

## Stock Journal

None

### **MG's crisis managers leave as Saputo gets FIRB approval**

Andrew Marshall

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Murray Goulburn co-operative's emergency boss Ari Mervis will leave the company as he hands on the reins to new owners Saputo Inc at the end of this month.

The managing director and former beer industry chief was hired about a year ago to revive MG's prospects after its farmgate milk price, share price and financial outlook all collapsed in 2016, triggering a dairy industry crisis in southern Australia.

Saputo's buy-out of the troubled farmer-owned dairy processor has just received Foreign Investment Review Board consent, two weeks after shareholders accepted a \$1.3-billion deal negotiated by Mr Mervis and his crisis management team.

Chief financial officer David Mallinson, who also held the fort as interim chief executive for about six months prior to Mr Mervis arriving, and company secretary Amy Alston will also leave their jobs when the sale goes through.

Saputo received confirmation of the federal government regulator's approval late last week, clearing the way for MG's factory and related assets to transfer on May 1.

All other conditions required as part of the asset sale, including the Australian Competition & Consumer Commission's tick of approval - albeit with some stringent conditions - have been satisfied.

MG chairman John Spark, also a new appointment after a big boardroom shakeup 15 months ago, thanked Mr Mervis for his "significant contribution".

"The board remains unanimous the Saputo transaction provides the best available outcome for our suppliers and investors and this view is supported by the thorough work undertaken by Ari and his management team during the strategic review," he said.

Mr Mervis joined MG after a stint as managing director of beer giant Carlton and United Breweries when the business's parent company, SABMiller merged into the Anheuser-Busch group in late 2016.

As part of the big MG asset takeover, Saputo has agreed to re-sell the Koroit, Vic, dairy factory near its Warrnambool Cheese and Butter plant at Allansford, Vic, to maintain farmgate milk price competition in south western Vic.

The ACCC said Saputo would otherwise have dominated the regional milk market if it kept the plant.

Among the potential buyers of the 1b litre Koroit plant, which is running at about half capacity, are Bega Cheese, the Gippsland, Vic-based Burra Foods, Vic's Australian Consolidated Milk and Chinese interests. It is believed the Koroit plant could be valued at between \$200 million and \$300m.

A spokesman for Bega Cheese confirmed the company was interested in buying the plant.

"We initially showed interest in buying MG, so, by definition, we would be interested in Koroit," the spokesman said.

But he said no decision would be made until after the completion of the sale.

Norco chairman Greg McNamara said while the level of interest in Koroit was good for the Australian industry, the NSW co-operative was not interested in purchasing the plant.

"We had a think about it and we are certainly not pursuing options around acquiring Koroit," Mr McNamara said. "I can 100 per cent guarantee we are not expressing an interest in it. It's not part of our strategy at the moment."

But other Australian processors expressed guarded interest.

Burra Foods chief executive Grant Crothers said the company "may be interested", in buying Koroit.

"I have said we are looking to expand our business," Mr Crothers said. "You have to work out if it will make some money, how do you get it to be profitable?"

Mr Crothers said any purchase would depend on whether or not it added value to Burra's business model.

ACM managing director Michael Auld said the company, which collects from farmers in western Vic, had not come to a final conclusion on the purchase.

But he said buying Koroit would be "less likely, than more likely."

"We will just see how the process closes out - we haven't made a definitive decision one way or another," he said.

"Once we know a bit more about the detail, we will make a decision on whether or not we participate."

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