Apple races to keep users firmly wrapped in its cloud

INSIDE BUSINESS

Richard Waters
on Technology

Let's start with a quiz. Which visionary tech executive said this: "Our aspiration is that individuals will only need to license media once, organise their subscriptions and collections once, and use any of their . . . devices to access and enjoy their media – from the living room to the desktop to their pockets."

No, it was not Steve Jobs, although this, in rudimentary form, is essentially what he came up with this week with the iCloud. Full marks if you identified it instead as Ray Ozzie, former chief software architect of Microsoft. It was part of a rallying cry Mr Ozzie issued to the troops more than three years ago, when he predicted the coming of a "device mesh" that would link all the electronic gadgets of the modern age into a new, seamless web.

That Apple is the one to come closest to making this a reality must be deeply galling to the software and internet companies that have worked on these ideas the longest – not least Google, which has spent years trying to popularise the idea of the cloud, only to have Mr Jobs steal its clothes.

How ironic, then, that users of the iCloud will not see any cloud at all: it will be invisible, the glue that holds together the company's devices, seeding common data across all of them. This is most definitely not the nirvana-in-a-browser envisaged by Google.

Like many such announcements, Apple's iCloud is both less and more than it seems.

Less, because some level of synchronisation and back-up of personal data like calendars, contacts and e-mail is already familiar to millions of device users. Apple has been behind in this department.

The company's promise of media ubiquity is also still just that: a promise. It will not be practical to download users' entire music libraries onto all their devices, let alone the video that is expected to follow next into the iCloud, so there will be some amount of compromise here that lessens the promise of completely seamless access.

But it is also more, because it catalyses a bigger shift in the basis of competition between the biggest hardware, software and internet services companies. Apple has been facing a problem: the high style and hardware innovation for which it is best known have become less of a competitive advantage as others have learnt to copy it faster. Its mobile operating system has also become less of a differentiator.

But it does have a head start: more than 200m devices with its iOS software have been sold, and it claims 44 per cent of the market for "smart" mobile devices.

Adding services that glue these devices together is doubly effective. It makes them immensely more useful and it increases the overall "stickiness" of Apple's device universe, discouraging customers with multiple gadgets from looking to another manufacturer for their next purchase.

This is a classic consolidation play, and it is one that rivals, which do not have as much control over the technology ecosystems in which they operate, will find hard to copy.

If Apple has the wherewithal to create the first device mesh, however, it is short of a key ingredient: the data. What breathes life into the seamless collections of devices dreamed of by visionaries such as Mr Ozzie is, ultimately, the information that becomes available across them.

Apple at least has the data to fuel two immediate "killer apps" that should help to sell the iCloud. These are music, because the company has a lock on this market already, and photos, because images are one form of data that can be created instantly by the device itself.

But there are many other types of data that Apple does not own or control, and companies like Google, Facebook and Microsoft are in a better position to exploit. MobileMe – a suite of e-mail, calendar and other applications – has been one of the Mr Jobs' rare admitted failures.

For now, most of the value that users of Apple devices draw from the cloud comes from the world beyond Apple, whether that is in the form of e-mail or social networking, or the maps, search and other services that fuel the mobile internet.

To build its personal digital hub, Apple needs its users to start creating the things of most importance to them directly on their iPads or iPhones, and storing them in the iCloud. The race is on: companies such as Google and Facebook, which live in the browser, and Microsoft, with its lock on the PC, are still central – even though they cannot offer the ease of access promised in the new world of linked devices.

But the message from Mr Jobs this week was clear. It was almost a decade ago – in October 2001 – that he first showed off the iPod, tied by its white umbilical cord to a personal computer that acted as the centre of the personal digital universe.

This week, as he symbolically cut the wire, a new decade of competition officially began.

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Temasek fund chief likely to leave in August

INVESTMENT COMPANIES

Singapore fund's Ho set to step down

Results expected to show large gains

By Henny Sender in Hong Kong and Kevin Brown in Singapore

Ho Ching, the executive director and chief executive officer of Singapore's Temasek investment fund, is likely to step down in August, according to people familiar with the matter.

If confirmed, Ms Ho's departure would come at a time when the fund – whose sole shareholder is the government of Singapore – has now fully recovered from the financial crisis, during which the value of its portfolio fell from S$185bn to S$130bn. A spokesman for Temasek declined to comment.

Temasek is expected to release its annual review for the year ending March 31 in early July.

The fund is expected to reveal gains made on its portfolio of investments, making it possible for Ms Ho to leave office on a high note after eight years in charge.

