

By Tom Lyons

# Tom Lyons: A done deal, but were taxpayers the losers

**O**N the fifth floor of Davy stockbrokers' granite-faced Dublin headquarters a trickle of four grey-haired ordinary-looking men not wearing the usual business uniform filed into a meeting where shareholders in Siteserv, a support services company, were being asked to approve a €45m bid for the company from billionaire Denis O'Brien.

Nonetheless the room was almost full. On one side was a wall of silent suits representing the company and various institutional shareholders and on the other a bank of Irish and international business journalists. Dotted around the meeting on Thursday were the four «civilian» shareholders.

Siteserv is a company few had previously heard of. It employs 2,300 people in Ireland and the UK, doing everything from installing Sky TV boxes to fixing traffic lights. It has a number of brands, including Sierra, a utilities contractor which has contracts with the ESB and Bord Gais.

Founded in 2004, it had, after a debt-fuelled rapid expansion during the boom, found itself struggling with unsustainable borrowings of €150m from Anglo Irish Bank (IBRC).

As a result, it was quietly put on the market to a limited group of potential buyers last year by the company's advisors Davy and KPMG.

The room was full because it was all over the news last week for a variety of reasons. Mr O'Brien was about to be crowned its new owner with a bid of €45m for the company. Jobs, including 1,000 in Ireland, were now secure; decimated shareholders (including Siteserv executives) were getting €5m in cash back; and Mr O'Brien had an exciting new business.

That was the good news.

The bad was that taxpayer-owned IBRC, in order to sell the business, was writing off €105m in public money.

Worse, on Sunday it was reported that a multibillion investment fund called Anchorage had submitted a €52m bid for the company.

On the face of it this was €7m more than O'Brien had offered.

On Monday, a competing French company called Altrad, with revenues of €500m a year, complained publicly that it had been «shut out» out of the bidding.

It said Siteserv could be worth €60m -- €15m more than Mr O'Brien valued it at.

The public, the media and the four non-corporate shareholders who showed up now wanted to know if Siteserv had been sold for the best price?

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Gripping the podium firmly, Hugh Cooney, the chairman of Siteserv, set out the case for the defence.

Mr Cooney admitted that Anchorage had outbid Mr O'Brien.

But, he said: «*This revised higher bid was very carefully considered and was not excluded from the process.*» Mr Cooney said conditions attached to this bid, which he did not detail, were less attractive than Mr O'Brien's proposition -- and so it was turned down. Altrad's bid of €60m, he said, had only recently been received and Siteserv's board and advisors had turned it down too as it was only «*indicative*» and had various conditions.

Mr Cooney then addressed the media and its reporting of Mr O'Brien, who beside being a billionaire was also an existing borrower from IBRC.

«*Mr O'Brien's offer represented the best offer in terms of price and conditions,*» he said, «*We were in no way influenced positively or negatively by the identity of the purchaser.*»

Patrick Fox, a retiree who had lost money on Siteserv, was having none of it. «*Surely to God the shareholders should get the option of casting a vote on the French offer?*» he said.

Mr Cooney reassured him -- and later other shareholders -- that the deal was not worthy of their consideration.

Ray Neilson, a senior executive with Altrad, then stood up. His displeasure was clear as he outlined how his boss, Dr Mohed Altrad, already owned 60 different companies as well as Montpellier rugby club in the south of France.

Altrad had a cash mountain to do deals, Mr Neilson said, and had long had its eye on Siteserv.

He claimed one of his staff had contacted Brian Harvey, the chief executive of Siteserv, in September 2011 to find out if it was for sale -- but he was told it was not.

In January, Mr Neilson said he rang Mr Harvey and asked for a meeting around the time that Montpellier was playing Leinster in Dublin. Mr Neilson said Mr Harvey told him he was busy.

«*Right the way through January and the middle of March we were told very clearly by Brian the company was not for sale... and don't worry, if there was anything coming out I'll come and talk about it,*» Mr Neilson said.

Mr Neilson said he was very annoyed when he read that the company had been sold to Mr O'Brien, and contacted IBRC. IBRC said it did not know about Mr Neilson's approaches.

