

Activist Investor Brett Stone Urges UK to Probe OnTheMarket Sale

Damian Shepherd, Bloomberg News

(Bloomberg) -- Activist Brett Stone has asked the UK government to investigate OnTheMarket Plc's proposed sale to US real estate giant CoStar Group Inc., in his latest attempt to derail the £99 million (\$123 million) deal.

Stone, a former partner at US investment bank Cantor Fitzgerald LP who now runs his own holding company, has written to the government asking for the transaction to be probed before a shareholder vote next month. Stone, who says he was asked to stop speaking publicly about the deal by CoStar's solicitor Latham & Watkins LLP, penned concerns about two of the UK's three biggest property portals being controlled by US groups, noting that Rightmove Plc's largest shareholders are also American.

"In other countries and important commerce categories, such as media and airlines, governments limit foreign ownership to protect consumers and the national interest," Stone said in an emailed response to questions. "It would be prudent for Secretary of State Michael Gove and the government to properly consider the long-term impact of this transaction."

Representatives for OnTheMarket declined to comment.

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OnTheMarket shares have soared since the proposed deal was announced last month, when it had the support of almost 30% of the company's share capital. CoStar — whose market value is more than \$30 billion — is seeking to turn around the firm, which recently warned that a tough macro-economic backdrop may impact annual revenue.

Stone addressed his letter to Sarah Healey, permanent secretary in the Department for Levelling Up, Housing & Communities and copied in MPs including Michael Gove, Lee Rowley and Felicity Buchan.

Stone told Bloomberg News earlier in the year that he offered to invest more than £50 million in new OnTheMarket shares last year, but had his proposal rejected. The activist — who says the CoStar deal undervalues OnTheMarket — has long-criticized the firm's failure to retain customers, which he says is diluting stakeholders and gifting market share to rivals Rightmove Plc and Zoopla Ltd.

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Stone told Bloomberg News this summer that the aim of his approach was to become a long-term committed shareholder, insisting he had no intention of taking the company private. He claims Latham & Watkins this month raised question marks over potential market abuse and improper securities trading, which he denies.

Rightmove is about 50% larger than OnTheMarket when it comes to listings, according to a Bloomberg Intelligence report published in May. The story is similar when looking at the amount of time a consumer spends on the website and the number of page views, the report added.

OnTheMarket has attempted to dent Rightmove and Zoopla's dominance by offering services to agents for reduced or zero fees on long contracts, as well as issuing them equity. However, the company's website visits declined 14% year-on-year in 2022.

Read more: Rightmove Won't Be Toppled Easily After Rival's Takeover

To be sure, Stone isn't the only one urging shareholders to vote against the deal.

Trevor Abrahmsohn, founder of Glentree and one of the founding estate agents behind OnTheMarket, has accused CoStar of undervaluing the company. He said he would prefer that the OnTheMarket board hold an auction to see if any other bidders come forward, and even then he says he doesn't think that the entire business should be sold.

"The terms are not properly developed and are far too tame," Abrahmsohn said. "I just hope that they don't sleepwalk into this bad deal by default."