FA keeps Friends First link-up

Pat Boyle

FIRST Active will continue to offer its customers the life and investment products of Friends First following a review of tenders it had sought from major players in the pensions and investment market.

Speculation had been rife that the bank was about to switch to the Irish Life product suite in a move which some maintained was the overture to a merger of the two institutions.

Sales of life and pensions products through the First Active network account for about 7pc of the entire Irish life market, and Friends First would have been badly hit had it lost its status as the sole tied agent to FA.

First Active will lose its takeover protection in October, five years after it made its debut on the stock market following its demutualisation.

With that date looming, there has been considerable speculation on a takeover, and the decision to return capital to shareholders has heightened this speculation.

The capital will be dispersed via an increased final dividend, which is being bumped up to 10.25 cents a share. In total the bank will distribute €160m to shareholders.

If the company amalgamates with a larger bank or is sold in a trade sale once its protection from takeover ends in October, shareholders will have another pay day to look forward to.

Last month it was reported that the bank had entered contract negotiations with Irish Life following a tender process with various life offices.

Healthy cash balance for Tony Quinn company

Tom Lyons

HEALTH and lifestyle guru Tony Quinn's latest filed accounts for Tony Quinn Health Centres (TQHC) Ltd show that the weight loss, life extension and mind power kingpin's company had a hefty €624,519 in cash on September 30, 2001.

This represents an almost fivefold increase on the previous year.

Mr Quinn's dozen shops held a range of products valued at almost €1.1m, according to the accounts.

These include 'mind-power nutrients', 'life extension mixes', audiotapes and octogenarian Bob Delmonteque's range of antioxidants.

While the company showed €709,504 in total assets less current liabilities, the group's retained profit and loss was heavily in the red, at €989,450.

Malahide and Barbados-based Mr Quinn himself is not listed among TQHC's three directors who have addresses in Jersey, Malaga and Brittas Bay, Co Wicklow.

However, this might be explained by TQHC's ultimate parent company which is Jersey-based Baringo Trading Ltd.

Baringo also has control of two other arms of Mr Quinn's businesses, Human Potential Research, and Human Potential Research Seminars.

TQHC has listed Baringo as an outstanding creditor at year-end, valued at €980,234.

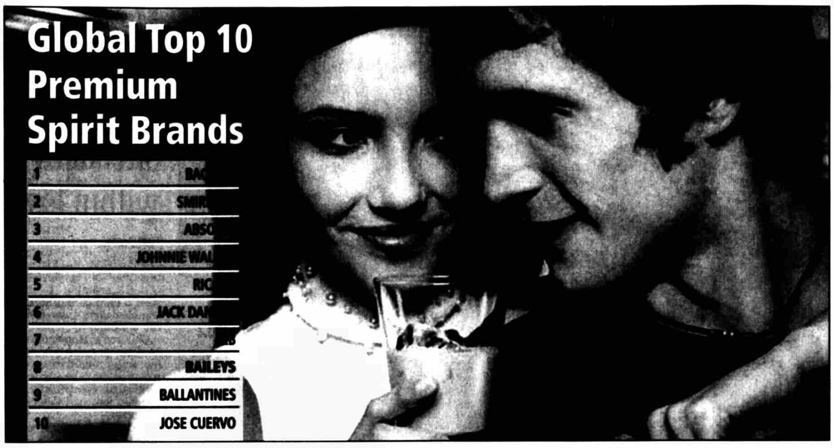
Mr Quinn's TQHC seems to be delivering a lucrative cash flow to the company that no doubt will fund continued product range development.

Mr Quinn has built up a very successful business operation from modest beginnings to more recent "healing blasts" via another Quinn-connected company called Educo Postal Requests.

He also came to major prominence in 1995 when he emerged as a psychological trainer during a title challenge for world boxing champion Steve Collins, for which he was paid €360,000.

Quinn: firm held €624,519 in cash in Sept '01

DIAGEO ANNOUNCES RESULTS



Guinness sales fall as drinkers tighten belts

David Murphy
Deputy Business Editor

SALES of Guinness stout in Ireland have sunk by 3pc. But the popular drink has managed to retain its strong share of over one third of the market, its parent company Diageo said yesterday.

The fall was due to a general slip in the sales of beer and cider, explained assistant managing director Clive Brownlee.

