SEMPER INTERNATIONAL

Boston - Headquarters
Atlanta
Minneapolis
Baltimore/DC
New York/New Jersey
Chicago
Long Beach
Dallas
San Francisco

Semper International Third Quarter 2015 Industry Insight Survey Report

1-877-377-4687
www.semperllc.com
always@semperllc.com

in partnership with PRINTING IMPRESSIONS

SEMPER INTERNATIONAL

Executive Summary: The Winter Slowdown Extends into Summer

What a difference a quarter makes! This quarter shows an extension of an earlier soft spot in the economy. We also see evidence of reduced Fed intervention. For example, they may have cut QE may have been a bit too soon. Given our data, one thing is clear, this recovery will continue to be a long and winding road.

As we move into the summer season, this quarter's survey data threw cold water on our fast-recovery hopes. Rather than finding evidence of a sustained economic recovery, we found that the winter slowdown carried through into the spring and early summer – and may continue for some time yet.

Rather than winter weather concerns, the summer months have been impacted by macroeconomic and global issues, such as the West Coast Port slowdown, the China Equity Market sell-off, the Greek debt crisis and an uncertain Iran nuclear deal - all of which seem to be countering the economic positives, such as low unemployment.

Let's look at the survey data and see what is on tap for the third quarter:

- A 20% drop (from 87% to 71%) of firms reporting profits this quarter
- Continued concerns on new sales, with one in ten companies expecting a sales decline
- A return of the traditional profit cash cows, with traditional Print and Pre-press divisions delivering the most profits this quarter
- Despite a tight labor market, firms report a 22% drop in hiring rates in the third quarter

Before you sound the alarm bells, it's not all bad news. While we saw a dip in profitability rates, 71% of the industry still reported positive growth this quarter. Similarly, nearly two in three companies expect sales to grow this quarter, even if 11% think they may drop.

A new question added this quarter looked at profitability in relation to sales. Here, we discovered that the majority of firms net between a 5% and 15% margin, with more than one in three generating 5% – 10% overall margin – the sweet spot according to economists.

We also discovered that 40% are firms are concerned of rising base pay rates this quarter, and a 25% with rising overtime costs. Some companies are clearly working hard, and increasing their investments in their staff with an eye to a positive future.

SEMPER INTERNATIONAL

Looking Ahead: What this Finding Means for Talent and Staffing

We understand that protectionism can appear safer during blips in the recovery. However, we urge you to see the full picture in this data.

Before you run to cut headcount, remember that churning already overworked resources can lead to burnout and job dissatisfaction – which can spell disaster in a tight market. Even if you aren't ready to take on additional full time staff yet, consider adding some flex workers to supplement your core team and keep up company morale.

Despite this blip, many companies continue in growth mode. 61% of companies continue to anticipate sales growth this quarter, 2/3 are making new capital investments and 71% are diversifying their profit centers – all of which will require more talent, some of which may need a new set of skills.

David Regan, CEO
Semper International LLC

SEMPER INTERNATIONAL

Table of Contents: 14 Key Insights from the Second Quarter Survey

SEMPER INTERNATIONAL

I. Dollars and Cents

The first set of questions focus on where the rubber meets the road: sales, revenue and profit.

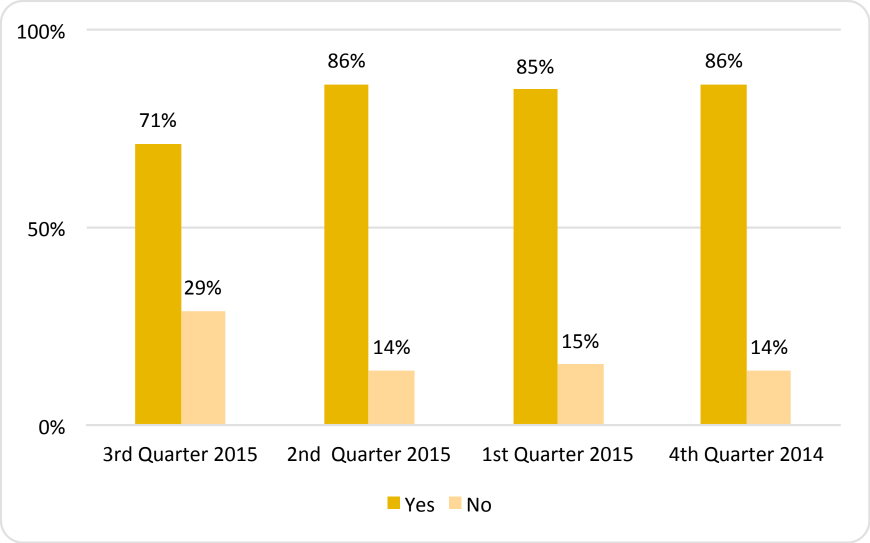
Insight 1: Profitability drops by 21%

After four straight quarters of record profitability, we saw a 21% decline in companies reporting profits this quarter, from 86% overall to 71%.

We have not seen such a sharp slow-down in several years. It appears that the reduced output this winter and external Geo-Political economic pressures alluded to in last quarter's report have taken their toll on firms' bottom lines.

Projected economic outputs was the big topic of discussion in this survey – with the impact of declining profits touching a number of our survey areas. Specifically, many respondents are holding expenses to a minimum and delaying hiring full-time staff.

Quarterly Profits



Question: Did your company have a profitable second quarter 2015?

