Appetite for Just Eat sees shares soar

JAMES BOOTH @jamesbooth1

JUST Eat could find itself at the centre of a bidding war after rejecting a hostile £4.9bn bid from investment firm Prosus that threatens to disrupt its merger with Takeaway.com.

The firm’s share price rose just over 24 per cent yesterday despite the rejection in favour of its £8.3bn tie-up with Dutch rival Takeaway.com.

Prosus, the internet assets division of South African giant Naspers, yesterday made a cash offer of 710p per share for the online takeaway portal, valuing the delivery company at £4.9bn. The offer is a 20 per cent premium to the value of Takeaway.com’s offer of 594p per share.

Just Eat said Prosus had made two previous offers at 670p per share and 700p per share respectively, which it had also rejected.

The firm said Prosus’ offer “fails to appropriately reflect the quality of Just Eat and its attractive assets and prospects”.

It added the “Takeaway.com combination provides Just Eat shareholders with greater value creation than the terms of the Prosus offer”. It continues to recommend the Takeaway.com merger to shareholders.

Continues on P3
Markets hold the key to climate solutions

One of the odder elements of our climate debate is the unwillingness of any political party to champion the green progress Britain has made recently. After all, last year more than half of the UK’s energy came from nuclear or renewables — a remarkable achievement. Yet politicians, for once, seem strangely reticent to shout about it. So if not politicians, where might the credit lie? Though Extinction Rebellion’s protestors would no doubt gasp at the prospect, the answer might well lie in market forces and that deeply unfashionable system: capitalism. Yesterday, the Financial Reporting Council’s (FRC) in-house think tank The Lab joined the debate. Investors, they said, are becoming increasingly frustrated by companies failing to be as transparent or as clued-up on environmental issues as they want them to be. “Those companies and investors that are addressing and considering climate-related issues,” the report said, “recognise the benefit that comes from a robust consideration of the future challenges facing the company.” They argued boards should take more interest in what firms are doing with regards to the environment, mapping of future scenarios and metrics on which investors can judge firms’ readiness for a changing world. So could it be that suits, not Swampies, are the real frontline warriors against climate change? Yes, probably. And if they aren’t yet, they will be soon.

As Mark Carney has argued, capital moves to where the rewards are, not where the risks are. Investors will move — indeed already have moved — towards low-carbon technologies and mitigation solutions, nudged along by government policymaking. “The [capitalist] system is very much part of the solution,” he argued. He’s right. Firms should take heed of the FRC’s call, and respond before they’re mandated by regulation. There are many who believe that addressing climate change is impossible to do without tearing down the economic system that has been the driving force behind just about every green energy innovation of the past fifty years. In truth, it will be the very market they blame for our current quandary that is most likely to offer a way forward. Environmentalism cannot resist capitalism. Indeed, it must embrace it.

UP IN THE AIR

German aviation startup Volocopter unveils the world’s first air taxi in Singapore in test flight over Marina Bay

The world’s first air taxi took to the skies yesterday in a test flight of what the German startup hopes could become a new method of urban transport. The air taxi’s maiden flight above Singapore’s Marina Bay lasted just over two minutes, and was flown by a pilot, though the startup hopes that future flights will be fully autonomous for local commuters.

Wework co-founder nets $1.7bn in Softbank deal

SoftBank yesterday won approval from Wework’s board to take control of the struggling office space company, in a deal that nets co-founder Adam Neumann $1.7bn (£1.3bn) but severs most of his ties with the firm. Neumann will give up his seat on the board of Wework’s parent company and sell roughly $1bn of stock to SoftBank as part of the deal. He will also receive a $185m consulting fee and $500m credit from the Japanese investment giant, and stay on as an adviser. SoftBank will reportedly spend over $1bn to take over the company. It already owned a third of Wework, and had been eying a full takeover after a competing deal put forward by JP Morgan.

Softbank will provide $5bn in new equity to Wework, accelerate a previous $1.5bn equity agreement, and profitable. It plans to return the coworking giant to its core business of renting out trendy office space, but even then questions remain about the underlying business model. CNBC Markets’ Michael Hewson said $1bn is still “a fairly lofty valuation” for Wework, and warned it could drop even further. The pressure is now on for Softbank to secure a return on its hefty investment, which comes as founder Masayoshi Son tries to drum up $108bn of investment for its mammoth second Vision Fund. Hard work indeed.

Follow us on Twitter @cityam
City casts doubt on Prosus’ low offer for Just Eat

CONTINUED FROM FRONT PAGE

Barclays’ analysts said: “We think at least 750p (and probably more) is needed to make a Prosus bid interesting.” Activist investor Cat Rock, a share- holder in both Just Eat and Takeaway.com, said Prosus had failed to offer a high enough premium for investors to sacrifice a possible growth in the value of their shares.

“The Prosus offer does not allow Just Eat shareholders to participate in any future value creation through the equity of the combined businesses. Prosus should share this future value creation with Just Eat shareholders by paying a fair premium,” it said.

Cat Rock said that Prosus should pay at least five times Just Eat’s 2020 fiscal year revenue, which would equate to an all-cash offer of at least 925p per share.

Prior to Prosus’ bid, there was already a degree of market scepticism about the Just Eat-Takeaway.com deal. US asset manager Eminence Capital, which holds a 4.4 per cent stake in Just Eat, said last month it would oppose the deal, which is due to be voted on by shareholders on 4 December.

US antitrust probe into Facebook receives backing of most states

Jess Clark

@jclarkjourno

AN ANTITRUST investigation into Facebook has been backed by 47 attorneys general from across the US.

New York attorney general Letitia James announced yesterday that more states, districts and territories have joined the probe into the social media giant, focusing on Facebook’s dominance in the industry.

The investigation will examine whether Facebook has “stifled competition”.

The action is the second major antitrust probe into a US tech giant, following an investigation into Google’s advertising arm revealed last month.

“Our investigation now has the support of 47 attorneys general from around the nation, who are all concerned that Facebook may have put consumer data at risk, reduced the quality of consumers’ choices, and increased the price of advertising,” James said.

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Each year your Airtime Plan will be adjusted on your April bill by the RPI rate of inflation announced in the preceding Feb. See o2.co.uk/terms, £16.66 Device Plan for 36 months and £10 monthly rolling Airtime Plan. Q2 Retreat custom plans. Direct purchases only. Pay the cash price for your device or spread the cost over 3 to 18 months (includes device). The device cost will be the same whatever you choose. There may be an agreement cost. You need a monthly o2 Airtime Plan as long as you have a Device Plan. Pay off your Device Plan at any time and you can choose to keep your Airtime Plan, upgrade, or leave. If your Airtime Plan ends for any reason you will need to pay your Device Plan in full. Unlimited available on Custom Plan on selected handsets and selected SIM only tariffs. Fair use policy applies. Personal and non-commercial usage only. If you regularly use 4GB or data per month or higher 12 or more devices we may consider this to be hot permitted use and have the right to move you to a more suitable plan. EU roaming capped at 2GB per month, chargeable at 0.46p per MB afterwards. Devices are subject to availability. 0% APR. Finance subject to status and credit checks. T+&- Direct Debit. Credit provided by Telefónica UK Ltd, 511 403X. Telefónica UK is authorised and regulated by the FCA for consumer credit and insurance. Terms apply, see o2.co.uk/terms.
St James’s Place boss defends its rewards scheme

ANNA MENIN

THE CHIEF executive of St James’s Place (SJP) has defended the trips offered to its partners as part of the firm’s controversial incentive scheme.

The wealth manager is conducting a review of the scheme after details of rewards ranging from white-gold cufflinks to luxury cruises were made public last month.

“The overseas trips are also very much business meetings. There’s an awful lot of business content to them,” boss Andrew Croft told City A.M. yesterday.

But Croft added that scrutiny of the scheme had made SJP reconsider whether they should still offer the trips. “The spotlight has made us say, ‘The most important thing... is to ensure that you have the right checks and balances,'” Croft was speaking after the publication of a trading update that showed SJP reached a record £112.8bn funds under management during the third quarter.

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St James’s Place boss defends its rewards scheme

‘Dates are now slipping’: Crossrail risks further delays as productivity wavers

STEFAN BOSCIA

CROSSRAIL is increasingly likely to face further cost blowouts and delays, according to a new report.

The £15.9bn underground rail line is the most difficult and challenging phase of the project.

“Dates are now slipping, to various degrees, all of which has an impact on the opening date window,” the report read.

“The delivery dates by Crossrail are under increasing pressure each period and are less likely to be achieved.”

Crossrail chief executive Mark Wild said he still expected Crossrail to meet its target date, but that “this is the most difficult and challenging phase of the project.”

“Our cost forecasts show that the project’s costs could increase if all the identified risks and uncertainties were not mitigated,” he added.

The environment minister told Parliament backed the controversial plans last year, however transport secretary Grant Shapps recently said the project may not go ahead.

“Progress on Crossrail is below expectations,” Shapps said. "Crossrail is a complex project with many risks and uncertainties."
Government borrowing jumps by a fifth as fiscal rules look set to shift

HARRY ROBERTSON
@henrygrobertson

UK PUBLIC borrowing shot up by a fifth in the first six months of the financial year, figures showed yesterday, as pledges by successive Conservative chancellors pushed up spending.

The UK public sector had to borrow £9.3bn in September to cover its spending. That was £600m more than in the same month in 2018 and the first September year-on-year borrowing increase for five years, the Office for National Statistics said.

Spending on the NHS and education has risen sharply, adding to the burden on the public finances. Spending on the NHS and education rose 7.1 per cent on the year, to £172bn.

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Household firm Reckitt slashes its sales forecast

ALEX DANIEL
@alexmdaniel

HOUSEHOLD goods producer Reckitt Benckiser has slashed its sales forecast for the second time this year, blaming a drought in retail orders of seasonal products as it adapts to life under a new chief executive.