"We are not happy that sales are down, but market share has held at 36pc."

Guinness turnover was supported by a 12pc increase in marketing spending. Mr Brownlee said the company had also spent €40m on improving the quality of the stout by ensuring pipes leading from the kegs are kept clean in pubs.

Overall, operating profit was level at €132m as a result of price increases which were broadly in line with inflation. Turnover was also level, at €779m, for the six months ending 2002.

Volume of drink sales was down 2pc and net sales were up 2pc in the Irish market. Mr Brownlee said: "Economic conditions are a lot tougher. People are tightening their belts.

"Given the state of the market we produced a reasonable set of results. Baileys has been a considerable success."

The cream liqueur grew by 11pc while Smirnoff was up 3pc, including Smirnoff Ice, which saw sales rise 12pc. But the growth was offset by the 5pc decline in the volume of beer brands.

Smirnoff Black Ice and Smirnoff Ice on draught together now represent 25pc of Smirnoff Ice volume.

Mr Brownlee said the company was stepping up investment in its flavour extract plant in Waterford which will make essence for 50 countries to make Guinness stout.

In the six months to December 31, the London-based parent Diageo saw underlying operating profits remain broadly unchanged at £1.24bn after what chief executive Paul Walsh described as a "tough six months".

Diageo first flagged its concerns over trading conditions in December as weakness in Latin America and parts of Europe hit demand.

Group chief executive Paul Walsh said he had been encouraged by the strength of its brands in North America and Britain.

"In the absence of any significant change to market trends, we expect Diageo's organic growth performance in the second half to improve against the first half."

Mr Walsh said the showing for the six months to June 30 would also benefit from easier comparisons with 2002 figures and the integration of the Seagram wine and spirits business, which was performing ahead of hopes.

The Seagram's business was jointly acquired with Pernod Ricard.

Baileys is world's eighth most popular spirit

Cyril Hardiman

CONTINUING strong consumption of Baileys Irish Cream has lifted the brand to eighth position among the world's top-selling spirits.

Sales in 2002 topped six million cases for the first time, a dynamic growth of 12pc in a market that is in decline overall. Other premium spirits have grown, but only by 3pc.

The 2002 performance took Baileys, a priority brand within the Diageo brand portfolio, up one place in the international league table compiled by *Impact* magazine. Current trends suggest Baileys may overtake Scotch whiskies J&B and Jack Daniels, respectively seventh and sixth positions on the table, during the current year.

Moreover, Frank Fenn who has responsibility for Baileys outside Ireland, says the target of ten million cases a year by end 2008 is on target, if not ahead. A new €64m plant is on schedule to begin production in Belfast this June.

The UK was Baileys most vibrant market in 2002 when case sales grew at an astonishing 35pc to top the one million mark for the first time. Only the US at about 1.2 million cases is a bigger market. Consumption there grew 14pc.

Fenn says the launch of the Baileys Mini boosted UK sales but consumption of the traditional product was still up 27pc. Italy was also strong, Germany grew by 5pc but Spain slipped after years of growth. "It's not a brand issue, our market share is actually up, but in a market that has contracted slightly."

He blames consumer reaction to excessive post-euro price adjustments. Baileys is recognised as a very profitable brand but Diageo steadfastly refuses to disclose the level of profits.

Rendina: €2.70 Alphyra bid is 'final'

Pat Boyle

RENDINA, the management vehicle which has tabled a buyout bid for electronic payments specialist Alphyra, yesterday announced that its €2.70 a share offer was final and would not be raised.

The statement follows on a decision by Benchmark Capital that it would not be making additional funds available to Rendina to finance any further increase in its offer.

Benchmark made its statement following speculation on a raised bid from Rendina.

Already Davy analyst Barry Dixon has said that the Rendina offer places a fair valuation on Alphyra.

The closing date for acceptance of the offer is February 26.

Assuming it is successful, then Benchmark Capital will become the majority shareholder of the company which will continue to be headed by current chief, John Nagle.

Rendina has already received acceptances from shareholders representing 38.5pc of the Alphyra equity.

Benchmark Capital, which is backing the Rendina bid, also issued a statement this morning in response to recent press reports.

Confidence in the success of the Rendina bid was lifted on Wednesday when Euronet, which had expressed an interest in mounting a rival bid, announced that it had bought one of Alphyra's main rivals, UK firm ePay.

