Business

Need to know

1 Almost £3 billion was erased from the market value of GSK, one of Britain's two big pharma companies, after advisers to America's medicines regulator dealt a blow to its potential blockbuster blood cancer drug, knocking confidence in a key sales target. **Page 43**

2 Britain could regain its crown as Europe's No 1 shopping destination if the government brought back VAT-free shopping for tourists, according to Joshua Schulman, the boss of Burberry, the British luxury label. **Page 43**

3 Howden Group, the London-based insurance broking group with plans to float within five years and whose name is emblazoned on the jerseys of the British & Irish Lions in their first test match against Australia today, has been valued at more than £10 billion, its chief executive has said. **Page 43, Lunch with The Times, page 51**

4 Japanese government bonds and the yen are under pressure amid fears that ruling and challenger parties in the world's third-largest economy will go on a fiscal splurge. **Page 46**

5 BP, the London-listed oil and gas group, has offloaded its American onshore wind farm business in a deal that analysts estimate could be worth more than $2 billion. **Page 47**

6 Diageo has suffered a stark reversal of fortunes in the past couple of years which has coincided with the leadership of Debra Crew, who took over as chief executive in 2023. After her departure, who will fill the top job? **Pages 48-49**

7 Music festivalgoers wishing to stand out from the crowd in Burberry wellies, scarves and jackets have helped a sales recovery at the luxury British label. **Page 49**

8 BHP has warned of a $1.7 billion cost overrun at its project to develop one of the world's biggest potash mines in Canada. The world's biggest mining company said that its Jansen mine in Saskatchewan would now not start up until mid 2027. **Page 50**

> It does not much matter if a bust construction firm cannot finish a job, but it does if the taps run dry

Dominic O'Connell, page 47

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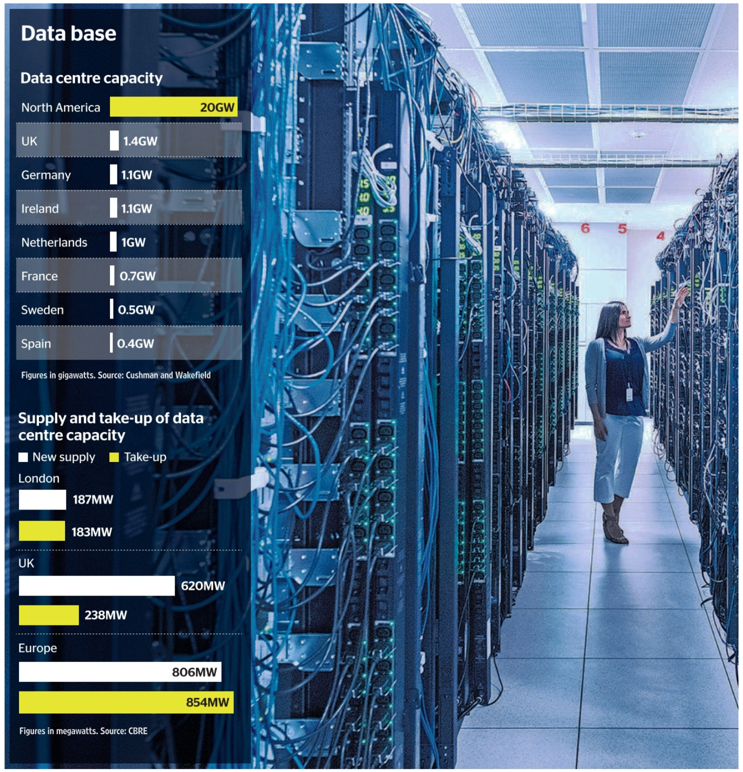
UK plays catch-up in the

America is rolling out giant facilities at pace to feed the AI boom. Can Britain compete, asks **Emma Powell**



On a former Second World War airbase in Cambridgeshire plans are afoot to construct one of Europe's largest data centres, providing the computing energy needed to cope with increasingly powerful artificial intelligence technology.

