

Executive Summary

More than 440 companies from across the printing industry participated in SGIA's 2019 second quarter Financial Benchmarking Industry Survey. This report summarizes results for the 24 respondents whose primary business is functional printing. (The survey defined functional printing as "printing done as part of a manufacturing process; applications include printed electronics, marking/branding of parts or products and decorative products, often printed at scale.")

The group's annual sales range from less than \$1 million to more than \$50 million, with a median of \$6.4 million. Two-thirds are based in the U.S., while nine countries, including Canada, Ireland, India and the Dominican Republic, are represented in all.

The majority sell exclusively to other businesses (68.2%), serve both industrial and non-industrial markets (56.5%), and have been in business more than 20 years (75.0%). While 58.3% are focused entirely on functional printing, 41.7% have diversified into other segments, including graphic and sign production (41.7%) and commercial printing (20.8%).

More than 68.0% use digital and analog technologies. Digital is dominant for 22.7%, analog for 9.1% and neither is dominant for 36.4%. Capacity utilization rates vary from less than 30% to greater than 80%. The majority, however, operate in one of two ranges: 41% - 50% (22.7%) or 71% - 80% (31.8%).

Half reported their sales increased last year, with the remainder reporting no change (37.5%) or a decline (12.5%). On average, sales were up 6.0%.

Revenue projections for 2019 are aggressive: 82.6% expect growth, while 13.0% expect no change and 4.4% decline. On average, sales are expected to increase by 11.9%. Those expecting growth are counting far more on what they will do for themselves — specifically, marketing more effectively (81.3%), selling more effectively (62.5%) and developing recently added products and services (56.3%) — than on what the economy or their markets will do for them.

Profitability increased for 47.4% last year, while 47.4% did not see a change and 5.2% saw a decrease. Expectations for 2019 are in line with 2018 results: 47.4% expect an increase in margins, 42.1% expect no change and 10.5% expect a decline. The most frequently cited barriers to increasing profitability include rising wages (64.7%), rising costs of essential materials, supplies and inputs (58.8%), and workflow inefficiencies (58.8%). Tactics for overcoming the barriers include lean manufacturing, automation, continuous improvement and monitoring operational efficiency more carefully.

The functional printers surveyed widely agree that revenue creation, cost control and efficiency must all be stepped up in 2019 to protect margins from rising costs.