



IT Strategies Wide Format Graphics Inkjet Forecast 2014

All major market segments in wide format graphics declined in 2013 over 2012 in terms of absolute units of sales of systems. Aqueous unit shipments declined 13%, EcoSolvent/Latex declined 27.35%, UV flatbed declined 5.84% and UV R2R declined 22.34% for an overall UV decline of 10.21%. This decline has to be called a sign of market maturity in its cross-sector homogeneity, though not necessarily to be understood as a negative phenomenon. The market 'lost' over 14,000 sales 2013 over 2012, equivalent to being 18% down. The decline is rather jarring in context of previous years and the general financial health of the equipment manufacturers.

Despite this unit shipment decline the market still has a volume globally over 65,000 units yielding vendor revenues of \$4.4B for hardware and ink. Most importantly, ink revenue grew - see later - due to product mix changes, which are a typical feature of a maturing market responding to continuing demand growth with more efficient/productive hardware. So the market maturity indicated is relative as print volumes also went up helping to drive up revenues. It would be more accurate to say the market has become more efficient in response to demand growth persisting after more than twenty years of existence.

Let it also be said that the replacement rate of this market is healthy also as a sign of healthy demand. The WFG digital market yields over \$40B revenue to print providers - or that is, if you like, what retailers and brand owners spend on its in support of the consumer economy. And finally, nothing yet has really challenged the primacy of printed local color graphics despite the existence of electronic display signage. So the reader should not be too discouraged by mature sales unit numbers in 2013.

Square Meters Printed

Square Meters Printed 2012/2013	2012	2013	cagr
Aqueous <36"	17,662,719	21,503,012	21.74%
Aqueous >36"	166,889,234	178,778,403	7.12%
Aqueous Professional Total	184,551,953	200,281,415	8.52%
Aqueous Corporate (in-house) Total	28,396,062	26,713,082	-5.93%
All Aqueous	212,948,014	226,994,497	6.60%
Eco-solvent and Latex	478,605,447	518,093,561	8.25%
Aggressive Solvent (Excl. China)	114,505,312	94,145,101	-17.78%
UV Flatbed <\$200,000	65,525,609	70,358,262	7.38%
UV Flatbed >\$200,000	85,199,709	90,631,294	6.38%
All UV-curable Flatbed	150,725,318	160,989,556	6.81%
UV Roll-to-Roll <\$200,000	3,649,091	3,757,701	2.98%
UV Roll-to-Roll >\$200,00	61,205,550	68,225,742	11.47%
All UV Roll-to-Roll	64,854,641	71,983,443	10.99%
All UV-curable	215,579,959	232,972,999	8.07%
Total	1,021,638,733	1,072,206,157	4.95%

All UV Roll-to-Roll	64,854,641	71,983,443	10.99%
All UV-curable	215,579,959	232,972,999	8.07%
Total	1,021,638,733	1,072,206,157	4.95%

Printed Square Meters is a closer indication of true demand for wide format graphics output than units of system sales. By that measure the overall print market - even Eco-solvent/Latex - grew well at 4.95% to 1.07B M². This is in our view another reflection of a market turning toward more productive systems to leverage healthy underlying demand growth.

Print Service providers in the wide format graphics market are leveraging their market success by putting more output onto fewer but larger systems is one way of interpreting the printed square meter data. Our tracking of developing system specifications supports that interpretation, as does our knowledge of the strategies of a number of leading vendors.

Print Service providers are also becoming more efficient at utilizing their total installed plant in the sense of feeding files in faster and in better consolidated order as well as being able to convert more efficiently usually near-line. This is not just faster to market, it is responsive to a fundamental and enduring value proposition of the digital local print provider, which is his/her ability to provide product at extremely short notice and to exact a fair price for it in a market which is unusually price-stable relatively speaking given its age at over 20 years.

