Ed McLaughlin

Chairman, CEO

Valderus LLC

If I were

You !

Topics

- What is happening to Pages?
- What happened to MPS?
- IT Services the future?

I’ve Got a Question.

We hear all this talk about change and transforming, but to what and how?

How do these changes align with my existing core KBIs?

Are the processes compatible?

Are the reward metrics constant with my existing reward systems?

Do we possess, ***at least***, the minimum level of knowledge to create value for my customer?

What are the trends in the markets affecting the services that are my future opportunity?

Am I ahead of, or behind those trends?

Is the Sky really falling?

NO！

Trends

U.S. Print Market Landscape

U.S. Copier/ MFP Business

Definition	2011 Actual	2012	2015 (Fcst.)	CAGR%
Total Copier Market (includes hardware, supplies, and service)	$21,267	$20,890	$20,194	-1%
Copier Hardware Only	$9,437	$9207	$8,088	-4%
Copier Supplies Only	$5,174.1	$5,193.1	$5,566.6	2.7%
Copier Service Only (includes break/fix and service contracts)	$6,655.9	$6,490.0	$6,539.8	0.2%

Megatrends

Hardware Trends

- Ongoing shift from mono to color
- Total Monochrome placements (.2% CAGR) and monochrome revenues (-7.9% CAGR) declining
- Total Color sales growing but current economic conditions will impact color placements near term
- Greater impact on high-speed mono and color MFPs
- Shift to lower priced products
- Recession expected to have a long-term impact on printing market
- Customers have greater understanding about how much they spend for document production and MPS awareness
- Unlikely that total placements will ever reach levels seen prior to recession

Supplies Trends

- Reduced total print volume among customers. Annual Impression Flat

Includes A3 & A4 MFPs from Copier Vendors

InfoTrends

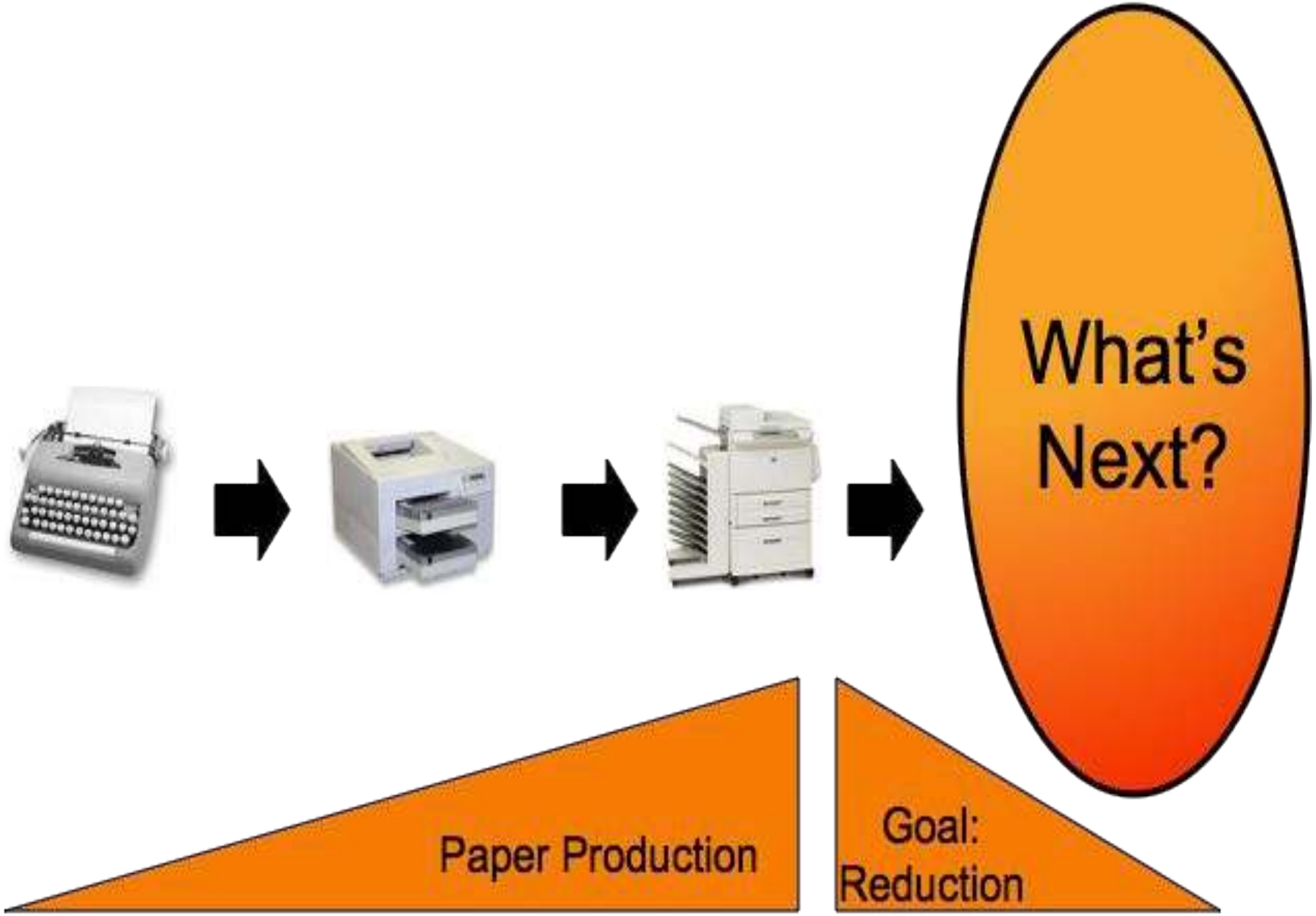
U.S. Print Market Landscape (millions)							
	Definition	2011 (Actual)	2012 (Fcst.)	2015	CAGR%	Megatrends	
U.S. Printer Market Total Includes all single-function printers from copier and printer vendors and all MFPs from printer vendors	Total Printer Market (includes hardware, supplies, and service)	$31,534.7	$31,427.0	$30,985.3	1.5%	Hardware Trends • Continued transition from mono to color and from SF to MFP • Rising unemployment leads to fewer office users • Shift to A4-size MFPs and lower priced hardware creating stability in printer hardware market • Large organizations looking at cost-cutting measures – MPS resonating with customers • Tighter controls on page production, access to color • On-going interest in managed print services will impact both printer and copier markets in future Supplies Trends • Non-OEM supply cartridges have the greatest share among older machines • Greatest share gains among non-OEM cartridges take place in the 2-3rd year of the life of a new printer cartridge • Non-OEM Share gains largely peak by 4-5th year	
	Printer Market Hardware Only	$5,630.4	$5,360.5	$4,909	-3.3%		
	Printer Market Supplies Only	$24,517	$24,581	$24,524	.3%		
	Printer Market Service Only (includes break/fix and maintenance kits)	$1,387.1	$1,485.2	$1,552	4.6%		

