



# Growing your business for gain, not pain

PRACTICAL ADVICE ON GROWTH, ACQUISITIONS  
AND CROSSING THE TASMAN



DIRECT CAPITAL

"The two of us started our business 12 years ago. We had **great ideas** for it and had the usual **ups and downs** but with **hard work** we managed to grow the business to where it was making good money.

**This is our business and we're really proud of it.**


But, we got stuck. Neither of us wanted to sell the business as we still had lots to do. We figured we could still double or triple the business if we kept re-investing our profits and borrowing more. **We enjoyed the challenge** and knew that getting the business to that size would make us more attractive.

But we didn't want it to take another 10 years, and to be honest, we wanted our families to be able to benefit **before we got too old** to enjoy it.

We were approached by a competitor about **buying their business**. We were really keen as it was a great fit with ours. We dropped everything and spent three months working on it – not only on the deal but getting funding for it as well. In the end, **it just got too difficult pulling everything together** at once and the business was sold to another competitor of ours.

It annoyed us that as well as we planned our business day to day, we hadn't planned our business growth or positioned ourselves to drive an acquisition. It made us realise that **if we were serious** about growing our business here, expanding to Australia, or acquiring a business, **then we needed a partner** – someone that would leave us alone to run things but invest and help us grow the business. People said we'd **lose control, get diluted, lose our culture** and that we'd go all 'corporate'."

The fact is:  
It's the best thing  
we ever did.



# Thinking capital?

Growing a successful business requires big-picture planning. The trouble is many business owners become so involved with day to day operations that they fail to realise and take advantage of external opportunities when they arise.

Direct Capital offers you and your business growth capital partnered with experience.

## With Direct Capital you:

### Grow and prosper

Expand your business to its full potential without relying on personal funds.

### Remain prepared

Be ready to acquire other businesses when the opportunity presents itself.

### Enhance ownership options

Free up the ability to enable shareholder changes.

### Go offshore

We have the investment funding and international experience to help businesses expand offshore and develop new markets.

### Live your life

We help you prepare your business for the time when you can relax and spend time with your family, and enjoy the rewards of your hard work and investment.

## MAX

Founded in 1985 by David Wright, Max Fashions had, by 2005 become a leading New Zealand brand and retailer in women's apparel with 34 stores nationwide.

Direct Capital provided the capital to back David's management team to acquire the business.

David retained a stake in Max, became Chairman and continued to play an active role in the business.

Direct Capital has worked closely with the Max team as it continues its NZ retail expansion and Australian market entry.



## It's a big decision

**Your business isn't just a "financial asset". It's what you've worked long and hard to build. It's part of who you are.**

But bringing in an investor isn't for everyone.

If you want the business to go to your kids and then on to your grandchildren, we're not for you.

If your business gives you a great lifestyle income and you're happy keeping it that way, we're not for you.

If you want to grow your business. Be the market leader that people talk about. Expand to Australia or beyond. Maybe list on the NZX or ASX. Substantially increase the value of your ownership?

**Then, we are for you and we have the capital and experience to help you get there.**

### INNOVAIR

Innovair is the company behind well-known insect control product, RoboCan. With its unique 'MicroMist' dispensing unit and use of natural, biodegradable products, RoboCan has taken the NZ market by storm and Direct Capital invested in the company to support its international expansion.

### TRITON

Direct Capital invested in Triton Hearing Clinics alongside management to fund the company's national rollout. From its origins in the Waikato and Bay of Plenty, Triton has extended its practice as far south as Canterbury and is busy researching the next region to expand to.

## Bringing in an investor

### **Bringing in an investor isn't just a financial transaction either. It's a long term partnership.**

We're not a bank you apply to for a loan. We don't take security, or offer "facilities". We invest long term equity and take on the same shareholding risks that you do.

We need to be able to enjoy working together and trust each other. It's no coincidence that our company owners often become good friends. Your due diligence on us is just as important as ours is on you.

We invest on a personal basis alongside our funds and those of us you work with today, work with you into the future.

We become a key sounding board for you and your team.

