

YOUR BUSINESS IN A SHRINKING MARKET: THE UNMATCHED VALUE OF QUALITY

JUAN CARLOS BONELL

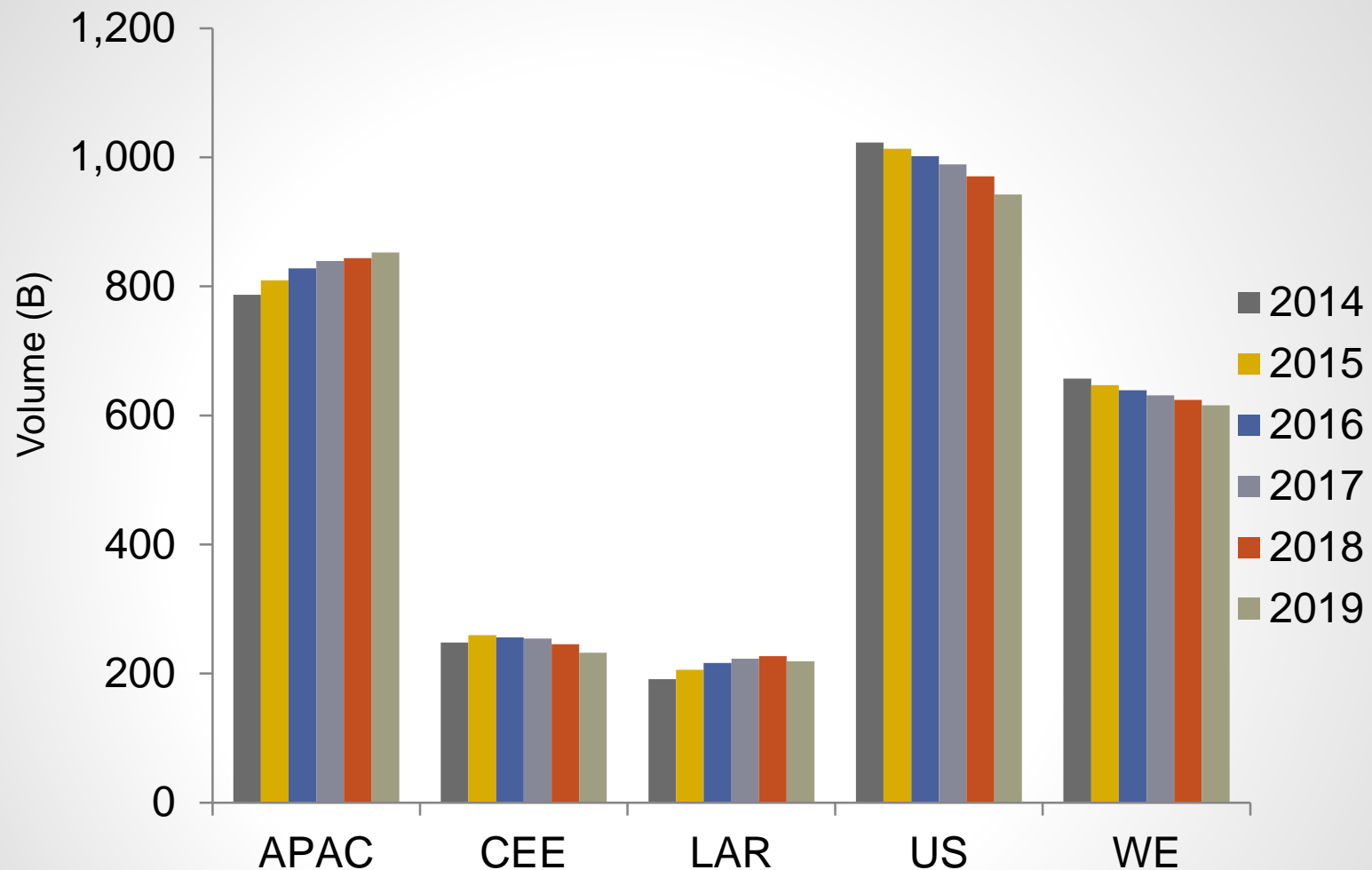