«*The question I have for the board here is did the plc board know of our numerous approaches?*» Mr Neilson said.

«*Altrad has offered 33 per cent more than the highest bid you are looking at today. This money belongs to the people of Ireland,*» he said.

Robert Dix, a KPMG veteran and Siteserv's senior independent director, who oversaw the sale, defended the company. «*We identified a very large number of companies... the opinion of the investment committee, our advisors, the board,*

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and confirmed by IBRC, [Mr O'Brien's] was the best bid,» he said.

Mr Neilson was no mood to give up. *«We said we would double what was going to the shareholders today and the remainder would go back to the banks,»* he insisted. *«We would give the banks another €11.5m, the shareholders another €3.5m. We wanted to double shareholder value and give the rest back to the people of Ireland.»*

Mr Cooney again pointed to the uncertainty around Altrad's offer price. *«I am an experienced director and take my responsibilities seriously,»* he said, *«I am very happy to stand over the process.»*

After repeated calls from shareholders, initially resisted by Mr Cooney, Mr Harvey took the podium. He said Mr Neilson had not identified himself as being part of Altrad, but instead said he was involved with one of its subsidiaries called the Bell Group, which he had never heard of. He said as a chief executive of a public company he could not comment on everything to every caller.

After more shareholder bickering the meeting closed -- but there was more to come.

Mr Neilson, pin-striped and wearing Polo-brand glasses, stood up and was immediately surrounded by the press. The Financial Times asked if he was going to complain to the Office of the Director of Corporate Enforcement about how he was, in his opinion, shut out of the deal.

*«We'll review after today's meeting,»* Mr Neilson said.

He rejected a suggestion from the Sunday Independent that asking a rake of trade bidders to submit offers would lead to a damaging rumour mill around Siteserv.

*«That is extremely unfair. If you look at any of the acquisitions we have made we keep everything in total confidence,»* Mr Neilson said.

The Financial Times then asked why he believed Altrad had not been invited to bid.

*«We don't know. We are completely mystified,»* Mr Neilson said. *«It is like [the film] Burn After Reading, you are mystified at the end. Nobody wanted to approach us. What happened to all those conversations with Brian? We don't know.»*

Mr Neilson dismissed claims by Siteserv there was only a *«slim»* chance that Altrad would stick with its higher bid. *«The reality is that with the level of synergies we'd have with Siteserv, €60m would have been a very low bid for it,»* Mr Neilson said.

*«That was our opening bid. If they'd allowed an open fight as we would see it, where they'd allowed in people with synergy, then I think it could have gone for well in excess of €60m.»*

Then it was on to the media briefing by Mr Cooney, Mr Dix and Mr Harvey. Mr Dix was on the defence again from questions from five newspapers and RTE.

*«We always knew this transaction would be open to full scrutiny because our lender was being asked to write off a considerable amount of money,»* he said.

The best deal, he said, had been achieved.

Pressed by the Sunday Independent on how hard the bidders were squeezed to get the maximum price, Mr Dix said: *«We had a number of rounds. At the end of them we asked them to put their best foot forward. Eventually, you have to have a final round. Denis O'Brien put the best foot forward.»*

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*«Because of leaks to the papers the business came under pressure from its creditors because there were questions around the financial viability of the business,» he explained. «We had to quickly get a transaction done at the best price.»*

Where was Walter Hobbs, the man IBRC had appointed to represent the taxpayer's interest?

*«He is not here. He is not a shareholder,»* Mr Harvey said.

Mr Harvey told the briefing he had only ever heard of Altrad *«very vaguely in the distance»*.

*«It is very easy for someone to come into the process and say they'll pay X,»* Mr Harvey said. *«The exhibition you are seeing is based on a competitor making a noise,»* he said.

Mr Harvey is a big shareholder in Siteserv, who will share in some of the €5m in cash being given back to shareholders.

The Sunday Independent asked him whether he had significant personal borrowings from IBRC.

*«I don't think it is relevant to anything like this,»* Mr Harvey said.

