

Company Overview

Ennis, Inc. was founded in 1909. Ennis, Inc. and its subsidiaries print and manufacture a broad line of business forms and other business products and also manufacture a line of active wear for distribution throughout North America. The print segment distributes business products and forms throughout the United States primarily through independent dealers. The apparel segment produces and sells active wear, including t-shirts, fleece goods and other wearables in sizes ranging from toddler to 6XL. Distribution of its active wear throughout the United States, Canada and Mexico is primarily through sales representatives.

Ennis, Inc. is a public company and is headquartered in Midlothian, Texas. The company currently has approximately 6,009 employees.

Company History

Ennis, Inc. was founded in Ennis, TX in 1909 after a large fire burned down the local newspaper facility. Garner Dunkerley, Sr. of Ennis, TX purchased the list of subscribers and equipment for \$1,000 and formed Ennis Printing & Publishing. The new company issued 180 shares of stock at \$50 per share and sold them to 23 Ennis residents. This gave the company a capitalization of \$9,000. Ennis Printing & Publishing sold advertising and job printing while also buying and re-selling cotton tags as a dealer to the warehouses and gins in the Ennis area. Eventually, Mr. Dunkerly started buying and overprinting blank tags, leading to the purchase of the first Ennis tag press. Cotton tags, gin receipts, and supplies were the primary products produced by the company until 1936. Over the years, the company has grown and expanded its product selection. The company decided to sell the newspaper business so it could concentrate on the development of its growing tag and book business. It was then that the company's name was changed to Ennis Tag & Salesbook Co. In 1938, the company started to manufacture carbon paper under a new division, American Carbon Paper Manufacturing Co. (AMCO). Over the years, the company has grown and has widened its product selection. In 1969 the company began trading on the New York Stock Exchange.

Industry: Office, School & Art
Supplies Manufacturing
Vertical: Manufacturing
Analyst: Daniel Lee

Company Snapshot

Founded: 1909

Headquartered: Midlothian, TX

Employees: 6,009

Revenue: \$580.24M

Net Income: \$37.72M

Business Segments

Print Segment

The print segment of Ennis, Inc. is in the business of manufacturing, designing and selling business forms and other printed business products primarily to distributors located in the United States. It is also responsible for generating the majority of net sales over the past few years. The print segment operates 58 manufacturing plants throughout the United States in 22 states. Approximately 96% of the business products manufactured by the print segment are custom and semi-custom products, constructed in a variety of sizes, colors, number of parts and quantities on an individual job basis depending upon the customers' specifications.

The products sold include snap sets, continuous forms, laser cut sheets, tags, labels, envelopes, integrated products, jumbo rolls and pressure sensitive products in short, medium and long runs. The print segment sells predominantly through printers and independent distributors.

Ennis, Inc.'s management believes the company is the largest producer of business forms, pressure-seal forms, labels, tags, envelopes, and presentation folders in the United States distributing primarily through independent dealers. Major competitors include R.R. Donnelley, Staples, Standard Register, and Cenveo.

Apparel Segment

The apparel segment operates under the name of Alstyle Apparel. Alstyle markets high quality knitted active wear (including t-shirts, tank tops and fleece) across all market segments. The main products of Alstyle are standardized shirts manufactured in a variety of sizes and colors. Approximately 99% of Alstyle's revenues are derived from t-shirt sales and approximately 90% of its sales are domestic. Alstyle's branded product lines are sold mainly under the AAA® and Murina® brands.

Alstyle's primary manufacturing operations are in an owned manufacturing facility located in Agua Prieta, Mexico. Alstyle has three cut and sew facilities in Mexico (Agua Prieta, Ensenada and Hermosillo). After sewing and packaging is completed, the product is shipped to one of Alstyle's nine distribution centers located across the United States, Canada, and Mexico.

