

The Yellow Brick road to delisting

On Wednesday this week, the Geminder family-controlled Pact Group (PGH), a southern hemisphere packaging company, announced they had received an unconditional takeover offer for all of the shares in PGH, and ultimately, de-list the group. The bid was made by the Geminder family via a corporate entity.

On Thursday, Yellow Brick Road (YBR), the mortgage broking business run by former Packer consigliere, and multi squillionaire Mark Bouris, is also seeking to delist.

PGH is already 50% owned by the Geminder family, and they're looking to gobble up the remainder of the register, after spending a mere 10 years listed on the ASX.

Bouris started YBR in 2007, creating a national sprawling wealth management and mortgage broking business, but has since sold the wealth management division in 2019. Now he's back to his original fortune making roots of mortgage broking (Bouris built and sold Wizard Home Loans in 2004 for \$500m to the hungry Americans- the goliath GE Money).

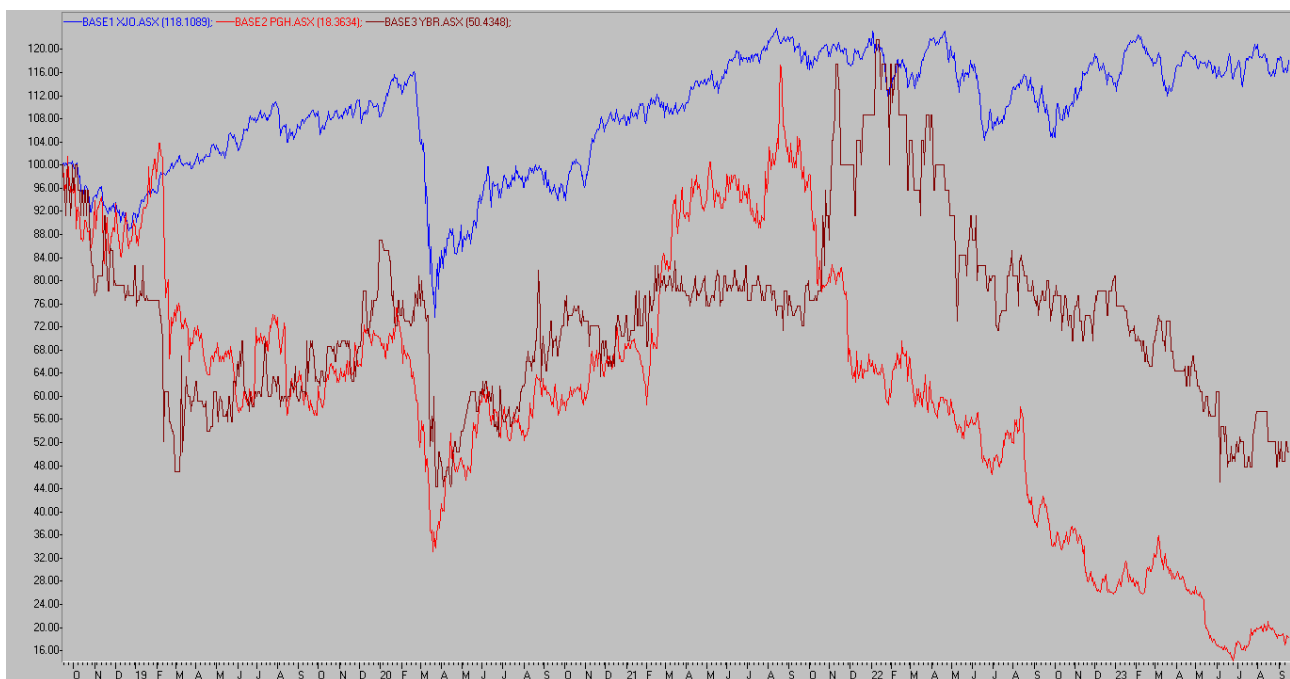
Is this a sign of things to come or just a couple of anomalies?

The appeal of being a publicly listed company seems to have dimmed over recent years, particularly at the smaller end of the scale. Because of the relentless push to the middle for performance, *covered*

below by Anu in his FPW, a brief period of so-called underperformance deters institutional investors from buying business for the long term and instead forces them to 'not underperform' in the short term so as not to lose mandates and ultimately forced to close or merge, has rendered investment in stocks outside of the top 100, untenable.

Smaller businesses (PGH has a market cap of \$246m and YBR \$19m) have become the plaything of algorithm trading and disingenuous trading strategies. But the ASX don't really care. They collect the huge rent paid by the algo bots and clip the ticket for every miniscule transaction placed. The line that the markets are more transparent now than ever is rubbish, that this all started here back in 2007 when the ASX chose to remove broker codes from the screen and allowing dark pools. This is not lost on listed companies.

The performance of the two companies, shown below over the past 5 years against the ASX200 index, has been poor, and the insiders are aware of the value.



I've long complained how the ASX is becoming grey, as regulation and control are forcing investors to follow the leader or suffer the consequences, and maybe some of the businesses on the fringe are of the view that more ready access to capital, liquidity and the esteem that comes with being a listed entity are insufficient to justify the overreach of ASX rules, reporting requirements and nefarious traders. Maybe the bright lights of the secondary market are no longer worth it.

Time will tell, and it is not an insignificant point that these two businesses are backed by independently wealthy individuals making this process more readily achievable, but we're in this curious phase where unlisted businesses are, in an increasing number of cases, being valued more highly than similar listed vehicles; the opposite of what is usually the case.

14th September 2023

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Have a good weekend,
Ben and the team.

This report has been prepared by Ben Morrissey

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