

Skate's Art Market Research

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Skate's Art Market Notes

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Mallett Finally Falls Prey as Swedish Activist Investor Buys Up 23%, Stock Remains in Play

Skate's has long expected that Mallett, a London-based antiques dealer and a constituent of Skate's Art Stock Index, would either go private or be purchased by a third party. 2010 marked the third consecutive year of losses for Mallett (losses of GBP 1.27 million on revenue of GBP 13.26 million in 2010), and the firm's market capitalization of slightly less than GBP 10 million pounds (\$16 million) makes it the smallest among the 12 stocks included in Skate's Art Stock Index. With its strong name, flagship London location and status as one of only a dozen publically traded art industry companies in the world, Mallett has been inviting an ownership change without a means to fight it. Mallett has no cash; in fact, its balance sheet shows a negative number for cash and its cash equivalent line suggests that the firm is in net debt on a cash basis!

A change in ownership finally seems to be taking place now. Based on a recent London Stock Exchange filing, 23% of the company is now owned by a new investor—Sweden's Peter Gyllenhammar, an individual who purchased this block of shares through two companies in which he has 100% ownership, Bronsstädet AB and Union Discount Company of London plc.

Mr. Gyllenhammar, 54, has long been an activist investor who specializes on small cap companies listed in London. Already under his belt are board level fights at Leeds Group plc, Jarvis Porter plc and Renew Holding plc, to name a few. He had apparently been buying Mallett, a fairly illiquid stock, throughout the entire first half of the year and owned 20.7% of shares as of the AGM record date (April 13). He was presumably the buyer behind all or most of the stock trades since the AGM (Mr. Gyllenhammar owns 3,083,500 shares as of the date of the last regulatory filing).

Exhibit 1

Last Five Trades with Mallett Shares on the London Stock Exchange

09:35:59	14-Jun-11	68.00	2,702	1,837.36	O
11:47:32	10-Jun-11	68.00	2,000	1,360.00	O
10:14:45	08-Jun-11	68.00	1,500	1,020.00	O
16:38:50	26-May-11	68.50	100,000	68,500.00	OK
16:30:46	26-May-11	68.50	15,000	10,275.00	OK

Source: www.londonstockexchange.com

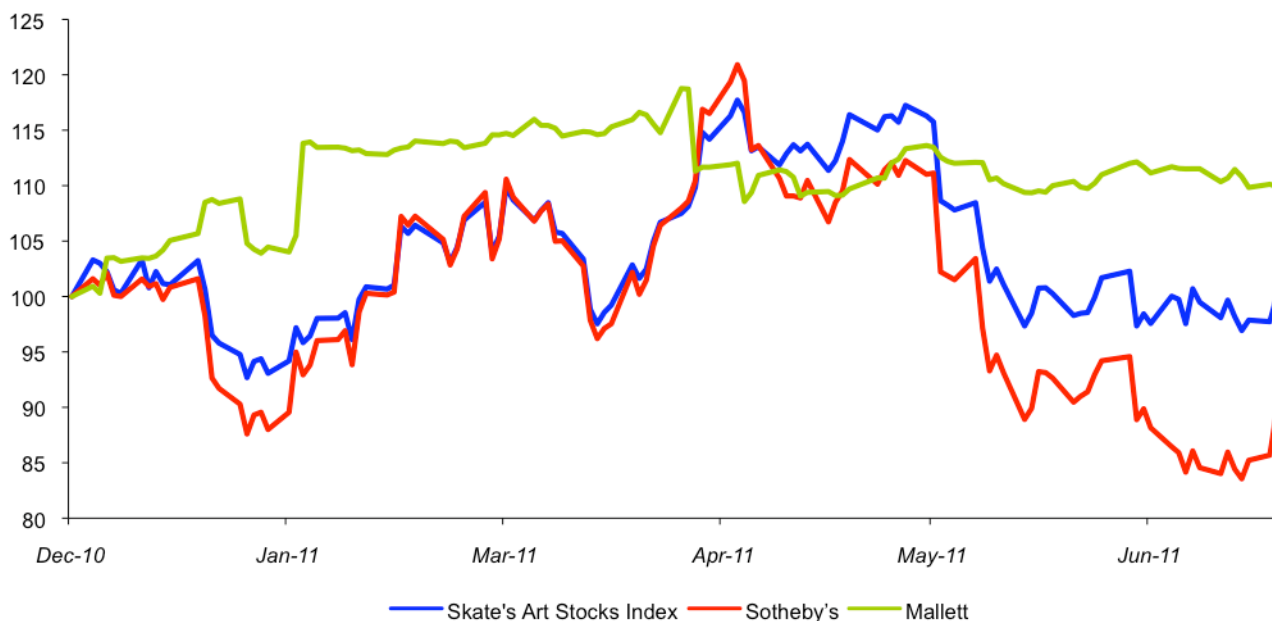
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Given the size of his equity stake, Skate's has no doubt that Mr. Gyllenhammar will be able to muscle into the board of Mallett plc. Yet to effect change at Mallett—a company where the board is currently made up of five individuals and controlled by the management (three of the five board members are also executives of the firm)—he will need to employ all of his experience.

We believe that Mr. Gyllenhammar has spent well over \$3 million on his Mallett crusade to date, and it will be interesting to watch where he goes from here. He is currently the second largest shareholder following the trust that owns about 30% of Mallett and likely has close ties to the current management, which remaining fully in control of the bleeding company's board.

Whether Mr. Gyllenhammar can cure Mallett's value-destroying business model remains to be seen, but so far his purchase of 23% of Mallett's stock has definitely helped the company to outperform Skate's Art Stock Index this year to date. Skate's expects that the share price could go ever higher, perhaps even exceeding GBP 80 per share, as management and Mr. Gyllenhammar continue to suck free float from the market in their fight for control.



Source: www.skatepress.com