The Rise and Fall of Jim Slater

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WHEN Jim Slater resigned as Chairman of Slater Walker Securities in 1975 it made headlines on television and in the press for the next two days. "Only the abdication of the Queen one supposes," observed the *Investors Chronicle,* "would command more column inches."

What had Jim Slater done to merit such attention? His career had certainly been meteoric. Undoubtedly clever, not only at business, Slater qualified as a chartered accountant and in his mid-twenties found himself general manager of a number of small companies. After an abortive partnership with a friend in a process known as shell moulding he became company secretary and accountant of Park Royal Vehicles. From there he progressed to commercial director of the parent company, ACV, and on its merger with Leyland, ended up as deputy sales director to Donald Stokes.

While at Leyland Jim Slater became interested in the stock market, and began writing a share-tipping column for the *Sunday Times,* from which he benefited by buying the shares he tipped.

Troubled for a while by ill health, he resigned from Leyland, bought a little company and set about making his fortune.

Later, with Peter Walker, whom Slater recognised as a kindred spirit, he built up Slater Walker Securities, first into an industrial conglomerate and then into a financial empire of amazing complexity, with subsidiaries in South Africa, Canada, Australia and the Far East, worth, at one time, nearly £300 million.

Slater's technique was really very simple. In his early days, and with ACV, he made startling improvements to company profitability by ruthless attention to costing and cash flow. Whenever he took over a company its shares immediately rose in value. So did the shares of Slater Walker. As the price of SW shares rose, so Jim Slater used these paper assets to acquire real assets, i.e. he paid for the companies he bought with shares in Slater Walker.

It was almost like a financial perpetual motion machine. The higher the SW share price rose —at one time the 25p share was selling for 329p—the easier it was to issue new shares to buy up further companies. And as the new companies entered the SW fold, so the price of SW shares rose higher. . . .

Jim Slater knew that it could not last. SW shares had to keep on rising, but this could only happen in a continuing bull market. Therefore it was a race against time, to convert SW "paper" into solid assets before the market turned.

The companies Jim Slater went for were those with substantially under-realised assets, and his action was often to sell the business and the assets separately.

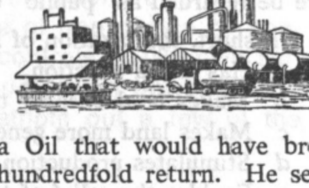
Everything went well until the market began to turn. Slater saw it coming, and began to take avoiding action. He was clever, but he wasn't quite clever enough. He foresaw that share prices would fall, but he didn't foresee that property prices would also collapse. To a financial company that was very serious. Its loans were secured on shares and on property. If prices fell very far, the loans would become "uncovered" and the company would become technically insolvent. At the beginning of the crisis, Slater Walker was worth £550 million—£85 million solid assets and £465 million borrowed to re-lend to others. Hence the "drive for cash."

Well, Jim Slater made it. While First National, Cannon Street, Triumph Investment, Vavasseur, Jersel Securities and many others crashed, Slater Walker didn't, and Jim Slater resigned for a quite different reason. The Singapore government was after him for alleged offences in Singapore—the Spydar affair—and the publicity was harming Slater Walker. Jim handed over the chairmanship to James Goldsmith and resigned from the Board. The whizz-kid who had turned a borrowed £8,000 into a personal fortune of £8 million was now in debt to the tune of £800,000. He had indeed "returned to go."

Jim Slater's autobiography* is not very revealing about his real character. It is naturally written in a tone of self-justification, and indeed Slater can show that when he was riding high no one found fault with him. The press was full of his praises. It was only after his fall that they began to imagine that they had doubts about him all along.

Some people must have had some doubts about Slater. He was not the conventional city type —not public school, not university, not well connected. The three biggest deals he attempted —mergers successively with S. Pearson, with Baring Bros. and with Hill Samuel—failed to materialise. Each time the style of the two intending partners was not compatible.

Slater comes over as a bit of a puzzle—a man of great charm, with many close friends and a winning way with financial journalists. He lived simply, in a modest house, drove the same car for ten years, and never indulged in yachts, villas, or other extravagances. He took a detached, cool view of business, rather like the excellent chess player he was. If he saw an opportunity he took it, although he missed some—a £1 million investment in North



Sea Oil that would have brought a hundredfold return. He seemed to regard business as a bit of a game—hence, perhaps, the title of the book. Unfortunately, after a winning streak, he lost.

**Return to Go,* Jim Slater, Weidenfeld & Nicolson, £5.95.