*«I think that's unfair,»* Mr Cooney said. *«We have evaluated all the offers and made a decision. The question you have just asked is inappropriate. You are challenging the robustness of our process.»*

The Irish Times disagreed. *«You are talking about the robustness of the process,»* it said. *«I don't mean to sound pompous but it is our job to challenge its robustness. That is what our readers pay us to do.»*

The Financial Times then asked whether there was a «conflict of interest», with lawyers from Arthur Cox representing both the successful bidder, Mr O'Brien, and the company.

*«It is not totally unusual. Arthur Cox is a very reputable law firm,»* Mr Cooney said. *«They gave us assurances about how any conflict that might arise would be dealt with and the board accepted that assurance.»*

Mr Dix said he was aware of «noise» from under-bidders, who he admitted were «unhappy».

The Financial Times asked him why he had not taken the higher Anchorage bid.

*«What does more mean?»* Mr Dix said. *«There are headline prices. All bids were subject to due diligence, subject to deductions for this type of debt, that type of tax. The price in a sense is meaningless... the net figure from [Mr O'Brien] was higher.»*

Mr Cooney said Siteserv was under pressure to complete the deal swiftly at the end. *«Because of the media speculation, credit insurers were threatening to withdraw cover, which was putting further pressure on the company... speed was of the essence,»* he said.

Mr Cooney said he believed Siteserv could have lost contracts if the process had been allowed to drag out longer by allowing Altrad another eight weeks to put a bid together.

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The Financial Times said this would not have been an issue if Altrad had been brought into the process sooner. *«I just can't understand why two really good advisers, Davy and KPMG, didn't identify this company. Did they screw up?»* it asked.

Mr Dix denied this.

*«The price that [Altrad] had was a headline price,»* he insisted. *«It would never have survived.»*

The Sunday Independent asked had Siteserv's advisers run enough bidding rounds to shake out the highest bid.

*«I am not going to get into the detail,»* Mr Dix said. *«Each offer was fully researched and developed at every stage... It wasn't rushed through, it took six months.»*

*«The advisers we had were the best in town,»* Mr Harvey said. *«The evaluation process that they carried out for all bids was absolutely impeccable. The new investor has gone a long way to protecting 2,300 jobs, 1000 of which are here. We are looking forward to working with an investment partner to grow this business and I know they intend to create more. This is a good story.»*

Mr Dix said Denis O'Brien's reputation in the fallout of the Moriarty tribunal report was irrelevant and he said it would have no impact on Siteserv bidding for Irish government contracts.

*«I have no concern,»* Mr Dix said. *«Denis O'Brien is a very successful businessman. Those tribunals are something different. They have nothing to do with me or Siteserv. The EU Commission said in the case of Pdraig Flynn [the former European Commissioner who was pursued by the Mahon tribunal] it was nothing to do with him. I think it is something separate from commerce, quite honestly.»*

As the briefing ended, Mr Dix gave his final thoughts on a bizarre and fractious end to Siteserv's days on the Irish Stock Exchange.

*«We honestly believe it was run in a fair and transparent way and the outcome was the best for IBRC and all other stakeholders,»* he said.

After three firm handshakes, Mr Harvey, Mr Cooney, and Mr Dix ended the briefing.

But where was the taxpayer and IBRC's man, Mr Hobbs, who couldn't make it because of a prior engagement?

The Sunday Independent tracked him down on his mobile after IBRC and Siteserv could not immediately reach him.

*«There was a lot of different considerations, not just price,»* Mr Hobbs said. *«We are very happy with the outcome. In these situations everything is carefully considered,»* he said.

Mr Hobbs said the *«number»* of bidding rounds Mr Dix referred to was in fact only two. *«In round two, there were two bidders,»* Mr Hobbs said, *«I am entirely comfortable that the O'Brien bid was the most commercially compelling.»*

Mr Hobbs defended the decision not to hold more bidding rounds for a company that owed €150m to the taxpayer. *«Pricing in these situations is very complex,»* he said.

*«There was a lot of adjusting and moving around. It was the right thing to do,»*  
he said.

Was it the right thing to do not just for the company but also the taxpayer?  
Mr Hobbs's verdict was: «Yes.»

As Thursday afternoon wound on, the vote came in: 99 per cent of shareholders  
were in favour.

A request, meanwhile, for comment from the Sunday Independent to Mr O'Brien  
was declined.