Shares closed down 0.7 per cent yesterday as the firm, which makes Durex condoms and Lysol disinfectant, said it expects full-year like-for-like sales growth to be between flat and just two per cent up. This is down from its previous target of between two per cent and three per cent.

Reported sales rose 5.3 per cent in the third quarter to £3.29bn, falling short of analyst forecasts of £3.32bn.

Reckitt said customers had been cautious in buying its Mucinex and Delsym cold and flu products in the US ahead of flu season.
Extinction Rebellion wreaked havoc during a two-week protest this month.

JAMES WARRINGTON
@j_a_warrington

OSCAR award-winning visual effects firm DNEG yesterday confirmed plans to list on the London Stock Exchange, saying it will seek to raise £150m from the float.

The London-headquartered company said it intends to sell at least 25 per cent of new and existing shares in a bid to fast track its growth plans.

DNEG, which specialises in animation and visual effects, has worked on films including Interstellar, Harry Potter and Avengers: Endgame, as well as hit TV show Chernobyl.

Despite the string of Hollywood hits, the company remains relatively unknown, and is hoping a float will boost its public profile. DNEG also said the listing would increase its ability to recruit and retain key talent.

The effects company currently has a workforce of 6,900, and also has operations in the US, Canada and India.

Its customers include Hollywood's largest film studios — as well as Netflix, Amazon and Sky.

DNEG's management gauged investor interest in early-stage meetings known as pilot fishing. The company said it expects to start trading on the stock exchange in November.

Insolvencies jump by more than one-third

JAMES BOOTH
@Jamesbooth1

THE NUMBER of companies entering administration jumped by more than a third during the third quarter of the year, analysis published yesterday showed.

A study of notices in the London Gazette by accountancy firm KPMG showed a total of 417 companies went into administration between July and September 2019, compared with 310 in the previous quarter, and 322 during the same period last year.

Notable cases include the administration of holiday companies Late Rooms and Super Break, Glasgow shipyard Ferguson Marine Engineering and energy supplier Eversmart Energy.

Travel company Thomas Cook was not included in the figures as it is in compulsory liquidation rather than administration.

Despite the failures of well-known names Jack Wills, Karen Millen and Forever 21, the number of retailers going into administration fell, from 26 in the second quarter to 18 in the third quarter.

In contrast, the building and construction sector experienced a spike in administrations, from 18 in the previous quarter to 33 in the second quarter, and 52 in the third quarter.

The property sector also saw an uptick in insolvencies, with the number of businesses entering administration rising from 18 to 33 over the quarter.

Insolvencies in the pub, restaurant and club sector also increased, from 14 in the previous quarter to 26 in the third quarter.

Blair Nimmo, head of restructuring for KPMG UK, said: “For some time now, corporate insolvencies have been ticking along at fairly steady levels, so the more marked increase in administrations seen last quarter may herald the start of a new wave of activity.”

DNEG has worked on a string of blockbusters including Avengers: Endgame.

London banker couple charged in fraud case

JESS CLARK
@jclarkjourno

TWO LONDON-based investment bankers have been charged with insider trading in the US, in a scheme that made them millions of dollars in profit.

Court documents unsealed yesterday in New York accused Benjamin Taylor and Darina Windsor, who were in a romantic relationship and referred to each other as Pops and Poppy, of selling inside information relating to merger and acquisition deals.

Between December 2012 and February last year, the bankers allegedly passed the information to middlemen to hand to traders, and Taylor and Windsor were rewarded with more than $1m (£776,000), as well as luxury watches and holidays, according to media reports.

The scheme involved deals relating to companies including Merck, Amgen and Onyx.

Taylor and Windsor’s former employers are not named in the court documents.

However, Taylor reportedly worked at Moelis & Co until 2014 and Windsor worked for boutique investment bank Centreview in the UK until her employment was terminated three years ago.

An unnamed securities trader in Switzerland was handed information by the middlemen involved in the scheme, and reportedly leaked details to the press in order to move a company’s share price.

Details of the insider trading emerged days after Goldman Sachs investment banker Bryan Cohen was arrested in the US on charges of conspiracy to commit securities fraud.

Cohen, a vice president at the investment bank who works in the consumer retail industry group, was released on bail and placed on leave by the firm.

Extinction Rebellion protests cost Met £37m

JAMES WARRINGTON
@j_a_warrington

PROTESTS carried out by Extinction Rebellion climate activists have cost the Metropolitan Police at least £37m and caused other investigations to be halted.

Met commissioner Cressida Dick yesterday said the recent fortnight of demonstrations had cost £21m, with this figure expected to rise further by several million pounds.

This comes on top of the £16m bill racked up during previous Extinction Rebellion protests in April.

The surge in expenses means the protests have now cost Scotland Yard more than twice the £15m annual budget of its violent crime taskforce, which is charged with tackling knife crime in London.

Dick told reporters the climate protests had put a “horrendous strain” on the force, adding that some of its other investigations had been slowed down or even ditched as a result.

Roughly 8,000 Met Police officers were deployed during the demonstrations this month, while 21,000 were asked to work 12-hour shifts.
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Rare profit miss hits McDonald’s as shares plunge

SEBASTIAN MCCARTHY
@SebMcCarthy

WALL Street investors found McDonald’s share price tough to swallow last night after the food giant missed profit expectations for the first time in two years.

Shares in the chain dropped five per cent yesterday, as same-store sales in its home US market fell below expectations amid intense competition.

The firm reported earnings per share of $2.11, missing estimates of $2.21, translating to a net income drop of two per cent to $1.61bn (£1.25bn) in the quarter, falling from $1.64bn in the previous year.

Revenue rose one per cent to $5.4bn but narrowly missed expectations of $5.5bn. Global comparable sales rose 69 per cent on year, marking the firm’s 17th consecutive quarter of growth.

The Chicago-based group said national and local promotions, menu price increases and tech-focused upgrades boosted growth in its largest market of the US, where sales climbed 4.8 per cent.

McDonald’s has faced pressure in recent months as some of its main rivals, including Burger King and KFC, have been ramping up marketing and upgrading menus.

The rise of plant-based alternatives has also taken a large portion of sales in the fast food market, leading McDonald’s and its rivals to partner with startups seeking to challenge the meat industry.

“McDonald’s share price tough to swallow last night after the food giant missed profit expectations for the first time in two years.”

Lockheed Martin raises 2019 earnings estimate but warns of lower cash flow

MIKE STONE

LOCKHEED Martin raised its estimate for 2019 earnings yesterday as quarterly profit climbed 9.2 per cent amid improved sales of its F-35 fighter jets, but it forecast a lower cash flow for next year.

The company also said the “preliminary outlook for 2020 assumes there is no impact from US government actions toward Turkey.” The US and Turkey are currently embroiled in a dispute over a Russian missile defence system and its impact on Turkish defence purchases.

Lockheed estimated 2020 cash flow of $7.3bn ($5.6bn), lower than its 2019 yearend estimate of $7.6bn, which disappointed investors.

Despite the warning, shares finished up 0.04 per cent.

Lockheed raised its profit estimate for 2019 by 1.9 per cent to $21.55 per share from $21.15, the high point of a previous guidance, amid improved performance in its aeronautics business.

The Maryland-based company said 2020 sales would climb five per cent to $62bn from an estimated $59.1bn at the end of 2019.

The results were “impressive” and driven by better operations, while the guidance was “conservative, as expected,” Jefferies analyst Sheila Rabyaglu said in a note to investors.

Hasbro stocks sink as toy maker battles tariff costs

PRAVEEN PARAMANAN

HASBRO fell well below Wall Street estimates for quarterly profit yesterday, as the toy maker wrestled with higher shipping and warehousing costs due to US tariffs on Chinese imports, sending its shares down about 17 per cent.

The protracted trade war between the world’s two largest economies has been weighing on many US companies that have exposure to China and have responded by taking various steps ranging from price hikes to shifting production to other countries.

Hasbro, which sources more than two-thirds of its US products from China, is also looking at other countries for supplies, while raising prices to combat increased costs from tariffs.

The uncertainty over tariffs on toys and other items in the latest quarter forced retailers to cancel or delay orders and the company expects to face disruptions ahead of the deadline to impose new levies.

Olay owner ups full-year sales expectations

SOUNDARYA J

PROCTOR & Gamble yesterday raised its full-year sales and profit forecasts after a better-than-expected first quarter, powered by demand for its premium beauty brands such as SK-II and Olay.

The world’s number one personal care products maker forecast full-year core earnings growth in the range of five per cent to 10 per cent, compared with its prior estimate of four per cent to nine per cent growth.

P&G expects full-year sales to grow as much as five per cent compared to earlier expectation of four per cent. The company retained the lower end of three per cent growth.

The Daz detergent maker saw solid growth in its beauty business and healthcare segment, with sales rising 10 per cent.

Sales in the grooming unit reported a mere one per cent growth. It took an $8bn ($6.2bn) writedown for its Gillette shaving business in the fourth quarter.

The company marked a 2.6 per cent rise in its share price yesterday on the announcements.

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Get ready for Brexit
MPs hit back at Facebook over political adverts

JAMES WARRINGTON
@j_a_warrington

A TOP MP has written to Facebook vice president Sir Nick Clegg urging him to explain why the social media platform has overhauled its rules on political advertising.

Damian Collins, chair of the Digital, Culture, Media and Sport Select Committee, yesterday warned the changes would “place a heavy constraint on [Facebook’s] ability to combat disinformation online ahead of elections”.

The warning focused on Facebook’s decision to change its policy from banning “deceptive, false or misleading content” to banning ads that “include claims debunked by third-party fact-checkers, or, in certain circumstances, claims debunked by organisations with particular expertise”.

In a letter to the former deputy prime minister, Collins said the overhaul would essentially allow all claims made by political figures to go unchallenged.

Facebook is facing increased scrutiny over its advertising policy as Westminster gears up for a General Election, while the site has also announced new measures ahead of the 2020 US presidential election.

But Collins said the move would abdicate Facebook from the responsibility of identifying and tackling misinformation spread by “bad actors” such as Russia’s so-called Internet Research Agency (IRA).