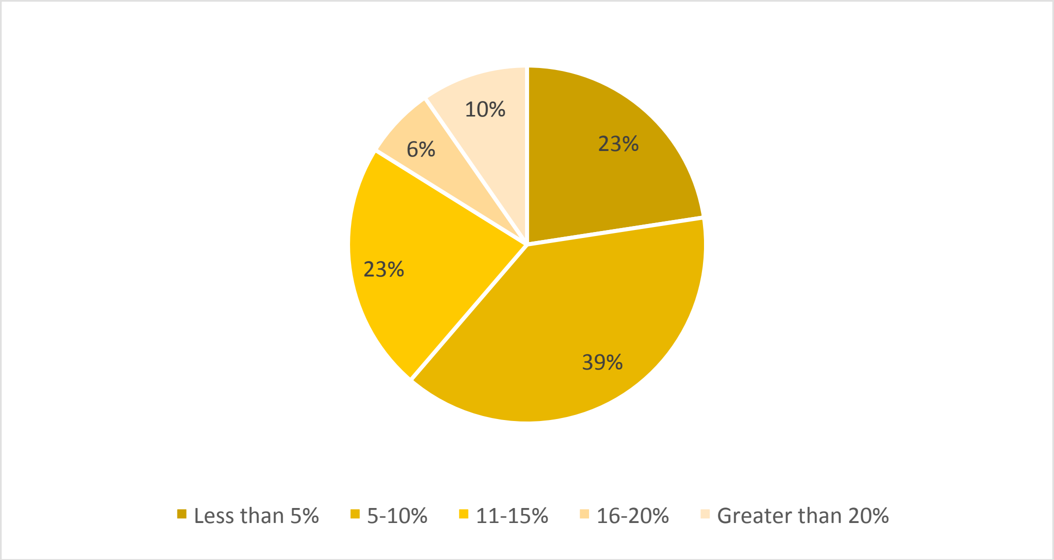
Insight 2: [New Question] Nearly 40% of firms post 5%-10% net margin rates

For the first time we asked companies to tell us their net margin as a percent of sales.

In the first quarter of this data collection, we find that the majority of firms net between 5% and 15% margin, with more than one in three generating 5% and 10% overall margin.

Over the next several quarters, we will watch to see what patterns emerge in this margin information, and calculate if companies who focus on different markets or strategies consistently generate higher margins.

Quarterly Net Revenue



SEMPER INTERNATIONAL

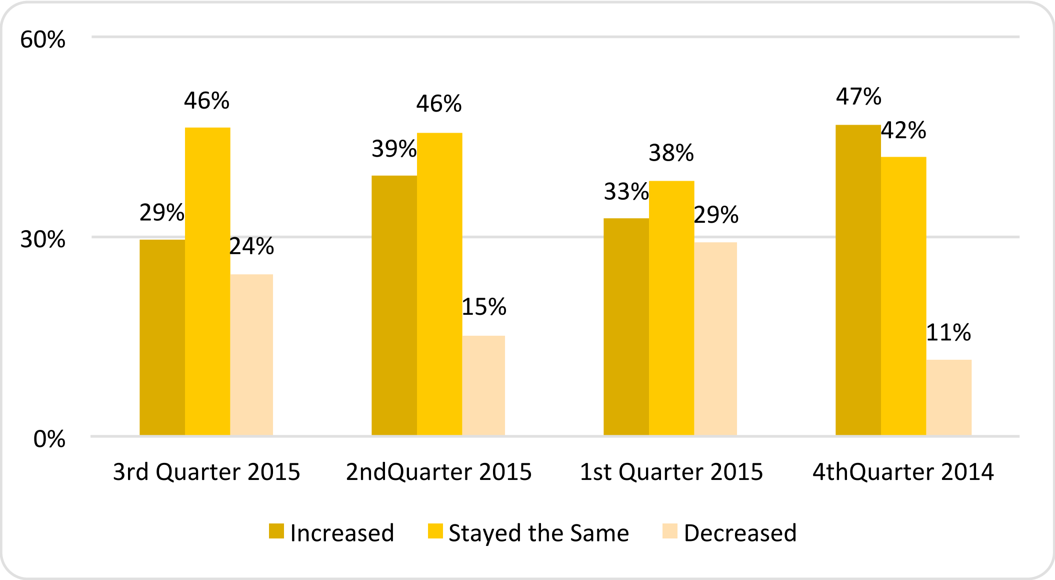
Insight 3: Another “J Month” sales slowdown

This has been an interesting quarter. Leveraging a strong current of energy in the last quarter, we were hopeful for continued growth. Unfortunately, we started hearing from clients in the beginning of May that some of the depressed numbers we saw earlier in the year were more than a hiccup.

Our sales data continues to show this trend, that potentially the economy is not bouncing back quite as thoroughly as expected.

In this question, we asked how sales rates have changed in the past two weeks. Here, we find that nearly one in four companies report their sales have decreased in the past two weeks – a troubling portend that residual economic instability remains.

Sales Changes in the Past Two Weeks



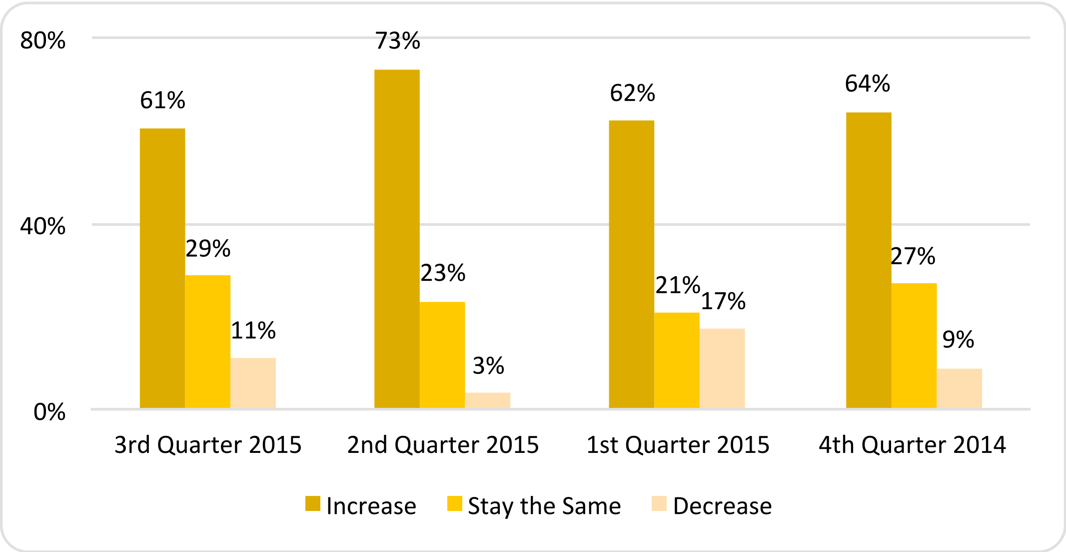
Question: How have your sales changed in the last 2 weeks?

Insight 4: One in ten firms predict a sales decline next quarter

The final question in our Dollars and Cents section looks at firm's predictions for sales in the upcoming quarter. Here, we see a slight slowdown in overall confidence, with 11% of firms expecting sales to slow in the coming quarter, up from just 3% in April.