Alstyle utilizes a customer-focused internal sales team comprised of twenty-four sales representatives assigned to specific geographic

Print Segment Labels

- Ennis®
- Royal Business Forms®
- Block Graphics®
- Specialized Printed Forms®
- 360° Custom LabelsSM
- ColorWorx®
- Enfusion®,
- Uncompromised Check Solutions®
- VersaSeal®
- Witt Printing®
- B&D Litho®
- Genforms®
- PrintGraphics
- Calibrated Forms®
- PrintXcel™
- Printegra®
- Curtis Business Forms
- Falcon Business Forms
- Forms Manufacturers
- Mutual Graphics
- TRI-C Business Forms
- AdamsMcClure®
- Admore®
- Folder Express®
- Ennis Tag & Label
- Atlas Tag & Label®
- Kay Toledo Tag
- Special Service Partners
- Trade Envelopes®
- Block Graphics®
- Wisco®
- National Imprint Corporation®
- Northstar®
- General Financial Supply®

territories in the United States, Canada, and Mexico. Alstyle employs a staff of customer service representatives that handle call-in orders from smaller customers. Sales personnel sell directly to Alstyle's customer base, which consists primarily of screen printers, embellishers, retailers, and mass marketers.

Alstyle's sales are seasonal, with sales in the first and second fiscal quarters generally being the highest. The company's top competitors in this industry are Gildan, Hanes, and Fruit of the Loom.

Environmental Sustainability

Through sustainability initiatives, Ennis makes efforts to be responsible in regards of the environment and encourages eco-friendly business practices. The main component in encouraging sustainability lies within the raw materials and energy that the company uses. Ennis uses paper that incorporates:

- Alternative fibers
- Recycled paper
- Clean press technologies

These factors help lessen the impact the company has on environmental and economic resources.

The company has also made efforts to monitor product and energy waste by reusing and recycling materials.

Recent Acquisitions

On December 31, 2014, the company completed the acquisition of the stock of Kay Toledo Tag and Special Service Partners and their related entities for \$16.2 million, in a stock purchase transaction. An additional \$1.0 million is available to be paid over the next 3 years under an earn-out provision if certain financial metrics are achieved.

On October 3, 2014, the company acquired the assets of Hoosier Data Forms for \$0.2 million in cash plus the assumption of certain trade payables. Management considers this acquisition immaterial and has omitted further discussion.

On June 16, 2014, the company acquired the assets of Sovereign Business Forms, and its related entities, TRI-C Business Forms, Inc., Falcon Business Forms, Inc., Forms Manufacturers, Inc., Mutual Graphics, Inc., and Curtis Business Forms, Inc. for \$10.6 million. In addition, an additional \$1.0 million is available to be paid over the next 4 years under an earn-out provision.

Apparel Segment Labels

- AAA®
- Murina®

Employees

At February 28, 2015, Ennis, Inc. had 6,009 employees. 3,310 of the employees are in Mexico, and 22 employees are in Canada. Of the domestic employees, 287 are represented by labor unions under collective bargaining agreements, which are subject to periodic negotiations. Two unions represent all of its hourly employees in Mexico with contracts expiring at various times (all hourly employees are full-time).

Employee Reviews

Former and current employees have often given negative reviews regarding their experience at Ennis, Inc. Some of these reviews include:

- Poor Management
- Low Pay and Poor Benefits
- High Employee Turnover

For further in-depth employee reviews on Ennis, Inc., please click the link below.

<http://www.glassdoor.com/Reviews/Ennis-Reviews-E229.htm>

Key Business Risks

Increases in the cost of employee benefits could impact the financial results and cash flow.

The company's expenses relating to employee health benefits are significant. Unfavorable changes in the cost of such benefits could impact its financial results and cash flow. Healthcare costs have risen significantly in recent years, and recent legislative and private sector initiatives regarding healthcare reform could result in significant changes to the U.S. healthcare system.

Employee health benefits are a significant expense for this company. This may indicate an interest in Kronos' products capable of lowering payroll costs.

The company depends upon the talents and contributions of a limited number of individuals, many of whom would be difficult to replace.

The loss or interruption of the services of the Chief Executive Officer, Executive Vice President, Vice President of Apparel or Chief Financial Officer could have a material adverse effect on its business, financial condition or results of operations. Although the company maintains employment agreements with these individuals, it cannot be assured that the services of such individuals will continue.

The company depends on its ability to attract and retain its management employees. This represents an area of opportunity for Kronos.