The US has filed criminal charges against 13 members of the IRA troll agency over attempts to interfere in the 2016 presidential election.

Facebook yesterday said it had removed four foreign interference networks in Iran and Russia that were targeting the upcoming US election.

Collins also asked Clegg to explain why Facebook was extending its end-to-end encryption capabilities beyond Whatsapp to Instagram and Facebook Messenger.

Manufacturing slump carries on into October

HARRY ROBERTSON
@henrygrobertson

BRITISH manufacturing companies are planning to invest at the lowest rate since the financial crisis next year, a survey showed yesterday, as political uncertainty battered the sector.

The factory slowdown worsened in the three months to October, with orders for products falling at the fastest pace in almost a decade and output falling after stagnation in the quarter to September.

The CBI’s industrial trends survey of over 250 firms showed that prospects for the following quarter remain downbeat, with firms expecting output to fall at a faster rate in the coming three months.

“Each day of Brexit uncertainty sees firms forced to withhold key investment and recruitment decisions that make a huge difference to communities across the country,” said Tom Crotty, group director of chemicals firm Ineos and chair of the CBI manufacturing council.

Investment by UK companies has slumped in 2019 as firms await political certainty.
MAJOR UK retailers have suffered plunging store-based profit margins as operating costs soar in an increasingly challenging market.

Store-based profit margins for the top 150 UK retailers have more than halved in less than a decade, dropping from 8.8 per cent in 2009/10 to 4.1 per cent in 2017/18.

The drop has been driven by a dramatic rise in operating costs — which have increased by 10.8 per cent in the last five years — inflexible leasing arrangements and changes in customers' shopping habits.

Meanwhile, large UK retailers now occupy 20 per cent more store space than they need and can financially justify, new research has found.

Business rates, which rose to £7.5bn last year, wage increases and the impact of the Apprenticeship Levy have put profitability under more pressure, according to a new report published today by professional services firm Alvarez & Marsal and Retail Economics.

Alvarez & Marsal managing director and head of restructuring for Europe Richard Fleming said: “Most of the UK’s biggest retail brands are in the midst of a fight for survival. “We have already seen some high-profile casualties, and many more are on life support.”

Demand for UK retail space is at its lowest since 2007, with secondary locations such as local shopping centres and high streets suffering the worst declines in footfall.

However, Fleming added that reports of the death of the high street “have been greatly exaggerated”. "We're entering a new era of retail, presenting opportunities for forward-thinking incumbents, entrepreneurs and investors,” he said.

Under Armour founder Kevin Plank will hand the reins of the sportswear maker to operations head Patrik Frisk, hoping a change in leadership will help battle brutal competition from Nike and Adidas in the US, the company announced yesterday.

Plank has been the company's chief executive for more than two decades, turning it into a popular name in sportswear, but struggling to generate reliable sales growth.
We see possibilities everywhere.

BP is partnering with Fulcrum BioEnergy to convert landfill waste into biofuel for planes. It’s one more way BP is working to make energy cleaner and better.

Italy and France get EU warning about budgets

SEBASTIAN MCCARTHY
@SebMcCarthy

The European Commission has warned France and Italy that their draft budgets for next year could be in breach of the bloc’s fiscal rules.

In a move that echoes the start of last year’s standoff between Italy and Brussels, the European Union yesterday called for clarification from finance ministers of several European countries.

“ Italy’s plan does not comply with the debt reduction benchmark in 2020,” the letter said.

The letters were signed by economic commissioners Valdis Dombrovskis and Pierre Moscovici.

However, Moscovici said yesterday that the situation was very different from last year’s standoff, when Italy and the EU were at loggerheads.

Tensions mounted after the country’s populist government voted to push through costly campaign pledges which led to the Commission telling Rome to revise its budget or face a fine. The two sides eventually reached an agreement for Italy to lower its planned budget deficit, putting an end to the standoff.

Spain, Portugal and Belgium have also been sent letters as a result of submitted incomplete budget plans following recent elections.

Finland was given a warning over its spending, but Helsinki replied by stating that the measures were temporary and necessary to boost employment and improve finances.

Internal figures suggest polling boost for Khan

STEFAN BOSCA
@Stefan_Bosca

SADIQ Khan has received a boost in satisfaction ratings from the latest internal City Hall polling.

City A.M. understands that yet-to-be-released polling from the Greater London Authority (GLA) shows the mayor of London has a satisfaction rating of plus four.

This is a boost from the last GLA poll that showed the Khan had a net dissatisfaction rating of minus one in May. Khan’s ratings have fallen significantly since being elected in 2016. His satisfaction rating peaked at plus 37 in July 2016 and bottomed out at minus four in January.

External polling from Queen Mary University is due next month to show individual ratings of the main candidates for the May 2020 mayoral election.

This includes the Liberal Democrats’ Siobhan Benita, the Conservative party’s Shaun Bailey and the Green party’s Sian Berry. Former international development secretary Rory Stewart will also run for the job as an independent candidate.
On the Beach’s share price rises on Cook collapse

ALEX DANIEL
@alexmdaniel

PACKAGE holiday firm On the Beach has jumped at the opportunity created by the collapse of Thomas Cook, it said today, nudging shares up 3.75 per cent to 453p yesterday.

The London-listed firm said the failure of the 178-year-old travel giant has “created an unprecedented opportunity to take additional market share at an increased rate”.

It said that as a result, it has ramped up its spending on marketing, both online and offline, to try to bring new customers to its outlets.

In a trading update yesterday, it said it is “well-positioned” across its channels.

These include onthebeach.co.uk, sunshine.co.uk, Classic Collection and Classic Package Holidays.

The update follows a profit warning in August, fuelled by the tumbling pound and uncertainty caused by Brexit – factors that Thomas Cook cited as reasons of its collapse. But it appears the demise of one of its biggest competitors has provided a lifeline for On the Beach, which is looking to make the most of the “exciting opportunity”.

On the Beach chief executive Simon Cooper said: “On the Beach has an exciting opportunity to significantly increase its market share over the short to medium term by leveraging its strong brand and core capabilities.”

UBS profit dips as investment bank suffers

SEBASTIAN MCCARTHY
@SebMcCarthy

UBS SUFFERED a double-digit drop in profit over the last three months, as the banking giant echoed many of its rivals by flagging concerns over the future of the global economy.

The Swiss lender reported yesterday that adjusted pre-tax profit for the third quarter slumped 16 per cent when compared with the same three-month period in the previous year.

Profit at the firm’s investment banking division crashed 59 per cent to $203m (£115m), while global wealth management and personal and corporate banking pre-tax profit fell two per cent and 10 per cent respectively.

UBS said yesterday the global economy remains “challenging”. The bank added that it would take a $100m hit in the fourth quarter amid efforts to restructure its investment bank.

Low and persistent negative interest rates, combined with slowing economic growth and geopolitical uncertainty, has dented the banking industry in recent months.

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Fracking: Time to get on with it?

Edward Thicknesse takes a look at the UK's controversial energy source

T FEELS like a long time ago since 2013. It was back then that former chancellor George Osborne, backed by David Cameron, called on the UK to embrace fracking, claiming that the new method of gas extraction could provide a “major new energy source that can reduce energy bills”.

Six years have passed, but it’s hard to tell the difference. According to a report published today by the National Audit Office (NAO), only three wells have been fracked in the UK so far, instead of the 20 predicted by the Cabinet Office in 2016.

For Natascha Engel, the former government commissioner for shale gas, the fledgling industry is the victim of a “well funded campaign that has targeted one particular process”. Instead of bowing to this pressure, she says the country needs to have a “sensible conversation” which acknowledges that without using onshore natural gas, “it will be really difficult to meet net-zero emissions targets by 2050”.

What the report neglects, she argues, is placing onshore gas in the “context of where we get our energy from. According to UK Onshore Oil and Gas (UKOOG), the UK currently imports 50 per cent of its gas requirements, a figure set to rise to 86 per cent by 2050. For Ken Cronin, UKOOG’s chief executive, such emissions are not within the UK’s budget: “There will be a significant need for natural gas in 2050 and beyond to meet these objectives. The committee [on climate change] recommended not to further offshore our emissions by relying on imported fuels. There is a significant role for both onshore oil and gas in the future, which if allowed to reach potential will bring the compelling environmental and economic benefits as detailed in the NAO report.”

He goes on to say that delays fracking has suffered are common to all new energy projects, pointing to similar problems with onshore wind and new nuclear power.

For Cronin, the report confirms there is a “very significant natural gas resource that can be brought to the surface.” Engel agrees: rather than waste this resource, we should “get on with it” instead.

Cuadrilla chief Francis Egan, which recently had to pause its UK fracking operations, says the report clearly shows “the need for natural gas in the UK is compatible with our net-zero 2050 target”. This flies in the face of comments from Labour leader Jeremy Corbyn, who said the government would have to ban the practice if it was serious about its emissions targets.

According to grassroots campaign Labour for a Green New Deal, plans to ban fracking have the backing of key unions representing energy workers like Unite and GMB, showing “how little support there is for such environmentally destructive energy.”

A senior industry source, however, was dismissive of both the demand and pollution arguments. US surpluses of gas are nearly negative in price, and only set to grow. Environmental concerns around groundwater pollution, on the other hand, are “utterly ridiculous”, as fracking wells are sunk thousands of feet below groundwater deposits.

The problem instead is an industrial one: yields from fracking wells drop rapidly after a couple of years, which means companies must sink more and more wells — which is fine in a sparsely populated state like Texas, but less than ideal in the UK.

Despite the furore, operators say that they will not pull out. As Egan says, Cuadrilla is “committed to exploring for shale gas with the aim to establish a domestic energy supply that the UK really needs.”

But the optimism of years past does not seem widely held. Between politics and the markets — and the lack of certainty on just how much natural gas there is under our feet — it remains unclear when this latent industry will achieve its potential.