VICE PRESIDENT OF SALES –
DISTRIBUTOR MARKETS

SOPHIE LILLIE

BUSINESS DEVELOPMENT MANAGER
STATIC CONTROL

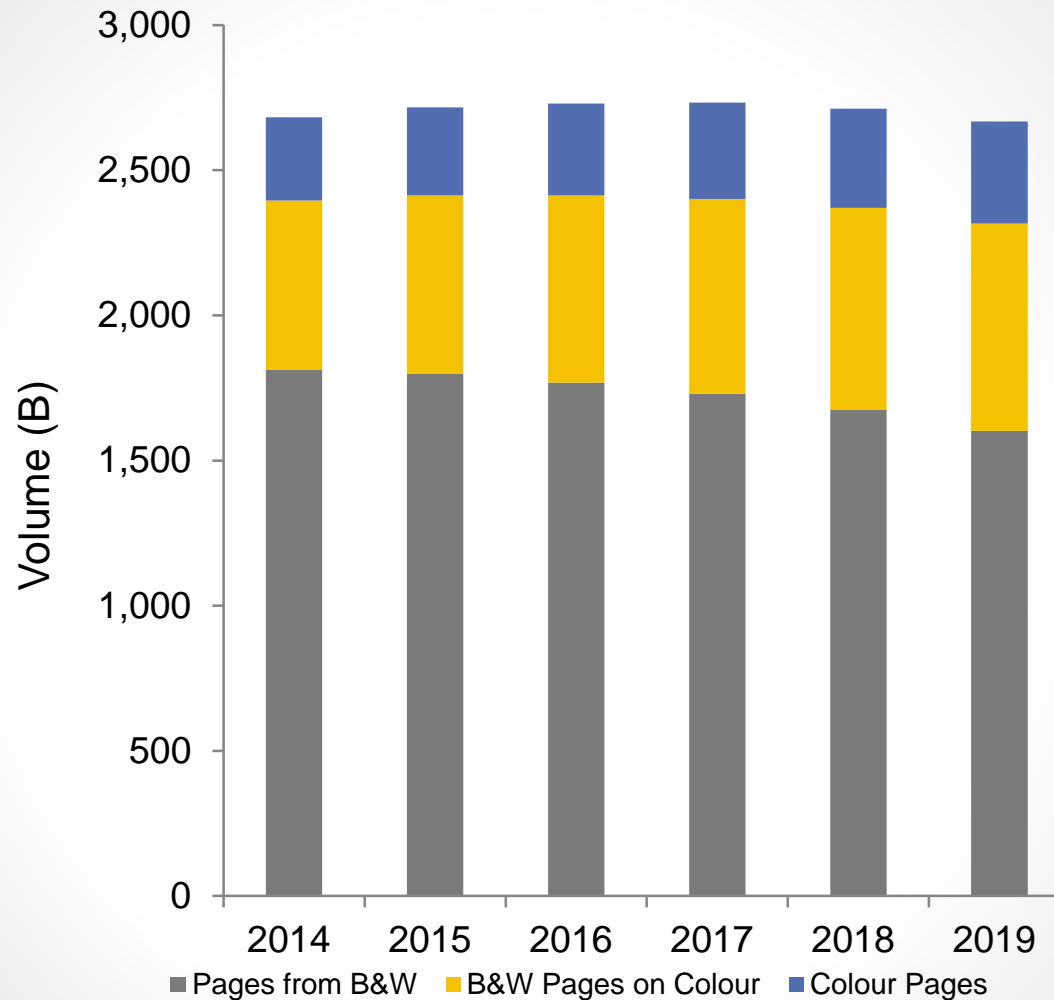


