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Australian business on the hunt for a bargain

Growth through domestic acquisition is the way forward for Australian businesses in 2009, according to new research out today.

The Grant Thornton International Business Report is an annual survey which tracks the growth plans of 7,200 privately held businesses across the world.

Almost half (47%) of Australian businesses are planning to grow through acquisition this year, with the majority of these acquisitions (82%) targeted at domestic firms. This is significantly higher than the global average (37%), with more firms considering expansion today than they were in 2008 (42%).

According to respondents, the key reasons for growth are:

- The need to build scale within the existing business (47%),
- A desire to gain access to new geographic markets (39%),
- The need to access lower cost operations (27%); and
- An interest in acquiring new technologies or established brands (24%).

Respondents from Western Australia and Queensland seemed the most aggressive, with over half of WA (56%) and Queensland (54%) businesses planning to grow through acquisition in the next three years.

Tony Markwell, National Head of Privately Held Business at Grant Thornton Australia, commented:

“Businesses are realising that their value is dropping amid the general slowdown in China and Southeast Asia, and are therefore looking to take advantage of current bargains, rather than selling their own business for below the potential value.”

According to the report, there has been a significant drop in the proportion of Australian privately held businesses planning on selling up within the next three years, with average numbers falling from almost a quarter (22%) in 2008 to 14% in 2009.

However, even with this drop, Australia still has more than double the global average of firms hoping to exit (6%), and is second only to New Zealand in terms of plans to sell (18%). With the shutters coming down across the rest of the world, it seems likely that

domestic firms will turn their attentions inwards when planning their next strategic investment. Tony Markwell commented:

“This is an ideal time for those Australian businesses which have the capacity to purchase and capitalise on the weaker market position of their competitors. Domestic acquisition will put these businesses in a stronger position for when the market turns, which it eventually will.”

- Ends -

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Australian Regional Breakdown

Approximately 250 medium to large Australian businesses participated in the survey in October 2008. Medium to large companies are defined as having between 20-299 employees.

Table 1 shows the percentage of businesses within the state planning to grow through acquisition in 2009.

	WA	QLD	NSW	VIC	SA
Yes	56%	54%	44%	42%	36%
No	44%	46%	56%	58%	64%

Table 2 highlights the percentage of businesses within each state planning to sell within the next three years.

	WA	QLD	NSW	VIC	SA
Yes	18%	12%	19%	14%	8%
No	82%	89%	81%	87%	92%

Global breakdown

Do you plan to grow through acquisition in the next 3 years? (% Yes)

Philippines	68	Mainland China	41	Sweden	32	Mexico	23
Poland	59	Denmark	41	Singapore	32	Italy	20
Brazil	57	Argentina	40	Chile	31	Greece	19
Netherlands	50	UK	39	Malaysia	31	Vietnam	15
France	47	Finland	39	Hong Kong	31	Taiwan	13
Australia	47	Russia	38	India	30	Japan	12
Spain	46	South Africa	37	Asia Pacific	30	Thailand	5
Botswana	44	Nordic	36	Germany	29	All businesses	37

Canada	44	Ireland	36	East Asia	29
United States	44	New Zealand	35	Armenia	25
Latin America	42	Belgium	33	Turkey	23

The International Business Report

Grant Thornton International started a major annual survey of the attitudes and expectations of small and medium-sized businesses in 1992 called the European Business Survey (EBS). In 2003 the research project was widened to an international perspective covering medium-sized businesses and renamed the International Business Owners Survey (IBOS).

In 2007, the survey's name was changed from IBOS to the International Business Report (IBR). The IBR survey draws upon 17 years of trend data for original EBS participants and 7 years for original IBOS countries. The 17 year trend data is available for: France, Germany, Greece, Ireland, Italy, Netherlands, Spain, Sweden and the United Kingdom, while the 7 year trend data is available for Australia, Canada, Hong Kong, India, Japan, Mexico, Russia, Singapore, South Africa and the United States.

Grant Thornton International will donate US\$5 to UNICEF for every completed IBR questionnaire. In 2009, this will result in a donation of almost US\$36,000.

The research was conducted by Experian Business Strategies Limited. To find out more about IBR and to obtain details of IBR reports and results please visit www.internationalbusinessreport.com.

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