While this data is somewhat troubling, we don't recommend everyone start hoarding canned goods quite yet. A strong majority (61%) of firms still expect sales to rise in the upcoming quarter, indicating that many remain bullish on the economic recovery we have been reporting in the past several quarters.

Anticipated Sales Change for Q2



Question: How do you expect sales to change during the third quarter of 2015?

II. Competitive Threats and Company Responses

These questions relate to outside threats and pressures.

Insight 5: Low cost competitors and the economy lead threats this quarter

When asked what were the main threats facing their organization, 32% of firms cited lower cost competitors as their main challenge, making this the top concern for the second quarter in a row.

Roaring back, the overall economy made a strong second place showing. After a slight dip in the second quarter, 31% of companies indicated they are keeping a sharp eye on macroeconomic conditions this quarter.

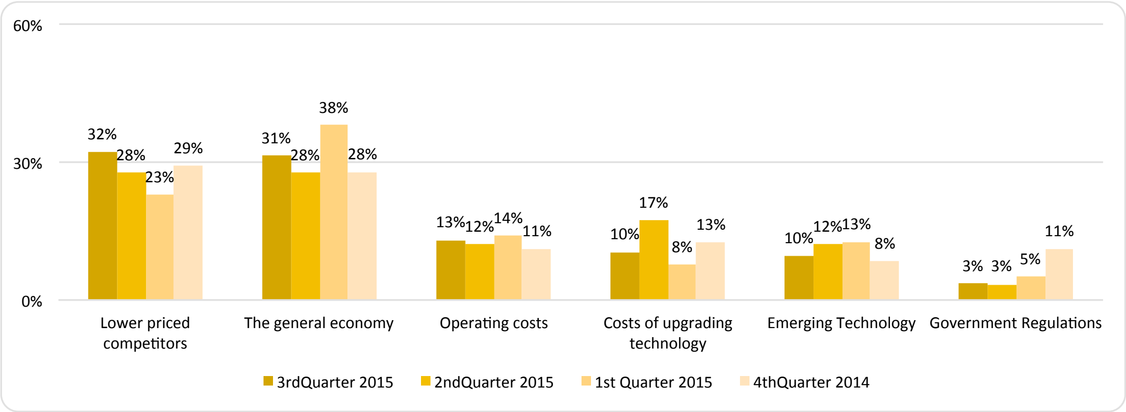
This data demonstrates another mixed bag. Often, competitive pressures start to rise as the economic cycle grows. However, a 12.5% increase in companies worried about the economy in just one quarter indicates the recovery is not quite out of the woods yet. It appears that as soon as the economists see signs of life in the U.S. GDP, it sparks a change in fiscal policy.

We are seeing a growing consensus of business owners and managers starting to realize some investment in infrastructure and an extended continuation of the Federal Reserve's easy money policy will be needed to fully break us free from this economic weakness.

"Why? It appears that as soon as the economists see signs of life in the U.S. GDP, it sparks a change in fiscal policy. We are seeing a growing consensus of business owners and managers starting to realize some investment in infrastructure and an extended continuation of the Federal Reserve's easy money policy will be needed to fully break us free from this economic weakness."

SEMPER INTERNATIONAL

What is Your Greatest Competitive Threat?



Question: What is your greatest competitive threat?

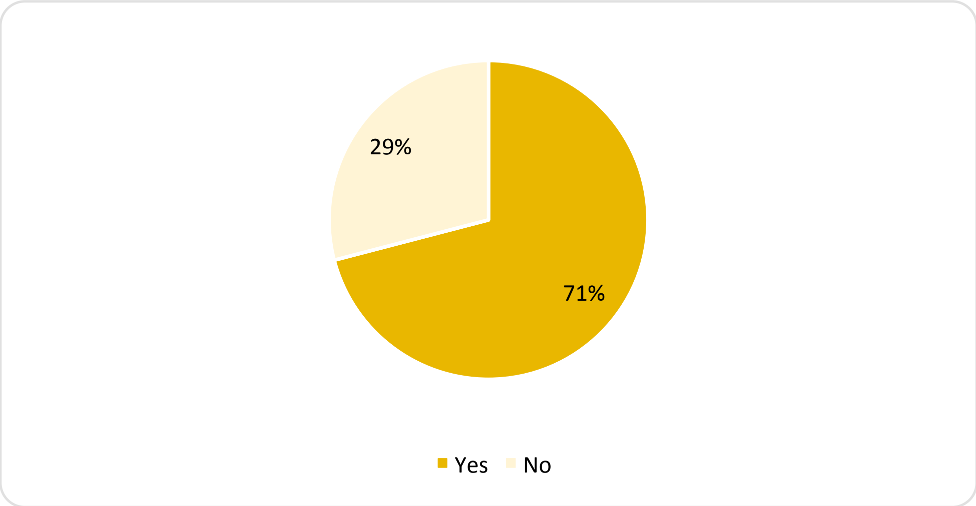
Insight 6: Diversification rates dip slightly

This quarter, diversification rates slowed a bit, down one percentage point to 71% of firms investing in new infrastructure, R&D for production capacity this quarter. Despite this slight dip, we are still up about 12% on diversification rates for the year.

Firm investment is something we will watch closely in the coming months. Clearly, investing in new areas of margin growth that require resources is harder to do with a slow (or still recovering) economy. Slow demand across the board makes is hard to understand where to target new investments, or to decipher if that new investment is paying off. Similarly, even if you want to invest in new services, it can be hard to do with depressed profits.

Nevertheless, with some profits down this quarter, we are still seeing nearly 3/4th of companies looking to grow in the next several months. They have learned the lessons of competition and survival: The time to adapt is now, and picking a winner in a tepid economy is all the more critical.

The Rate of Business Diversification



Question: Are you currently diversifying your business?