The positioning of the 100-acre scheme, roughly the size of about 75 football pitches, outside the traditional west London data centre heartland is as much to do with power access as its proximity to the advanced computing and research hubs of Oxford and Cambridge.

"The grid capacity in the Slough area and west London area is very constrained, so getting new connections to the grid is very limited," said Niall Brunker, co-head for the UK at Icona Capital, the investment firm that is part of the joint venture behind the scheme.

The development, which will have a capacity of 330 megawatts, is one of several energy-hungry data centre projects being planned across the UK in the next few years, designed to power the AI boom. American technology giants and private capital are pouring billions into building the facilities.

However, the UK remains far behind the US in its data centre rollout. Total installed compute capacity in North America stands at 20 gigawatts (GW), according to data from Cushman & Wakefield, the real estate services group.

Even after taking into account projects in the pipeline, the capacity in the UK market stood at just 3.6GW at the end of last year.

Higher energy costs and an aged grid put Britain at risk of falling even behind further, industry insiders have warned.

In January, Sir Keir Starmer backed an action plan to make Britain "one of the great AI superpowers" and an "AI maker" rather than an "AI taker".

Data centres have been designated as critical infrastructure, to be provided with additional protection from cyber-attacks and IT outages in an effort to bolster investor confidence in building the facilities in the UK.

It is the first such designation for almost a decade after defence and space were awarded the status in 2015.

Yet the UK's data centres are dwarfed by the so-called hyperscale facilities being rolled out in the US.

The AI arms race intensified this week after Mark Zuckerberg, the billionaire founder and chief executive of Meta Platforms, said that his company — which owns Facebook, WhatsApp and Instagram — would spend hundreds of billions on rolling out "multi-gigawatt" data centres.

Amazon is planning to build 30 data centres across a vast stretch of farmland in Indiana.

Amazon Web Services, the cloud computing arm of the ecommerce giant, has said it will invest £8 billion in the UK over the next five years on building, operating and maintaining data centres. Google is set to open its first UK data centre in Hertfordshire later this year. Blackstone, the world's largest private equity firm, plans to spend $10 billion on transforming the site of Britishvolt's ill-fated attempt to build a gigafactory in Northumberland.

As demand for the facilities — which are filled with thousands of specialised computer chips required to handle more sophisticated AI workloads — has risen sharply, the land grab for sites in the UK with access to reliable power and water supply has intensified.

Data centres require large amounts of energy to run and keep cool.

"The data centre providers want to

Burger King owner Bridgepoint returns €2.6bn

Patrick Hosking Financial Editor

The owner of Burger King UK has shrugged off reports of indigestion in parts of the private equity industry, saying it was confident of "a strong pipeline" of planned exits over the next 18 months.

Bridgepoint returned €2.6 billion to fundholders by successfully crystallising investments in private companies in the first half of the year and expects to achieve "multiple exits" in the second half and in 2026, it said.

Alongside Burger King's master franchise for Britain, Bridgepoint's investments include a cruise holidays booking platform and Cambridge Education Group, the private schools operator. Outside the UK its assets include Rovensa, a Spanish agricultural biotech business, and Vermaat, the Dutch restaurants and catering group. Bridgepoint reports results in sterling, assets in dollars and some fundraisings in euros. It posted a 39 per cent fall in pro forma pre-tax profits to £60.6 million in the first six months of 2025, after adjusting for the £835 million acquisition of the energy infrastructure fund manager Energy Capital Partners (ECP) last year. Assets under management increased by 20 per cent to $86.6 billion.

Some private equity groups are struggling to exit investments through flotations because of a lack of appetite from investors and are increasingly relying on trade sales and so-called secondary deals — passing on businesses to another private equity house or just switching them to a new fund.

Raoul Hughes, chief executive, said that while the backdrop was "challenging", Bridgepoint rarely opted for flotations, the last mainstream one being Safestore in 2007. He said he expected to announce some asset sales imminently, while others were being dusted off.

"We're getting them ready," he said. He detected strong potential buyer interest and "at good earnings multiples", adding: "Buyer appetite is there."

