



Isosceles chief executive David Smith: "There's no point in Gateway trying to fight everybody all over the country"

Smith adds new angle to Isosceles glory bid

WHEN accountant David Smith was asked by a friend late last summer to meet a former Gateway Foodmarkets director called Iain Wolsey, he thought it was just another in a long line of bid proposals for the ailing retailer.

Mr Smith had not been able to get Gateway out of his mind ever since the abortive bid by Barker & Dobson 19 months previously in which he had advised B&D chairman and chief executive John Fletcher.

But curiosity got the better of him and he set up a meeting with Mr Wolsey.

He did not expect much to

come of it. Hardly a month had gone by since the B&D bid in which he had not been contacted by different parties

about Gateway.

"It was more an assessment of them that I did not get involved, but I kept on thinking about it," he said.

Mr Wolsey did not tell Mr Smith anything he did not already know. He talked about great dissatisfaction within the company.

This was at the time group marketing director David Fisher and planning and business development director Tony Butler resigned to join Ashley Group.

In October, the man who describes himself as "just a Presbyterian Scotsman that keeps in the background", caught bid fever.

"I started thinking seriously about it, trying to fathom things out."

Wavelength

"I met one or two people at Gateway and they kept on trotting off names of people on the board who wanted to meet me."

But Mr Smith thought if they were so unhappy it should be Gateway Corporation chairman and chief executive Alec Monk whom they should talk to, not him.

"I am sure the Gateway Foodmarkets board suffered a blow when they saw Butler and Fisher depart because that signalled to them there would not be a change."

In October/November Mr Smith got down to work with City broker SG Warburg, which was, ironically, Gateway's broker.

"Warburg had asked me if I had any thoughts on Gateway. I said I had thoughts about it and I asked them what they were thinking about."

It emerged they were both on the same wavelength, but the bid got delayed for about a month when one of the Warburg executives working on proposals contracted hepatitis.

The real graft began in January and at the end of February Mr Smith revealed his proposals to the four Gateway directors now known as the "rebel four" — Foodmarkets marketing director Bob Willett, fresh food director Roger Reeson, finance director Richard Quinton and corporate affairs director (corporation main board) Peter Fisher.

He showed them his projections and they said they could deliver the goods.

Mr Smith thought the fuss Gateway had made over the rebel four was ridiculous, referring to the injunction that was slapped on them to stop them divulging information to Isosceles, Mr Smith's comortium.

"All my projections were a further development of those made at the time of the B&D bid," said Mr Smith.

He did not need to go to the rebel four for information.

"The Gateway four don't think about the business in the wider sense. They are doing a specific job."

"You're not speaking to these folk to get information. That way you get too much and it does not piece together."

Mr Smith took great pains to explain Gateway's phantom share scheme which effectively gives selected Foodmarkets directors cash payments when the share price rises to 195p, and 220p (*Super Marketing*, May 19).

"The board obviously contemplated the success of the bid at 195p (the value of the Isosceles bid)," he said.

He found that amusing because Gateway had described the offer as "miserly" and "derisory".

He said Gateway, it could be argued, had gone behind its shareholders' backs in introducing phantom shares. "Companies should not put in incentive schemes that they don't disclose to shareholders."

While he fired shots at Gateway at every opportunity he was careful what he said about its staff. "We are confident inside Gateway there is the ability to run the business our way."

Future

"We're not looking to bring in new people. We are hoping that at Gateway there must be someone to run the business."

He said he had come to a decision about Foodmarkets chief executive Louis Sherwood who had allied himself with Alec Monk, but he wanted to talk to him.

Mr Smith said he was keen to hold onto Gateway's Northern Ireland grocery chain Wellworth's but he thought a management buyout could be on the cards.

He said the chain had pursued a management buyout at the time of the B&D bid, although finance director Stan King said as far as he knew this was not true.

"We have to persuade them they have a good future with us," said Mr Smith.

Putting Gateway back up the ladder and out of reach of the snakes was a long-term job.

"There's no point in Gateway trying to fight everybody all over the country. They are fighting the world and its wife."

Gateway needed focus and Isosceles was the group to give it just that, said Mr Smith.

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