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## Kinghorn halts buyback after resounding 'no' from investors

Michael Evans  
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SHAREHOLDERS in RHG Ltd have delivered an emphatic rejection to one of Australia's richest men, John Kinghorn, with an 85 per cent vote against a controversial share buyback that would have delivered him control of the profitable rump of the old RAMS Home Loans business.

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In the face of the overwhelming no vote, Mr Kinghorn abandoned the buyback, declaring instead a 79¢ fully franked special dividend for all shareholders, announcing that RHG was once again for sale and the appointment of two new directors. The company will be wound up by the end of next year.

It is the third significant backdown from Mr Kinghorn in a week over his controversial low-ball buyback that would have delivered less cash to shareholders than the company's own valuation of its assets.

Minority shareholders and corporate governance groups viewed the move as privatisation by stealth.

Proxies voted before the meeting showed more than 123 million votes against the 88¢ a share buyback, well below the company's \$1.16 valuation of its assets, with only 18 million shares in favour of the deal.

Mr Kinghorn and his son, who control 24 per cent of the company, did not vote their stake.

Asked if he was disappointed at the outcome, Mr Kinghorn, ranked 100 in the BRW Rich 200 with a fortune of nearly \$400 million, said: "Not at all. I believed and I still believe it was in the best interests of shareholders. The shareholders disagree. They believe it's not in their best interests, so it won't proceed. End of story."

RHG shares surged after the vote and special dividend were announced, closing up 22 per cent or 23¢ at \$1.28.

In his latest concession to minority shareholders, Mr Kinghorn in effect adopted a proposal from two dissident shareholders, the funds managers Geoff Wilson and Karl Siegling, by announcing a new capital return program and the winding up and sale of the business.

It is understood minority shareholders, who have requisitioned an extraordinary meeting to spill two Kinghorn-aligned directors from the board, will try to meet RHG officials today to seek a final resolution, including the possible inclusion of one of their nominees as a director.

Steven Johnson of Intelligent Investor said the shareholder vote sent "a very clear message to the board that the opposition to their current low-ball buyback that there's enough votes there to kick the board off".

Mr Wilson said the outcome was a big win for minority shareholders.

"It's a great victory and important that shareholders realise the power they have. This shows that by shareholders taking a stand it can create considerable value," Mr Wilson said.

"From our perspective, it's always been incredibly important that they treat all shareholders equitably.

"You can see by the share price reaction that the fully franked dividend is a significant positive."

Karl Siegling of Cadence Capital welcomed the result as a "big win for all the shareholders and the minorities". Concern remained about the announcement of the sale of RHG, he said, with shareholders needing to be "careful".

"The thing I'd like to get clear would be that the sales process goes through in a truly transparent and meaningful way and [with] competitive tension in the bidding process."

*This story was found at: <http://www.smh.com.au/business/kinghorn-halts-buyback-after-resounding-no-from-investors-20110428-1dyvj.html>*