

## Pressure on investors to reject RHG buyback

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Major RHG shareholders, Wilson Asset Management and Cadence Asset Management, have reiterated their recommendation that RHG investors vote against the company's proposed 88¢-a-share buyback, deeming the offer to be too low.

Wilson Asset Management founder Geoff Wilson noted that all votes relating to the buyback needed to be submitted by 10am on April 26. But "because Tuesday [April 26] is a public holiday, shareholders really need to vote now, given there are only four full business days [from next Monday until the Easter break]."

Cadence portfolio manager Karl Siegling added: "If people vote against the buyback, the decision could arrive sooner so there may not be a point in the [extraordinary general] meeting" on April 28.

Fuelled by speculation more than one party is interested in RHG's assets, Mr Siegling said: "If the rumours ... regarding other potential buyers of RHG's assets are true, it raises the question of how valuable the business and its shares are, above and beyond the cash and franking credits on its balance sheet."

Wilson and Cadence have released a "Q&A" document available on a website set up by Intelligent Investor Funds, which also has a stake in RHG.

RHG said in February it would proceed with a buyback and delist from the Australian Securities Exchange.

Mr Wilson and Mr Siegling have proposed adding three directors and removing John McGuigan and Greg Jones from RHG's board.

If elected, the new directors intend to recommence a sales process for the remaining assets.

Sandon Capital Activist Fund founder Gabriel Radzynski said that "as one of the proposed directors, one of the things I'm keen to do is put forward a clear alternative for shareholders, and consider the maximisation of shareholder value".

Mr Siegling and Mr Wilson endorse keeping John Kinghorn, the current chairman of RHG, as a director.

"We believe Mr Kinghorn's experience is valuable and having him on the board makes sense," Mr Siegling wrote in the Q&A document.

Cadence and Wilson believe that RHG shares are worth between \$1.26 and \$1.61, which includes a 30¢ franking credit but excludes any "blue sky" potential that may exist in the business.

The current buyback offer, including the franking credit, is valued at \$1.18 – a 36.4 per cent discount to the top of the range stipulated by the activists.

The Australian Financial Review

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