

Chesapeake Resource Group LLC



Southern Lithoplate Inc.

An interview with Edward A. “Trip” Casson III, Chairman and CEO.

By David R. Lightfoot, Chesapeake Resource Group.

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Preamble: The North American graphic arts industry is experiencing severe difficulties. Commercial printers are struggling with an erosion of print due to the economy, some daily newspapers are closing their print operations and switching to electronic delivery, others have closed entirely. As a key industry supplier, Southern Lithoplate (SLP) is vitally concerned about this situation. Southern Lithoplate Chairman & CEO, Edward A. “Trip” Casson shared his thoughts regarding Southern Lithoplate’s position with David Lightfoot.

DRL. *Given the economic storm we are experiencing, how would you summarize Southern Litho’s perspective and positioning going forward?*

TC. Southern Litho’s lean manufacturing vision and our “highest quality at the lowest possible cost mission” is purposed to meet times like these head on. In harmony with our vision, we have implemented positioning strategies similar to those of our customers. We constantly rationalize the size of our business consistent with customer demand. Our business volume is directly tied to the printed page count. Fundamentally, our Lean Manufacturing model, enables us to run a tight ship not only in good times which we are certain will return, but in tough times like these as well.

DRL. *One bright spot has been the conversion to computer to plate. Southern Lithoplate developed the computer to plate (CtP) Alliance program in order to provide printers with a fully integrated CtP solution. How successful has that program been?*

TC. The CtP Alliance partnership has been extremely successful and very beneficial to our customers over the last five years. We fully provide an ala carte alternative for prepress system solutions. This enables our customers to configure best in class components at an ultra affordable total cost of ownership. The Alliance brought Dainippon Screen’s plate setting equipment, several work flow solutions, and NELA’s plate handling systems together in one turnkey solution from a single trusted source. This approach has provided an excellent value proposition for the customer.

DRL. *In 2006, SLP acquired Citiplate, and you have invested in increased manufacturing capacity at Wake Forest, North Carolina. What is the next initiative that you are planning?*

TC. To emerge from this recession as the undisputed Value Leader for North American printers! Because of the downturn in the economy, we are rationalizing our capacity, and being as efficient as possible in our manufacturing operations. Our competitors are following suit, and there has been an announcement of one competitive plant closing already. We are leveraging the efficiencies built into the new capacities that were added. We still continue to manufacture at our Citiplate campus. Fortunately, we have seen a recognizable increase in volume as we enter the spring.

DRL. *Plate purchases is probably a very good advance economic indicator. Do you agree?*

TC. Yes, as consumers re-enter the marketplace, advertisers will fight for their spendable dollars. Printed pages increasing reflect an improving consumer marketplace. Our customers are already printing more pages.

DRL. *I understand that you are launching a new Certified Strategic Alliance Partner Program. Can you describe this initiative in more detail, and what happened to the CtP Alliance program?*

TC. To quote one of our key customer partners, regarding our approach to total solutions, “SLP has proven to be a key strategic provider with plates, plate-setters and ink optimization software. One size does not fit all. SLP collaborates to find the right mix of hardware, software and consumables that will provide both short and long term impact.” In a nutshell our CtP Alliance has matured. We now enter a future focused on Strategic Partners that will reach beyond our traditional prepress focus and also include revenue generation and financing.



DRL. *What additional capabilities will this new Strategic Alliance offer your customers?*

TC. We have added a financial solutions tool. We are adding revenue generation experts like HDS Premier Consulting. We intend to support our customer’s sales forces to develop and implement integrated media campaigns for print, internet and mobile advertising. We will continue to add Certified Partners like these that also drive quality, value and performance within our integrated customer support platform.

DRL. *You mentioned financial tools, can you give me a more specific example of this and how it works?*

TC. Southern Litho has our own financial services solution for our customers called Southern Financial Services “SFS”. SFS empowers our customers to access affordable credit for prepress and pressroom needs. We can handle in house all of the financing for major capital expenditures such as complete CtP bundles. Our customers now enjoy a full turnkey package including financing from Southern Litho. This also enables us to aggressively compete with the industry majors that have had access to internal corporate financial resources.



