



THE HOBART DAILY

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Weekend News Round-up

The Sunday Times

3i lines up a new Chief: Simon borrows is set to be unveiled as the new Boss of 3i, Britain's oldest venture capital firm. The former investment banker is expected to be presented this week as successor to Michael Queen, who announced his resignation in March under pressure from shareholders.

Greece eight weeks away from Euro exit: Greece could be forced to leave the Euro within the next eight weeks as political disarray threatens to derail its international bailout.

Invensys braced for bidding war: The biggest industrial groups in America and Europe are weighing up plans to make a bid for Invensys. The FTSE 250 engineering company has attracted attention from Siemens, ABB, Emerson and General Electric.

Time for PM to back business: David Cameron meets his panel of business advisers. If they have any gumption, they will take him to task for being asleep at the wheel.

Thais in swoop on Birds Eye: A giant Thai food manufacturer is preparing a £2.5 billion move on Birds Eye, the fish finger maker. The audacious takeover plan means that it could be the next British household name to be gobbled up by an Asian predator.

Man from Del Monte says yes to London listing: A South African tycoon best-known for his colourful divorce battle is trying to follow in the footsteps of Nat Rothschild by creating a stock market cash shell to snap up mining and oil companies.

Bosses gear up for F1 riches: The private equity Bosses behind Formula One are in line to share a €1 billion (£800 million) windfall from a stock market flotation of the motor racing business.

Disaster mine for sale: IT inspired a global media frenzy, was the subterranean home for 33 miners for more than two months, and may soon be recreated in a Hollywood film.

Kodak cuts film ties: The American photography giant Kodak has sold its London visual-effects house. Endless, a private equity firm that specialises in reviving struggling businesses, is thought to have paid about £2 million for Cinesite, which has worked on blockbusters such as Pirates of the Caribbean.

Sales Desk +44 (0) 20 7070 XXXX

Institutional Sales

Andrew Honychurch	5642
Duncan White	5615
Jeremy Lee	5686
John Stassi	5616
Justin Haque	5687
Lee Richardson	5691
Mark Engleberg	5647
Rachel Hanbury	5695
Richard Murphy	5630
Steve Constandi	5641
William Wood	5685
Graham Walsh	5625
David Taylor	5627

Bond Sales

Michael Wilson	5636
Stuart Galvin	5620

Snow's no show rocks retailer: Snow + Rock has blamed a fall in profits last year on poor snow in the Alps between January and March. The outdoor sports equipment and clothing chain reported earnings before interest, tax, depreciation and amortisation of £7.5 million, down from £8.6 million a year ago.

Rank buys up Gala casinos: The Owner of Mecca bingo halls and Grosvenor casinos is to buy the casino arm of its great rival Gala Coral for £205 million.

Gilts: Gilt futures climbed as they continued to attract safe-haven buying amid the latest convulsions in the eurozone. The June gilt future finished 22 ticks higher at 117.38, clawing back more than a quarter of Thursday's losses.

In the cash market the yield on ten-year gilts was lower for most of the session, but finished two basis points higher at 1.965%.

Deal of the day: Cytec Industries, the American specialty chemicals group, is selling its **self-adhesive business** to Henkel, the German company that owns the Pritt stick and Schwarzkopf haircare brands, for \$105million in cash. Cytec, based in Woodland Park, New Jersey, said that the sale proceeds would be reinvested in other, higher-margin, activities. Cytec Industries, the American specialty chemicals group, is selling its self-adhesive business to Henkel, the German company that owns the Pritt stick and Schwarzkopf haircare brands, for \$105million in cash.

Tiddler to watch: On its debut on the Alternative Investment Market, **Eden Research** marked time at 19.5p, valuing the business at just over £20 million. Eden's technology provides a cheaper and more environmentally friendly alternative to traditional agrochemicals. Its Chairman is Sir Ben Gill, the former president of the National Farmer's Union.

Shire Pharmaceuticals: Shares rose 58p to £20.48 on support from the broker Exane BNP Paribas.

Kazakhmys: Shares declined 12p to 772p despite a lunchtime announcement that its chairman and major shareholder, Vladimir Kim, is to hand over to an independent chairman during the next 12 months to bring the company into line with the U.K. Corporate Governance Code.

