

# Austria - Above Expectations

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With strong economic expansion, a falling fiscal deficit, an outlook of rapidly declining debt, and upcoming pro-green-growth tax reforms, Austria won the plaudits of the International Monetary Fund in a June 2022 staff visit. While the Alpine country was hit relatively hard by the covid-19 pandemic, due to its large tourism sector, the rebound has been remarkably robust, supported by active government policy that has cushioned the economy and particularly the less well-off, while promoting an accelerated energy transition. “We’ve come out of the pandemic stronger than we went into it,” Chancellor Karl Nehammer said in September 2022.

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Indeed, the IMF noted that Austria’s real GDP surpassed its pre-covid level before the end of 2021; the fund said that the government’s policies to respond to the pandemic and maintain economic momentum were “appropriate and effective in supporting households and firms”. The government ran substantial deficits to combat the pandemic’s impact, but this year “the fiscal deficit has fallen sharply”, the IMF reported. It is expected to come in at around 2.5% of GDP this year, and 0.5% of GDP in the medium term, allowing the public debt-to-GDP ratio to “decline rapidly”. The Organisation for Economic Cooperation and Development expects Austria to be running a primary surplus as soon as 2024. This in turn will give Austria the fiscal headroom to support the economy through a difficult year.

The Nehammer government thus has space to push forward landmark policies such as the “eco-social tax”, billed as “the biggest tax cut in Austrian history”. The changes will see climbing fees on emissions from industries such as transport and construction, introducing a new carbon-trading scheme, while providing transfers to households to offset higher energy bills. The reform envisages accompanying reductions in corporate and income tax over the coming years, as well as tax breaks for green investments by companies. As well as supporting citizens during the spike in energy prices, the package should help support Austria’s energy transition while promoting business growth, positioning the country as a leader in Europe’s green transformation. Social and economic goals are going hand-in-hand.



Karl Nehammer  
Federal Chancellor

“For me, the first important point is Austria as a business location and also the issue of supporting people,” said Nehammer when he assumed office in December 2021. “But one should not rest on our laurels on what has been done, quite the contrary. We have to develop it further. We must work together on what we have set out to do, the eco-social tax reform... which on the one hand takes that we are all committed to climate protection, and that on the other hand, has support for people at its forefront; this must now be pushed forward at full speed.”

The government’s programme should further enhance Austria’s already strong position as an international investment destination. Lying at the heart of Europe

between some of the world’s most affluent markets and the rising countries to the East, it has long been a gateway to a broader region stretching across Eurasia. Austria boasts first-class infrastructure and a highly-skilled workforce that, combined, have made it a centre for high-tech manufacturing and other knowledge-intensive industries. Its membership of the European Union gives it an enviable position in the world’s largest economy, and underlines its decades of political and macroeconomic stability. Even before the reforms currently being implemented, Austria ranked in the top thirty countries in the world in the World Bank’s Doing Business index; as befits its geographical position, it ranks first globally on the Bank’s “trading across borders” indicator. For years, Austria has also been a frontrunner in digitalisation, a particularly important competitive advantage that should stand it in good stead in the years ahead.

Thanks to these strengths and active but prudent government policy, Austria is perfectly-placed to benefit from renewed global economic expansion in the years ahead. The country has quietly outperformed expectations.

“With economic growth of 4% last year and forecast economic growth of 4.5% for this year, we have a situation that experts did not predict for us last year,” said Nehammer earlier in 2022.

With the government committed to reform that will further enhance Austria’s position as an investment destination, and high-value industries poised to capitalise on a brighter global economic outlook, this Central European star will surely continue to shine.

