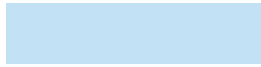
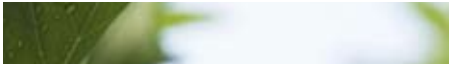




The ANZ Privately-Owned Business Barometer 2009

RESULTS SUMMARY

Introduction



Introduction

The ANZ Privately-Owned Business Barometer is conducted annually among business owners and decision makers of New Zealand businesses with a turnover between \$5 million and \$150 million.

In this, the third year of the ANZ Barometer, invitations to complete the questionnaire were sent to close to 2000 businesses in February and March 2009. 27% of invited respondents were ANZ customers.

The results of the survey have been analysed and findings were discussed with business influencers and ANZ customers. The research and the conversations we have had form the basis of the findings presented in the “ANZ Privately-Owned Business Barometer 2009 Key Insights”.

This document outlines the detailed analysis of the survey results.

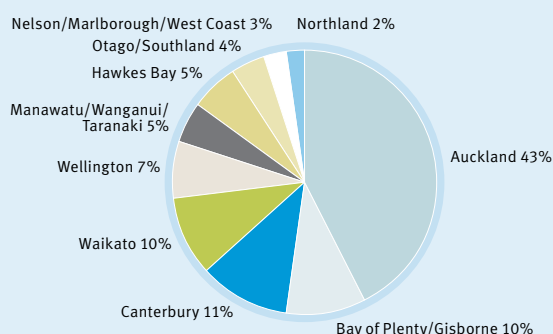
Scope and methodology

- This year’s survey, undertaken on behalf of ANZ by Colmar Brunton, targeted 1,890 privately owned businesses in New Zealand with a turnover ranging from \$5 million to \$150 million.
- This year’s survey achieved a response rate of 31%, substantially higher than the 21% response rate achieved in 2008.
- The survey aimed to target businesses with turnover in excess of \$5 million. However, 16% of this year’s respondents have turnover less than \$5 million. Data presented in this barometer excludes responses received from businesses with less than \$5 million turnover.
- Although excluded from the overall results, the responses from businesses turning over less than \$5 million were analysed. For the most part, they were consistent with the responses from businesses with turnover above \$5 million. We have highlighted the few responses where there have been material differences between the two segments.
- The structure of the questionnaire was generally consistent with 2008, with emphasis on growth, change, people and planning. This year’s survey also probed into the impacts of the current economic climate and what businesses are doing as a result.
- A number of questions asked respondents to choose their top 3 responses and rank them according to priority. When charting these responses, we have combined all responses.

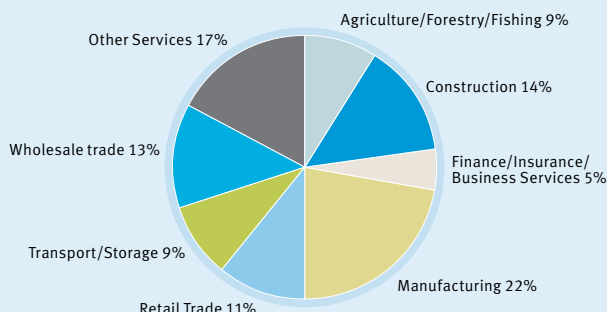
About the respondents

- Roles of respondents were largely consistent with last year. 60% of respondents identified themselves as MD or CEO.
- The sample covered major regions and industry sectors.
- Manufacturing, construction and wholesale sectors were prominent in this year's survey.

RESPONDENT COMPANY LOCATIONS



RESPONDENT COMPANY INDUSTRIES

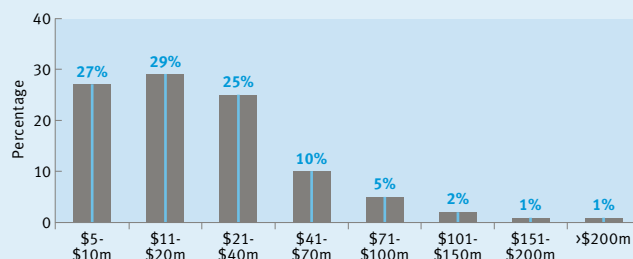


Business and owner demographics

Businesses are sizeable and predominantly well established

- 88% of businesses have been in existence for more than 10 years and 35% for more than 30 years.
- 71% have turnover in the range of \$11 million – \$150 million.
- 75% have net profit (earning before interest, tax, depreciation and amortisation) greater than \$1 million, 52% in the range of \$1-\$3 million and 23% have greater than \$3 million.
- 80% employed 20 or more Full Time Employees (FTE); 50% employed 50 or more FTE and 25% 100 or more.

RESPONDENT COMPANY TURNOVER



Business and owner demographics

Business ownership – largely first generation

- 74% were founded by the current owners or a family member of the current owner.
- 88% have a main shareholder controlling 50% or more of the business.

