

PUBtic

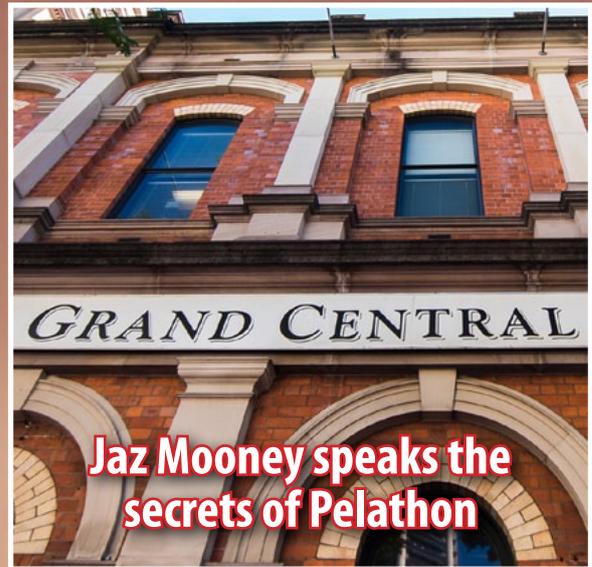
Everything that makes pubs tick

Volume 3 No.7



15-17 August 2017

AGE 2017 – in review
EXCLUSIVE: video interviews
with the gaming companies



Jaz Mooney speaks the secrets of Pelathon



Teaching the people that front your business





PINK PANTHER™



Pink Panther burst onto our gaming screens 10 years ago. Since then, the world's coolest cat has proven to be one of our most successful and enduring game brands in Australia having sold over 5,000 new games across the *e-Star* and *Equinox* cabinets in 2010 with the sequel *Pink Panther Returns*.

Now we welcome back *Pink Panther* in 2017 with an exciting new game series.

Meticulously crafted to deliver an exciting and entertaining gaming experience that incorporates contemporary game trends with the latest generation technology. *Pink Panther* will be available with four brilliant new titles – *Kalahari King*, *Mega Mariachi*, *Many Fortunes* and *Big Ned Kelly*.

THE PINK PANTHER™ & © 1964-2017 Metro-Goldwyn-Mayer Studios Inc.
All Rights Reserved.

Ray Brown 0417 234 001 David Grey 0410 536 146

Head Office and Showroom
4 Newington Road,
Silverwater NSW 2128
Phone: 02 8707 6300 www.sggaming.com



Contents



TRADE FEATURE

- 6. **AGE2017 – a win in the gaming game**
Debuting in the new ICC facility, this year's Australasian Gaming Expo was bigger than ever.
- 10. **Upskilling Advantages**
Investing in staff knowledge and patron skills can put a venue ahead of the competition.
- 14. **Inside the Ratio**
Commercial finance expert Rob Gleeson explains some of the greater implications of LVRs.

MAJOR FEATURE

- 16. **All That Jaz**
Survivor of the Northern Ireland hospitality whirlwind, Jaz Mooney takes his Pelathon Management Group business very seriously, and does very well across several states, in capitals and regions. Namesake Clyde Mooney catches up with the acquisitive Irishman to talk the business of pubs.

THE BIG NEWS

- 22. **July's greatest clicks**
The *PubTIC* newsletter stories that attracted the most views by our discerning readers.

EDITOR'S RANT

I think when you live and breathe pubs, absorbed in the musk of sticky carpet and elbow grease, you grow to adopt a 'show must go on' attitude based in hedonism – the pursuit of happiness. Whether you be a bona fide publican or full-timer, or just a mug behind a keyboard, the cheer of good news predominantly outweighs consideration of gloom.

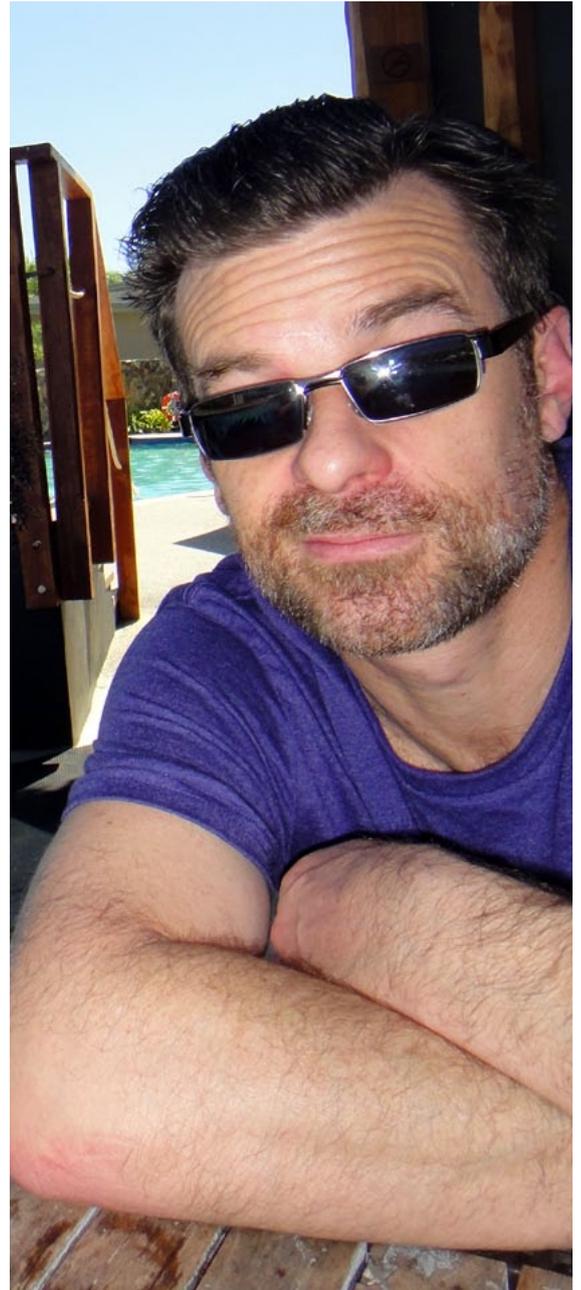
Many would argue it is better to be an optimist no matter what your vocation (except perhaps those in undertaking) and see the schooner as half-full, not going flat, and life through Rosé-coloured glasses. (OK, puns out of the way.)

But simultaneously, it is incumbent on business owners to bear in mind those that rely on the survival of the business, both employees and creditors, and consider what can happen in the future. Unquestionably this should include best-case scenarios of growth and prosperity, but perhaps more important is to sombrelly assess your exposure to a downturn.

Australia has seen almost unerring growth for decades, bar what by global standards was more a swerve than a crash in the late teens. The world now fronts precipitous relations on both political and economic stages, with threats of 'raining fire' and ICBM-armed madmen, and terse words between the world's largest two economies, who also happen to be little old Australia's biggest trade partners and responsible for large swathes of the tourism dollars into the country.