Temasek has benefited from Asia's rise and the recovery of the financial markets. About three-quarters of its portfolio is invested in the region, and almost 40 per cent in financial institutions.

This is not the first time there has been talk that Ms Ho, who is married to Lee Hsien Loong, Singapore's prime minister, might be leaving Temasek.

S$55bn

Fall in value of Temasek's holdings in financial crisis

In 2009, Temasek chose Chip Goodyear, the former head of BHP Billiton, as chief executive-elect, with the intention that he would succeed Ms Ho.

Mr Goodyear departed after only a few months, citing differences over strategic issues. Last summer the company recruited Greg Curl, a former Bank of America executive and China Construction Bank director, to oversee its financial services operations.

Temasek is in the process of consolidating its holdings, according to people familiar with its investment strategy.

Possible disposals include Temasek's stake in Indonesia's Bank Danamon, the proceeds from which could be used to increase its position in Bank of China. BoC may also take over Temasek's majority stake in NIB, a Pakistani bank.

Separately, on Wednesday the Government of Singapore Investment Corp announced that Dr Teh Kok Peng, president of GIC Special Investments, is retiring and will be replaced by Tay Lim Hock, who was made a GIC deputy president last year.

Dr Teh was in charge of private equity investments at GIC, which is the single largest investor in TPG Capital, and he currently chairs GIC's China Business Group. Most recently, Dr Teh was involved in exploring investment opportunities in American infrastructure alongside US state pension plans.

The German cable television group disappointed investors with its operating forecast and the news that its chief financial officer was leaving Reuters

Kabel Deutschland's stellar run ends

MEDIA

By Gerrit Wiesmann in Berlin

Kabel Deutschland, the German cable television company, watched investors put an end to its stock's recent stellar run even after pledging to make a profit this year and to pay a dividend of at least €1.50 per share next year.

After rising by a quarter over the past three months, KDG stock price fell as much as 8 per cent on Wednesday as the group disappointed with its operating forecast and the news that its chief financial officer was leaving.

The company, which publicly listed in June 2010, said sales in its financial year to March rose 6.5 per cent to €1.6bn ($2.3bn); adjusted earnings before interest, taxes, depreciation and amortisation increased 10.6 per cent to €729.1m.

This was due to KDG gaining 600,000 new clients to widen its subscriber base to 12.7m. Selling them more premium cable and broadband packages boosted average monthly revenues 13 per cent to €13.40.

But one-off burdens such as paying off a high-yield corporate bond widened net losses to €45.3m from €40.1m, although a refinancing should help to render a net profit in the current year ending in late March 2012.

While analysts at UBS said KDG had "historically delivered results ahead of the top end of the guidance range", peers at West LB said they saw "few positive triggers" and did not expect KDG stock to outperform its peers.

The company plans to issue a new €300m seven-year senior secured high-yield bond and to use the proceeds to repay old debts, including an expensive €515m payment-in-kind loan, which matures in 2014. The man behind this move – which will reduce interest costs by an annual €11m – and last year's €118m cut in net debt to €2.7bn finance chief Paul Thomason, said he would leave next year to return to his native US.

Adrian von Hammerstein, chief executive, called KDG's improved performance at operating level and its steps to reduce debt "important milestones" for one of Germany's largest cable-television companies.

He pledged to raise revenues in the 2011-12 financial year 6.5 per cent and adjusted ebitda 9 per cent to €790m-€800m – rates in line with those seen last year, something which tinged investor sentiment.

Having closed on Tuesday at €44.45, KDG fell as low as €40.85 per share during the day. The stock recovered late in the afternoon to trade at €42.25, although this was still almost 5 per cent below the previous day's close.

Contracts & Tenders

LIRI INDUSTRIALE S.P.A. IN LIQUIDATION
IN EXTRAORDINARY ADMINISTRATION
(LEGISLATIVE DECREE N. 270, 8 luglio 1999)

INVITATION TO EXPRESS INTEREST TO AN IRREVOCABLE OFFER FOR THE ACQUISITION OF "RAMO LAMINATI" BUSINESS OF LIRI INDUSTRIALE IN LIQUIDATION IN EXTRAORDINARY ADMINISTRATION

Through sentence n. 7/2010 dated 29 July 2010 and filed on 2 August 2010, the Court of Turin declared the company Liri Industriale S.p.A. in a state of insolvency. Dr. Francesco Donato was appointed Delegate Judge and Professor Alberto Falini was appointed Judicial Commissioner; therefore, by decree of the Court of Turin in date 7 October 2010 and filed on 19 October 2010, the Extraordinary Administration procedure was declared opened and through the Decree of the Ministry of Economic Development in date 11 November 2010, Professor Alberto Falini was then appointed Extraordinary Commissioner.

