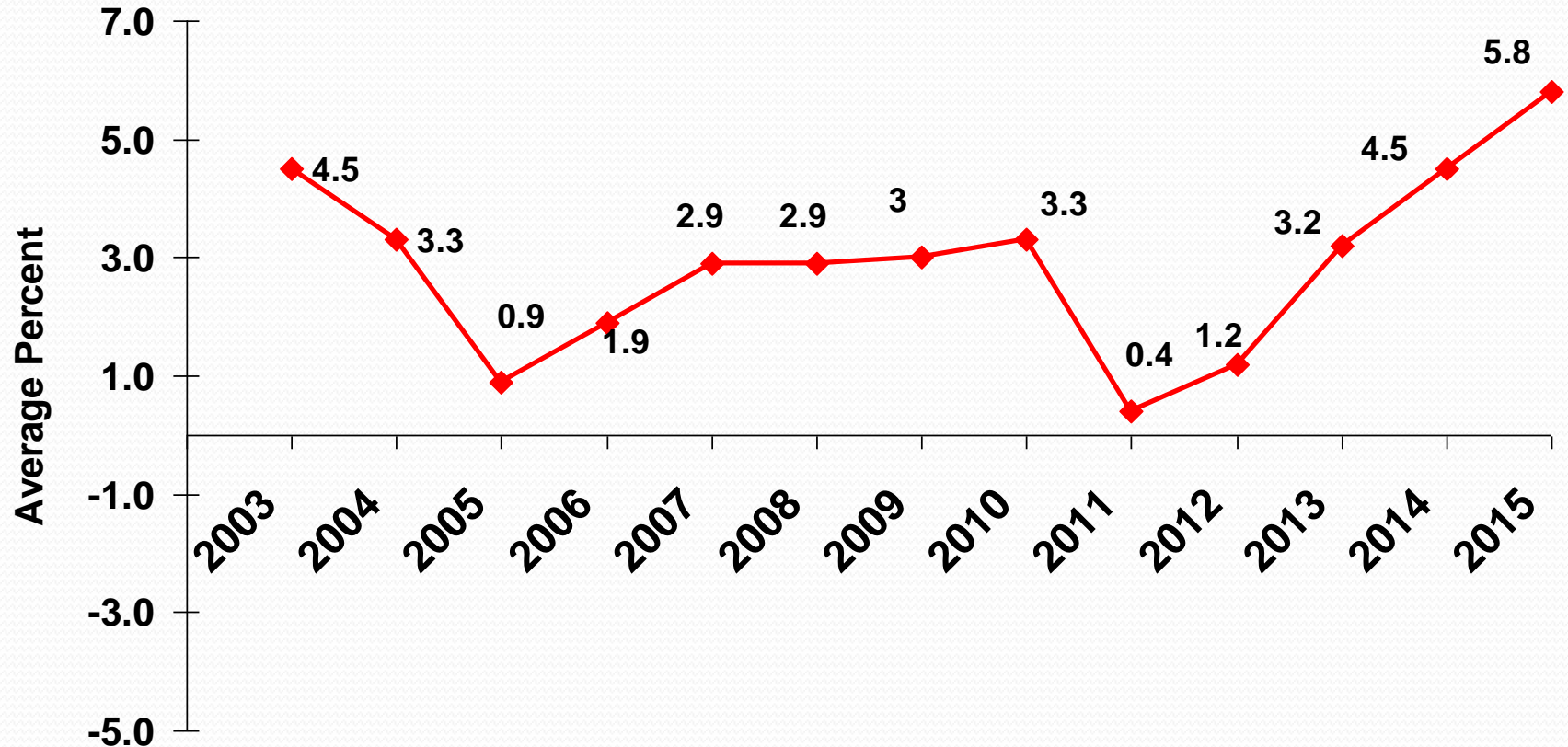
# Ink Companies' Profit Change vs. Prior Year