### **We're financial investors backing good people with good businesses wanting the same as us – to grow the business for long term value.**

## Taking on a financial partner

### **There are common issues owners think about before taking on a financial partner.**

Won't I get diluted? Yes, if dilution to you means not owning 100% of the business. But that's not the point. The key is whether new capital increases the future value of the business. If you don't think it will, then don't take on new capital.

Won't I lose decision-making control? No, we're investing in you. We'll contribute to strategy and planning and can definitely help you on acquisitions but we can't run your business and don't want to.

Can I take some cash off the table? Yes, we understand this need for business owners, so we're flexible about how we invest.

Don't you have a short term investment horizon? No, turning capital into growth is one thing, but turning growth into profit and long term value takes time.

### **Our returns come from helping grow yours.**

### **PHITEK**

Phitek is a world leader in acoustic products and technologies. From its beginnings in aviation where its noise cancellation is deployed in over 120,000 seats of the world's leading airlines, Phitek launched into the consumer electronics market supplying components and branded end product in the premium headphone and ear-bud market. With global brands such as Panasonic, Audio Technica and Creative Labs, Phitek is at the forefront of audio technology for the portable music player market.

### **ROBINSON**

By 1998, Robinson had become a leading manufacturer and distributor of Robinhood branded white goods for the NZ and international markets. Noel Robinson was looking to address succession and realise his value in the business. Direct Capital invested alongside Steve Bootten, as the new Managing Director, to acquire a majority stake in the business.

### **EXPRESS**

Express Logistics is one of New Zealand's leading logistics companies. Its founder, Brendon Thomas, wanted to step back from day to day operations and reward his team for their commitment by extending ownership. In 2005, Direct Capital invested with management and since then the company has completed 5 investments, 3 of them in Australia, and is on the way to building a substantial Australasian and Asian logistics business.

### **NOBILO**

Nobilo Wines, a household name in New Zealand fine wine, was looking at family succession and industry consolidation. In 1995, Direct Capital invested and led the acquisition of Selaks, the merger with National Distributors and the company's subsequent listing on the New Zealand Stock Exchange.