Telecity: Shares climbed 34½p to 800½p, as the UBS analyst Michael Briest urged clients to buy.

Financial Times

Brooks discussed B SkyB bid with Cameron: Rebekah Brooks discussed phone hacking with the Prime Minister and pressed the case for News Corp's proposed bid for British Sky Broadcasting with both David Cameron and George Osborne, the Chancellor, the Leveson inquiry heard on Friday.

Disposals fail to ease Thomas Cook losses: Thomas Cook sought to ease its chronic debt problems by announcing the sale and leaseback of 17 aircraft, bringing income of £183 million to the tour operator.

M&S moves into branded beauty products: Marks and Spencer is to make a fresh foray into branded goods when it begins stocking a selection of beauty products.

Chief Executives feel heat over pay: The newfound shareholder militancy over corporate pay and performance turned even more pugnacious this week, as another high-profile Chief Executive stood aside and investors warned of more rebellions to come.

Lloyd's flags change ahead on names: The means by which wealthy individuals provide capital to Lloyd's of London should change because it is not sustainable, the insurance market's Chief Executive has warned.

Avon board has weekend to ponder offer: Avon's Directors are in for a sleepless weekend. On Monday they have to give the green light to allow Coty, the maker of celebrity perfumes, to begin due diligence – or wave goodbye to its unwelcome suitor and, possibly, its own bid-fuelled share price.

Clements to leave SThree after 26 years: SThree's Chief Executive is to leave the company next year as part of a "managed succession process", after 26 years at the FTSE 250 recruitment group.

Tesco faced with more management changes: Tesco has undergone a further senior management change in its international business, with the departure of the Chief Executive of its Slovak operation.

Lex:

- **Dividend policy: yielding tricky questions:** Companies paying bigger dividends have outperformed across the developing world over the past quarter. According to Style Research, high-dividend yield stocks in emerging markets have beaten the benchmark by as much as 1.5%. In the developed world, such stocks have underperformed. Perhaps investors in emerging markets are merely adjusting to less frothy share prices. Or are they becoming sceptical about companies' potential to invest internal capital in order to generate growth? This view is not shared by emerging-market companies. If it was, dividends as a proportion of net profits would be rising. This is not happening. Indeed, payout ratios fell by almost 5 percentage points in 2011 from a long-term average of 37%. And if earnings continue to grow this year, as they are expected to do, that ratio is unlikely to rise much as the denominator ticks upwards. Citi forecasts a payout ratio of 32% this year. Investors like higher-yielding stocks when growth opportunities fade. But the emerging world is not there yet.
- **Walt Disney: hit films:** This year Walt Disney lost an estimated \$200 million on the megaflop John Carter (argh!). Now the world's biggest media outfit by sales has The Avengers, which sold a record-setting \$207 million tickets in its first weekend (kapow!). Action is desirable in films. Less so in business. Worse, the volatility comes with low margins. Since 2006, Disney's studio entertainment business has had an average operating margin of 11%. Its TV business generates 31%, and grows much faster, too. So why does Disney bother? For the parties? In fact, there is a very clear economic logic. Disney's resorts (average margin in the mid-teens) and the consumer products division (nearly as profitable as TV) feed directly off the characters brought to life by the films. And the follow-on benefits of the films will be greater still if Disney's interactive media business, which pushes movie-themed video games, turns profitable. That also explains the logic of Disney selling Miramax, a studio specialising in one-off films for grown-ups, for \$530 million in 2010, after buying Marvel, source of The Avengers characters, for \$4 billion. As good as No Country For Old Men was, it sold few action figures, and There Will Be Blood: The Ride never caught on at Disneyland.

- **Value at risk: time for more rigour:** One of the consequences of last week's admission by JPMorgan that it had lost \$2 billion on credit derivatives trading is that it may spell the end of the notion of "value at risk". Why is VaR limited to the point of uselessness? One reason is that it does not offer an absolute guarantee that it will do what it says on the tin. VaR represents the potential losses in a trading portfolio over a given period of time at a given level of market confidence. That covers almost all eventualities. The trouble is that problems almost always arise in the ones that are not covered. This is what happened at JPMorgan – and at UBS in unauthorised trades last year. As a study by the Stern School of Business at New York University notes, there is no precise measure of VaR. It is based on assumptions, uses historical data, is narrowly focused, and does not necessarily lead to better decision-making. And banks can – and do – implement it in different ways, making it hard for investors to distinguish among risk exposures. A regulator that comes up with a formula that covers all those bases will deserve a serious hearing.

