

The Australian

John Kinghorn comes out fighting

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RAMS Home Loans founder John Kinghorn came out swinging yesterday on the future of its successor RHG, warning that in 15 years more than half the loan book now in runoff will be in arrears.

He confirmed weekend reports that he has withdrawn his threat to delist the company if he gains control.

Last year the RHG chairman said he would support a buyback of outstanding equity in the company at 88c a share, a price that has now been significantly eclipsed in daily sharemarket trading. RHG shares closed 2.5c higher yesterday at \$1.045 following the release of a four-page statement from Mr Kinghorn, which included an ominous graph suggesting that by the end of the year 2037, when the loan book would still be in runoff, just on 70 per cent of loans would be in arrears.

Mr Kinghorn stated yesterday that 4.21 per cent of the book representing \$177.8m in loans was already in arrears.

"Unless they are in default, the company cannot compel repayment of its loans," he said, indicating that the percentage of borrowers in that three- to six-month limbo land between arrears and formal default was likely to increase. He restated his view that the stock was worth no more than 88c. Australian Shareholders' Association chief executive Vas Kolesnikoff, who opposes the buyback, said last night: "If John Kinghorn thinks it's all so bad, why does he want to stick around?"

Two shareholders with a combined holding of just over 10 per cent have requisitioned an extraordinary meeting for April 28 to vote against Mr Kinghorn's buyback and replace two directors with three new ones.

Matthew Kidman of Wilson Asset Management, which sought the meeting in collaboration with Karl Siegling's Cadence Asset Management, said last night that "we'll still be pressing on" with the planned EGM later this month. "The performance of that board has been poor, particularly in the last month," Mr Kidman said.

He noted that contrary to the impression left by Mr Kinghorn, two-thirds of the mortgage book dating from 2009 had already been converted to cash.

"We now feel that unless the board is changed, we will never see the full value of the assets," he said.

The EGM proposal is to leave Mr Kinghorn, who with his son Geoff holds about 23 per cent of the stock, but to replace directors John McGuigan and Greg Jones, who have other business interests with Mr Kinghorn.

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