New Zealand Shareholders Association Inc.

Many Investors, One Voice

Turners Capital Raising Unfair says Shareholders Association

14 September 2017

NZSA CEO, Michael Midgley said today that unfair capital raisings such as Turners recent placement and SPP are no way to encourage people to invest in the New Zealand sharemarket. The country needs productive investment, and we despair when directors persist in ignoring their responsibility to look after the interests of all shareholders when making routine capital raises.

Midgley said NZSA will be asking the Board of Turners why they adopted a process designed for when funds are urgently needed, rather than a much fairer rights issue which could have been completed in a month? Why was such a large discount to the share price necessary, why did they choose to disadvantage their retail shareholders, and why did they not give substantive and relevant reasons for their actions?

Turners has over 4000 shareholders with parcels of less than 50,000 shares. As a result, it is inevitable these smaller shareholders will end up being diluted. For those unable to participate, the situation is even worse. They get nothing, unlike the situation if a renounceable rights issue had been made by Turners, said Midgley. He said some larger shareholders are probably concerned as anecdotally it seems the placement was offered to a limited number of institutions and high net worth individuals. It's unfair that a few shareholders benefit to the exclusion of most, said Midgley.

NZSA had noted that SPP applications are to be scaled in proportion to people's existing holdings. In theory that sort of scaling is a good thing, said Midgley, but in this case it means some will probably get only a tiny number of shares.

Midgley said that the case also raised flags about the practice and cost of underwriting in New Zealand. The Turners placement was underwritten, but the SPP was not. It appears the company has paid a substantial underwriting fee when there has been no risk. In fact, it closed fully subscribed in a matter of hours.

Shareholders are rightly asking why they should incur underwriting costs? Midgley said it is starting to look like underwriting is now on offer only when there is no real risk. NZSA will be looking at the costs of these transactions and whether shareholders are getting value for money.

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