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Growth Trends 2007

Executive Summary



Powering ahead

fast50
Deloitte / Unlimited

NZ's Fastest Growing Companies

www.fast50.co.nz

Powering ahead

New Zealand's fastest-growing companies just got bigger. And faster.

The Deloitte/Unlimited Fast 50 is rapidly becoming an index of successful, established New Zealand businesses that are growing our economy at staggering rates.

The average Fast 50 company posts sales of some \$20m, employs close to 50 staff and is prepared to challenge the norm to grow at a rate of 504%.

Each of the Top 10 companies in this year's Fast 50 grew faster than last year's Fast 50 winner. The top two posted growth rates greater than 2500% and a further five grew more than 1000% during the period surveyed.

Overall, this year's Fast 50 grew the economy by an impressive \$755m between FY2005 and FY2007 and created 1291 jobs. This is up from \$404m recorded by the 2006 Fast 50 index.

Deloitte Partner Matt McKendry believes this is a great outcome for New Zealand: "Many people think that 'growth and innovation' is for start-ups, not mature businesses. This year's Fast 50 sheds new light on where our business growth is coming from."

Catching the green wave

Christchurch based Energy Mad is the fastest-growing entry with an astounding 2746% revenue growth between FY2005 and FY2007. Energy Mad designs and distributes energy-efficient light bulbs and is now developing other energy-efficiency projects. With the prescience to anticipate growing consumer concern around energy usage and energy costs, the company has embarked on a number of innovative marketing ventures to see sales soar. We can only expect more outstanding growth from this company and from others like it that are taking advantage of technologies, as well social and regulatory factors, to "green" our way of life.

Energy Mad is joined in the Fast 50 by six other companies arguably riding the clean, green wave:

- Pitango, B_E_E and Trilogy Natural Products (natural and/or organic ingredients in consumer packaged goods that are kind to the environment)
- Escea (energy-efficient gas fires)
- Wellington Drive Technologies (energy-efficient motors for domestic and commercial appliances)
- CER Group (cleaner, greener products for environmentally-conscious consumers in a number of industries).

Blazing new trails

It is exciting to see the number of companies in this year's Fast 50 challenging the norm in mature industries or innovating to create their own market niche.

New Zealand's second-fastest growing company, Ezi-Pay, is an example of this. Having created a virtual retail channel offering pre-pay telecommunication and digital content services through thousands of retail outlets throughout New Zealand, Ezi-Pay has stolen a march on international competitors. It now dominates this market space, posting exceptional three-year growth of 2692% in the process. As it expands its services to include bill payment, as well as entertainment and transport ticketing, this growth looks set to continue.

Similarly, online retailers such as Torpedo7 and Fishpond.co.nz are successfully challenging existing business models and less agile incumbents in a mature sector, while consumer products companies such as Smartfoods, Old Fashioned Foods and Pitango Innovative Cuisine are finding or creating market niches they can dominate. Founded in 2000, Pitango launched its fresh soups in Australia four years ago and now owns 83% of the fresh soup category there.

People power

Attracting and retaining staff is the number one challenge cited by the Fast 50 this year, up from number two in 2006 and 2005. Asked how they inspire performance and nurture a growth culture, Fast 50 companies often noted the importance of:

- A clear vision
- A performance focus
- Transparency about strategy and performance
- Celebration
- Material incentives and recognition
- Inspirational leadership

Wired for growth

A trait common to many of this year's Fast 50 is the understanding that effective communication within the organisation is vital to future success. Fast growing companies are very open about their strategy, about where the organisation is going and how it is going to get there. Growth is not only on the agenda, it is part of the very fabric of the organisation, and key to motivating and attracting staff in our tight labour market.

Maintaining momentum

This year sees the return of sixteen 2006 Fast 50 companies (see Fast 50 table) and a further three from previous years.

Of particular note are Trade Me (returning for its fifth consecutive year) and Endace Group (making its fourth appearance since 2003), while Kiwibank and NZ Finance Holdings return for a third year in a row. Xytech Technologies makes its third appearance since 2004, and two 2005 Fast 50 companies (Blue South Translation for Business and Run the Red) return again this year.

Of last year's returning companies, eight have managed to increase their growth rate substantially and hold or improve their positions.

What do these companies and this year's Top 10 have in common?

An unrelenting focus on current and future customers – on understanding them and anticipating their needs – combined with a clear purpose, the courage to innovate and an ability to execute well.

What does a Fast 50 company look like?

The average Fast 50 Company is six years old, employs 48 staff, has annual sales of \$20.9m and recorded revenue growth of 504% between 2005 and 2007.

47% of the Fast 50 are positive about the economic outlook, 45% are neutral and just 8% are negative. All plan to take on more staff next year.

Exporters make up 54% of the Fast 50 and this year's Fast 50 grew export sales by 318% during the period surveyed. The value of export sales by the 2007 Fast 50 is twice that of the 2006 Fast 50. Australia remains the most popular export market (32%), followed by North America (21%), then Europe (20%) and Asia (16%).