While we all hope the good times will continue, as they always should in a pub, there may be no better time to consider your financial house and where you'll be when if the sky falls. Optimism is no excuse for lack of planning. Being prepared for the worst is like having insurance, only cheaper.

This month we talk with the highly pragmatic Jaz Mooney – who since escaping the ravages of Northern Ireland hospitality has built an impressive portfolio Down Under and seems uniquely qualified to talk both up and down. Boyscouts eat your heart out.



PUB*tic*
Everything that makes pubs tick

PUBLISHED BY:
The Information Collective
Granville, NSW
Australia 2142

PUBLISHING EDITOR:
Clyde Mooney
clyde@public.com.au

GRAPHIC DESIGN:
Therese Lloyd
PRODUCTION:
Clyde Mooney

DISCLAIMER:

This publication is published by The Information Collective Pty Ltd (the "Publisher"). The Publisher accepts no liability, to the extent permitted by law, for materials appearing in this publication supplied by outside parties. All material is protected by Australian intellectual property laws. Duplication of any part of the publication is prohibited without the written consent of the Publisher.

Reference to products or services in the publication does not amount to the Publisher's endorsement. Views expressed in the publication do not necessarily represent those of the Publisher, its agents or employees. Use of the information contained within this publication is the sole risk of the person using the information. All terms, conditions, warranties, assurances, statements and representations in relation to the Publisher, its publications and its services, whether express or implied, are expressly excluded, save for those which must be implied under the laws of any State of Australia, or the provisions of Division 2 of Part V of the Trade Practices Act 1974 and any subsequent statutory modification or re-enactment thereof. The Publisher will not be liable, to the extent permitted by law, for any damages including special, exemplary, punitive or consequential (including but not limited to economic loss, or loss of profit, revenue or opportunity) or and indirect loss or damage, even if advised of the possibility of such loss of profits or damages. While every attempt is made to ensure accuracy, to the extent permitted by law, the Publisher excludes all liability for loss resulting from any inaccuracies or false or misleading statements that may appear in this publication.

MORTGAGES & CO

Our experience in the Banking and Finance Industry will ensure that you will get an objective view, the right advice and the product that suits your situation – *everybody, every business, every time*

We provide meaningful, forward looking advice to help you get **where you want to go**

We are well networked within a number of lending institutions and can provide the most appropriate structure, price and outcome to **suit your needs**

We have a simple philosophy: we are a **service company** and **YOU** are the centre of our existence

After working together and accumulating many years of experience in Financial Services, we established Mortgages & Co to create a **modern debt advisory firm** focused on our clients and the services they want delivered

We've partnered with a dedicated team of **industry experts** to ensure you receive a holistic service

HOSPITALITY
FINANCE

COMMERCIAL
LOANS

EQUIPMENT
FINANCE

TRANSACTION
BANKING

PROPERTY
DEVELOPMENT
& CONSTRUCTION

HOME
LOANS

DEBT
ADVISORY

More than **50 YEARS** combined experience

Peter-John Michael
Partner
0423 605 058
peterjm@mortgagesco.com.au

Kieran O'Connor
Partner
0404 056 089
koconnor@mortgagesco.com.au

Rob Gleeson
Head of Hospitality
0414 370 934
rgleeson@mortgagesco.com.au

Fay Wood
Associate Director
0433 004 904
fay@mortgagesco.com.au



AGE2017 - A win in the game

Taking place for the first time in the world-class new ICC facility, this year's Gaming Expo was bigger than ever.

[CHECK OUT OUR EXCLUSIVE VIDEO INTERVIEWS WITH THE GAMING COMPANIES](#)

2017 saw the Australasian Gaming Expo (AGE) return to its origins – back in Darling Harbour, at the brand new Sydney ICC (International Convention Centre).

28 years ago the AGE began in the former SCEC premise. When this which was slated for demolition and replacement, the Expo spent a few years at the surprisingly well-equipped temporary facility on Glebe Island.

But completion of the new ICC late last year brought the AGE home, with more space and facilities than any year.

This provided for growth befitting the thriving industry, with 17 per cent more floor space and 246 exhibitors – 60 more than 2016.

Responding to the offering, first day visitor attendance was up 22 per cent and 16 per cent across the three days, with a total of 8,099 hospitality professionals coming to see the latest and greatest in gaming and hospitality products and services.

Attendance included dignitaries from 26 different countries, including the USA, UK and over 50 executives from across Asia.

"The return of this event to Darling Harbour and the halls of the new exhibition centre created the most successful event in the history of the AGE," triumphed Ross Ferrar, CEO of the GTA, which hosts the Expo.

The boost to facilities this year allowed the introduction of more associated events and functions onsite, particularly the array of complimentary seminars by key industry speakers. All seven sessions were booked out, covering developments in Venues, Technology, Research and Cash Management in the new purpose-built seminar rooms "bristling" with technology.

But beyond the new world-class location, AGE 2017 had its own developments, with the introduction of 'digital showbags', allowing visitors to simply swipe their entry IDs at stands, to receive a package of information sent to them by email. The GTA reports a resounding success with the new system, counting nearly 12,000 'badge taps' on the first two days alone.

More than just gaming, the AGE showcases exhibitors across every aspect of hospitality and their goal to offer the hottest and most enticing products gives visitors an unequalled

opportunity to research, try and compare innovations and advancements for their business.

In line with the continued rise of foodservice in the pub game, catering and foodservice exhibitors were well represented this year, dispensing tens of thousands of morsels to audition their food or cooking products.

Each year sees a slew of judges perform a rigorous assessment on every stand, considering each in terms of brand identity, innovation, aesthetics, presentation, and most importantly visitor engagement.

This year special mention was given to Scent Central, Hennessy Coffee, Next ATM, Bromic, and last year's winner, Satelight, but the award went to Big Screen Video, ostentatiously occupying stand #953, judges citing its "wow factor" at the show.

"Big Screen Video are very proud to win the best stand at this year's AGE," said CEO Paul Ellery. "It's been a great event. Fantastic for our team to spend time with our clients from around Australia."

Underpinning all the hype, the big gaming companies were there in full force, spinning reels and flashing jackpots with their latest offerings for the gaming rooms.

On Stand #1 Aristocrat invited you to "curve your thinking" on advancements in games, cabinets, services, technology solutions and the future of the industry.

The company was showing off its new hardware solution Helix XT, with its curved, 4K HD screen and game-driven LCD topper, and latest release Dragon Cash, featuring segment trends pioneered by Lightning Link such as the Hold n Spin feature, scalable bonus prizes and player-selectable low to high multi-denomination.

Aristocrat continues its mantra of fostering a culture of innovation to create the world's greatest gaming experience, highlighting its relationship with hotel partners "providing us with feedback to enable us to partner better with you to support your success into the future".

Scientific Games – SG Gaming – is similarly pushing "next level" innovation, leveraging its massive resources across its host of brands under one management.

Recognising the crucial need for local input to its gaming products, the multi-national US-based SG is producing games in its Sydney development studio.

