

WITHCOTT SEEDLINGS
(GRAHAM & WENDY ERHART)
AND
NBC CAPITAL
(PRIVATE EQUITY/PART SUNSUPER FUNDS)

**GROWING THE FOOD
FOR AUSTRALIA & THE
ASIA PACIFIC**

**SMART SAFE AND SUSTAINABLE
HORTICULTURE**

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Why we chose the private equity relationship to grow our successful business.

FROM 2001 TO 2007 WE HAD BEEN APPROACHED ON SEVEN OCCASSIONS TO SELL OUR BUSINESS, I WOULD LIKE TO SHARE WITH THE SENATE INQUIRY COMMITTEE, THE ECONOMIC, ENVIORMENTAL AND EMOTIONAL REASONS THAT LEAD US TO CHOOSING PRIVATE EQUITY.

BRIEF HISTORY OF WITHCOTT SEEDLINGS QLD & SMART SALADS

Withcott Seedlings (Qld) Pty Ltd

Business

Withcott Seedlings (Qld) Pty Ltd (“Withcott Seedlings”) established in 1983 by Graham and Wendy Erhart, is the major supplier of vegetable seedlings to the East Coast of Australia and forms an integral link in the supply of fresh food throughout Australia, and the Asia Pacific.

Our business produces in excess of 380 million quality vegetable seedlings annually, positioning us as the largest vegetable seedling supplier in the southern hemisphere. The seedlings are sold to farmers and during 2004 we took time to calculate that the value to the Australian economy when these seedlings are grown and leave the farm gate of our customers was just under \$500 million dollars.

Market Sector

The company supplies to the East Coast of Australia, Northern Territory and South Australia. In addition, the Group has significant export opportunities, with the tree crops products being exported to Japan, Nepal and USA.

Human Resources

The business currently has 200 staff, and around 90% of all staff are permanent employees. The remaining staff are either school aged students who work during school holidays, or university students who work on a casual basis. The team at Withcott Seedlings Qld is in their 10th year of a very successful Enterprise Bargaining Agreement.

Smart Salads Pty Ltd

Smart Salads is an innovative food processing business that holds an international patent for a horticultural growing technique. The business sells baby leaf lettuce lines to

the domestic and international food service industry. For the month of December 2006 we produced 48 ton of salad which equates to 8 million serves of salad for Australia.

BIO; WENDY ERHART

Deep commitment to economic, environmental and emotional sustainability

- 1) Business owner with my husband Graham since 1983
- 2) Mum to Jessica and Laurie.
- 3) 2005 Veuve Clicquot Australian Business Women's Award. Represented Australia in France May 2005.
- 4) 2004 Qld Smart Business Award for Agriculture.
- 5) Council member for the National Food Industry Council , Chaired by The Honourable Peter McGauran(Federal Department of Agriculture)
- 6) Board member of the Qld Ministerial Board for Workplace Health and Safety (Qld Department of Industrial Relations Queensland)
- 7) Australian Vegetable Industry Development Group (Federal Department of Agriculture)
- 8) Sustainable Agriculture Group (Land and Water Australia)
- 9) Qld State planning group AAA FarmBis
- 10) Ambassador Department of Primary Industries Queensland
- 11) Retired race car driver and now co owner of a champion Australian Speedway racing team.

WHY PRIVATE EQUITY AND NOT ONE OF THE OTHER SIX APPROACHES

1. After 25 years in business where Graham and I were accustomed to 25% to 30% business growth annually and had no hesitation in making big decisions but we then hit a stage where we started to doubt our management capacity . This now was a group of eight companies, 200 employees and a debit structure that included our family home. From 2001 to mid 2006 we had nine new projects offered to us, and we only commercialised one. Due to our water re-cycling capital infrastructure, we had a high degree of water security but still we lacked confidence.
2. We had no trouble borrowing money to expand and found our bank very supportive.
3. From 2001 to mid 2006 the six offers we received to either buy or partner with us gave me an excellent learning opportunity. During the on again off again ,six years of negotiating , analysing and sole searching , it became clear to us that , yes we need a certain price for what we had worked so hard to build , but also the quality of the new partnership relationship was paramount.

4. The point of difference with NBC Capital was that they took time to listen to Graham and I, verses many of the other negotiations, that was based on us listened to them.
5. The benefits since our partnership with NBC Capital include,
 - a. Personal debit burden alleviated
 - b. New projects / planned and launched.
 - c. Board structure established.
 - d. Clarified cooperate governance.
 - e. ASSIC reporting standards.
 - f. Formal 5 year business plan.
 - g. High level business modelling tools.
 - h. International Horticultural patent executed.
 - i. New management expertise that has re energised the business.
 - j. Mentoring for senior management, leading to new internal career paths.
 - k. Quality holiday for Graham and Wendy.
 - l. I chose to cut my work back to three days per week, resulting in significant health improvement for my self. No longer constant head aches and elevated blood pressure. I am taking time to be a mum and house wife and cope easily with my new position titled "External Relationships Withcott Group".
 - m. As part of our partnership negotiations, I requested that I be permitted to share with our industry and the broader Australian community the business techniques that have allowed Graham and I to achieve what we have. This was included, thus allowing me to share with you today, what I have experienced with a Private Equity Relationship.

SUGGESTIONS TO THE SENATE COMMITTEE

**FOR OTHER SAMLL TO MEDIMUM ENTERPRISES CONSIDERING PRIVATE
EQUITY**

I would like to suggest to the Senate Committee that it would be highly beneficial for a education package be formulated to assist SME in navigating the negotiation path

way to private equity. Simple tools that can be build on over time or used a key resource when an investment opportunity occurs.

The quality of the relationship established during the negotiation phase, sets the standard for trust and sustainable business growth into the future.

Accounting firms have been known to charge \$250,000 +, to negotiate a deal such as ours, we did not have the funds, so we took our time and learn as we went. We managed to keep our legal expenses to an acceptable level.

Listed below are just a few of the simple processes that I developed during our partnership process.

1. Take time, to ask the question, what do I want my future to be?
2. Clarify what are the barriers, to achieving your goals. When you operate with in a family of small business structure, these questions are best handled with qualified facilitation.
3. A resource that could explain the different funding avenues e.g. Banks / Venture Capital (Australian / International)/ Loan from family member / Re investing profit back into business / Win lotto
4. Utilise the due diligence process to tidy up and formalise you business processes.
5. How to you keep you day to day business focus, with a climate of ongoing negotiations.
6. Understanding methods of business valuation.
7. Communication and that you share with your family, team and supply chain partners. What information needs total confidentiality?
8. Know your points of difference in the market place, and promote them.
9. Document and communicate your values that you wish to be part of the new business structure.
10. Accurate document control, to ensure concise communication.
11. Company structure to enhance future investment opportunities.
12. The issue of bank personal guarantees played a significant role in Graham and I deciding to take our debit factor away from the bank. Under our new business structure with private equity, the bank did not require any personal guarantees and was satisfied to hold mortgage over the business assets.

Thank you for this opportunity to submit a summary on how our business was able to better meet our core values of economic, environmental and emotional sustainability by partnering with private equity. I would be please to attend a Senate Committee interview if required, as I would like share the positive aspects of what private equity can do, to grow Australian businesses.

Wendy Erhart

Co Owner Withcott Group.

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REFERENCE MATERIAL

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