The Mail on Sunday

Tesco Bank to shut 5% bonds early after income-hungry investors rush to buy:

High demand from income-hungry investors for Tesco Bank's latest 5% corporate bonds will see the issue close two days early on Monday morning.

Vauxhall will save Ellesmere Port car plant, creating hundreds of jobs and boosting production:

Vauxhall's £1billion car plant in Ellesmere Port has been saved – and in a dramatic change of heart, owner General Motors plans to boost output there and take on hundreds of extra workers.

Marks & Spencer set to admit growth plan is too ambitious, as consumer economy struggles:

Marks & Spencer is expected to admit next week that it is struggling to meet Chief Executive Marc Bolland's grand plan to add £3billion to sales over three years.

French Connection prepares to do battle with investors: Fashion retailer French Connection faces an investor revolt this week after shareholder groups warned about its proposals on pay and the organisation of the board.

Kent abandons Santander U.K. over Spanish crisis: Kent County Council has dropped Santander U.K. from its list of approved banks and stopped putting millions of pounds into overnight accounts amid fears of a growing banking crisis in Spain.

Alliance Boots avoids paying £500 million tax in past five years: Pharmacy giant Alliance Boots has escaped paying about £500million in tax through a complex arrangement of companies and debt since it was taken private five years ago.

Juice launch leaves smoothie drinks maker Innocent in the red: Smoothie drinks maker Innocent posted a £10million loss last year despite increasing turnover by 25%.

Barclays drops salary consultant behind pay deal for boss Bob Diamond:

Barclays has ditched Towers Watson, the remuneration consultant behind its controversial £26.5million multi-year pay deal for Chief Executive Bob Diamond.

The Sunday Telegraph

JP Morgan's \$2 billion loss costs hedge funds dear: JP Morgan Chase's surprise trading loss has hit London's biggest hedge funds, costing the City's best-known fund managers more than \$100 million (£62 million).

Departing Aviva Chief Andrew Moss 'demanded 9.5% pay rise': Former Aviva Chief Executive Andrew Moss demanded a 9.5% pay rise in the weeks before his departure, despite negative investor sentiment towards high pay at the FTSE 100 insurer.

Eat faces £2 million 'pasty tax' tussle: Eat, the high-end sandwich chain, is facing a £2 million tax bill as a result of the Government's plans to impose a "pasty tax" on sales of hot pastry products.

RBS Boss: customers will have to pay for ring-fencing: The Royal Bank of Scotland has admitted that "expensive" plans to ring-fence its retail operations from the more risky investment banking arm will see the bank pass on costs to business and household customers.

Lloyds nears deal to sell branches to the Co-op: Lloyds Banking Group and the Co-operative are thought to have moved a step closer to a deal for the sale of the 632 "Project Verde" branches after putting a hybrid proposal to the City regulator.

China set to join the Aga classes: AGA Rangemaster Group, the classic British range cooker manufacturer, is eyeing expansion into China for the first time – as it pioneers what it claims to be the first app allowing Owners to control their Agas remotely from anywhere in the world.

Game's flagship store threatened with closure: Game's flagship store on Oxford Street could be shut down, have the locks changed and be forced to halt trading at any moment after a landmark ruling against Game Group's administrator, PwC.

BSkyB and Ofcom in local TV row: The brewing row could force BSkyB to abandon the format of its content listings or surrender its valuable Sky 1 slot to a new local television service, in a move that would cost it millions of viewers and tens of millions of pounds.

The Questor Column:

