

# Pricing questions as ABC Learning Centres probe continues <sup>[1]</sup>

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**Source:** Courier Mail

**Format:** Article

**Publication Date:** 19 Apr 2010

## AVAILABILITY

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## EXCERPTS

As hearings into the collapse of ABC Learning Centres draw to their close this week, more evidence may emerge of whether the acquisition-hungry childcare operator unwittingly inflated prices for centres it bought.

Testimony so far has given some credence to this issue of pricing -- one that a childcare industry observer thinks is so critical it helped fuel ABC's collapse in November 2008.

"Where did they go wrong? Let's not beat around the bush, acquisitions," said Sean Collins, who was originally an ABC employee and later worked independently to help acquire centres for ABC.

Mr Collins, writing on his website Collins Acquisitions, said ABC had bought centres based on the amount of earnings they could produce. But how ABC calculated earnings "just wasn't accurate at all".

He said that when a business had to acquire "in excess of 250-300 centres a year, with a market of probably 1000 centres that fit the criteria, you take the lesser evil and buy (rather) than risk not making the market's expectations".

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Former director Larry Anthony said the board's main concern was that ABC had been the main buyer in the market and thereby drove up centre prices.

A pause could help prices become "more realistic", he said.

Ex-chairwoman Sallyanne Atkinson attributed the slowdown decision to housekeeping after a long expansion.

"I thought it was time to stand still, take stock," she said.

Former ABC chief executive Eddy Groves said the company had pushed out its centre-acquisition pipeline in 2008 as a prudent savings measure given the global financial crisis had erupted.

Mr Groves also stood by his stance that he never believed ABC would go bust, and that dragged-out payments to creditors represented ABC either verifying bills or trying to save money on interest by delaying those payments.

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The court this week is scheduled to hear from ABC chairman David Ryan and executive director Martin Kemp, both of whom received a sledgehammer from Mr Groves in testimony last Wednesday about their roles in the childcare operator.

- reprinted from the Courier Mail

**Region:** Australia and New Zealand <sup>[2]</sup>

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