

2016 FSEA Economic Survey

The Foil & Specialty Effects Association periodically conducts surveys to gather information for its members on relevant business topics, including wage comparisons, market conditions and economic updates.

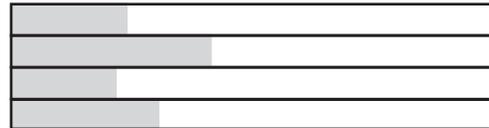


In 2009 and 2011, the FSEA asked its members to answer a series of 20 questions designed to assess the effects of the economic recession and subsequent recovery. The 2016 report, conducted through a third party system specializing in online surveys and email marketing, provides a follow up to those surveys with an eye to benchmarking the state of the print finishing industry.

The 2016 survey received 65 responses, with 75 percent of respondents having fewer than 100 employees. Located across the US and internationally, the survey addressed issues these businesses face such as sales volume, workforce size and primary business concerns for the upcoming year. Key findings indicate rising concerns over labor and healthcare costs and finding new employees. At the same time, a solid increase in sales levels for the majority of respondents has led to increased wages for existing employees and the purchase of new assets to support the businesses.

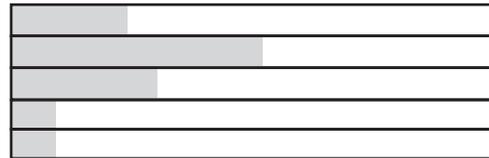
1. How many employees currently are at your plant location?

Less than 11	20%
11-50	36%
50-100	19%
More than 100	25%



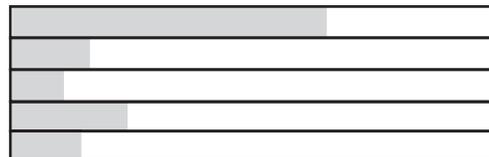
2. In what region of the country are you located?

US West	20%
US Midwest	45%
US East	25%
Canada	5%
Other International	5%



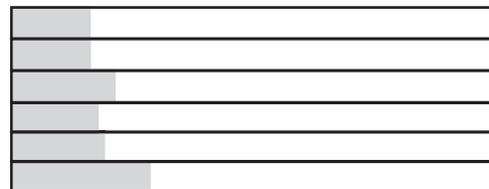
3. What best describes your business?

Trade/Print Finishing	52%
Folding Cartons	11%
Greeting Cards	6%
Printing with Finishing Capabilities	20%
Other	11%



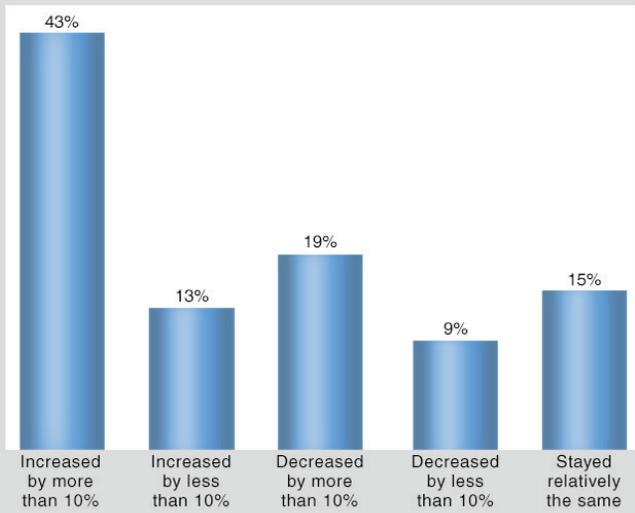
4. Which indicates your 2014 calendar year sales?

Less than \$500,000	11%
\$500,000 to \$1 million	11%
\$1 million to \$2 million	19%
\$2 million to \$5 million	16%
\$5 million to \$10 million	17%
More than \$10 million	27%



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5. How would you describe your overall sales levels now when compared to five years ago?

