

'OPM' essential

Angelo Xuereb, chairman and CEO of AX Holdings, emphasized the necessity of 'OPM', that is "other people's money", when operating on the scale of his business in Malta, which he has built up over 30 years. Anyone who bought a Sunday paper in Malta last Sunday also received a free DVD on the accomplishment and plans of the AX Group, in an innovative bid to raise a further Lm4 million to Lm5 million of capital to advance those plans. He described it as a step to launch the next upward trend in the steady growth his group's graph has shown over the past thirty years.

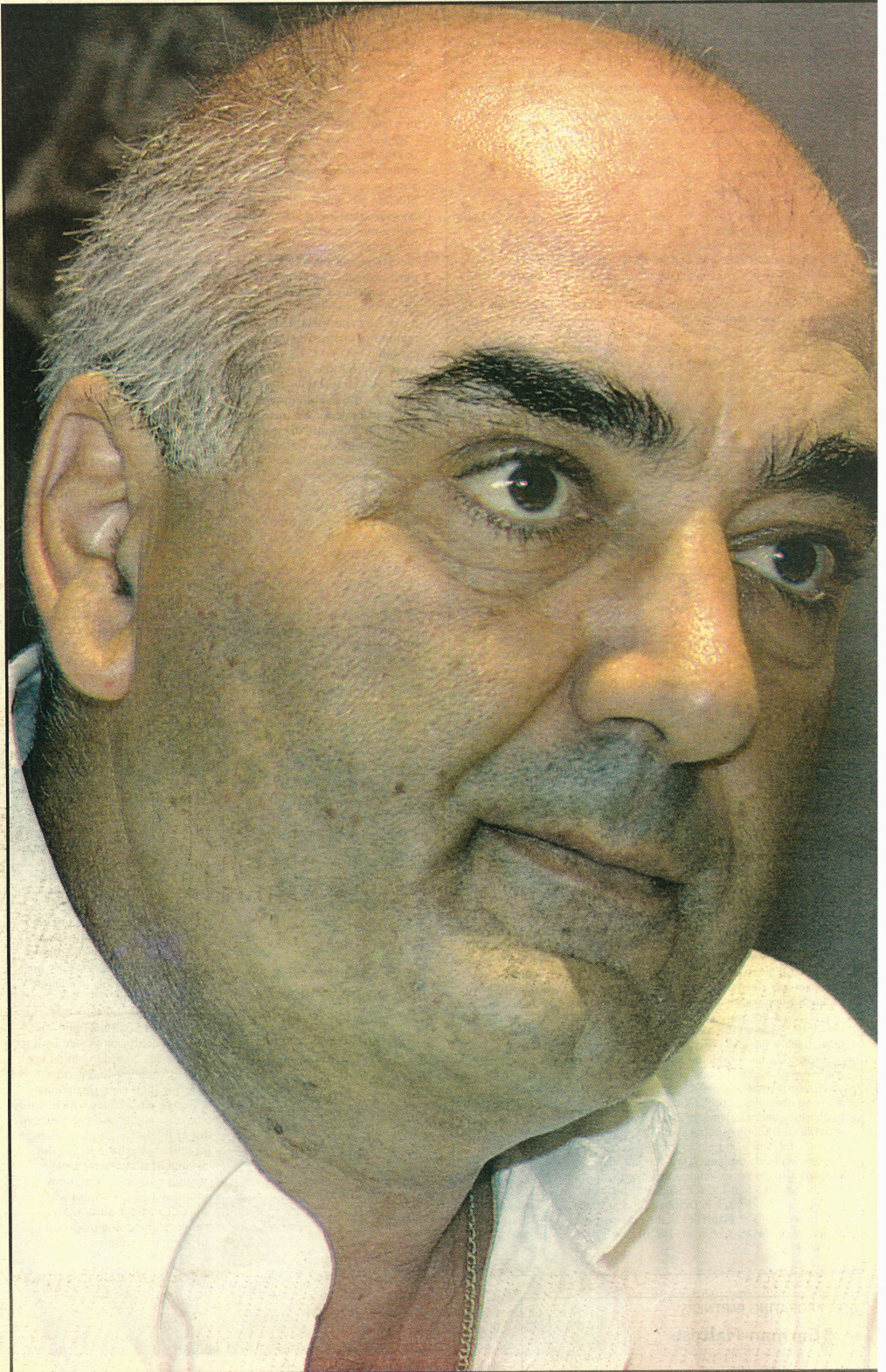
The DVD, a first in Malta, was typical of the ground breaking style of AX Holdings which has always been at the forefront of new thinking in the Maltese business world, and in order to complete it in time he had produced it in five days in the UK.

Xuereb agreed that it was often difficult being an entrepreneur in the conservative atmosphere of Maltese business as it took several years to convince people of any innovative ideas, especially government ministers and supervisory bodies. He recalled that years ago he had written an article about public transport, and only now were his ideas being considered or activated. To him, many of his ideas were common sense, but he agreed that he also had to be a salesman to get them across.

The watchwords he lives by are vision, determination, efficiency and challenge, which are expressed in a frame on his office wall. When challenged that sometimes determination is not enough and adaptability or lateral thinking have to be applied to overcome problems as they develop, he was in accord, saying that he listens to other people and takes their advice on board. He emphasized that an idea should not be a strait jacket.