Insight 7: Continued investment in wide-format printing

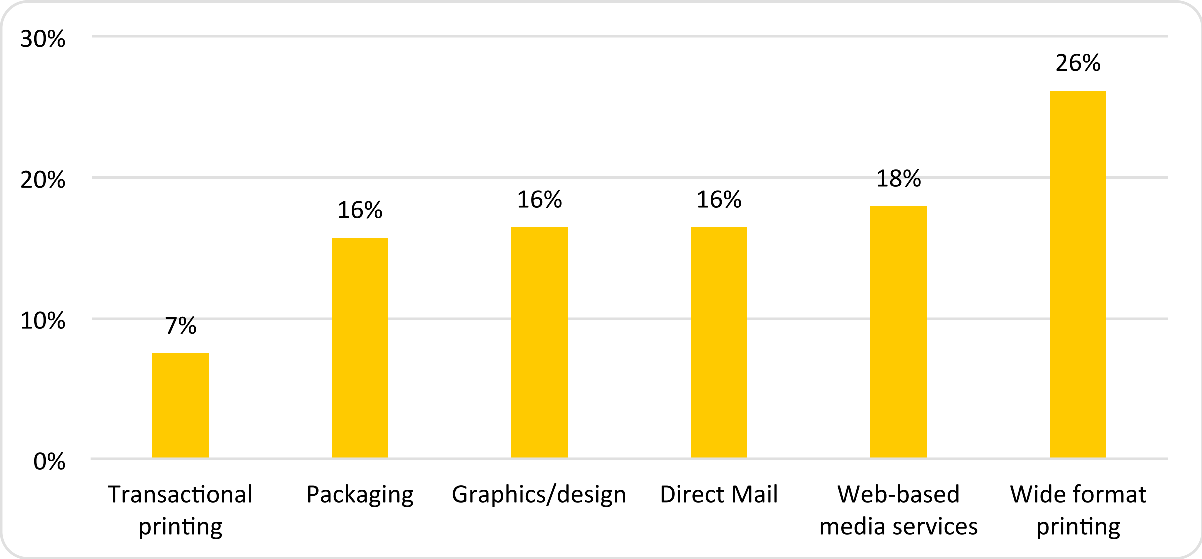
Insight seven looks at the logical follow-up: If over 71% of companies are diversifying this quarter, where are they investing?

Here, we find five areas of investment growth:

- Wide-format printing - 26%
- Web-based media services – 18%
- Direct mail – 16%
- Graphics/design – 16%
- Packaging – 16%

As you can see, four of the top five diversification strategies lay in printers' traditional comfort zones, though some companies are beginning to dip their toes into online media.

Market Diversification of Responding Companies



Question: What area are you diversifying into?

SEMPER INTERNATIONAL

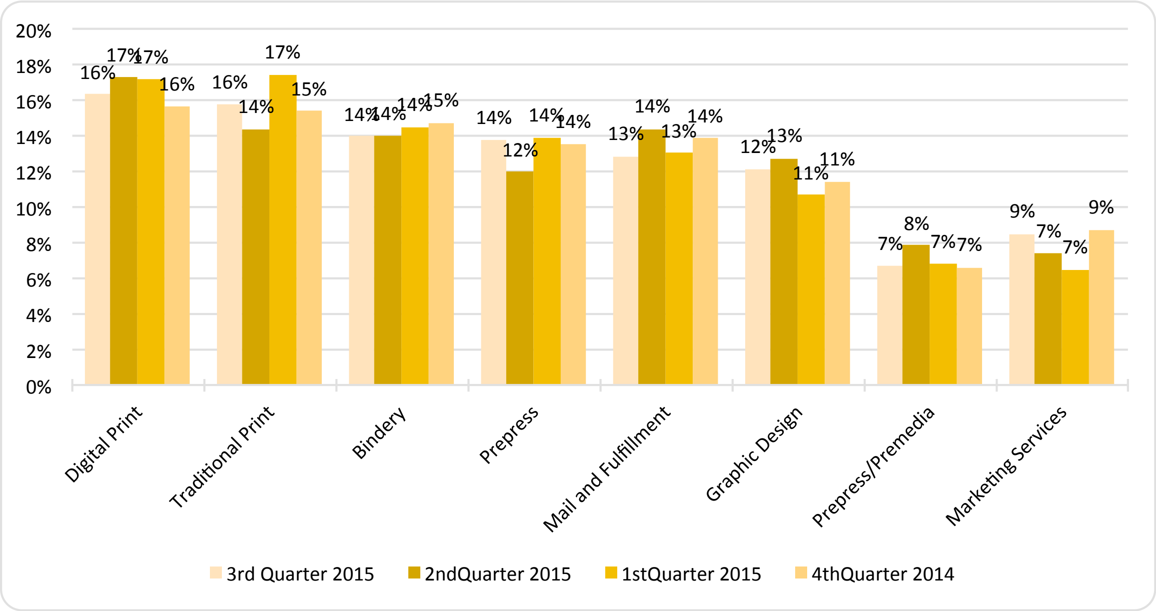
Insight 8: Traditional Print profits return

Where firms are making money is one of the more critical insights revealed in our survey. In the third quarter, we see a return of the traditional profit cash cows, with Traditional Print and Pre-press divisions delivering for 16% and 14% of respondents, respectively.

At the same time, web-based investments and other diversification efforts are starting to show a return on investment. Though dipping slightly, digital print produced profits for 16% of all responding firms this quarter. Marketing services is also showing signs of growth. Today, nearly one in ten print companies generate profits from marketing.

Looking at these profit centers, we urge you to think strategically. With declining demand, how long can you continue to rely just on core competencies to deliver the bulk of your profits? For those beginning to compete in other industries, such as marketing, what new talent or strategies are needed to adopt to compete effectively against new competition?

Corporate Profit Centers in the Past 12 Months



Question: What are the primary profit centers in your organization?