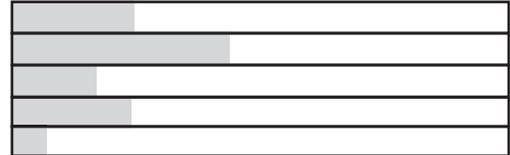


The 2009 survey evaluated the impact of an economy that was beginning to decline, and most respondents reported a one to 10 percent decrease in overall sales, although some companies indicated a decrease of more than 10 percent. In the 2011 survey, which measured growth in the early stages of the recovery, the majority of industry members reported a one to nine percent growth in sales. The growth in sales was primarily attributed to an increase in market demand and additional product offerings.

In 2016, more than 56 percent of respondents reported an increase in overall sales levels when compared to five years ago, and 43 percent of those believed the increase to be more than 10 percent, primarily due to an increase in overall demand. Approximately 26 percent did see a decrease in sales over the same time period, citing a decrease in overall demand and customer base.

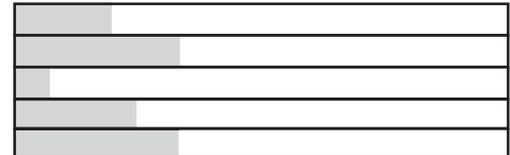
6. How would you describe your overall sales in the last 24 months?

10% or higher growth	21%
1 - 9% growth	38%
No change in sales	15%
1 - 10% decrease	21%
Decrease of more than 10%	6%



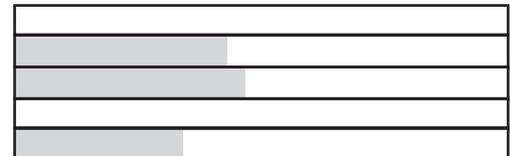
7. If sales increased, to what do you most attribute your growth in sales during the past 24 months?

Increase in company size	15%
Increase in overall demand	29%
I have increased prices	6%
I offer more products to my existing customers	21%
Other	29%

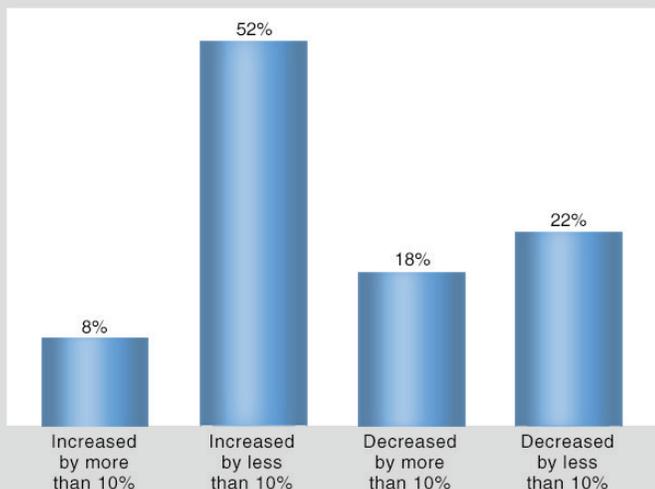


8. If sales decreased, to what do you most attribute your decline in sales during the past 24 months?

Decrease in company size	0%
Decrease in overall demand	33%
Decrease in customer base	38%
Decreased in my product offering	0%
Other	29%