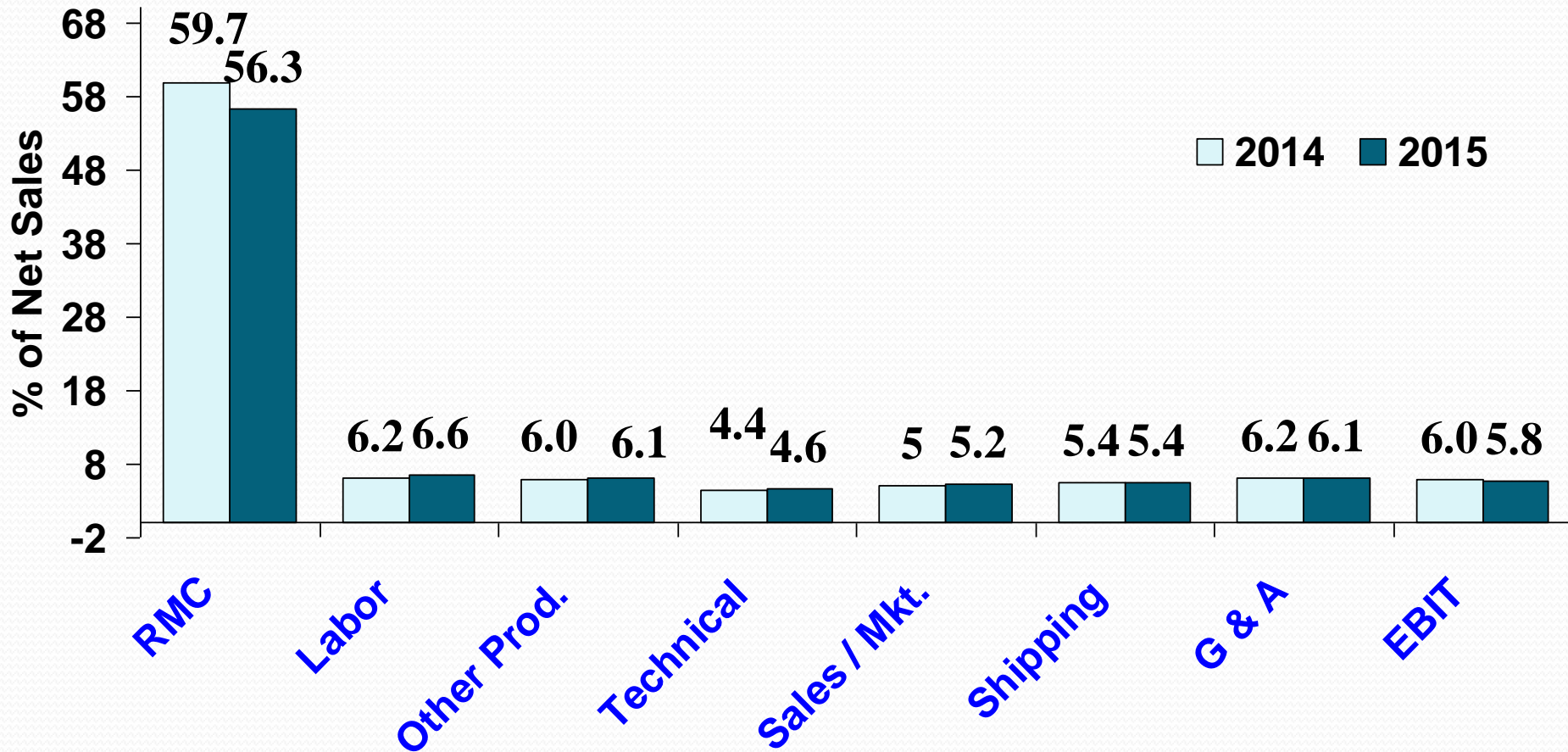
# Suppliers' Profit Change vs. Prior Year



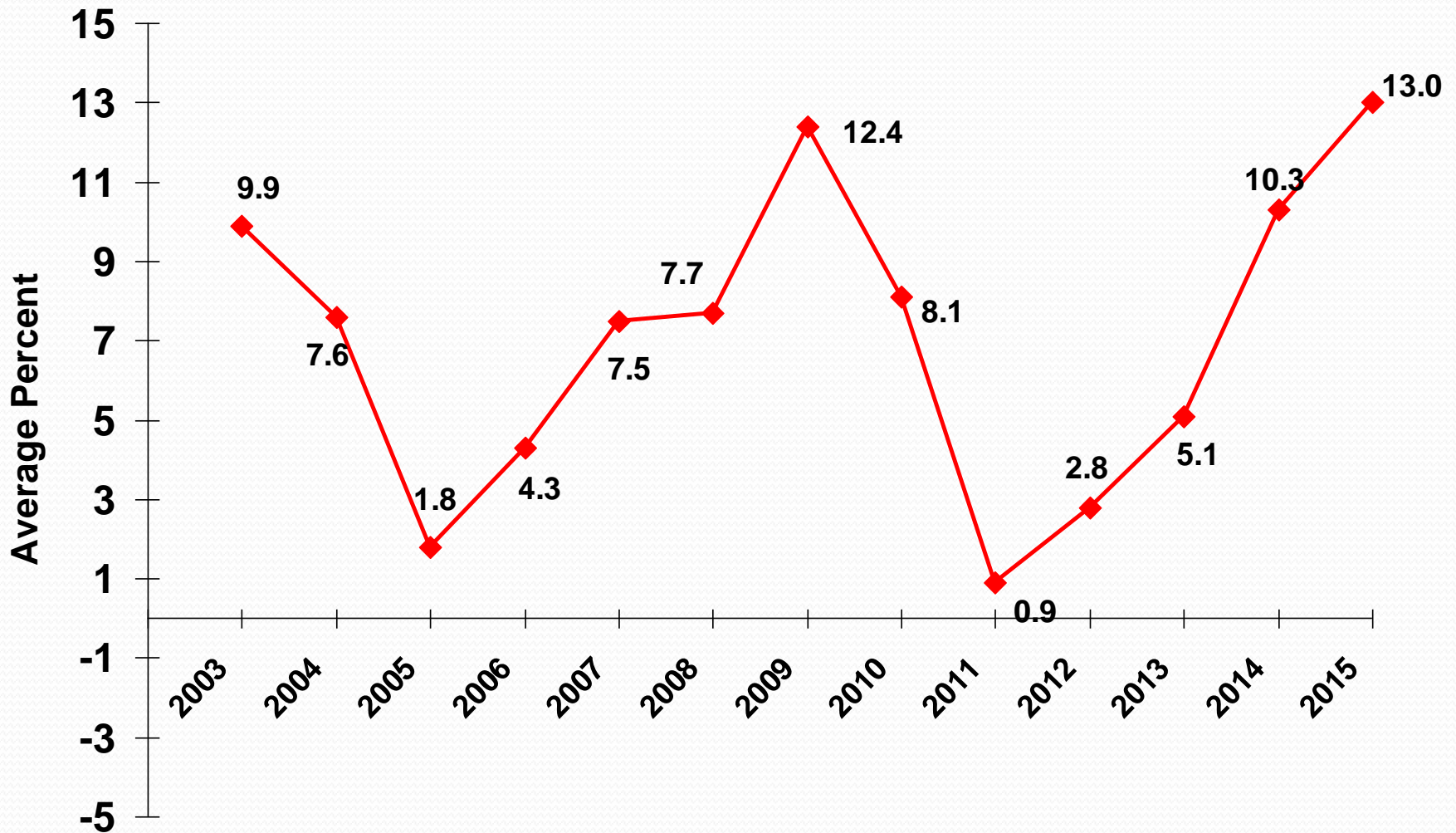
# Ink Companies' Historical Earnings Before Interest & Taxes - ALL Ink



