BRW.

SE News

HD **Mid-market companies on growth path after slow 2013**

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WC 922 words

PD 2 May 2014

SN BRW

SC BRW

ED First

LA English

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Most mid-market companies wrote off 2013 as a horror show year. With political uncertainty, focus on the election and patchy economic figures, no one was hiring or expanding. For the mid-market sector, 2014 is the year of the bounce-back.

According to GE Capital's Mid-Market Report for 2014, there has been a marked pick up in sentiment since the Federal election in September. Since September 2013, there has been a clear increase in the **business** growth outlook index, lifting all sectors of the economy. A big driver of the change was the solid performance of retail in late 2013 compared to 2012 which created a halo effect across all sectors.

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That in itself suggests a certain agility in the sector to respond to tough conditions. And that's important because the mid-market sector is very much Australia's engine room. Although it represents only 1.4 per cent of all businesses in Australia, it generates $425 **billion** or a third of all **business** revenues and employs one in four working Australians.

And while market and customer fragmentation continues, new niche opportunities are appearing as the mid-market zeroes in and adapts quickly to change. Many are specialising . As Aaron Baxter, managing director of **commercial** finance at GE Capital told the BR-GE Capital momentum forum last night, they are becoming thought leaders, or trend setters, in their sector. The best mid-market companies are specialists, putting them way ahead of the corporates.

"It's very resilient, very optimistic and the outlook in terms of growth is positive," Baxter says. "The second half of 2014 is shaping up well."Growth is key focus for 2014

The session was buzzing as mid-market **company** representatives attended panel discussions in the food and beverage, transport and technology sectors.

Baxter said that mid-market CEOs and CFOs were focused on costs and government regulation in 2013 but that's changed. "Now with the election out of the way, they are very much in growth mode, focusing on growing the revenue in the top line," he says.

Baxter cited ASX listed Beacon Hire as an example. For the last seven to eight years, it's enjoyed 15 to 25 per cent profit growth, driven largely by its innovation with its omni-channel strategy and being the first to market with LED lights.

Another example is **milk** products **business**Longwarry Food **Park** based in the town of Longwarry in the lush **dairy** region of Gippsland in south-east Victoria.

Longwarry is cleaning up in Asia and the Middle East. Engineer turned **dairy** entrepreneur Rakesh Aggarwal, who **purchased** the abandoned **milk** powder plant from Bonlac in 2001, says the **company** just can't keep up with the demand from Asia.

"We have **sold** out to August," Aggarwal says. "If they want three, we have to give them one."

As Aggarwal says, it was a strategy of adapting to tough market conditions here. Very much a mid-market thing. "The margin just isn't here," he says. "The supermarkets have done the margin transfer."

Asia and the Middle East generate about 80 per cent of the group's turnover. China has been its biggest export market for the past two years.

Similarly, Tim Nuttall from Access Hire, which specialises in short, mid or long-term rentals of aerial work platforms, materials handling and associated equipment, says the construction sector has gone quiet. Up until last year, it was being driven by the money the then government was spending on infrastructure. That's dried up since the election. "The capital equipment support area is feeling the pain," he says.

But he says the mid-market is seeing private investors coming back into the sector and the shopping centres are expanding. Good news for construction and mid-market suppliers as the mid-market zeroes in on the new niche opportunity.Eye on cost

One of the distinctive trends in the report is that the mid-market companies are embracing jobless growth. While 61 per cent of mid-market businesses are expecting to grow revenue in the next year, most of them (55 per cent) are planning to employ the same number of staff. Similarly, 31 per cent of mid-market companies – almost on-third – plan to increase revenue but keep the employees numbers the same.

So while they are embracing growth, they're focused on efficiency and keeping an eye on cost, a legacy of the last five years.

As the GE Capital report says, the strength of the upward trend is uncertain with the ongoing restructuring of manufacturing, a trenchantly high Australian dollar poor weather for rural industries.

"Things are tough, a lot of people aren't getting the growth they want," says Bea McDonald, GE Capital Product Director. "We're optimistic but as the year goes on, it gets harder."

Or as Tracie Dickenson from Queensland-based Daryl Dickenson Transport puts it, 2014 has been a massive improvement on 2013 and confidence is coming back into the transport sector. The problem, she says, is that at this stage, it's difficult for businesses to make long-term forecasts. "There is still no consistency," she says.

"One week is as good as and the other week, you're wondering what's going to happen."

The latest GE Capital report puts it bluntly: the upward trend is there and the signs are good. But it's being tested. The next instalment is yet to come.

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AN Document BRW0000020140502ea520000b