Bridgepoint, a member of the FTSE 250, traces its roots to the private equity division of NatWest. It floated in 2021 and manages assets including private credit and energy projects as well as its mainstream private equity division, which specialises in mid-sized companies in Britain and Europe.

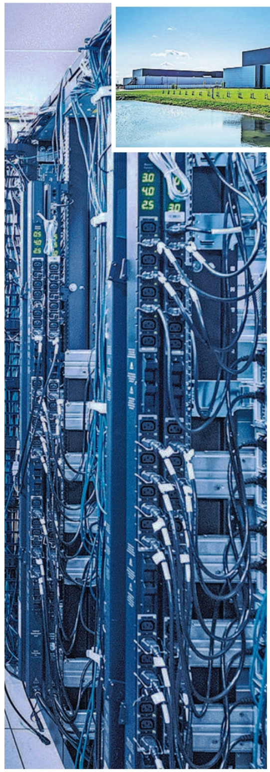
The group also announced good progress in raising fresh funds from new and existing clients. It was confident of meeting its target of €24 billion by the end of 2026. Hughes said the tilt towards Europe and away from the US since the Trump "liberation day" tariffs shock should increase appetite for European private equity.

He was pleased by the performance of ECP in its first year under Bridgepoint ownership. While there were headwinds from the decline in values of renewable energy assets, the division was well positioned to take advantage of the push to modernise America's electricity supply infrastructure.

The shares slipped 13¾p, or 3.9 per cent, to 341p by the close of trading yesterday. Bridgepoint was floated at a 350p issue price but investors have had a shaky ride after the shares dropped to as low as 169p in 2023.

Analysts at Investec said it was "overall a strong first half". An interim dividend of 4.7p was in line with expectations, with Bridgepoint guiding to a final payout of at least 4.7p as well.

data centre race



A Meta centre in Odense, Denmark. Its new US facilities will be even larger

make sure they have two good suppliers of power and a good steady source of water, and those are hard to come by in the same place at the same time", said Alex McMullan, chief international technology officer at Pure Storage, a technology provider that is assisting Meta with its global data centre rollout. "What that really means is we are a little bit behind the curve here."

A typical AI-focused data centre consumes as much electricity as 100,000 households, but the hyperscalers under construction will consume 20 times as much, according to the International Energy Agency, which represents member nations of the Organisation for Economic Co-operation and Development.

In a report released in November, the national systems operator in the UK projected that demand for electricity to power data centres would grow fourfold by the end of the decade, as requirements from electric vehicles and home heating also rise sharply.

However, the UK's energy grid is already under pressure. The design and capacity of the nation's electricity network, which has evolved around coal-fired assets, has failed to keep pace with the rapid expansion of renewables, notably the wind power heavily concentrated in Scotland and on the east coast of England but needs to be delivered to the south of the country.

So-called zombie projects have also led to lengthy grid connection queues, with some projects waiting up to 15 years to connect.

The delays threaten to jeopardise Labour's aim to rapidly expand the build-out of clean power in an effort to decarbonise the UK's energy system by the end of the decade.

In April, the government put forward plans to reform the grid connection process, prioritising clean energy assets and kicking out the zombie schemes in order to unblock the queue.

In America, Amazon led a $700 million funding round in X-Energy, a nuclear power developer, last year. Microsoft has struck a 20-year power purchase agreement that will bring the Three Mile Island nuclear plant in Pennsylvania back online.

In the UK, nuclear power has dwindled to about 14 per cent of the UK's electricity mix, down from about a quarter in the late 1990s. Efforts to revive the industry have been drawn out, with Hinkley Point C, the only nuclear power plant currently being built, running years behind and billions of pounds over budget. Small modular reactors, which can be built in a factory and assembled offsite have been put forward as a more expedient option to power data centres, but the first of those is not expected to come online until the mid-2030s.

The power supply issue has become more acute as much of the existing data centre infrastructure predates the AI boom inspired by the breakthrough of ChatGPT in 2022. "We're already seeing workload demands from a power perspective that are three, four, five times what a data centre has been designed for," McMullan said.