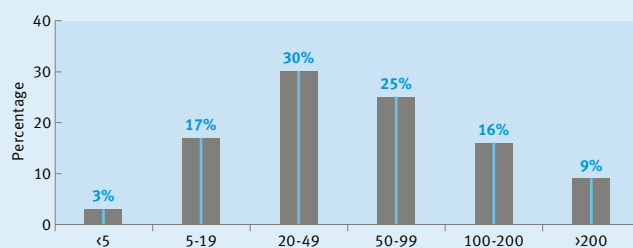
Shareholders continue to age

- 62% of shareholders are 50 years or older (59% in 2008) and 23% are 60 years or older (consistent with 2008).
- The mean age of primary shareholders is 53 years, slightly older than in 2008.

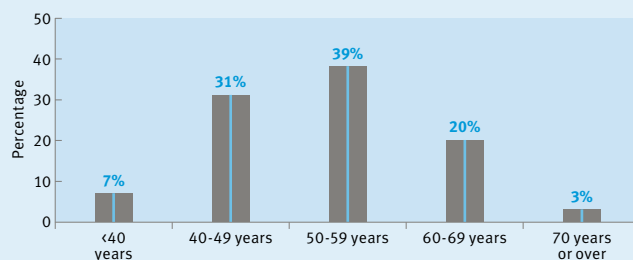
Owner involvement high in short and medium term

- 84% of shareholders are actively involved in their business at present (up from 80% in 2008 and 76% in 2007).
- 67% expect to remain actively involved in their business in the next 3 years (56% in 2008 and 46% in 2007).

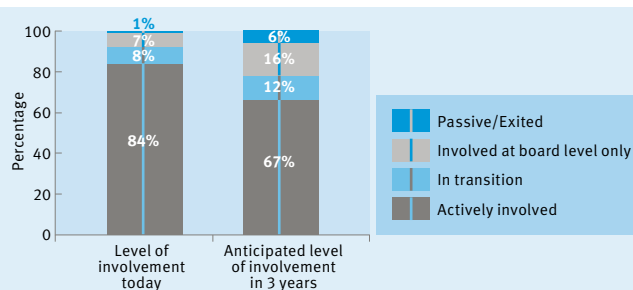
NUMBER OF EMPLOYEES



AGE OF MAIN SHAREHOLDER



INVOLVEMENT OF MAIN SHAREHOLDER



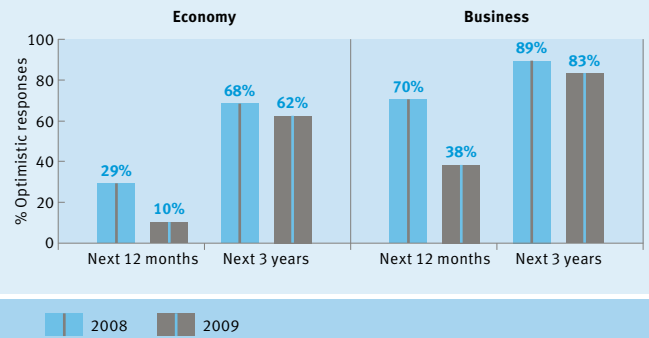
Growth and Business Performance



Business and economic expectations

- Respondents were asked to rank their confidence in their business and the general economy on a 6 point scale. Responses of 4 to 6 were rated as positive.
- There was a significant fall in short term confidence. Only 10% of respondents are optimistic regarding the short term economy (29% in 2008) and 38% are optimistic regarding their own business (70% in 2008).
- Medium term expectations are similar to last year. 62% of the respondents are optimistic regarding the economy over the next 3 years (68% in 2008) and 83% are optimistic regarding their own business over the same period (89% in 2008).

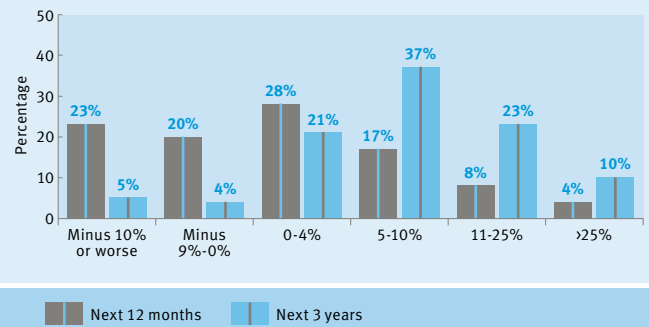
ECONOMIC AND BUSINESS SENTIMENTS



Expectations for growth

- Respondents were asked what level of earnings growth they expected in their business over the next 12 months and 3 years.
- Short term growth expectations fell dramatically from the 2008 survey. 88% expect less than 10% growth (35% in 2008) and 43% expect negative growth in the next 12 months.
- Businesses with greater than \$150 million revenue and construction companies are more pessimistic while health and finance sector businesses are more optimistic regarding their short term business performance.
- Medium term growth expectations are also broadly pessimistic. One third of respondents expect growth of more than 10% over next 3 years, compared to 90% in 2008.
- Businesses in the transport, finance and communication sectors are more optimistic than others.

