Investment Opportunities in the Printing Industry in Taiwan

I. Reasons to Invest in Taiwan's Printing Industry

(1) A highly stable political and economic environment and freedom of trade;

(2) High-caliber talents in the industry and ease of recruits;

(3) Information circulation without restrictions;

(4) Centrally located in Asia and easy access to other Asian markets;

(5) A complete value chain from up, mid to downstream and a comprehensive product offerings;

(6) Rapid development of multimedia design and interdisciplinary technologies to facilitate the expansion of product applications;

(7) Keen interest in the introduction of foreign equipment and facilitates to improve its quality and technologies to the international standards;

(8) Clustering of manufacturers to make marketing easy;

(9) Growing domestic market as Taiwanese manufacturers return to Taiwan due to soaring production costs in China;

(10) Strong demand for both software and hardware as the industry is moving towards digital printing.

II. Production Value of Printing Industry

The production value of the Taiwanese printing industry in 2013 reached NT$71.3 billion. 2012 demand from the increasing amount of real estate pushes the case to drive the printing needs of advertising.

In addition, because local manufacturers to actively explore the overseas market in recent years, the export ratio has been continually improved.

Table 1 Value of Taiwanese Printing Industry

	2009	2010	2011	2012	2013
Production value	68,827	75,601	77,142	74,104	71,479

(NT$million)					
YoY(%)	-3.78	9.84	2.04	-3.94	-3.54
Sales (NT$million)	68,282	74,926	76,615	73,547	70,894
YoY (%)	-4.65	9.73	2.25	-4	-3.61
Inventory (NT$million)	466	589	536	500	425
YoY (%)	-12.62	26.28	-9	-6.6	-0.15
Exports Ratio(%)	10.99	11.68	11.62	12.5	11.69

Source:Taiwan Industry Economics Service; Department of Statistics, Ministry of Economic Affairs (2014.04)

III. Key Industry Players in Taiwan

Base on the revenue of major Taiwanese printing companies in 2013, K LASER Technology Inc. has the highest revenue followed by Shen’s Art Print Co.. K LASER successfully becomes the laser printed label supplier of Chinese local cigarette and alcohol firms, and improves its production efficiency by introducing new production process. Therefore, K LASER enjoys a high profit margin and expects a further growth after receiving new orders from clients like KKL (Kinmen Kaoliang Liquor Inc.) in 2014. As for Shen’s Art Print Co, its gross margin increased by 3.13% compared to 2012, and its outside investment also contribute to earnings growth.

Both revenue and profitability of Forward Graphic Enterprise Co., Ltd., Choice Development, Inc. and BaiSha Technology Co., Ltd. have declined in 2013. The main business of Forward Graphic Enterprise comes from cultural categories of books printing and gift boxes printing, which directly reflect the weak domestic demands. Therefore, their revenue continues to decline and profit margin decreases 4.41% compared to 2012 due to the high fixed cost of color inks; For Choice Development, magazines, books, and monthly classified are major sources of their revenue. The popularity of electronic devices, like tablet or smartphone, has a great impact on their revenue drop; As for BaiSha Technology, their overall revenue suffered a huge 16.37% drop compared to 2012 for the decline in domestic books and poster demand.

Table 2 Major Printing Companies in Taiwan

Company	2013 Revenue (NT$1,000)	2013 Net Profit Margin (%)
TOP HIGH IMAGE CORP. (3284)	1,108,429	6.26
Forward Graphic Enterprise(8906)	170,745	-13.91
CHOICE DEVELOPMENT,INC. (9929)	856,346	4.03
SHEN'S ART PRINTING CO., LTD. (8921)	776,164	9.23
BAI SHA TECHNOLOGY CO., LTD. (8401)	1,339,880	4.22
K LASER TECHNOLOGY INC. (2461)	4,078,901	6.09

Source: Market Observation Post System (2014.05)