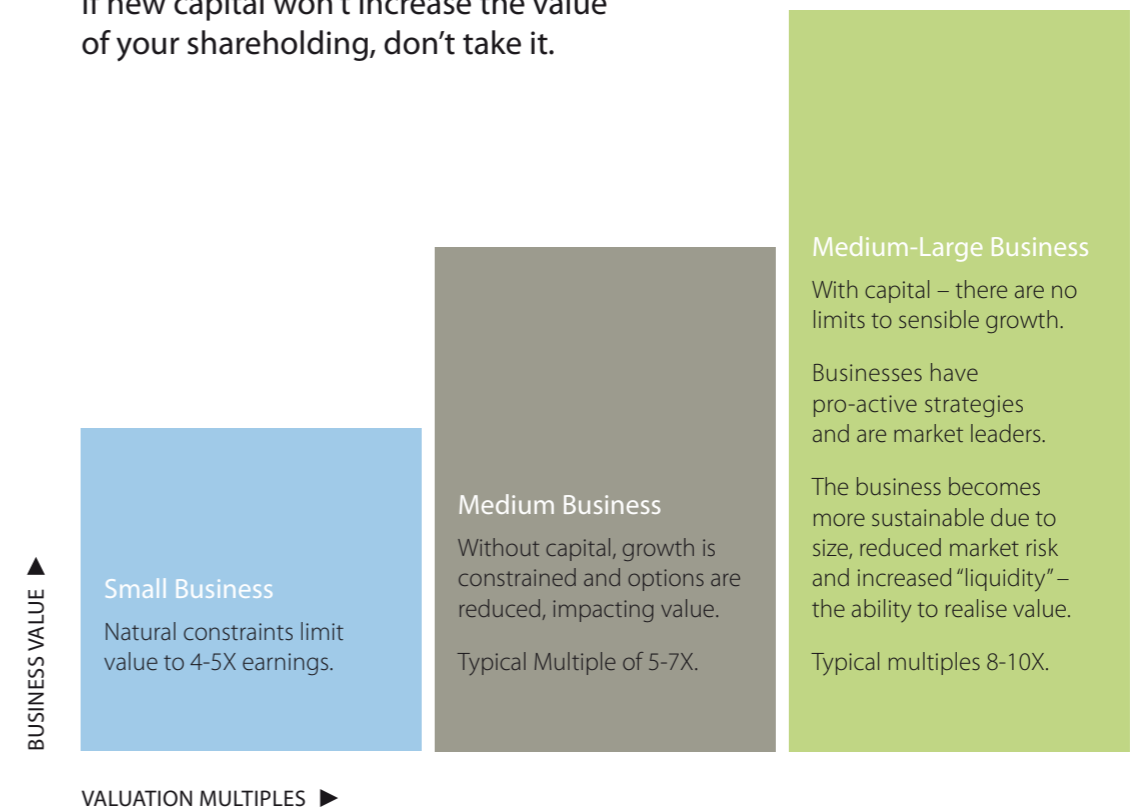


# Increasing your value

**Our investment is about increasing the value of your business.**

Use our capital to grow your value.

If new capital won't increase the value of your shareholding, don't take it.



# What we do



# New Zealand and Australia



## **An investment from Direct Capital brings our capital, our experience, our networks, and our brand.**

We will support your management team, help with strategic direction, identify growth opportunities and acquisitions, help you act on them, and support you and your CFO.

We will use our network of New Zealand and Australian companies and individuals to help your business – customers, suppliers, recruitment.

As a board member we can introduce key members with new skills, ideas and a broader industry perspective. We actively promote good corporate governance.

As an investor, we represent the leading institutions in Australasia. That market values our investment in your business.

As a shareholder we have the same interests as you – growing the business and its earnings, making it a great place to work, and continuing to build a great company.

## **NZP**

New Zealand Pharmaceuticals is a manufacturer of specialist chemicals for some of the world's leading pharmaceuticals companies. Direct Capital's 2005 investment in the business enabled the company to build a new manufacturing facility in Palmerston North for the production of glycotherapeutic intermediaries - a fast growing category in the global pharmaceutical market.

## **MOMENTUM**

Momentum Energy is based in Melbourne and was one of the early new entrants to the deregulated Australian energy market. Targeting Australia's SME market, Direct Capital invested with executives that had achieved great success in the earlier deregulation of the New Zealand market.

## **New Zealand and Australia represent a single market.**

We invest in both New Zealand and Australia and are proud of our trans-Tasman success. We understand the intricacies of each market and each state.

Our New Zealand companies typically expand to Australia or make acquisitions there. Our Australian companies typically have operations in New Zealand.

Our team are regulars in Auckland, Sydney, Melbourne and Brisbane.

While many companies find the first time crossing of the Tasman a difficult leap into the unknown, we've got the experience gained from helping more than half our companies achieve it.

With our help, the move is quicker and less risky.

Our investor base includes both Australian and New Zealand institutions. Our investment focus is the same.

## **EZIBUY**

By 1999, EziBuy had become the largest catalogue company in New Zealand.

EziBuy wanted to expand its Australian operations by acquisition and with a partner that had the capital and experience in making acquisitions, and someone who understood the Australian market.

Direct Capital invested and went on to help negotiate, fund and implement the acquisition of the Australian based, Myer Direct catalogue business.

Today EziBuy is one of Australasia's largest and most progressive 'multi-channel' retailers with the majority of its business now in Australia.



# Leaders in Private Equity

## Direct Capital is a New Zealand leader in Private Equity.

We've invested over \$350 million in more than 50 private companies:

Our ideal investment is \$10 million to \$30 million of equity in companies that are valued between \$20 million and \$100 million.

We provide capital and experience that helps businesses to grow, enter new markets or make acquisitions.

We help you find those growth opportunities and be ready to act on them.

We can help the next generation of management acquire the business.

We help owners de-risk their investment, increase their upside and create greater options for achieving value.

Our financial brand strengthens our companies' brands.