# Average Oper. Cost 2015 ALL Ink



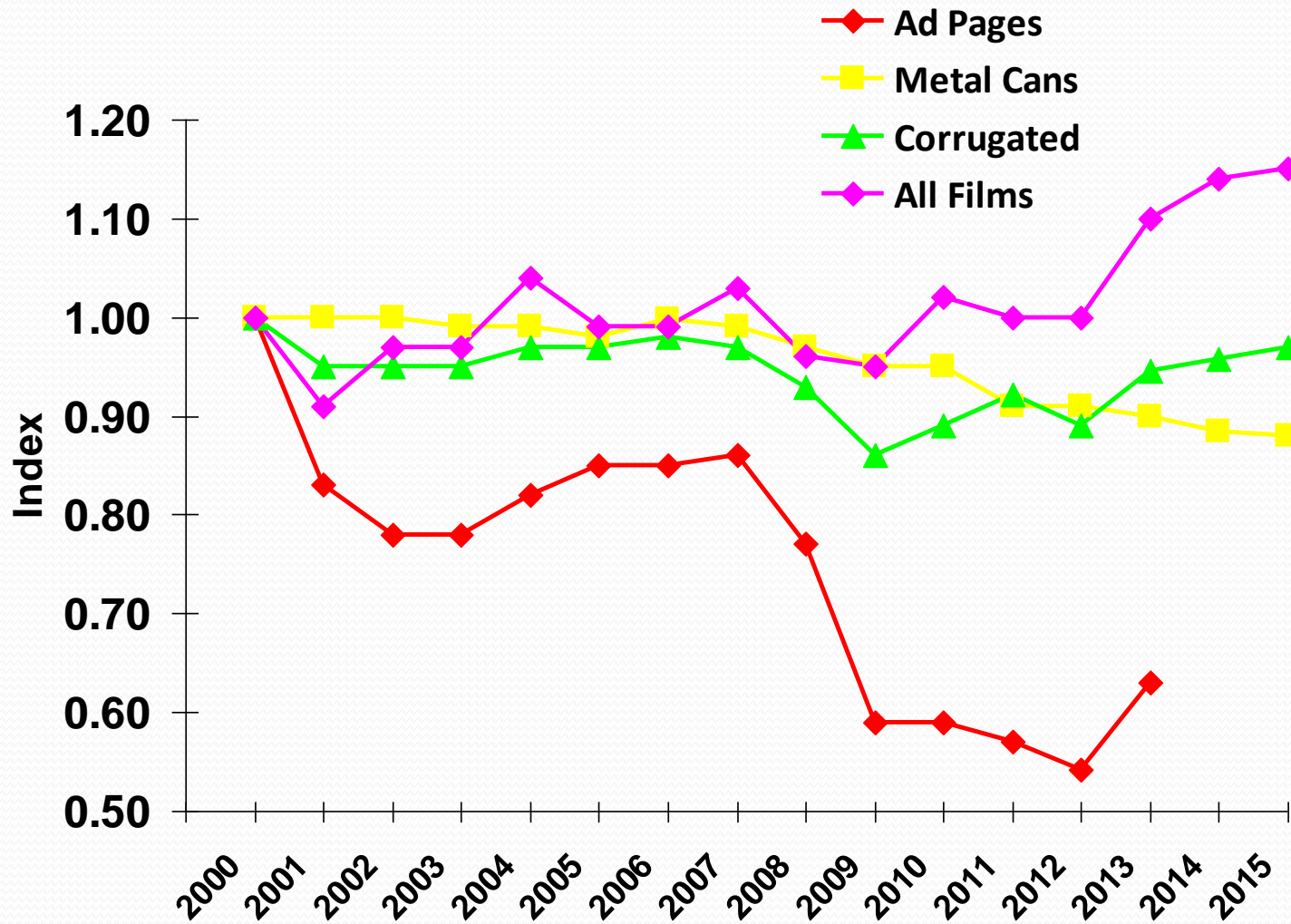
# Return on Net Assets: Based on EBIT



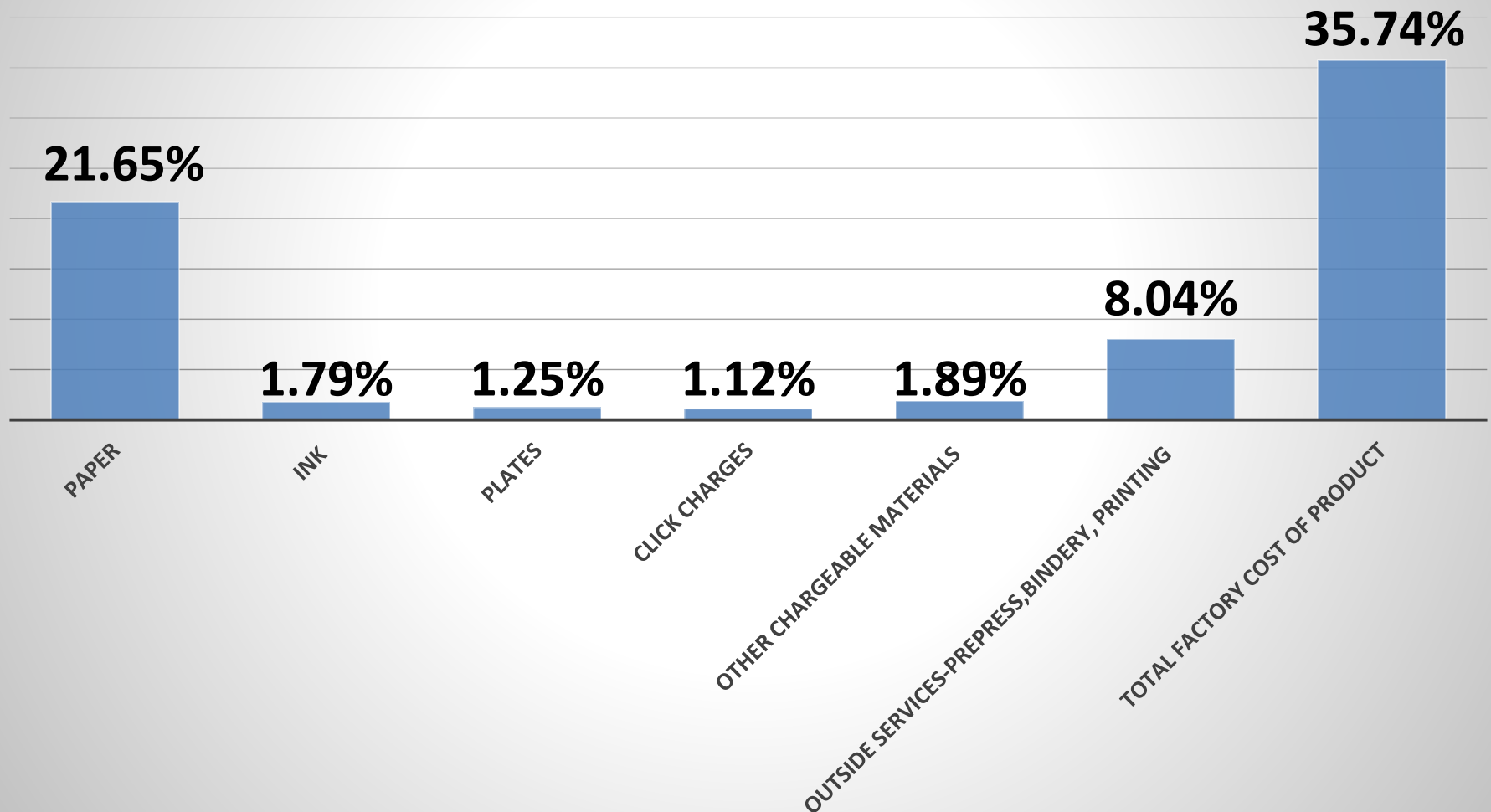