	U.S. Print Market Landscape (millions)					
	Definition	**2011 (Actual)**	**2012 (Fcst.)**	**2015 (Fcst.)**	**CAGR %**	**Megatrends**
Total Combined U.S. Printer & Copier Market **Includes all single-function printers and MFPs from printer and copier vendors**	Total Hardware Market	$15,067	$14,568	$12,997	-7.2%	Hardware Trends • Continued transition from mono to color and from SF to MFP • A3 placements declining • A4 placements growing • We are not seeing A4 placements coming in as direct replacement for A3 in some cases it is complimentary to the A3 product line. • Falling ASPs put continued pressure on hardware revenues for A4 • Shift to color in A3 in 45+ppm Segments is fueling hardware revenue growth • Pages are shifting from SF devices to MFP copiers and printers and from A3 to A4 devices • Shift from EP to inkjet in lower speed segments (Business Inkjet) MFPs.
	Total A3 Hardware (includes all laser and page-wide ink)	$9,437	$9,207	$8,088	-4%	
	Total A4 Hardware (includes all laser, page-wide ink, and consumer inkjet)	$5,632	$5,361	$4,909	-3.3%	

	U.S. Print Market Landscape						
	Definition	**2011 (Actual)**	**2012 (Fcst.)**	**2016 (Fcst.)**	**CAGR%**	**Megatrends**	
Production Copier/ MFD & Printer Business	**All Single-Function Printers and MFPs that are placed in staffed environments (Includes just A3). This includes all revenue for equipment, service and supplies**	**$9,672**	**$9,687**	**$10,261**	**1%**	• **Market still recovering from decline in 2009, with good gains in 2011** • **Slight slow-down in high-end equipment through deferred purchases until new products from drupa 2012 become available** • **Print run volumes declining in BW– but growing in color** • **Color pages starting to migrate from offset to digital in greater amounts towards the end of the forecast period** • **Access to capital getting better, but financing is still tight** • **Heavy discounting on digital equipment pricing between 30-50%**	

**This is a subset of the Copier/MFD and Printer numbers stated on the previous slides*

	U.S. Print Market Landscape (millions)					
	Definition	2010	2011	2016	CAGR %	Megatrends
Managed Print Services	Includes HW, Supplies and Services – Does not include CRD, FAM	$6,731	$8,306	$11,450 (2015)	11%	•MPS is a subset of the overall Hardware, Supplies and Services markets •MPS is not incremental growth to these areas but represent a shift to how these products are being delivered to the market
CRD/Fleet Onsite FM	Document services provided under long-term contract at a customer's site: • Workgroup document services • Mailroom operations • Imaging services • CRD management • Distribution services	$9,658	$9,937	$11,749	3.4%	• Significant growth in digital distribution means scanning and input services will begin to mature • Increase in hybrid services contracts, with off-site and cloud-based support continuing to blur the on-site/off-site lines
Offsite	Contracted document services performed off the customer's site, at provider's facility: • Print production • Creative services • Scanning • Near-site services • Hosting/content mgt	$21,655	$21,914	$24,081	1.9%	• Rapid migration to digital color print production has shifted workflow and equipment needs • Growth in data services as communications shift from physical to digital and consumers demand relevance
Transaction ADF Transpromo	Design, production, printing, imaging, mailing and database management associated with bills, statements, and other financial documents. Includes TransPromo	$2,728	$2,721	$2,704	-0.1%	• TransPromo growth slower than expected, but e-Presentment shift continues at a steady pace • White paper solutions are becoming more common as providers seek to eliminate pre-printed forms to improve efficiencies
Document Process Outsourcing	Outsourcing of entire document intensive business process, from end-to-end, to a single service provider	$581	$663	$1,289	14.2%	• Fastest growing segment. Much of DPO potential exists within Transaction segment • Convergence between BPO and DPO as companies continue to move further upstream and customers demand bundling


What's
Next?
Paper Production
Goal:
Reduction

What's Changing

- The office work force
- Processes
- Accounting Standards
- Expectations

The Changing Work force

- They have been educated with the computer as their primary source of information.
- They are accustomed to mobile and instant access to information.
- They see the traditional infrastructures as limitations rather than support.

It's all about the content !