GLOBAL* OFFICE PRINT VOLUME FORECAST



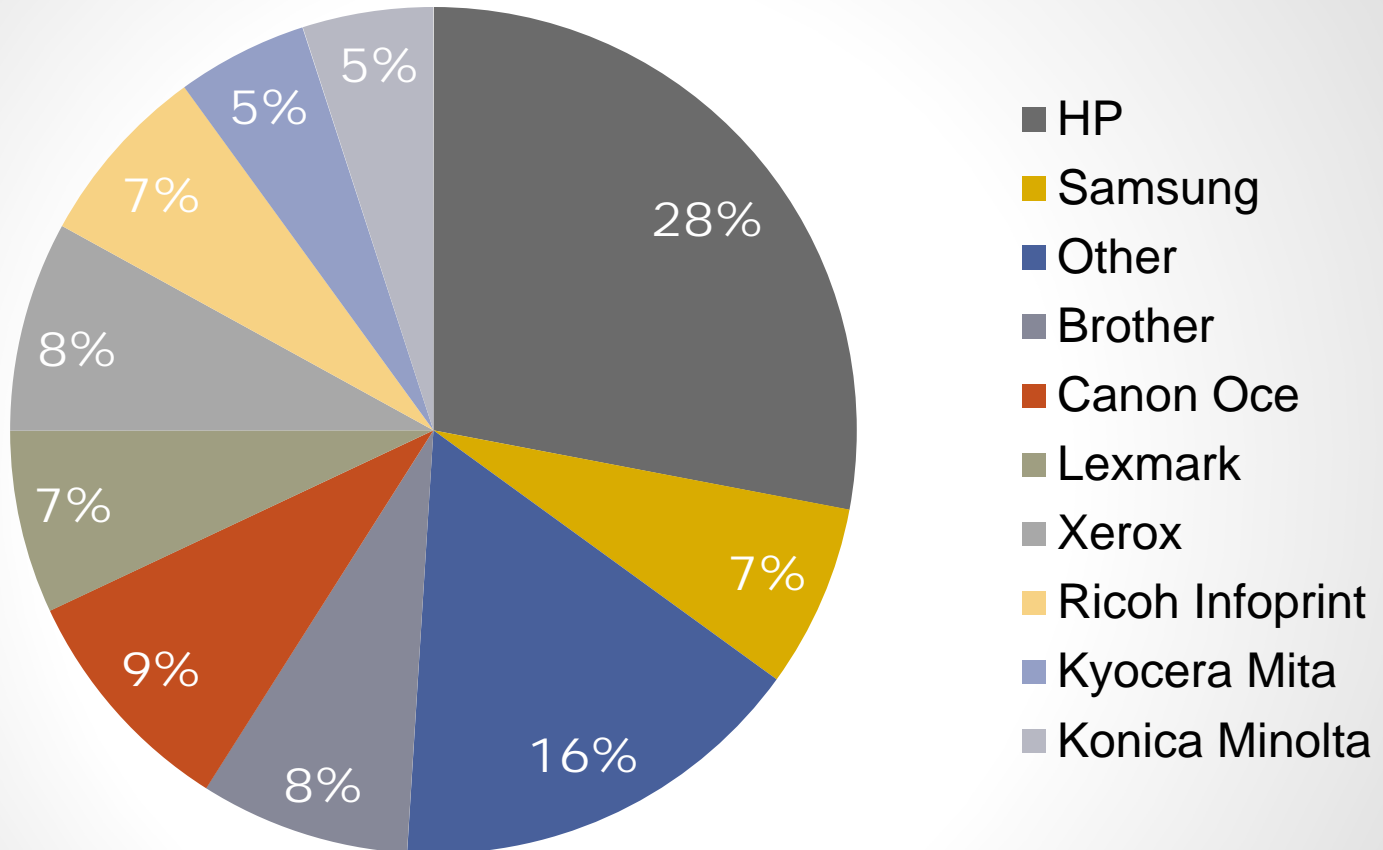
- *Excludes Canada and MEA
- Source InfoTrends