His family is important, and although his wife has nothing to do with running the business,

He quotes the old adage, "behind every successful man there is a good woman", and firmly believes that he was lucky to find the right woman behind him.



al for success

he frequently discusses matters with her, listens carefully to her comment, and greatly appreciates her constant support from their home. He quotes the old adage, "behind every successful man there is a good woman", and firmly believes that he was lucky to find the right woman behind him. Indeed within two weeks of getting married he started his own business.

He explained that he was determined to be a successful businessman by the age of thirteen and had to overcome some family objection at the age of sixteen, so he had told his own children that what ever they decided to do, it must be what they wanted, so they would be happy doing it. It should not be a chore to go out every morning, but a pleasure; a job should be a hobby, not a burden.

That said, he was glad that they took the free decision to become a part of AX Group, his son in construction and his daughter in hospitality management, and they made a very positive contribution to the success of the group.

He also holds great belief in his own larger family, as he was one of eleven children, and he states proudly "we are still united, and that is very important."

When asked the undiplomatic question "what would happen if you were run over by a car tomorrow", he replied firmly that the DVD shows quite clearly that there is a strong management team in place which was capable of running the operations successfully in his absence. In fact he is absent quite frequently, pursuing business abroad, although the core of the group business is clearly Malta-based, as are the main assets which form the foundation of the group balance sheet.

The new bond offer includes a generous transfer option to Suncrest shareholders to transfer their shares to the new bond issue, which includes a premium on their current value, which suffered since the company was first floated on the stock exchange. Was this a compensatory measure for the performance of the shares so far?

"Yes to certain extent. The MSE is not a vibrant exchange so shares do not trade enough, and we want to try to reflect some of the property value increase."

Xuereb does say that proceeds from the bond issue will be directed to pay off the old Suncrest shares as well as the remaining Lm900,000 balance on Capua Palace Hotel in Sliema. The Suncrest refurbishment is also expected to bring in better rates.

Now the group is also planning to expand into waste recycling and environmental projects, with C&D Waste having tendered for quarry and construction waste disposal, but still awaiting government approval. A joint tender with Onyx SA from France has also been submitted for Maghtab, but there is still no

reply after four years.

Xuereb believes that an important part of good management is to listen, and that includes listening to "some of the less prominent workers", because they are often nearer to matters than higher management, and therefore more knowledgeable in the details of a subject.

When asked whether his career had been a steady successful climb, he replied that it was obviously not, because every business has ups and downs, but the overall graph had always shown improvement over time. Business is always a calculated risk if it is vibrant and positive. Entrepreneurs take calculated risks whereas businesses such as inherited businesses take fewer risks and thus enjoy less growth.

He specified projects such as his Albanian adventure, which had been sunk by the civil war breaking out and imprisoned his original investment for several years before repatriation. Now the investment is returned after five years.

Another example was the Capua Palace Hospital which had been the first private hospital in Malta, the failure of which he blamed fairly and squarely on the government which set "inexplicable obstacles", such as refusing a licence for an ITU, refusing to allow surgeons to work there, refusing to allow foreign consultants to operate there. Thus a potential "centre of Mediterranean medical excellence" which would have attracted economy boosting "medi-tourism" was wasted.

As it happens, a mutually advantageous deal has been done with another operator and so the project has been dealt with a small profit.

Both above were setbacks which have been overcome and have not hampered the overall improvements in the group.

Then of course there was the golf course, when the government bodies went back on what they had approved, and "after I had positive reports from many expert consultants I had appointed, who were approved by MEPA."

However the hospital has been sold, together with a factory in Hal Far, and the Verdala Complex has been rethought and redesigned to create a superb residential project with three components. The lending on Verdala was all paid off a whole year before maturity. Therefore the group is in a far better financial state than it was say 4 years ago, and is ready to relaunch from this plateau to reach new heights.

Of course, the properties which were bought by the group many years ago, have now increased in value enormously, which also makes the Group "asset

As for projects outside Malta, the process is only one at a time and very cautiously, "once bitten, twice shy". Tunisia, Sicily, Libya, Bulgaria and Rumania are considered as possibilities, with no financing risks.

strong" in value. The net asset value of the Group is Lm19 million, but that is book value. This includes the Suncrest at Lm5.5 million. "But we have had offers of far more," Xuereb says. "The AX Group is an asset based group of great value and we believe strongly that it offers good value for discerning investors."

An example of this is the Simblija Complex in Naxxar, which is a sheltered residential complex for the elderly, a creative and innovative idea for Malta. It consists of secured small self-catering apartments forming a community of old people served by a private clinic, a chapel, leisure facilities and other necessities. It is created to help old people live an active life to the last day of their lives.

A further example is Valletta Waterfront, which is claimed by Xuereb as his own idea, as he was so embarrassed by the state of the place where cruise liners docked, and he believed so strongly in the beauty and magnificence of Grand Harbour, "the finest harbour in the world." He tells of being with the prime

minister and suggesting a "build, operate, transfer contract" to develop the Cruiseline dock area, but hearing nothing for several weeks until suddenly the project was put out to tender, when the government took up his idea. He commented that despite the shock of seeing his idea taken over, AX managed to be part of the consortium which was awarded the tender, and is very happy to see the project doing so well and boosting the international prestige of Malta.

Asked whether AX was considering to sell any of its 22.9% shareholding in VISET, which operates the Valletta Waterfront, Xuereb says the group will "try to hold as much as possible."

As for projects outside Malta, the process is only one at a time and very cautiously, "once bitten, twice shy" - Tunisia, Sicily, Libya, Bulgaria and Rumania are being considered as possibilities, with no financing risks.

ANGELO XUEREB, Chairman and CEO of AX Holdings Group was talking to Mike Turner

