



Privately owned business is our country's most significant economic sector, estimated at around five times the size of the listed company sector. To better understand this sector, we have established the ANZ Privately Owned Business Barometer to capture the views of private business owners on a range of issues.

Private business owners are largely entrepreneurs with the vision and capability to build very successful enterprises. However, as the Business Barometer shows, many entrepreneurs are planning to exit their business or reduce their involvement over the next five years, presenting a major challenge for this sector.

Succession planning, or effectively managing the change to capture potential wealth and drive future growth, is essentially risk management. Our research indicates that some owners do not fully consider the role that business managers can play in mitigating that risk.

Succession can also be viewed in the context of design – developing a business model that generates growth. Firms trading internationally may have much to gain by reconstructing their business model to fully benefit from offshore manufacturing, inventory financing and repatriation of earnings.

Whatever the business model, ANZ can help your business plans reach fruition.



Nigel Williams  
Managing Director  
Corporate & Commercial Banking

› MACE GROUP:

## Benefiting from a trans-Tasman relationship

Mace Group is a company going places – and not just in New Zealand. With a firm focus on expanding its Australian business, Mace Group has benefited from its ability to manage all its trans-Tasman banking requirements from its Christchurch base.

Bill Mace founded the core business in New Zealand more than 40 years ago. Today, his son, Ted Mace, runs the company that now covers a range of interests from precision engineering and manufacturing to distribution of pumps, manufacturing of composting equipment and development of an innovative pivotal engine.

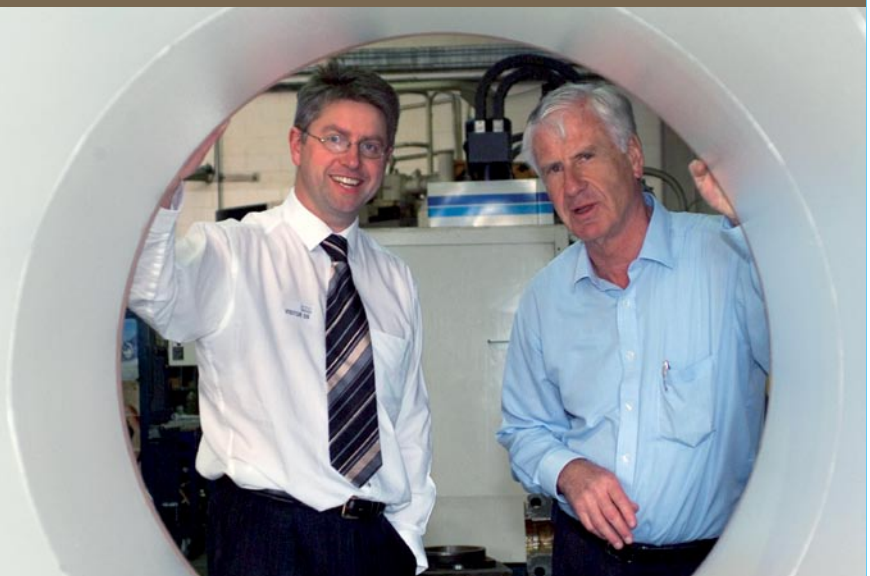
Mace Group established the pump distribution business of subsidiary Brown Brothers Engineering in Australia in 1994. Since then, Mace Group has

grown its Australian operations to match the size of its New Zealand business through a mixture of organic growth and acquisition.

“All the banking arrangements for our expansion in Australia have been carried out by ANZ New Zealand here in Christchurch – and that’s been a big advantage for us,” Ted Mace says.

“We have one relationship manager here and his team has put together everything we’ve needed across the Tasman.”

Story continued overleaf ›



Chris Broughton, ANZ Corporate Relationship Manager and Ted Mace, Managing Director, Mace Group

› INSIDE

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## GENERAL CABLE:

## Success at home and away

As the leading manufacturer and supplier of cable solutions for energy, communications, data and electronic systems in New Zealand, General Cable is an exporting success story.

The company's ability to custom-make a range of specialist cables for power, telecommunications and the oil, petroleum and gas mining industries, has led to a rapid increase in export orders, particularly for Australia's booming resources sector.

