

Lexmark to jettison inkjet printers, 1,700 workers

August 28 2012, by Michael Liedtke

(AP)—Lexmark is jettisoning its inkjet printers and laying off 1,700 workers as paper becomes increasingly passe in an age of ever-sleeker digital devices and online photo albums on Internet hangouts like Facebook.

The shake-up announced Tuesday is the latest fallout from the growing popularity of smartphones and tablet computers that make it easier to store and retrieve content from anywhere with an Internet connection. As a result computer printers are used less frequently, especially at home.

That's hurting printer makers, whose revenue is falling at the same time profit margins are being squeezed by fierce competition.

"It's a declining market with far too many players," said Gartner Inc. analyst Federico De Silva. He estimates the number of monthly pages printed by the average consumer has fallen by more than 40 percent in recent years.

Lexmark International Inc. responded by pulling the plug on its inkjet business. The company, based in Lexington Kentucky, will stop making inkjet printers that were primarily sold to consumers and instead focus on more sophisticated machines aimed at offices and customers that still produce a lot of content on paper, like advertisers and catalog publishers.

People who already own Lexmark inkjets should have no immediate

worries. Lexmark plans to sell replacement ink cartridges and other supplies for its obsolescent machines for several more years.

The most immediate impact will fall on Lexmark workers. The company's planned 1,700 job cuts include 1,100 in its manufacturing operations. One of the biggest hits will come in Cebu, Philippines, where Lexmark plans to close a plant by the end of 2015.

The cutbacks will affect about 13 percent of Lexmark's workforce, based on the 13,300 employees on the company payroll at the start of this year.

Lexmark is trying to trim annual expenses by \$85 million next year, with savings expected to escalate to \$95 million annually when the cuts are completed in 2015. The company expects about \$160 million in charges over the next three years for severance pay and other costs.

Lexmark hopes to recoup some of its money by selling its roughly 1,000 patents on inkjet technology and other items from its discarded business.

Investors applauded Lexmark's moves as the company's surged by \$2.67, or 14 percent, to \$21.68 in afternoon trading. The stock remains well off its 52-week high of \$38.34 reached six months ago, shortly after the company disclosed plans to eliminate 625 jobs.

The decision to leave inkjet printers comes a month after Lexmark reported a 61 percent decline in earnings for the latest quarter.

Hewlett-Packard Co., the world's largest maker of computer printers, is also having a tough time selling its less expensive machines to consumers. Its sales of consumer printer units plunged by 23 percent from last year during its most recent quarter.

Analyst De Silva said printer makers have compounded their problems by maintaining high prices for ink cartridges at the same time people are finding it just as easy to read many documents on Internet-connected tablets such as Apple Inc.'s iPad.

"Printing isn't going to go away completely, but more people are learning the best way to consume content these days is on a digital device," De Silva said.

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