In date 31 January 2011 the Extraordinary Commissioner presented the Ministry for Economic Development with the programme foreseen in Art. 54 e ss. of the Legislative Decree 270/99 which contemplates – amongst other things – the sale of the ongoing "rolling-mill" business operated in the premises of Pont Canavese (the "Ramo Laminati").

With regards to the provisions in the programme pursuant to ex Art. 54 e ss Legislative Decree n. 270/99, approved by the competent Ministry, the Extraordinary Commissioner is interested in receiving irrevocable acquisition offers from companies - Italian or foreign - in order to proceed with the sale of the "Ramo Laminati", incorporated as defined under the Offer Regulations.

The Extraordinary Commissioner hereby

invites

the subjects interested in the acquisition of the "Ramo Laminati" to send any offers in accordance with the Offer Regulations available at the head-offices of the Extraordinary Administration Procedure. The offer must be addressed to Liri Industriale S.p.A. in Liquidazione in Amministrazione Straordinaria, with head-offices in Nichelino (TO) Italy, Strada Vernea 2 and should be delivered to the Notary Public Francesco Lacchi in Milan, Corso Giacomo Matteotti n. 8 (Tel. +39 02 76000420 – Fax +39 02 76004175), in a sealed envelope via registered post, bearing the words "Offer for acquisition of Ramo d'Azienda Laminati di Liri" within and no later than 4.00 PM CEST on July 25, 2011.
Each subject interested may - after signing a confidentiality agreement – view data and documents relating to the "Ramo Laminati", at the premises of the company and also visit the plants.

Please note that this announcement does not constitute a public offer under Art. 1336 of the Italian Civil Code, nor in any way whatsoever commit the Extraordinary Commissioner to contract with subjects submitting irrevocable acquisition offers.

This announcement does not constitute a solicitation to the public, stating in that regard that the purpose of any sale shall not be – neither directly nor indirectly - securities of any kind whatsoever. Each and every final decision with regards to the conclusion of the sale contract shall in any case be subject to authorisation by the Ministry of Economic Development - after consultation with the Surveillance Committee - as provided for under Art. 42 of the Legislative Decree n. 270/99.

Extraordinary Commissioner
Prof. Alberto Falini

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TCI calls for Japan Tobacco overhaul

TOBACCO

By Michiyo Nakamoto in Tokyo

The Children's Investment Fund, the hedge fund that stirred controversy in Japan in a shareholder campaign for change at the utility J-Power three years ago, has launched a push for a shake-up at the state-controlled Japan Tobacco.

In a letter to Japan's finance ministry, TCI said poor management of Japan Tobacco's capital structure by its board and senior executives was "destroying shareholder value".

The letter, a copy of which the Financial Times has seen, argued that the value of the finance ministry's 50.01 per cent stake in Japan Tobacco could be doubled to $40bn with better capital management.

Oscar Veldhuijzen, TCI partner, also called for the resignation of Hiroshi Kimura, Japan Tobacco's chief executive.

TCI has accumulated a 1 per cent stake in Japan Tobacco, worth about $400m. The fund's move comes at a time when shareholder activism has largely disappeared from Japan, following disappointing results in the years before the global financial crisis, when activist funds ranging from Steel Partners to TCI attempted to shake up corporate Japan.

The London-based TCI itself suffered a retreat after a public battle with the Japanese government over whether it should be allowed to increase its stake and influence over J-Power. It eventually sold its 9.9 per cent stake back to the company at a Y12.5bn ($156m) loss.

Japan Tobacco's poor capital management "is hurting not just minority shareholders but majority shareholders, which is the Japanese government and Japanese citizens," Mr Veldhuijzen told the FT.

The government could double the value of its stake in Japan Tobacco if the company repurchased shares in the market, he said. Alternatively, if Japan Tobacco raised its dividend the government could receive an additional $1bn in pay-outs, TCI noted. "Either scenario would be a win-win for all parties

$400m

Value of TCI's 1 per cent stake in Japan Tobacco

involved including the Japanese taxpayer," it wrote.

TCI also encouraged the government to change the law that requires it to retain a majority stake in Japan Tobacco, and reduce its stake. Mr Kimura should be replaced "with someone who better understands how to manage JT's capital", TCI added.

The finance ministry said it had received the letter from TCI, which it was studying. "We have not decided whether we will respond to the letter. That decision will be made after we have confirmed the contents," a ministry representative said.

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