GROWTH EXPECTATIONS



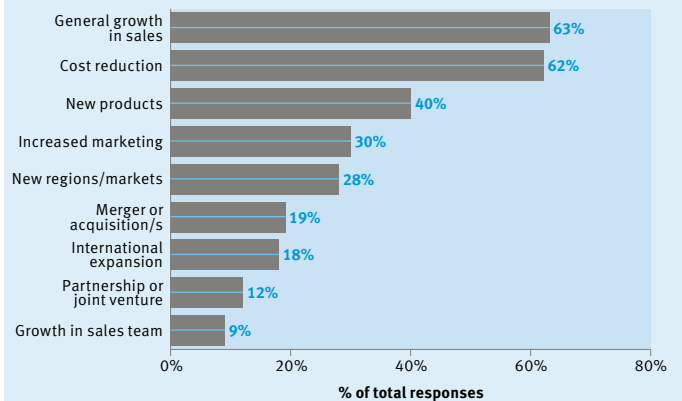
Growth drivers

- Respondents were asked to rank their top 3 contributors to business performance over the short to medium term.
- The highest ranking number 1 response was cost reduction, with 33% of respondents indicating this is the top contributor to business performance. This was followed by general growth in sales (29% ranked number 1) and new products (8% ranked number 1).
- When all top 3 responses were totalled, general growth in sales was the highest response, closely followed by cost reductions. New products accounted for 40% of all top 3 responses.
- “Step-change” growth drivers, such as new regions, mergers and acquisitions and international expansion ranked much lower this year compared to in 2008.

Debt appetite decline

- Respondents were asked to rate their risk profile on a 6 point scale, with 1 being ‘strongly disagree’ and 6 being ‘strongly agree’. Responses rated from 4 to 6 were viewed as affirmative responses.
- 66% of respondents are comfortable with debt, down from 79% in 2008.
- 73% of respondents are comfortable with risk and a similar number are prepared to take risk to grow their business. This was broadly similar to last year where 78% of respondents agreed with both questions.

GROWTH DRIVERS



Economic downturn catalysing some action

- Respondents were asked how the economic downturn was affecting their behaviour or plans, and were asked to rank 3 factors in order of priority.
- 18% cited actively reducing costs as their number 1 response, 12% said seeing increased opportunities and 10% said they were more actively managing debtors.
- When the top 3 responses were totalled, the ranking changed to actively reducing costs (49%), more actively engaging with clients (34%) and more actively managing debtors (30%).
- 28% of respondents are seeing increased opportunities on the back of the downturn in economy and a similar number have identified growth opportunities. (See chart: Source of Funding)
- Businesses in the accommodation and food sectors are seeing increased opportunities. Businesses in the health and finance sector are more likely to increase their acquisition plans.

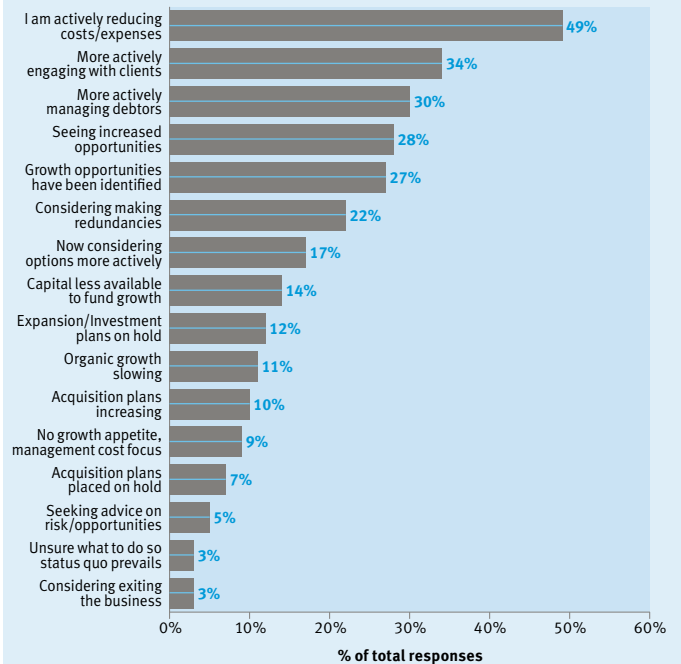
Growth plans seemingly still intact

- 70% of respondents are generally planning growth. Of those, 75% require capital to achieve growth.
- 66% say that capital is readily available, compared to 78% in 2008.

