

Historical news: Daily news

Kelley Starke: MD, Kensani

Kelley Starke is a shareholder in Corpcapital Bank, which wants a higher offer for small shareholders in the old Fulcrum Bank.

Alec Hogg
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MONEYWEB: Kelley Starke is the MD of Kensani, a shareholder in Corpcapital Bank. What percentage of Corpcapital Bank does Kensani own?

KELLEY STARKE: Alec, we have ten million two hundred shares, which translates to 8.9% of the bank.

MONEYWEB: When did you buy them?

KELLEY STARKE: In 1998.

MONEYWEB: Was that at listing? Did you acquire them then?

KELLEY STARKE: It was when it was originally Fulcrum.

MONEYWEB: And Kensani? Tell us a bit more about this operation.

KELLEY STARKE: Kensani was started in 1997, as a black-led women's empowerment group. We are basically an investment holding company, with assets across the broad spectrum of sectors.

MONEYWEB: Is this your biggest one?

KELLEY STARKE: No. It's not our biggest investment, no.

MONEYWEB: This is the one where you are making a stand on corporate governance?

KELLEY STARKE: Well, we are making a stand on, I think, fairness to minorities regarding the price and the swap ratio, basically.

MONEYWEB: What did you buy in at? What price did you pay initially?

KELLEY STARKE: We bought in at R5 a share and we paid R50m for our stake.

MONEYWEB: And that stake today is worth?

KELLEY STARKE: Current market value is about R40m but, on the swap ratio, it would be R38m.

MONEYWEB: You talked about the swap ratio. This is after Corpgro has made an offer to swap the shares in the old Fulcrum Bank, now Corpcapital bank - to take out the other shareholders in Corpcapital Bank. What do you think is fair value for this company that, after all, you paid R5 a share for back in '98?

KELLEY STARKE: Alec, I think there are a number of mechanisms to get to fair value. We've looked at net asset value, a comparative valuation to its peers, EBITDA multiples and PE multiples, and we think about R5.64 would be fair value. In addition to that, the statements of Corpcapital Bank have stated that sustainable above-average real earnings growth would be achieved. So in fact we believe it should be trading at a premium to its peers, which it currently is not.

MONEYWEB: So the very least you would accept willingly is R5.64.

KELLEY STARKE: That's correct.

MONEYWEB: But you are being offered less than R4?

KELLEY STARKE: At the moment, on the Corpgro price, we would be offered R3.89.

MONEYWEB: So where do you go from here?

KELLEY STARKE: Alec, we have looked at lobbying other minority shareholders. We have a huge respect for the Corpcapital Bank directors and staff and management, and we believe it's a great bank. We believe that we are swapping hard tangible assets for unsure promised earnings. And we believe the only way to achieve a higher swap ratio is to lobby minority shareholders and see whether we can actually achieve voting on the day of the shareholders' meeting.

MONEYWEB: What do you need? How many votes do you need?

KELLEY STARKE: We need 26%. A lot of the issues are actually now around whether or not related parties are allowed to vote.

MONEYWEB: In other words, Corpgro itself?

KELLEY STARKE: Well there are a couple of parties within Corpcapital Bank that we believe are related parties, and whether or not they are allowed to vote, will determine whether we would be successful.

MONEYWEB: Kelley, a lot of the financial institutions have got holdings in Corpgro and in Corpcapital, and in Corpcapital Bank - and certainly those I've spoken to have said this looks like a good deal for Corpgro, and they are going to support it. Have you managed to get them to change their minds?

KELLEY STARKE: It's an excellent deal for Corpgro. From a Corpcapital Bank point of view, I think, where institutions hold a much larger stake in Corpgro than they do in Corpcapital Bank, I think they would probably vote where their larger stake was.

MONEYWEB: So how high would you put your chances of actually succeeding here?

KELLEY STARKE: That's a very difficult question. I hope we can be successful. I think we are basing our movement really on fairness. We would love the Corpcapital Bank directors to come to us and say they would like to re-negotiate. They have not done so up to now. And I think the test of fairness here, Alec, is: would Corpgro ever consider selling the bank for the price at which it is advising minorities to sell?

MONEYWEB: Let's put that question to Jeff Liebesman, the chief executive of Corpgro.