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## Franking Bonus for Vision Shareholders?

Takeover activity at Vision Eye Institute seems to be reaching the final stages, with Chinese suitor Jangho Group making a \$1.10 per share cash offer.

That's a 27% premium to the previous best bid and a fantastic result for Vision shareholders. Already a major shareholder and requiring only a 50.1% minimum acceptance, Jangho already has one hand on the prize and are unlikely to be trumped from here.

But there's still a chance of yet more icing on the cake for Vision investors. The ophthalmology company has \$37m in franking credits, or 20c per share, that could potentially be passed to shareholders. The current offer doesn't provide a means for these franking credits to be distributed, but a foreign acquirer is unlikely to have much reason to keep them. There's compelling logic in getting these tax credits into the hands of those who value them most.

That's any investor on a low tax rate, particularly superannuation funds in pension mode who pay no income tax and are entitled to a full rebate from the tax office for any franking credits received.

There are no guarantees, and structuring a deal to release the franking credits would probably require Vision to borrow money to fund a dividend, as the tax office won't allow an acquirer to fund such a transaction. But with up to \$37m on offer for low tax investors, there's enough value to warrant the effort if it is possible to get these franking credits out.

We'll be lobbying Vision's board to see what they can do. In the meantime Vision shares are trading at \$1.08, an interesting price if there is more value on offer. Stay tuned.