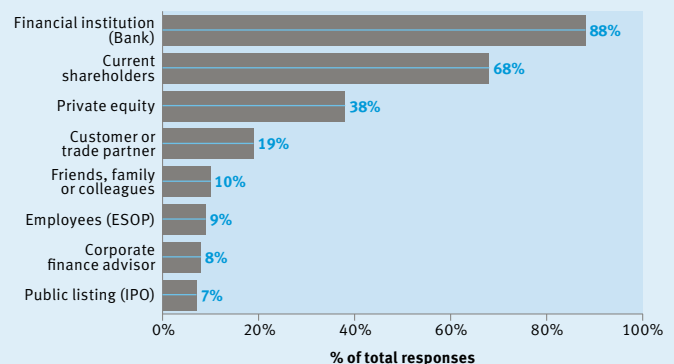
Funding sources

- When asked how they plan to fund growth, 88% plan to fund growth through existing cash flow and debt facilities.
- 65% expect to borrow more from the bank (61% in 2008).
- 60% are likely to fund from existing equity sources (44% in 2008) while 22% expect to raise new equity (similar to 2008).
- Respondents were asked to rank their top 3 sources of capital that they might consider for raising capital.
- Banks are by far the preferred choice, with 88% of the respondents ranking it within the top 3, followed by current shareholders (68% ranking in top 3) and private equity (38% ranking in top 3).

EFFECTS OF ECONOMIC DOWNTURN



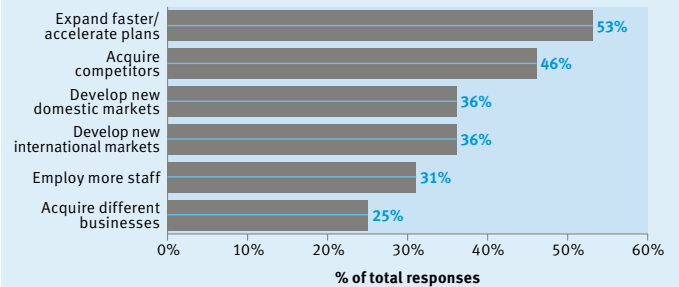
SOURCE OF FUNDING



If capital wasn't a constraint

- Respondents were asked to choose their top 3 options if capital wasn't a constraint.
- The highest ranking number 1 response was acquire competitors (23%) followed by expand faster/ accelerate plans (19%) and develop new international markets (16%).
- When the top 3 responses were combined, expand faster/ accelerate plans ranked highest. (See chart: Aspirational Growth Strategies)

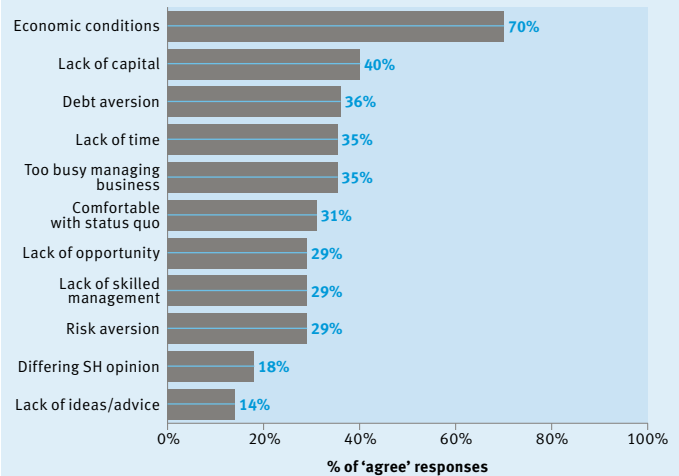
ASPIRATIONAL GROWTH STRATEGIES



Constraints to growth

- Respondents were asked to rank their agreement with a number of constraints on a 6 point scale, with 6 being strong agreement. Responses of 4 to 6 were considered to be an agreement.
- 70% of respondents agree that economic conditions are constraining growth.
- Other issues that rated high agreement were lack of capital (40% compared to 38% in 2008) and debt aversion (36%, compared to 22% in 2008).
- Lack of time was the biggest concern in 2008 at 54%. In 2009 it was rated an issue by 35% of respondents and was the fourth highest rated issue.

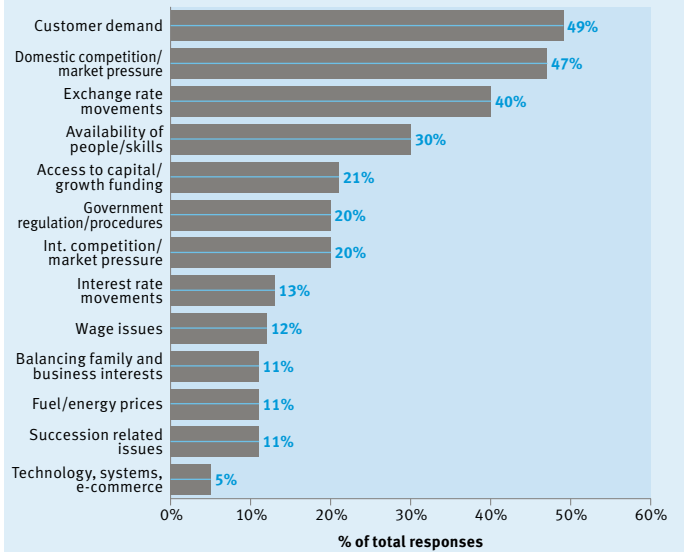
GROWTH CONSTRAINTS



Business hurdles

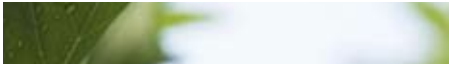
- When asked to rank their top 3 concerns for the business, the number 1 ranked responses were; customer demand (27%), exchange rate movement (18%) and domestic competition/market pressure (15%).
- Last year's highest ranking response, availability of skilled labour, accounted for 9% of number 1 responses this year.
- When top 3 responses were totalled, the highest responses were customer demand (49%), domestic competition/market pressure (47%) and exchange rate movement (40%).