In 2017 the big news is around the launch of branded game Monopoly, from one of the most famous board games of all time. Similarly, the world's coolest cat joins SG with the release of Pink Panther as a standalone or linked progressive. The big-name licensed games are joined by plenty more new releases, including new Big Reel Feature game for the hotel market, Silk Moon.

For hotels SG also continues the Dualos cabinet with its 58.4-centimeter full HD widescreen monitors and OLED button panel.

IGT, International Game Technology, is also bringing a new local approach with the rollout of 'IGNITE: A New Direction and new local management team led by Andrew Hely, returning to IGT as managing director for the AsiaPac business.

IGNITE is underscored by 'Flexibility, Quality and Innovation', seen in its hot 2017 releases, championed by the new Hyper Hits theme. This "takes flexibility to a new level" with games available as either links or as stand-alone progressives, operators able to choose multiple denomination and RTP options, and six jackpot start-up options.

There is also the new Prize Disk concept available on the Elephant King and Wolf Ridge games. The innovative Prize Disk feature incorporates right-to-left scrolling prizes above the reels, which can be won on any spin.

The other big Australia, Ainsworth this year revealed new products and advancements to staples, and new National Key Accounts Manager Gary Freeman, focusing on "distribution of entertaining games" particularly in the hotel market.

Ainsworth's new EVO cabinet and new Link & SAP products Firepower and Big Hit Bonanza were its star attractions, backed by key multi-game, multi-denomination packages Multiplay Fire Star and Multiplay Treasures.

And visitors got a glimpse of the new licensed product PAC-MAN WILD EDITION, due to reach hotel floors this year.

"Throughout FY17-18 the team will be focusing on the development of games for the NSW Hotel industry," says Freeman. "Our game library has already grown and with upgraded hardware capabilities we can offer customers entirely new possibilities for their hotel floors. It's exciting times for Ainsworth and I'm confident that our hotel partners will not be disappointed."



Gaming Technologies Association (GTA) CEO, Ross Ferrar



**IGT ANZ Product Manager,
Pat Brimmer**



**SG Senior Vice President,
Adrian Halpenny**



**Aristocrat Director – Product
& Marketing ANZ & APAC,
Tony Beier**



**Ainsworth National Key
Account Manager,
Gary Freeman**

PUB REAL ESTATE

NEW LISTINGS



Powered by

PUB*tic*

Everything that makes pubs tick



UPSKILLING ADVANTAGES

Investing in further staff development can put a venue ahead of the competition.

Kylie Kennedy explores some innovative training options available to the pub industry.

Happy staff members work harder. It is proven fact. Economists at the University of Warwick, UK found that happiness made people around 12 per cent more productive. These results come from four different experiments, with more than 700 participants.

One way to motivate staff and improve morale is team-building days. Another is equipping employees with the necessary tools to improve and further develop their existing skills base. There are plenty of staff development programs around, and sharing career opportunities with employees can help good staff-relations.

Investing time and money in staff training can help grow a business by delivering a superior service to patrons. Upskilling staff not only helps a venue run more cohesively and professionally, but it also gives employees a confidence boost

that they are valued within the establishment, promoting loyalty. Retaining these valuable workers is essential, especially within an industry known to have such a transient employee culture.

Recruitment Loop's marketplace manager Bernadette Eichner has found, "Employees who are fully engaged and demonstrate the 'nirvana' that is job satisfaction and initiative won't want to be put in a corner to beaver away on the same tasks day after day. If you really want someone to be a productive, contributing member of your team next year and the year after that, then offering career growth opportunities is a sure-fire way of making that happen.

"Spend time ensuring your employees understand the business goals and vision and you will be rewarded with increased levels of engagement."

Establishing a clear business direction and informative induction for new staff can help pave the way to a good working environment. Continuing this level, and improving on it, is crucial.

IN-HOUSE OPTIONS

Without regular training over time, employees can become complacent. Career trainer Joe Pav states, "Staff need reminding, refreshing, and reinforcing all the time ... one-off training is wasted if there's no follow-up. Many staff lack skills and product knowledge awareness, which restricts the revenue stream for a business," warns Pav. He identifies that the mainly casual hospitality workforce has limited training opportunities and follow-up.



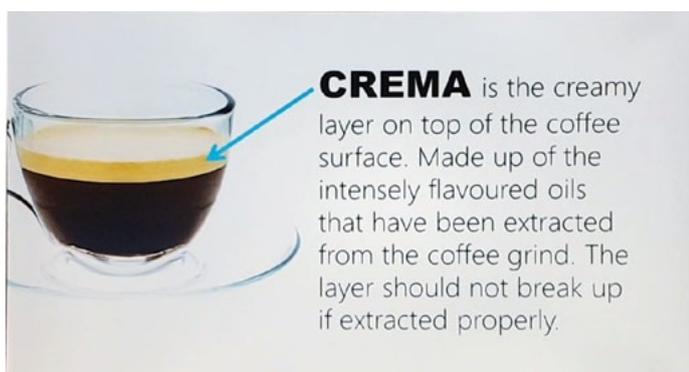
Hospitality TV

Hospitality TV was launched, consisting of a HDMI media player and wireless, allowing any TV monitor to display content covering practical skills, customer service, selling skills, compliance updates, product knowledge and short quizzes.

"It is an operations solution that has training content included. Essentially, a venue gets a full-time performance manager for \$50 per week," explains Pav.

Under a Fair Work ruling, employees made to do training outside work hours must be paid for their time. Hospitality TV stands out as an in-house training solution, reducing the need to pay staff additional wages, while still addressing potential knowledge gaps.

"It offers huge time and savings for a venue, not having to



organise or send staff off the job," adds Pav. The content screens can be actively viewed during a shift, with viewers absorbing small bites of content that are easy to remember and put into practise. "It is first and foremost a workplace operational solution that aims to improve the performance of staff. It is continuous, in the face, to a captive audience, in the venue and available at any time for all staff to use ASAP," explains Pav.

He is confident this leads to increased awareness and confidence in initiating selling skills. "Focus is on the day-to-day service procedures encountered by staff and not on 'fluff' or 'nice to know' stuff. For example, it is not about teaching someone how to pour a beer – they should know this already. It is about reminding and reinforcing to them the importance of think like checking the glass is clean, free of chips, cracks and stains, that the size of the head of the beer is 1cm, how they should handle the glass when presenting it to a customer, why the glass is badged with volume and scales, the importance of not over-pouring and how much wastage can occur when they don't care, and what Australian State XXXX beer comes from!"

BUILDING ON COMPULSORY TRAINING

Employees who are trained and committed to responsible service of alcohol can reduce the risk of a licensee losing their licence or getting on the wrong side of authorities. Ultimately, staff represent the licensee and there is no room for complacency. Victorian Police Acting Inspector Wayne Williams raised their expectations at the VCGLR 2017 Knowledge Exchange, saying, "It is expected that staff fully understand the liquor licence that they have, and responsibilities that come with that licence. Ongoing training is vital."