Just over half of the Fast 50 (52%) is engaged in some form of research and development (R&D), and these companies spend an average 6.43% of revenue on R&D.

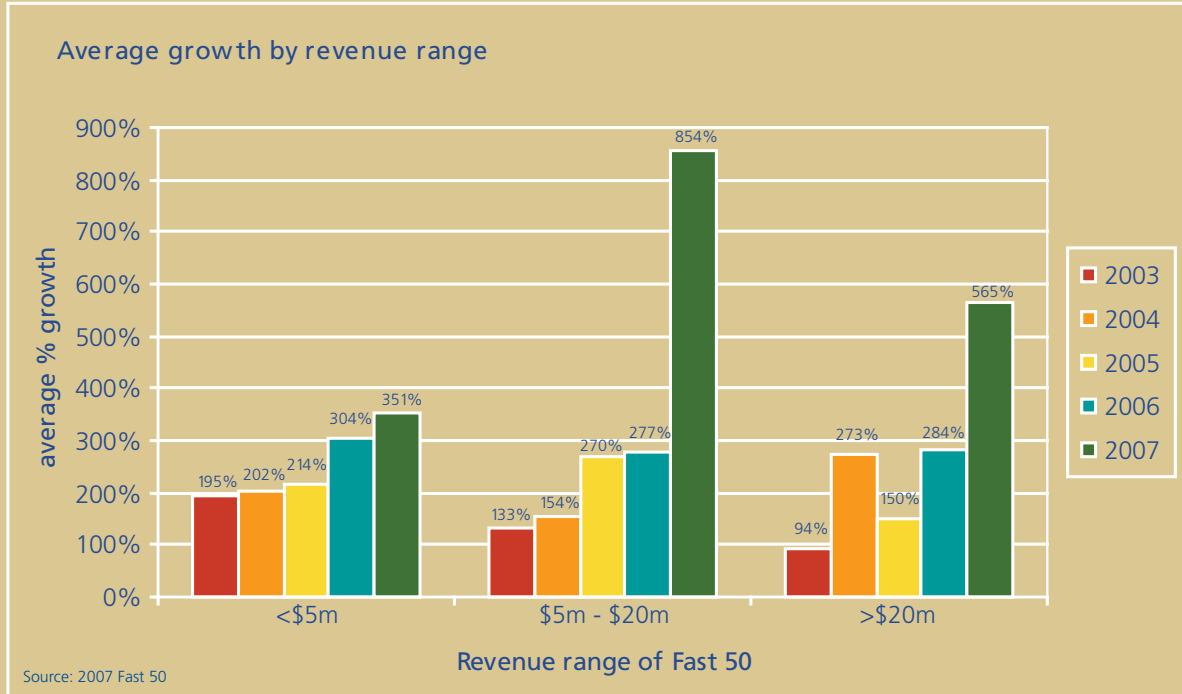
Key success factors and principal strategies for growth

While the key success factors (customer focus, innovation and staff) and principal growth strategies (winning new customers, new product/service development, and growing current customers) may not change markedly year on year, there is now much greater importance placed on understanding and serving customers better. This is combined with an awareness that innovation is not just a Eureka moment, but needs to be embedded right across the company in what it does (products/services) and how it goes about doing it (channels, business models, markets).

Average growth

2007 has been a stellar year for business growth across the board. This year we have outstanding growth from companies in the \$5m to \$20m range (see table below). This is great news for the economy, as companies in this

