

Folkestone drifts along at calmer pace

Gretchen Friemann

Compared with the stormy scenes at a shareholders' meeting last March, Folkestone's annual general meeting yesterday turned out to be a civilised and subdued affair.

There was little mention of the hostile takeover that landed industry veteran, Greg Paramor, the top job, other than a passing platitude to a small gathering of investors: "The past is the past and now it's all about going forward."

Earlier this year the former Mirvac boss described the battle for control at the Melbourne property minnow as one of the most difficult in his 35-year career.

Despite being cast as the underdog, his firm, Equity Real Estate Partners succeeded in fending off Folkestone's two largest shareholders, the Pratt family investment vehicle Thorney Holdings and Centro Retail director, Bill Bowness, after the company hit

the skids in the wake of the global financial crisis.

Paramor recapitalised the company at 12¢ a share, but since then the stock price has slumped to 8¢.

However, the new chief executive said he "wasn't too fussed" at this "drift", pointing out that it is difficult to achieve momentum "until we get some runs on the board".

He pointed out that Folkestone had plenty of cash on its balance sheet after a \$31 million equity raising, and was eagerly combing the market for potential acquisitions.

In the eight months since Mr Paramor has been at the helm, the company has looked at 41 separate real estate purchases and six possible takeovers of fund management platforms.

But with caution the new watchword, there have been only two deals: a 25 per cent stake in a residential development in Western Australia together with a joint slice of a housing project on the Princes Highway in Vic-



Greg Paramor . . . aiming for a 15pc post-tax return on equity.

toria. The two transactions cost a combined \$9.7 million.

But Folkestone has its sights set on larger prizes. It recently partnered with a leading construction firm for an \$80.5 million tilt at ANZ Banking Group's headquarters at 20 Martin

Place in Sydney's city centre, but was far outpaced by Pembroke, which invests the private capital of the Johnson family controlled Fidelity investments, which is based in Boston.

Mr Paramor described the \$95 million purchase price as "extraordi-

nary" and said "it was interesting that most Australians were bidding around the 80 million mark." He added it shows "what you are up against in these premium spots".

Folkestone is also chasing scale and is keeping an eye out for any merger and acquisition opportunities.

But Mr Paramor declined to offer any growth target, maintaining his sole aim is to deliver a 15 per cent post-tax return on equity for shareholders.

He claimed the past three years had been "incredibly unpredictable" and said he had expected far more properties to come onto the market than had materialised.

While this volatility would continue for the next "few years," Mr Paramor claimed it would work in Folkestone's favour with its bulging balance sheet.

He also lauded the Australian banks for "lowering everyone back to the ground slowly rather than what they did in the early '90s, which was to drop them from a great height".