Source - NAPIM Operating Ratio Report

# End Use Markets

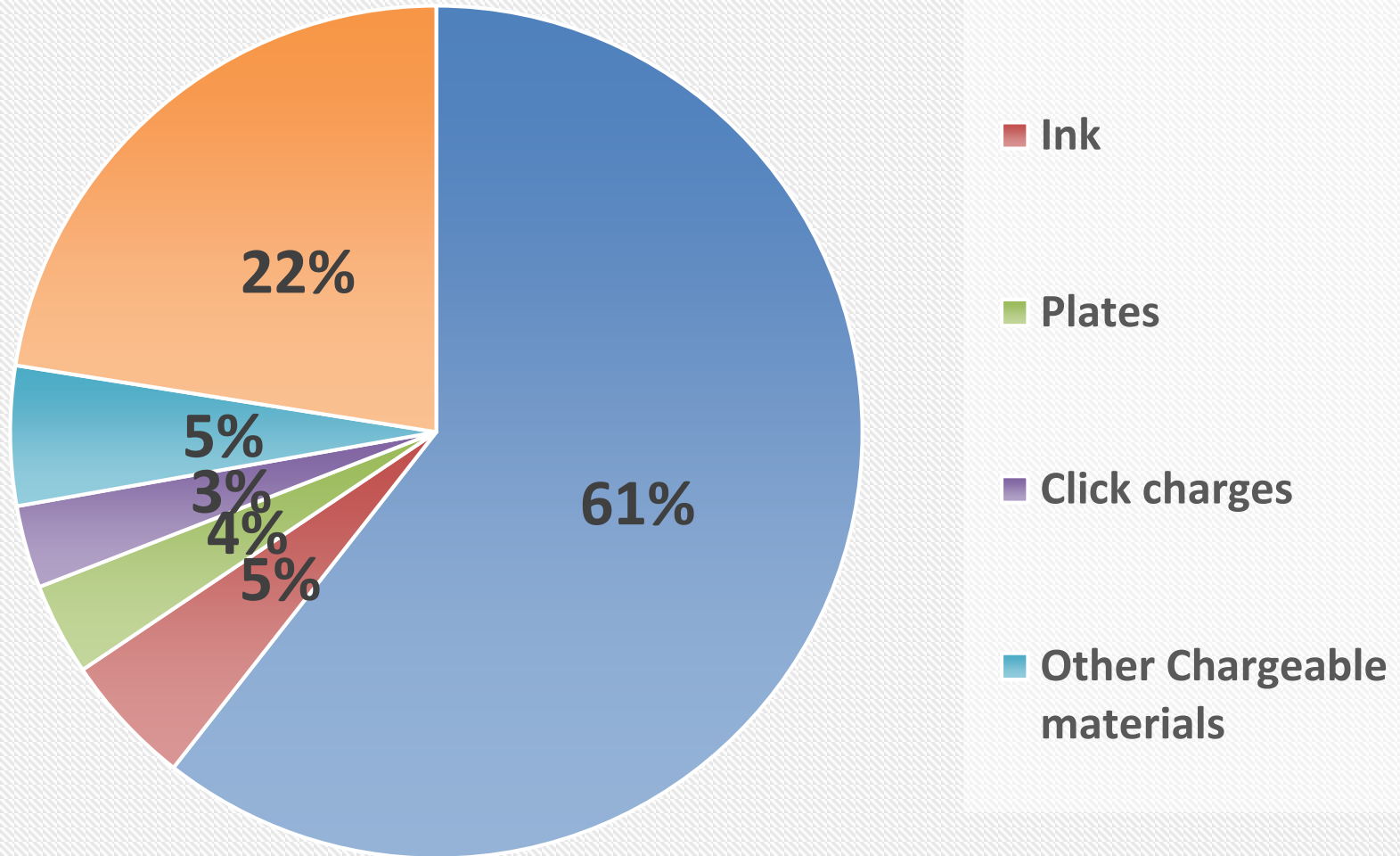
# End Use Market Indicators

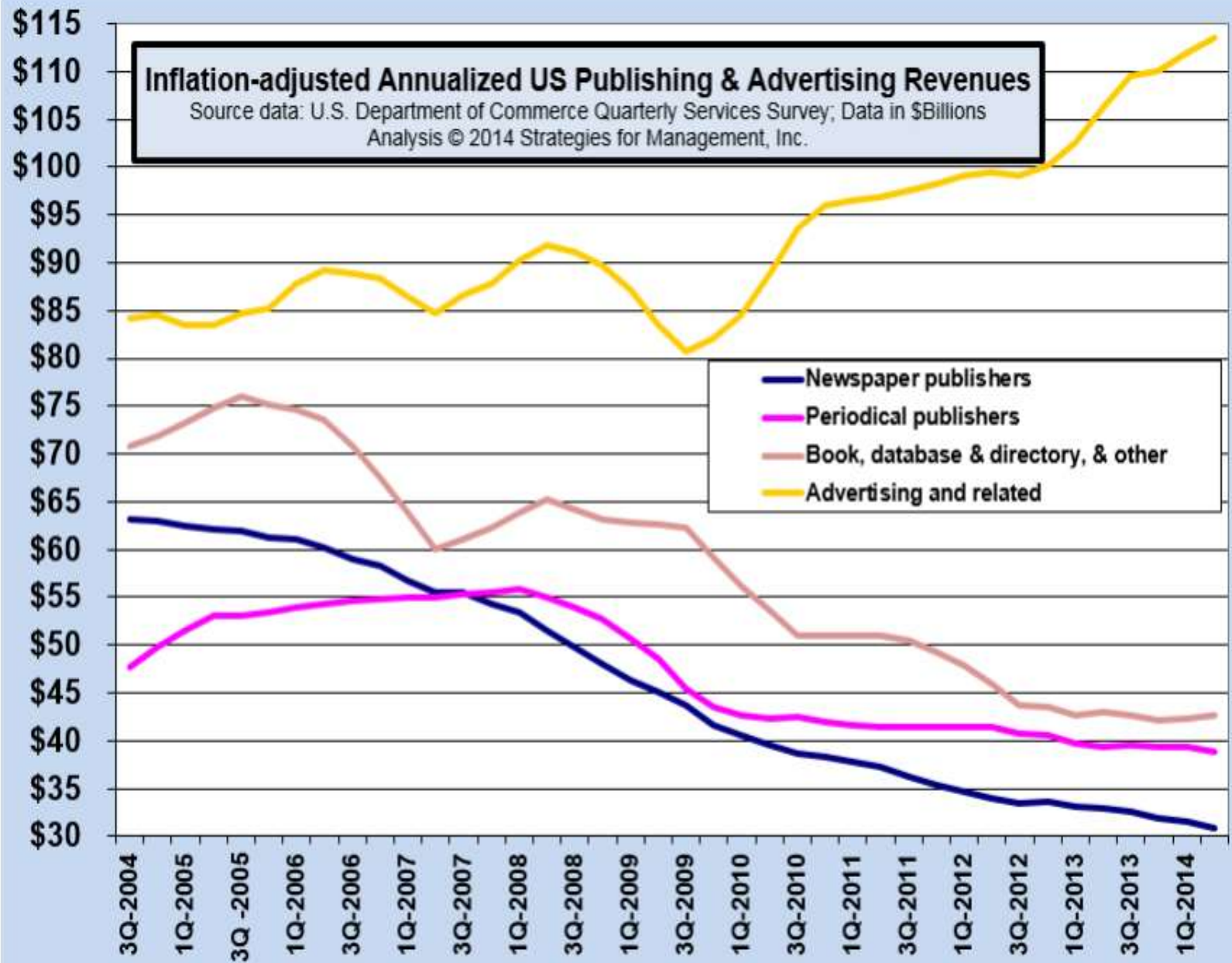