PubTIC spoke to Sam Coffey, the man behind Three Cheers Training and its Special Alcohol Management Service course (SAMS). "It is dangerous for people to think they know everything. The reality is that we should always be learning, and those who think they have nothing new to learn or who don't think they can hone their skills more are kidding themselves," says Coffey.

The SAMS training course is designed to improve venue safety for patrons and staff, the local community and improve a venue's relationship with relevant authorities. "It should increase profit when done properly," explains Coffey. "It increases staff enjoyment in their roles and it helps protect the venue from liquor law breaches."

SAMS was first developed in 2009 and incorporates both online training and an onsite workshop. This training environment has the added bonus of bringing staff closer together as a team.

TRADE FEATURE

“SAMS is the best form of baseline patron management for a venue to put in place,” proclaims Coffey. “Guidance is more important than response, because if the right guidance is given, then incidents are less likely to occur where a response is necessary.”

For those times when a response is needed, the course implements theory via 12 common scenarios that come up in venues, such as how to greet customers, how to save a patron from intoxication, and how to manage a party group.

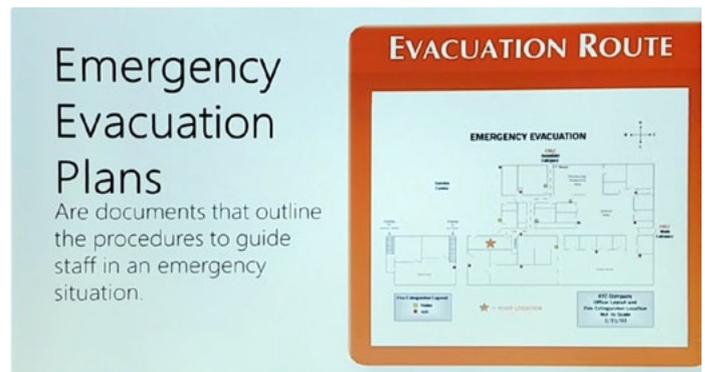
Rowena Ellis is president of the Gulgong Liquor Accord the owner and licensee of Gulgong NSW’s Prince of Wales Hotel. Ellis was looking for a course that her staff could complete over and above the regular Responsible Service of Alcohol (RSA).

“Sometimes you get really caught up being the ‘fun police’. You’re behind the bar constantly telling everybody all these rules and what they have to do it and can ruin people’s nights out. I was finding that was happening here a bit, even with myself behind the bar.”

Ellis found the SAMS course beneficial in boosting staff morale and improving patron relations.

“Soon after we did the course we had one of our hardest shifts here at the pub, the local race day. Normally everyone has been at the races all day, then they hit the pubs afterwards and it’s a pretty tough shift in RSA respects.

“But we all implemented the water, and the positive ways we



were taught in that course, and honestly, I didn’t think it would work as well as it did.”

Ellis recalls patrons approaching the staff thanking them for the good night. “They appreciated us offering the water and talking to them. Interacting with the customers more helps us see where their intoxication levels are – and they enjoy it too.”

The course built on the knowledge her staff already had, and opened up a new approach to dealing with customers.

“My parents have owned this pub for 40 years, so I’ve been in the pub game for a long time, yet I got heaps out of the course myself. The bar staff are coming to work and enjoying their shift.”

Ellis is one licensee who is reaping the benefits of putting the extra into her staff and her customers are literally thanking her for it.



Rowena Ellis and staff with Sam Coffey at Prince of Wales Hotel

MORE UPSIDES IN PATRON MANAGEMENT

Expanding on the wisdom of better training staff to be both ambassadors and gate-keepers of the business, Sam Coffey says poor patron management is simply throwing money away.

The bottom line is: traditional patron management techniques cost licensed venues revenue.

Not only has imperfect patron management controversially led to restrictions being imposed on venues by authorities, through things like decreased trading hours, but they also don't make the most of what's already coming through the doors. The traditional techniques need to evolve.

Best-practise techniques seek to maximise: revenue / profit, patron experience, sustainability of drinking culture, the venue's overall offering, staff enjoyment in their roles, compliance, safety for both patrons and staff and in the local community and amenity, and good relationships with authorities.

Getting patrons onsite is one challenge, but the next step is keeping them there spending money, most importantly having a good, safe time so that they want to stay and come back again another time.

Improving patron management techniques may initially increase workload, but in the long run, over the course of a day or night's trade, it actually decreases the work to be done and makes life a whole lot easier.

Good patron management techniques are based on several foundations: managing patron mood, assisting them, and water. Like three legs of a tripod, these concepts work in unison.

Mood: The way in which we interact with patrons influences their mood. Every time and in every way that we interact with them, we can influence the way they are feeling. The goal, of course is to elevate them, not promote an 'us vs them' mentality. We're all on the same side, we all want the same outcomes.

Assist: People drinking require our assistance. The frontal lobe of the brain, which is known as the executive centre, is effected by alcohol in less than 10 minutes of the first sip. Drinkers become more emotional and impulsive, and lower their inhibitions. Arguments in the industry that patrons need to be more accountable for their intoxication in the eyes of the law are both invalid and pointless. By law, industry has to assist patrons. It's easy enough to do, it just takes a little effort to do well.

Water: Alcohol substantially dehydrates the body, at a rate of approximately 120ml for each standard drink they consume. Dehydration is bad as it is linked to increased irritability, decreased cognitive ability, and the formation of a negative



Three Cheers staffers Sarah Cole Shane Woods onsite

outlook. It is the cause of hangovers and possible regrets the next day the drinker may have from overdoing it. Keeping patrons hydrated as best you can, these issues will generally not arise. Unfortunately, having free water available for them to self-medicate is not enough. This must be coupled with direct intervention when necessary, as well as taking water out to the crowd in general and offering it to them. Water is like a magic potion in its positive effects.

Mood, Assist and Water all feed off each other. The stronger they are, in line with hospitable appropriateness, the better the outcomes. The less effectively a venue applies them, the more money they're leaving on the floor and out of their coffers.

Article contributed by Sam Coffey, director Three Cheers Training.

For more information on patron management or Special Alcohol Management System (SAMS) see Three Cheers' Our Training.



Inside the Ratio

Continuing our commentary on the role of finance in the pub sector, Rob Gleeson explains some of the greater implications of LVRs.

Recently, Loan to Valuation Ratio (LVR) seems to be the biggest topic in conversations I have been having with pub owners.

Simply put, the LVR is a ratio of your debt level against the most recent valuation.

In our view, LVR is the biggest sticking point with both borrowers and banks, and depending on whether the ratio is considered high or low can have a real impact on your business.

What LVR really means

1. Equity

How much cash do you need to inject into a transaction to buy a pub? For many owners, the more money you can borrow, the better. This allows them to minimise cash or other equity injected into the asset when buying.

An LVR of between 60 and 65 per cent is the range that I would consider as the desired position.

