

# FTSE 100 set to fall as Morrisons-inspired row over private equity takeovers gathers pace

The FTSE 100 Index was set to slip today as the ruckus over private equity takeovers of UK companies spread in the wake of the Morrisons takeover tussle.

Fund managers and other commentators were queuing up to attack the US buyout groups who have been swarming through the London market, buying up companies on the cheap.

Morrisons' bidding battle seems to have ignited a growing resentment among shareholders, employees and other stakeholders against PE firms' activities here.

Legal & General has, in a quite extraordinary move, criticised the latest bid for Fortress citing that it may reduce the amount of money going to the Exchequer from the grocery store chain. Presumably that was a reference to the lower tax treatment of debt and carried interest deriving from private equity deals.

It appears that, in some quarters at least, environmental, social and governance concerns are trumping those of price.

## READ MORE

- [Third potential bidder takes aim at Morrisons after £9.5bn offer](#)
- [FTSE 100 set to rise as Morrisons bid shows UK stocks are undervalued](#)

- [Burberry could face takeover threat due to failed succession planning](#)
- SPONSORED

Why Klarna's #WhyPayInterest campaign needs to be on your radar

However, as in many of the recent buyouts, price is still the biggest concern. In the case of Morrisons and, yesterday, Spire Healthcare, shareholders have been accusing boards of recommending private equity bids that are too low.

UK share prices have traded at a discount to their foreign peers ever since the Brexit referendum, and US private equity houses are prepared to make the gamble that the price reduction is no longer merited now we have a deal with the EU.

The question now is, if investors feel private equity bids are too low, will they have the courage to reject them in the knowledge that it could take months or years for the shares to reach those bid prices again? Those that profess to be longer term thinkers should do so, and put their money where their mouths are.

The FTSE 100 was being called down 10.3 at 7152 by the futures markets despite a decent bounce on the Nikkei this morning in Japan.

Deals for Tesco and Sainsbury have inevitably been speculated upon since the Morrisons bidding war erupted. Today KKR, a US private equity giant, was said to be planning to bulk up in the UK to do more takeovers of undervalued companies.

The firm which was characterised as Barbarians at the Gate in the famous novel detailing its hostile takeover battle of RJR Nabisco, is hiring a new team of five local dealmakers to find companies to buy.

There have now been private equity bids for 366 UK companies so far this year – by far the biggest ever since records began in the 1980s.

Rival Blackstone has also been hiring senior personnel here, as has Carlyle.

Speaking to the FT, KKR's Philipp Freise described the UK deal phenomenon as "absolutely normal", comparing it to Germany in 2001-2005 and Francois Hollande's period in France, when policymaking led to depressed share prices and buyout groups moved in.

The unease spreading in the UK is nothing new either. In Germany during those years, private equity firms were described as "locusts" by one senior politician.