GLOBAL* OFFICE PRINT VOLUME FORECAST

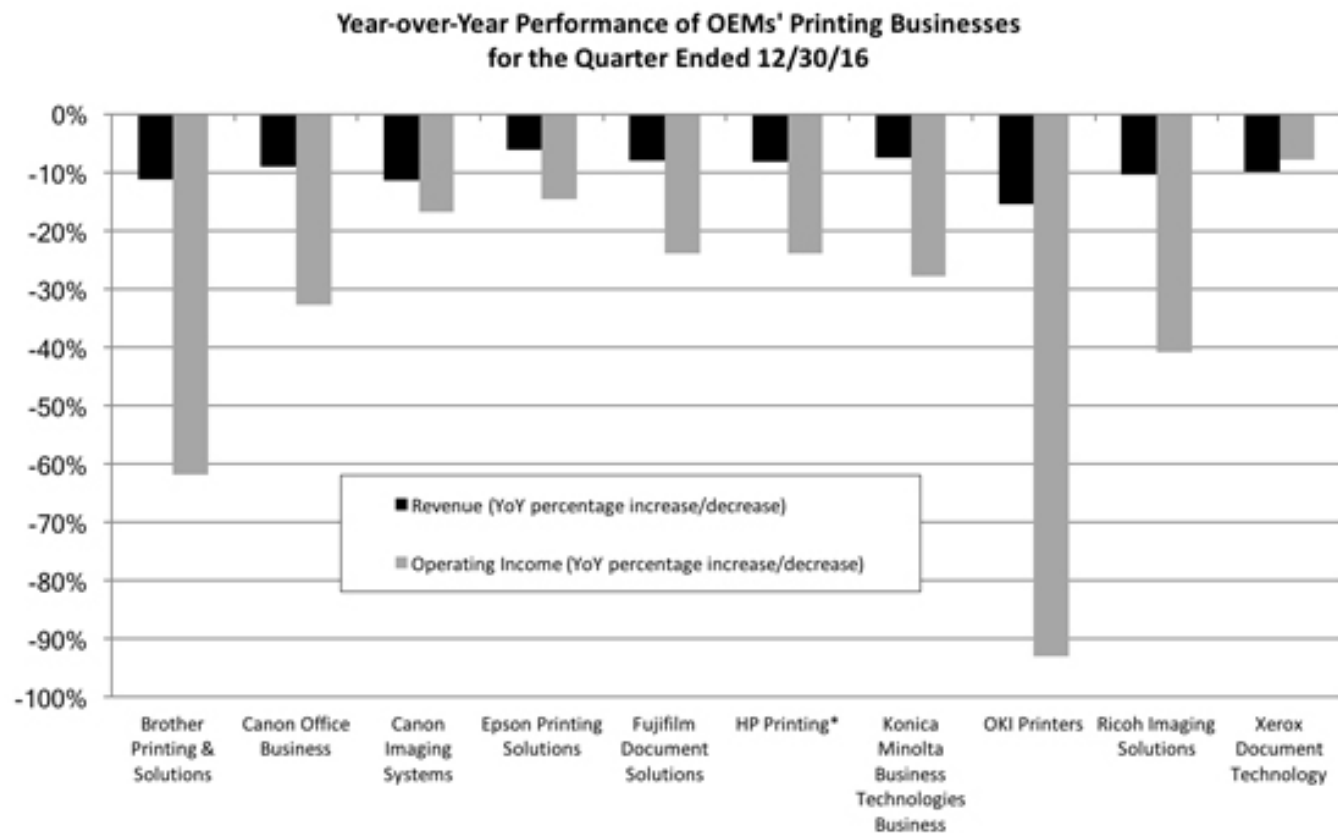


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OEM MARKET SHARE - OFFICE



OEM FINANCIAL RESULTS



*Results shown for HP's Q4, ended October 31, 2016

Source: Actionable Intelligence

NEW OEM LASER PRINTER TECHNOLOGIES

- **Color:**

- HP Color LaserJet Pro M252 / M277 MFP
- HP Color LaserJet Pro M452 / M477 MFP
- HP Color LaserJet Enterprise M552/M553 / M577 MFP
- Lexmark CS820
- Lexmark CS720/C725

- **Monochrome:**

- HP LaserJet Pro M102w & M104w / LaserJet Pro MFP M130fn/fw & M132
- HP LaserJet Pro M203dw / LaserJet Pro MFP M227fdn/fdw
- HP LaserJet Ultra M106w / LaserJet Ultra MFP M134fn
- HP LaserJet Ultra MFP M230
- HP LaserJet M436n (A3)
- Brother HL-L6400DW / HL-L6200DW

WHY DO OEMS INVEST IN NEW TECHNOLOGIES IF PRINT VOLUME DECLINES?