DRL. *You mentioned HDS Premier Consulting and their revenue generation program, how will this benefit the industry and SLP because it appears to be an unusual partnership?*

TC. We are demonstrating that we will be more than a plate supplier or an equipment supplier. We have 100% confidence that our commercial and newspaper print partners will survive and thrive. By providing resources such as HDS Premier Consulting, we are giving customers new capabilities to enhance their businesses today.

DRL. *Regarding the expanded resources that you have mentioned or strategic business partners, are there selection criteria or any limit? What would make a given strategic business partner preferred over another one.*

TC. The success of the CtP Alliance generated requests from both our customers for more solutions and additional vendors to participate. This is not surprising because the Alliance helps partners increase the awareness of their brands, and offers a better return on scarce marketing dollars. As we expand the program, we will exercise stringent due diligence to ensure that new partners will help our customers in powerful new ways!

DRL. *Is it too early to begin to predict what the benefits of the new program will be to your customers?*

TC. Given today’s economic environment, we want to be out in front with new initiatives to help customers build a successful business model. Right now is the perfect time to be launching our new initiatives. Our customers that are successfully driving new revenue streams fully know the key to recovery and growth is tied to investing today.

DRL. *SLP has emerged as one of the strongest prepress suppliers in North America. What steps are you taking to develop and strengthen your company’s image to make sure that this reality is communicated?*

TC. As we have streamlined our business, we have not cut back on our investments in CapX or R&D. Plus, we added seasoned expertise to our sales organization in January 2009 to further support our customer’s needs. Our R&D budget increased significantly this year over last year. Investing in all areas of the business is critical to us continuing to thrive and emerge in a leadership position. We continue to support our current and future

customers with new and improved technology, production efficiency, capacity, product quality and service second to none!

DRL. *Newspapers have been a core part of Southern Lithoplate's history; will you remain committed to the market or move more toward other opportunities?*

TC. We are a diverse company. Nearly 35% of our business base is thriving and growing within the commercial market. We remain committed to the newspaper market. I am still confident that there is going to be a healthy newspaper market when this recession is over. I doubt that there will be room for all the players that exist now. We will be there for both markets when the economy turns around.

DRL. *On a more positive note, you mentioned earlier that you were seeing glimmerings of a recovery. Will you hazard a guess when business conditions might stabilize and we see a lift from the bottom?*

TC. **For a fact,** consumer spending has been driving the US economy for the last ten years. In our opinion, we will not get a good feel for improvements until the third quarter of this year. Hopefully the recent advertising pickup is in anticipation of a strong spring and an even better 2009 holiday season. If the advertising does not pickup, then we are going to have to ride out another tough year in 2010.

DRL. *In closing can you summarize by answering the question what makes SLP different?*

TC. Regarding financial sustainability, our fiscally conservative philosophy of running a business that is not over leveraged has always been at our core. This approach allows us to make quick adjustments in our variable costs in tandem with tight management on the fixed side. We prudently manage overhead to ensure profitability and a healthy outlook going forward. Companies that don't have a lot of debt on their books are still continuing to be profitable. Because we are not a public corporation, we are sensitive to the need to protect the business against adverse conditions. Our conservative financial foundation has served us well -- funding our staffing growth, capacity, and technology and service platforms. Upon our strong fiscal foundation, I put my people and our customer passion up against any competitor, anytime!

DRL. *Do you have any final comments that you would like to add?*

TC. I recognize the pain associated with this economic downturn and the change in the business models that is happening now and going forward. We will partner with our customers by expanding our strategic partnership program to provide more resources for them to tap into – to create opportunities to increase their revenues and profits, while also maintaining our core mission to provide the best cost of ownership in prepress and on press.

DRL. I would like to express my thanks to you for taking the time for this interview.

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