# Jerich International

## A Holistic Approach To Logistics

International investors' appetite for Austrian assets strengthened considerably in 2021, with 133 inbound M&A deals, up nearly a third on 2020 and the highest level since 2015, according to global professional services company EY. Overall, deals with Austrian involvement - including all deals in Austria and those overseas by Austrian businesses - totalled 293, up 6.5% on 2020, generating total publicly-announced value of €9.1bn. Strategic investors dominate the Austrian market, EY reported, and sectors that attracted particularly high deal volume in 2021 included real estate, industry, and technology. The strong performance of inbound dealmaking in particular has underlined Austria's many competitive advantages as an investment destination, including its location at the heart of Europe, excellent infrastructure, and highly-skilled workforce.

These advantages have helped foster one of the world's most innovative logistics industries. Standing between the affluent markets of Western Europe and the fast-growing economies to the east, Austria's logistics players are perfectly-placed to benefit from the post-covid recovery. In June 2022, global real estate company CBRE stated that Austria's logistics property sector had been "experiencing a transformation", with a record of new projects coming on stream, thanks to a boom in demand.

Jerich International has been at the forefront of this dynamic industry for more than half a century. A holistic logistic solutions company, it provides logistics from the first producer to the end customer, through many modes of transportation, including rail, truck, and ocean freight, and including warehousing. This allows it to provide a complete logistics solution to its clients - and their customers.

"Our most important value, the core of our corporate identity, is that we treat the end customer of our customers as if they were our own customers," says Herbert Jerich, Jerich International's CEO. "We listen to the needs of the end customer, and that is the secret to our success. We want to know what is in every container, where it is going, and build a relationship with the end customer. It reflects well on us and our clients."

Jerich International's collaboration with Canadian furniture company OVE Decors is typical of the innovative solution that the Austrian business offers. OVE hires display spaces in many major US stores including Walmart, Target, and Bed Bath & Beyond. Customers can order OVE's products at these outlets via a QR code, and the product is then shipped from Jerich's warehouse to the end customer, meaning that neither OVE nor the retailers need warehouse space.

The holistic model also brings great



Herbert Jerich  
CEO

advantages to Jerich International as a business.

"Productivity and competitiveness are key factors in our industry," says Jerich. "Logistics is measured by service and price, and if you don't have to share margin with someone, you are very competitive as you don't have to take margins on every leg."

Over its 51-year history, Jerich International has demonstrated a unique ability to adapt to changing circumstances and evolving client needs, while retaining import-export expertise and a strong distribution network as core offerings. Once focused on the paper and staples sector in the US, the company had to pivot away after President Obama put anti-dumping tariffs on many paper imports, making prices too high for Jerich's customers. The company had a successful period with a focus on bottled water, with major clients including Nestle and Poland Spring, and is now concentrating on the furniture market.

"You have to be creative to stay afloat in logistics," says Jerich. "A carrier transports from A to B and doesn't touch anything. A logistics company gives you solutions - 'how, what, when.'"

The US business was launched after Herbert Jerich visited the country in 2000, seeing opportunities to replicate his father's success with Jerich International in Europe with an initiative of his own, leveraging the import-export model. Now the company has eleven subsidiaries around the US, from Los Angeles and Houston to New York City and Atlanta. Jerich also has operations across Europe, from the UK to Turkey, making it a truly global company.

Over the years, Jerich International has built up an intimate understanding of the international logistics industry, with a bank of data and intelligence that partners can leverage. As it looks ahead, the company is likely to create new opportunities for innovative collaboration.

"We are always open to new clients, as well as partnerships," says Jerich. "We're particularly interested in e-commerce for more mature logistics companies for which we can provide insights on how we see the future of the sector. Tracking and tracing, for example, will have a tremendous impact."

With its eyes on the global future, Jerich International will continue to benefit from its home base in the centre of Europe.

"Being headquartered in Austria, I have only good things to say about the country," says Herbert Jerich. "The tax rates are pretty low. It's a fair place for employers and employees. The education is fantastic. There aren't many challenges you need to overcome on the route to success. Germany is more mainstream, but when you think outside the box, Austria's the place to be."