Edward Thicknesse

The need for natural gas in the UK is compatible with our net-zero 2050 target

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FLOATING flower installations have sprung up in Canary Wharf’s Jubilee Park and Rangoli designs have been painted on the floor of Jubilee Place to celebrate the Hindu festival of Diwali. The art installations will light up the financial district until Sunday.

FESTIVAL OF LIGHT Canary Wharf marks Diwali celebrations with flower installations

Waitrose merged with John Lewis to break a cycle of ailing returns

ETAIL veterans John Lewis and Waitrose announced plans for a significant management restructure this month. Come February 2020 the two businesses will completely merge their management teams.

The companies say the move isn’t designed just to cut costs but also “break out of the cycle of declining returns” of the sort that have led to multiple established retailers disappearing from the high street in recent years. Both John Lewis and Waitrose have themselves seen store closures this year.

YouGov data shows that the struggles experienced by both chains are very real, despite being very well established brands.

John Lewis topped YouGov’s Brand Health Rankings this year ahead of Ikea and Marks and Spencer, meaning it’s the brand with the highest average of all BrandIndex’s tracking metrics, plus their Christmas advert is always eagerly awaited.

Despite this, John Lewis’s brand health score has declined in the past 12 months (from plus 42.1 to plus 41.3) alongside its value score (a net measure of whether consumers think the brand represents good or poor value for money) which has dropped from plus 22.1 in 2015/16 to plus 17.3 in 2018/19. The latter is a particularly worrying decline considering John Lewis’s “Never knowingly undersold” promise.

Similarly, Waitrose has experienced a decline in its brand health over recent years among its current customer base, from plus 77.5 in 2014 to plus 69.0 in 2019. While perception of Waitrose had declined, Waitrose customers’ consideration (whether someone would consider purchasing from the brand in future) of major discounters Aldi and Lidl has improved significantly, highlighting the competition the supermarket faces.

It’s not just John Lewis whose value scores have fallen either – Waitrose’s declining value perception has led to customer perception falling, which is important considering the emphasis that discounter brands place on value for money. Scores fell from plus 36.6 among current customers in 2015, to plus 20.8 this week.

It’s clear that John Lewis and Waitrose have experienced challenges over the past few years, whether due to the current climate or the arrival of impressive challengers. Whether this move to align the businesses will allow the brands to break this cycle is yet to be seen, however any move from such a long-loved brand that recognises the current strategy isn’t working is rather admirable.

© Stephan Shakespeare is chief executive of YouGov

DISCOUNTER CONSIDERATION INCREASES AMONG WAITROSE CUSTOMERS

When you are in the market to purchase groceries, from which of the following would you consider purchasing?

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Source: YouGov BrandIndex October 2019
Recruiters offer jobs based on social class in matter of seconds

SEBASTIAN MCCARTHY

JOB-HUNTERS often bemoan the lengthy process of applying for a role, but new research has suggested that those in the hiring seat often make their decision based on social class within just a matter of seconds.

Academics from Yale University have published evidence of a class bias in recruitment that is predicated on the first seven words of speech.

Hiring managers were shown to have made snap decisions on candidates based on background in ways that favour applicants from higher social classes.

The average starting salary of those judged to be higher class started at around £45,260 ($58,750) compared to roughly £44,680 for those judged from a lower class.

Dr Michael Kraus, assistant professor at Yale School of Management in the US, said: “Our study shows that even during the briefest interactions, a person’s speech patterns shape the way people perceive them, including assessing their competence and fitness for a job.”

He added: “While most hiring managers would deny that a job candidate’s social class matters, in reality, the socioeconomic position of an applicant or their parents is being assessed within the first seconds they speak—a circumstance that limits economic mobility and perpetuates inequality.

“We don’t talk explicitly about social class, and yet, people with hiring experience infer competence and fitness based on socioeconomic status estimated from a few seconds of an applicant’s speech.”

The study found that hiring managers who listened to the audio recordings were more likely to accurately assess socioeconomic status than those who read transcripts.

Researchers based their findings on five studies. The first four studied the extent to which people accurately perceive social class based on a few seconds of speech.

“If we want to move to a more equitable society, then we must contend with these ingrained psychological processes that drive our early impressions of others,” said Kraus.

“Despite what these hiring tendencies may suggest, talent is not found solely among those born to rich or well-educated families.” He added that policies should “actively recruit candidates from all levels of status in society.”

Caroline Flack named UK’s most dangerous celeb to search online

JAMES WARRINGTON

CARRYING out an online search for your favourite singer or TV star may seem an innocuous way to while away the time. However, a spot of celebrity stalking could turn out to be dangerous, as cyber criminals lure in unwitting fans with links to malicious websites.

A report yesterday revealed the UK celebrities that generated the most dangerous search results in 2019.

In the top spot was Caroline Flack, best known as the host of ITV’s hit dating show Love Island. The former Strictly Come Dancing and X Factor presenter soared up from fifth place last year to knock reality superstar Kim Kardashian off the podium.

Following close behind was Maisie Williams, the 22-year-old actor who rose to stardom as Arya Stark in fantasy series Game of Thrones.

Gavin and Stacey creator-turned US talk show host James Corden took third place, while musicians Nicki Minaj and Billie Eilish completed the top five.

The annual charts, compiled by cybersecurity firm McAfee, signal a comeback for traditional music and film stars as the popularity of reality TV personalities waned.

The research showed canny cyber criminals are taking advantage of fans who are desperate to discover gossip, even if it means visiting potentially dangerous websites.

*Many Volkswagen Van Centres now open at or before 7am Monday to Friday (8am on Saturdays). See www.volkswagen-vans.co.uk/find-a-van-centre or ask at your local Volkswagen Van Centre for individual opening hours.
Anglo American lowers forecast as copper drops

EDWARD THICKNESSE
@edthicknesse

ANGLO AMERICAN, one of the world’s largest miners, yesterday lowered its full-year forecast for copper production amid the worst drought to hit Chile in sixty years.

Total output of the metal will drop eight per cent in the third quarter of 2019 due to water shortages at the Los Bronces mine in Chile, the largest copper-producing country in the world. Annual production dropped to 630,000-650,000 tonnes.

Copper production accounts for 15 per cent of the company’s profit. Weaker market demand also resulted in a 14 per cent fall in production at De Beers, Anglo American’s diamond mining arm.

The company blamed planned mine closures for the drop. However, the company said that overall output for the quarter rose by four per cent, helped by a rise in production of iron ore at its Minas-Rio mine in Brazil.

The miner is set to produce 20–22m tonnes of iron ore in 2019, up from previous expectations of 19–21m tonnes.

Production of iron ore at Minas-Rio was 6.1m tonnes, while metallurgical coal also rose 22 per cent to 6.6m tonnes in the quarter. Minas-Rio was suspended last year following the discovery of a leak in a 500km export pipeline.

“We expect to deliver to our production guidance for copper and thermal coal, albeit at the lower end of their ranges,” chief executive officer Mark Cutifani said.

Anglo American’s share price rose 1.04 per cent yesterday.

Production also dropped at De Beers, Anglo American’s specialist diamond arm

Gene therapy treatment pushes third-quarter growth for Novartis

EDWARD THICKNESSE
@edthicknesse

SWISS drug maker Novartis raised its 2019 forecast yesterday after the sales debut of Zolgensma, a gene therapy drug, helped it beat expectations for the third quarter.

Sales of Zolgensma, the most expensive one-time treatment in the world, were worth $160m (£123.5m), despite scrutiny over its $2.1m price. The drug treats spinal muscular atrophy (SMA), a muscle-wasting disease that kills many victims before their second birthday.

Chief executive Vas Narasimhan said 99 per cent of patients eligible for the drug have received treatment.

Half of these sales came from new patients switching from a different therapy.

Narasimhan said: “We’re very pleased with the uptake.” Novartis reported a 17 per cent rise in third-quarter core net income to $3.2bn. It now expects its annual sales to grow by a high single-digit percentage, raising its July forecast.

Gene therapy treatment pushed third-quarter growth for Novartis
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RECOGNISE. REWARD. CELEBRATE.
Travis Perkins pulls unit’s sale on uncertainty

JOE CURTIS
@joe_r_curtis

TRAVIS Perkins has put the sale of its Wickes and Toolstation business on hold due to an “unprecedented level of uncertainty” in the market.

The building materials distributor had decided to sell the unit last December in a bid to simplify and cut costs.

But the Wickes and Toolstation over-את yesterday said it had decided to postpone the move indefinitely. New boss Nick Roberts said simplification remained the right strategy.

“Given the current unprecedented level of uncertainty, we have decided to pause the sale process of the plumbing and heating business for the time being,” Travis Perkins said.

Shares slipped to close down just 0.07 per cent yesterday. The firm added that cost-cutting remains on track to hit its mid-2020 target of £20m to £30m.

Meanwhile the company expects to complete its demerger of Wickes in the second quarter of 2020.

The plan to simplify the group’s portfolio of businesses remains the right one, with good progress made through the quarter towards reducing cost and complexity,” said chief executive Roberts, who has been in the role only since August.

Travis Perkins grew sales 3.8 per cent year on year in the third quarter, and 3.4 per cent on a like-for-like basis.

Toolstation posted total sales growth of 21.3 per cent for the quarter, or 15.4 per cent in like-for-like sales, while Travis Perkins’ merchanting unit sales rose 2.6 per cent.

“The group delivered a solid performance in the third quarter, despite trading conditions becoming incrementally more challenging through the course of the summer as a result of the ongoing market uncertainty,” Roberts added.

Jemma Jackson comments on the PLSA Retirement Living Standards Report

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ast week’s UK Retirement Living Standards, published by the Pensions and Lifetime Savings Association (PLSA) to help people picture the lifestyle they want when they retire, comes as they find that 31% of people focus on their needs and wants today, instead of needs in the future.