- **WPP has strength in diversity:** The group owns a plethora of companies all over the globe, such as Young & Rubicam, RLM Finsbury and Ogilvy & Mather, offering services ranging from pure advertising to financial public relations. The company's first quarter update showed organic growth up by 4%, boosted by emerging markets. Total revenues were up 7.6% to £2.4 billion. WPP saw growth in all regions and business sectors, winning net new business of \$1.9 billion (£1.1 billion) in the first quarter, compared with \$1.3 billion in the equivalent quarter of last year. Emerging markets saw revenue growth of 11.2%, with even Western European revenues rising by 5.8%. On a like-for-like basis, revenues rose 9.5% in emerging markets, 2.5% in Western Europe, 2.5% in the U.K. and 1.4% in North America. The shares are trading on an earnings multiple of 10.8 times, falling to 9.8 next year, which does not seem overstretched. The shares are also trading at a discount to French peer Publicis, on a 2013 multiple of 10.9 times. WPP at 813½p +4½. **Questor Says Buy.**
- **Barratt's land grab laid foundations for profitability:** Private reservations of new homes rose 25.3% year-on-year in the 18 weeks to 6 May, with the average selling price up 5% to £202,000. The company snapped up cheap land during the downturn, which should increase profitability even if volumes and prices stay the same. When a market recovery

comes, there should a jump in profitability. Barratt increased its guidance of completions in the full year by 600 to 12,600. It also said net debt would be £75 million lower than its previous guidance, at £275 million, because of the sales jump. Old sites, where the acquired land was expensive, are being more aggressively sold, which should help with margin recovery next year and the year after. The shares are trading on a June 2012 earnings multiple of 16.6, falling to just 10.4 in 2013. The shares have also plunged by around 20% over the past couple of months after hitting a high of 153p in March. Despite the cloudy outlook, the shares look undervalued. **Barratt Developments at 125.6p +6½p. Questor Says Buy.**

The Independent

Over-50s to get help to launch own businesses: Thousands of jobseekers are to be offered help to start businesses, as Ministers try to help over-50s worried they will never find work again.

Rebels called to arms over new pay deals: Substantial investor rebellions against executive pay at industrial ceramics group Cookson and online gambling giant 888 Holdings are expected this week, as the “shareholder spring” continues unabated.

Facebook warnings fail to dissuade investors: Facebook is on track for technology's biggest flotation this Friday, despite two huge setbacks for the social network.

Bank will be forced to slash growth forecasts: The Bank of England is set to slash its optimistic growth forecasts when it unveils its quarterly Inflation Report on Wednesday.

Angela Knight moves from bank to energy champion: The staunchest defender of the U.K.'s banking industry is set to protect another much-maligned sector, as Angela Knight was named Chief Executive of Energy U.K. this weekend.

'Inbetweeners' film boosts Channel 4's profits: Channel 4's annual results are expected to show it has received a major boost from The Inbetweeners Movie.

HSBC to reveal cuts plan: Britain's biggest bank will this week update shareholders on its strategy to streamline operations that has already seen it reduce headcount by 14,000 in the past year.

Terra Firma 'set to raise funds': Terra Firma, the private equity group run by Guy Hands, is expected to start fundraising within 12 months.

Film agents win life of Busby: London-listed Intandem Films has been named as sales agent for a movie loosely based on the life of the late Manchester United Manager Sir Matt Busby.

Hammerson: Shares advanced 13.3p to 429.8p in the wake of analyst speculation earlier in the week it could be a potential takeover target for Aussie rival Westfield.

Barclays: Shares plunged 6p to 202.8p, following JP Morgan's admission that it had suffered a \$2 billion trading loss in a mere six weeks.

The Guardian

Spanish banks to face new scrutiny as fears rise: Spain's government moved to quash doubts over the health of the country's banks by ordering an independent audit of assets of entire sector.

JP Morgan trader 'London Whale' blows \$13 billion hole in bank's value: The City trader at the centre of a \$2 billion trading loss at JP Morgan Chase had returned to his home in Paris on Friday as the repercussions of the loss spread across the markets.

Court hears of Tony Blair's role in friend's hotels bid: Tony Blair brokered a funding agreement between the Qatari royal family and an Irish property investor in a deal to buy three of London's most prestigious hotels, a court has heard.

Shell shares up after Qatar wealth fund buys stake: Shares in Shell rise nearly 1% amid further speculation that Middle East state is in 'very advanced talks' to buy an even bigger stake.

British Gas Owner Centrica warns of higher gas costs: Another round of household energy bill price hikes looms after Centrica warns cost of supplying gas has risen by £50 a year.

Marks & Spencer: Shares rose 12.1p to 360p as it revamped its own-label brands and benefited from recommendations by Shore Capital and Bank of America Merrill Lynch.

J Sainsbury: Shares gained 6p to 315.4p after Citigroup moved from sell to neutral.