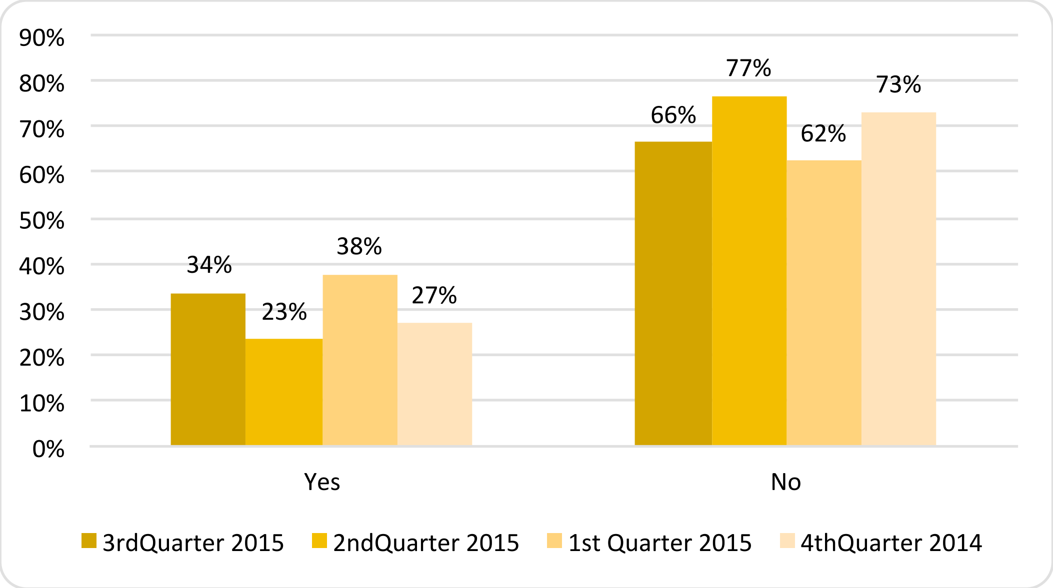
SEMPER INTERNATIONAL

Insight 9: Capital investment rates slow

Capital investment rates also dropped slightly this quarter, to 66% from last quarter's high.

While this clearly shows a declining trend, remember this data still means that two of every three companies are investing in new equipment or capacity right now.

Major Equipment Purchases



Question: Did you make a major equipment purchase this quarter?

III. Staffing Trends

Finally, this group of questions focuses on hiring and staffing plans in the third quarter.

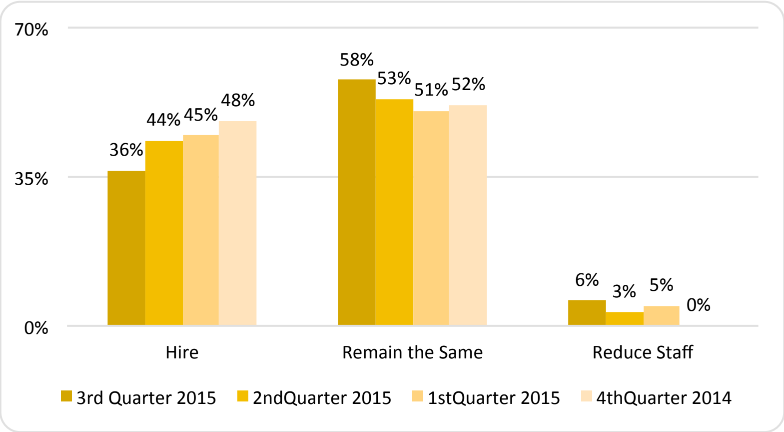
Insight 10: 22% drop in hiring rates in the third quarter

The hiring data is where our survey revealed a slight change in fortunes for companies in the third quarter. Respondents reported their fourth straight quarter of hiring decreases, sitting at 36% today from over 50% just a year ago. We also found an increase in plans to lay off staff, though that is still just over 5% of the total population.

As we said last quarter, hiring rates rely on confidence. After a long decade, hiring managers or business owners today appear much quicker to respond to reduces in profitability by limiting or reducing expenses immediately.

On a positive note, 58% of companies reported plans to keep their current staffing levels. Remember, we are now sitting at new record low unemployment. The willingness to maintain current talent pool indicates that many companies feel the economy is closer to recovery than not, and remain confident in their need to keep staff levels high to meet rising demand.

Current Staffing Plans



Question: What are your current hiring plans?

SEMPER[SM]
INTERNATIONAL

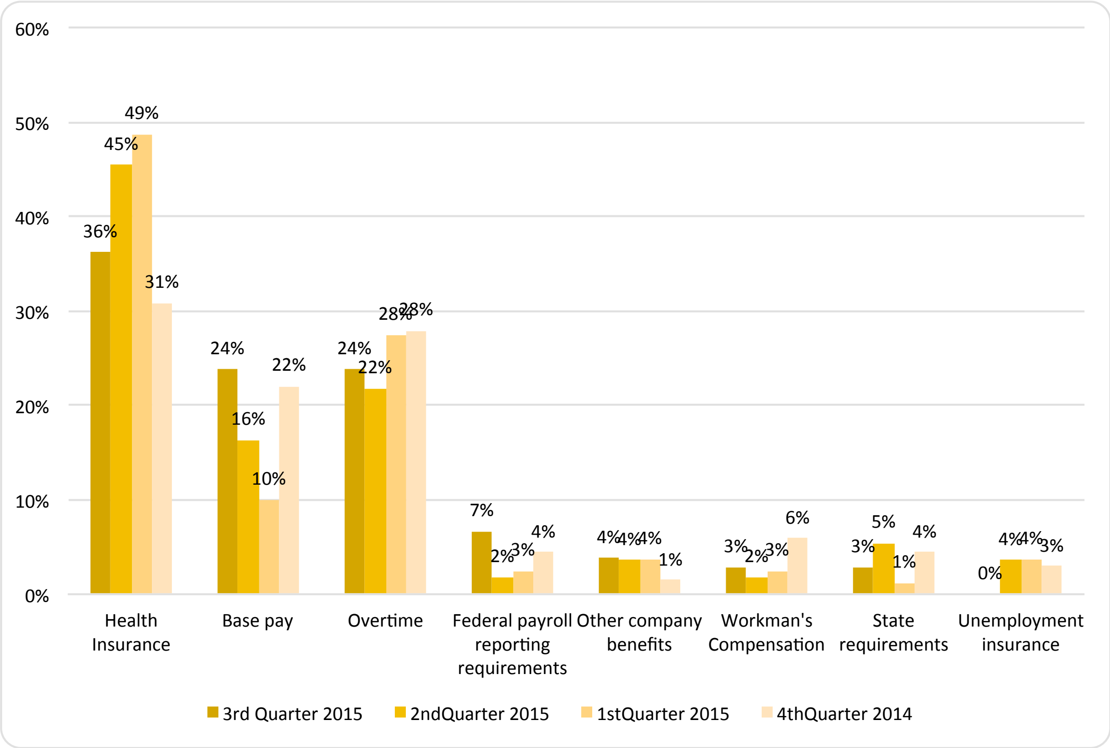
Insight 11: 40% of firms report base pay increases

This quarter, companies reported a stark rise in payroll expenses, with base pay and overtime costs each rapidly increasing for nearly 25% of our audience.