- **Supplies Revenue Protection!**

- If Aftermarket cartridges (remanufactured & compatible) have major deficiencies vs. OEM (print quality defects, reduced component life, lower yields, etc.) ***end users will most likely continue to purchase supplies from OEM***

- **OEM Techniques for Supplies Retention**

- **Small Cartridge Volume for Max Yield (Small Size / Low Usage Toners = CPT)**
 - *Lexmark CS510/410/310*
- **Low Waste / Maximum Transfer Efficiency (High Q/M, Spherical Toners = CPT)**
 - *Low Waste - Brother HL-L6200/L6400, HP M252/M277, HP M452/M477*
 - **NO WASTE** – *HP M102w, HP M203dw, HP M106w*
- **Maximum Power Flowability Required (Low Torque) (Spherical Toners = CPT)**
 - *HP M102w, M203w, M106w; HP M402 / M506*
- **Maximum Tribocharge (Low Dusting) (Small, High Q/M CPT)**
 - *HP M553 / M577*
- **High Speed / Ultra Low Energy Fusing (Polyester toners, Core/Shell CPT, etc)**
 - *HP M606 / M630 MFP, Lexmark CS820, HP M452, HP M553, HP M203dw*

IN DIFFICULT TIMES, THE
WAY TO WIN BUSINESS IS TO
OFFER QUALITY PRODUCTS –
NOW MORE THAN EVER!



QUALITY SETS YOU APART



IT IS CRUCIAL FOR YOUR BUSINESS SURVIVAL

CUSTOMER EXPECTATIONS



- **Customers expect you to deliver quality products. If you do not, they will look for alternatives – quickly.**
- **Critical to establishing loyalty**



REPUTATION

- **With social media available to so many, one bad customer experience can turn into a nightmare for your business**
- **Quality encourages positive talk about your company on forums, product review sites, social networking sites and more**
- **Plus, good ‘ole word of mouth**



COSTS

- **Poor quality increases your business costs**
 - Reworking and retesting
 - Scrap defective products
 - Additional production costs
 - Product replacement
 - Lost customers



TIME



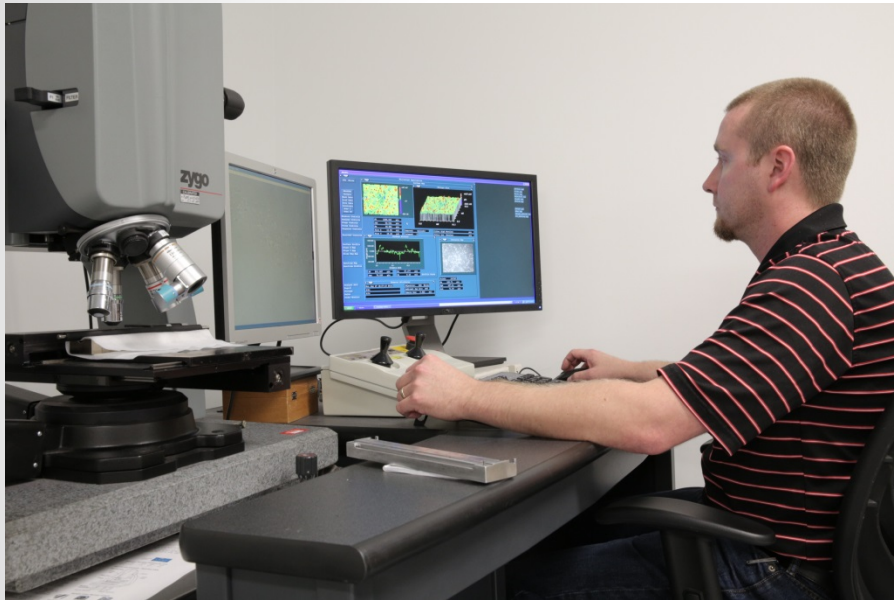
- **Poor quality eats away at the time to grow your business**
 - Dealing with customer complaints
 - Vendor issues



HOW DO YOU
ENSURE QUALITY
PERFORMANCE?