Hardware & Ink Revenue

Hardware and Ink Manufacturer Revenue 2012/2013	2012	2013	cagr
Aqueous <36"	\$182,037,083	\$216,743,967	19.07%
Aqueous >36"	\$891,627,159	\$954,356,897	7.04%
Aqueous Professional Total	\$1,073,664,242	\$1,171,100,864	9.08%
Aqueous Corporate (in-house) Total	\$443,886,933	\$365,144,300	-17.74%
All Aqueous	\$1,517,551,175	\$1,536,245,164	1.23%
Eco-solvent and Latex	\$1,692,300,278	\$1,892,853,715	11.85%
Aggressive Solvent (Excl. China)	\$75,233,588	\$59,464,093	-20.96%
UV Flatbed <\$200,000	\$329,263,335	\$322,519,760	-2.05%
UV Flatbed >\$200,000	\$352,918,423	\$457,816,055	29.72%
All UV-curable Flatbed	\$682,181,758	\$780,335,815	14.39%
UV Roll-to-Roll <\$200,000	\$46,889,358	\$35,227,537	-24.87%
UV Roll-to-Roll >\$200,000	\$131,342,248	\$131,873,454	0.40%
All UV Roll-to-Roll	\$178,231,606	\$167,100,991	-6.25%
All UV-curable	\$860,413,365	\$947,436,806	10.11%
Total	\$4,145,498,405	\$4,435,999,777	7.01%

If we take a final measure of the markets progress from 2012 to 2013 in terms of revenue generated by vendors for hardware and ink we see even stronger growth - twice as much as in meters square printed at 7.01% - and that in the face of generally declining like-for-like hardware prices. This seems to reflect the buying of higher-spec more costly systems as well as the growth in use of ink as a result of greater productivity and also in some areas, growth of ink coverage.

We cannot take account here of market discounting and our estimates are based on estimated market pricing averages. But neither on the other hand do we take account of additional products and services sold to print service providers in support of increasingly high capacity systems. The estimates we provide do not include dealer markups where they may apply and should correspond to net vendor revenues in sales to users or dealers.

A reason for the underlying strength of vendor revenues is also the reasonably widespread ability still after all these years of print providers to make a reasonable profit on the print products they sell. Aside from fast and efficient service and local support many print providers in this fully graphically-oriented local market are able to add significant value to their products through specialty treatment like screen print lamination, mounting etc. as well as installation

reasonable profit on the print products they sell. Aside from fast and efficient service and local support many print providers in this fully graphically-oriented local market are able to add significant value to their products through specialty treatment like screen print lamination, mounting etc. as well as installation services, data management, and sales consultancy on the efficiency of POP. And while we are discussing price strength for vendors, neither is vendor-to-vendor competition always fully efficient over such a localized market, which translates to saying that there are local opportunities to defend price.

Market Projections by Sector

We summarize below the projections we are making this year five years forward for each sector of the market. The projections are presented separately in terms of units of systems sold, M² printed and combined vendor hardware and ink revenues. The raw data is shown as is a chart graphically representing for each set of statistics the growth rates projected over the next five years.

In such a complex market with diverse sectors and specifications, and even regionalism, it is all but impossible to guarantee accuracy of market projections. We can only offer a baseline starting point onto which readers are able to graft (with our help) varying assumptions if they wish. Our baseline takes what we believe is the current (at the time of the forecast's issuance) linear trend line from the last 2-3 years and projects it forward in a simplistic linear way. In this way we are trying to be as conservative as we can reasonably be without making any assumptions of dramatic change in the five years ahead. Of course markets do not develop so predictably, so that is why we call this a starting point baseline only.

According to this philosophy we project nearly all sectors' unit sales to be in decline, though we also predict the majority of sectors to have growing area printed.

When we come to hardware and ink revenue the revenues are not driven by an inputted growth rate per se, but are driven by the installed base which is going to decline over time as an inevitable lagging effect of unit sales numbers declining. Added to that, in hardware and ink pricing we have mild decline in like-for-like products over time as well, which we believe reflects reality. But what we cannot easily take account of is product mix. Thus our forecast projections assumes a more or less fixed product mix as it was in 2013, while the reality is more likely to be a shift to productivity and somewhat fewer higher-priced products as a function of constantly improving technology. That would result in a more benign projection, and in that sense we may be too conservative in our projections.

The latter point is important as true market maturity only sets in when product revenue yield declines, or when users actually spend significantly less, and however our projections may look, we are not assuming that that takes place in our projections. It may or may not take place in the next five years or less. You have to look at a twenty-year-plus market like WFG however and wonder if its best days of growth may be behind it. Against that, there is still a lot of analog offset market untouched by digital, though at price levels so far distant from digital that it will take a very significant value proposition/return-on-investment realization to shift that needle. Whatever happens, the largest drivers of wide format graphics are the local consumer economy and that does grow, and faster outside US and Europe than inside.

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