
Kinghorn Wants to Buy Your RHG Shares

It's exactly a week since RHG Chairman John Kinghorn told the company's shareholders that they couldn't receive a dividend because the company needs the cash to support its credit facilities. Or perhaps, in future, to invest in a new business (one shareholder reminded me after the meeting of the prospectus for the South Sea Company, founded in the 18th century: 'A company for carrying on an undertaking of great advantage, but nobody to know what it is').

Today, RHG announced an on-market buyback for up to 10% of the company's shares. It seems they have miraculously found some spare cash. I should be happy. Like many other members of [The Intelligent Investor](#), I have too much of my portfolio in this one stock and need to sell some shares. The buyback should provide us with the ability to do that without substantially depressing the share price. And I have to admit, I had a good chuckle this morning at the way these guys behave.

But while I can handle selling my shares to someone else at a substantial discount to the underlying value, selling them to the company irks me. All we're doing is increasing the value per share for those that remain invested and, for the most part, that's John Kinghorn and friends. They'll probably keep doing buybacks until they're the only shareholders left, and then turn around and pay a massive fully-franked dividend. Now *that* would be a laugh.