

Ashcroft keeps faith with the cash shell route

FT INTERVIEW

The entrepreneur and Tory bigwig has added healthcare to his diverse portfolio of investments, writes **Salamander Davoudi**

When Lord Ashcroft snapped up a 32.5 per cent stake last week in The Priory Group, the private hospital chain, some in the City wondered whether it marked the beginning of a serious foray into the healthcare sector.

"I don't want to create an impression that I have identified a sector," says the entrepreneur and deputy chairman of the Conservative party. "A lot of what I do is very opportunistic and this is opportunistic - I know people who have

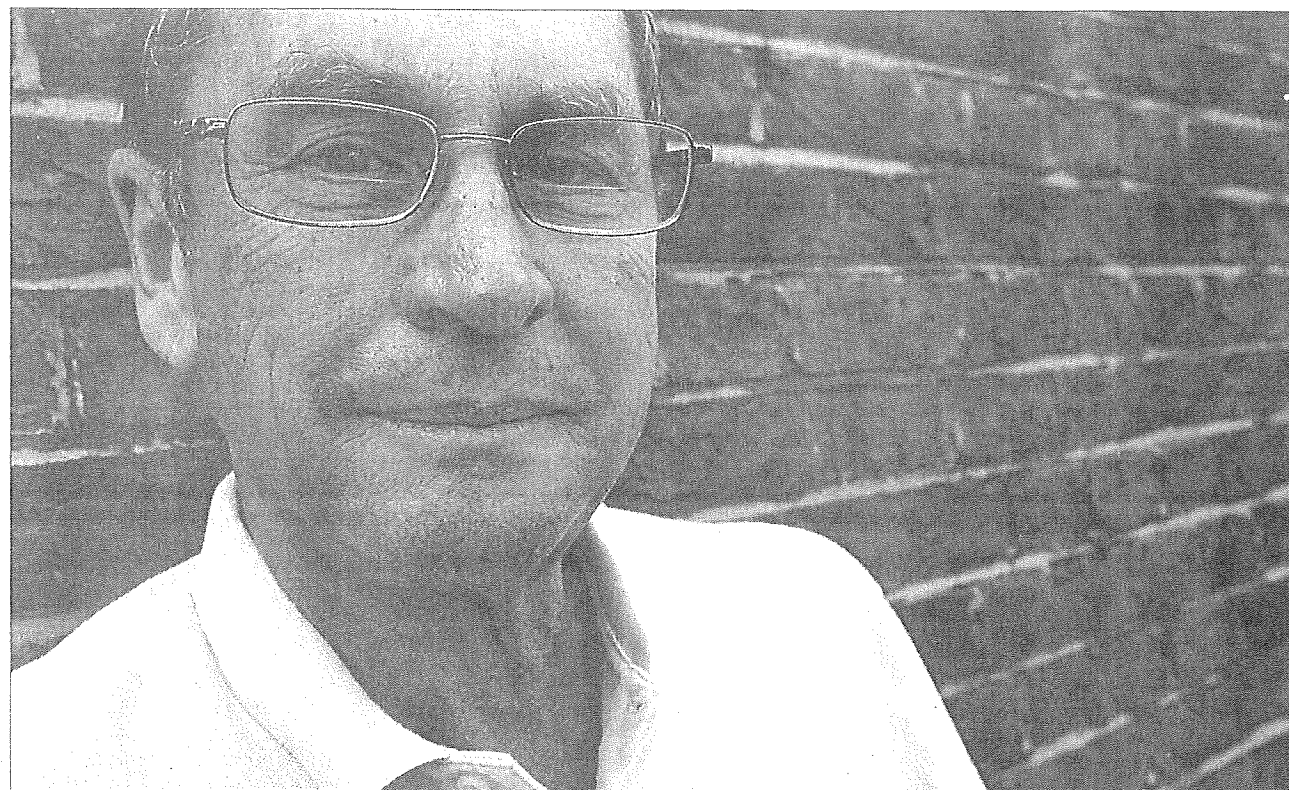
an expertise in this area." This latest investment follows a career of financial dexterity which has left the party's leading financier with a network of diverse businesses and a personal fortune estimated at £800m.

