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HD **Treasury Wine Estates boss expected to make deep cuts**

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Treasury Wine Estates chief executive Mike Clarke will start swinging the axe within the nation's biggest winemaker on Monday as 5 per cent of the workforce is culled in the first phase of an earnings turnaround plan.

The Penfolds, Rosemount and Wolf Blass winemaker is expected to make deep cuts in its middle management ranks and also to trim travel expenses, office space and production facilities.

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The crackdown on discretionary spending inside the company, including slashing the use of consultants, comes as Treasury closely scrutinises some of its lesser-known brands.

Mr Clarke and a group of senior executives are preparing to whittle down its 83-strong portfolio, which has been built up over 15 years of acquisitions.

While no decisions have been made, it is understood that brands including Tollana, Metala, Robertson's Well and Ingoldby are among those second-tier brands that are being looked at closely.

It has also emerged that Bank of America Merrill Lynch is one of the key players in a syndicate of banks that are part of the financing package which Kohlberg Kravis Roberts has signed off on.

But BAML has stipulated that it is subject to KKR doing full due diligence with complete access to Treasury's books.

This makes it highly unlikely that KKR would contemplate a hostile bid.

KKR has been attempting to get access to Treasury's books since its initial $3.05 billion takeover approach on April 16, but has been unsuccessful.

One wine industry executive said Mr Clarke would easily be able to make the job cuts – representing roughly 175 jobs – because Treasury had grown too large in recent years on the expectation that demand for its wines would rise.

"They're still selling a lot of cheaper wine, which you could argue they shouldn't be in any more," the source said.

"I don't believe for a second that KKR is buying it to manage a turnaround. It has to be a break-up. I think they've probably got people lined up for some of the assets."

Treasury says KKR's $4.70 cash-per- share, highly conditional offer undervalues the company.

Treasury's firm stance has shifted focus to whether a rival bid may emerge.

Chinese food giant Bright Food, speculated as a potential bidder, said on Friday it had not held internal discussions about a potential bid.

But Bright, which was believed to be eyeing Treasury in 2011, has been aggressively expanding across the globe.

Last week it agreed to pay British private **equity firm** Apax nearly $1 **billion** for a 56 per cent **stake** in Israel's largest **dairy** manufacturer, Tnuva.

Bright bought a 60 per cent slice of Britain's Weetabix in 2012 and is well known in Australia.

It has recently bought **dairy group** Mundella and in 2011 bought a 75 per cent **stake** in Manassen Foods.

Its adviser on the Manassen deal was Nomura, which is advising KKR on its Treasury bid.

Treasury's shares have surged 40 per cent since April 16. The rally is opportune for some of Treasury's largest shareholders. Commonwealth Bank's Colonial First State lifted its holding from 7.6 per cent to 9.1 per cent a fortnight before KKR made its approach to Treasury. Wellington increased its **stake** from 5.7 per cent to 6.8 per cent in February.

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