

# Business+Your Money

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## INM confirms clash over Newstalk bid

Pitt and Buckley in major dispute over proposed price tag

Chief executive made complaint to senior independent director Kennedy

MARK PAUL and CIARAN HANCOCK

Independent News & Media chief executive Robert Pitt and the group's chairman, Leslie Buckley, had a major dispute over the price tag of a proposed bid by the listed company for Newstalk, which is owned by INM's biggest shareholder Denis O'Brien.

The dispute is understood to have led the chief executive to consider his position.

INM has confirmed an "issue" arose between the two men "in relation to the terms of a possible acquisition by the company".

In a statement, the group said discussions on the possible acquisition "ended at a preliminary stage and the acquisition was never considered by the board".

The statement was issued following detailed queries by *The Irish Times*. It confirmed that Mr Pitt raised the issue with the company's senior independent director, former KPMG managing partner Jerome Kennedy.

**Review** "The board established a sub-committee to review the issue," the statement said, "and the sub-committee reported to the board that no issue of concern arose for the company."

"The board has, with the agreed absence of the CEO and chairman, unanimously adopted the committee's report."

The sub-committee examining the complaint made by Mr Pitt over his dispute with Mr Buckley was led by Mr Kennedy.

*The Irish Times* understands the row between the two most senior figures at the media group arose over the price that INM should pay for national radio station Newstalk in a proposed bid some months ago.

It is understood that Mr Pitt wanted to offer a lower price than a valuation obtained by Communicorp, Newstalk's owner.



Communicorp is understood to have got its valuation from IBI Corporate Finance, while INM under Mr Pitt got a valuation from Davy Corporate Finance.

It is understood there was a gulf between the two valuations, with the Davy valuation believed to be lower.

A sale of Newstalk to INM, which appears to be off the table at the moment, would have resulted in a significant payout for Denis O'Brien, Communicorp's owner.

Communicorp chairman Lucy Gaffney stepped down from the INM board earlier this year, in a move that was unexpected.

Communicorp also announced yesterday that its chief executive Gervaise Slowey had resigned and would leave the group at the end of the year.

Mr O'Brien is thought to have held discussions earlier this year with the Broadcasting Authority of Ireland over the possibility of selling Newstalk to INM, which would give Ireland's biggest publishing group its first foray into the regulated radio market.

The schism between Mr Pitt



INM chief executive Robert Pitt with chairman Leslie Buckley at the firm's agm in 2015. Left: Communicorp owner Denis O'Brien. PHOTOGRAPH: ALAN BETSON

on the INM board over the Newstalk bid. In the statement last night, INM said: "The board and the company's management remain fully focused on the business and in ensuring that day-to-day operations are conducted as normal."

At the time of INM's interim results in August, analysts at stockbroker Davy predicted that "management's ability to create value from [its €62 million] cash pile would determine the future trajectory of the group".

INM recently made a print acquisition, regional publisher Celtic Media Group, but has long been on the hunt for digital assets.

Separately, INM could face a legal challenge to its plan to close the company's defined benefit pension scheme in a move that would slash the pension benefits of active and deferred members.

### Slowey departs Communicorp

Gervaise Slowey has resigned as chief executive of Newstalk and Today FM owner Communicorp, and will be replaced by Adrian Serle, the former boss of British radio group Orion Media.

Ms Slowey will continue in her role at the Denis O'Brien-owned company until the end of 2016, when Mr Serle will take up the position.

"After four exciting, fast-paced and thoroughly enjoyable years, I believe my time here has come to a natural end," Ms Slowey said in a statement issued on behalf of Communicorp.

Company chairwoman Lucy Gaffney thanked Ms Slowey for her "four fantastic years" at the helm.

"She has been a great chief executive and I would like to wish her the very best in her future career."

Ms Gaffney also described Mr Serle as "an excellent successor" and noted that he had "considerable" relevant experience from his time at the Birmingham-based Orion,

which was sold earlier this year to Bauer Media Group.

Mr Serle said he was "thrilled" to be joining the business.

"The ever changing landscape of media consumption and the way that consumers are engaging with brands creates huge opportunity," he said.

In Ireland, Communicorp also owns Dublin radio stations 98FM and Spin 1038, and regional station Spin South West.

It also owns eight regional stations in the UK. They are Smooth East Midlands, Smooth North West, Smooth North East, Capital Scotland, Capital South Wales, Heart Radio North Wales, Heart Radio Yorkshire and Manchester rock station Real XS.

Although Communicorp has exited some of the European markets it was previously active in, it retains ownership of a Bulgarian network called BG Radio, which exclusively plays Bulgarian music.

LAURA SLATTERY

### Media & Marketing

## Laura Slattery



## It's unlikely to be a happy new year out in Montrose

You don't have to be an adult to work out RTE made a hames of its decision to outsource what was left of the in-house production of children's television to the independent sector.

For those who have kept even half a bleary eye on what has been going on in Irish broadcasting of late, the decision itself should not have been too shocking, but its manner and timing were grim. As Radio 1's Mary Wilson put it to one of the "men in suits" who delivered the news to the young people's programming department last Wednesday, it had the hallmarks of "going in with the hatchet".