Britain's gas distribution networks have claimed that data centre operators are seeking alternatives, having received more than 30 inquiries related to data centre connections in the past six months alone. However, any plans by data centres to connect to Britain's gas pipelines and build their own gas-fired power plants would threaten to put Britain's AI ambitions on a collision course with its decarbonisation goals.

The government has said it will create "AI growth zones" where projects have better access to the grid.

These zones will be crucial for dealing with land and energy scarcity issues, said Karl Havard, chief operating officer at Nscale, and could prove "a catalyst for getting renewable energy into the grid". Nscale plans to spend £2 billion on building data centres in the UK.

Rising geopolitical tensions could give UK-domiciled cloud storage providers like Nscale an edge, Havard said, as "the need to take control of the infrastructure within the sovereign territory" becomes more important.

Earlier this year, European groups raised concerns that the US could use the continent's reliance on cloud technology provided by US technology companies as leverage in trade talks.

Proximity to the capital means Slough and the broader area just west of London has become the world's second-biggest data centre hub.

Of all the data transferred in activities, from online shopping and the use of social media to playing video games and streaming TV programmes, by people in London and surrounding areas, nearly half will go through the Slough trading estate.

"It is becoming increasingly untenable to build in London," Kevin Restivo, head of European data centre research at CBRE, the real estate services company, said. He added that people are looking to build data centres in locations they wouldn't have "dreamed of putting [them] on" even four years ago.

Reckitt Benckiser sells £3.6bn stake in homecare brands

Alex Ralph

Reckitt Benckiser has agreed to sell a majority stake in a portfolio of homecare brands for up to £3.6 billion, including debt, to the private equity firm Advent International, part of a shake-up of one of the world's biggest consumer healthcare groups.

The FTSE 100 company said it would retain a 30 per cent stake in the portfolio, which includes Air Wick fresheners and Cillit Bang cleaners.

Reckitt had announced plans in July last year for a possible sale of the "non-core" brands alongside a strategic review of Mead Johnson, its infant formula business. The portfolio totals about 80 brands across 70-odd markets.

Kris Licht, 48, Reckitt's chief executive, had warned in April that the sale could be delayed beyond the end of the year by "difficult" market conditions.

He said yesterday the company was "executing [its] strategic plan at pace", adding: "This moves Reckitt towards becoming a simpler, more effective world-class consumer health and hygiene company. It will enable us to focus on a core portfolio of high-growth, high-margin power brands."

The divested homecare brands portfolio generated about £2 billion of net revenue last year, 14 per cent of the group's total, and adjusted operating profit of £490 million.

The sale price is equivalent to a multiple of 7.7 times the portfolio's profit for the 12 months to the end of March.

Following the deal with Advent, expected to close by the end of December, Reckitt plans to return excess capital to shareholders through a $2.2 billion special dividend. The payout will be on top of a share buyback programme that Reckitt has already begun.

The company will now focus on its core business of 11 power brands, which generate more than 80 per cent of its core £10.3 billion net revenue. They include Finish, Dettol, Durex, Mucinex, Vanish, Veet and Nurofen.

The restructuring of its portfolio follows shareholder frustration with the performance of Mead Johnson, acquired for $18 billion in 2017, stake-building last year by US activist Eminence Capital. and the appointment of Sir Jeremy Darroch, the former Sky boss, as chairman.

Analysts at Jefferies told clients that the divestment was "done but disappointing", adding: "This hurdle had to be crossed to kick-start the strategic move to be just 'core Reckitt'. But the net value of just £3 billion and lack of a clean exit, given 30 per cent retained stake, compares to recent press speculation of about £4 billion enterprise value for the asset and hopes of £6 billion at the start of the process."

Shares in Reckitt closed up 30p, or 0.6 per cent, at £50.12, extending gains to about 14 per cent over the past year.

Behind the story

Attention in the City is switching to a more protracted exit from Reckitt's larger infant nutrition business and to the prospects of its remaining core health and hygiene brands.