BUSINESS HURDLES



Change

Change of ownership, succession, release of capital or time



Definition of succession different from last year

- 54% of respondents view succession as identifying a successor, compared to 34% last year.
- 44% of respondents view succession as change over time, compared to 37% in 2008.
- 36% of respondents view succession as exit or retirement (23% in 2008).
- 21% see it as an outright sale of the business (up from 10% in 2008).

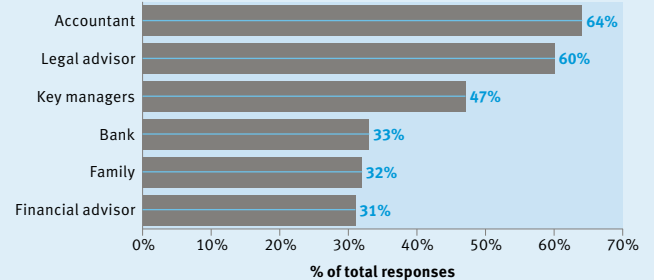
Succession a slightly lower priority in 2009

- 55% view succession as an issue, down from 63% in 2008.
- 55% of the respondents are actively seeking succession (similar to 2008).

Demographics suggest succession should be given more priority

- 62% of the shareholders are 50 years or older and 23% are 60 years or older.
- Current mean age of shareholders is 53 years (50 years in 2008). The desired retirement age is 62 years (61 years in 2008).
- 42% wish to retire by the age of 60 (47% in 2008), 46% aspire to retire within the next 5 years (45% in 2008) while 39% realistically expect change to occur within the next 5 years (same in 2008).
- 11% of the businesses have a formal plan in place (17% in 2008).

SOURCE OF ADVICE ON SUCCESSION



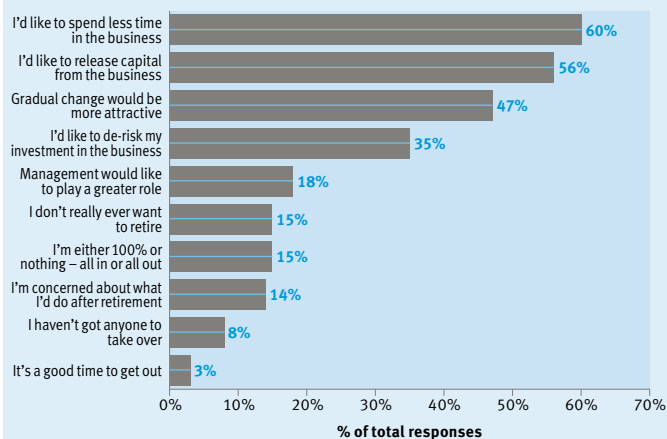
Advice sought from traditional sources

- Respondents were asked to rank the top 3 sources of advice if they were developing a succession plan.
- The top rating number 1 responses were accountant (28%), key managers (22%) and family (14%).
- When all responses were totalled, accountants and lawyers were the top sources of advice.
- In 2008, managers were the top source of advice, followed by accountants and lawyers.

Motivators to retiring

- Respondents were asked to rank 3 most relevant statements in regards to considering change.
- The highest rating number 1 responses were spending less time in the business (28%), releasing capital from the business (21%) and gradual change would be more attractive (15%).
- When responses were totalled, 60% of respondents indicated they wanted to spend less time in the business, 56% wanted to release capital, while 47% indicated that gradual change would be more attractive.

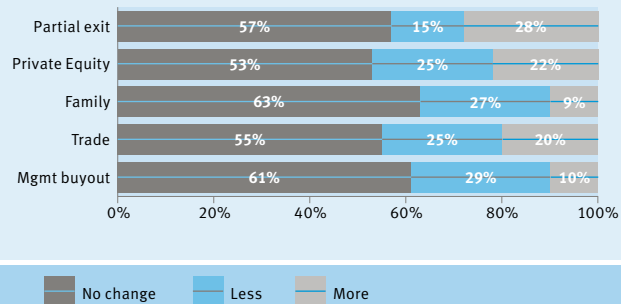
MOTIVATORS TO RETIRING



Effects of economic downturn

- 31% of the respondents are more involved in their business at present as a result of the economic environment.
- When asked how the economic downturn has affected their retirement timeframe, two thirds say their retirement timeframe has not been affected, 28% have delayed their retirement plans, and 5% have accelerated them.
- The chart at right shows how the economic downturn has affected business owners' likelihood of undertaking different methods of change ownership.