# Materials as % of Sales



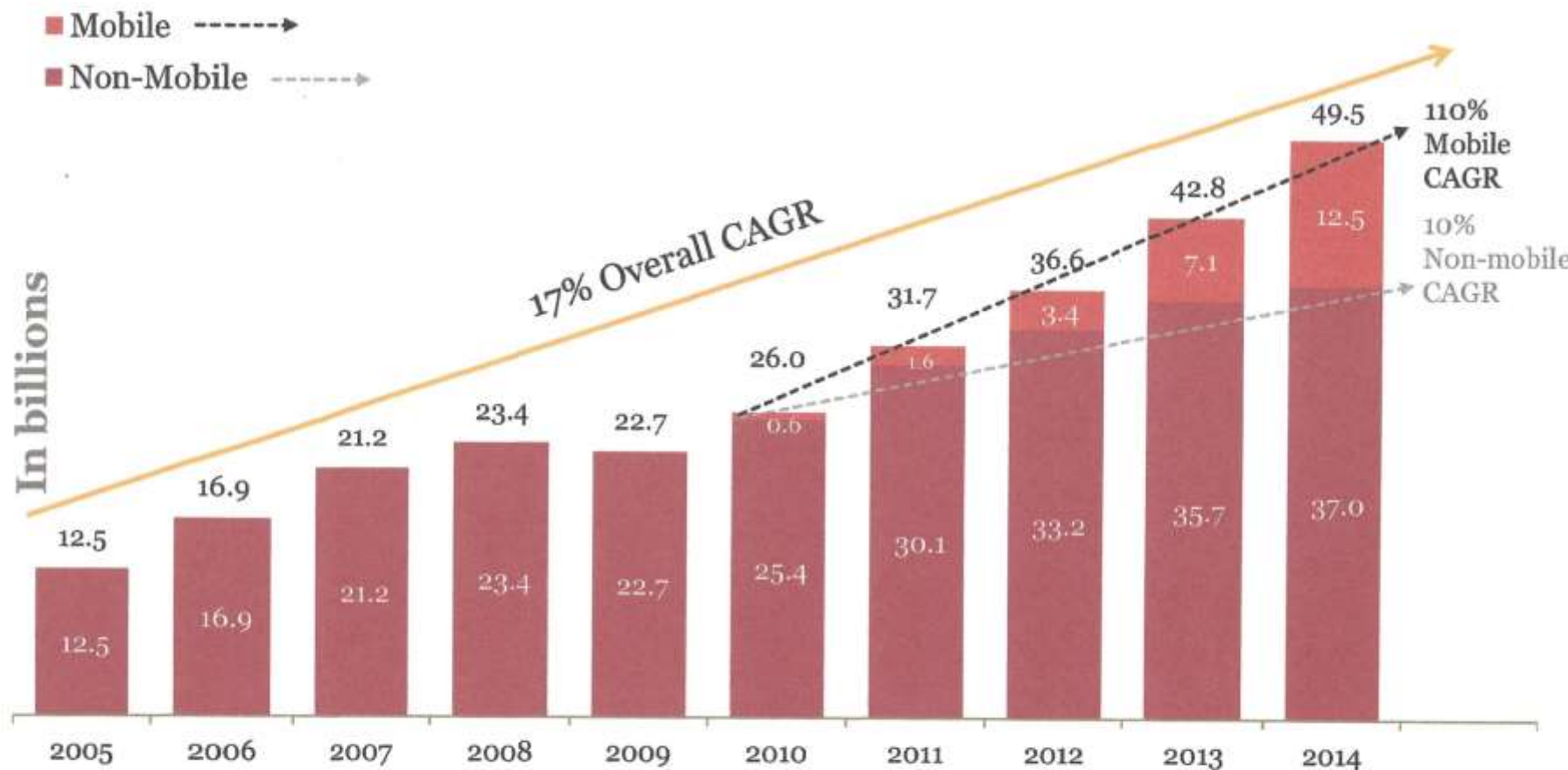
# % of Composition of Materials Cost





# 2014 shows record revenues

## Annual