9. How does your Profit/Loss compare now to last year at this time?

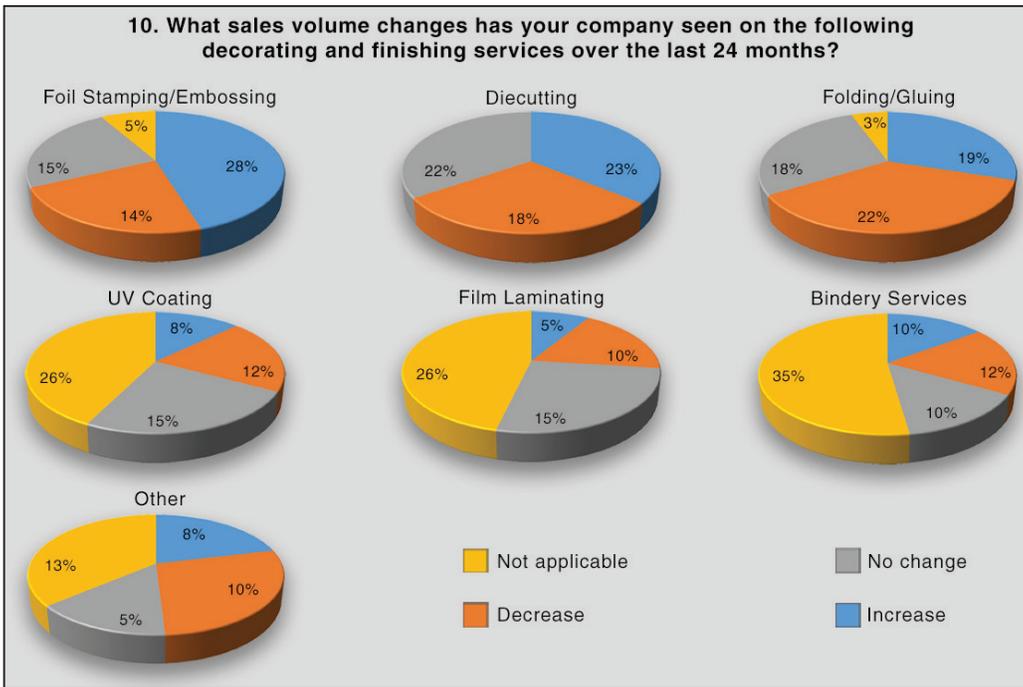


In 2011, a cautious optimism existed that a recovery was indeed at hand as 88 percent of respondents indicated their companies would be maintaining or increasing current workforce levels. In 2016, 48.1 percent indicate plans to increase the size of their workforce over the next six months, while 42 percent plan to maintain at the current level.

Optimism also was evident in the 2011 survey when respondents were asked about projections for overall sales for the six months after the survey period, with 51 percent anticipating an increase. In 2016, more growth may be on the horizon as over 80 percent of respondents believe a sales increase will occur in the next six months.

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10. What sales volume changes has your company seen on the following decorating and finishing services over the last 24 months?



Anecdotal stories have pointed to an increase in the use of specialty finishing techniques as the economy has recovered and companies looked to increase their ability to attract consumer dollars. Digital printing has reduced some press costs, making print enhancements affordable within the overall budget.

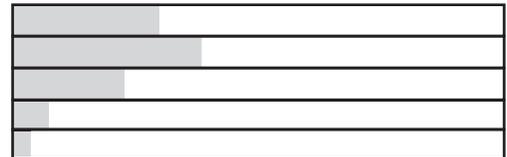
The 2016 survey attempted to quantify this with Questions 10 and 11.

Question 10 asked companies to report sales volume changes in specific categories of decorating and finishing services. Question 11 asked about volume of finishing and decorating work performed on

digitally printed materials, in comparison to volumes from 24 months ago. More than 71 percent of 2016 survey respondents indicated an increase in finishing processes applied to digitally printed work.

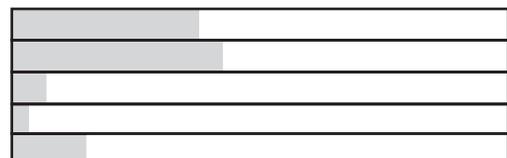
11. What change has your company seen in the amount of finishing and decorating work being performed on digitally printed materials when compared to 24 months ago?

Up significantly	33%
Up slightly	39%
Flat	22%
Down slightly	4%
Down significantly	2%



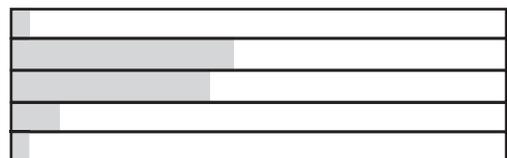
12. What are your projections for overall sales for your company in the next 24 months?

Increase by more than 10%	37%
Increase by less than 10%	44%
Decrease by more than 10%	4%
Decrease by less than 10%	2%
Stay relatively the same	13%



13. What is your projected net change in workforce size for 2015, compared to 2014?

Up significantly	2%
Up slightly	46%
Flat	42%
Down slightly	8%
Down significantly	2%



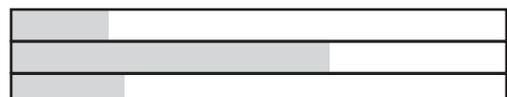
14. What is your overall impression of the current US economy?

