

Arsenal fans fear takeover as share price continues to rise

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A COMPANY who invested in Manchester United and then sold their stake to Malcolm Glazer, opening the door for the American to finally take over the club, have in the last six months bought Arsenal shares raising fears among some shareholders, who are also fans, that the London club could go the way of United.

It is believed that companies have been attracted to Arsenal because they believe they can make a substantial profit in anticipation of a takeover. Since September 2004 Arsenal shares on the OFEX market have risen dramatically from £1,500 a share to £4,600 now.

The Arsenal Supporters Trust, who speak for the small shareholders, alerted by the rise, have investigated and found that in the past six months several professional investment firms have been buying Arsenal shares, thereby pushing up the price.

In a letter to small shareholders, which has been seen by *The Daily Telegraph*, the trust say: "One of these shareholders was a significant shareholder in Manchester United prior to the bid by the Glazers. An analysis of this investor shows a track record for buying shares in companies that at a later date have received takeover approaches, at which point they make significant profits."

The letter does not say who these investors are but I can exclusively reveal that they are Lansdowne Partners Limited. In October 2003 they sold part of their stake in United to Glazer – the first purchase of United by the American business tycoon and his family.

Lansdowne are believed to have held on to their remaining stake and sold it when the Glazers completed their takeover, making a huge profit.

Lansdowne seem to have a nose for knowing which companies might be ripe for takeover. They specialise in investing in companies that might receive bids, pushing up the share price and giving the investors a nice profit. Managed by Stuart Roden and Peter Davies, two ex-fund managers from Mercury Fund Management, a well-known City firm, they have holdings in Marks and Spencer, who last year repelled a takeover attempt by entrepreneur Philip Green.

For City institutions to own shares in Arsenal is rare. But this year the City has suddenly got interested.

Lansdowne bought their shares on April 29, paying £4,000 a share and a total of £6.7 million for their holding of 2.7 per cent. Their shares are registered in four different funds: Sterling Fund, Dollar Fund, Euro Fund and Limited partnership, the Arsenal register does now show Lansdowne's name.

On Feb 19, another City institution, Morgan Stanley Securities Ltd and Morgan Stanley Co Inc, together bought 1,000 shares (1.6 per cent) at a price of £3,950 a share and paying a total of £4 million.



Tempting fate: Arsenal fans in Malcolm Glazer masks gloat at Manchester United's expense at this year's FA Cup final

Both Lansdowne and Morgan bought the shares from the trustees of the Herbie Frogg Ltd Retirement and Death Benefit Scheme.

Unlike Manchester United, the Arsenal board exercise complete control and no takeover would be possible without their consent. When I spoke to Peter Hill-Wood, the Arsenal chairman, he said he had no fears of a takeover and the directors had no plans to sell. The directors, along with ITV, own 71 per cent of the club.

But ITV, who own 10 per cent, have made it clear that they consider their investment as "non-core", meaning when the right price comes along they will sell. At the moment they are sitting on a loss, having paid £9,100 a share. They see Arsenal as undervalued.

Arsenal are valued at £286 million. If you add their net debt of £155 million, it gives a £441 million enterprise value. The Glazers paid £800 million for United, who were debt free.

All these investors, including ITV, know that when Arsenal move into their new stadium at Ashburton Grove they will earn more money (at present their football income is 50 per cent less than United's) and their share price will rise. The directors, who are getting old,

might also be tempted to sell. At least one director has always wanted Arsenal to float on the stock market, allowing shares to be bought and sold more easily.

The supporters' trust believe this makes the 15 per cent of the club owned by small shareholders crucial. Some 1,600 shareholders own 10 or fewer shares and a further 170 shareholders own between 11 and 100 shares.

In their letter, the trust say: "We will never be in a position to prevent an individual gaining 51 per cent or 75 per cent control of Arsenal. What we as small shareholders can do is prevent any one person eventually controlling 95 per cent or more of the club as Glazer has been able to achieve at Manchester United."

"This 95 per cent ownership level is important because when this point is reached the shares can be de-listed, as has happened at Manchester United. The financial affairs of the club will no longer be in the public domain and the remaining shareholders are in a completely subordinated position."

Lansdowne's Stuart Roden refused a request by the trust to meet them at the Arsenal annual general meeting.

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England can help aid effort

IMRAN KHAN believes the presence of the England squad in Pakistan will help to raise money and support for the country's earthquake relief effort.

Imran also revealed that he would have called for the tour to be cancelled had it been scheduled for this week, but with England not due to arrive until Oct 26, the country will be able to stage the series.

Imran, who won the Cricket World Cup as Pakistan captain in 1992, was in Mansehra, near the epicentre of the earthquake, when I spoke to him. He said: "If the tour was now, I would say call it off. But it's two weeks from now. The two events are not connected. The cricketers could do some good, have a benefit match and collect money."

"The earthquake has mostly affected Kashmir and the north-west frontier province, not very near to where most of the cricket is to be played. In Islamabad, the capital, one building did collapse but there the problem was that no relief came for two hours."

England's players have pledged their match fees from the one-day match at Lahore on Dec 10 to the relief fund.

Rivals to keep safe distance

DAVID DEIN, the Arsenal vice-chairman, will be flying Britain's flag at Soccerex – the biggest talking shop in world football – in Dubai next month, when he will deliver a speech on ethics.

As if transparency, accountability and fair play will not be enough to concentrate Dein's mind, he will also be joined in Dubai by Peter Kenyon, the chief executive of Chelsea.

The pair are not exactly on Christmas card terms after the Ashley Cole affair, when the Premier League held Chelsea and Cole guilty over the attempted tapping-up of the player, following a complaint by Arsenal.

However, the organisers have been shrewd enough to keep the two protagonists well apart. Kenyon will speak on the opening day, on the global club discussion, while Dein will appear 24 hours later.

Considering how strongly Dein felt about Chelsea's behaviour, and in the light of Arsenal chairman Peter Hill-Wood's misgivings (revealed to me last week) about his club's determination to pursue the matter, it will be interesting to see if Dein refers to it at any stage during his speech on ethics.