While the price and structure of the disposal to Advent International underwhelmed analysts, it clears one of a number of hurdles complicating the outlook for the group.

Next comes the future of Mead Johnson, the infant nutrition business under strategic review since last July. Mead Johnson was acquired for $18 billion in 2017 in a deal more expensive than all of Reckitt's other deals combined, but has proved troublesome.

Reckitt's options are limited by the uncertainty from litigation in the US relating to Mead's Enfamil formula and to Similac from Abbott Laboratories, a New York-listed competitor.

The companies reject any "causal link" between their products and necrotising enterocolitis (NEC), a bowel disease — a position supported by US health authorities.

Analysts at Jefferies noted yesterday that a pre-trial hearing for Reckitt's co-defendant, Abbott, is scheduled for Monday before a potential landmark case next month.

"This litigation needs to be resolved ahead of a then hoped-for sale of nutrition," Jefferies said, adding: "Who is a viable suitor for that operation remains very unclear."

Britain joins EU for Russian sanctions

Tom Saunders

Britain has joined the European Union's moved to impose a round of new sanctions against Russia, aimed at ratcheting up pressure on Moscow's oil industry in an effort to accelerate Ukraine peace talks.

The bloc will lower the price cap on Russian oil from $60 per barrel to about $48 and introduce a number of new measures intended to limit sanctions evasion.

Rachel Reeves, the chancellor, said the joint action with the EU "would ramp up the pressure on Putin".

The move will restrict Russian banks' access to transactions, target 105 "shadow fleet" ships used to evade sanctions and ban any transactions related to the Nord Stream pipelines.

The oil price cap will be automatically reviewed every six months to ensure it remains 15 per cent below the global market price.

However, it will only apply to EU member states and so is likely to lack full impact unless it gains backing from all G7 partners, particularly the US. In the gas market, there were also sanctions on the Nord Stream pipelines.

The package will see about 20 more Russian banks cut off from Swift, the international payments system, and face a full transaction ban.

Kaja Kallas, the EU's foreign policy chief, said the measures form one of its strongest packages against Russia to date. "We're cutting the Kremlin's war budget further," she said shortly before EU ministers formally approved the curbs — their 18th package of sanctions since Russia's full-scale invasion of Ukraine in 2022. She added on X: "We will keep raising the costs, so stopping the aggression becomes the only path forward for Moscow."

"This decision is essential and timely, especially now, as a response to the fact that Russia has intensified the brutality of the strikes on our cities and villages," said President Zelensky of Ukraine.

The sanctions package took weeks to agree because of a stand-off with Robert Fico, the Slovak prime minister. Sanctions need approval from all 27 EU members. Slovakia had demanded more time to phase out Russian gas contracts but agreed to sign off on the package late on Thursday.

President Trump recently indicated that he is ready to sign a Russia sanctions bill imposing new tariffs on countries that buy Russian oil and uranium. He has given the Kremlin a 50-day deadline to end its war on Ukraine.

Insolvencies fall but woes rise for retail and factories

Helen Cahill

The UK economy was supported by an easing in corporate collapses over the first half of the year despite pockets of increased distress in the retail and automotive sectors.

The total number of companies falling into administration fell by 7 per cent to 610 in the six months ended June 30, according to data from Kroll, the restructuring firm.

However, the data showed a rising level of distress in some parts of the UK economy such as the retail, automotive and financial services sectors, which saw a rise in administration numbers of 19 per cent, 50 per cent and 67 per cent respectively. The manufacturing sector was hit with the highest number of corporate collapses as 74 companies registered for administration over the six-month period. The construction sector was the second-worst affected, with 71 company administrations.

Benjamin Wiles, managing director at Kroll, said: "The overall decline in company administrations compared with this period last year shows a level of resilience that shouldn't be overlooked."

Businesses have faced higher costs this year from the government's decision to increase national insurance contributions for employees in April. The change came alongside increases in the national minimum wage and the national living wage.