It essentially echoes the ‘marshmallow test’ argument made famous by psychologist Walter Mischel – that most of us will favour immediate gratification instead of a bigger treat further down the line. The PLSA are taking the view that by helping people picture their retirement needs, they might be more likely to go down the delayed gratification route to a more comfortable retirement. Will it work?

Mona O’Neill, Head of Personal Finance, interactive investor, says: “Whilst most kids have been found to take that first marshmallow now rather than the promise of a bigger treat later, the pensions industry tends to assume that this follows into adulthood – and the research from the PLSA bears this out further. So the idea of helping people picture their retirement needs better, to help reframe how they think about their planning, is interesting.”

“But the reality is that people don’t have a rose-tinted picture of retirement. The interactive investor Great British Retirement Survey of 10,000 people found that for nearly a quarter (23%) of people, retirement means wealth uncertainty, and not starting a pension sooner is a regret.

For over a third of retirees (35%), running out of money was their biggest concern.

minimum age limit to 18 sooner rather than later. The Government’s mid-20s ambition is lethargic and risks leaving a whole generation behind.

Widen the £10,000 earnings threshold for auto-enrolment to those working for multiple employers, liberating workers who might have several part-time jobs - many of whom are women.

Government-led public education campaign aimed at women to help kick start a savings and investment culture.

The Great British Retirement Survey was conducted on behalf of interactive investor by Core Data, a global market research consultancy between February 2019 to June 2019. Some 9,966 respondents completed the survey, which took around 20 minutes to complete.

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PRAYER MILE Marathon charity walk for Square Mile church-watching fundraiser

Stefan Boscia
@Stefon_Boscia

LONDON’s pollution charges have significantly decreased levels of toxic gas emitted by vehicles, according to new figures.

Mayor of London Sadiq Khan first introduced a toxicity charge in October 2017, which forced drivers of older diesel and petrol cars to pay £10 a day to drive in parts of London.

The scheme was upgraded in April this year and renamed the Ultra Low Emissions Zone (Ulez) charge.

A report, released on Monday, revealed the schemes have decreased pollution levels by 33 per cent in affected areas since 2017, with 13,500 fewer polluting cars in London.

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Ulez charge drastically cuts air pollution levels in the capital

Stefan Boscia
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Exports lift FTSE as stocks slip on Brexit fatigue

London Report

London’s FTSE 100 was lifted by export-focused stocks yesterday as uncertainty over whether British politicians would support the government’s Brexit deal ahead of last night’s vote took its toll on the pound. The FTSE 100 added 0.7 per cent, with BP and Shell both gaining more than two per cent and Asia-focused HSBC also rising after China signalled progress in trade talks with the United States.

Other standouts in the index, whose components book most of their earnings abroad, were Astrazeneca and BAT, while drugmaker Reckitt shed losses despite cutting its sales view for the second time this year.

However, the domestically-focused FTSE 250, which has gained more than four per cent since September on hopes of a smooth end to the Brexit process, slipped 0.5 per cent. Boris Johnson told parliament that if it delayed his legislation to leave, he would abandon his attempt to ratify the deal and push for an election instead, threatening further political turmoil.

Just Eat was the standout performer in the FTSE 100, surging 24.2 per cent to 732p after rejecting an offer by Dutch firm Prosus of a 710p per share offer. Just Eat has already accepted a takeover by Takeaway.com, and its shares enjoyed their best day since they floated in April 2014.

London-listed shares of travel firm Tui were among the few fallers, dropping 7.1 per cent after Morgan Stanley downgraded the stock and warned concerns around Boeing’s 737 Max aircraft and demand uncertainty could be headwinds.

Business supplies distributor Bunzl fell 2.8 per cent to its lowest since February 2016 as its quarterly organic sales growth slowed.

Investment management firm M&G dropped 6.4 per cent on its second day of trading after demerging from Prudential.

“Tui’s sale to TUIX Holdings makes good sense for Tui,” said John Phillips, partner-in-charge of Jones Day’s London office, said: “Tui has nearly two decades of experience deftly handling disputes around the world. His arrival will strengthen the firm’s already rich talent pool of litigators, and he will be a great asset to our clients as they maneuver through the complex disputes process.”

Merkel

Data-driven performance marketing agency Merkle has appointed Ben Gott to lead its rapidly expanding analytics practice across Europe, the Middle East and Africa (EMEA). Bringing together the existing analytics teams from Merkle’s performance media agency and customer analytics businessross EMEA, Ben’s new role responds to the increasingly sophisticated and fast-changing data and technology landscape. Ben will report directly to Michael Komasinski, president of Merkle EMEA. Ben commented on his new role, saying: “I look forward to working with the incredible talent we have to make Merkle Analytics a unique and scaled proposition in EMEA. My vision is that this unit will drive Merkle’s solution development.”

Thurium

Litigation finance provider Thurium has added to its investment team in London with the appointment of James Dobas as investment officer. James joins Thurium from Slaughter and May, where he advised on a broad range of complex litigation, arbitration and dispute resolution, as well as white-collar and corporate investigations, such as advising Rolls-Royce during its bribery and corruption investigations, including the simultaneous deferred prosecution agreements with the UK Serious Fraud Office and the US Department of Justice. Neil Purvis, co-founder and chief investment officer of Thurium, said: “James is a first class litigator with tremendous experience of working on very challenging, typically cross-border disputes with multiple stakeholders. His expertise and entrepreneurial flair fits perfectly with Thurium and he will play a key role as we continue to see substantial demand for our litigation funding services globally.”

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Wall St slips after Britain’s vote on deal

US stocks ended lower yesterday, giving up early gains as British politicians rejected the government’s proposed timetable for passing legislation to ratify its deal to exit the European Union.

The defeat in parliament made it unlikely that the UK will finalise its exit before Prime Minister’s 31 October target. Boris Johnson said it was up to the EU to decide whether it wanted to delay Brexit and for how long. Though the Brexit complications have had limited impact on US markets, they have contributed to investors’ uncertainties about global financial and economic conditions, strategists said.

The S&P 500 and the Dow Jones Industrial Average posted modest rises as upbeat forecasts from Procter & Gamble and United Technologies offset lower-than-expected results from McDonald’s and Travelers. Procter & Gamble shares gained 2.6 per cent and United Technologies advanced 2.2 per cent, while McDonald’s shares fell five per cent and Travelers shares declined 0.5 per cent.

With yesterday’s losses the S&P 500 fell below 3,000, but remained within one per cent of its record closing high in July. The Dow Jones Industrial Average fell 39.54 points, or 0.15 per cent, to 26,748.1, the S&P 500 lost 10.73 points, or 0.36 per cent, to 2,995.99 and the Nasdaq Composite dropped 50.07 points, or 0.72 per cent, to 7,104.30.

Facebook shares dropped 3.9 per cent, weighing heavily on the Nasdaq, as the social networking company faced an expanding probe into allegations that it put users at risk and pushed up advertising rates.

Hasbro shares dived 16.8 per cent as the toy maker’s profits, which have been pinched by US tariffs on Chinese imports, came in well below Wall Street estimates.

In after-market trading, Texas Instruments shares fell sharply and were last down nine per cent.
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Eavers tend to see their fellow Leavers as intelligent, open-minded and honest, and Remain voters as closed-minded, hypocritical and selfish. In return, Remainers are even more venomous in their views of Leave voters.

On both sides, only a minority said that they would be happy if their child married somebody from “the other side”, and again Remain voters were significantly less likely to be happy with the idea.

This research, cited in the recent “Divided by Britain” report from King’s College London Policy Institute, shows that today’s divisions go far beyond a coolly rational weighing up of the political and economic benefits of retaining or leaving the EU.

We are more inclined to see politicians as self-serving, which means that questioning our opinions feels like a personal attack on who we are.

From social media jibes to frosty family gatherings, politics is feeling more personal, and less reasonable, than any previous time this century. How then to get from here to more of a mindset of acknowledging divisions?

We cannot escape the significance of the issue that divides us most: Britain’s future, and though the outcome of the 2016 referendum opened a new chapter in how to disagree with civility, it is by no means a closed chapter.

We need a refresher course in how to disagree with civility and reason to make decisions. It is easy and common, to see your own views as rational and your opponents’ as emotional – by which we usually mean that they fell prey to the manipulation of their fear or anger while we coolly weighed up the evidence.

This is nonsense. Without emotion, it is almost impossible to make any sense of the outcome of any action. Unreasoning emotion can lead to apocalyptic panic or scapegoating rage, but all of us use both emotion and reason to make decisions. Dismissing your opponents as stupid or bigoted is mere laziness of thinking. It also doesn’t work, if your objective is to change their minds. And in a democracy that should be the goal, because anything else is a dictatorship.

Whatever happens in the next few years, we will continue to have plenty to disagree about, so what we need now is to rebuild some kind of shared ground on which to argue. What that looks like, and what ground rules we agree to share, is something we all urgently need to debate.

Timandra Harkness is an author and broadcaster. Her latest radio series, How To Diagnose, can be found on the channel number for BBC Radio 4. She is speaking on multiple panels at the Battle of Ideas, held in the Barbican Centre.

We all need a refresher course in how to disagree with civility

Until Scotland’s currency puzzle is solved, independence is economically delusional

Paul Ormerod

The possibility of Scottish independence is back on the political agenda once again. And one question – which currency would an independent Scotland use? – that was crucial in the 2014 referendum has still not been resolved.

The informal use of the pound is a very risky option.

To see why, the Scottish National Party (SNP) might look at the problems which Facebook is having in getting its proposed digital currency, Libra, off the ground. Already, companies like PayPal, Visa, Mastercard and Ebay have withdrawn as potential sponsors. While Facebook is a company and Scotland is a country, the issue is how the currencies are backed.

Facebook proposes to back the libra by its accumulated profits held in a portfolio of “low volatility assets”. But as Barry Eichengreen of the University of California points out, “anyone who lived through the 2008 global financial crisis will know that low volatility is more a state of mind than an intrinsic attribute of an asset”. In the face of an unexpected adverse shock to the values of these assets, Eichengreen notes that there will be little equivalent of a bank run. But there is no lender of last resort able to simply print money.