2. Your overall interest rate

From the bank's perspective, the LVR is a large driver of their risk and capital weighted pricing models. To put that in non-bank speak, the lower the LVR, the better your overall pricing will be.

The risk of default to the bank in a low LVR situation is less, and as a result a bank will be able to provide you with a better margin or interest rate. They want more customers like this and are willing to pay for it.

3. Covenants & Conditions

The LVR drives your covenants and conditions with the bank. The higher your LVR, the more likely that the bank will impose more covenants and conditions. These could include more frequent reporting conditions and more covenants to meet. A breach of any of these may constitute a default under your terms and conditions.

4. Non-recourse lending

This is where the borrower is largely protected from 'recourse' in the case of default. It is something that is brought up by a lot of borrowers, but not surprisingly not



by many banks. To achieve a non-recourse situation, the bank must be willing to give up 'Directors Guarantees'. However, in a situation where you have a low LVR, perhaps from a revaluation of your pub, you may be able to request the release of Guarantees.

We have seen situations where Guarantees have been removed when the LVR is 40 per cent or below. If the bank accepts this they may very well impose an LVR covenant on your deal.

5. Principal reductions

A higher LVR will often mean that you will be up for monthly, quarterly or bi-annual debt reduction amounts. Typically, if you were to borrow 60-65 per cent, the bank may request debt reduction, in order to reduce your LVR by 10 per cent or more over a short period, 3-5 years.

What is important to consider is the impost on the pub's cash flow. For example, if you borrowed 65 per cent on a \$30m purchase and were required to reduce this LVR down to 55 per cent over three years, this would mean repaying \$1m principal per year for each of those three years.



6. Ability to borrow more for renovations

One of the key questions that needs to be addressed when requesting finance, is what capital expenditure for renovations will be required over the period of your loan term. Typically, with a lower LVR based upon the current valuation, the more cash flow and greater borrowing power you will have, meaning you can either use your cash flow or borrow more to renovate.

7. Revaluation

Higher LVRs could result in more frequent revaluations. As mentioned, the Bank will monitor your business with either quarterly or half-yearly covenant reporting. If they deem there has been a deterioration in the performance of your business the bank may request a revaluation of your venue at your expense.

The lower the LVR the more buffer you have.
Less risk = good for the banks.

8. Market conditions

Market conditions can change and potentially impact your LVR. A competitive market and lower capitalisation rates or yields, can be beneficial when you have to

revalue your hotel and can improve your LVR. Obviously, a weaker market or trading might have the inverse effect.

The real impact here may not necessarily be caused by the market or you. In a situation where a bank has large exposure to a particular industry and market conditions change, the bank could request updated valuations, which has the potential to worsen your position.

9. Access Equity to fund further purchases

A low LVR means that you will have the ability to move quickly on a future pub purchase. Access to borrowing power is critical to you being able to make future acquisitions.

In summary, a balanced position is often the best to take, if you can afford it. LVR will always be the driver to your funding position, but it forms just part of the overall transaction you are undertaking.

Rob Gleeson
Principal, Hospitality Advisory
rgleeson@mortgagesco.com.au



Mortgages & Co

Mortgages & Co is a modern debt advisory firm focused on clients and the services they want delivered, stemming from decades of accumulated experience in financial services.

The principles' knowledge of banking and finance industries aim to ensure mortgagees get objective views, the right advice and the product that suits their situation.

Everybody, every business, every time.

Mortgages & Co P/L, credit representative 481603, authorised under Australian Credit Licence 389328.

MAJOR FEATURE

CRAFT BEER DEN
OPEN



ALL THAT JAZZ

Making hay in the Australian sun is something UK-born Jaz Mooney takes very seriously, and does very well. Clyde Mooney (no established relation) caught up with the north-Irishman and his colleague at arms Darren Baker, to discuss the business of the business.



In the sprawling and diverse Australian landscape, with broad variation in regulation and opportunity, there are few pub operators who transcend the subtle boundaries of city and country, and even fewer that venture across State borders, and these are almost unerringly corporate structures with deep investment pockets.

One boutique operator that breaks these rules is Jaz Mooney's Pelathon Management Group, boasting a broad portfolio of lease and freehold titles in both metro and regional areas, in NSW and in Queensland, plus an 81-room motel in the Territory.

Mooney ran hospitality businesses in the UK prior to the GFC. Since coming to Australia he has built Pelathon and its sister investment vehicle Middlehead Ventures to a strict code, resistant to the headwinds of any future downturn, and is currently building his pub fund to further opportunities.

Clyde: "Jaz thanks for speaking with me. I'm very interested in your philosophies on achieving success, while minimising risk in what is historically a boom and bust industry."

Jaz: "To make proper money, there's two ways of doing it. Taking a couple of towns and taking the good pubs in those towns and making them better, or you fight downtown tooth and nail with everyone else."



Grand Hotel bar

"We see regions, all around Australia, where you can go in and reinvent, in what are fantastic times. Regional is an easier operation for us to make money on the bottom line, as long as it's big enough."

Clyde: "Targeting regional, there's not the stock shortage they talk about in the capitals."

Jaz: "Yes, but the banks, lending to you regionally, you need to have a proven record. We see south-east Queensland, anywhere around Brisbane, as providing good yield plays, but they're tightening. In Queensland, the other thing for regional is you've got the bottleshops as well."

Clyde: "You're aiming for yield somewhere around 15?"

Jaz: "15 and above. You're taking on the local operators, so you need a good general manager in there. We try very hard to get the right management team, and we just get all over them, guide them, for them to understand the business, the bottom line profit and loss, and essentially own their business and every line in the P&L."

Clyde: "How do you go with employment in these towns?"

Jaz: "It can go well, or badly, but it comes down to the fish rots from the head down. If you don't have a good venue manager, you're toast."

Clyde: "Is it important to get locals?"

Jaz: "Probably 90 per cent from that area, 10 per cent needs to be brought in from elsewhere. The 457-visa clamp-down is probably not going to be good for Australia, stopping people coming in. A lot of people in Sydney would be on a 457 or similar visa, from UK, from Ireland, hoping to get sponsored, because it's a fantastic place to live. If we clamp down on those people, it drives up the cost of who we have. But also, the amount of money they contribute to the local economy is huge – eating, drinking, clothing, the whole lot. They're here to have a good time."

Clyde: "We already have high wages, by international standards."

Jaz: "We don't mind paying people well to live, everybody's got to live well. If you're not living well then there's probably going to be pressure for you. But like everything, there's a balance in that. It's about keeping it lean and trying to get

MAJOR FEATURE

everybody working strongly for essentially our vehicle, which is Pelathon Management Group."

Darren: "Training and keeping people, particularly in the cooking side of the business, can be challenging."

Clyde: "I understand you have projects in the works in Cairns, Mackay and Gladstone, but you also just revealed a major overhaul in Brisbane. Is that under the Middlehead entity, which you've told me buys, improves and sells?"

