A PLEAT FROM THE HEART

CLAIRE HEANEY

PRAHRAN fashion designer Penelope Gibbs was saddened when she heard Melbourne's last remaining specialty pleating business was feeling the pinch.

"I did not know there was a pleating business in Melbourne," she said. "It is a great technique and I couldn't believe there was still one operating."

The Hokum label founder's delight soon turned to disappointment when she learned Specialty Pleaters was facing extinction for the second time.

Ms Gibbs used the services for two skirts for a trade show and the Who's Next fashion shows in Paris last month. She reached out to the Australian fashion industry in the hope it would embrace an Indiegogo crowd-funding campaign.

"I just thought other people would treasure this as much as I do," she said.

The campaign, which runs for another few weeks, needed a late run to reach its $30,000 target, she said.

Ms Gibbs has been working with owner Simon Zdraveski to try to revive Specialty Pleaters. The former investment banker inherited the company a few years ago after it narrowly survived the global financial crisis in 2009.

Mr Zdraveski had big plans for the business, offering training, employing an apprentice, and tapping into the small but still dynamic textile and clothing industry that remained in Australia.

The Indiegogo crowd-funding campaign calls for donations, offering a range of rewards including exclusive hand-drawn pleated silk scarfs, handkerchiefs and pocket squares inspired by the 1930s and popular Victorian destinations such as Rippon Lea and Kallista.

specialtypleaters.com

Speciality pleating, such as that used in this gown by fashion label Claudia Savage, is a dying art in Australia.

Queen Vic gets hi-tech

Mentors for stallholders

BUSINESS OWNER
CLAIRE HEANEY

MENTORS are working with stallholders from the 140-year-old Queen Victoria Market to help them build their businesses amid confusion over the development of the historic site.

Traders say it is business as usual at the market, which has been caught up in debate about renewal.

The City of Melbourne is paying for the Small Business Mentoring Service to work with stallholders under the Trader Connect program.

More than 90, or 15 per cent, of stallholders have taken up the free service, which has more than two years to run.

The program is aimed at providing direction for stallholders caught up in the debate about the market's future. They also face competition from other markets and changes in demand for products and services.

Trader Connect mentor Katya Ellis said there was a misconception that the market was partly closing for renovation. "But it is business as usual for traders and they welcome customers," she said.

Underpinning the program was an effort to develop each business to be successful in its own right, despite any renewal works, foot traffic or weather. Ms Ellis said some businesses were using social media and establishing online selling, including email marketing.

Part of the program has included a Trader Connect lounge, which provides an area for traders to meet, use computers and share information.

Ms Ellis said that while the service did not build websites, it would help with search engine optimisation and other skills. In some cases, businesses needed to rethink their inventory to ensure they were offering products that people wanted to buy or were not easily obtained elsewhere, she said.

"It is early days and we have already seen positive results with the traders who have so far taken up the offer," she said.

Trader Robyn Faulkner bought her Inner Essentials business seven years ago.

She had a background in sales, so while selling the oils and essences was not a big step, other aspects of running a business were new to her.

"I have never run a business before. I am not fabulous at it. I have managed to learn a lot more," she said.

Ms Faulkner said she had obtained skills for employing staff and running the business more efficiently.

She said while retail was difficult in any environment, the market remained a drawcard.

"I think the market will survive either way," she said.

"It is a community of kind, loving people. I feel fortunate to be there."

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Share market correction will skittle the kingpins, too

THE SHORT CUT

ROGER MONTGOMERY

IF the past few months have reinforced anything, it is that the market can remain irrational for a very long time.

Despite already being expensive, the disparity between the cheapest and most expensive stocks has widened further in recent months.

It strikes me that the longer interest rates remain low, the more concentrated on the winners everyone's bets become. The companies doing well keep doing better and the gap between the best and worst widens.

What history tells us, however, is the gap is cyclical and will converge again. How? A correction usually delivers very low variance of returns.

The difference between the best and worst narrows. It will be the same this time around.

Take a look at CSL. A conservative assessment of its current business — assuming a mature business and little in the way of price rises — puts it on a valuation of, say, $35 billion. Yet today's market is willing to pay another $70 billion on top — two more CSLs — for the company.

That suggests hope has caused prices to disengage from reality, even for very high-quality businesses.

Since 2010, and including estimates for 2019 and 2020, CSL has generated total free cashflow of about $US9.7 billion ($13.6 billion). Yet it trades at $US67 billion.

Meanwhile, Rio Tinto will have earned approximately $63.4 billion over the same time; it trades at $US80 billion.

Elsewhere, 'the market' (aka investors) is willing to pay $31 billion for a portfolio that owns 100 per cent of A2 Milk, Afterpay Touch, Xero, Wisetech Global, Altium and Appen. All are attracting investors who believe in the idea that the global rollout of their platforms will be uninterrupted. But it never is.

To put that $31 billion market capitalisation in perspective, the combined revenue of this portfolio of companies is just less than $2 billion and the combined net profit is just $240 million.

In other words, these companies are trading on a market capitalisation of 129 times earnings. Oh, and of that $240 million profit, A2 Milk is responsible for $185 million.

That means the portfolio without A2 Milk is trading on almost 490 times earnings. Seriously?

Overseas the story is not much different. Have a look at Tesla — valued by the market at $US50 billion.

Its founder has attracted a generation of investors who believe that transforming a car's drive train from petrol to electric will somehow also transform the economics of making, delivering and servicing cars.

This can be seen in the market capitalisation of the company compared with the number of cars it delivered.

In the most recent four quarters, Tesla delivered about 127,000 cars, which puts the company on a market capitalisation of $US394,000 per car delivered.

How different is that to other manufacturers who, by the way, are also spending big on delivering electrification?

Well, luxury brands such as Mercedes owner Daimler and its rival BMW sit on a market capitalisation of less than $US30,000 per car sold.

General Motors sits on a market capitalisation of just $US5000 per car delivered.

In all market conditions, there will be some value.

But when more money is being concentrated in the hands of fewer names, we must keep a close eye on how heady the prices of those names are becoming.

When a correction happens, they will likely take everything with them.

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