Digital Displays
Mobility
Refined content
Streaming Data
Spreadsheets
ERP
Net Meetings

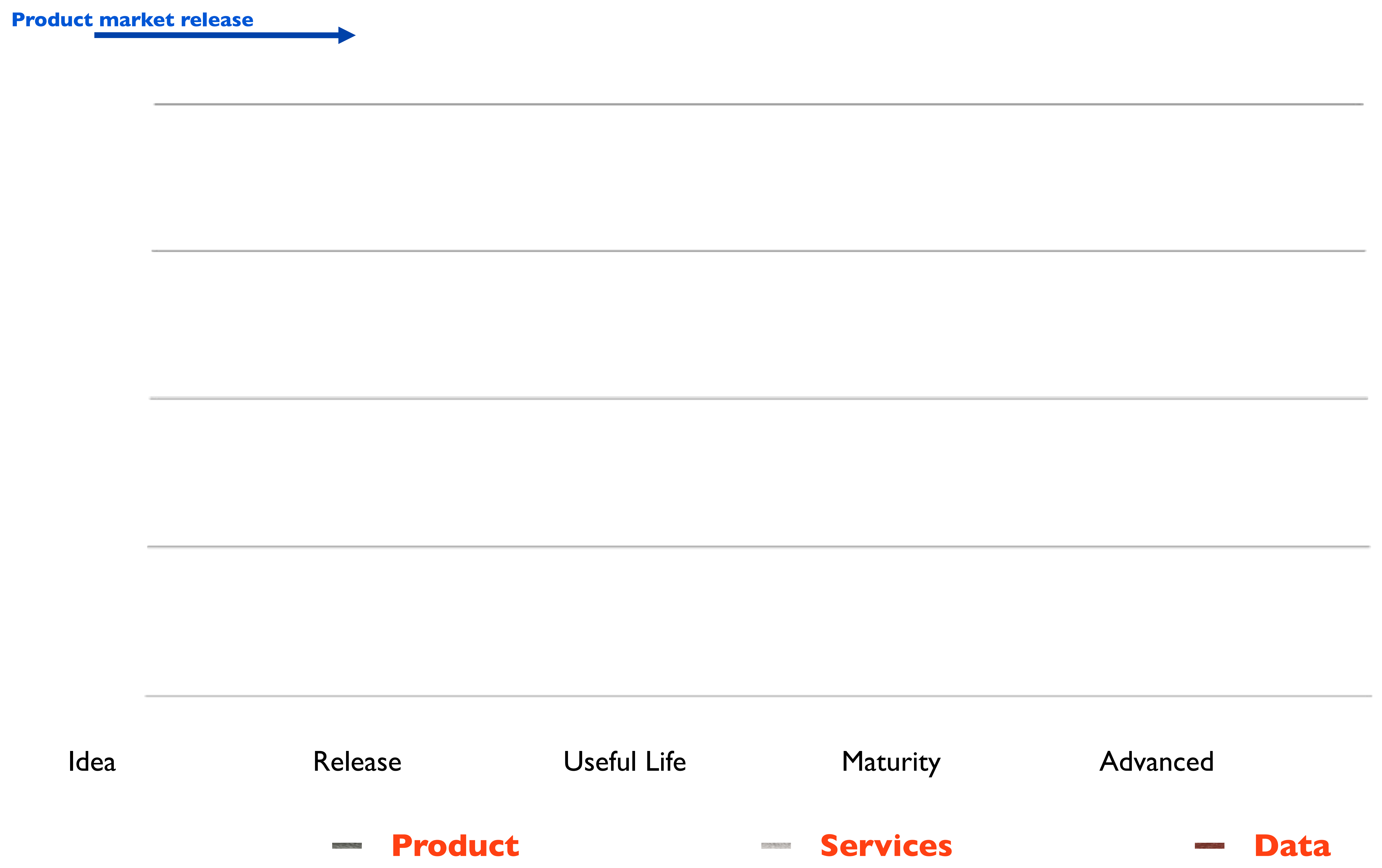
Paper Production

Goal:
Reduction

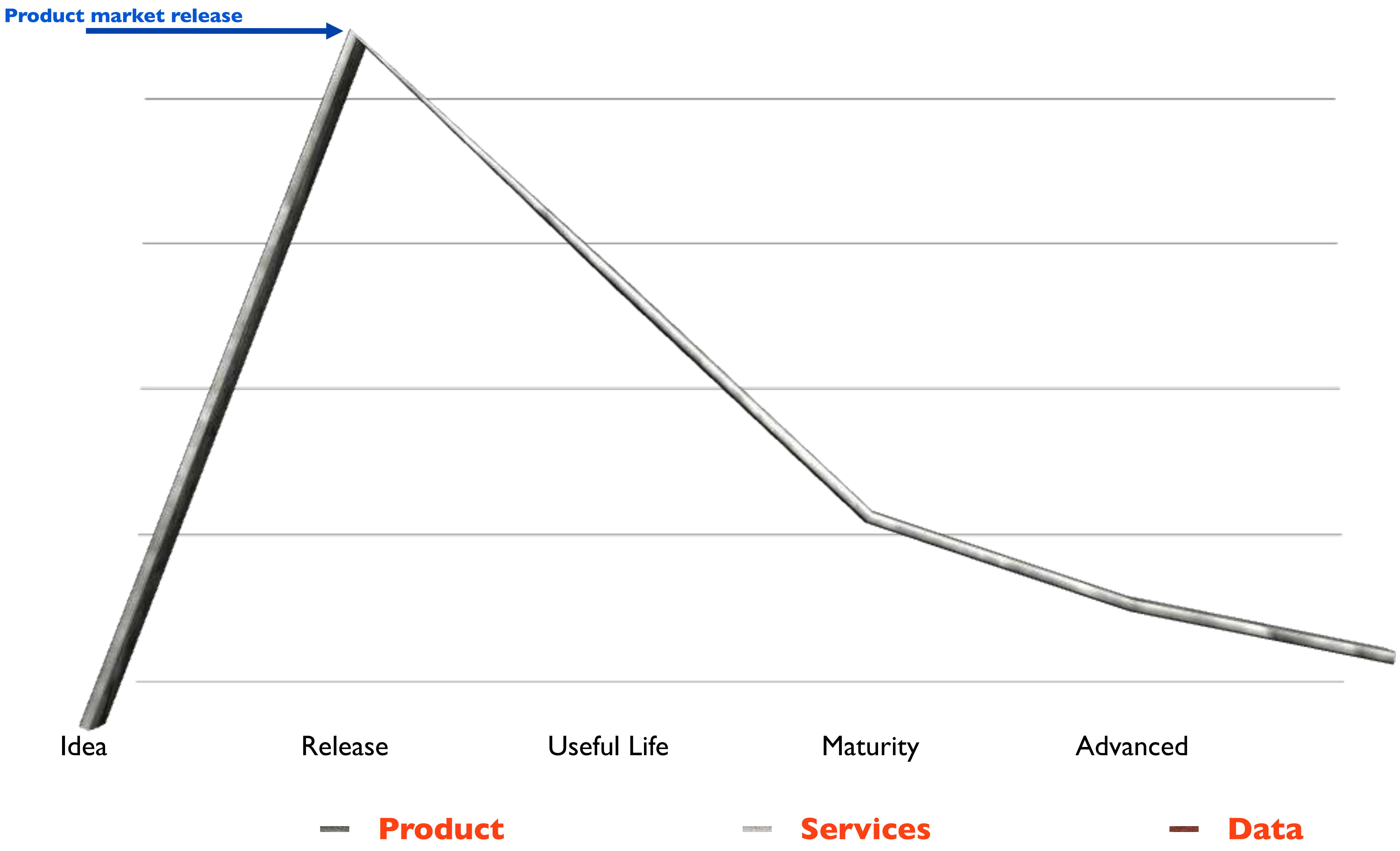
Product Value Life Cycle

Product Services Data

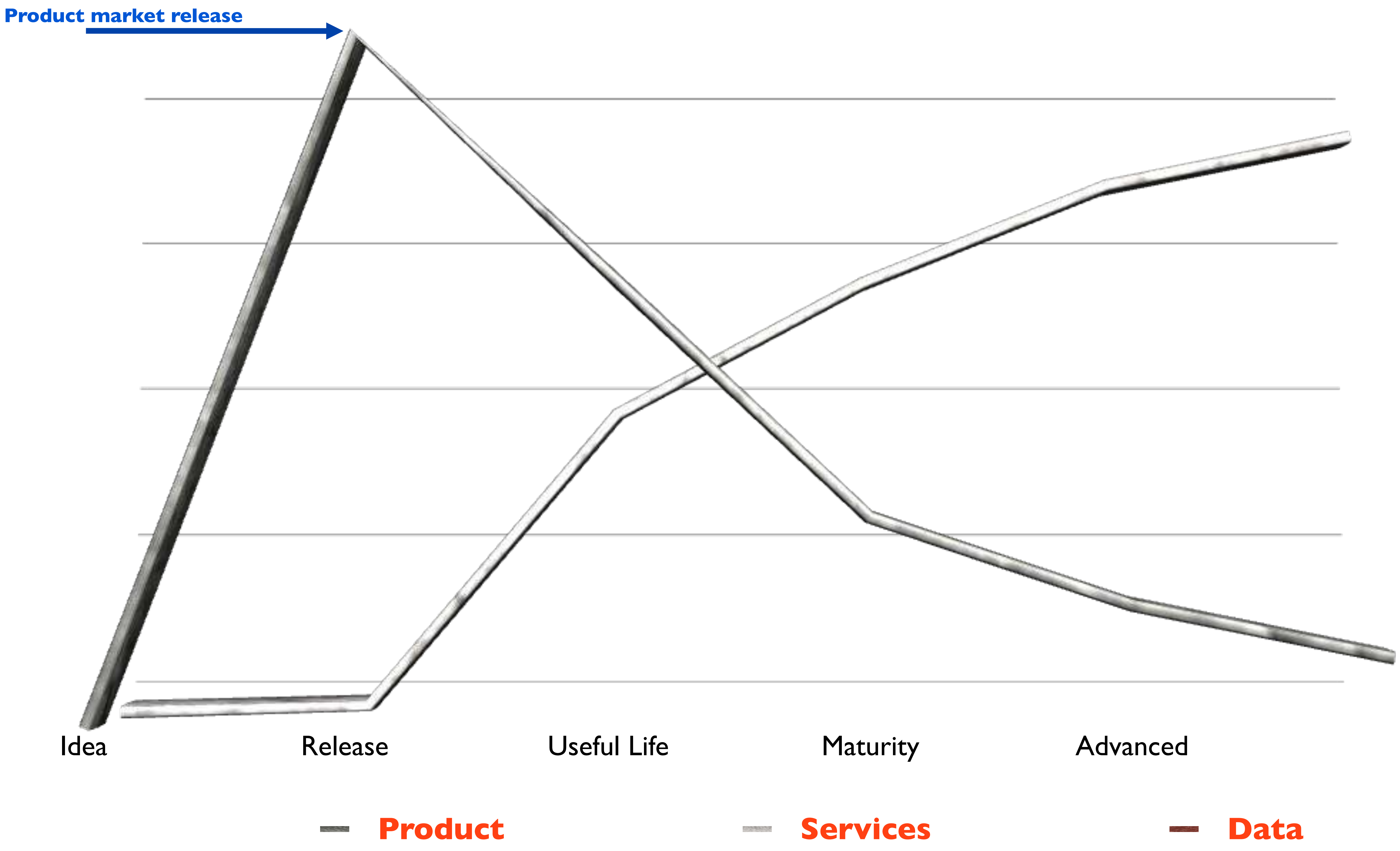
Product Value Life Cycle