By simply using sterling, as many Latin American countries do with their US dollar, the Scots would have no means of printing money if their economy gets into a financial crisis. Taxes would have to rise massively to support the banks. The Scots could instead apply to join the euro. An immediate problem with this would be the rule in the Stability and Growth Pact that countries in the Eurozone should keep their budget deficits below three per cent of GDP.

The UK spends only 1.1 per cent of GDP more than it raises in taxes. Ironically, this would make us a shoe-in for euro membership, if they chose to set up their own currency. The markets would almost certainly force similar public spending reductions on them. After all, small countries running large public deficits tend not to be viewed kindly. In the face of a crisis, the rules have been magnified dramatically by the statement of Derek Mackay, the Scottish government finance secretary, that an SNP government in an independent Scotland would refuse to repay its share of outstanding UK debt.

A massive public sector deficit and defaulting on government debt is hardly a very sound basis on which to launch any new currency, yet this is exactly what independence is often driven by emotion rather than rational calculation. But unless the currency question is addressed and solved, an independent Scotland would live to rue the decision.

Paul Ormerod is an economist at WE spilled in the early days of Facebook, he was just 17 and the company was under 20 people. Paul Ormerod is an economist at WE and a voracious reader. He is a visiting professor at the UCL Centre for Decision Making Uncertainty, and author of The Demise of Capitalism. Contrarian, published by the IEA in conjunction with City A.M.
WE WANT TO HEAR YOUR VIEWS | E: theforum@cityam.com | COMMENT AT: cityam.com/forum

Facebook vs. democracy: Let’s get serious about disinformation

On Monday, Facebook announced new measures to help combat the spread of disinformation in the looming UK General Election. Plans include working with fact checkers, tracking the origin of political ads, and doing more to take down content that breaks Facebook’s rules.

While positive, these lukewarm efforts do little to measure that Facebook is taking this issue seriously enough.

They come, after all, in the wake of a European Court of Justice decision this month to allow EU states to remove defamatory content from the site. Facebook denounced the ruling, claiming it would undermine free speech. But given the company’s track record, how seriously should we take its support for democratic values?

Some 18 months ago, Mark Zuckerberg promised that Facebook would do more to combat politically motivated disinformation campaigns. This pledge was spurred after millions of users’ data was harvested by Cambridge Analytica — with the intention to influence their voting choices.

Yet according to a recent report from Oxford University, no “decisive action” has taken place since, while governments around the world continue carrying out disinformation campaigns for their political goals. And it’s getting worse. The report found that the number of countries that were victims of disinformation campaigns had doubled since 2016, with the majority of these still via Facebook.

While government attempts to influence the public are certainly not new, social media can play a catastrophic role in supercharging this game — as any neuroscientist will tell you.

Instantly sharing news is not driven by rational calculations or critical thinking. We get excited by certain articles, most of which reaffirm our existing notions of the world. The more “likes” we receive, the more dopamine hits we get — ultimately feeding our addiction for external validation.

Modern neuro-imaging tools — which allow for unprecedented visual access into the brain — show that the prefrontal cortex (host to the logical part of the brain) comes second when reading the news. A tweet — much like a rumour — is more likely to be shared if it connects to the emotional side of our brain, the social part.

Facts become subconsciously irrelevant in the spread of news. We’ve seen this play out time and time again, from outdated photos circulating the internet at moments of crisis to viral celebrity death hoaxes.

While there are undoubtedly social, and even political, benefits to easily accessible information, issues arise when we consider the sheer volume of this content. We have not yet adjusted to this age of “information overload”, which exposes our crucial inability to filter fiction from reality.

Neurochemically, we are hardwired to engage with social media. But with little effort to take the necessary steps, it falls to governments to hold them to account.

The recent EU court case showed that countries can force social media platforms to take down posts which break the law. And there are other examples of how government action on misinformation can work. The Czech Republic, Germany and France have begun taking major steps, by actively monitoring social media sites for disinformation campaigns and requiring online platforms to filter fake news.

By banning false stories, governments can safeguard elections and prevent public health scandals (like the debunked but damaging anti-vaccination movement) and conspiracies that threaten to tear society apart.

We cannot rewire our brains to resist the pull of misinformation. Combating its spread is our only hope. This means that if tech companies are unwilling to be more open and engage with the public sector, governments will have to force them.

It is in the interest of these companies to act — and act more effectively than Facebook’s efforts this week. If they remain unwillinng, the voices calling for the breakup of the tech giants will only get louder.

Information overload exposes our crucial inability to filter fiction from reality

Nayef Al-Rodhan

Is the re-election of Justin Trudeau as Prime Minister good news for Canada?

Both Justin Trudeau’s re-election and the fact that he will not command a majority are good news for Canada. It is essentially a liberal country. Its swathes of libertarians are fortunate (unlike their counterparts in some other countries, including the UK) to have a liberal party that can represent the mainstream view and be successful. Trudeau’s fall from his heights of popularity has more to do with political missteps and his youthfulness than with his fundamental platform.

Yet Canadians have not given him an absolute majority. This will force the new government to tread with care. It will have to find compromises and take others’ views into account. Trudeau’s first term has been marred by controversy: multiple incidents of blackface, questionable dress choices, and a corruption scandal involving sacking the first Indigenous attorney general.

This election, Trudeau lost the popular vote and his majority, struggling in the more conservative oil-producing provinces like Alberta and Saskatchewan while holding on in the cosmopolitan cities of Montreal, Vancouver and Toronto.

Trudeau is expected to form a minority government with the even more left-wing New Democratic Party, who want higher taxes and oppose the Trans Mountain pipeline. This will increase the radical centre.

YES

Joe Zammit-Lucia

Canada’s unemployment, which is already almost twice that of the US, and the Conservative opposition, led by Andrew Scheer, promised limited government, more freedom, tax cuts, and a UK trade deal. This election was a lost opportunity for policies that would have boosted jobs and investment, and renewed Canada’s position in the world.

Matthew Lesch

NO

Matthew Lesch is head of research at the Adam Smith institute.
Bitcoin continued its recent trend of rather lacklustre intraday volatility and finished the session with little changed, in mid $8,200 level. Similarly, Ethereum settled in the low $170 area, below its 50 and 21-day moving averages (DMA). For Bitcoin, the so-called death cross is well in sight and, as pointed out earlier in the week, the formation tends to be a lagging indicator and often ends up trapping sellers on the wrong side of the market.

In fact, historical data indicates that the cryptocurrency could bottom out if the cross is confirmed. The secondary market for digital assets is well accustomed to volatility, but the recent ‘volatility less’ price action is unlikely to do smaller cap assets any favours. As it stands, the MVIS large cap index is up around 79% year-to-date, while the small cap index is down 24%.

The latest report by CryptoCompare on the state of crypto exchanges indicates the combination of low volatility together with a tougher regulatory outlook, has resulted in substantial trading volume over the course of September. Volume from crypto to crypto exchanges decreased 28.57% in September, while volume from exchanges that offer fiat pairs decreased by 17.83% in the same month.
As Woodford’s stocks are sold off, Katherine Denham looks at his controversial small-cap investments

THE MAN with the Midas touch. That was how people saw Neil Woodford only a few short months ago. But things didn’t work out that well for King Midas in the end, and the same can be said for the former star manager, whose reputation is in tatters and whose investment empire is now set to close.

During three decades as a fund manager, Woodford was known for making controversial investment decisions — for choosing stocks that were unloved and undervalued by the markets, but which had potential to grow.

While it’s impossible for stockpickers to make the right calls all the time, Woodford increasingly moved into riskier stocks, and very few of these recent bets paid off. His flagship fund, which held £3.1bn assets on 31 August, has underperformed since 2017, and he put investors’ money on an ill-judged bet on the line by having an excessive allocation to early-stage companies. With the fund’s wind-up, BlackRock and Park Hill have been given the difficult task of selling off these assets.

Here, with help from AJ Bell, we look at some of the small companies that raise a red flag — whether in terms of performance, liquidity, sector, profitability of the underlying business, or overlap with Woodford’s other funds. For all of the companies mentioned, Woodford has more than a five per cent stake.

BIOTECH BETS

Woodford’s allocation to biotech companies has really done him no favours, with three stocks in this sector topping the bad performance list over the past year.

Of all the small-cap stocks in the Equity Income fund, biotech firm Hivio has been by far the worst performer in terms of share price in the past 12 months, plummeting by 67.7 per cent.

The business, which develops vaccines for viruses like flu, has also recently been borrowing money to refinance and has also been the sixth worst performer since the fund was suspended back in June. Cost-cutting efforts and efficiencies might have improved its outlook since 2018, but it still reported a loss of £3.8m for the first half of this year. Woodford currently has a 38.8 per cent stake.

Another biotech company, Midatech Pharma, is the second worst performer over the past year, with its share price falling 65 per cent. While the firm has reduced its loss compared to the previous year, it was still down £4.42m for the six months to 30 June 2019.

The third worst performer for the year is Tavise Regenexx Group, dropping by 64.7 per cent. It has also fallen by a staggering 43.4 per cent since June. Woodford owns more than a fifth in the company.

Dan Coatsworth, stock market analyst at AJ Bell, says that this medical devices group could be particularly difficult to offload.

“Its share price has been in a falling trend since the start of 2017, suggesting that the market doesn’t have a strong appetite for the stock. Now only worth £37m, the company has recently been borrowing money to relieve working capital pressures.”

Other biotech names like Synaigene (sixth place), Sensyne Health (eighth), and Aris Bioscience (tenth) also appear in the list.

Individual companies aside, Woodford’s decision to allocate so extensively to this sector was worrying. Indeed, Coatsworth says biotech is such a specialist area that it can be difficult to find buyers.