Jaz: "The Grand Central would probably be a longer-term play. We just spent a shitload of money on it, to improve all aspects of a balanced business, which is gaming, main bar food & beverage, bottleshop. A balance in terms of that whole make-up of a unit is really important, trying to get it maybe 30 per cent gaming, 30 per cent food & beverage, 25 per cent bottleshop, accommodation. Accommodation should grow, because obviously the more people you have onsite, the more chance you've got of making them come downstairs, especially during the week. Accommodation is a priority going forward. It's a strong place to be in the future – especially with the new self-serve model, let yourself in and essentially there's no human involvement beside cleaning."

Clyde: "For all Australia's growth in tourism and hotels, there seems plenty of opportunity in the two to three-star space."

Jaz: "Especially when you've got a pub on the site. They can go and eat and drink there, they can gamble."

Clyde: "Does the Grand have accommodation?"

Jaz: "None, but the likes of Meadowbrook, occupancy was sitting around 50 per cent, we took that up to 80, 85 per cent. Two things accounted for that: making sure it's clean, working, tidy, but also the fact that there's a shopping centre, and the local hospital's just done a big job. Natural demand in the area."

Darren: "To your point about the two to three-star market, we're not playing in a space that's perhaps as competitive as



Grand Hotel

the higher end. In the 20-room option, like the Meadowbrook, we're pitching that at \$110 - \$120-a-night, so it's absolutely a budget option. Many hoteliers probably don't recognise the income stream that actually flows from that. It can be \$10k or more a week in additional income that perhaps you weren't really thinking hard about."

Clyde: "The online accommodation market can be very competitive. It's not really the skillset of most pubs. Do you look to buy things with gaps like these you can improve?"

Jaz: "It could be the gaming gap, it could be food & beverage, it could be bottleshop; that is the one you can sort of build everything around. If you've got a reasonable bottleshop onsite, you can grow that."

"Then the gaming room, there's the equipment, making sure it is up to date and what people are looking for. In Queensland



you're able to put 45 on the floor, which gives you a bit more Casino-style – in NSW you're stuck with the fact that you've got 30, and they have all got to work for you. The big thing with hotels is check turnover all the time. If you're not growing your turnovers there will be less people coming in. I understand people say it doesn't actually work like that, you've got to be careful what you're giving back to the player, but grow the turnovers and hopefully everything fixes itself.

"Redcape have done a superb job of maximising the gaming dollar, and fair play to them. They're the stand-out in how to take a place and put a huge operation together, and do what is current and what people want. Just superb."

(Jaz pivots to address a passing Andrew Thomas, on one of his near-constant walks through The Oaks' beer garden.)

"Some people are just happy to work with what they've got."

Andrew, responding. "I've got my eye on one. It might come, it might not."

"The banks are at us all the time, 'do you want to borrow more money?'"

Jaz: "The cheapness of money at the moment. You borrow at a low rate, if interest rates go up – maybe not anytime soon, but in the next three or four years – things start eroding. You need to have things growing, or your bottom line gets eroded. That will be the big wake-up call for us all."

Andrew, heading off again: "I can wait three or four years. I've still got my playlunch money from school!"

Clyde: "Does a couple of per cent increase make much difference?"

Jaz: "It depends what you're borrowing at. If that the main rate is sitting down here, we're already up here, if they were to jump further to six or 6.5 per cent, where the banks would

clearly love it to be at some stage, it really affects your bottom line costs."

Darren: "Today's margins are a hangover from the GFC. Is the bank going to shrink their margin if the base rate goes up? I don't think so, in fact they'll increase it."

Clyde: "Do you deal with non-bank lenders?"

Jaz: "I've taken the odd vendor finance. Anything that can make the deal work. But definitely structuring should become a bit more of a thing. Part from the bank, part mezzanine lending. There's plenty of people structuring apartment developments out there, and there's a willingness these days for mezzanine lenders to get in the space, because there's money to be made there. The problem with banks – they're a necessary evil, but when it all collapses they'll take no prisoners."

Clyde: "Do you see properties here as affected by any pricing bubble?"

Jaz: "I don't know. I play in that bubble. So long as you can afford what you do, no problem. You can't afford what you do and you're stretching, you'll get caught out at some stage. But that's just life."

"Consistent growth is good, underpinned by good practises, good management – a lot like The Oaks Hotel. That's why we consistently come back here. You know what you're going to get."

"The question is, how many people have been through a downturn? I come from Northern Ireland, which had a huge downturn. Luckily, I was out before. I wasn't part of the downturn either, I was gone. But for people that have learned lessons, they know it might not always be this good. To have 20 years' growth, although there was a slight downturn in 2007, 8, 9, 10, nothing compared to a proper GFC like the UK



Orana Hotel

MAJOR FEATURE



Andrew Thomas and Jaz Mooney

and Ireland went through.

"London was fine, areas with massive populations, but the only models that actually survived were the food & beverage model of value for money. The suburban pubs."

Clyde: "You had come here. You don't think we experienced the full downturn of the GFC?"

Jaz: "Definitely not."

Clyde: "There was still a lot of LVR distress going on in the Australian industry in 2011."

Darren: "But the damage was done before then."

Clyde: "Gaming-focused pubs selling for astronomical prices?"

Darren: "Potentially, but the greatest effect on pubs at that time was the change to smoking laws, in 2007. In the lead-up to 07 you had half of the pub smoking, half non-smoking. Then you had to pick a room in the pub that was smoking. Which room was that? The gaming room, of course, so you saw gaming revenues growing and growing. And then it all went non-smoking. There were plenty of players at that stage that saw their gaming revenue absolutely plummet, simply because people weren't standing in the gaming room smoking anymore. By the time the GFC hit, the damage was already done."

"The banks were very keen to lend money in that 05, 6, 7 period. Gearing levels were 65 and 70 per cent, and as revenue started to fall away, revaluations saw hotel properties plummet in value and suddenly you have people geared at 100 per cent or more."

Jaz: "Banks, you hope would have some moral compass. You would hope that long before they pull the rug on you that the signs have been there for you to react to. Understanding what

bad bank actually means, that they can come in, like many of my colleagues in Ireland, and take your house. The suicide rate went up massively out of that. And you know, it's about that last deal that you probably could have done without. It's over-stretching.

"I have no idea what overstretching means anymore. In my life its 50 per cent or under LVRs, maybe 60/55, reducing to 50, to 45, to 35 and below. That's when I feel we're going the right way. We're always paying back. So if something goes wrong, you're never out of control.