We provide financial and strategic support for companies and their owners wanting to go to the next level of growth and value.

# Why choose Direct Capital?

## We have a track record of success investing with great companies and being a catalyst for change.

Our capital enables companies to expand much faster than through retained earnings and debt. We strengthen a company's balance sheet enabling more decisive growth initiatives.

Our capital increases your value.

We add our business experience to yours.

We are experienced in international expansion.

We help de-risk the business and the owner's investment in it.

We are a significant non-executive resource for owners.

We attract talented employees.

We create greater ownership options for maximising shareholder value.

EFTPOS-NZ, driving the change of retail payments in New Zealand.

The acquisition of Blue Star Group, an Australasian leader in office products.

GFG Group, one of the world leaders in solutions for mobile payments.

Noel Leeming, one of New Zealand's leading appliance retail chains.

Vital Foods, turning the goodness of kiwifruit into a range of healthcare products.

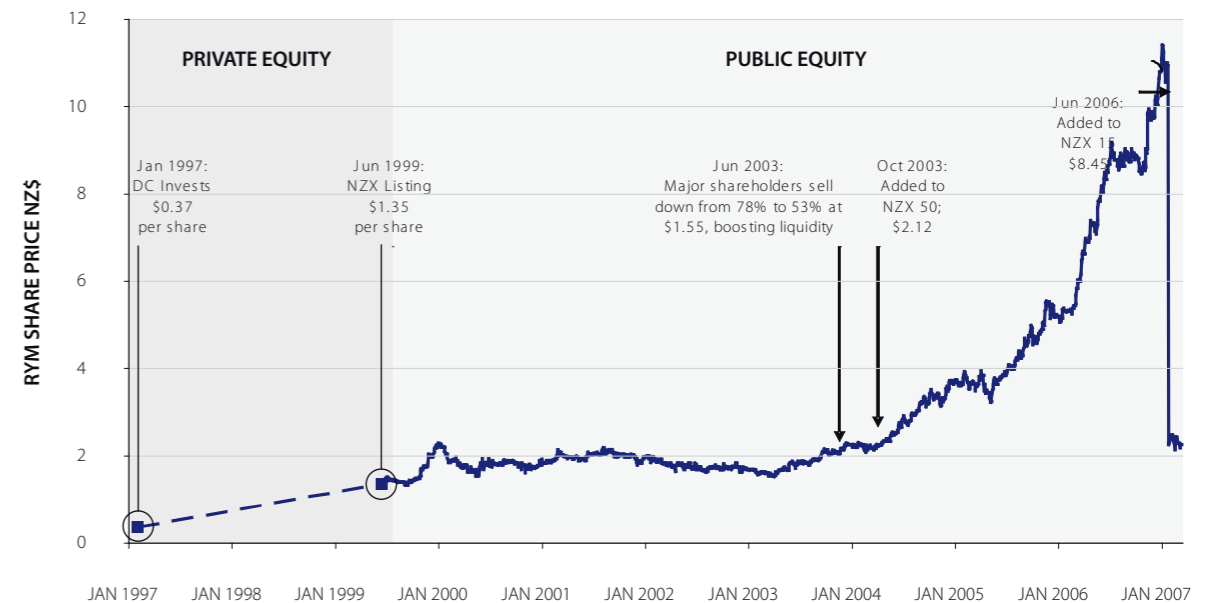
# A real life example

## Ryman Healthcare

Ryman was founded in 1984 by John Ryder and Kevin Hickman with a clear objective of becoming the leading provider of healthcare facilities for the elderly in New Zealand.

Having established a strong base for the business in the South Island, Ryman sought capital to expand into the North Island.

Direct Capital invested when Ryman had revenue of \$9m. With Direct Capital's investment, revenues grew by a further \$21m in the next 3 years through the development of Wellington and Christchurch villages. Three years later the company floated on the NZX. Ryman's market capitalisation now exceeds \$1 billion and we remain proud shareholders today.



# Talk to us

## Come and talk to us about your company and your plans.

This isn't an instant decision for you, or for us. Deciding to really grow the business and deciding on the right partner, is one of the biggest strategic decisions you'll make.

