

Welcome to our May 09 Newsletter

By Steve Makris – Managing Director © 2009

DON'T BLAME THE RECESSION! **DON'T** BLAME NEW LAWS!

What's on the Market for Sale

A lot of our regular subscribers to the **maximum**[®] newsletter, as well as a lot of our clients who keep in regular contact with us, would know that I had predicted what would happen to a lot of the hospitality businesses that were purchased by private equity consortiums at prices that defied gravity, and that it would be only a matter of time before they were put back on the market at huge write downs.

Regardless of the rhetoric on offer and the plethora of excuses regarding a downturn on discretionary spending, new smoking laws etc., etc., the stark reality in a lot of the businesses being offered back to the market place for sale, is purely and simply they were purchased at multipliers that could never sustain a return on investment - run by operators who had little or no vested financial interest of their own at risk in the venture.

The big question, in my opinion, is why would experienced operators leading acquisitions for these superfund's go and purchase something knowingly well that the prices are over the top and that the venture was doomed before starting out. That is a question that needs to be looked at, and the motivation behind it scrutinized.

The reality is that a lot of these businesses *are* good, they have not been greatly affected by the change in the global economic climate, nor have they been affected by the change in smoking and other laws.

You only need to go to any popular watering hole on the weekends to see how busy they are. Regardless though of how busy they are, they each have their own economies of scale. Most of these businesses, when held and managed by their original owners are profitable and vey sustainable.

The good news is that these businesses are now going back to market and are representing excellent value to owner operators who have the cash to purchase them outright.

Brand Name

Are you paying for the services of a Real Estate firm simply because of the firm's brand, but not getting a person with experience?

Seriously.....

Why choose **maximum**[®]? Simply because we have walked the talk!

When dealing with a business broker it is important that they have real life experience and can offer you first rate advice.

The harsh analogy I use when explaining my method to people, is the difference between life and death.

Although there are absolutely "NO GUARANTEES" between guaranteeing life and avoiding death, you can ensure that the person guiding you is very well experienced and has "ALL" the credentials behind them.

I often say to people imagine if you were going to climb Mount Everest, would you pick just any sherpa or guide to entrust your life with and to take you up and bring you back down. The difference between the right and the wrong guide, could be as dramatic as bringing you back alive or not coming back at all.

Ask the broker what is their experience? Get them to convince you that they know what they are talking about. Have a meeting with them together with your advisors.

Always remember the 5 P's – Proper Planning Prevents Poor Performance.

For an obligation free chat to discuss your requirements in confidence, whether it be a business appraisal on value of your business, or you would like us to act as your buyers advocate in purchasing a business privately / through another agent, or you would like us to conduct an assessment on your existing and how we can make recommendations to improve performance and profits;

PLEASE CALL STEVE MAKRIS 0411 113 919.

