

READING EXERCISE

The Adventures of Lola Badiola

CHAPTER 49 – GOOD NEWS AND BAD NEWS FOR LOLA

Lola sat in the back of a Cabify taxi on the way to meet Gonzalo Garrido at his law offices in Vallecas. They had agreed to meet at 5pm, but the M30 ring road around Madrid was hardly moving. There were demonstrations occurring in the city centre organized by right wing nationalist parties. They were protesting against the left-wing government's plans to negotiate further autonomy for the seventeen regions of Spain. It was an ongoing dispute between the two extremes of the political spectrum that brought Madrid to a halt on a regular basis.

Lola hated arriving late to meetings. She sent a text message to Gonzalo explaining why she wouldn't be there on time, saying that she hoped to arrive by 5.30pm. Then she sat back in the taxi and ruminated on the events of the last couple of days.

The Cyberworld article was now yesterday's news. No-one at the company was talking about it. Nobody was questioning Lola's loyalty or integrity. They were all too busy dealing with the recent intrusion into their systems.

JJ Thomson and Diego de la Fuente were at the office twenty-four seven, supported by the team of programmers who were working on a rotational basis. The programmers were split into three teams. The first team was responsible for finding the mysterious hacker, Pluto. The second was in charge of upgrading the company's software. And the third continued to work on designing new products. There was a sense of urgency and energy in the office as the JBlock employees came together to fight this new and unknown threat.

The only person who was not part of the team effort was Cayetano Tolosa. He sat quietly in the marketing department observing all that was happening around him. Since Lola had first met Cayetano she had been equally attracted to him as repelled by him. But after their last team meeting, she had seen him for what he truly was, a snake in the grass. Like any successful manager in a competitive environment Lola knew how to deal with this type of person. She would treat him carefully and cordially until the time was right to chop off his head.

As her Cabify taxi continued to crawl around the M30 ring road, Lola thought about the upcoming meeting with her lawyer and friend Gonzalo Garrido. Up to this point Gonzalo had been a godsend. He seemed to know how to handle the Cyberworld article, the situation with Telecom España and the investigation by Interpol. However, in his recent message he sounded less assured. He asked her to come to his office as soon as was practically possible. He said that there was both good news and bad news.

At last, the traffic cleared, and as Lola had predicted she eventually arrived in Vallecas at 5.30pm. She sat down in the reception of the law firm and starting flicking through a legal magazine that was on the table next to her. There was nothing particularly interesting in it, but she wanted to keep her mind occupied and distracted.

After a couple of minutes Gonzalo arrived, kissed her on the cheek and guided her to his office at the back of the building. They exchanged some small talk before Lola moved the meeting onto more serious matters.

"You said that there was good news and bad news."

Gonzalo sat forward in his chair and rested his elbows on the desk in front of him.

"Yes, let's start with the good news. Interpol won't be pursuing any action against you. You won't be charged, and you won't have to defend yourself in criminal court. As we thought, they don't have enough evidence and anyway, they have bigger fish to fry."

Lola felt elated. This was the first really positive piece of news that she had received since she started at JBlock. The sensation only lasted a few seconds because she could see from the expression on Gonzalo's face that all was not well.

"So, what's the bad news?"

"The bad news is that Telecom España have decided to pursue a civil case against you."

"What does that mean?"

"That means that you will have to defend yourself in civil court against the charges of corporate espionage. Telecom España are claiming that you stole confidential information and passed it on to competitors and cybercriminals. They are arguing that this has had a tangible negative impact on the company's value."

Lola shook her head in dismay.

"They are suing you for 150 million euros in damages."

Lola's dismay turned to disbelief.

"What? That's crazy."

"It might sound crazy," explained Gonzalo "but it's legally justifiable. The share price of Telecom España hasn't recovered since the recent attack. Hundreds of millions of euros have been wiped off the value of the company."

Gonzalo stood up and walked to the glass door of his office. He looked into the hallway to make sure nobody was listening. Then he turned back to Lola and said:

"I need to ask you a personal question."

Lola was lost in thought and didn't respond. Gonzalo continued:

"What assets do you have Lola? I need to know what's at risk here."

Lola was quiet. She thought about her father and all the legal battles that he had faced in his career. She needed to be more like him. She needed to put her emotions to one side and remain objective.

"My father owned 51% of Grupo Badiola," said Lola "When he died, he left half of that to my mother and half of to me."

"So, you own 25.5% of Grupo Badiola."

"Yes. But I'm a silent partner. I pass all my voting rights over to my mother. She has ultimate control of the company."

"And how much is Grupo Badiola worth?"

"It's a private enterprise so it's difficult to say."

Gonzalo took out a note pad and a piece of paper.

"What were the operating profits for the last three years?"

"They've have been quite flat, ranging between 50 and 55 million euros a year."

Gonzalo typed something into his computer.

"Ok, food and drinks companies listed on the Spanish stock exchange trade on a multiple of 11 times operating profits. Let's assume that this is the case for Grupo Badiola. That means at the low end of the range the company is worth 11 x 50 million euros which equals 550 million euros."

Gonzalo took out a calculator.

"Your stake is therefore 25.5% of 550 million euros."

He plugged in the numbers.

"That equates to 140.25 million euros."

Gonzalo put down the calculator and looked up at Lola.

"It's no coincidence that Ruiz de Velasco is suing you for 150 million euros. He knows what your holding in Grupo Badiola is worth. And he wants it all."

Lola sat in silence absorbing the implications of the lawsuit.

Grupo Badiola had been founded by her father forty years ago. He had worked like hell, taken risks and made many sacrifices along the way. In doing so he had turned a small distributor of anchovies into a global food and drinks empire.

When he died, he had passed control of the business to his wife and daughter for safe keeping. It was their responsibility to continue to nurture the company for the benefit of future generations.

Lola knew exactly how much her 25.5% stake in Grupo Badiola was worth, but she never considered that it truly belonged to her. She was simply a guardian of what her father had created and what her children would inherit.

And now all that was under threat. If Lola had to sell her stake to finance the legal damages, the family would lose control of the business. Her mother would be unable to direct the actions of the other shareholders. And the legacy would be lost forever.

READING COMPREHENSION

1. Where is Lola going and why will she be late?
2. What has been the impact of the Cyberworld article about Lola?
3. How is JBlock dealing with the intrusion into their systems?
4. How does Lola feel about Cayetano Tolosa?
5. How does Lola feel about Gonzalo Garrido?
6. What is the good news?
7. What is the bad news?
8. Who owns Grupo Badiola?
9. How much is Lola's stake worth?
10. How do you calculate the value of a private company?