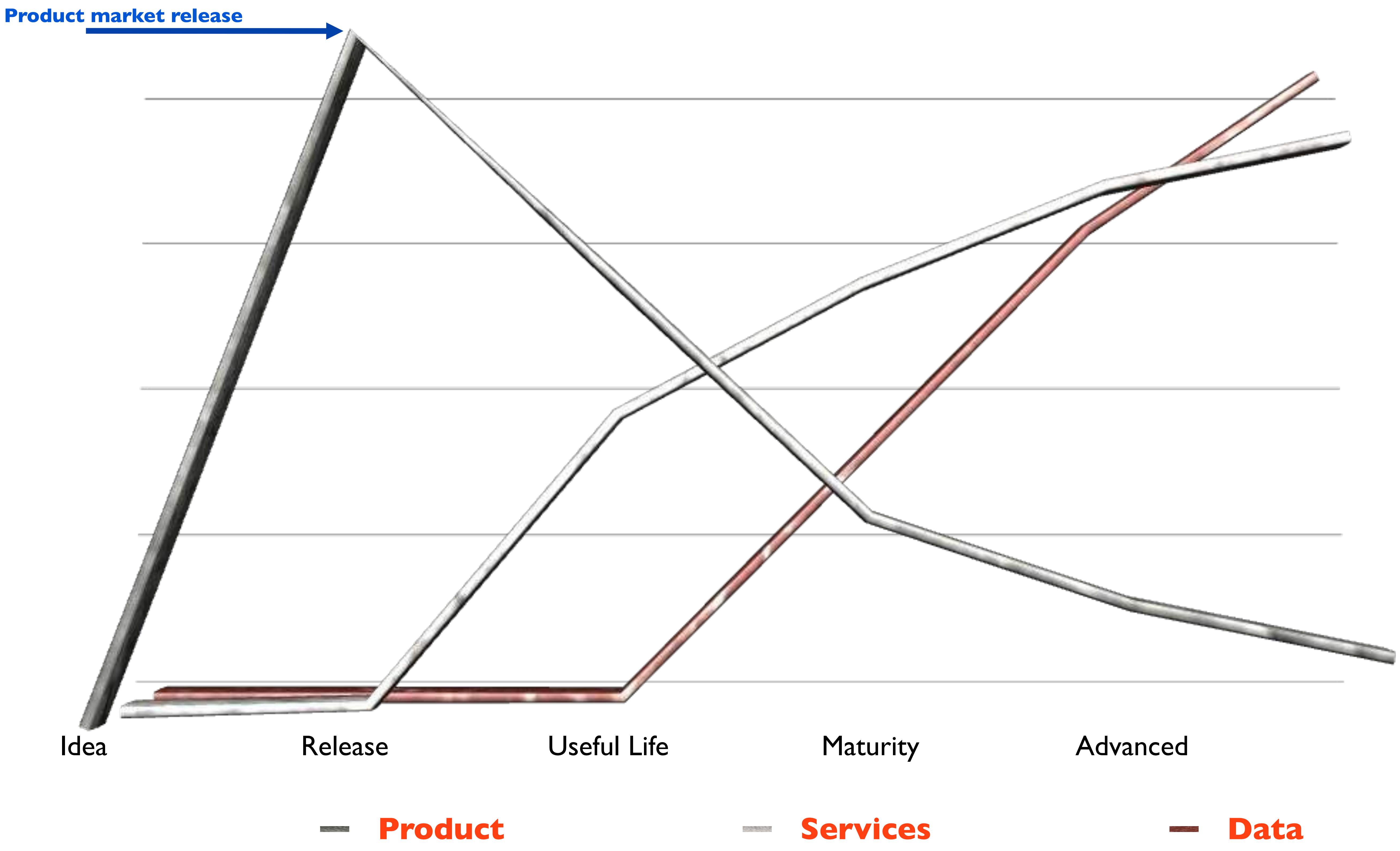
Product Value Life Cycle



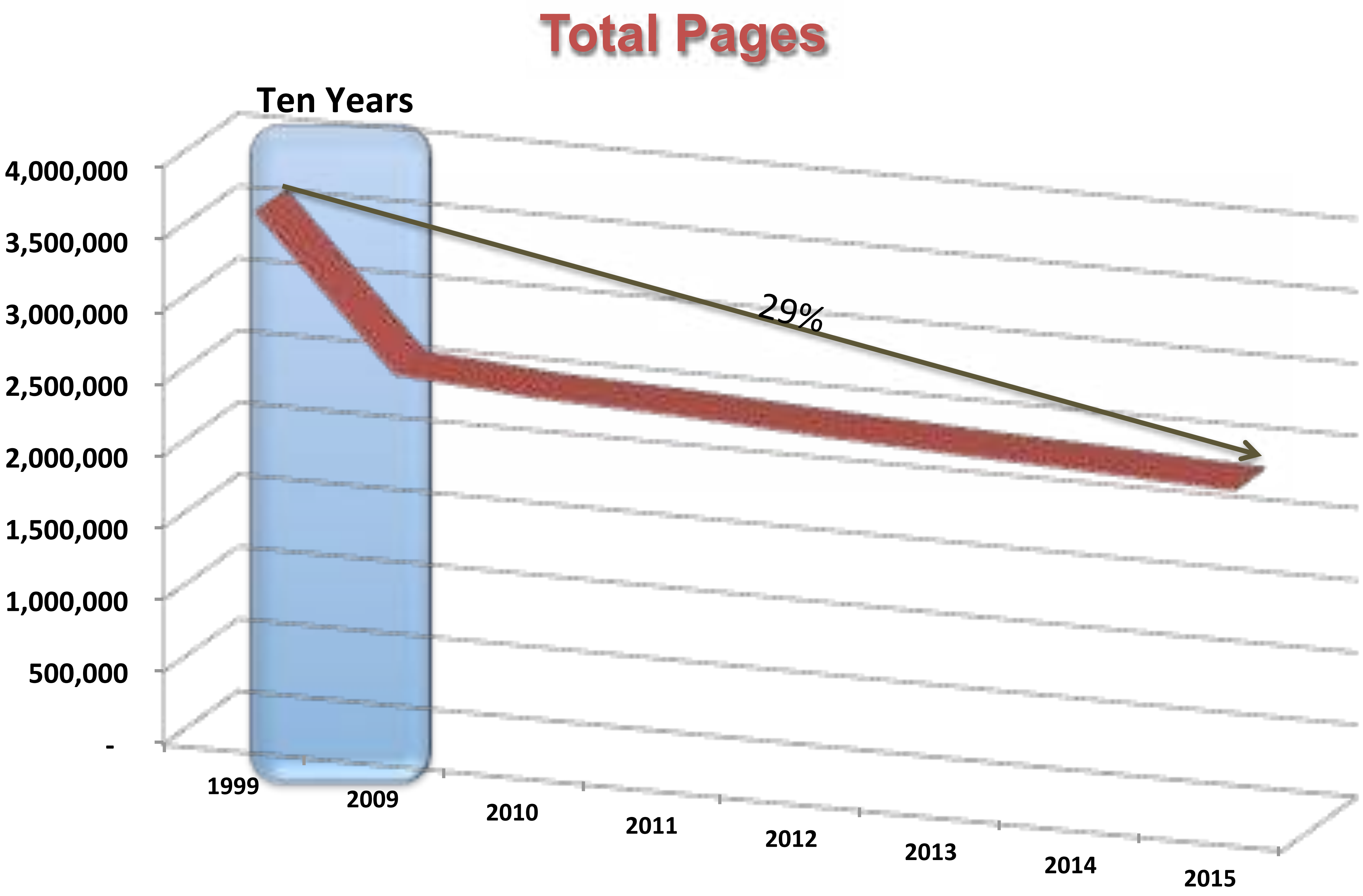
Product Value Life Cycle



Product Value Life Cycle

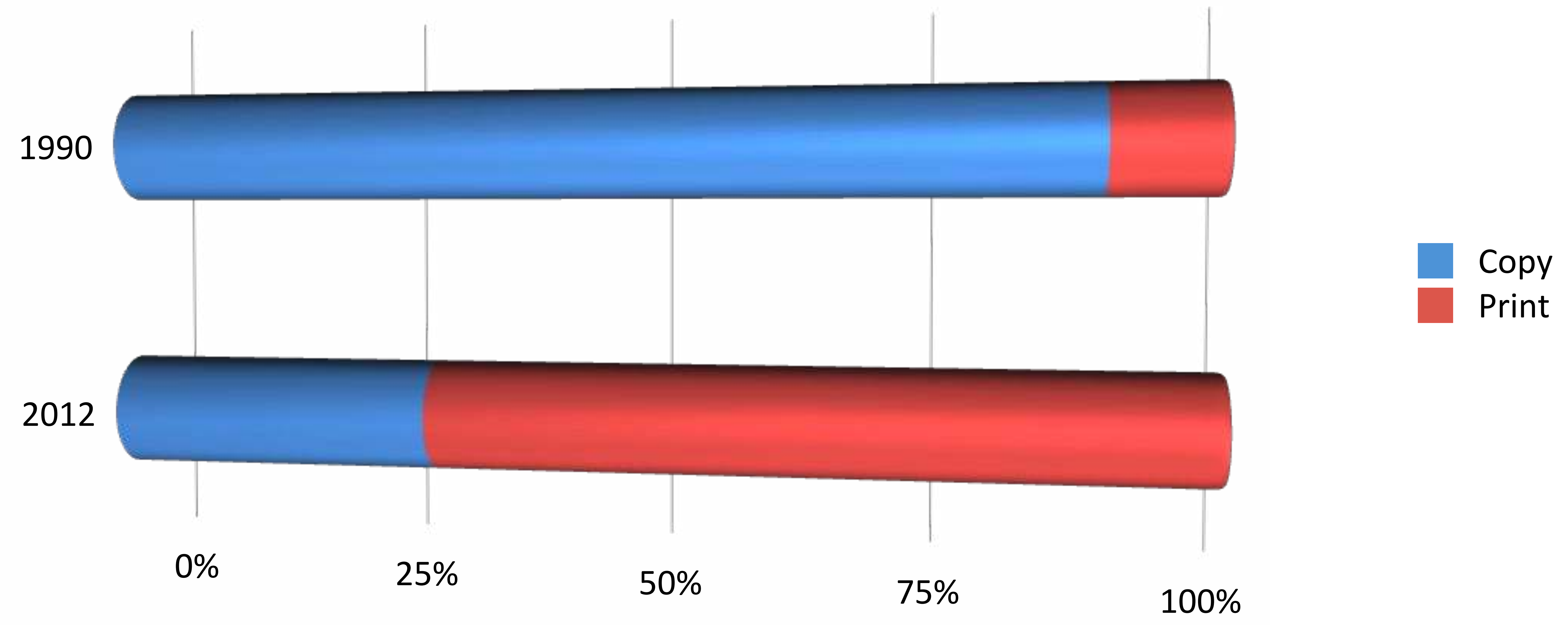


Trends in Uncoated Paper



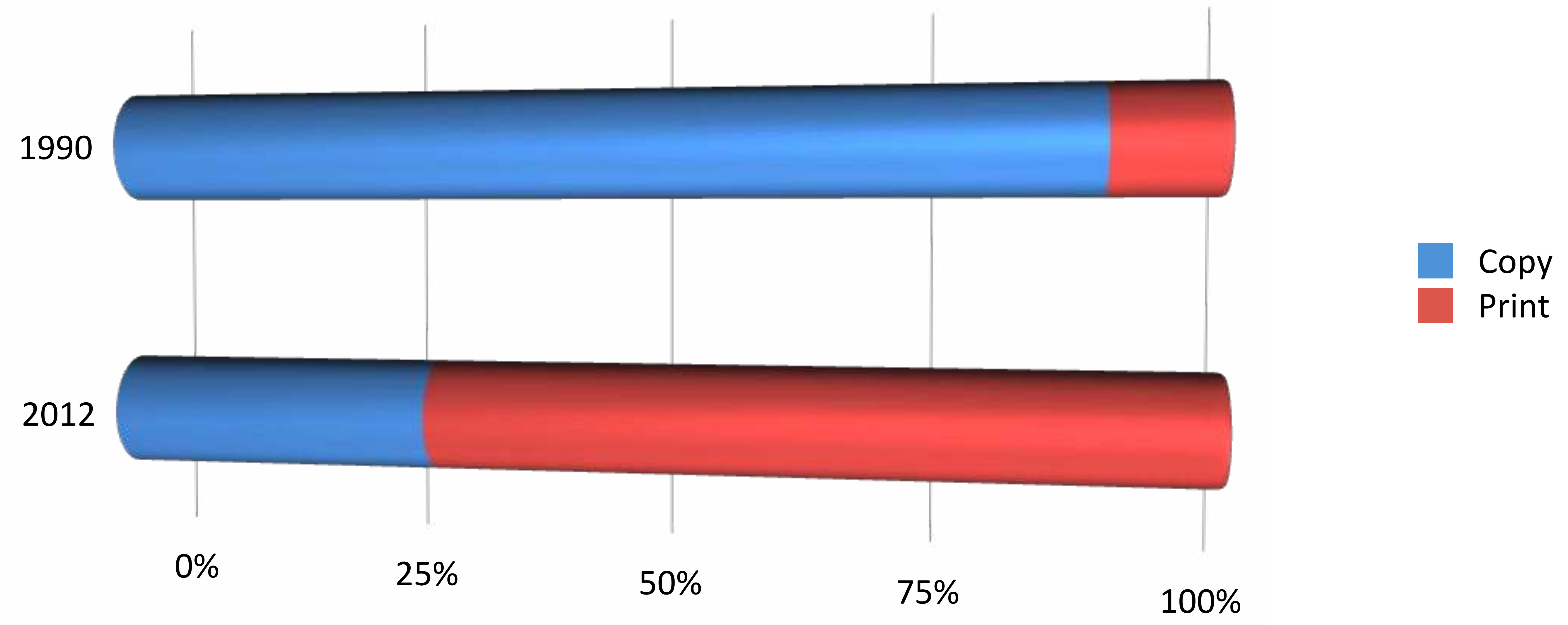
Forecast Source: Photizo Group

Page Output



