

Ritblat says figures still add up

TREVOR HUMPHRIES/FT

by James Robinson

WHEN British Land chairman John Ritblat wants to impress a new business acquaintance, he often repeats a well-rehearsed piece of mental arithmetic, jotting down a few figures on the back of an envelope as he talks.

He has done the sums – a complex mathematical explanation of the company's relative performance against its rivals many times – but those on the receiving end say that the intellectual power revealed rarely fails to impress. And Ritblat, who has built the property company he took over in 1970 into a £2.7bn concern, likes to make an impression.

He is notoriously dapper and occasionally charming, and does not take kindly to criticism, frequently instructing his public relations advisers to fire off letters attacking press reports.

There have been many more letters winging their way towards the press over the past few weeks, but the thankless task of writing them has been handed to a new PR company.

Last month, Ritblat replaced Bell Pottinger with Finsbury, and brought in investor relations specialist Makinson Cowell in an attempt to restore his tarnished image.

Finsbury was straight in at the deep end. Just days after its appointment, Merrill Lynch's top-rated property analysts Alec Pelmore and Robert Fowlds published a highly critical note. They said publicly what many in the City have been saying privately for years – accusing Ritblat of running British Land like a family empire and arguing that the company's size serves the chairman's ego, but does nothing to create shareholder value.

It portrayed Ritblat as an autocratic ogre and pointed out that British Land's shares stand

at a 34% discount to its net asset value – the measurement used by property companies to value portfolios. Although the vast majority of British Land's quoted rivals are struggling with the same problems, the discount is the largest in the sector.

Nobody disputes that Ritblat has bought good properties, but British Land's share price is not rising in line with the value of its assets. Ritblat may have built the company, but now he is part of the problem, Pelmore and Fowlds said. Last week, Ritblat described the report's authors as "pathetic".

Ritblat is not always the greatest of communicators. Shareholders prefer to deal with his son Nick, a British Land director and the eldest of Ritblat's three children. He is frequently touted as a successor, but does not want the top job. Ritblat's youngest child, Jamie, runs property company Delancey Estates, recently taken private, and is not believed to be interested either. British Land points out that its board is now packed with heavyweight City figures who could take over when Ritblat, 65, retires.

He has no plans to do so, but whoever does take over will need to address some of the structural issues raised in the Merrill Lynch report. Foremost among them is the accusation that Ritblat is pursuing size for size's sake, following a lifelong ambition to achieve blue-chip status that was realised briefly in 1997. British Land slipped out of the FTSE 100 index at the end of the following year.

The company argues that it is only by being big that it can take advantage of buying opportunities. Broadgate, its most valuable asset, is a case in point. Ritblat bought the City office scheme at a knockdown price in the early 1990s, and it is now worth £2.9bn. British



Getting his message across: British Land chairman John Ritblat has appointed new PR advisers

Land's portfolio is relatively diverse, and the handful of property companies that trade at a slight discount or even a premium to net asset value are focused on a single sector or region.

Canary Wharf is a good example. It has performed well over the past 12 months on the back of rising rents and new high-profile tenants. Others, such as Shaftesbury, which owns large parts of Soho and Covent Garden, give fund managers the chance to gain instant exposure to a specific part of the property market when values are rising and get out again when they fall. Although British Land has a huge exposure to the City – 45.6% of its portfolio is made up of offices, most of

them in the Square Mile – 42.4% is in the retail sector. That gives it a hedge against a downturn in either market.

Ritblat's riposte to his critics is simple – to continue with his strategy until his shares recover. They have done so before. Two years ago they were trading at a substantial premium to net asset value. Long-term investors need not worry, Ritblat argues. They will have been encouraged by last week's share price rally which followed better-than-expected results. British Land shares closed at a year-high of 522p on Friday, up from 497p at the start of the week.

The results served as a timely reminder that Ritblat has come back from the brink more than once and survived the peaks

and troughs of the notoriously cyclical property industry better than anyone else. But some say last year's failed attempt to buy rival property company Liberty International illustrates that he has finally lost his touch.

British Land agreed to buy a 29.9% stake in the company, which owns some of Britain's biggest shopping malls, from a South African shareholder last June. But Ritblat walked away empty-handed.

Major investors expressed doubts about the bid, but he ignored their views. Now he has to convince the same shareholders that he is running the company in their best interests rather than his. Ritblat's new public relations advisers have their work cut out.