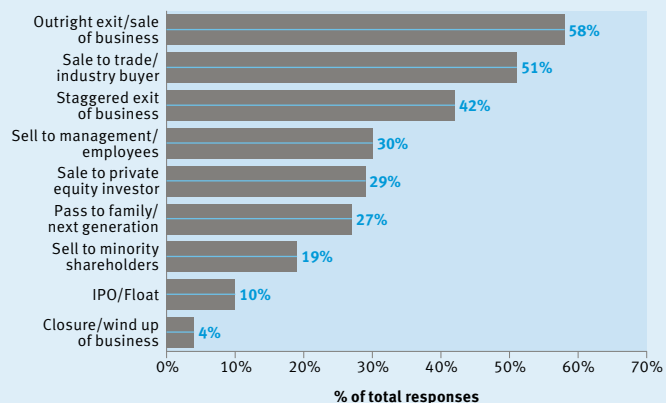
EFFECT OF ECONOMIC ENVIRONMENT ON PLANNED METHOD OF CHANGE



Clean exit the preferred form of succession

- Respondents were asked to rank the 3 forms of succession they would likely consider.
- The highest rating number 1 responses were outright exit of the business (32%), staggered exit of businesses (16%) and pass to family/next generation (14%).
- When all responses are totalled, 4 of the top 5 responses relate to selling the business outright. The 1 exception is staggered exit of business, which accounted for 42% of all responses.

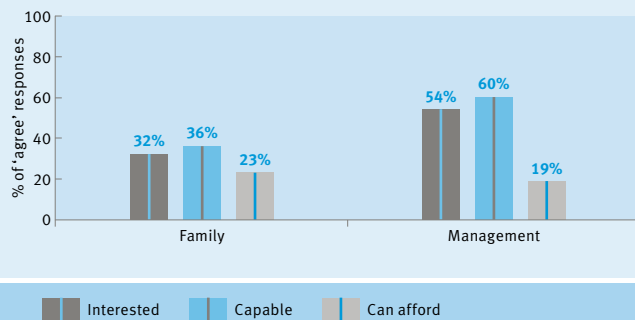
PREFERRED FORM OF SUCCESSION



Family low on the succession ladder

- 43% have family working in the business (42% in 2008).
- 32% feel family are interested in taking over (29% in 2008).
- 36% view family as being capable of taking over (38% in 2008).
- 23% believe family have the financial ability to take over (24% in 2008).
- 14% rank passing to family as their number 1 choice of succession.

SUCCESSOR: FAMILY OR MANAGEMENT



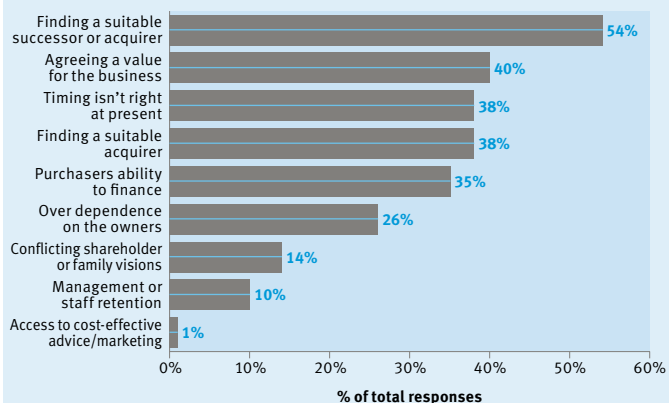
Management interest well down on 2008

- 54% feel management are interested in taking over the business (65% in 2008).
- 60% feel management are capable of taking over (61% in 2008).
- 19% feel management have the financial ability to take over (18% in 2008).
- 7% of respondents rank sale to management as their number 1 choice of succession.

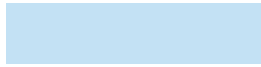
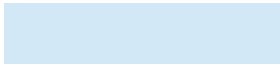
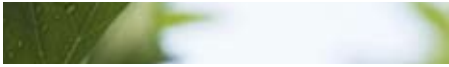
Finding a suitable successor the biggest barrier to succession

- Respondents were asked to rank their top 3 barriers to succession.
- The highest rating number 1 responses were finding a suitable successor or acquirer (27%) timing isn't right at present (20%) and finding a suitable acquirer (11%).
- When all responses were totalled, 54% of the respondents cite finding a suitable successor as a barrier to succession.
- Agreeing value for the business is the second biggest issue followed by timing and finding a suitable acquirer ranked third equal.
- Over-dependence on owners' expertise was seen as a key barrier in 2008 but ranked much lower this year.

BARRIERS TO SUCCESSION



People and Planning



Board Utilisation and Composition

- 67% of respondents' businesses have a Board.
- 15% of businesses with turnover greater than \$150 million and 48% of businesses with turnover less than \$5 million have no Board.
- Of those with a Board, 86% have 3 or more directors (up from 82% in 2008 and 75% in 2007)
- 21% have company accountant on the Board. There are fewer family/friends on Boards this year (5% compared to 14% in 2008).

