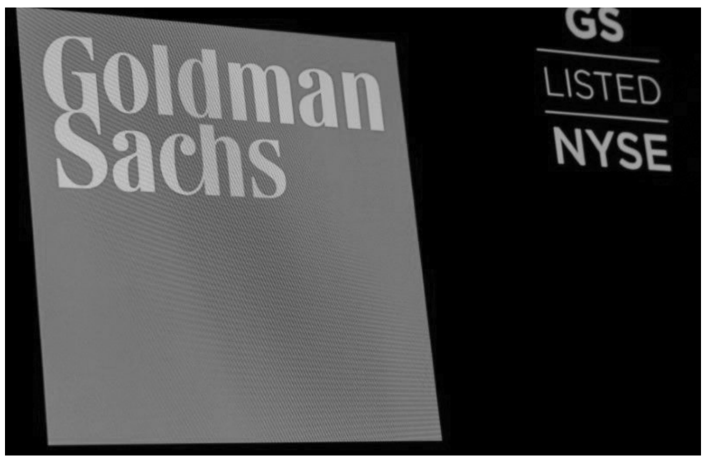
Goldman Sachs on course to launch cash management

- The investment bank evolves to match rival universal banks' range of businesses
- Goldman Sachs aims to start the service in the first half of 2020

Reuters | New York



The ticker symbol and logo for Goldman Sachs is displayed on a screen on the floor at the New York Stock Exchange (NYSE) in New York

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Goldman Sachs is about half way to a goal management set in 2017 to generate $5bn more in annual revenue by next year, largely by boosting reliable, fee-based businesses

Goldman Sachs Group Inc is considering paying big multinational corporations more for their deposits than other banks as it paves the way for its entry into a mundane but prized business: managing cash.

The global investment banking powerhouse and fifth-largest U.S. bank, which is six months into building the required technology, aims to start the service in the first half of 2020, according to two people familiar with the plan. They agreed to discuss internal strategy on the condition they not be named.

The bank, which will earn fees and gain a captive client base for its foreign exchange business, could offer existing corporate clients more on deposits if they sign up for Goldman's cash management services, a person familiar with the plan told Reuters.

Long considered a low-margin, utility-like service, the wholesale payments and cash management business generated about $250 billion in global revenue in 2017 for big banks, according to management consulting firm Oliver Wyman.

The steady stream of income has grown more attractive to banks that have been shifting away from volatile areas such as trading and investment banking in the aftermath of the financial crisis a decade ago.

Citigroup Inc, JPMorgan Chase & Co, Bank of New York Mellon Corp, HSBC Holdings PLC, Standard Chartered PLC and Deutsche Bank AG currently dominate the market, handling corporations' payments and receivables across different regions.

As Goldman seeks to grow stable revenue by adding a cash management service for clients whom it already offers hedging and strategic advice, the investment bank further evolves to match rival universal banks' range of businesses.

Goldman Sachs is about half way to a goal management set in 2017 to generate $5 billion more in annual revenue by next year, largely by boosting reliable, fee-based businesses.

However, rivals privately scoff at the idea Goldman can gain significant market share in a business where contracts often last five years, clients tend to stick with their banks and a global network of banking licenses greases the wheels.

"The regulatory and operational costs of building a global cash management platform will be very steep and will take many years to achieve the scale that will justify the costs," said a senior commercial banker at a large European bank.

"Large multinational companies are consolidating number of banks they deal with, and they don't tend to switch service providers frequently for functions like facilitating payments and managing payrolls."

China's Geely says it has not sold Daimler shares, denies Bloomberg report

The emblem of the Geely automobile maker logo is seen at the IEEV New Energy Vehicles Exhibition in Beijing

Reuters | Beijing

China's Geely Group said it has not sold any shares in Daimler AG, denying a Bloomberg report that the Chinese firm had slashed its 9.7 percent stake in the German carmaker by more than half.

"As a long-term investor, Zhejiang Geely Holding has not sold any shares. The Daimler shareholding remains unchanged," a Hangzhou-based spokesman for Geely told Reuters yesterday.

Bloomberg reported that Chinese billionaire Li Shufu's Geely had sold a 5.4 percent stake, citing people familiar with the matter, but that the new owners of the shares were not known.

The report comes as Morgan Stanley disclosed in a filing on Thursday that it had increased its Daimler stake to 5.39 percent from 0.34 percent on Jan. 4. According to Bloomberg, Morgan Stanley is holding the shares on behalf of others.

Daimler and Morgan Stanley declined to comment on the Bloomberg report.

Li had picked up the 9.7 percent stake in Daimler in 2018, asking the maker of Mercedes-Benz cars to strike up an alliance to better counter the threat from upstart mobility companies.

His move rekindled German fears about high-tech know-how falling into Chinese hands and Daimler had initially balked at the prospect of an alliance, partly on fears it might alienate Mercedes' existing Chinese partner BAIC.

