

Why Do Our Lenders Have Money For International Projects?



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This is a question we hear over and over again. Another question we are asked is. With the credit crisis in the west, how can there be money available for Eastern Europe and Asian companies?

The answer is rather simple: money follows good profit and good profit is in developing economies and not in developed countries – it is that simple! We read and hear these reports from giants like Wal-Mart that they have made so much money in the last quarter (*The retailer said that total sales for the quarter \$98.64 billion USD.*) etc., etc., with the numbers being pretty big. But we have to realize that statistics can be sliced in many different ways, for example. The retailer now expects earnings per share from continuing operations for the fourth quarter of \$1.03 to \$1.07 per share. Analysts expect \$1.11 per share with price of \$54.93 (*at the time of this article*). This means that a shareholder made 2.02% on their money. When we take this fact that large companies are making very thin margins on huge volumes we can see why the earning for the shareholders are so low. We are not picking at Wal-Mart here, the situation is similar at most large companies – the profit margin is very thin because the cost of doing business is high and the competition is strong.

Many of our clients submit their business plans with profit of at least 50%! Some projects are with profit even higher return than 50% on the money. Out of many factors and ratios the investors are looking at IRR – Internal Rate of Return. There is money available for highly-profitable projects around the world! Getting back to earlier the statement that “money follows good profit”, one can see why the investors go after these type of projects.

For example, JV financing is very popular today. It is an effective instrument for the investors and clients alike for the very reason that the investor gets a piece of the business and their IRR is 20-30%! As these countries become more and more evolved and advanced in their business laws and transparency the risk goes down, especially with some good recent history of high-performance. The risk factor is acceptable for such a high return, because due diligence on these projects is usually done by highly qualified attorneys, economists and analysts (*with degrees from Harvard and Princeton or London School of Economics*), employed by our investment banks and funds.

With time the situation will change and the profit margin will level with the developed countries and then money will move to other “green pastures”, perhaps to Latin America or African continent, following high profits. In changing times like we are in; now, is the time to seize these opportunities. You can thrive in these time! Pay attention to the details and fine tune the course of your ship. The highly trained Consultants of Concord Capital will help you put wind into your sails; money is available for the right projects and we know how to get them.