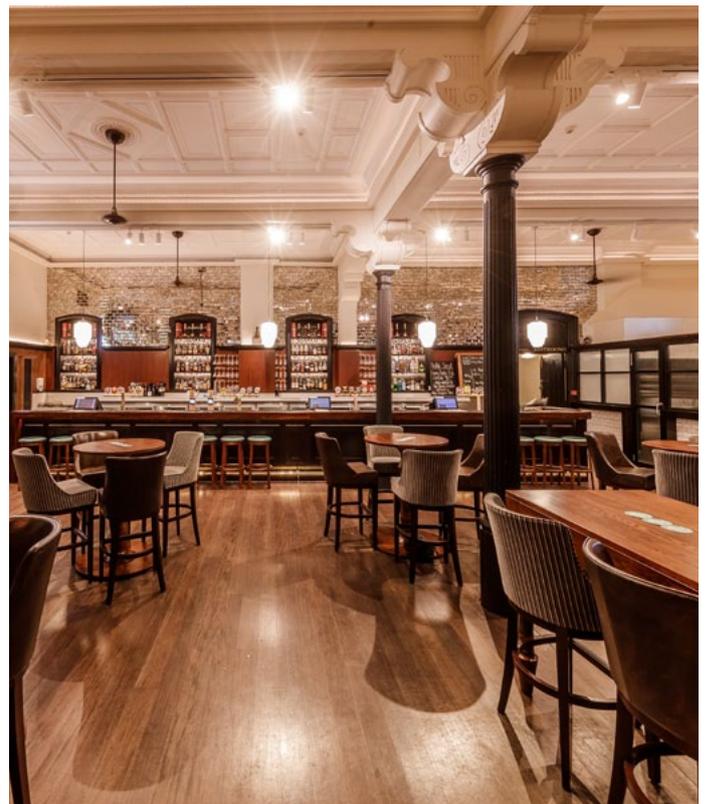
"When the bad times hit, it's all about cashflow. It's not how much money you're making, it's actually about cashflow. Living, breathing from month to month, knowing you can pay your bills, to get through to the good times where you can actually concentrate again on the bottom line."

Clyde: "So you endorse that 'value for money' concept you've seen survive the tough times?"

Jaz: "We do have a value for money proposition. We try to keep people coming back. Consistent quality is really important, but also how you talk to people. Give them a reason for coming, like showing the big fight or the UFC on a Sunday, which may be a loss-making exercise, but they keep coming to your venue.

"Renovation is important. Generally turning your place over, making sure the environment is one people want to come to. That can be overstated, some can be over the top, especially regional, where all people are looking for is a freshen-up and good, consistent staff attitude.

"It's community, community for us – even in downtown



Grand Hotel

Brisbane. Who are your regulars ... pub loyalty ... all that is really important. Building and recruiting, then marketing to them."

Clyde: "Do you have a rule of thumb percentage of purchase to capex spend?"

Jaz: "It would change to each, but you could say it was anywhere from ten per cent upwards. Cairns, the Grand Hotel, it's going to be 25 per cent, but that's going to be a massive change."

Clyde: "Once a refresh has been done, what do you do to lift the business?"

Jaz: "Food, food, food. In terms of bringing people out during the week, it has to be driven by a needs status: entertainment, or actually feeding. There's no doubt sports have rocketed; pay-per-view is huge. But everybody has flat-screen TVs, and some way of getting something on. The necessity to go to the pub to watch sport has actually become less.

"There's no doubt reasons to go to the pub need to be broadened. You need to have multiple reasons to come. Food's the lead for us. If you're not selling any food, how to build growth is to build your food, and the drink will probably follow. Adding on anything to get people to actually spend money in your venue is huge."

Darren: "You're continually trying to find ways to get people to come out of the home to come to the pub, and food is probably that one thing."

Jaz: "There are operators who are aligned totally to food & beverage, and there are plenty of operators out there who are capable of doing that and have got good businesses, but you need to make sure you've got a very strong operation if you're in food & beverage only. Having the gaming revenue underpinning your business is a pretty safe model. Having your gaming revenue dominating your business is potentially a dangerous model."

Clyde: "And how do you go about promoting what you have to offer?"

Jaz: "Advertising, we go basically to Google, Facebook, TripAdvisor, Expedia, all those places that rate you are seriously important. If somebody has a bad experience, how do you deal with it? Probably key is actually predicting that they're having a bad experience. Andrew's walking around here looking at the tables. He might think 'oh, he hasn't eaten all that, is that meal OK?' – and fix it. Or give them their money back straight away.

"Unfortunately – or fortunately – our greatest mystery shopper now is the public, and they mystery shop you on Facebook, on TripAdvisor, anywhere they think they can get at you, and fair play to them."

Clyde: "Is it a case of the squeaky wheel gets the grease?"

Jaz: "The first place you've got to look is inward. When you

look inward, you'll probably get to the root of the problem.

"Marketing – what does that mean nowadays? Is it radio, TV or the newspaper, or is it actually your key words and where you rate in Google?

"Execution, of whatever you do. We take our hat off to people who can execute properly. We try to execute in a consistent way. We win sometimes, we lose other times."

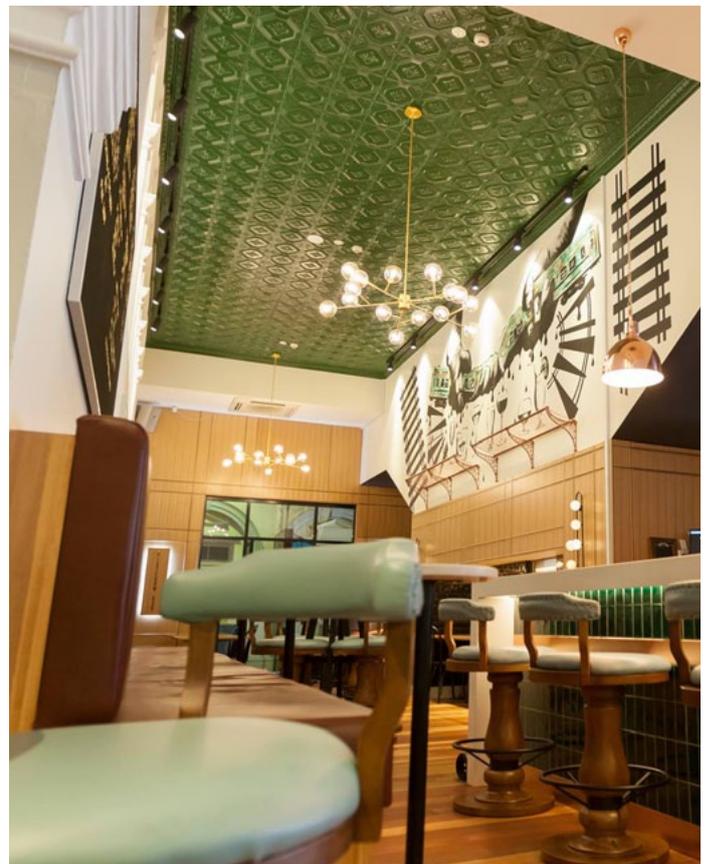
Clyde: "Do you see signs of the industry maturing, or plateauing?"

Jaz: "Difficult to say; the thing I would say is we've been on super-sonic growth of gaming. So when you consider gaming, where has that to go in the overall market? You would have to say maturing. The secondary division's probably got some growth in it, premier division, it's all about the economy.