revenue 2005-2014

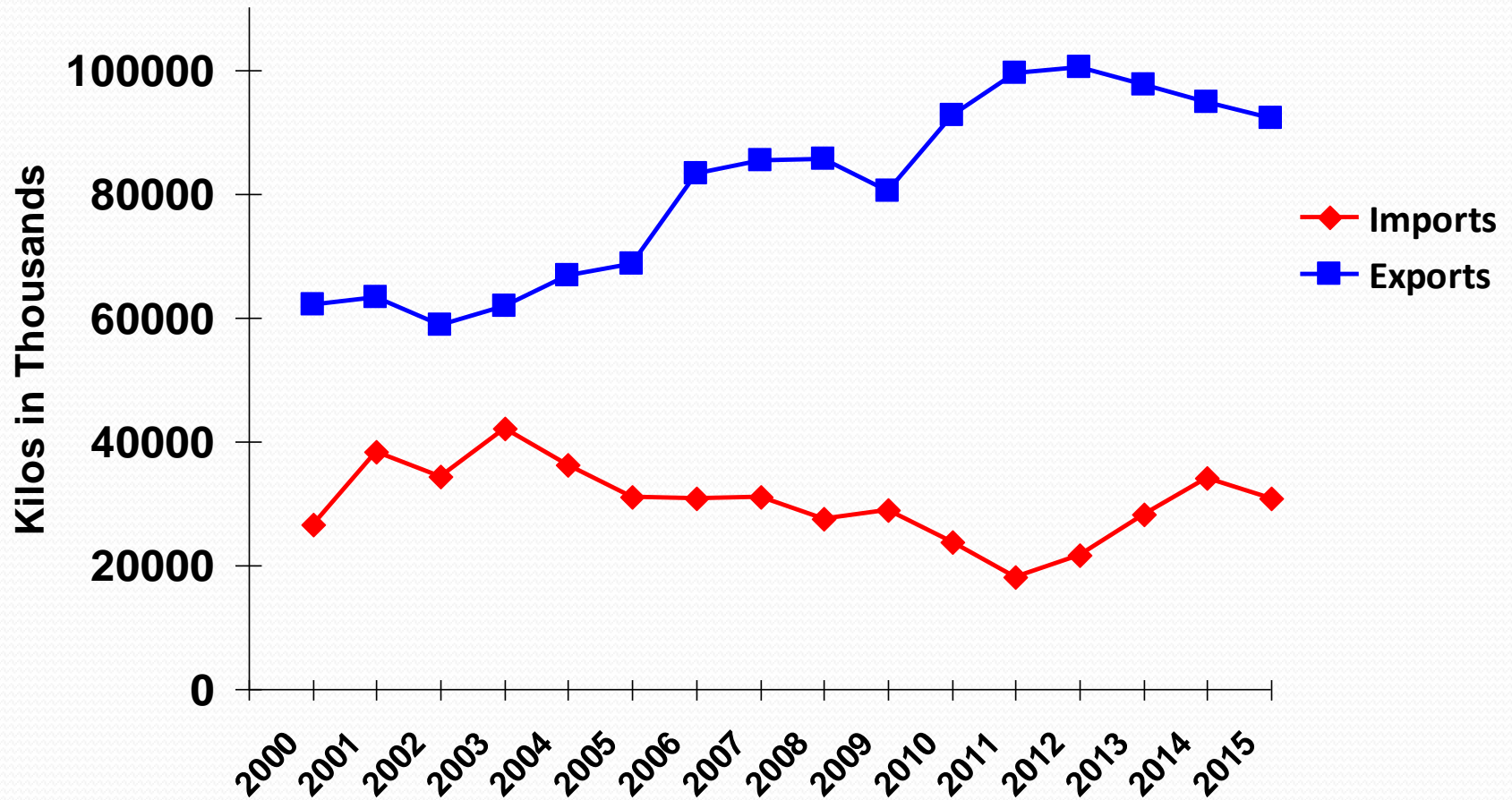


\* CAGR: Compound Annual Growth Rate  
 Source: IAB Internet Advertising Revenue Report, FY 2014

