

Preparing for 2010: Balancing the big picture with fine details

The economy is still not out of the woods yet but indicators are pointing to a tentative recovery of the business environment. Business and consumer confidence have improved in the September quarter and should continue to stabilise if not get better, provided the global economy does not receive new shocks.

According to the International Monetary Fund, growth among New Zealand's major trading partners is expected to be around 3% in 2010.

As businesses put on their thinking hats on how to prepare for the new year, it is imperative to be mindful that the global financial liquidity is still less than perfect after a massive ingestion of bad debts.

Local business owners have been coping with tough economic conditions and 2010 will be no different. Although selective parts of the economy are beginning to resume some of the lustre lost during the last 18 months.

There is no better time for business owners to re-position the company going forward. These are some useful questions on the checklist to be attentive to:

- Do you have the right people to power your business?
- Do you have the right financial structure to support growth?
- Have you talked to your financiers lately?

- Have you consolidated your distribution/marketing channels?
- Have you tightened your back-end support operations?

While these may seem like logical questions to ask, many business owners often get too wrapped up in their daily operations, and tend to overlook the need to get a helicopter view of their business.

One of the most common mistakes a business can make is to shrink resources back so much that there is no time to rebuild when their business starts expanding again. In this area, nothing is more important than having a ready pool of people who can help ignite your business.

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Another mistake businesses make is to run their finances so tightly that they forget to invest in areas that matter. Building a sustainable business is all about continually investing in innovative ideas and taking measured risks.

During the last recession, some suppliers or customers have been wiped out. The companies that have/will make it through this, and future recessions, are those that maintain their long-term vision while working in the boiler room on the fine details of running their day-to-day operations.

To find out more about Lock Finance products, visit www.lockfinance.co.nz or call 0800 ASK LOCK (0800 275 562)



Simon Thompson
CEO, Lock Finance

Greetings!

Many of you would have been aware that some management changes have been put in place. I am excited by my new role as Chief Executive Officer and look forward to working with our valued clients.

I want to add a special word of thanks to Gerard van Tilborg, our former Chief Executive Officer, for his strong leadership through the last couple of years. Gerard has elected to focus on our sister company Easy Factors International Ltd and will continue to give strategic advice on some of Locks clients.

What excites me about our business is the diversity of our clients. Some come to us with long histories, others are new enterprises. We cater to a wide range of industries – from importers to manufacturers. Each has a unique situation, each presents us with a challenge.

We realise our customers, as owners, know their businesses more than anybody else. Where we can make a difference is when we take time to understand their business and offer them our financial solutions.

Every Friday our Credit Committee meets to review accounts and looks at new business opportunities. Our Lending Managers present a written report to the committee and backs this up with a verbal briefing. It may not quite be the "Dragons' Den" as seen on television but sometimes we can have some very robust discussions! From our perspective, the better informed we are, the better we can help a company with its expansion and growth. We love seeing our clients prosper and grow.

Lock is in a unique position in the market because of our strong financial standing, and our capacity to extend help to established businesses as well as

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CASE STUDY



Flexible financing gives logistics company DCB a boost

Challenge:

DCB has been finding it difficult to balance its cashflow needs as the company juggles meeting payments to suppliers with receipts from customers.

Situation:

The company found it could no longer rely on traditional overdrafts to meet its funding requirements.

Solution:

- Lock Finance worked with DCB to offer debtor financing.

Dunedin-based DCB International Ltd can now scale greater heights as it focuses on generating new businesses armed with flexible financing.

"We have had some very strong years of growth," managing director Mark Willis says, adding that the company's wings were clipped by limited fixed overdraft and lending terms.

"Lock has enabled us to continue our business. Because so much of our volume was in the ledger, it was difficult to know our requirements."

The access to funding, based on the amount it invoices, means open access to financing. The only constraint on the company now is how much limit it places on its growth, Willis says.

DCB, with its roots in customs broking, has been around since 1969. It now offers a full spectrum of international freight forwarding and related services, covering over 100 destinations worldwide in import and export services.