By the time RTE One controller Adrian Lynch was sacrificed to Wilson on Friday evening, it was too late to win control of the message. As far as the public were concerned, RTE might as well have murdered Zig and Zag.

The state of play is that RTE has given a stay of execution of one month to the 15 contractors who were to have their contracts terminated at the end of December.

After talks with its group of unions, management was obliged to admit it had breached a "guiding principles agreement" to consult with their representatives on significant issues. It was an embarrassing climbdown.

But let's back up a little. In broadcasting, it is normal for programmes to be made by the independent sector. Indeed, RTE has a statutory obligation to spend about €40 million a year on commissions, which Lynch revealed it was "struggling" to meet.

### Flagship

It is also not unusual for a broadcaster to make little or no programmes itself. Channel 4, for example, is what is known as a publisher-broadcaster. It was set up to make nothing – not even Channel 4 News, which is produced by ITN.

Under political pressure – sometimes financial, often ideological – the BBC has over the decades shifted more and more of its programming output to "the indies". Here are just two examples of the many programmes made by outside producers: its flagship Friday night chat-fest *The Graham Norton Show*, made by the ITV Studios-owned So Television) and its weekly current affairs panel debate (*Question Time*, made by Mentorn).

The BBC's current plan is to make about 300 production staff redundant as another batch of in-house shows, including *Songs of Praise*, are put out to tender. This will save it money and slim down the organisation.

As the situation stands, RTE also needs to save money and slim down the organisation. It has been hammered by intensifying competition for advertising revenues and damaged by years of Government inaction on public media funding. People do not want to pay their television licence fee, and many of them don't.

As of the end of 2015, RTE employed 1,978 people, with 285 of this number part-time or casual. Nostalgia for *Dempsey's Den* is not going to pay their wages.

Slashing the pay of Ryan Tubridy, Ray D'Arcy and Joe Duffy won't prevent RTE

from recording a hat-trick of multimillion euro deficits for the years 2015, 2016 and 2017, which it is on track to do.

Within RTE, it is apparent that Dee Forbes, its director-general since July, is forming a plan that will stem these losses. This plan has yet to be unveiled and may not yet be finalised.

But the whispers within Montrose talk of hundreds, not tens, of redundancies. Turning RTE into more of a publisher-broadcaster may be part of the equation.

This is why the advance of "the suits" into the young people's department was so poor. Instead of being one element of a clearly communicated – if still brutal – organisation-wide plan, it looked like those in the young people's programming department were being picked on.

### Fair City

The next targets may be sport, entertainment, arts. Despite the BBC *Question Time* example, RTE would likely balk at outsourcing one of its main current affairs strands, while its news operations must be protected.

Lynch also assured Wilson



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Within RTE, it is apparent that Dee Forbes is forming a plan that will stem these losses. The whispers within Montrose talk of hundreds, not tens, of redundancies

that *Fair City* would not be put out to tender, which can only be because RTE has satisfied itself that it would not save money by doing so now. Certainly, if it was starting a project like *Fair City* today, it wouldn't dream of doing it in-house.

If saving licence fee payers' money is the aim here, then more independent production is one possible solution. The independent sector, for its part, has called on the Government to do a proper cost-benefit study, after semi-state consultants NewERA fudged the issue in an earlier report, admitting its "desk-based analysis" was unable to "get to the core of the efficiency debate".

In theory, much of what RTE makes in-house, from *The Late Late Show* down, could be made by outside companies, and the independent sector would love to get its hands on them.

It all points to an unpleasant 2017 out in Montrose.

## Crosbie denies blocking Nama's attempt to recover €77m

MARY CAROLAN

Businessman Harry Crosbie "entirely repudiates" claims by a company related to Nama that he is obstructing its efforts to establish his assets for the purpose of recovering a €77 million judgment, his lawyer has told the Commercial Court.

National Asset Loan Management Ltd (NALM) has received some €31 million from sales of Mr Crosbie's secured assets but estimates a likely shortfall of some €43 million, plus costs, after the sale of remaining secured assets. In court documents, NALM says its only recourse for recovery of the shortfall is to the remaining assets of Mr Crosbie, including Dublin's

Vicar Street music venue, income from that venue, and his interest in various properties.

Information from Mr Crosbie last month, not previously disclosed to NALM, showed he received income of some €1.8 million from Vicar Street between 2012-2015, it said.

Mr Crosbie had yet to clarify the nature of his interest in Vicar Street and had "failed to assist in any real way" in identifying what property or means he had to satisfy the judgment, it added.

### Undertaking

In an affidavit, Nama asset recovery manager Kevin Coakley said a July 12th, 2016, deadline for Mr Crosbie to provide an updated statement of affairs and

undertaking not to dissipate assets was extended to facilitate the businessman's advisers.

A statement of affairs and accompanying documents provided in late July did not address all NALM's queries and it also received a "qualified" undertaking not to dissipate assets.