Lord Ashcroft's public investments range from support services and property to the world of football and pubs. Little is known about his private venture capital business which is based in the UK and Belize.

Since 2004, his modus operandi has been to create shell companies, inject money into them and list them on Aim. He then looks for businesses to reverse into the shells.

"We save companies from having to go public and get their finances underwritten. These vehicles are just there, created and ready to go," he explains.

"Companies which are public and capitalised below £100m need a supportive



Lord Ashcroft describes his purchase of a 32.5 per cent stake in The Priory Group as opportunistic

UPPA/Photoshot

investor to ensure they can access capital when they need it rather than when the markets are open for business."

This strategy has landed him with significant or majority holdings in a number of companies quoted on Aim and is described by one investment banker as "private equity with a quote".

"I am different to a private equity fund to the extent that I am risking my own capital in a private marketplace," says Lord Ashcroft while explaining that he is "very supportive" of the private equity model.

"If somebody has purchased a business and so long as they operate within the law, they are basically in an open economy and are free to do what they want. Excesses get highlighted but that is not the majority."

The average return on his investments, he says, is around 30 per cent. "I have a lot more business in the private sector than in the public sector."

His holdings include Corporate Services Group, the owner of Blue Arrow and other employment agencies, Digital Marketing Group, London Town, a portfolio of 225 pub properties, and Carlisle Group, a staffing and outsourcing business.

One corporate broker says: "The cash shell route is a perfectly legal way of circumventing the normal listing process."

Lord Ashcroft would not be drawn on what level of discounts he enjoys on the equity stakes he takes but maintains it is justified because "clearly we bring a quote, we are committing more finance and we are going to be there in the

future so we are looking for a favourable opening deal".

He has a staff of just three or four advisers who look at a wide range of opportunities. His criteria are simple: a management team with a viable business plan. He

'I have a lot more business in the private sector than in the public sector'

rarely takes an active role in management.

Lord Ashcroft says that he has no set investment timeframe. "I am not answerable to anyone. If I believe it is performing well then I have no pressure to crystallise it."

His successes have been notable. Last month he

banked £132m following the sale of OneSource, his US janitorial business. His original investment had been just \$1m.

Other impressive windfalls include the private sale of British Car Auctions to Montagu, the buy-out group, which made him a profit of £200m.

He took a 40 per cent shareholding in Watford Leisure, the football club's Aim-listed owner. When the club entered the premiership the shares jumped 17 per cent, lifting the value of his stake by £800,000 in one day.

He has made some bad investments, too. In 1990 he owned 25 per cent of Christie's, the auction house. His company at the time ran into cashflow problems and he had to sell his stake for less than half of what he paid it for. "I lost £40m," he says.

Public holdings

- **Corporate Services Group** - holds 26.9 per cent. Invested £20m. Now worth £10.8m
- **Watford Leisure** - 22 per cent. Invested £4m. Now worth £5.2m
- **Digital Marketing Group** - 22 per cent. Invested £7.7m. Now worth £16m
- **Global Health Partner** - 33.5 per cent. Invested £10.7m. Now worth £24m
- **Carlisle** - 72 per cent. Invested almost zero. Now worth £30m
- **OneSource** - Invested \$1m. Made £132m on sale
- **London Town** - 52 per cent. Invested £12m. Now worth £22m
- **Mavinwood** - 58 per cent. Invested £24m. Now worth £39m
- **BB Holdings** - 72 per cent. Invested almost zero. Now worth £100m

Lord Ashcroft made his fortune in building up a collection of cleaning, maintenance and security businesses which culminated in the 1997 sale of ADT, the security company, to Tyco, the US conglomerate, for more than £3bn. He netted about \$750m.

He briefly joined the board of Tyco as a director but resigned in November 2002 when the company was hit by a corruption scandal. He led efforts to clean up the board and give it a fresh start.

Lord Ashcroft retains close links to Belize. He is the chairman and shareholder in BB Holdings, an Aim-listed financial services company operating in Belize and the Caribbean. Its main subsidiary is Belize Bank.

Lord Ashcroft would not be drawn on any of his private investments.