“Generalist fund managers often shun that sector because they feel you need a science degree to make any sense of a company, and model its future earnings potential,” he explains. “That greatly narrows the pool of potential buyers, which means it could take longer to offload any biotech holdings.” The analyst also warns that this leaves the ball in the potential buyer’s court, as third-party investors know that there is limited competition for the stock and can demand a discounted price.

HITTING A BRICK WALL

But it’s not just the biotech sector where you find poor performing shares held by Woodford.Purplebricks has also suffered over the past 12 months, falling by 53 per cent. The online estate agent has had a bad run, having cut its revenue forecasts and made a loss in the 2018-19 tax year. It also decided to withdraw from the US market. However, since the start of June, its share price has climbed by 6.4 per cent.

Coatsworth says that Purplebricks will be easier to sell compared to biotech firms, pointing out that the 15.5 per cent stake might be of interest to German media group Axel Springer, which already owns 26.6 per cent of the business. “Buying Woodford’s full stake would trigger a mandatory takeover offer, as Axel Springer would go over the 29.9 per cent threshold,” he adds.

A worrying aspect about Purplebricks is that Woodford holds this company in the £300m Income Focus fund, which is also set to be wound up.

“Fund managers shun the biotech sector as they feel you need a science degree to make sense of a firm.”

But the problems don’t end there, as a profit warning for the company was issued last month, saying earnings for the year to 30 June will be below expectations.

MURKY WATER

Another poor performing company that Woodford is exposed to across two of his beleaguered funds is Eddie Stobart Logistics. It’s the seventh worst performing stock, having fallen by 45.5 per cent in a year. It has also dropped by 70.4 per cent since the Equity Income fund suspended.

In August, the haulage company — of which Woodford has a 22.89 per cent stake — was mired in an accounting scandal, which led to the resignation of its chief executive and the temporary suspension of its shares.

But the problems don’t end there, as a profit warning for the company was issued last month, saying earnings for the year to 30 June will be below expectations.

Good, Bad, and the Ugly

A string of other names, including Redde, Allied Minds, and Provident Financial have also caused the performance of Woodford’s fund to deteriorate. All these stocks are held across at least two of Woodford’s funds.

However, it’s not all bad, as a few investments have paid off over the past 12 months. For example, Crest Nicholson is the best performer, having increased by 41.6 per cent since Woodford owns 9.4 per cent.

THINK LOGICALLY

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Fund managers shun the biotech sector as they feel you need a science degree to make sense of a firm.
How to make the perfect cheese board, by Anthony Schepper from Marylebone restaurant Orrery

The cheeseboard is an integral part of the dining experience. Traditionally served with a sticky port after dessert in Britain, or with a robust red before dessert in France, it’s a much-loved part of any celebratory meal, especially with the festive season fast approaching.

In my role as frommelier at Orrery, the French restaurant in the heart of Marylebone, I have the joyous task of creating a perfect cheese board. The key to creating a great cheeseboard is to have five cheeses that are a sure-fire hit. As the seasons change, so do the cheeses we serve, and as we approach winter and the festive season, I’ve devised a list of five cheeses that are a sure-fire hit.

1. EPOisses DE BOURGOGNE
Epoisses de Bourgogne is a soft cow’s milk cheese produced in the village of Epoisses. It has a creamy, chewy and firm texture with a distinctive soft red-orange colour. The cheese is washed daily in a Marc de Bourgogne brandy during maturation from four to six weeks. Epoisses is sold inside a wooden box and holds a pungent smell with a spicy, salty and sweet flavour. It pairs well with a fortified wine like a Riveroals from Roussillon.

2. BRILLAT-SAVARIN
Brillat-Savarin is a triple cream cheese originally from Normandy, with a fat content of 75 per cent. This cheese was named after the 19th century epicure Jean Anthelme Brillat-Savarin. It has a creamy and dense texture, with a buttery, salty, creamy flavour and hint of mushroom and nuts. It matures for between two and three weeks and pairs very well with Champagne.

3. COMTE
Comte is a hard cheese produced in the Jura massif region of eastern France. It’s made from Montbeliarde or Simmental cattle and has a pale-yellow interior. It has sweet flavours of fruit, alongside savoury notes of smoke and salt, and carries a nutty aroma. Comte pairs well with a rich buttery Cheddar from Burgundy.

4. ROQUEFORT
Roquefort is a sheep’s milk, blue vein cheese from Aveyron in France. It’s made from a breed called la Lacaune and was the first French cheese to be awarded an AOC (Appellation d’Origine Contrôlée) in 1926. It has a smooth, intensely creamy texture with blue-green veining, well marbled across the cheese. Roquefort is rich with a salty flavour and normally aged for around five months. The perfect pairing for Roquefort is a whole port or a sweet white such as sauternes.

5. VALENCAY
Valencay is a goat’s cheese made in the province of Berry in central France, in a village of the same name. It was originally shaped like a pyramid, until Napoleon returned to the castle of Valencay after losing the war in Egypt, and sliced the top off with his sword: it’s been made to look the same, distinctive way ever since. Valencay has a creamy, smooth and soft-ripened texture and a rusting blue-grey colour, which is made of natural moulds. It has a goaty and citrusy flavour and is best paired with a Sauvignon Blanc or a Pinot Noir from the Loire Valley.

A stem or two of garlic and chopped parsley and season. If you want to make one portion you can transfer it as it was in the pan. Grate over some of the cheese and serve.

By next season I hope have worked out a way to avoid unnecessarily peeling. Fingers crossed!

How to use up all the spare cardoons you inevitably have lying around the house

I’m about two thirds of the way through the cardoon plants I’ve been growing on my terrace, and I’ve been madly experimenting with different ways of cooking and preparing them. For the uninitiated, a cardoon looks a bit like a thistle and tastes like an artichoke. My latest idea was to pickle some, so they’re all round, rectangular and pyramid cheeses, and be certain to cater for all tastes, from those opting for a subtle brie, to people who like a strong blue. At Orrery we usually create our boards with five families of cheeses: hard, bloomy, goat or sheep, wash rind and blue vein.

As the seasons change, so do the cheeses we serve, and so we approach winter and the festive season. I start to favour soft rich cheeses. I start to favour soft rich cheeses, because they’re easier to eat, and I always end up peeling off the stringy outer stems. For those wanting to wow guests this festive season, I’ve devised a list of five cheeses that are a sure-fire hit.

1. Roquefort
A soft blue cheese made from sheep’s milk and prepared with a sprinkle of natural moulds. It has a goatish and citrusy texture and is best paired with a Sauvignon Blanc or a Pinot Noir from the Loire Valley.

2. Comte
A hard cheese produced in the Jura massif region of eastern France. It’s made from Montbeliarde or Simmental cattle and has a pale-yellow interior. It has sweet flavours of fruit, alongside savoury notes of smoke and salt, and carries a nutty aroma. Comte pairs well with a rich buttery Cheddar from Burgundy.

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Is positivity crippling your workplace?

False platitudes telling staff to ‘be happy’ could be cramping creativity in the office

Look on the bright side. Keep smiling. Can do. These messages are increasingly prevalent in the workplace, to our significant detriment. And the irony of being briefed by my agent to keep this article “light-hearted” was not lost on me.

I’m going to risk being serious – which is only six degrees from sounding negative – because the cultural saturation of “positive thinking” products runs parallel to rising suicide rates, the quarter-life crisis replacing the mid-life crisis, and 61 per cent of chief executives reporting loneliness hampering their performance.

As a psychologist and business consultant specialising in mindset change, I’ve seen this problem stalking corporate corridors for years. A stand-out example was in a leading retail organisation with 40 per cent staff turnover, where I discovered world-class systems and scared-but-not-saying-so employees. One of the prevailing mindsets in that workplace was “I have to be positive all the time or I will be seen as weak and be reprimanded or humiliated”.

In this organisation, positivity concealed fear. Stress levels were high. Performance was adequate but unsustainable, and creativity was dead – because creativity cannot thrive in a context of pretence. It thrives in one of honesty and mutuality.

Negativity paints dark clouds over blue skies, while positivity puts icing on dog poo and calls it a cake. Ultimately, the stink will strike our noses and a price will be paid.

Authenticity, not positivity, is the wellspring of fresh ideas and innovative thinking. When people are allowed to have a bad day, admit their doubts, and operate as human beings instead of human doings, they are more likely to have brilliant days motivated by deep convictions and create extraordinary results even in pressured situations.

I’ve witnessed this in thousands of people and numerous workplaces. I’ve also lived it as a terminal cancer patient who has been urged to stay positive, relentlessly, since my diagnosis five years ago. But I just don’t have a “B Positive” blood type. And it has been the most creative period of my life.

So, what to do about this issue as a leader?

First, admit when you’re having a bad day, because modelling authenticity gives others permission to admit it too.

Second, identify positive mindsets that are undermining your business, and develop strategies to dismantle them. This alone can unlock creativity. You don’t need “creativity” workshops, you need an authentic culture. For example, observe the gap between cheerful behaviour and low morale surveys. This is a clue.

You may also have systems or processes that feed the beast. In that retail firm, we changed a behavioural KPI from “be warm and friendly with customers at all times” to “be honest if you feel stressed, and ask for support”. Staff turnover halved and customer loyalty doubled within a year.

Most importantly, remember that authenticity (which includes genuine joy) liberates creativity, while false positivity stifles it. Learn the difference.

Sophie Sabbage is a business consultant and author. For more information go to sophiesabbage.com.
**THE PUNTER**

**HONG KONG RACING TRADER**

Hong Kong racing expert Wally Pyrah previews today’s action from Happy Valley

### Happy Valley in Hong Kong

Happy Valley in Hong Kong hosts a nine-race card this afternoon and punters should be aware that racing takes place on the infamous C+3 track.

With one or two exceptions, this is a course which historically favours horses drawn in stalls one to five who are positioned up or near the early pace from the off.

For obvious reasons, it’s very hard for horses to get an uninterrupted passage from the back of the field turning into the short home-straight, which only measures one-and-a-half furlongs.