Insurance and liability costs remain cost leaders as well. While dropping overall, 36% of firms this quarter still reported that health insurance costs were their top-growing expense. Similarly, we saw a near 300% increase in firms indicating a rise in payroll reporting requirements.

This may likely be the trigger that reduced overall hiring. In Econ 101, you learn that more you pay for something, the less you use it (or you start looking for something that costs less).

Largest Labor Cost Concerns



Question: Regarding labor costs, what component of the costs has been increasing the fastest last quarter?

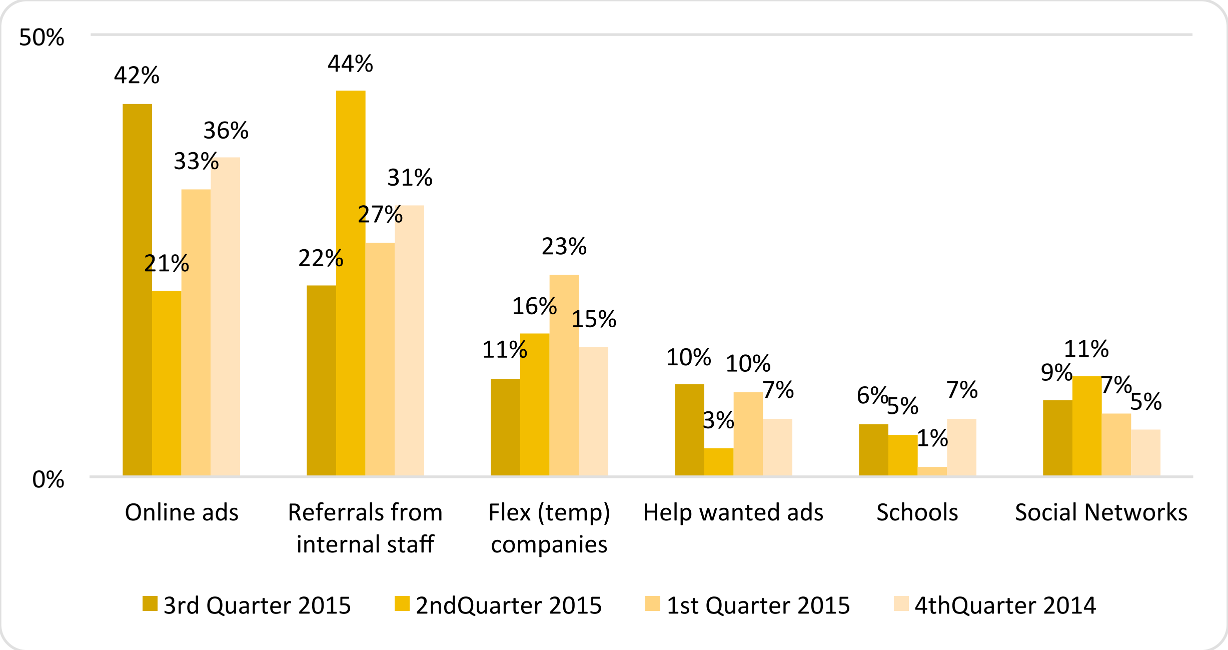
Insight 12: Online ad usage doubles

Having exhausted their use of referrals and other "word of mouth" talent sources, firms turned to online ads to find staff this quarter - doubling ad deployment from 21% to 42% in just one quarter. Even help wanted ads rose aggressively to 10%.

This trend reflects what we are seeing in the market: the skilled labor market is extremely tight right now.

The fact that companies are working much harder to find quality talent today, and the expectation that sales will rise in the late summer and fall, is likely why nearly 60% of firms plan to keep the labor they have. Talented employees are extremely hard to replace.

Primary Sources for Skilled Staffing



Question: What are your primary sources for skilled staffing?

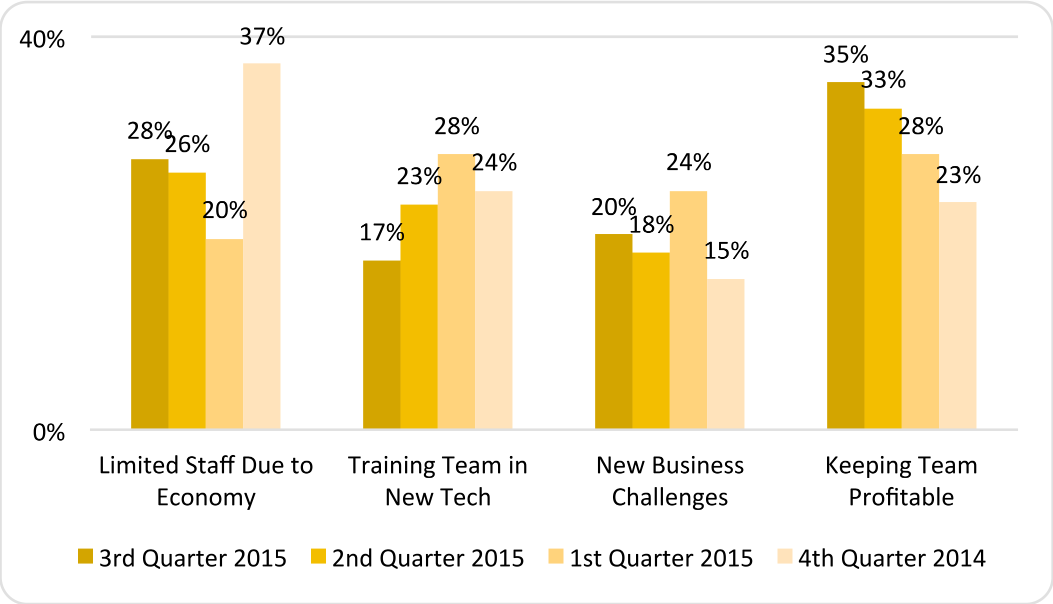
SEMPER INTERNATIONAL

Insight 13: Maintaining profitability is firm's No. 1 concern this summer

When looking at major staffing concerns, the data seems to show an industry in transition. Paramount for 35% of firms this quarter is keeping teams profitable. This lean mindset even escalated this quarter, translating into layoffs for some firms.

At the same time, nearly 30% of companies indicate limited staff as their primary challenge – and that number is on the rise again. Here, we see the data indicating that while some firms see depressed sales and profits right now, others are actually struggling to keep up with their existing demand.