INNOVATION



We develop unique solutions

Our goal is to provide the industry with breakthrough advancements

Reverse engineering capabilities are world-class

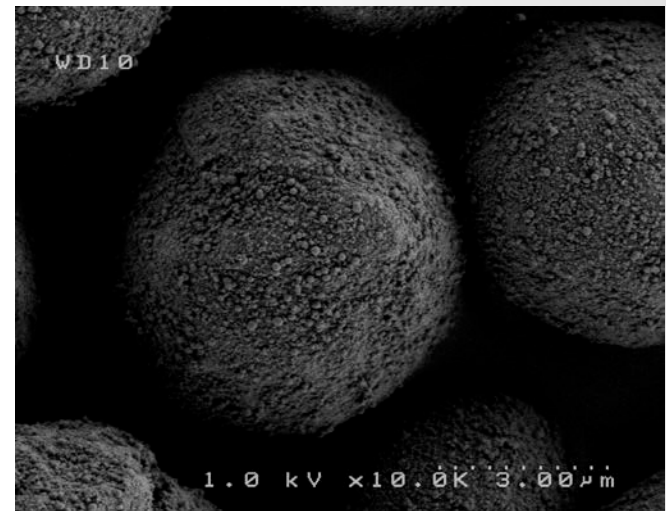
Dedicated research and development team

RESEARCH & DEVELOPMENT

**Dedicated team focused on
discovery of imaging technologies**

World-class facilities

- Electron microscope
- Focused ion beam workstation
- Toner blending machines
- Injection molding



**Static Control toner
underneath an
electron microscope**

QUALITY & CONSISTENCY



Products are developed as a system – not as individual components

The system approach means our products are of the utmost quality

All products are inspected through rigorous quality control metrics

Tested in our 24-hour imaging print lab

PROTECTION

- **The most patent savvy product solutions available**
- **Careful consideration of IP is taken throughout our research, engineering and manufacturing processes**





UNIQUE OPPORTUNITIES

We work with remanufacturers and imaging providers to develop the products needed

Each new product provides you with an opportunity to use a high quality product at a lower price than an OEM



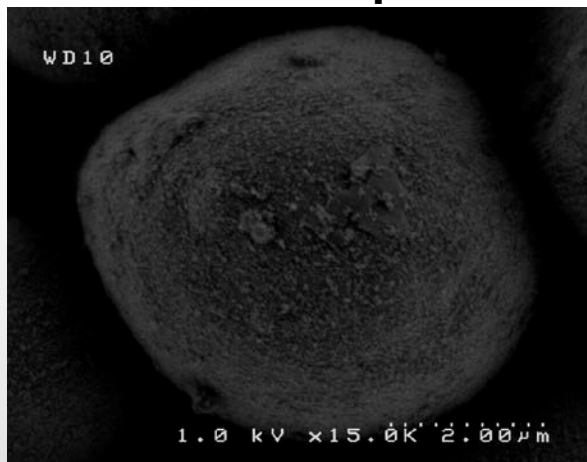
JETINTELLIGENCE™ SOLUTIONS



JETINTELLIGENCE / COLOR LASERJET / NEW COLORSPHERE 3 CPT TONERS

- **HP Color LaserJet Pro M252/M277 (MFP) & HP Color LaserJet Pro M452/M477 (MFP)**
 - Key Toner Development Challenges:
 - Waste overfill: 20-25 grams maximum in M252; 35-45 grams in M452
 - Low energy fusing: M452 more difficult than CP2025 and M452, especially H/H environment
 - Cartridge yield as function toner bag volume

OEM ColorSphere 3



SCC M252



JETINTELLIGENCE / COLOR LASERJET / NEW COLORSPHERE 3 CPT TONERS

- **HP Color LaserJet Enterprise M552/M553**
 - **Key Toner Development Challenges:**
 - Toner dusting/dumping: tribocharge too low
 - Low energy fusing: especially H/H
 - OPC cleaning failures: especially H/H