# MTH Group

## Market value creation through sound investment

Driven by pent-up private consumption and a tight labour market, Austria's economic expansion is estimated to grow by 4.5% this year, according to the International Monetary Fund (IMF). The country benefits from a well-developed market economy, with its capital, Vienna, one of the wealthiest regions in Europe. Austria is also home to an impressive services sector, as well as a leader in retail and industrial business, with many of its companies at the forefront and in many cases global market leaders. Austria invests heavily in research and development, making it an attractive and dynamic market.

The investment sector is one of Austria's most attractive economic markets. Due to its highly skilled workforce and low incidence of labour unrest, the country enjoys high levels of productivity and international competitiveness. Austria has consistently ranked amongst the top 30 countries in the World Bank's 'Ease of Doing Business' reports, whilst government support programmes such as 'Advantage Austria' and 'Go International' have encouraged outwards investment by Austrian companies into foreign companies. Austrian firms have since become more optimistic about their investments, with 2021 levels of investment expansion bouncing back from pandemic levels in 2020, representing a substantial positive shift, according to the European Investment Bank (EIB). The largest share of investment over 2020 and 2021 by Austrian firms was in machinery and equipment (40%), with software, data, and IT accounting for the second largest share of investment (20%), according to the EIB.

One company taking advantage of Austria's positive investment climate is MTH (Management Trust Holding) Group, an internationally active Private Equity firm with shares in numerous market-leading companies, specialising in parking & access systems, retail and printing & publishing. The company has a turnover of more than €1B and is headquartered in Vienna. MTH has more than 25 years of experience in taking companies to the next level and creating value in growth industries through its "buy and build" investment strategy.

MTH's investments have seen great success. MTH Retail Group, the company's stationary products and office supplies segment, is the B2C market leader in Austria and the B2B market leader in Switzerland, whilst its printing and publishing business (PV Group) has consolidated multiple medium sized companies in the Austrian printing industry. MTH is also strongly focused on the access control systems business (Parking & Access Systems Group) since establishing and developing the market leader, AXESS, two decades ago. From leisure and tourism to sport and entertainment, AXESS has produced high-tech software solutions and cutting-edge access control systems for use across multiple industries. Since the 2020/21 season, AXESS'S Smart Scanner has been used to check tickets



at the German football stadium Borussia-Park - such as for the international match between Germany and Italy this year - and received high praise for its enhanced data capture and analysis opportunities. MTH has also expanded its access control system technologies to operate secure parking infrastructure on a global level with the German company DESIGNA.

Whilst the pandemic disadvantaged many companies, MTH saw dynamic developments in its access control systems business. "During the pandemic there were many enhanced access requirements and this also created opportunities for us. Many customers saw the need to switch to new technologies and this created a significant uptick in business," says Dr. Martin Waldhäusl, CEO of MTH. Already the market leader in the skiing industry - with a significant amount of ski resorts functioning through their installations - the company is currently focused on further consolidating its access control system business globally. As a Private Equity company, MTH is open to partnerships and M&A. The company has an outstanding track record here, with access control systems currently being its most active M&A business sector. AXESS already has 21 offices in 17 global locations, and about a third of the company's business comes from

the USA, which is its strongest growth market. MTH is also looking to expand its product line to accommodate growing demand as well as identifying consolidation opportunities.

The company's exceptional growth and global presence is driven by its adherence to certain values of professionalism and entrepreneurship, and MTH always aims to create value and relevancy within the growth industries and companies it invests in. The company's diverse portfolio is another driver in its success. "We strongly believe that a diverse portfolio, one focused on brands which have an attractive proposition for customers and clients, produces the best results for our stakeholders," says Waldhäusl.

Alongside the company's extensive business know-how, MTH prides itself on being an Austrian company, and aims to boost the recognition of the country's business sector on the world stage through customer satisfaction - "home in Vienna, active around the world," that is our approach," says Waldhäusl. The company firmly believes in the responsibility it has towards the success of other Austrian companies in global markets, and always aims to set its best example in each and every industry it works in.