Positive	35%
Negative	40%
Neutral	25%



15. What do you believe will happen with US economic conditions in the next 12 months?

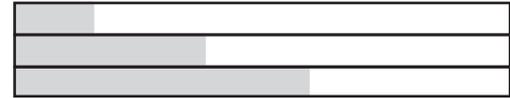
Improve	19%
Remain the same	60%
Get worse	21%



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16. What is your overall impression of current credit conditions?

Difficult to get credit 12%
 Not difficult to get credit 33%
 I have no need for more credit 55%



17. Currently, what are your main business concerns?

	primary							least
	1	2	3	4	5	6	7	8
The economy	33%	10%	10%	14%	12%	2%	4%	6%
Receivables and collections	2%	10%	20%	12%	10%	16%	8%	6%
Labor and healthcare costs	18%	31%	8%	12%	4%	4%	8%	0%
Market competition	10%	10%	14%	10%	18%	8%	10%	6%
Finding new employees	10%	16%	22%	10%	8%	10%	6%	6%
Government regulations	4%	6%	6%	16%	8%	20%	14%	14%
Green issues and compliance	2%	10%	2%	4%	8%	6%	16%	37%
Safety and OSHA compliance	6%	2%	8%	12%	14%	18%	18%	12%

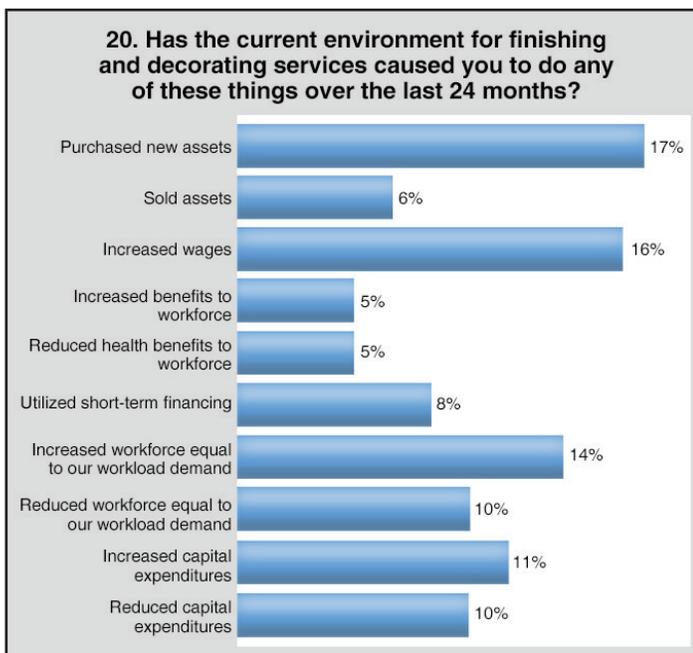
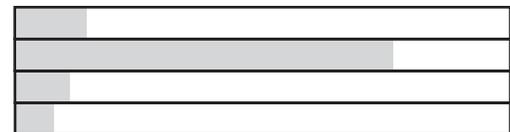
18. Have you seen increased materials costs over the last 24 months?

Yes 86%
 No 14%



19. If yes, what amount have you passed on to your customers over the last 24 months?

All 11%
 Some 74%
 None 9%
 Not applicable (no increase in materials costs) 6%



In 2009, the question was phrased as, “How will you most likely manage costs in the current economic environment.” At that time, the survey was evaluating a planned response to an economic slowdown that was just beginning. In the 2011 survey, respondents were asked for the actual steps they were taking to deal with the recession. The 2009 survey indicated industry members were planning to reduce capital expenditures and reduce the workforce equal to workload demand – temporary measures meant to ‘ride out the storm.’ In 2011, 60 percent of survey respondents enacted those plans by reducing their workforce to equal workload demand and 53 percent reported reduced capital expenditures. FSEA members also reduced wages and employee benefits, which indicated a need to implement more permanent measures to survive the economic uncertainties.

In 2016, the survey respondents’ top responses to the current economic environment have been to purchase new assets, increase wages and increase their workforce to equal workload demand. This is a significant turnaround in five years.