True Board independence questionable

- 59% of respondents state they have at least one independent director on their Board (71% in 2008).
- When asked about the composition of the Board, 38% of respondents indicated that they had an independent director.

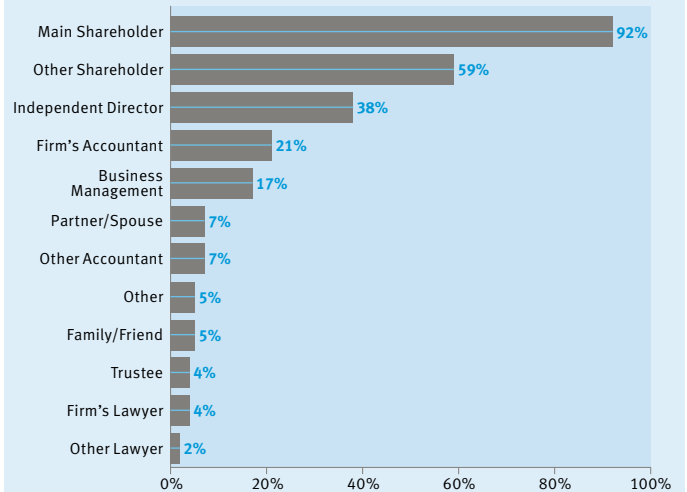
Boards becoming more active in business management

- 34% of Boards have become more active in business management over the last 12 months.
- This trend was particularly apparent in the retail, accommodation/food and tourism sectors.

Growing separation of management and governance

- 84% of respondents hold Board meetings that are separate from management meetings.
- 63% of businesses with less than \$5 million turnover are likely to hold separate Board meetings.

BOARD REPRESENTATION



Boards becoming more focussed

- Respondents were asked to rank their 3 most important roles of a Board.
- The highest number 1 responses were formulating/ agreeing corporate strategy (32%), providing different thinking/ideas (17%) and maximising shareholder value (11%)
- When all responses were combined, maximising shareholder value declined to fifth position.

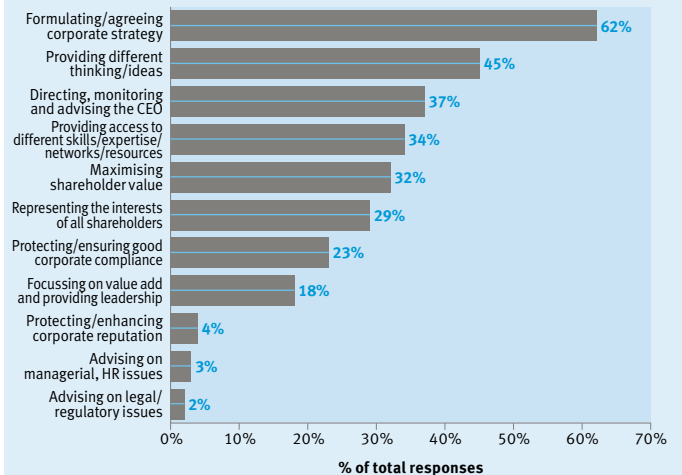
Use of External Advisors

- 69% of businesses have engaged an external advisor over the last two years, up from 62% in 2008.
- 75% of respondents felt they benefited from that advice (80% in 2008).
- A business owner’s appreciation of the value of external advice tended to increase in line with the business’s turnover.

Form of advice as expected

- Respondents were asked to rate how beneficial they considered different sources for advice, on a 6 point scale. Responses of 4 to 6 were considered as beneficial.
- The most beneficial source of advice was informal advisors (52%) followed by formal Boards (49%).
- 44% of respondents preferred a mentor and 35% preferred an advisory board.
- There was a clear skew towards formal advice as company size increased.

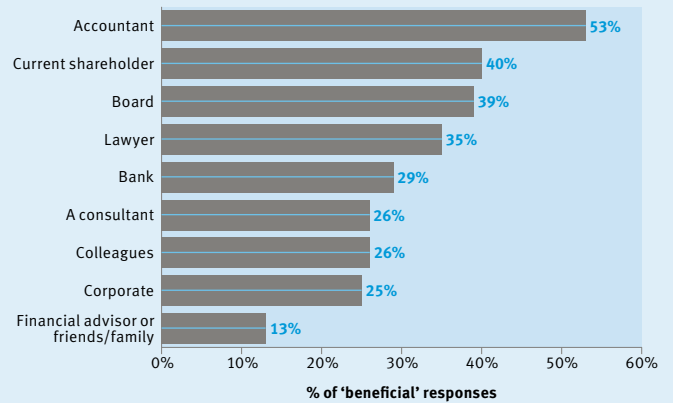
ROLE OF A BOARD



Source of advice shifting places

- Respondents were asked to rank the top 3 sources they would consider for advice.
- Accountants are increasingly becoming the preferred source of advice (ranked 3rd in 2008). Both accountants and Board accounted for 23% of number 1 ranked responses, followed closely by current shareholders (22%).
- When all responses were totalled, 53% of respondents ranked accountants in their top 3 responses.