Discount stores eye 9pc share

David Murphy

THE discount retailers Aldi and Lidl may reach 9pc market share of Irish grocery sales by the end of the decade.

A survey carried out by MRBI and Taylor Nelson Sofres found the two low-price supermarkets have a 4.1pc share of sales in Ireland. But the companies sales are quickly growing.

The research found they had a lower market share in Dublin with only 1.6pc of the grocery market.

The study found with little or no TV or radio advertising awareness for the discount stores is very high, with around three in four shoppers recalling the stores when prompted.

Over half of all shoppers have bought something in Lidl, and one in three have bought something in Aldi.

While trial of the two supermarkets by shoppers has increased over the past year, so did repeat purchasing which is around 80pc, suggesting those who shopped there like what they saw and were returning to the stores.

Two thirds of all current non-discount shoppers have not visited a store because there is no shop near them.

O2 may opt for 'cheaper' 3G

Ailish O'Hora

MOBILE phone company O2 Ireland has reaffirmed that it will meet the 3G rollout requirements of its licence here after the chief executive of its parent said it is considering using slower Enhanced Data Rates for GSM Environment (EDGE) technology in the rollout of 3G.

According to Darragh Stokes, a telecoms specialist at Hardiman Telecommunications, the parent, MMO2, could save up to 80pc of the rollout costs of next generation mobile telephony if it used EDGE rather than WCDMA technology.

MMO2 chief executive Peter Erskine told the 3GSM World Congress in Cannes that because of the delays and expense related to 3G deployment, the company is considering EDGE which is slower and has less bandwidth than WCDMA.

MMO2 has spent millions on 3G licences in Germany, Britain and The Netherlands. The Irish one cost €114m over 10 years, and will run for 20 years.

An O2 Ireland spokesperson said the parent is looking at this option "on paper" but decisions will be taken on a country-by-country basis.

As well as being cheaper, EDGE is also quicker to deploy than WCDMA.

And while it is about five times faster than GSM, or 2G, it is four times slower than 3G.

According to Mr Stokes, using EDGE could be a clever move for mobile phone companies as the take up of 2.5G, or GPRS (that allows services like multi-messaging) by consumers has not been as fast as had been originally expected.

Datalex shares fall 2pc after drop in losses and turnover

Ailish O'Hora

SHARES in airline software company Datalex fell over 2pc yesterday to 46¢ after the company reported a drop in both losses and turnover for year end December 2002.

Turnover at the firm fell 11pc to $25.2m during the year as the downturn in the airline industry hit the company's sales.

But Datalex also announced it has reduced its pre-tax losses to €20.6m, compared with $92.8m in 2001 as cost-saving mechanisms kicked in.

Earlier this year millionaire financier Dermot Desmond increased his stake to 13.4pc in the firm through investment vehicle Bottin Investments and now owns 8.78m shares. Datalex said its operating loss for the year before exceptionals, including a charge for share awards to employees, was down to $11.2m, from $29.4m the previous year while operating expenses before the same exceptionals were down over 47pc to $18.5m last year.

And company chief executive Neil Beck is positive about 2003, despite a looming war with Iraq.

"We are not seeing a slowdown in our business despite the fact that everyone knows something is going to happen," he said.

"Compared with 12 months ago when companies were saying they couldn't afford to spend money on our technology they are now realising the value proposition in it because with it they can reduce costs and increase yields," Mr Beck said.

Datalex had a net cash balance at the end of the year of $39.1m and has signed new agreements and penetrated other industry and geographical sectors throughout the year.

"They are fairly strong results and we are reasonably pleased," he said. "This time around there's a lot less red ink involved."

He added that they demonstrate the ongoing impact of ongoing fiscal management strategies in a market that has suffered under the effects of a negative economic and geo-political environment. "However, this market is in transition to recovery," he said.

At yesterday's *Irish Independent*/Vodafone business breakfast forum on *Gaelic Games: Principle or Profit* held in the Berkeley Court Hotel in Dublin were, from left: Niall O'Sullivan, chief financial officer, Vodafone; speakers Sean Kelly, president-elect, GAA with broadcaster Eamonn Dunphy and Richard Curran, business editor, *Irish Independent*