REPLACEMENT TONER FOR HP LASERJET PRO M102W/M130 MFP

- **October 2016 launch**
 - 15-20% faster print speeds per model; 5-10% lower cost per page vs predecessor
- **New Precision Black Magnetic Chemical Toner (CPT)**
- **No Waste Hopper, No OPC Wiper Blade; OPC Unit Separate from Toner Cart.**
- 23 ppm; 7.3 sec 1st page out; **\$159 USD**; M130fn MFP **\$209 USD**
- **CF217A (17A)** cartridge = 1600 pages ~ **\$65**
- **CF219A (19A)** OPC Unit = 12,000 pages ~ **\$70**
- **Key Technical Achievements:**
 - Developed and qualified 3 toners in OEM remanufactured cartridges (> 14K OPC life)
 - *Pulverized Toner* - **TRHM102OS-10KG**
 - *Aftermarket's First Magnetic (and Polyester-based) CPT* **TRHM106OS-10KG**
 - *Hybrid Rounded Conventional Toner*
 - Nearing qualification for CF217A/X Compatible Cartridge
- **Key Toner Development Challenges:**
 - Achieving OPC Life (12+K) without PCR TAB Failure or Catastrophic PQ Defects
 - Acceptable Print Quality at Low RH (60/20) and High RH (80/80)
 - Developing & Commercializing Industry's 1st Magnetic CPT

REPLACEMENT TONER FOR HP M203DNW/M227 MFP

- **October 2016 launch**
 - 15-20% faster print speeds per model; 5-10% lower cost per page vs predecessor
- **New Precision Black Magnetic Chemical Toner (CPT)**
- **No Waste Hopper, No OPC Wiper Blade; OPC Unit Separate from Toner Cart.**
- 30 ppm; 6.7 sec 1st page out; **\$199 USD**; M227fdn MFP **\$269 USD**
- **CF230A / X (30A / X)** cartridge = 1600 pages / 3500 pages ~ **\$65 / \$96**
- **CF232A (32A)** OPC Unit = 23,000 pages ~ **\$85**
- *LaserJet Pro M104 / M132 MFP: CF218A (18A) = 1400 pages (India Only?) very similar to M102w / M130 MFP*
- **Key Toner Development Challenges:**
 - Acceptable Fuse Grade at All Environments, but Especially LRH and H/H
 - Achieving OPC Life (23+K) without PCR TAB Failure or Catastrophic PQ Defects
 - Acceptable Print Quality at Ambient – no Short-White Streaks (SWS), text offset, starvation
 - Acceptable Print Quality at Low RH (60/20) – Terrible Offset, Edge Background

HP LASERJET MFP M436 (A3)

- October 2016 (Asia only?); “Disrupt and Reinvent A3 Copier Segment”
- **Samsung Monochrome A3 Engine**
- **Toner is pulverized and not CPT and is different than Samsung SCX-6555 and MultiXpress K2200 (MLT-D707)**
- Cartridge consists of plastic, chip and toner
- 23 ppm; ~ **\$89,000 Rs (\$765 USD)**
- **CF256A (56A)** cartridge = 7400 pages; **CF256X (56X)** cart = 13,700 pages
- **CF257A (57A)** OPC Unit = 80,000 pages
- **Key Toner Development Challenges:**
 - Premature cartridge low / “shake cartridge error” message in High / High Environment
- **Key Technical Achievements:**
 - Overcame “shake cartridge error” issue with alternative toner; full qualification testing in process and targeting late May for completion



STATIC CONTROL COLOR CARTRIDGES

- **Remanufactured color brought on new challenges**

- Higher level of expertise
- Longer learning curve
- More expensive hardware
- Sealing / leaking challenges
- Difficult to control quality
- Expensive to develop



- **Remanufacturers choosing to outsource**
- **Demand from market drove Static Control launch of remanufactured color in Sanford, NC, USA**



Premium cartridge solutions

Installed with our chip technology

**Meets Static Control's stringent
quality guidelines**

Reliable matched components

Branded look and finish

**REMANUFACTURED &
COMPATIBLE CARTRIDGES**

MAJOR INSPECTION PROCESSES FOR CARTRIDGES

Qualification

In-Process Inspection

Out-Going Inspection

Incoming Inspection (SCC Locations)

BOM Change Process

QUALIFICATION PROCESS

Product Approval Process

- Each cartridge sku must be tested following SCC Engineering protocol, which includes testing in multiple environmental conditions.
- Test prints and data are directly compared to OEM.
- SCC Engineering, QC, Tech Support and Sales Management must approve the cartridge for sale based on testing results.