"The next two or three years are going to be seriously interesting. The smart players will survive, the less smart taking more risks may have to find rebalance. You need to be savvy. I would say street-smart; using the balance of your knowledge to think 'is that what that should be doing? Is there any way I can improve it?'

"We'll keep buying, we'll keep selling, keep growing. We'll grow our pub fund. If and when the long growth journey comes to an end and we come off – either a bit or sharply – it's where you're placed at that point. Good businesses can come under stress, very quickly."

Clyde: "Jaz and Darren, thanks so much for your time."



Grand Hotel

SALES OF THE MONTH

Boasting background in the performance arts, education and several Victorian pubs, Fred Whitlock and Alison Whyte have quietly secured trendy Carlton local the Astor Hotel.

Formerly known as Percy's Bar after ex-Carlton footballer operator Peter 'Percy' Jones, the Astor was transformed and operated in recent years by Ilona Phyland and chef Darran Smith, pioneering a concept of Australian yum cha.

Whitlock and Whyte operated the Terminus Hotel in Abbotsford for a decade, and more recently the large-format Yarra Valley Grand. Whyte is an actor with an impressive show reel of Australian productions.

The pair intend to close briefly after the August settlement, in preparation for a grand reopening in late September.

ASX-listed Chinese developer Boyuan Holdings Limited ([ASX: BHL](#)) has entered the Australian pub scene with the purchase of Colin Parras' Peachtree Hotel Penrith. The company has growing interests in both residential and commercial development in Australia and a strategy to invest in opportunities across complementary sectors.

Parting with The Peachy after a decade and a half, Parras said he is delighted, but not out of the game yet, with plans for further venues.

BHL has disclosed it is in final discussions with "an experienced Sydney hotel operator" to take on as a management partner.

Sydney hotelier Garry Macdougall has expanded on his capital operations, grabbing a coastal change with acquisition of the Lakeview Hotel in Merimbula.



Boasting a waterfront site and unique opportunity as the only hotel in town, the Lakeview sits on 4,646m² overlooking the inlet between Merimbula Lake and Bay on the Sapphire Coast, around 500 km south of Sydney. It comprises two two-storey structures, with public bar, beer garden, restaurant, pool room, bottle shop, gaming room with 15 entitlements, and seven motel units.

Macdougall holds a diverse portfolio with pubs in both Sydney and the Central Coast, near Newcastle. Diversifying south, the well-known publican says he was attracted to both the area and the pub.

COLOSIMOS BRINGING PUB-2U

The Colosimos' newly launched Momento Hospitality Group has begun home delivery of food & drinks – bringing Pub-2U to folks in the Hills, out of pioneer venue the Hillside Hotel.

Capitalising on a highly successful food operation that is being held back only by available seating, Momento has gone down the delivery path to leverage the venue's success.

Every day from midday until 9pm, the entire Hillside Hotel bistro menu (except desserts) is available via a bespoke online ordering system, with the option of pickup, or home delivery to residents in the delivery zone.

The minimum order is only \$30, and there are several package deals to choose from, such as burgers or schnitzels with accompanying beers from popular Rouse Hill brew-pub the Australian Hotel and Brewery (AHB).

Both alcoholic and non-alcoholic drinks can be ordered to accompany the meals.

Hillside is sister venue with Momento to the AHB and the nearby Bella Vista Hotel. While Hillside is the test case for the Pub-2U delivery system, the other venues in the Group may play a part in the venture as demand increases.





IN THE COURTS

A 37-year-old man has been charged and three sent to hospital following a rampage at the Rocksia Hotel in Arncliffe, after an evicted patron returned to seek revenge with a knife.

The local man purchased a number of drinks over two hours, and although showing no obvious signs of intoxication began pestering another patron and was denied further service. Shortly after, he got into an argument with a group who refused to help get him another drink, was asked to leave and did so without incident.

It is not known if he returned to his home nearby, but he soon returned, telling security he had left his jacket inside. While security was distracted, he snuck back in – in possession of a knife, described as around 30cm long – proceeded straight to the trio he had clashed with, stabbing one twice in the chest and twice in the stomach. A second man was also stabbed twice in the chest, the third sustained a serious wound to his hand attempting to get the knife.

The offender fled, and a number of patrons chased and overpowered him nearby, where he is said to have sustained “some facial injuries”. Police established crime scenes at both locations, and the three men were transported to hospital. Their injuries are not believed to be life-threatening.

Former guard Fady Taiba is suing the long-closed Bar 333 and his employer, Prime Security, over injuries sustained in a coward punch by finance worker James Longworth.

In September 2013, Taiba was working solo at the door of the busy George Street venue and refused entry to a noticeably intoxicated Longworth. CCTV footage showed Longworth loitering outside and when Taiba was distracted lunging and striking him in the side of the head, causing him to fall and strike his head on the ground. He sustained a traumatic brain injury and part of his skull had to be removed. He spent 19 days in a coma.

Longworth convicted in 2016 and sentenced to a minimum of three years. Taiba continues to suffer seizures and can no longer work as a guard or do many everyday activities.

Taiba is now suing his former employer, Prime Security, and the operator of the pub, for negligence, the claim relating to his injuries and their aftermath, plus costs and interest.

Young Australian Hotel gaming room employee Ashlee Walker has been sentenced to nine months’ jail and ordered to repay \$12,957 she stole between August 2015 and March 2017.

Walker pleaded guilty before Bundaberg Magistrates Court and admitted to stealing amounts of \$500 or \$1,000 while collecting the gaming takings. She subsequently gambled all the stolen money away at other venues, and defence proffered she had a gambling problem, asking no conviction be recorded.

Magistrate Belinda Merrin was not convinced, swayed by a victim impact statement from the Hotel owners Harry and Margaret Bonanno. Walker was sentenced to nine months, suspended for 18 months. The maximum penalty for the offence is ten years.

GREAT NORTHERN HOTEL DEFIANT AGAINST HOLGATE TAP PRESSURE

Carlton craft beer mecca the Great Northern Hotel has aired the issue of brewery mandates, ousting the burgeoning Holgate Brewhouse as it insists on more taps.

Holgate Brewhouse began in 1999 in the backyard of Paul and Natasha Holgate in Woodend, and has grown to become a significant player in Victorian craft beer, boasting some international distribution. In April it was awarded a \$1.5m grant, toward plans for tourism attractions, big capacity increase and further expansion overseas.

Pouring Holgate’s hand-pump English pale ale Extra Special Bitter (ESB) for seven years and fiercely protective of its taps, GNH management were told they could not have the specialty brew unless they stocked some of Holgate’s other lines.

Intolerant of breweries trying to dictate what they do or don’t pour, the GNH controversially but unashamedly announced on social media it was no longer pouring Holgate.

Reactions have been mixed, with some saying they will boycott the establishment, others cheering the GNH’s courage in exposing this kind of pressure.



PUBtic

NEWSLETTER

Every Monday, Wednesday, Friday

Everything a pub needs to know.

e-bulletins to your Inbox

No spam.

100% free for pubs

pubtic.com.au

Sign up