Largest Staffing Challenges



Question: What is your biggest staffing challenge?

SEMPER INTERNATIONAL

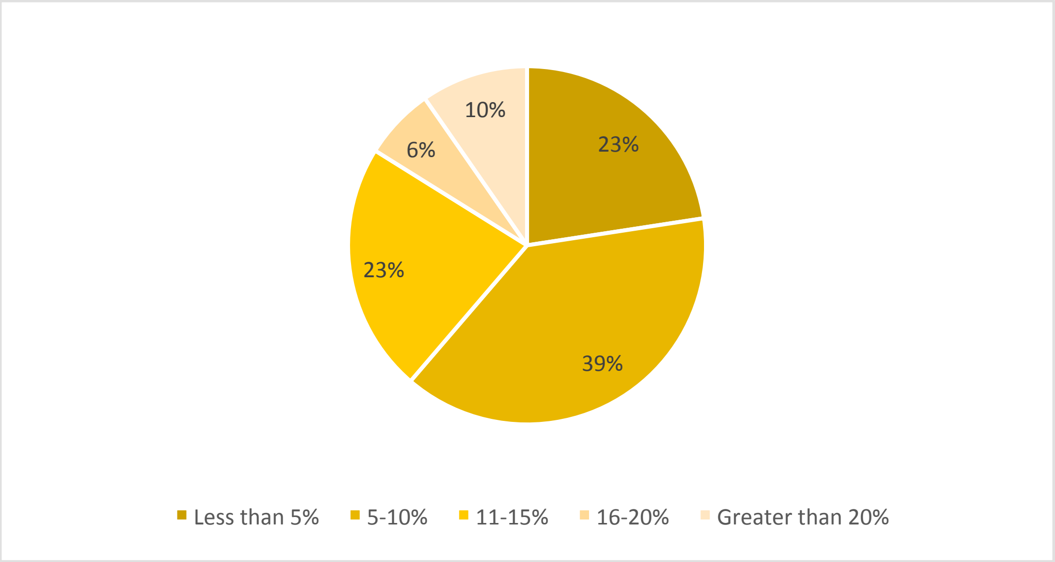
Insight 14: Survey participation doubles

Our partnership with Printing Impressions continues to bear fruit. Bolstered by their strong readership, we doubled our total survey responses this quarter – a true feat considering the slow summer months usually net our lightest participation rates.

This influx of new company responses was led by the small and mid-sized businesses, many of whom have less than twenty employees. At the other end of the spectrum, we also saw a strong showing from companies with more than 500 employees, spurred by a 40% increase in company response rates.

We would like to extend a sincere "thank you" to the companies who joined with us this quarter. Semper compiles these surveys with your help as an industry service and we deeply respect the time you take from your busy day to share your thoughts and experiences.

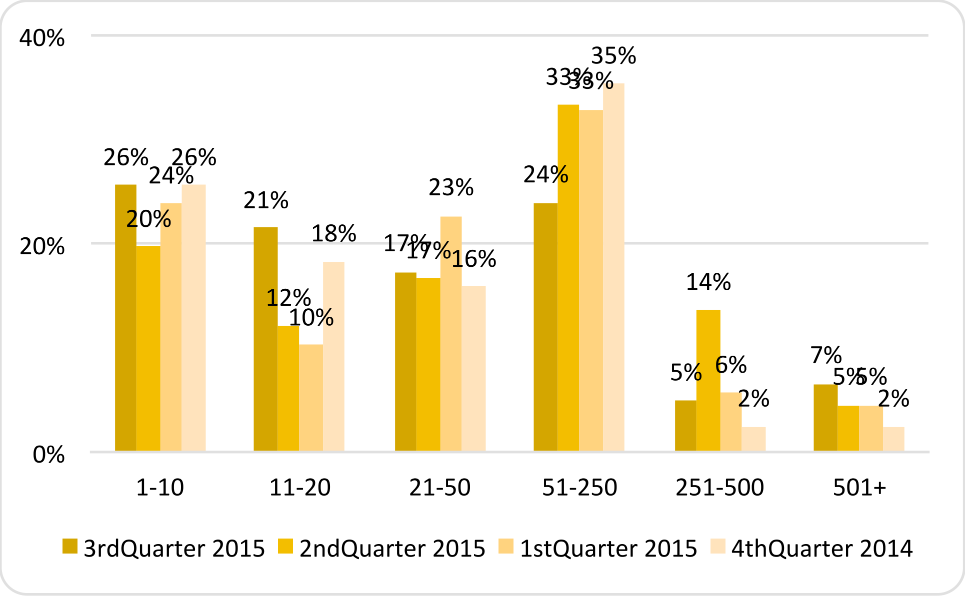
Current Estimated Revenue



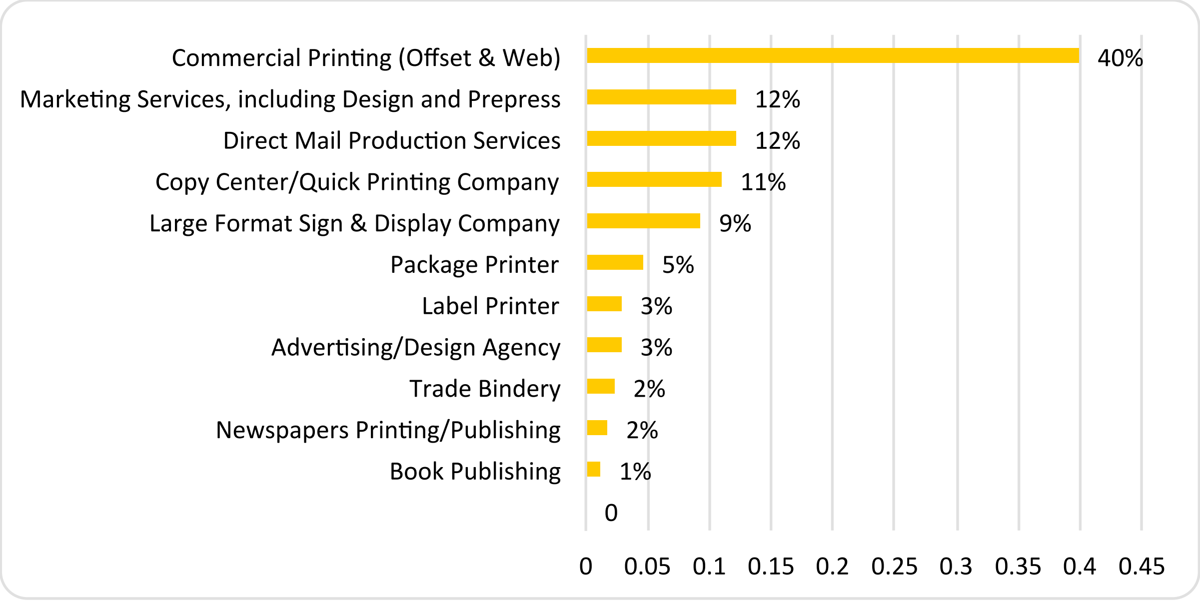
Question: What was your company's estimated revenue last quarter?