INSPECTION CHECKLIST

- ☐ Qualification
- ☐ In-Process Inspection
- ☐ Out-Going Inspection
- ☐ Incoming Inspection (SCC Locations)
- ☐ BOM Change Process

STATIC CONTROL STRATEGY



- Utilizing our strengths of quality components to build quality cartridges
- Reman and Compatible
- Proven IP position
- Global expansion through our access to new resources

STATIC CONTROL STRENGTHS

#1 Intellectual Property Leadership

#2 Market Leadership

#3 Superior Quality

#4 New Products

#5 Exclusive Products

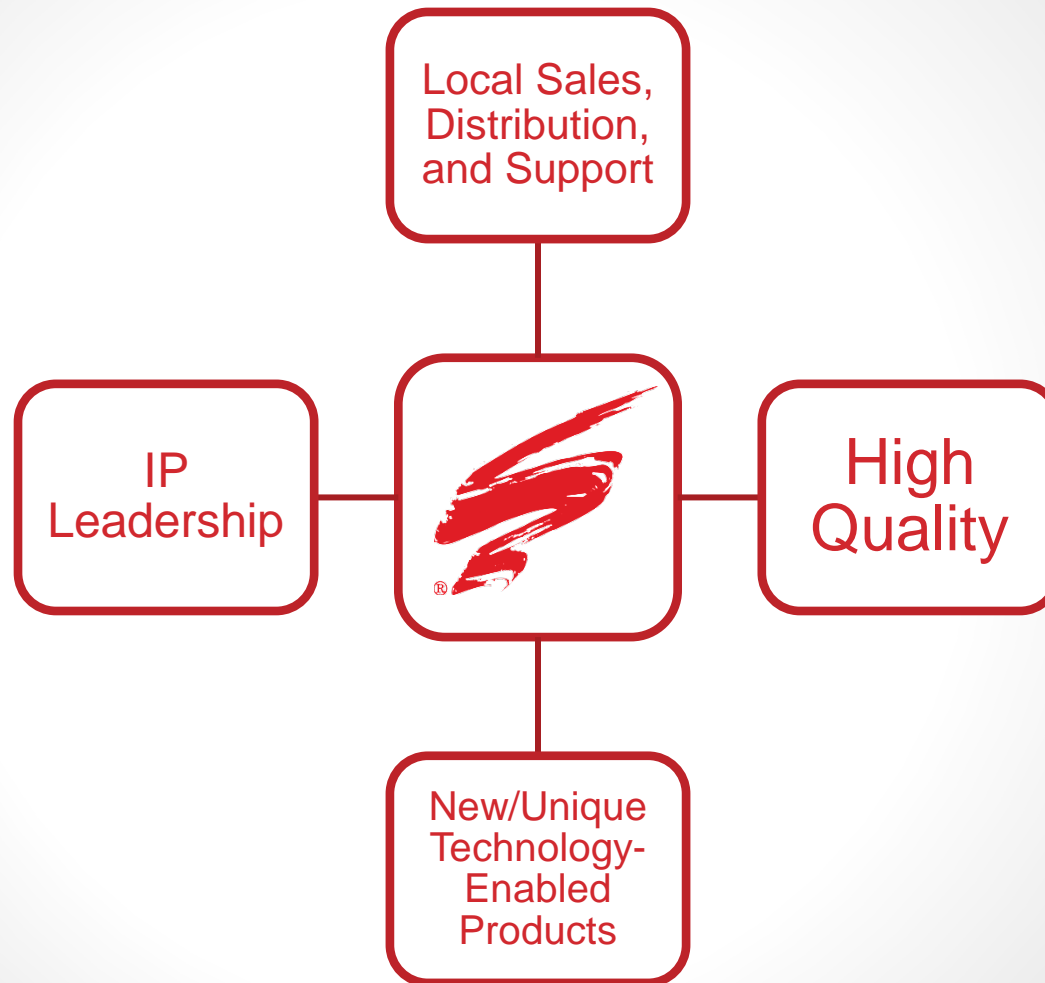
#6 Product Range

#7 Private Label/Packaging Program

#8 Distribution/Service/Stock Position



THE BEST CHOICE



30 Years of Experience

Developing the Industry's Best
Imaging Components