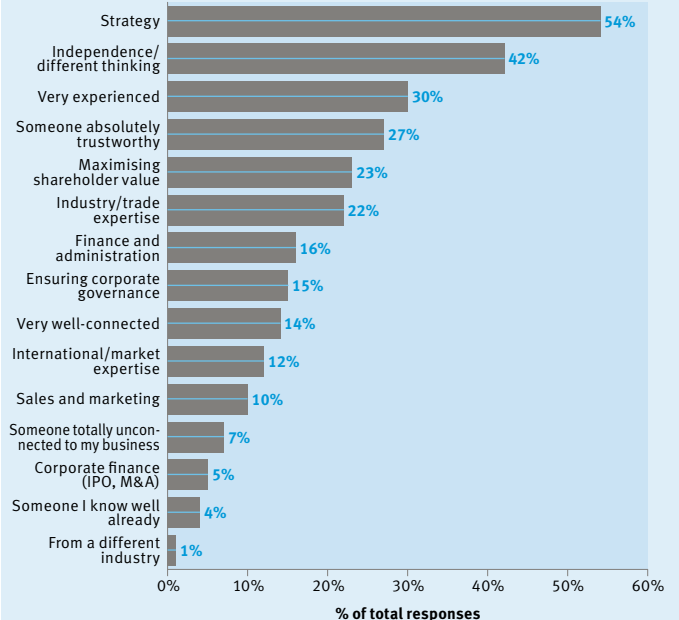
SOURCE OF ADVICE



Desired attributes of an independent advisor

- Respondents were asked to rank their top 3 desired attributes when selecting an external advisor or independent director.
- The highest rating number 1 responses were strategy (24%), independence/different thinking (15%) and someone absolutely trustworthy (12%).
- When all responses were totalled, experience ranked in the top 3.

ATTRIBUTES OF AN EXTERNAL ADVISOR



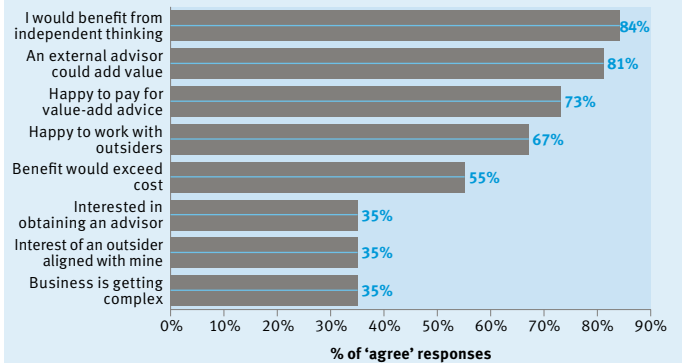
Benefit of an advisor well understood, yet engagement remains low

- Respondents were asked to rate their agreement to factors they may consider when engaging an external adviser. Agreement was on a 6 point scale and responses of 4 to 6 were considered to be an agreement.
- When compared to last year, respondents had an increased understanding of the benefits but a decreased appetite to engage advisers.
- 81% of respondents feel that external advisers can add value (90% in 2008).
- 84% believe they would benefit from independent thinking (86% in 2008).
- 67% are happy to work with outsiders (73% in 2008).
- 73% are happy to pay for the advice (77% in 2008).
- 55% believe the benefit will exceed the cost (down from 66% in 2008).
- 35% are interested in engaging an advisor (40% in 2008).

Survey responses suggests planning psyche

- 71% of the businesses have a formal business plan for the next 12 months and 91% have documented the plan.
- 79% of the businesses undertake long term strategic planning and 73% document the plan.

ENGAGING AN EXTERNAL ADVISOR



For further information

For further information on the ANZ Privately-Owned Business Barometer, feel free to contact one of the people listed below:

General enquiries – please email pobb@anz.com

Planning for change enquiries

Ross Verry, General Manager, Corporate Banking Ross.Verry@anz.com (09) 252 3041

Chris Cowell, General Manager, Commercial Banking Chris.Cowell@anz.com (09) 252 3522

Grant McGregor, Director Insight and Origination Grant.McGregor@anz.com (09) 252 3051

Corporate Banking

Brent Evans Auckland (09) 252 3113

John Bennett Central (04) 802 2310

Sam McCully (03) 364 5306

Commercial Banking

John Wragg Auckland North (09) 414 2600

Brendon White Auckland Central (09) 356 9190

Lynda Mann Auckland South (09) 274 5250

Keith Goddard Waikato (07) 837 8629

Lorraine Mapu Bay of Plenty (07) 577 3512

Hamish Frame Central (06) 878 1414

Patrick Hoult Wellington/Nelson/Marlborough (04) 802 2499

John Styles Canterbury (03) 363 6170

Alan Dickie Otago/Southland (03) 457 0265

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