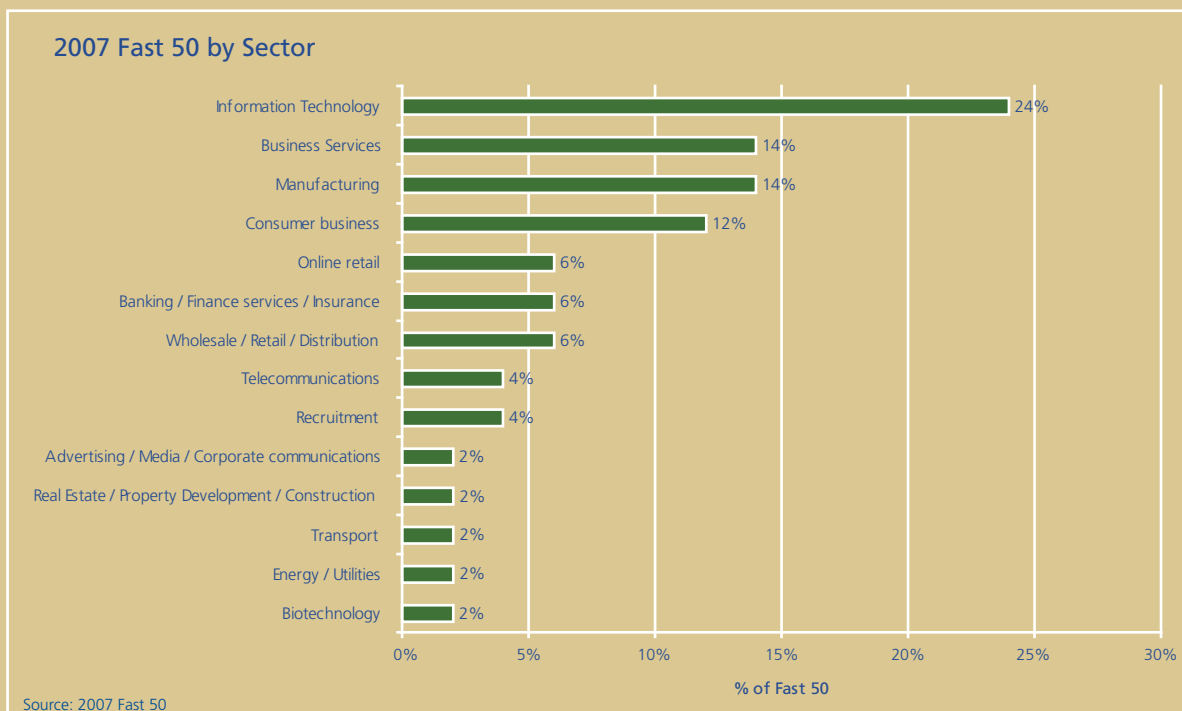
range have the critical mass to invest in new markets, in new people, in research and development, and innovation.



Sector

Technology companies still dominate the Fast 50 and a majority of the business services companies in this year's index deliver IT or web-based services.

Technology is also critical to the competitive advantage enjoyed by a number of companies in other sectors.



2007 Deloitte/Unlimited Fast 50

Rank	Company	Revenue Growth %	Rank	Company	Revenue Growth %
1	Energy Mad Christchurch	2746.05	26	Particle Systems Christchurch	261.13
2	Ezi-Pay Auckland	2691.84	27	Optimal Usability Wellington	254.08
3	IBEX Auckland	1234.37	28	Flotech Auckland	253.76
4	Fishpond.co.nz Auckland	1230.76	29	New Zealand Finance Holdings * Auckland	246.37
5	Run the Red Wellington	1120.58	30	ServerWorks Christchurch	237.21
6	Digital Island Communications Auckland	1071.59	31	The Optima Corporation Auckland	236.77
7	Escea * Dunedin	1026.86	32	Chillisoft * Auckland	236.71
8	Torpedo7 * Hamilton	968.32	33	LCP Holdings Auckland	225.58
9	TrioDent Katikati	940.15	34	Trilogy Natural Products * Wellington	197.71
10	Potentia Auckland	758.61	35	Key Lumber Rotorua	195.24
11	Agility Group * Auckland	743.30	36	Impac Solutions Wellington	195.01
12	Alexander Bulk Gases Cambridge	637.16	37	Pitango Innovative Cuisine Auckland	191.16
13	CER Group * Auckland	601.63	38	Old Fashioned Foods Group Auckland	190.87
14	NextWindow * Auckland	567.44	39	HiFX * Auckland	185.68
15	Crystal Solutions Auckland	519.31	40	Observatory Crest * Wellington	177.62
16	Mako Networks * Auckland	497.61	41	iQ Toys Mt Maunganui	166.99
17	Mojo Coffee Cartel Wellington	408.32	42	Touchpoint Auckland	166.02
18	Wellington Drive Technologies Auckland	402.17	43	Endace Group * Auckland	164.98
19	Zeald.com Auckland	391.40	44	Match Auckland	160.30
20	Smartfoods Auckland	327.41	45	Kiwibank * Wellington	156.78
21	First Rate NZ * Auckland	304.02	46	Redvespa Consultants Wellington	153.87
22	Trade Me * Wellington	294.42	47	B_E_E Auckland	152.00
23	Tiger Networks * Auckland	294.03	48	Xytech Technologies Auckland	151.99
24	Magic Pulse Wellington	293.69	49	Blue South Translation for Business Wanaka	151.60
25	RimuHosting Cambridge	289.28	50	Andrew Stewart Auckland	151.43

* appeared in the 2006 Fast 50 index



About the survey

The Fast 50 is a Deloitte initiative that operates in 32 countries. This is the seventh year New Zealand businesses have been invited to benchmark their growth as part of the Deloitte/Unlimited Fast 50. Businesses are ranked by revenue growth over a three year period. This year the minimum revenue requirement was \$250,000 for FY2005 and \$500,000 for FY2007.

The Deloitte/Unlimited Fast 50 is firmly established as a key barometer of New Zealand's emerging market and input from over 1200 businesses is sought. However, this index only ranks businesses that choose to participate.

This document features highlights from the Deloitte Growth Trends Brief 2007, which provides commentary on this year's Deloitte/Unlimited Fast 50 survey.

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