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HD Goodman defends takeover offer

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LP Goodman Fielder chairman Steven Gregg has been forced to defend the **board's** recommendation of a \$1.3 **billion** takeover offer from Singapore oils **company** Wilmar International and **Hong Kong** investment **company** First Pacific after facing a barrage of criticism from retail shareholders.

Mr Gregg also conceded there is uncertainty over whether the takeover offer, through a scheme of arrangement first agreed in May, would proceed, citing regulatory issues.

TD "It may not go forward – we have to look to the future," Mr Gregg said after investors questioned the wisdom of appointing a new director only months ahead of a shareholder meeting to approve the proposed scheme.

"We are confident conditions will be met... the only reason it might not move forward is the regulatory approval," Mr Gregg said.

Wilmar and First Pacific's 67.5¢-a-share offer has been cleared by the Foreign Investment Review **Board**, the Australian Competition and Consumer Commission and New Zealand's Commerce Commission but is still awaiting approval from China's Ministry of Commerce, which has been delayed by several months.

Chief executive Chris Delaney said if MOFCOM approval was not forthcoming by the end of March, Goodman has the options of postponing the shareholder meeting, proceeding with the meeting but make the vote conditional on MOFCOM approval, or letting the scheme lapse.

"Holding the shareholder meeting before MOFCOM approval is an option but it has not been debated at this point," Mr Delaney told The Australian Financial Review after Goodman's annual general meeting on Thursday.

"At this point we are planning an EGM in the first quarter, if in fact we get closer to that date and we have feedback it will be longer, there are other options," he said. "One is to extend the scheme past March 31, hold the vote and make the vote conditional on MOFCOM approval and third would be to let the scheme expire."

The scheme of arrangement needs approval from 75 per cent of the shares cast and 50 per cent of shareholders. Retail shareholders, who account for about 10 per cent of the shares on issue, are largely unhappy with the terms of the deal and the loss of another Australian food **company** to foreign owners.

"You don't sell your house when the market is down," one shareholder said after the meeting.

However, major institutional shareholders speaking for at least 40 per cent of the shares are understood to support the deal.

Wilmar and First Pacific now own 19.9 per cent of Goodman after buying about 9.9 per cent from Perpetual Investments and Ellerston Capital for 70¢ a share and will not be entitled to vote their **stake**.

Mr Gregg told shareholders that the owner of Wonder White and Helgas **bread**, Meadow Lea spreads and Praise mayonnaise had considered many alternative options to the takeover, including the **sale** of the NZ **dairy** and Fiji poultry businesses, as well as joint ventures with Wilmar and First Pacific, which may have allowed shareholders to participate in a recovery in earnings fuelled by Asian expansion.

"At the end of the day, we felt the best way to achieve the highest price was to go down the road we've gone down," Mr Gregg said

Mr Delaney said the introduction of 85¢ a loaf private label **bread** by [Woolworths](#) and Coles had squeezed sales of Goodman's branded loaves. However, he said the impact on sales and earnings would not be significant enough to trigger a material adverse change clause in the takeover offer. This clause enables Wilmar and First Pacific to walk away from the offer if recurring EBIT falls \$30 **million** or the value of net assets falls by \$100 **million** in 2015.

Mr Delaney said market conditions remained challenging in baking and grocery and 2015 would be another difficult year.

CO fdgl : Goodman Fielder Ltd | nzldcc : New Zealand Commerce Commission

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