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Media Release

Free Trade Agreement Benefits Go Far Beyond Exports for Australian SMEs Seeking Succession or Exit Opportunities

Monday February 24, 2014. The benefits of Australia's Free Trade Agreements (FTAs) with Malaysia, New Zealand, USA, Singapore, Thailand, Chile and Korea (announced in December 2013 but not concluded) go far beyond the removal of tariffs on goods and services traded between Australia and its bilateral partners said Craig West, CEO & Founder of Succession Plus Pty Ltd, author of ***Enjoy It-Business Succession & Exit Planning*** and President of the Australian Chapter of Exit Planning Institute (EPI). With over 50,000 businesses coming onto the market for sale each year, Australian SME owners should consider these countries as not only export destinations but also as a source of prospective buyers or investors.

Sighting as an example the Malaysia Australia Free Trade Agreement (MAFTA) that celebrated its first anniversary in January, Craig West said the Malaysian Government is transforming the nation's economy under its Economic Transformation Program (ETP). In doing so, Malaysia is propelling itself into a dynamic, modern, innovative and globally competitive nation through increased domestic wealth and consumption, as well as commercial success in international markets.

There are 12 National Key Economic Areas that are the primary drivers and catalyst for change under the Malaysian Government's economic roadmap and these are –

- Oil, Gas and Energy
- Palm Oil
- Financial Services
- Electronics & Electrical
- Wholesale & Retail
- Education
- Healthcare
- Communications & Infrastructure
- Agriculture
- Greater Kuala Lumpur
- Tourism

Malaysia also has a thriving SME Sector and together with a rising middle class, high net worth individuals and capital rich companies looking to international markets for new investment opportunities.

Australia is well positioned to capitalise on Malaysia's economic strategy and the extent to which Australian companies will be seen as a destination for Malaysian investors depends largely on our ability to engage with, and tailor opportunities for the Malaysian market.

"It is not unusual for an Australian business operating in an overseas market to be the focus of investment, merger or takeover interest by local businesses and competitors," said Craig West.

"Australian businesses have a well deserved reputation for excellence, innovation, consistency and reliability, together with our high quality of life and multi-cultural population, underpins the attractiveness of Australian enterprises as a target for outbound investment or acquisition".

The Australian economy is entering unchartered waters with an estimated 50,000 SME businesses coming onto the market for sale each year as Baby Boomers seek to give up work and sell their enterprises to fund retirement lifestyles. Studies have confirmed over 30% of business owners are relying on the sale of their business as the primary source of retirement funding.

According to the MGI Australian Family & Private Business Survey (June 2013), the average age of family business owners is 58 years (with 37% in their 60s), and are delaying retirement hoping their enterprises will regain lost value following the GFC.

Craig West continued, "With supply exceeding demand in Australia for SME businesses, it makes sense for business owners to consider the dual benefits of exporting their goods and services overseas under FTA arrangements and promoting their businesses for sale or investment internationally".

The Australian Federal Government currently has FTAs and related bilateral arrangements under negotiation with China, Japan, Indonesia, India, the Gulf Cooperation Council (consisting Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) and many others. Details are available from the Department of Foreign Affairs & Trade website www.dfat.gov.au/fta

All national governments encourage companies to broaden their horizons and make strategic investments overseas, and to invest in industries that enhance and develop their nation's own capabilities. Most share a number of common sectors that include: Education, Healthcare, Technology, Building & Construction, Clean Energy, Tourism and Financial Services. Australia has proven expertise and capabilities in all of these areas and this represents significant opportunities for companies who position themselves for this wave of new investment potential.

Many wealthy overseas entrepreneurs and high net worth individuals are becoming increasingly interested in migrating to Australia to satisfy a number of long-term retirement, succession and quality of life objectives for themselves and their families. At the same time, the Australian Government is encouraging high net worth individuals to apply for permanent residence under the new Significant Investor Visa (SIV) program which is designed to attract investment into Government Bonds, Complying Managed Funds and Australian Private Companies.

With tens of thousands of overseas students being educated in Australian Universities annually, and wealthy overseas entrepreneurs looking to diversify their business interests and developing a succession plan for their children and future generations, Australia is well placed to attract private investment from those looking to adopt a "one foot in, one foot out" policy between their country of residence and Australia.

Many ASEAN based companies have achieved extraordinary growth in their domestic markets over the past decade but are reaching the point where future double-digit growth can only come from expanding overseas. By investing in or acquiring international businesses, they are able to gain access to a global customer base, tap into new sources of product development, innovation and knowledge, and generate new revenue and profits from overseas.

The Australia in The Asia Century story is only just beginning and is a potential game-changer for Australian entrepreneurs and business leaders that can capitalize on these opportunities – especially those seeking a prospective buyer or investor for their SME business.

"However, irrespective of the source for a potential buyer, SMEs need to plan their business exit well in advance if they hope to extract the highest value. The result of not having an exit plan or seeking a last minute buyer when an owner turns age 64, will only result in a potentially poor price being offered for the business – or more disastrously, none at all", concluded Craig West.

Issued by Succession Plus Pty Ltd **www.successionplus.com.au**

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