# Foreign Trade

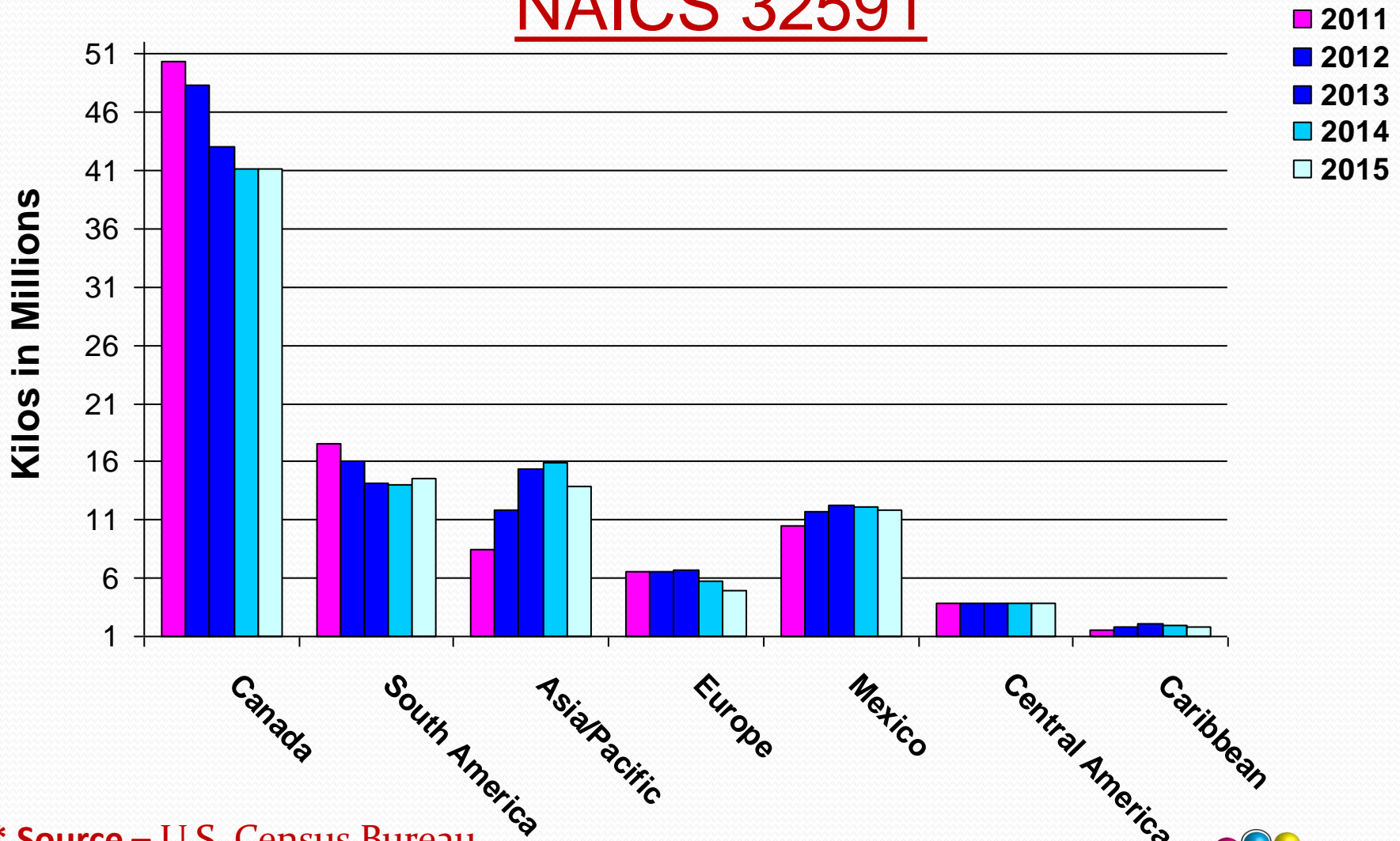
# Foreign Trade

## NAICS 32591



\* Source – U.S. Census Bureau

# Major Ink Exports NAICS 32591



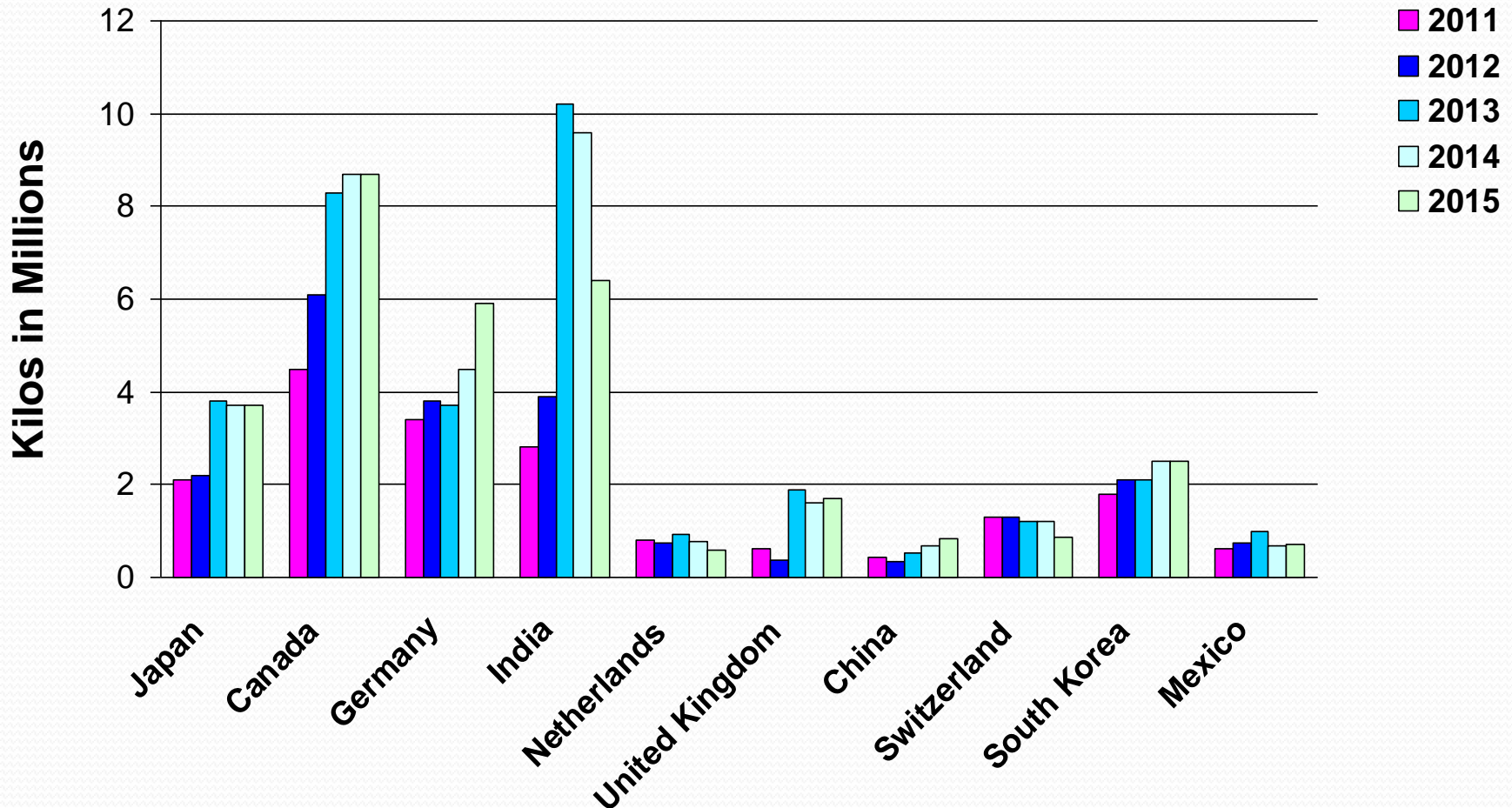
\* Source – U.S. Census Bureau

As presented at the 2013 Convention April 7, 2013



# Major Ink Imports

## NAICS 32591



\* Source – U.S. Census Bureau



Questions or Comments?

Thank you