"We have a substantial business in Australia where we export a wide range of products in significant volume. Elsewhere, we have found particular niches in Asia and the Pacific for more specialised products,"

says New Zealand General Manager Andy Lester.

Wholly owned by US-based General Cable Corporation, Christchurch is the company's Asia-Pacific headquarters.

General Cable's exporting achievement is reflected in its selection as a finalist for the 2007 Skellerup Canterbury Exporter of the Year Award in the ANZ Canterbury Export Awards.

Head of Corporate Banking, Ross Verry, says ANZ is delighted to be the principal sponsor of the Canterbury Export Awards, honouring Canterbury exporters' innovation and expertise.

"Exporters are our champions and ANZ is working hard to provide the services and support needed for businesses to achieve their ambitions at home and overseas."

General Cable has banked with ANZ since 1999, benefiting from ANZ's experienced FX team for currency hedging and from the arrangement of funding lines through ANZ in Australia for its expansion there. ANZ has also provided local assistance and advice as General Cable expands into other South-East Asian markets.

"The global banking relationship for the New Zealand company is managed from here," says Corporate Banking Relationship Manager Sam McCully. "This simplifies the process for General Cable, while providing it with access to expertise in principal Asian markets."



Sam McCully, ANZ Corporate Banking Relationship Manager and Andy Lester, New Zealand General Manager, General Cable



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Mace investigated establishing a new banking relationship in Australia but dismissed it because of the difficulties.

"Our ability to provide a single trans-Tasman banking relationship is an advantage to our customers who now regard Australia as part of their home market," says Mace's Christchurch-based Relationship Manager, Chris Broughton.

"The products and services offered by our parent company, ANZ in Australia,\* are similar and our ability to manage the relationship from New Zealand removes the complications of multiple banking relationships where conflicts may occur."

ANZ New Zealand has provided funding for Mace Group's Australian expansion, managed foreign exchange transactions

and provided performance bonds and transaction banking.

"We work as one team and behind the scenes we are doing things all the time to make it easier for our clients to do business in Australia," Chris Broughton says.

ANZ is also providing trans-Tasman banking services to several other Canterbury-based clients operating in Australia.

\* Australia and New Zealand Banking Group

## SURVEY RESULTS:

## ANZ Privately Owned Business Barometer

The ANZ Privately Owned Business Barometer is the first substantive research into larger privately owned businesses in New Zealand. We've established the survey to better understand the issues and opportunities facing both businesses and business owners in this important, but poorly understood, segment of the economy.

In this first annual survey, Colmar Brunton sought the views of around 1,000 owners of privately owned businesses with annual revenues between \$10 million and \$150 million. The 33% response rate represents almost 10% of the total estimated market.

Privately owned, medium-sized companies are vital contributors to the New Zealand economy, according to the ANZ Privately Owned Business Barometer. There are an estimated 3,500 privately owned businesses in the segment, which contributes over \$100 billion a year in revenues alone.

The survey highlights several key issues for business owners.

- Most owners of privately owned businesses are planning to invest in growth in the next year.
- Half of these business owners want to retire within five years and a third want to be less active within three years – but only 10% have a formal plan in place.

Nigel Williams, Managing Director Corporate & Commercial Banking, says the fact that such a large proportion of owners are planning to retire poses a real economic challenge for New Zealand. However, he says it also presents huge opportunities for current and future owners and for the economy.

"To ensure these businesses contribute to their maximum potential, it's important that we better understand their needs and help champion opportunities, in particular planning for change and achieving growth," says Nigel Williams.

### OWNERS SEEKING MORE WAYS TO EXIT THEIR BUSINESS

Mr Williams said it is concerning that a large proportion of business owners are planning to retire completely over the next five years.

"Historically, owners' options have been limited, with outright exit being the only real choice. This survey reinforces our view that many owners want more options

– most want to release time and capital – perhaps as a first step towards an eventual change in ownership" says Mr Williams.

"Helping businesses with this type of staggered change is critical as we enter a period where succession is becoming a real issue. Management can play an important role by stepping up to an ownership position – effectively unlocking a new generation of owners and giving them the opportunity to help drive the next round of business growth."