The company has extensive experience in working with shipping lines, airlines and customs, enabling it to provide a one-stop shop for exports and imports.

"We have major connections and tentacles, so to speak, in many types of industries, and have experience in helping first time importers/exporters," Willis adds.

Technology investments provide updated information on cargo to customers who work under tight just-in-time regimes to achieve the shortest time between a product leaving the warehouse to receipt of the cargo, he says.

To find out more about DCB International Ltd, visit www.dcb.co.nz

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Goals are the first step to business success. If you go to work on your goals, your goals will go to work on you. If you go to work on your plan, your plan will go to work on you. Whatever good things we build end up building us.

Jim Rohn

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Economy heading for strong recovery

The leading indicators of economic growth point to an earlier and stronger recovery than the RBNZ is predicting. This implies that the RBNZ will be forced to follow in the footsteps of the RBA before the second half of 2010, possibly as early as the first quarter of 2010.

The economic recovery that started in the housing market is in the process of becoming broadly based. The strength of the recovery is not evident in the historical economic data yet, but it has been foreshadowed by a range of business and consumer surveys.

The most useful leading indicators in this context are surveys of firms' own activity expectations, like the NBNZ survey in the chart. This survey takes a pulse on the economy effectively based on what firms in a wide range

of industries are seeing in their order books. It normally takes four months for this to be reflected in the official economic activity or GDP data.

At net 34% positive in November, compared to an historical average of 25% positive, the NBNZ survey is consistent with economic growth quickly rebounding to around 4%.

The recent strong residential building consents data are an important part of the economic multiplier process at work. Rising residential building fuels growth in a wide range of industries including numerous manufacturing industries, the transport industry and various service industries.

This is what fuels the recovery in employment growth and consumer spending. However, a stronger economic recovery will come at a price as the RBNZ reacts to the situation.

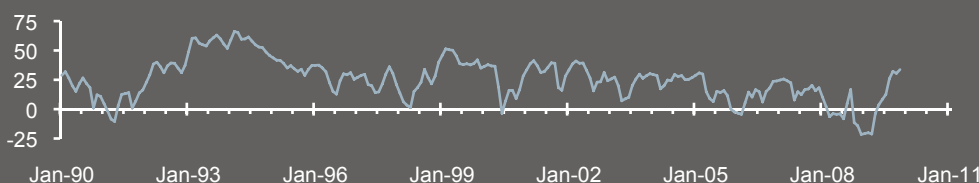
Faced with similarly strong leading indicators of economic growth the RBA has already hiked three times. The RBNZ has painted itself into a corner so is unlikely to hike the OCR this month, but the clock is ticking.

Written by Rodney Dickens. Visit www.sra.co.nz to learn about SRA Ltd's services.

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The chart shows the NBNZ survey of activity expectations, measured as the net % positive or negative



Locks worked out a package where we could draw on our funding when we needed it. It is kind of like being able to turn a tap on and off.

Greg Hughes
Attraction Marketing Ltd



Office hours

Please note that Lock Finance will be closing earlier than usual on Christmas Eve and New Years Eve. We urge our clients to plan for this day and advise the operations staff of any maturities and draw downs by 12pm on these days.

During the Christmas period, there will be a skeleton staff available for your assistance.

Please contact our operations team if this creates any difficulties for you.

We thank you for your co-operation.

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young companies. Our flexibility and product range allow us to cater to varied needs. For example, as ownership transitions take place and entrepreneurs retire, we can help with management buy-outs or acquisitions.

Businesses have been telling us they like the fact that we are flexible, we listen and we have creative solutions. They also like the fact that we take their business ambitions seriously and we take time to help them cross their hurdles.

The last 18 months have been challenging for many businesses. Many companies have been tightening their belts. Financial liquidity will continue to stay tight but we have capacity to finance fundamentally sound businesses. We welcome enquiries for new business opportunities.

Finally, I would like to thank our clients and business partners for your support this year. I wish you and your families a very happy and safe festive season.



From the team at Lock Finance we wish you a Merry Christmas and a Prosperous New Year.

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