

A FAIR DEAL FOR HILTON SHAREHOLDERS?

EGMs which invite shareholders to rubber stamp strategies widely covered in the media are usually poorly attended.

Not so at the Hilton Group meeting held on the 27th January at the Park Lane Hilton, where the Chairman, Sir Ian Robinson, was given a rough ride by private shareholders opposed to the disposal of the hotel chain to Hilton Hotels Corporation in the USA. It became a highly emotional meeting. One shareholder broke down in tears when explaining how much he enjoyed the Hilton experience, attracted by his shareholder discount card!

Typical of the United Kingdom Shareholders' Association's policy of speaking out on challenging issues that could impact on shareholder value, Alan Perryman of the UKSA, opened question time by asking why Hilton International was being sold when management had consistently opposed moves to do so. The reason given was that both businesses tended to be cyclical and if one performed below expectations the other would outperform the other. Warming to his theme Alan ask Sir Ian the obvious question why has the management performed a U-turn and why did the previous strategy no longer make sense?

To the uninitiated this looked like management caving in to institutional pressure and exposing what is left of the business, namely Ladbrokes, to the machinations of Private Equity Groups who see rich pickings in taking over the business. Alan asked Sir Ian if he could put his hand on his heart and say that by supporting this proposal to dispose of Hilton International Hotels division will enhance shareholder value?

Another issue that attracted criticism was the return of funds to shareholders following the disposal of Hilton International in a form that could leave shareholders with a huge tax bill.

The relevant passage in the Prospectus reads "It is possible that any return of cash to shareholders will be in a form that would be taxed as income rather than capital in the hands of shareholders". Amid the ensuring uproar Sir Ian assured the meeting that no decision had been taken and all options would be considered. Alan stated that the most popular option to mitigate capital gains tax was the strategy to issue "B" shares that could be redeemed at a specific time at the choice of the shareholder. Sir Ian made it clear that he would be able to talk more on 23rd February at the Group's preliminary results.

Alan received coverage in the Telegraph (twice) and the Independent.

Following an informal approach to Sir Ian and Christopher Bell, Chief Executive of Ladbroke Group after the meeting, both agreed to arrange for an analyst strategy type meeting to be hosted by Ladbroke Group, thus maintaining a tradition of meeting with UKSA.

Alan Perryman, Director, UK Shareholders Association
12 February 2006