

Media monitor: In January, developers were losing stock exchange money and giving out cars



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ECM achieved good publicity, especially in the first half of the month, as it announced the effectiveness of the zoning decision for skyscrapers in Pankrác, Prague - this topic has been hot for years. The interest of the media was also stirred by information by the weekly Ekonom, according to which PPF had shown interest in buying ECM (this information proved to be credible later). However, skyscrapers were a secondary topic during the month - the primary topic being the problems.

Orco on the pillory

The media paid the biggest attention at all to the turbulences swaying Orco. At the end of February, the daily E15, still rather optimistically, reported that “last year Orco probably met its target: rent income increased twofold, sales of flats lagged behind.” On the other hand, MF Dnes saw the same economic results in a worse light: “Orco’s income froze at 300 million.” Controversial information was also given by the media on the response to the published results. For example on 5 February, the weekly Ekonom wrote that “the development company Orco has so far decided to publish its last year’s revenues, which reached EUR 299 million. In principle, it met its target a reviewed in November. The investors are showing coolness after the report, so Orco’s value increased by CZK 12 during the week to the total of CZK 238 per share.” On the same day, however, the TV news station Z1 brought fresh information, showing that investors are not cool anymore. “The biggest share drop has been seen in Orco, which has lost over 11%. Because of the high losses, the trading with these shares had to be halted in the morning for a while.” And this was not the last time that Orco made the headlines because of the highest share plunge during the day trading on the Prague Stock Exchange.

Another wave of fresh reports about Orco in the media came in late February. Information on the massive departures of its senior employees was brought by the main dailies as well as by TV and radio stations. Eight management leaders were said to have resigned and four others were allegedly released. Disputes about the so-called Golden Parachutes were described as the main stimulus for this conflict. The media also paid attention to the company’s reorganization and rank-and-file layoffs. A report about a call by minority shareholders for removing the company’s management and appointing a crisis management team made it to the title page of the daily E15. (“Small shareholders started a fight for Orco”, 23 February 2009). And as if that was not enough, other reports on the progress of Orco’s individual projects did not sound good, either. The dailies E15 and Hospodářské noviny for example pointed at the declining interest in its mountain suites in Špindlerův Mlýn and Vrchlabí, MF Dnes brought information on the possible problems with the funding of a new construction project at the Prague-Bubny railway station (“The project is very large and Orco is not powerful enough to make it” on 20 February 2009, and six days later: “there are concerns that the Bubny project will go under”).

Cars as a bad sign

As obvious from the media, however, other development firms also struggled with problems, especially with declining demand and worse loan availability. Out of their “anti-crisis” measures, the offers by Finep, Central Group and CPI harvested the biggest media response. They promised their customers a new car as a gift with the purchase of a flat or a house - Finep offered Škoda Fabia, while CPI would give a Mercedes along with a house. However, these activities were not always received positively. For example according to the weekly Euro, “the seemingly original marketing campaigns are not a good sign for the developer”, as they could signal that the project concerned is not too exclusive, or is even very problematic. It might be mentioned that the Czech Press Agency published a report about a Spanish developer that, obviously desperate about the zero demand, organized a lottery for its flats.

Central Group entered the world of show business, having purchased the Miss Czech Republic contest in October. Thanks to this step the company made it to tabloids. In February, tabloids started talking about a dispute between Roman Mořovský, brother of the former owner, who questioned the empowerment of his sister-in-law, Kateřina Mořovská, to sell the contest. On the other hand, the weekly Květy pointed at a change in the concept of the contest, which should be turned into a “generous charity project”. The daily E15 hinted why it could be beneficial for a development firm to own a pageant contest: “The company’s boss Dušan Kunovský ... purchased Miss Czech Republic in autumn and takes last year’s winner and the first runner-up with him to Riviera. While envious people could unbind their imagination, Kunovský has unbound his business, despite the hardy times. He attracts buyers for his Prague flats with bonuses in the form of shiny cars. And to lure the few solvent investors remaining on the market, he will use a stronger gimmick.”

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