

Landmark leader



AS CHAIRMAN OF CAPITAL & COUNTIES PROPERTIES, IAN DURANT OVERSEES MANY OF THE CAPITAL'S FLAGSHIP BUILDING DEVELOPMENTS. HE OUTLINES HIS PLANS TO **GRAHAM BUCK**.

PHOTOGRAPHER: ROGER HARRIS

Stock market jitters haven't totally blunted the taste for demergers. In May the UK's biggest shopping centre owner, Liberty International, divided into separate businesses with new names. The shopping mall portfolio was renamed Capital Shopping Centres Group, which retains Liberty International's REIT (real estate investment trust) status and remains a FTSE 100 company. Capital & Counties Properties (CapCo), which owns the group's prestige central London real estate and has interests in two China real estate investment funds, was spun off as a FTSE 250 company.

CapCo's newly appointed chairman is Ian Durant, previously Liberty International's finance director, who says two successful equity issues during 2009 indicated a favourable climate for demerger.

However, the path to demerger was a bumpy one. Durant joined Liberty International in early 2008 and admits he didn't anticipate the severity of the impending downturn in the property sector. A financial sector crisis became a financing problem for property companies and a consumer and retail recession. Despite Liberty International's relatively conservative balance sheet and debt (mostly asset-specific and therefore ringfenced) totalling £4.1bn, 10% of the businesses on its rent roll went into administration.

The group, which became a REIT when the status was introduced to the UK in 2007, listed in London and Johannesburg, with South African investors collectively holding 40% of equity.

"The opening months of 2009 were particularly tough, with UK lenders themselves in disarray," recalls Durant. "However, we held constructive conversations with our banks, and by May conditions improved sufficiently to successfully complete a £620m equity placing." Reviving sentiment paved the way for a further £280m placing last September at premium to net asset value.

"The UK Investment Property Databank [IPD] index recorded a 44% drop in value from the market's peak to its trough, and our own portfolio dropped 37% – far more than most could have predicted at the start of 2008," observes Durant. "In this environment, cashflow management was critical. We tempered both our expenditure plans and pipeline of new developments accordingly, but pushed ahead with the opening of our newest shopping centre in Cardiff, with partners Land Securities. In 2009 we financed the Cardiff centre and completed a £525m debt refinancing for the Lakeside complex at the start of 2010, thanks to our treasury team under treasurer Mark Kildea."

As markets recovered and valuations turned more positive, Liberty International was able to focus on its next move. It had two distinct divisions and decided to separate Capital Shopping Centres from Capital & Counties, which had already been repositioned to focus on London landmark properties.

The first of those landmarks is Covent Garden, where CapCo is dominant landlord, with 45 properties valued at £550m. CapCo aims to improve its attractiveness as a retail location. The second landmark property is Earls Court and Olympia, currently an exhibition business. Momentum is building towards applying for planning approval for regenerating the site in conjunction with land owned by Transport for London and Hammersmith and Fulham Council. Terry Farrell has been appointed master planning architect. Work will commence after 2012, as Earls Court is the venue for the volleyball competition at London's Olympics. There is also a joint venture with Great Portland Estates in the Regent Street area of the West End. "The unique selling point of CapCo is that of a London business based on major assets we're seeking to transform – and also a FTSE 250 company with a market cap of £750m," says Durant.

The new chairman's career path began after he graduated from the University of Kent with a degree in development studies. He became a trainee accountant at the firm of Jolliffe Cork, which shortly after merged with Thornton Baker, where he completed his articles.

He then gravitated to Hanson when the conglomerate was in fast-growth mode. "I joined in 1984, newly qualified, shortly after it acquired retail stores group UDS. It was a wonderful place to learn and I had an excellent mentor in Derek Bonham, the finance director."

Initially based in Croydon in the financial control function of Alders department stores, Durant then moved to the divisional office as financial controller of Alders.

"Key strands of the disciplines I developed during this period were investment evaluation, returns on capital employed, cashflow management and simple performance metrics," he recalls.

In the late 1980s, Hanson spun off the division and took it private through a management buyout. Durant moved on and joined Jardine Matheson Holdings, relocating his family to Hong Kong where they spent the next 12 years.

