



Marsh Most Improved Performance Award

AFFCO

TURNAROUND

There's something very heart-warming about a 100-year-old company winning this year's Marsh Most Improved Performance Award. It could so nearly not have happened. Look back only a few years and AFFCO, New Zealand's bellwether meat company, was struggling for survival.

The company, as this year's Top 200 Awards judges pointed out, is fundamentally important to the New Zealand economy, to dairying and especially to business activities in our nation's North Island where it has nine of its 10 processing sites.

So when it became apparent that overcapacity and tough competition were eating away at the company's profits and even its ability to survive, something needed to be done. And fast. "Board and chair took strong action," said the judges, "and have rescued and rebuilt the company."

Key parts of the resuscitation? The swift appointment of director Sam Lewis to the role of executive chairman (also see the article on page 84 of this issue) and an extensive multi-pronged restructuring programme.

There were some strong visual cues that AFFCO had entered a new era. Writing in *New Zealand Farmers' Weekly* Tony Leggett noted that "Farmers realised Lewis meant business when he announced AFFCO was downsizing its head office and swapping AFFCO House in downtown Auckland for the administration block at its central Waikato plant at Horotiu."

This move was matched by a series of manoeuvres including a drive for processing efficiencies at the company's North Island plants where a mix of measures saw increased capital spending, some redundancies and the introduction of new processes. AFFCO also restructured and incentivised its fieldforce and focused on its schedule to repay debt.

The result? Last year the company posted its best ever profits after tax – up a massive 258 percent to \$58 million – on revenue up 5.4 percent to almost \$946 million.

After ranking as a finalist last year, AFFCO this year wins the Marsh Most Improved Performance Award. It now employs more than 2800 people and processes and exports more than 150,000 tonnes of meat products and by-products every year. Most importantly, it is a major contributor to New Zealand's foreign exchange earnings. At last count it was exporting to 74 countries – a number which it says is increasing all the time.

Not bad for a 100 year old. **M**

JUDGES' COMMENTS

WINNER AFFCO

A few years back AFFCO looked set to miss its 100th birthday. This former icon of New Zealand's vital agricultural industry was, said the experts, "dead meat" and on its last legs. What a transformation. A climb back from almost down and out to a ranking in this year's Top 200 for the most improved business performance. AFFCO's phoenix-like revival in a competitive, over-capacity market was engineered and executed by tough and determined governance and management decisions and action. A profit change of 258 percent makes it a standout that went back to basics and streamlined the business.

FINALISTS MAINFREIGHT

Mainfreight is a driving force in New Zealand's vital and often tough to negotiate freight and transport industry. This year the company has successfully dealt with rapid changes, increased competition and a major acquisition with its purchase of the Owens Group and still turned in an outstanding 126 percent profit improvement. Following the traditions of founder Bruce Plested, the company has focused on enhancing its financial performance while continuing its commitment to community activities such as the "Books in Homes" programme and the Bairds Mainfreight Primary School. The company's international operations are also growing and contributing "significantly" to the group's profitability.

NEW ZEALAND POST

New Zealand Post is back. This enterprising state-owned enterprise is no stranger to the Top 200 Awards and has delivered the goods again this year. The company is successfully managing the process of transition from mail delivery to marketing agent and beyond. NZ Post is an increasingly diversified business that still benchmarks itself against the best postal services in the world. The decision to establish Kiwibank may have been imposed by State edict, but NZ Post is unquestionably making the most of the opportunity. Net result – the posting of a 275 percent profit hike for NZ Post this year.