Source: IDC

Page Output



Page Trend Is moving closer to the point of need

Source: IDC

MPS

IT Services

Services = Knowledge

Data

Structured

Unstructured


The Cloud

By 2015…

Internet and device expansion drives new requirements for IT solutions

1. IDC "Server Workloads Forecast" 2009. 2.IDC "The Internet Reaches Late Adolescence" Dec 2009, extrapolation by Intel for 2015 2.ECG "Worldwide Device Estimates Year 2020 - Intel One Smart Network Work" forecast 3. Source: http://www.cisco.com/assets/cdc_content_elements/networking_solutions/service_provider/visual_networking_ip_traffic_chart.html extrapolated to 2015

By 2015…

More Users

>1 Billion More Netizen's[1]

More Devices

>15 Billion Connected Devices[2]

More Data

>1 Zetabyte Internet Traffic[3]

Internet and device expansion drives new requirements for IT solutions

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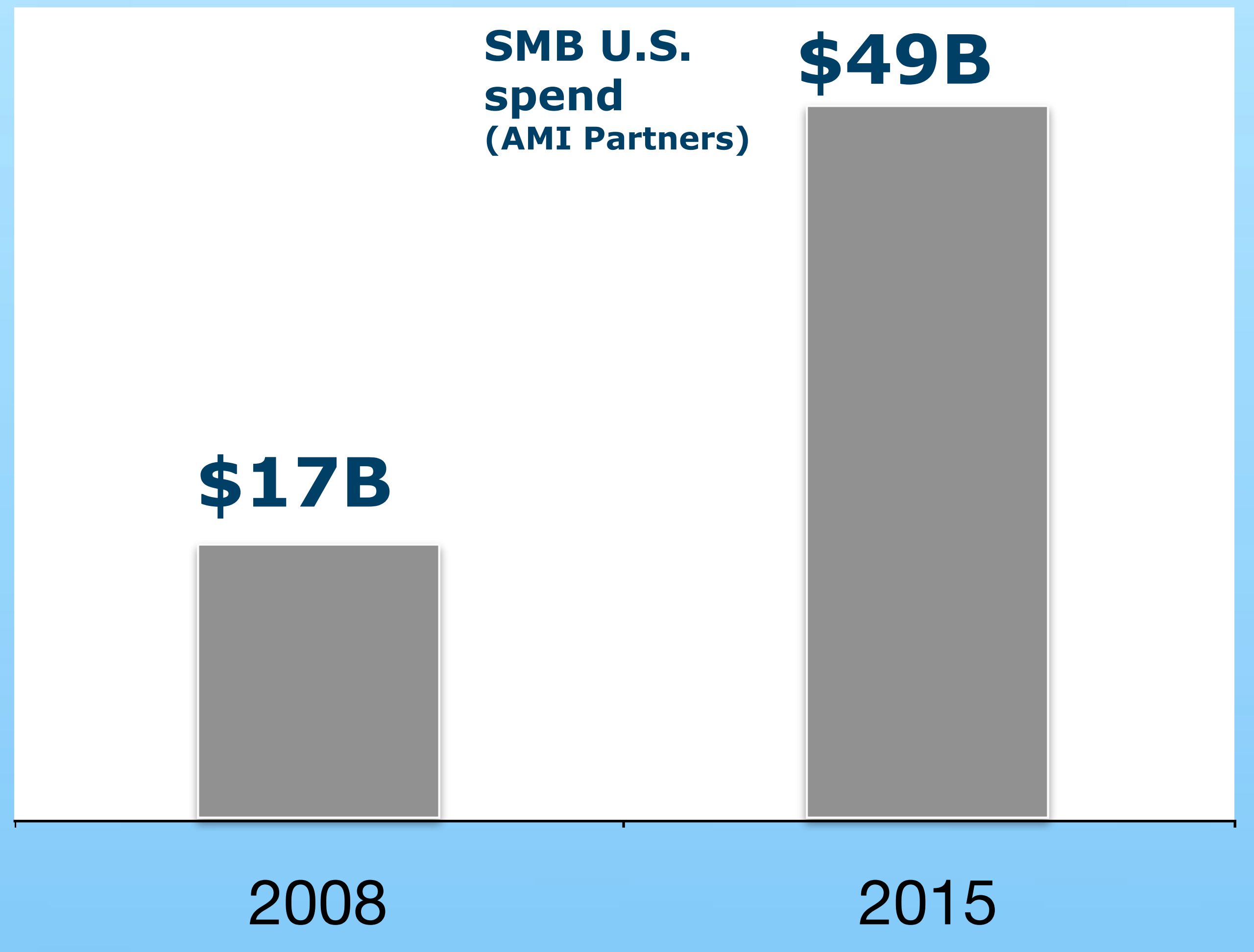
“Cloud” to Play a Major Role in Growth