Invest in the time to decide that. We're happy to.

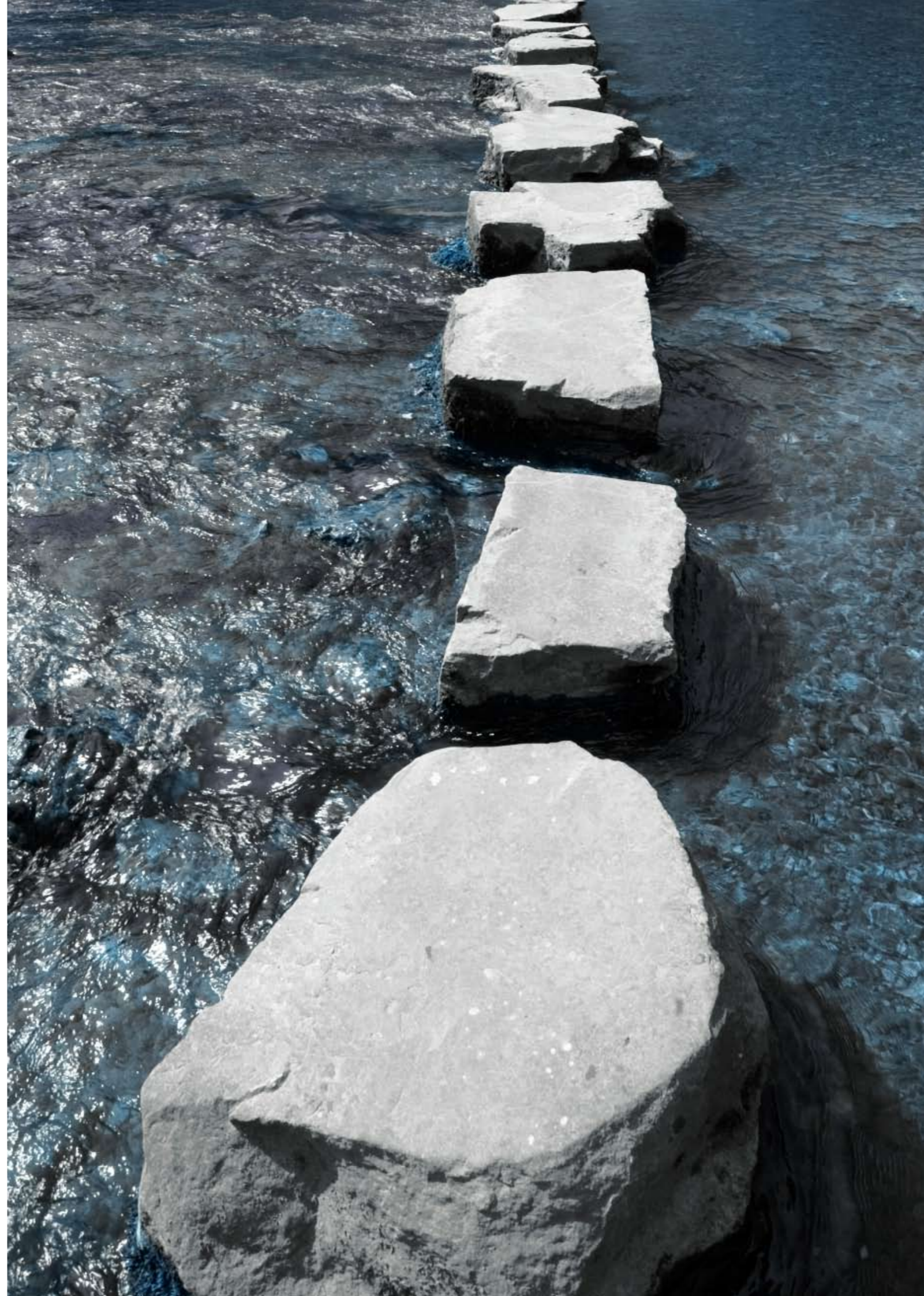
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