



[Print this article](#) | [Close this window](#)

Remains of RAMS are in for a shearing

Scott Rochfort, Michael Evans Ben Butler
April 4, 2011 - 12:02AM

FORMER Babcock & Brown chief executive Phil Green is poised to swoop on the carcass of the RAMS Home Loans business.

Advertisement

Banks are also said to be running the ruler over RAMS (now known as RHG) and its \$4.4 billion loan book, with NAB considered the front runner.

Market sources say the threat by RHG chairman John Kinghorn to delist the company as part of a share buyback means investors would be more likely to accept an alternative offer.

But the strategies of would-be bidders have been stalled after the intervention last week of fund managers Geoff Wilson and Karl Siegling, who together control 8 per cent of RHG.

Mr Wilson's Wilson Asset Management and Mr Siegling's Cadence Asset Management have called a special shareholders meeting to change the buyback proposal and put their own people on the board.

"If Kinghorn continues to screw everybody, in particular by holding a gun to people's heads by threatening delisting, then a bid would be very well-received," one market source said.

While Mr Kinghorn is offering investors 88¢ a share, paid for out of RHG's surplus cash, the bid being put together by Mr Green in his role as a consultant to Trevor Loewensohn's Alceon Group is believed to value shares at about \$1 each, or about \$300 million for the company. But Mr Wilson told BusinessDay he valued shares in RHG at up to \$1.40 each, based on the cash flow of the company as it runs down the loan book over the next two years.

He said he had no objection in principle to a share buyback.

"What we're concerned about is delisting it," he said.

Steven Johnson from retail research business Intelligent Investor has warned retail shareholders that institutional investors may not be the white knight they appear.

He said while institutional investors were offering a better proposal than Mr Kinghorn, they may still choose not to sell into a revised buyback, leaving retail shareholders taking an inferior offer while the big investors stay on to enjoy the spoils.

"If successful, the new directors have committed to maintaining RHG as a listed entity and distributing surplus cash as dividends (franked wherever possible)," Mr Johnson wrote to clients. "That would be very good news for shareholders.

"There is, however, a sting in the tail for retail investors ... The proposed new directors have said they will seek to implement a buyback on the same terms as the current offer, 88¢ per share including 70¢ of fully franked dividends.

"This suits the institutional investors nicely. Every share the company buys back at 88¢ increases the value for those that don't take the offer. Of course, investors will have the choice of not participating."

Asked whether he would sell into a buyback or keep his stake, Mr Wilson said:

"Whether we're looking at this buyback or the buyback we're proposing which will be on the same terms, the important thing is to have a buyback that is not coercive.

"We will look at the value of franking credits and cost bases, and in some instances it will be in our interest to accept because of the benefits of the potential tax loss and the franking credits."

Mr Wilson would not rule out selling some of his stake into a buyback and keeping some of his stake.

Intelligent Investor's Mr Johnson, whose members own between 12 and 14 per cent of RHG, said shareholders should refrain from voting on the buyback and wait to see if a revised offer is tabled.

"Given an alternative of a listed company committed to returning excess cash as dividends, not participating is exactly what I will be doing. But a buyback at a fair price would give me a lot more confidence that the new directors are in it for the benefit of all shareholders."

The Australian Shareholders Association has called for a better offer or for the board to resign.

"Kinghorn clipped the ticket for a tidy profit on the way out in 2007 and now he is milking the cow again in 2011," ASA chief executive Vas Kolesnikoff said.

"Shareholders need to join forces through the ASA and tell the company to raise its offer. Alternatively, the board of RHG should resign to allow shareholders to get true value.

"It is not often that we see the directors and executives of a publicly listed company thumb their noses at their entire shareholder base, but RHG Limited is a special case."

RAMS listed in 2007 weeks before the onset of the global financial crisis with Mr Kinghorn pocketing \$650 million for his

stake.

This story was found at: <http://www.smh.com.au/business/remains-of-rams-are-in-for-a-shearing-20110403-1ct68.html>