



# SUPERTRAC

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## Tangible Assets? No thanks

Some purchasers prefer businesses where tangible assets represent a large component of the purchase price, and a smaller goodwill component. They are attracted to lower perceived risk where the price is supported by tangible (physical) assets. However, apart from possible financing considerations, we believe the reverse to be the preferred situation. Highly profitable businesses that do not require extensive tangible assets to generate their profit are usually more efficient, have higher growth capacity without significant capital expenditure and lower ongoing capital replacement requirement.

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