His first role was as executive assistant to Nigel Rich, managing director. "I then moved to Dairy Farm's Asia division. This was a dairy products and ice cream manufacturing business swiftly expanding into retail." Durant's work with Dairy Farm was bridged by a five-year period from 1993 as finance director with London-listed Hong Kong Land Holdings (HKL), in which Jardine Matheson held a substantial minority interest. Like Dairy Farm, HKL aimed to develop beyond Hong Kong, with investments in the Philippines and Singapore.

"This was my first role as a listed company finance director and involved management of a big balance sheet with a significant debt portfolio," he says. "At this time I was invited to join the ACT. My predecessor, David Gawler, was a great supporter, while the



significance of treasury and balance sheet issues in Hong Kong meant an active community of ACT members. From my point of view, the ACT was an invaluable source of support and accreditation for treasurers I have hired and worked with."

In 1998 he was offered the opportunity of returning to Dairy Farm, by now transformed from food manufacturer to major retailer, with a new American chief, Ron Floto. In Australia, Dairy Farm owned the Franklins supermarket chain, which faced major competition in the sector. "It became clear that we either needed to restructure Franklins or sell it," says Durant. "We chose the latter option, but this involved lengthy negotiations with competition authorities before we could complete deals with various industry players."

New Zealand's supermarket sector was also consolidating, and eventually Dairy Farm sold Woolworths to focus on the Asian market. "We also fought a brutal price war on the home front in Hong Kong, so it was a busy period."

By 2001 Dairy Farm had been repositioned and Durant decided to return to the UK as finance director of Thistle Hotels, a FTSE 250 company, with a portfolio of 56 British hotels. His stay was relatively brief as Singapore's BIL International, which already held a 46% stake, bought out other shareholders in 2003.

Next stop was transport and container leasing business SeaContainers, with headquarters in the UK, a Bermuda domicile and a US listing. He became CFO as the group was struggling to meet fiercely challenging conditions for its European and Baltic ferry operations, and in the UK had rebid to retain its Great North Eastern Railways (GNER) franchise on aggressive terms. "SeaContainers was an overleveraged company with inadequate access to cashflow," says Durant.

SeaContainers began disposing of various businesses and assets, and in October 2006 filed for Chapter 11 bankruptcy protection to work on a break-up and disposal of assets. Durant worked closely with the Department of Transport in negotiating a management contract in the run-up to a rebid for the GNER franchise with Virgin and Stagecoach, but it lost out to rival National Express. He then moved to Liberty International as group finance director, already prepared for the subsequent property financing crisis.

Some of Liberty International's South African investors were unenthusiastic about the demerger of CapCo due to complications related to its categorisation as a foreign stock in South Africa's tight foreign exchange control regime. However, the separation into two

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businesses was generally well received and in May shares began trading in London and Johannesburg.

Durant is upbeat about CapCo's prospects. The resilience of London's economy – illustrated by the strong property values in Covent Garden during the downturn – underpins his optimism. "CapCo is well capitalised,

has an experienced management team, and its prime assets in great London locations position it well to create value," he adds.

The newly demerged group can claim a debt to equity ratio of less than 40%, and is well capitalised with cash available. Durant believes its portfolio combines strong recurring income, with "good upside" in valuations.

Looking back on his career to date, Durant observes that treasurers played a key senior management function in each company he worked for. "Although not board directors, they made regular appearances before and reports to the board unfiltered by me as finance director. To some degree, they have played both a risk management role in respect of the organisation's financial risks and a specialised role in managing financial instruments used to contain risk."

He adds that in companies with wide-ranging lender relationships, the treasurer is central in keeping abreast of financing trends and opportunities, as well as advising the board of constraints, which helps in strategy formulation.

"They are also central in legal structuring and acquisitions and, in that capacity, have worked closely with the organisation's legal function. They keep a close watch on where the cash is in the group, identifying and resolving any cash traps. During the credit crisis, the treasurer's relevance and importance was more evident than ever before to the boards that I worked with."

He's also a non-executive director of pubs, hotels and brewing group Greene King and chairs the UK's largest swimming club, in Ealing. "Among my passions are London's sporting facilities," he explains. "Ealing is a long-established club, but around 15 years ago it decided to hire an Olympic coach, who has developed the very best swimmers to make it one of London's most successful clubs and a centre of excellence for encouraging community participation in sport."

All in all, the 2012 Games promise to be particularly memorable for CapCo's chairman – both in the day job and his outside interests.

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