Some further information provided since was of concern to Nama, Mr Coakley said. "It appears that the defendant has diverted significant income over a number of years," he said. That claim was disputed by solicitors for Mr Crosbie.

NALM got the €77 million judgment in 2014 and now wants a court examination of Mr Crosbie's assets and liabilities, plus discovery of documents.

Kelly Smith, for NALM, said that while there had been some engagement by Mr Crosbie, that was "not fulsome" and her side had concerns, including that Mr Crosbie had previously said he had a single source of income but now said he had a variety of income sources. Nama was concerned it did not have a "proper picture" of his assets and liabilities, the court heard.

Mr Crosbie had proposed – rather than court proceedings – a meeting between himself, his advisers and Nama when issues, including the request for documents could be discussed, counsel said. Meetings were "always welcome" but there should be full disclosure beforehand, she said.

Michael McDowell SC, for

Mr Crosbie, said NALM was using a "sledgehammer" approach when Mr Crosbie and his advisers were willing to meet Nama and provide documents which would be better than a "hugely complex" discovery process.

### Bullying

The claims of obstruction against his client were "entirely repudiated" and, while he did not wish to use the word "bullying", the Nama approach was "excessive".

Mr Justice Brian McGovern said NALM could not be accused of bullying when, although some assets had been sold to reduce the judgment, a substantial part of that remained outstanding. The judge

said he would wish to give any debtor the opportunity to deal outside court with a creditor "as long as everyone is up front".

He adjourned Nama's motion for a hearing on December 19th but, in advance of that and once information is provided, directed both sides meet by December 14th.

In an affidavit, Mr Crosbie said a meeting between himself, his advisers and Nama was the easiest and most efficient way to deal with the agency's queries and he indicated on "numerous occasions" his willingness to meet Nama. His lawyers indicated on October 25th willingness to provide the information sought but it would take some weeks to complete.

## Smurfit Kappa battles to join the FTSE 100

JOE BRENNAN

Smurfit Kappa is involved in a three-way battle to secure one of at least two spots up for grabs this week on London's blue-chip FTSE 100 index.

With a quarterly review of FTSE 100 members due to take place this week, based on yesterday's closing market valuations, Smurfit Kappa is vying with Scottish Mortgage Investment Trust and medical products and technologies company Convatec to join the influential index, according to Colin Farley, head of quantitative analysis with Cantor Fitzgerald in London.

Three companies – precious metals mining group Polymetal International, builders' merchant Travis Perkins, and Intu Properties, a real estate investment trust – were facing relegation, he said.

A 0.6 per cent gain by Intu shares yesterday leaves them just above the relegation line, meaning there are likely only to be two new spots in the index, according to Mr Farley. Convatec is well above the level needed for automatic inclusion. "Smurfit Kappa needs a strong day to make it past Scottish Mortgage and finally get added to the FTSE 100," Mr Farley said.

## Lone Star to tap markets to finance loans

JOE BRENNAN

Lone Star is poised to become the first overseas private equity buyer of Irish mortgages following the property market's collapse to tap the global debt markets to finance the loans.

The Dallas-based firm, which has spent more than €5 billion acquiring Irish assets over the past four years, has set up a company, called European Residential Loan Securitisation 2016-1 DAC, to hold €563.9 million of loans originally granted by Irish Nationwide Building Society (INBS).

Some 63.8 per cent of the loans are classified as non-performing, while only 32.6 per

cent are meeting their terms.

Ratings agency Moody's, which has been asked to rate the portfolio before the bonds are sold, said the transaction is the first it has looked at in Ireland that is partially backed by non-performing loans.

Moody's warns that legal proceedings to "recover" the underlying value of properties where loans are in default can be lengthy. "Whilst the Mortgage Arrears Resolution Process ensures that legal proceedings are only initiated for borrowers (owner occupied) if no restructuring solution can be found, it could also lead to an increase in the recovery timings," the ratings agency says in its docu-

ments relating to the portfolio. It estimates the book of loans will make a 13 per cent loss.

The portfolio stems from Lone Star's 2014 acquisition of INBS mortgages, through a company called Shoreline Residential, from the liquidators of Irish Bank Resolution Corporation, which took over the building society in 2011.

### Voluntary surrender

The loans were part of a collection of mortgages, with a par value of €1.8 billion. The remaining loans were bought by Mars Capital, an affiliate of US private equity firm Oaktree, and Bank of Ireland, which was interested only in performing

mortgages. Pepper Finance Corporation (Ireland) services the loans involved in the residential mortgage-backed security, while Hudson Advisors, an asset management affiliate of Lone Star, acts as a consultant on how mortgages are handled.

The Moody's document shows that where legal proceedings on owner-occupied homes have started, the servicing company employs a number of strategies to recover money. These include assisted voluntary sales, voluntary surrender of a property, selling the home to a housing association under a mortgage-to-rent scheme or obtaining a court order to seize the asset.

→ 'Bond king' Jeffrey Gundlach's ill-fated forecasts, whether made in 2011 or in 2016, are rarely referred to, unlike his more successful predictions [Proinsias O'Mahony, page 20](#)