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The Business and Management Advisors

## Industry Limelight – High Profile Printers

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The printing industry is one of the largest industries in the United States, with total annual sales estimated to be in excess of \$165 billion. The largest segment of the industry is commercial printing, which generates over \$50 billion in annual U.S. sales based on available industry data. The rest of the market is made up of specialty or niche printers. Most of the printing companies operating in the United States today are privately held and individually generate less than \$35 million in annual sales.

When it comes to limelight for the printing industry, media focuses on the "Big Guys". These are mega million and multi billion dollar companies like Consolidated Graphics, RR Donnelley, Quebecor, Cenvéo and so on. Since their

securities are publicly traded on the stock market, financial information is disclosed. The media uses them as a barometer for the industry. This is not to belittle industry wide studies, which tend to be more indicative of what's really happening, especially since these studies represent feedback from all participating printers, including private companies. Regardless, the high profile printers do have the ability to stimulate the printing market.

So it behooves us to pay attention to what the "Big Guys" are doing currently. For instance, there has been a pick-up in acquisitions near the end of 2006 and into this New Year. RR Donnelley is leading the pack with three recent acquisitions: Perry Judd, Banta and Von Hoffman. These acquisitions will have an

impact on book and publication print markets.

Consolidated Graphics and Cenvéo have employed a common strategy, which is growth by acquisition. Recently both have completed two M&A deals. Most notably were the Cadmus and Hennegen acquisitions. Based on economic and industry outlook, organic growth may be slowing so accelerating growth by acquisition appears to be a viable alternative. This premise implies more merger and acquisition activity to come in 2007.

When evaluating the printing marketplace, we look to the trading statistics and financial performance of these Guideline Companies. Below are two tables with financial data that frequently get evaluated by investors on a periodic basis.

Table 1

No.	Target Name	Ticker	Fiscal Year	Trailing Twelve Months	Stock Price	52 Week Range	Shares Outstanding (mil)	Market Value (\$mil)	Debt
1	Consolidated Graphics	CGX	3/31/07	12/31/06	\$60.78	\$47.80 - \$64.10	13.53	\$822.35	\$94.49
2	Schawk	SGK	12/31/06	9/30/06	\$19.54	\$16.22 - \$26.01	26.47	\$517.22	\$151.51
3	Multi-Color	LABL	3/31/07	12/31/06	\$32.85	\$25.57 - \$36.48	6.63	\$217.80	\$10.42
4	Cenvéo	CVO	12/31/06	9/30/06	\$21.20	\$13.24 - \$21.7	53.43	\$1,132.72	\$701.44
5	Valassis	VCI	12/31/06	12/31/06	\$14.50	\$14.28 - \$30.67	47.81	\$693.25	\$259.93
6	RR Donnelley	RRD	12/31/06	9/30/06	\$35.29	\$28.70 - \$35.95	216.80	\$7,650.87	\$2,610.00
7	Quebecor	IQW	12/31/06	9/30/06	\$11.56	\$11.56 - \$13.32	131.60	\$1,521.30	\$2,140.00



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Table 2

					Latest Twelve Months					
			Fiscal Year	Trailing Twelve Months	Net Sales (\$mil)	Gross Profit (\$mil)	Gross Margin	EBITDA (\$mil)	Net Income (Loss) (\$mil)	Book Value (\$mil)
			3/31/07	12/31/06	\$964.18	\$217.46	22.55%	\$136.92	\$54.29	\$351.50
			12/31/06	9/30/06	\$607.09	\$211.46	34.83%	\$88.45	\$30.42	\$258.64
3	Multi-Color	LABL	3/31/07	12/31/06	\$217.26	\$34.92	16.07%	\$27.77	\$10.10	\$60.41
4	Cenveo	CVO	12/31/06	9/30/06	\$1,620.00	\$343.83	21.22%	\$167.48	\$52.92	\$33.77
5	Valassis	VCI	12/31/06	12/31/06	\$1,040.00	\$294.71	28.34%	\$141.83	\$51.28	\$167.57
6	RR Donnelley	RRD	12/31/06	9/30/06	\$9,240.00	\$2,340.00	25.32%	\$1,410.00	\$167.50	\$4,020.77
7	Quebecor	IQW	12/31/06	9/30/06	\$6,130.00	\$1,080.00	17.62%	\$551.00	(\$222.60)	\$1,710.01

The above data can be used to extrapolate high and low amounts, which lend itself to evaluate individual company performance.

Moreover, these results can spotlight trends and patterns over time that become an intricate part of valuing a business depending on the size and type of printer. Whether you like it or

not, these High Profile Printers help shape the outlook of the printing industry. So if you keep your finger on their pulse, you can be one step ahead of the competition.

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