### Recent Results

Recent results may have gone against bettors in Hong Kong, but the locals will still be keen to support the favourites in the last three races at Happy Valley, with the word ‘winner’ written all over them.

Jockey Zac Purton is associated with a couple of them, firstly Reliable Team in the Dordenma Handicap (2.45pm) and then Yee Cheong Baby in the closing Ivictory Handicap (2.45pm) and then Yee Reliable Team in the Dordenma with a couple of them, firstly word ‘winner’ written all over them.

### Happy Valley

Happy Valley hosts a nine-race card this afternoon, with the distance from rail to rail measuring only 19.5 metres.

With one or two exceptions, this is a course which historically favours horses in stalls one to five who are positioned up or near the early pace from the off.

For obvious reasons, it’s very hard for horses to get an uninterrupted passage from the back of the field turning into the short home-straight, which only measures one-and-a-half furlongs.

### Moreira’s Mount

Moreira’s mount should go back-to-back in six-furlong sprint

Favourite backers continue to have a tough time at present, with only two market leaders obliging at Happy Valley or Sha Tin from 18 races last week.

Even the betting public’s favourite jockeys, Joao Moreira and particularly Zac Purton, are not helping, with both suffering recent bouts of seconditus.

On a more positive note, popular local trainer Ricky Yiu has got his stable firing on all cylinders since the season started early last month.

Yiu, who has been training in Hong Kong for nearly 25 years and is renowned for his handling of the legendary Sacred Kingdom and more recently Amber Sky, has had his best start in years, with 10 winners and 10 places from just 52 runners.

He has visited the winners’ circle in four of the last five race-meetings and will surely be confident of continuing that trend when he sends a handful of contenders to the inner-city track today.

His best chance of success looks to be the Moreira-ridden **Speedy Luck** who lines-up in the Longines Cup Handicap (2.15pm) over six furlongs.

This lightly raced four-year-old was never sighted early on in his HK career, but showed evidence of improvement with an eye-catching trial before the season started.

He was a promising fourth to the well-handicapped Ezra on his seasonal reappearance over seven furlongs at Sha Tin, suggesting he is now at his peak and a drop down in distance looks sure to suit.

From a favourable draw he is mapped to have an ideal journey, sitting just behind the leaders before making his charge for glory down the home straight.

This looks a competitive handicap on paper with the likes of Purton-ridden Happy Time, who trialled well recently, likely to prove the principle threat.

Yiu also saddles an interesting contender in **After Me**, who races in the Class 5 Sir John Handicap (12.15pm) over five furlongs.

Normally Class 5 races are not betting mediums as these are events for horses with limited ability or for those coming to the end of their careers.

After Me has plummeted down the handicap after failing to catch the judge’s eye in a dozen races, before switching to the Yiu stable.

A change of scenery and training regime seems to have done well though, and this former Irish galloper has at last shown a glimmer of ability in two races this season, despite suffering against bettors in Hong Kong, which he can utilise to good effect in the closing stages of the race.

### Pointers

- **After Me e/w 12.15pm Happy Valley**
- **Speedy Luck 2.15pm Happy Valley**
- **Le Terrno 3.15pm Happy Valley**

**Moreira’s Mount should go back-to-back in six-furlong sprint**

Although having recently finished behind a number of today’s rivals, he finally gets the plum inside draw which he can utilise to good effect in the closing stages of the race.

That effort showed he is clearly physically stronger this season and from the inside draw, he is capable of not seeing another horse.
11.45LV MARITA HANDicap (CLASS 5) (2YO+) (COU...
How Ajax reshaped their squad to continue on upward curve

Dutch champions have rebuilt and will pose Chelsea a tough test. By Michael Searles

AJAX’S failure to reach the Champions League final last season was as unexpected as the events that led to their semi-final with Tottenham. Leading Spurs 3-0 at home with just 45 minutes of the tie remaining, it seemed the stars had aligned for a group of talented, largely home-grown players whose coming of age ignited the European stage.

The rest is history and led to understandable concerns that the assault on the Champions League would be a one-off; their team dismantled by the far richer clubs of England, Spain, Italy and Germany.

But as Ajax prepare to welcome Chelsea to the Johan Cruyff Arena this evening, there is plenty of evidence to suggest that a repeat of their 2018-19 heroics is not beyond them.

Last season was a reminder of why the Dutch champions’ academy is considered among the best in the world. They navigated a group including Bayern Munich and Benfica without defeat before knocking out European giants Real Madrid and Juventus, and seemingly having one foot in the final after three-quarters of their semi-final with Spurs.

A second-half hat-trick from Lucas Moura sent Tottenham through on away goals, with the decisive blow coming in the 96th minute. It robbed Ajax of a first Champions League final appearance since 1996 and it denied the world a storyline that every footballing romantic craved: the return of the fallen Dutch giants to the summit of the game – all achieved on a budget and by defying convention.

Their run to that point was unforeseen and their demise equally so. But the prevailing feeling was that last year’s success could and would not be sustained.

It was expected that this young, talented side would be torn apart during the summer transfer window, in the manner of 2017 Champions League semi-finalists Monaco. The departures of influential players Frankie De Jong and Matthijs de Ligt to Barcelona and Juventus for £68m and £77m respectively appeared to prove that point, but the Ajax hierarchy, led by director of football Marc Overmars, managed to fend off interest in other key personnel.

Ajax made an astonishing £85m from summer sales, spending just £51m on replacements – the majority young, up-and-coming talents – or by promoting from their academy. One player to have made that step up is 18-year-old right-back Sergino Dest. He has effectively replaced De Ligt in the back four, with Joel Veltman, who played right-back last season, moving across to partner Daley Blind in central defence. Dest’s addition has contributed to the still very young age of this squad, whose average is just 23.8 years old.

One exception to the youthful recruitment policy, though, was the acquisition of former academy product Quincy Promes, 27, from Sevilla. The winger struggled in Spain last year but has hit the ground running back at his boyhood club, with eight goals and two assists in 12 games. Promes (pictured) joined the likes of Dusan Tadic, Hakim Ziyech, Donny van de Beek and David Neres, all of whom have stayed with the club following last season’s exploits, in giving head coach Erik ten Hag plenty of options in the attack.
This has to be the turning point for Silva and Everton

WHEN you break it down, Everton’s weekend win over West Ham ends a run of four Premier League defeats with victory over a team with similar ambitions – could prove absolutely massive. They mustn’t celebrate it too much, though. For the sake of their season and Marco Silva’s prospects of still being manager in a month’s time, it simply has to be the turning point.

More than a year into his tenure, a sense of underachievement continues to surround Everton, who lie 15th in the table with just three wins from nine games. It is not because the squad is poor; man for man, the quality is there and they are mostly seasoned players. On paper, the team should be a lot better than it is.

What seems to be missing is a model. Silva is still grappling with questions about his best formula. It is like he has the right ingredients but they are all a bit underripe.

Meanwhile, the back pages of the local papers are being dominated by the club’s local rivals. Players don’t want to see Liverpool’s success splashed across the news week after week; it gets draining. If you want to apportion blame for results, it should probably be 50/50 between the players and manager. But players never get sacked, so inevitably it will fall at Silva’s door.

The former Watford and Hull boss is a studious and talented coach. He doesn’t spend all week preparing his tactics; it gets draining. If you’re seeing individual errors week by week, the only way to combat it is to work incredibly hard. People sometimes misunderstand what that means. It isn’t about running around; it’s staying close to people, tracking runs, getting challenges in. The saying goes that hard work will get you so far, but hard work can take you anywhere. Everton need to make sure that if their talent doesn’t get them the points, their hard work does.

December is a month of successive games against Leicester, Liverpool, Chelsea, United and Arsenal, but the four league fixtures before then are winnable. A flurry of victories can go a long way, and with a strong November Everton could be up to seventh or eighth. The league is like a one-armed bandit; giving up nothing until suddenly you get three cherries.

We now need to see a reaction to the West Ham win. This can be a dangerous time of year for managers under pressure, so building momentum looks absolutely crucial for Everton and Silva.

FOOTBALL COMMENT

Trevor Steven

Injuries a blow for Klopp

Marco Silva eased pressure with a win over West Ham

Trevor Steven is a former England footballer who played at two World Cups and two European Championships. @TrevorSteven63

in Champions League

The area of the pitch where there has been more wholesale changes is deeper in midfield, following the departures of De Jong and Lasse Schone. In have come two 21-year-olds in Lisandro Martinez – formerly a centre-back – from Argentina and Edson Alvarez from Mexico, who cost £6m and £11m respectively.

So far they appear to have settled in quickly and filled the void for a fraction of the cost. The business model is testament not only to Ajax’s academy but also their scouting network and recruitment.

Last year’s domestic double winners lead the Eredivisie again after 10 games and are also top of their Champions League group, following back-to-back 3-0 wins over Lille and Valencia. They are yet to lose in any competition this season.

This evening they will face perhaps their toughest test of the season so far in a Chelsea side that seem to be improving week by week under Frank Lampard. The Blues are similarly focused on promoting youth now but have yet to show the consistency of Ajax and, in contrast to their Dutch counterparts, lost 1-0 at home to Valencia before being made to work for a 2-1 win at Lille.

Lampard has not had the time that Ten Hag has had, nor do Chelsea have deeply ingrained identity throughout the ranks like Ajax do. The match promises to provide the acid test of where each team currently is.

A Chelsea win would continue the progress seen under Lampard and put qualification for the knockout stages back in their hands. Another victory for Ajax, however, would suggest they are well on their way to being a serious threat in Europe again.

SPORT DIGEST

STERLING HAT-TRICK HELPS MAN CITY HAMMER ATALANTA

Manchester City scored a hat-trick through Sergio Aguero, who was on the scoresheet last night. The Blues are yet to lose in any competition this season.

JONES: I DON’T CARE IF ALL BLACKS WERE SPYING ON US

Man City manager Pep Guardiola has been asked about alleged spying on his team by Chelsea.

WEDNESDAY 23 OCTOBER 2019 | SPORT | 31
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