

AUSTRALIA'S HOTTEST ENTREPRENEURS

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## ETHAN GROUP

**Names:** Andrew Rayment, 33;

Tim Maher, 33

**Growth:** 760%

**Growth tip:** You don't need to get into the hands of financiers if you learn humility and start small.

**1** The information technology sector is booming again, in a new incarnation. Although incumbent technology companies struggled to trim staff and restructure after the boom, vibrant new companies have swooped under their radar, picking up the talented staff they discarded and attacking their markets.

Ethan Group is one such company. It sells and installs hardware, software and, more recently, phones and has had average annual turnover growth of 760% since it started in 2002. Its turnover for 2004-05 was more than \$28 million and it has 73 staff. For the serial entrepreneurs who started the company, Andrew Rayment and Tim Maher, it is their biggest success so far.

Rayment and Maher have worked together since they met at university in 1990, Rayment studying law and Maher accounting. Their first business was a nightclub: they dropped the cover charge from the door and made up for it by selling more drinks. Rayment says they have started eight companies together; six are still running. One, the listed FSA Group, provides services to individuals and companies in financial distress.

One that failed was a joint venture with the disgraced former stockbroker Rene Rivkin, who committed suicide in March after being convicted of insider trading. The company, the Justice Corporation, provided funds for litigation. Rayment left his job as a barrister to run the company. "I picked the first case. We won, then lost on appeal. Rivkin was furious. He pulled out when we were half-way through another case."

The messy ending left Rayment facing

acrimony from those involved in the second case. He says the experience taught him to take a more cautious approach to business, but he never thought of returning to the bar.

"My father, who is a lawyer, always told me, 'We don't give up in this family' ... I learnt [from Rivkin] not to take huge risks relative to your worth, I learnt to get agreements in writing, and I learnt you don't need to get into the hands of financiers if you learn humility and start small."

Rayment and Maher began as private investors in Ethan Group, and did not take an active role. Rayment says: "I met a guy through friends who was really good at sales and Tim and I gave him \$100,000 to get started."

The first 12 months were hard. The company pitched its technology products to small and medium-size businesses that were overlooked by the established providers. Rayment says the company lurched from project to project, with big peaks and troughs in revenue and profits. It needed better management, and Rayment decided it was time to get involved, or get out. A colleague, Tony Geagea, 25, proposed to Rayment and Maher that he buy a share of the company (37.5%), and join it to lead the sales team. Rayment and Maher accepted, and Rayment took the role as chief executive. Maher remained a passive investor.

The company was turning over less than \$100,000 a month at the time. Rayment and Geagea appointed Paul Kartel as an operations manager. The team set about fixing the company. (Kartel owns 10% of the company; Rayment and Maher jointly own 37.5%. There are two other shareholders).

Rayment says sales staff had to become more accountable, concentrating the strongest effort on the most likely prospects. He employed new sales staff to chase new business while existing projects went through to help smooth the peaks and troughs.

The team introduced new products and services. Rayment says: "We were very transactional [project-based] at the time. We forced

a shift in our business to more regular and contract work. We introduced managed services. We started partnerships with telecommunications companies, and we now do maintenance." Managed services accounts for about 10% of 2004-05 revenue, hardware including phones is about 70% of revenue, and services about 20%.

The company won bigger customers. In 2004-05, about 20% of its customers had fewer than 100 users, 30% had 100-200 users and 50% had more than 200 users.

To provide cashflow for growth, Rayment uses factoring: selling the company's invoices to an agent for 91% of their value in cash. This is how he will fund future growth.

Rayment says the industry is already undergoing another period of rationalisation. "Telecommunications companies are moving into the IT space," he says. "Telstra has bought Kaz, Optus bought Alphawest. Our economic imperative is scale; we need to partner with telecommunications companies, have a broad customer base, and reach at least \$200-million turnover within three years."

KATH WALTERS

## MEGA CAPITAL

**Names:** Michael Gottlieb, 31;

Gavin Donner, 32

**Growth:** 485%

**Growth tip:** You can be either the best or the biggest. We decided to be the best.

**2** Michael Gottlieb and his friend of 15 years, Gavin Donner, started their insurance broking business, Mega Capital, in 2001, when the insurance market was in a tailspin after the collapse of HIH Insurance and the September 11, 2001 terrorist attacks. Gottlieb was working as a management consultant and Donner as an actuary when they came across a venture capital firm that was finding it impossible to secure directors' and professional indemnity insurance for the start-up technology companies it was investing in.

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