Global IT spending on cloud (IDC estimates, 2009)



Industry Voices

“#1 Technology Trend for 2010”
Gartner

“SMB Cloud computing + Services in U.S. = $49B by 2015”
AMI Partners

Cloud Computing is here …

Cloud ERPs

Acumatica Experience The Freedom of Cloud ERP

SAP

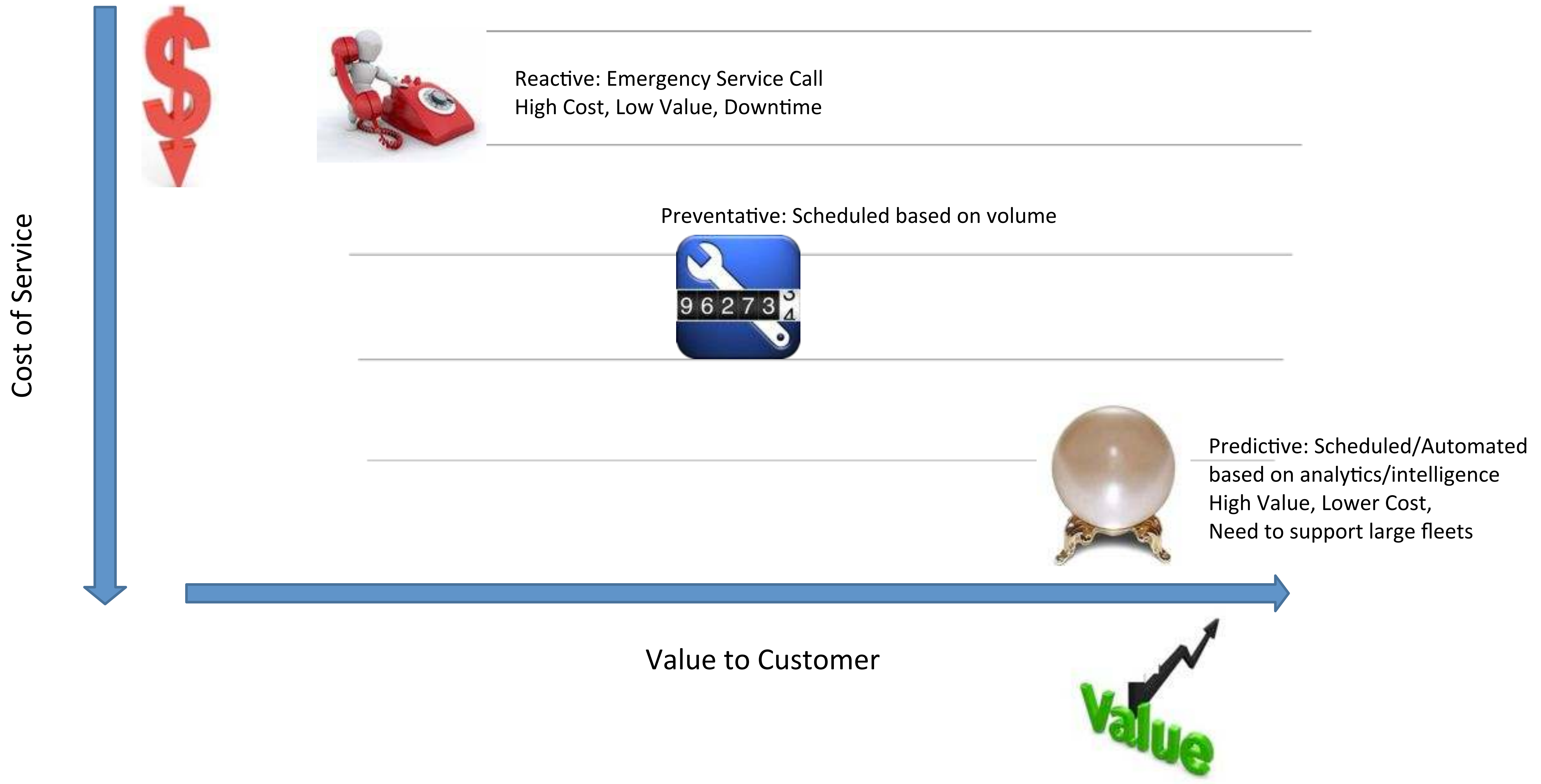
NETSUITE

PLEX SYSTEMS

IBM

The Future of Service

Predictive Service: Driving Down Cost of Service, Increasing Value



It’s About Accounts, and Account Knowledge !


Focus

MPS

Managed Print Services

SHARP


MPS
Managed Print Services

Rules for Success

- *First, diligently study your opponent's success so that you can align your strategy perfectly with what's being practiced by the competition.*
- *Second, ignore everything your competitor is doing and make up new marketplace rules as you uncover customer improvement opportunities.*
- *Third, be willing to exit profitable businesses before a disruptor takes it away from you.*
- *Fourth, remember that only has-beens and also-rans worry about rules contradicting themselves.*

“less successful companies took the conventional approach where strategic thinking was dominated by staying ahead of competition, in stark contrast, the high growth companies paid little attention to beating their rivals. Instead they thought to make competitors irrelevant”

Harvard Business review

Let's Talk!

Thank You !