### STIFLED GROWTH PROSPECTS?

The survey results also raise questions about whether the growth aspirations of privately owned businesses match their potential opportunities. While many business owners expect growth, most expectations appear conservative.

"Business owners are reinvesting profits in their businesses but we suspect that some are missing significant growth opportunities involving acquisition or international expansion" Mr Williams says. "This issue must be better understood and addressed if real growth is to be achieved and owners are to maximise their wealth."

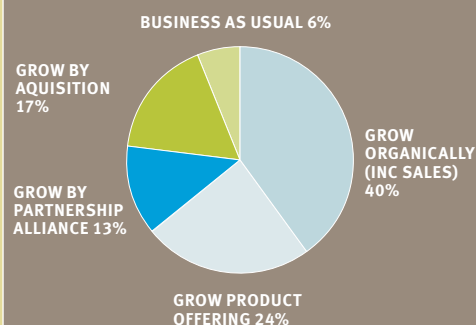
### DEVELOPING SOLUTIONS

"This research is the first step in broadening awareness of the challenges and opportunities facing business owners," says Nigel Williams.

"Championing the role of boards and external advisors is also important. Good-quality advice is critical to helping owners realise their maximum potential. It is also important that owners become aware that access to capital is not a constraint," he says.

"Our role is to understand and support business owners' aspirations and to work with them to develop solutions to help

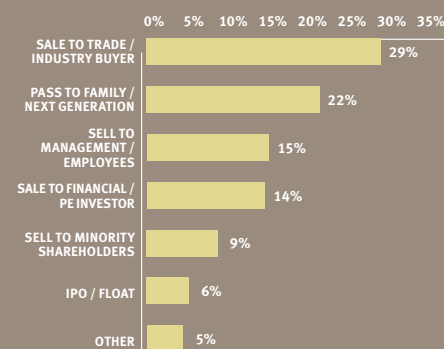
### NEAR TERM BUSINESS GROWTH STRATEGY



them achieve their objectives. Ultimately, we want to help New Zealand businesses and New Zealanders succeed."

The Barometer's key findings are outlined overleaf.

### PREFERRED FORM OF SUCCESSION MECHANISM



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## ANZ PRIVATELY OWNED BUSINESS BAROMETER – KEY FINDINGS

### Demographics – mature businesses dominate

- › 89% of businesses were established more than 10 years ago; 35% have existed for 30 years or more.
- › Owners are still very much in control: 70% are still run by founders.
- › Owners are ageing: 66% of shareholders are 50 years or older; one-third is 60 years or older.
- › Businesses are sizeable: 55% have revenues over \$20m; 23% over \$40m.

### Business sentiment – strong growth aspirations

- › 63% plan to invest in growth in the next 12 months – confidence is generally strong.
- › Most are more confident about their own business than the economy (more optimistic medium vs short term).
- › Risks do exist, particularly relating to currency and sourcing of skilled labour.

### Management and structures – boards under-utilised

- › Boards are under-utilised – one-third of companies has no boards at all; only 57% of boards meet regularly.
- › Value add – 48% believe business would benefit from the appointment of an independent director.
- › Owners are very much in control – 76% of main shareholders are actively involved in management.

### Growth is expected – but potential appears constrained by barriers

- › 66% expect growth this year through significant investment.
- › 70% expect organic growth, 17% expect acquisitions in the short term.
- › 64% say access to capital is no constraint but 50% would acquire or expand if more funds were available.

### Looming change – owners want more options than outright exit

- › 46% of owners wish to retire in five years; one third plan to be less active in three years.
- › Planning for change is a significant issue: 46% feel succession is an issue – yet only 10% have a formal plan.
- › Many different motivators are driving owners: 40% wish to release time, 21% wish to release capital.
- › Exit preferences vary (only 15% prefer management; 22% prefer family).

For a copy of the ANZ Business Barometer report, please contact Hamish Bell, on 09 374 4188 or at [bellh@anz.com](mailto:bellh@anz.com) or visit [www.anz.com/NZ/CCB](http://www.anz.com/NZ/CCB)

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