Royal Dutch Shell A: Shares added 16.5p to £20.67 after Qatar's sovereign wealth fund revealed a stake in the Anglo-Dutch oil group.

The Sunday Herald

Shareholders back Centrica chief's pay: Centrica, the owner of Scottish Gas, has defied the so-called shareholder spring by securing the backing of 88% of investors for its pay report, which included a £4.3 million package for Chief Executive Sam Laidlaw.

Meat firm Campbells sees turnover rise 7%: The meat supplier used by chefs such as Martin Wishart and Nick Nairn has reported a 7% rise in turnover.

Market keeps on rising for bread free from gluten: The food firm started by an Edinburgh mother who developed bread for her gluten-intolerant son is on course to double its sales to more than £20 million this year.

Building sector figures show fall in output: U.K. construction output tumbled 4.8% in the first quarter – a much steeper drop than the 3% estimated by the Office for National Statistics when it calculated that the overall economy contracted by 0.2% during this period, revised official data shows.

Artisans urged to join the computer age: Skilled traditional artisans in Britain should reject "Luddite" attitudes in order to bring manufacturing back from China, the head of the Chippendale International School of Furniture has said.

The Week Ahead

	Key Economy Releases	Key Corporate Releases
Monday, 14 May	-	<p>Full Year Results: Great Eastern Energy Corp Ltd. GDR.</p> <p>Interim Results: Diploma, Lonmin.</p> <p>Trading Statement: Arnaldo Mondadori Editore SPA, Dignity , Renishaw , Serco Group.</p>
Tuesday, 15 May	<p>UK: Goods Trade Balance (Mar), Trade Balance; non-EU (Mar).</p> <p>US: Consumer Price Index (Apr), Consumer Price Index Ex Food & Energy (Apr), NY Empire State Manufacturing Index (May), Retail Sales (Apr), Retail Sales ex Autos (Apr), Net Long-Term TIC Flows (Mar), Net Long-Term TIC Flows (Mar), Business Inventories (Mar), NAHB Housing Market Index (May).</p>	<p>Full Year Results: Babcock International Group, DCC.</p> <p>Interim Results: Noble Investments (UK), OMG, Sanderson Group.</p> <p>Trading Statement: Bouygues SA, New Europe Property Investments, Capital & Counties Properties, Evraz, G4S, Mithras Inv Trust, TT Electronics, Unite Group.</p>
Wednesday, 16 May	<p>UK: Claimant Count Change (Apr), Average Earnings excluding Bonus (Mar), Average Earnings including Bonus (Dec), Claimant Count Rate (Apr), ILO Unemployment Rate (May), Bank of England Quarterly Inflation Report.</p> <p>US: MBA Mortgage Applications (May 11), Building Permits (Apr), Housing Starts (Apr), Industrial Production (Apr), Capacity Utilization (Apr), EIA Crude Oil Stocks change (May 11), Fed's Bullard speech, FOMC Minutes.</p>	<p>Full Year Results: C&C Group, Datatec Ltd. (DI), Lombard Risk Management, Speedy Hire.</p> <p>Interim Results: Compass Group, Impax Asset Management Group.</p> <p>Trading Statement: MirLand Development Corp., New World Resources A Shares, Bovis Homes Group, Greggs, Hardy Oil & Gas, Hilton Food Group, Interserve, Tullow Oil.</p>
Thursday, 17 May	<p>US: Initial Jobless Claims (May 12), Continuing Jobless Claims (May 5), Leading Indicators (Apr), Philadelphia Fed Manufacturing Survey (May), Fed's Bullard speech.</p>	<p>Full Year Results: 3i Group, Invensys, Investec, National Grid, Rugby Estates, Shanks Group, SSE, Vedanta Resources.</p> <p>Interim Results: Euromoney Institutional Investor, Grainger, Marston's, Optos</p> <p>Trading Statement: MHP SA GDR (Reg S), Amlin, Aviva, Kier Group, Paddy Power, Premier Oil, UTV Media, Yule Catto & Co</p>
Friday, 18 May	<p>US: American Petroleum Institute Monthly Report.</p>	<p>Full Year Results: Blinkx, JZ Capital Partners Ltd</p> <p>Interim Results: Mitchells & Butlers.</p> <p>Trading Statement: Chesnara, Keller Group, Kentz Corporation Ltd.</p>

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