

Lanyon has become the latest Aussie fund manager prepared to fight an offshore activist campaign as it readies to take on Hong Kong's Cross-Harbour Holdings.

# Lanyon goes activist on 'cheapest infrastructure company in the world'



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Boutique Australian fund manager Lanyon Asset Management revealed it has approached [Hong Kong-listed Cross-Harbour Holdings](#) to acquire its 50 per cent stake in the Western Harbour Tunnel, in a bid to unlock shareholder value.

The “non-binding all cash offer” was understood to have been rejected by the managing director Dr John Yeung but is set to trigger an activist campaign at a time when more Australian investors are prepared to push for change in their international holdings.

Lanyon, [according to its website](#), made a cash offer to acquire the 50 per cent interest in toll road operator Western Harbour Tunnel Company held by Cross-Harbour Holdings. The balance of the company is controlled by CITIC and Kerry Properties.

The fund, which has about \$400 million in assets, said that Cross-Harbour’s stake in the tunnel operator accounts is worth about 70 per cent of the current share price and once its cash and investment portfolio is added, the fund believes the company’s true value is \$HK25.50 per share, more than double the \$HK10.80 share price. Cross-Harbour has a market value of \$HK4.1 billion (\$750 million).

The fund’s portfolio manager David Prescott pitched Cross-Harbour as an undervalued stock at the inaugural Sohn Hearts and Minds conference in 2016 and has previously described it as the “cheapest infrastructure company in the world”.

It has owned shares since April 2015 and says its average entry price is \$HK8.94.

The fund is the second largest shareholder of the company behind the chairman Cheung Chung Kiu, who owns 6.46 per cent.

Lanyon's said it bid \$HK2.75 billion for the stake, more than three times the \$HK897 million carrying value in the company's accounts.

It said the bid was backed by un-named "Australian superannuation funds and family offices" that are attracted to the underlying infrastructure asset.

## **'Privileged Asset'**

In its letter to the company, Lanyon said the offer "materially increases the liquidity and financial resources" of Cross-Harbour.

The Western Harbour Tunnel Company owns the franchise to operate Hong Kong's Western Harbour Crossing until 2023.

"The Western Harbour Tunnel is a privileged asset in the highly cash generative end term of its concession," Mr Prescott said.

"The tunnel pays monthly dividends to its shareholders and extraordinarily in the current environment, has no debt."

But he said corporate governance at Cross-Harbour Holdings was "poor".

"In our view, Cross-Harbour has been poorly managed. Shareholders have suffered from unsophisticated capital allocation and a weak corporate governance framework."

Cross-Harbour had not responded to a request for comment at the time of publication about the offer.

Lanyon's move to unlock value is the latest example of an Australian fund manager willing to take an activist stance against a foreign company.

## **Activist campaigns**

Foreign activists have launched activist campaigns on Australian companies in the past, such as Elliott Management's battle with BHP.

In 2016, Hong Kong-based Lim Advisors successfully campaigned for AMP Capital to wind up its China Growth Fund, and won the backing of local fund managers.

Activity in the opposite direction is still rare, but becoming less so. As more Australian fund managers take positions in international companies, they are

increasingly prepared to roll up their sleeves on their global positions in the name of shareholder value.

Perpetual's global equities manager Garry Laurence, for instance, campaigned against private equity firm KKR's swoop for Spanish-listed Telepizza this year.

In 2013, VGI Partners pushed for change at New York-listed auctioneer Sotheby's, encouraging the company to sell off its highly valued properties.

Sotheby's later became the subject of a more aggressive campaign led by Third Point's Dan Loeb who took aim at the chief executives' expensive lunches.

Mr Prescott said he expects to see more Australian fund managers exercise their rights as shareholders in foreign markets.

"We see no reason why active and engaged Australian investors can't apply the same discipline to global companies to drive and realise shareholder value."

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