

The lucky, the unlucky and the abundantly blessed



First, the lucky: with Covid-19 decimating real recreational businesses while boosting virtual online activity, it's hard not to admire the lucky timing of vendors in the hotel and hospitality industry during last year's M&A frenzy. In the now struggling pub sector, the winner's curse befell Li Ka-shing, Hong Kong's richest man, who acquired Greene King for an eye-watering £4.6bn, including debt, while TDR Capital's private equity-owned Stonegate Pub Company took over Ei Group for a hefty £1.3bn. Both great leisure businesses, but very hard – or near impossible – to make a return in these surreal, socially distanced times.

Similarly, in the events and conferences business, the canny Neville Buch, who built and sold Blenheim Exhibitions to United News & Media in the 1990s, sold Tarsus, his second successful exhibitions venture, to Charterhouse private equity in 2019. Lucky timing, or perfect timing?

I suspect it was the 11th year of the longest bull market and record levels of global debt that made this seasoned entrepreneur think things were as good as they could get. How right he was.

Meanwhile, Elegant Hotels, the owner and operator of seven freehold hotels and resorts in Barbados, had the good fortune of a bid late last year from the world's largest hotel operator, Marriott International, while The Ritz in Piccadilly, owned by the Barclay brothers and family, was acquired by Qatari interests from the rich Gulf state earlier this year. The lucky shareholders and owners of these operations sold at the very top of the cycle. What price are these assets today? What level of operating losses? What bank debts and covenants?

Second, the unlucky: sometimes, in retrospect, luck can be turned on its head and become sheer bad luck for simply thinking short term. For example, John Lewis owned 29% of Ocado at inception and sold down half its holding at the initial public offering (IPO) in 2010, and the balance in 2011 for £220m. Now that stake would be worth nearly £6bn, enough to invest in revitalising the core retail business, bolstering the pension fund, paying down bank debt, and holding a strong cash-rich balance

sheet in these uncertain times. One city analyst wrote at the time of the IPO that Ocado was worth zero: "Ocado starts with an 0, ends with an 0 and is worth 0." How times change.

But maybe 'unlucky' lack of long-term thinking is prevalent everywhere in business, where the hunger for quick returns overcomes the patience needed to build a world-beating enterprise? Leading media companies such as Reed International, Pearson and Granada once owned sizeable stakes in BSkyB (British Sky Broadcasting), which they sold long before Sky's £30bn takeover by Comcast in 2018. Rupert Murdoch painstakingly built Sky over nearly 30 years from its shaky inception in 1990 to its triumphant disposal. Indeed, Granada's holding in Sky alone would be worth more than the whole of ITV today. Similarly, estate agents Countrywide and Connells (alongside the Halifax and Royal & Sun Alliance) were

founding shareholders in Rightmove, the property portal, which they initially sold down in IPO in 2006 and, finally, fully over further sale downs. Today, Rightmove is a FTSE 100 company capitalised at more than £5bn and worth multiples of the near £50m valuation of Countrywide itself. Like the best wines, maturation and ageing make

the best companies richer.

Finally, the abundantly blessed: in contrast to 'unlucky' short-term vision, some companies have persisted long term and spawned global leaders – such as Racal Electronics and Acorn Computers. Racal was founded in 1950, listed on the London Stock Exchange and was once a constituent of the FTSE 100 index before being purchased by Thomson-CSF of France in 2000 – but it is best known today for being the parent company of Vodafone, the leading multinational telecoms group. Similarly, Acorn Computers was established in 1978 and broken up into several independent operations in 1998, but its legacy lives on in Arm, whose technology is predominant in the mobile phone and personal digital assistant microprocessor market. Blessed are the long-term visionary planners, for their offshoots will inherit the earth.

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