Alec Monk carving up the joint

BOOKER popped Dee Corporation's Linfood cash and carry businesses into its shopping basket yesterday and proffered Alec Monk, chairman of Dee Corporation, £90m in cash and a chunk of humble pie.

It is only four months since Dee defeated an audacious £2 billion bid from Barker & Dobson, by arguing that B&D would have to dismember Dee to pay off its debts. With this and disposals like that of its Spanish subsidiary Digsa, it looks to the untrained eye as though Dee is doing the butchering itself.

Mr Monk yesterday dismissed such notions as "childish and simplistic." Dee's recovery plans have absolutely nothing to do with B&D's recovery plans, however similar they look. Discussions with Booker, says Mr Monk, began as long ago as last summer, as did talks about Digsa.

There have been no offers for Herman's, Dee's ailing American sports chain. Outsiders think that nobody rich or keen enough has been found to cough up a face-saving price.

As Dee shares languished unchanged at 190p yesterday—just 14p higher than before B&D's bid—shareholders might wonder whether they were so wise to spurn B&D's offer of 140p in cash and 85 p.c. of the enlarged business.

They can judge later this month, when Dee is expected to report preliminary results along the lines of its £185m defence forecast. Anything less and Mr Monk should expect to face the worst.

In isolation the Linfood deal would look good for both parties. It also resolves a key issue left over from Dee's own failed bid for Booker three years ago. At that time, Dee argued for a cash-and-carry marriage and now Booker has tied the knot.

With trading profits of £8·3m at Linfood last year, the price looks reasonable and, after this deal, Booker will oust Nurdin & Peacock as Britain's biggest cash-and-carry business with sales of £1·5 billion. Booker maintains that the market is growing at 9·5 p.c. annually, and sees potential to hoist Linfood's 1 p.c. margins. Others think cash and carry is yesterday's industry, as the relentless march of the supermarkets continues.

Booker shares fell 22p to 388p, partly due to market nervousness about its old-fashioned rights issue financing. The two-for-seven rights at 340p will raise £124·6m, leaving Booker with a comparatively healthy balance sheet even after buying Linfood.

It is unfortunate for Booker that, after 27 years without a rights issue, it should need one in such wobbly times. After all, with current borrowings of £70m on £130m shareholders' funds, Jonathan Taylor, chief executive of Booker, is rightly shy of debt finance.

CITY COMMENT

Nigel should set his sights higher

YOU can tell that interest rates are getting near to their proper level when the old cries for hire purchase controls re-emerge. Yesterday's half-point rise, following the pattern of little and often, brings rates to the point where they will start to choke off consumer credit growth, whether the consumers like it or not.

So far, the Chancellor appears to have played a poor hand quite well. It is impossible to dress up a half-point rise as a panic measure, however much his opponents might try, yet rates have now come up by $2\frac{1}{2}$ p.c. from their ill-judged trough.

Yesterday, Dr Gerard Lyons, at stockbrokers SBCI Savory Milln, joined the band of economists wanting more pain for consumers and less for industry.

Credit controls to stop money leaking out of the housing market and into consumer spending are what's needed, he says, while interest rates can be left lower for industrial investment.

One day, perhaps, there may be a case for a fresh look at the devices which were used with such great effect in the 1960s and 1970s to treat the symptoms of our economic malaise while leaving the cause untouched, but it is surely not now.

Industry has more cash than ever before and there is a greater danger of over-investment than the reverse. Besides, if companies are worried about the cost of debt, the equity market is still open to them at much cheaper rates.

The plain fact is that money costs have been too low, and may still be, and distorting the market place is not the way to contain excess demand.

If the Chancellor is to be deviated from merely pushing up interest rates in general, he should look again at National Savings, which is once again a forgotten little corner of his empire which might help him out of the one he is now in.

He could perfectly well justify a steep rise in rates of interest which were set in very different circumstances a year ago.

Merely bringing the rates back into line with the market would both mop up some cash which consumers might otherwise spend on more imports, while making funds scarcer for the building societies.

Yale key to a handsome profit

IT IS said that there are less than two dozen true generic brand names in the world—products so familiar that they are routinely used to describe their markets, like Hoover or Coke, as well as the products themselves.

Creating such a product needs luck as well as persistence and a huge advertising budget, but once it is created in the public's mind, its value is extremely high.

This thought has turned Yale& Valor, the company put together by Michael Montague just a year ago, into the hottest stock of the summer. Since some fair, but unspectacular results three weeks ago, the shares have shot from 278p to 413p, with a leap of 25 yesterday. Yale, say the bulls, is a world generic brand name.

At yesterday's price, almost 15 times this year's most optimistic earnings projection, the shares really are too high on trading grounds. Yet over a tenth of the company has changed hands in the last fortnight; the shares sailed through the 330p level at which the Yale deal was financed before the crash last year; and there are confident predictions that Williams Holdings now has a stake approaching 5 p.c.

Clever Mr Montague bought Yale, the American-based business with a name synonymous with door locks, for less than 14 times earnings, and rumours that other American buyers were cross have refused to die.

It is likely that one of those frustrated buyers has decided to go for the whole business, now valued at almost £500m. Even the bright lads at Williams would be hard pressed to persuade investors that they could run the business better after such a short time.

Security is a big, and fast-growing business across the western world, and there is not a name to rival Yale. Should the bidder appear, Mr Montague could deploy all the brand-name arguments to make him pay a Rowntree-sized multiple for his company.