



## **CORONAVIRUS, BREXIT AND MARKET OUTLOOK**

There are many factors that continue to challenge our businesses as we move forward into this new year. None are more important than the safety and wellbeing of our employees, customers and partners, especially as the global pandemic remains present. We are also navigating our way through product supply changes brought on by both Brexit and increased input costs. We are continually asked how we, as your supplier are mitigating our way through the pandemic and Brexit, therefore I have created this document so that you are fully informed of our progress on these important issues.

### **Coronavirus**

Now a month into our third coronavirus lockdown in England, we continue to ensure that the health and safety of our customers and staff is paramount as we operate on a business as usual basis with an 'essential service provider' status. We continue to socially distance and stagger our shift patterns ensuring the safety of our warehouse staff. Office staff are still working from home where possible and those that are in the office remain spread out. Your account managers are still contactable and remain available to answer any query you may have and hope to be able to visit you again soon.

Our range of protective solutions are helping businesses to safeguard their customers and staff, including the recent launch of Coala Coversafe™, a revolutionary self-adhesive film that protects furniture, door handles and various other surfaces from viruses. It is the only film of its kind that is certified against COVID-19 for enhanced safety in public areas, workplaces and educational facilities. Along with our range of Panodyne COVID-19 test kits

### **Brexit**

Over the past two years, we have been working behind the scenes with our suppliers preparing for Brexit-day, and now the deal is done, we can continue to buy European goods without tariffs, which is a relief we share with all businesses.

That said, it isn't quite as easy as it was pre-Brexit. The UK has left the EU's Single Market and the Customs Union so for trade to continue, border checks and customs declarations are now required. This is no surprise and we have been working closely with our suppliers over the past year to agree the most effective travel routes to deliver products to our customers, making sure our processes comply.

There have been much reported delays at UK/EU borders our suppliers have been upgrading their warehousing capability and increased their stock inventory to protect orders over these next few months. Ports are having to adjust to social distancing, cleaning and the new documentation requirements that together may mean vessels take longer to unload, impacting the haulier's ability to collect cargo from quay.

Whilst there are significant changes to the process for moving goods, these activities take place 'behind the scenes' between DEOS, our suppliers and the Revenue & Customs authorities. We will endeavour to ensure these process changes run smoothly and that your products are delivered as usual.

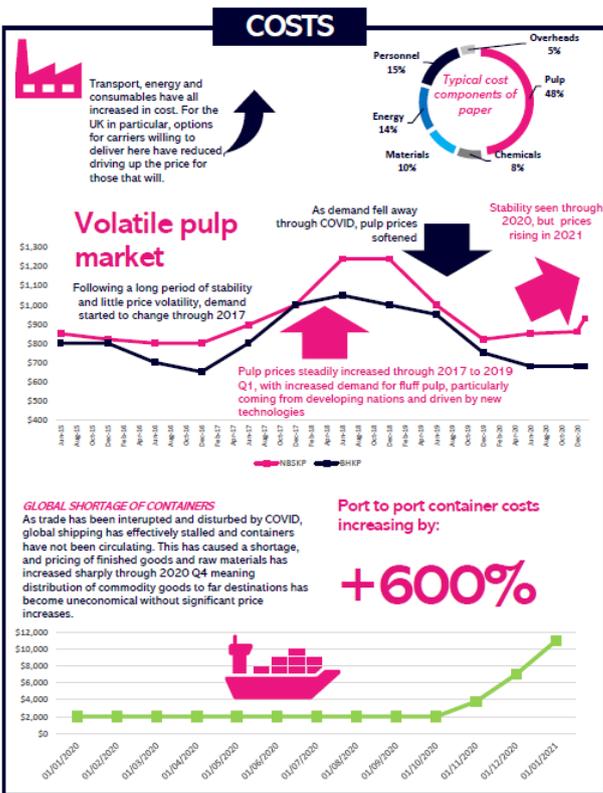
### **Market outlook and input costs**

Partnering with the UK's largest Business Supplies Wholesaler, continue to leverage our purchasing power as much as possible, to secure the best possible prices. Nonetheless, it is possible that we will be forced to take significant cost increases as a result of Brexit, that are wholly beyond our control and that we cannot avoid or absorb, these may result in price increases having to be applied with short notice. Additionally, despite reduced market demand for paper and visual communications products driven by the current lockdown situation, our suppliers continue to push for price increases due to higher input costs. We are unfortunately also facing supplier increases on some of our packaging products too.

The markets in which we operate are uncertain, with many changing dynamics as summarised in the attached infographic. We will continue to negotiate, and deflect, any price increases where possible, and only look to pass on substantiated increases to the market where unavoidable.

Should these anticipated price increases materialise, we will endeavour to give you as much notice as possible.

# PAPERS MARKET TRENDS & OUTLOOK



### MARKET TRENDS

Demand is continuing to be hit by COVID-19 but not to the same levels as in Lockdown 1

Price inflation expected through 2021 Q1 & Q2....

Move to larger stock deliveries due to the uncertain supply situation and shorter planning time for print

2020 sees a higher % of sales move to online than in the previous 5 years  
**19% > 32.5%**  
In 2019 Q2, around 19% of all retail sales were online, this rose to 32.5% in 2020 Q2

New consumers of print coming from non-traditional markets driven by online retail

### BREXIT

On the 28th December, a deal was reached for trade following the exit of the UK from the European Union's single market and the Customs Union. This deal means that we can continue to buy European goods without tariffs, yet border checks and customs declarations are now required.

Inevitably there will be some cost implications with these significant changes to the process of trading goods, as well as potential delays at UK/EU borders as ports adjust to the new documentation requirements. Just-in-time supply chains will take a while to adjust to this new reality.

### COVID-19

Shift in ways of working

**HOW HAS COVID CHANGED THE WAY WE WORK or at least WORKED?**  
For the 12-month period from January to December 2019, of the 32.6 million people in employment, around 1.7 million people reported working mainly from home, with around 4.0 million working from home at some point in the week prior to the interview. Meanwhile, 8.7 million people say they have worked from home and 2.9 million people work either in the same grounds or buildings as their home or use home as a base. In April 2020, 46.6% of people in employment did some work at home. This saw over 15.2 million people change the way they worked and where they worked from.

### SUPPLY AND DEMAND

#### Changes in demand for pulp...

Global demand increase for packaging to fulfil online demand increases

Despite capacity reductions across the paper industry, supply and demand imbalance anticipated through 2021

Longer term supplier initiatives will lead to an increase in swing production to non-graphical products or fully repurposing machinery out of the graphical market

Demand for litho grades will continue to be impacted by the move to online retail and marketing, driving the increased demand for shorter run, bespoke print

A post COVID print boom is anticipated, fuelled by pent up consumer demand, particularly in travel and tourism

[DOWNLOAD GRAPHIC](#)

As always, I would like to thank you for your ongoing support during these most challenging of times. Please do contact your sales representative if you would like any further information on any of the points raised above.

Kind Regards,  
Luke Lambeth