Virgin Atlantic buys UK airline Flybe for cut-price £2.2m

- Flybe will receive 20 million pound bridging loan facility to support its working capital requirements

Reuters | Washington

A Flybe Bombardier Dash 8 Q400 airplane taxis at City Airport in London

Richard Branson's Virgin Atlantic has teamed up with Stobart Group and Cyrus Capital to buy Flybe for £2.2 million, aiming to rebrand the struggling British regional carrier and use it to feed customers to its long-haul flights.

The consortium will provide a 20 million pound bridging loan facility to support Flybe's working capital requirements and up to 80 million pounds of funding would be made available once the deal was completed.

Flybe, which operates routes from about 25 British airports, including domestic connections to London's Heathrow, said its short-term performance had been hit by higher fuel costs, currency fluctuations and uncertainties presented by Brexit.

"By combining to form a larger, stronger, group, we will be better placed to withstand these pressures," Flybe Chief Executive Christine Ourmieres-Widener said.

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> FLYBE CHIEF EXECUTIVE

A joint venture company called Connect Airways — 40 per cent owned by Cyrus' unit DLP Holdings and 30pc each owned by Stobart Group's aviation unit and Virgin Atlantic — had won the backing of Flybe's board to buy the airline.

However, Flybe's shareholders will receive one pence in cash for each Flybe share under the terms of the recommended offer, a 94pc discount to Thursday's close of 16.38 pence.

Flybe, Britain's biggest domestic airline, was valued at 215 million pounds when it joined the London Stock Exchange in 2010.

Smaller airlines struggle

Airlines have been looking to consolidate in many markets as a result of rising running costs, higher fuel prices and increased competition from budget carriers.

Air Berlin, once Germany's second largest carrier, went into administration in August 2017 when former parent Etihad Airways withdrew funding. Nordic budget airline Primera Air and Cypriot counterpart Cobalt both collapsed last October.

Virgin Atlantic, which is 49 percent owned by Delta Air Lines, said Flybe would provide "excellent connectivity to our extensive long haul network and that of our joint venture partner, Delta Air Lines, at London Heathrow Airport and Manchester Airport".

"In the near future, this will only increase, through our expanded joint venture partnership with Air France-KLM," said Virgin Atlantic chief executive Shai Weiss.

The combined business will include a UK network carrier, with all flying operations except Stobart Air operating under the Virgin Atlantic brand. However, it plans to operate independently of Virgin Atlantic with only support functions having some overlap.

Lessors to India's troubled Jet Airways consider taking back

Reuters | New Delhi

A Jet Airways plane is parked as another moves to the runway at the Chhatrapati Shivaji International airport in Mumba

Crisis talks between India's cash-strapped Jet Airways Ltd and aircraft lessors have failed to ease a row over late payments, prompting some lessors to explore taking back aircraft, three people familiar with the matter told Reuters.

In what one of the people described as an ill-tempered showdown between the airline and some of the world's leading leasing firms, Jet's main lender State Bank of India sought to provide reassurance that India's biggest full-service carrier is doing all it can to pay its staff, suppliers and creditors.

"Jet has been delinquent for many months. Nobody wants to get in a situation where the problems worsen and it becomes even more difficult to take out aircraft," one of the people said.

Jet controls over a sixth of a market experiencing an unprecedented boom in air travel. Yet high fuel taxes, a weak rupee and price competition have squeezed profitability, leaving Jet with 80.52 billion rupees (893.63 million pounds) in net debt as at the end of September and defaulting on payments.

The airline had previously told some lessors it would clear arrears by Dec. 31, but was unable do so, the people close to the matter said.

At meetings on Tuesday, held at SBI's headquarters in Mumbai's business district, the bank's Chairman Rajnish Kumar was asked how Jet planned to raise equity or debt, said one of the people - an attendee, who found the responses lacked sufficient detail.

Embraer shares take off after Bolsonaro approves Boeing merger

AFP | Sao Paulo, Brazil

The share price in Brazilian airplane manufacturer Embraer soared yesterday as markets reacted favorably to the country's President Jair Bolsonaro approving a merger with us giant Boeing.

The share price jumped 7.43 per cent on the Sao Paulo stock exchange, despite Ibovespa falling 0.28pc.

It came a day after Bolsonaro announced he wouldn't be using his veto powers to block the merger between two of the world's three biggest aviation companies.

Embraer's shares had taken a nose dive last week after Bolsonaro had expressed concerns over the deal.

But now the $5.2 billion deal, which will see Boeing take control of Embraer's commercial airplane manufacturing business -- 80pc of its operation -- will go ahead.

Embraer will only retain control of its military division.

On Thursday, Bolsonaro had said he was satisfied that "the final proposal preserves (Brazil's) sovereignty and national interests."