

TRANSPORT & LOGISTICS SECTOR INSIGHTS



The ANZ Privately-Owned Business Barometer reveals a Transport & Logistics sector divided between those who plan, seek advice and see future growth, and those that don't. In an industry facing consolidation, those without a defined plan have plenty to learn from their peers.

HOW ANZ SUPPORTS THE TRANSPORT & LOGISTICS SECTOR

ANZ understands that Transport & Logistics is an important sector of the New Zealand economy, enabling other industries to deliver their products locally and internationally.

This sector is also a significant employer and one that is expected to face significant consolidation over the next few years. ANZ is keen to support individual businesses within this sector and help them to realise the full potential from their operations.

ABOUT THE ANZ BAROMETER

The ANZ Privately-Owned Business Barometer is an annual survey of business owners across New Zealand. In 2012, ANZ received 4,011 responses from business owners, including 171 responses from owners who identified transport/storage/logistics as their main business.

One quarter of these Transport & Logistics respondents are located in Auckland and 64 percent have annual turnover of less than \$2 million dollars. Thirty one percent employ more than 20 people, compared with 14 percent of total responses.

THE BIG ARE GETTING BIGGER...

Transport & Logistics is the sector with the highest percentage of businesses being approached by a competitor for takeover according to the ANZ Barometer.

The larger players have the size, the capital and the appetite to take over their smaller counterparts. The reason many of these sales have not progressed is because of a disconnect between the owner's price expectations and valuations being obtained by buyers.

Additionally, businesses in the Transport & Logistics space are less commonly transitioned to family members. In relation to market values, owner/operators looking to exit should have a realistic understanding of the market value of their business and be willing to consider all options for exit. Exit values can be enhanced by engaging with those that can help groom a business for sale, well prior to exit.

A SECTOR DIVIDED

Thirty six percent of businesses within the Transport & Logistics sector have a board of directors, significantly higher than the average of 24 percent for other businesses. Those businesses with boards of directors are typically the larger, higher turnover businesses. They are significantly more likely to use external advice and have a yearly business plan and budget. Their short and medium-term growth expectations are higher. They are also more likely to be seeing increased

opportunities and considering merger and acquisitions as a means of growing their business.

The remainder are smaller businesses with lower likelihood to have a plan, to utilise independent advice or to see increased opportunities to grow.

FUEL AND ENERGY COSTS

The most significant operational issue facing the Transport & Logistics industry on a daily basis is fuel/energy prices. More than half of the respondents in this sector selected this as one of their top three issues of concern. This issue is particularly topical at present with upcoming changes to Road User Charges. This creates uncertainty and is resulting in delays in capital expenditure/fleet replacement decisions for many transport operators.

AVAILABILITY OF PEOPLE AND DOMESTIC COMPETITION

Other issues of concern among Transport & Logistics respondents are the availability of people (35 percent) and domestic competition/market pressure (31 percent).

Compared to other businesses, Transport & Logistics respondents are less likely to be concerned about balancing family and business interests or falling customer demand.

In relation to people, the issue of balancing family and business interests is more transparent within the transport sector and something that owner operators are more aware of when entering the industry.

For other businesses, the issue tends to arise slowly, as the demands of the business slowly seep into family time.

The lack of concern around falling customer demand is interesting. When survey respondents were questioned, most believed that demand for their services was stable, with fluctuations in exports and imports compensating for one other. Of more relevance (and concern) are the high number of operators in this segment, meaning increased market competition is of more importance than customer demand.

KEY RESULTS FOR THE TRANSPORT & LOGISTICS SECTOR

How the Transport & Logistics sector compares with other New Zealand businesses:

- > Half of Transport & Logistics respondents have been approached with an offer to buy their business, compared with 33 percent of total responses.
- > 36 percent have a board of directors, compared with 24 percent of all respondents. Of those with a board, 58 percent have at least one independent director.
- > 36 percent have used an external adviser compared with 44 percent of all respondents.
- > One in five are looking to grow through merger or acquisition.
- > Growth expectations are positive but low compared with total respondents.
- > 41 percent are aged 50 to 59.

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