IV. Current Status of Taiwanese Printing Industry

The macro changes in policy, environment and relationship with other countries and the stellar achievement of the Taiwanese printing industry in multidisciplinary integration also contribute to this booming development. In 2013, the industry created a production value of NT$71.5 billion, with the majority of the outputs in culture & commercial printing and package printing. In fact, the industrial and non-paper packaging printing presents a market potential of nearly NT$100 billion on the basis of the technological development and applications. The shrinking margins in cultural printing over the past years have prompted some players to gradually shift to package printing and digital inkjet printing in the consumer and creative culture sectors. This combined with the efforts to develop exports means the industry is likely to maintain over 10% annual growth.

The Taiwanese printing industry mainly serves its domestic market. The number of companies in the industry has been around 7,900. In 2013, the number of employees was 69,219. The average salary of the printing and data storage industry declined dramatically to NT$33,782 in 2009 due to the global financial crisis and the recession in Taiwan. However, it went back up to NT$37,550 in 2013, a 6.3% growth in comparison to 2012, which went above the level before the credit crunch.

The printing industry is Taiwan is pacing up its digitalization and building up its competitiveness in this global economy and the Internet world. In fact, the industry has strong incentives for transformation because the domestic market will be increasingly challenging. This is good news to international suppliers of printing machines and facilities. More and more printing firms will switch their processes from impact printing to digital, non-impact and environmental-friendly printing, along with the development of digital technologies and the cost reduction of equipment and consumables. Meanwhile, the growing popularity of Cloud services will require more capex in software systems and business model changes.

Table 3　Production Value of Taiwanese Printing Industry

Unit: NTD$ million

Year	Prints	Plates	Binding & OEM	Total
2007	57,431	6,481	6,623	70,534
2008	57,645	6,555	7,334	71,533
2009	56,013	6,059	6,756	68,827
2010	61,232	6,836	7,532	75,601
2011	62,668	6,678	7,798	77,144
2012	59,460	7,009	7,605	74,074
2013	57,563	6,811	7,108	71,481

Source: Department of Statistics, Ministry of Economic Affairs (2014.04)

Table 4　Imports/Exports of Taiwanese Printing Industry

Unit: NTD$ million; %

Imports/Exports	Exports		Imports	
	Value	Growth (%)	Value	Growth (%)
2009	7,483	-11.50%	6,803	-8.72%
2010	8,275	10.58%	7,125	4.75%
2011	7,503	-9.32%	6,972	-2.15%
2012	8,301	10.63%	7,125	2.19%
2013	7,695	-7.30%	6,789	-4.72

% of the total industry	0.08%	--	0.09%	--

Source: Taiwan Industry Economics Service (2013.11)

V. Business Environment for Foreign Firms in Printing Markets in Taiwan and China

As the printing industry in Taiwan built its infrastructure during Japanese Occupation and with US-aid to Taiwan after Second World War, it is still highly reliant on imported equipment and inks. A survey on Taiwanese firms by Printing Technology Research Institute, there will be significant demand for foreign printing equipment given the recovery and stable growth of the Taiwanese printing market. In contrast, the business environment in China is less welcoming to foreign suppliers. Despite the large market potential on the other side of the Taiwan Strait, the rapid adjustments of economic policies and the government's support of local printing equipment, the market competition is fierce.

VI. Great Potential of Taiwanese Printing Industry

As Taiwan is accelerating free trade and pursing the position as the core of the value chain in Asia, it will be the best location for global innovation centres, economic hubs in Asia Pacific, global headquarters for Taiwanese firms and regional centres for multinationals. The Taiwanese printing industry should also prepare itself for competition and expansion going forward. The importance of Taiwan as an IT and media hub in Asia is evidenced by Google's purchase of 15 hectares of land in ZhangBin Industry Zone for US$100m and plan to establish its data centre in East Asia here. This will surely speed up the transformation of the services provided by the Taiwanese printing industry. The inflection point the industry is currently in presents a great opportunity for foreign vendors of printing equipment or services.