
UGL Needs to Protect its Crown Jewel

When there's something top secret in the paper, it's usually because someone has a vested interest in the secret becoming public.

United Group Limited (UGL) has been working on a demerger of its business for the best part of a year. The theory goes that separating its Australian services business from its global property business, DTZ, is going to create value for shareholders.

We own the stock, because there's value there. DTZ is a cracking business. It's been growing healthily for a long time, has significant exposure an improving US economy and a large Asian footprint coveted by its competitors.

Spinning it off so shareholders can own the standalone business is an option we support. There's plenty of room for margin improvement and revenue growth under a focused management team. Keeping it and working on improving both sides of the business is also an option. Selling DTZ to someone else is a third option, but one where we give up the future upside.

Enter private equity and AFR's *Street Talk*. Every second day the AFR runs a story that a trade sale is looking increasingly likely, who the likely bidders are and what the likely price will be. TPG and \$1.3bn. That's the latest update anyway.

You have to question, of course, where this information is coming from and why is it being released to the paper. I've heard *Street Talk* described as a private equity billboard and my guess is it's only coming from one side. Private equity want this asset, and they want it on the cheap, and they are very attuned to using the media to help.

Fortunately Allan Gray, UGLs largest shareholder, is attuned to using the media itself. And they agree with us.

DTZ is worth at least \$1.6bn. If management can't get that price, they should keep it or proceed with the demerger. If we need to raise capital to achieve that outcome, let's pass the hat around and make it happen. Giving the crown jewel away is not the answer to UGLs problems.