IV. Demographics

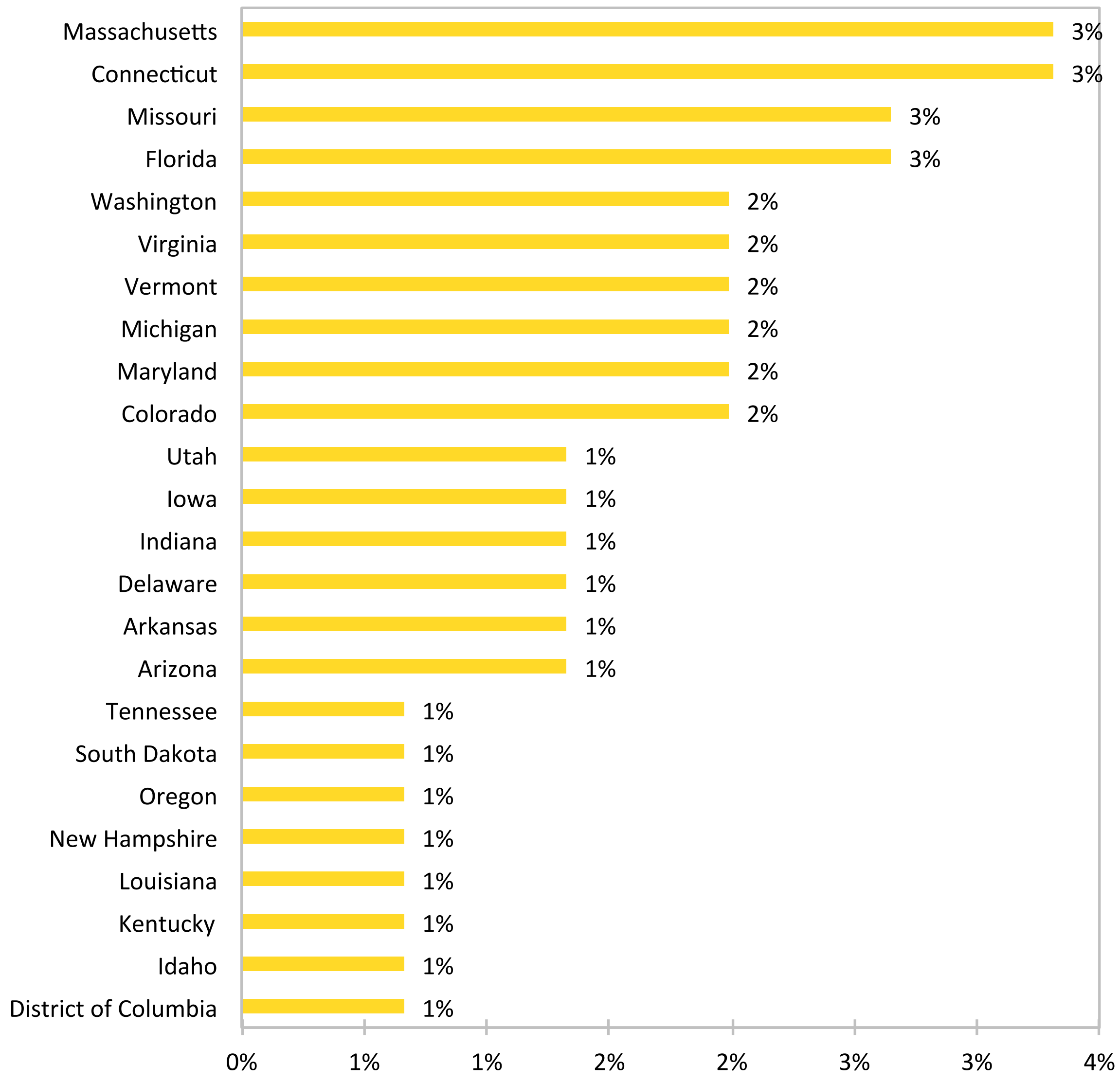
Number of Employees per Company



Reporting Industries: Q2 2015



Company Location



About Semper

Semper International, LLC, is the nation's largest and most trusted supplier of skilled staff for the print, pre-media, graphic and interactive media industry. In over 20 years of service we have placed more than 50,000 team members in roles from Production Technicians to Experienced Managers in flex, flex-to-hire and direct-hire positions.

Literally translated, Semper means "always," and that is something we take to heart. Our experienced, reliable team personally screens and rigorously tests every applicant before we recommend them for placement. We are experts at making things happen, and we have earned a reputation for quality hires who produce Day 1, and have built a loyal base to draw from – in fact nearly 20% of our flex staff have been working with us for over 10 years.

We were born and raised in the industry, so know that staffing is more than just filling a slot. Rather than just deliver a need, we become part of the team, so that your success is our success.

Click Here to Email a Top Recruiter Today

Tell Us What You Want to Ask!

Over 12 years ago, Semper recognized that our position in the industry afforded us unique a vantage point to see economic trends affecting our industry. From the beginning, our goal has been to aggregate information from our database of over 50,000 companies, and provide this material for free as our gift back to the industry we serve.

Over the years, as the survey has become more popular, and we have watched the industry itself change, we have refined and improved our questions and processes. As we continue to improve our survey and data collection techniques, we are finding our pool of respondents increasing. We feel the results are becoming much more accurate and valuable as a result of these efforts.

We want to hear from you! Please click here to let us know what other questions you would like to see in next quarter's survey.