REUTERS

HD **UPDATE 2-Australia's TreasuryWine posts loss on U.S., China woes**

WC 784 words

PD 21 August 2014

ET 15:57

SN Reuters News

SC LBA

LA English

LP

* FY loss A$100.9 mln vs A$47.2 mln profit

* Underlying profit A$112.8 mln vs A$123.2 mln analysts' forecasts

TD

* Unfazed by U.S. woes, eyeing expansion

* KKR & Co and TPG Capital in rival $3.1 bln takeover bids (Recasts to focus on U.S. takeover plans, adds analyst and CEO comments, shares)

By Byron Kaye

SYDNEY, Aug 21 (Reuters) - Australia's TreasuryWine Estates Ltd, the world's No. 2 winemaker, on Thursday said it wants to expand its high-end offerings in the United States, ignoring calls to quit the U.S. market altogether after posting its first annual loss.

New chief executive officer Mike Clarke promised 2015 would be a "reset" year for the struggling Melbourne-based company and takeover target, as he outlined a change of strategy in North America and a restructuring of its Australian operations.

The maker of Penfolds, Lindemans and Wolf Blass wines destroyed some 240,000 cases of unsold mass-market wine in the United States over the past two years. Writedowns largely related to the company's United States operations contributed to its A$100.9 million ($93.32 million) annual net loss.

But Clarke told a teleconference that instead of pulling out of the United States altogether, Treasury planned to grow its mass-prestige and luxury portfolios by acquisition or partnership to tap the country's growing appetite for high-end product.

"In the U.S. they tend to be skewed to the low-end commercial end where they've got very few competitive advantages," Morningstar analyst Daniel Mueller said. "If they can acquire some higher-end brands it might be in a better competitive position."

The net loss for the year to June 30, from a net profit of A$47.2 million the previous year, included a A$280.6 million impairment largely for cuts to asset values of its cheaper brands, particularly in the United States.

Even without significant items, net profit fell to A$112.8 million from A$141.7 million the previous year, below the A$123.2 million average forecast of analysts polled by Thomson Reuters I/B/E/S, as an unexpectedly weak Australian arm shrank earnings by a third.

PROBLEMS AT HOME

While earnings in most markets fell, Treasury surprised with a 31.5 percent decline in Australia and New Zealand earnings before interest, tax and vineyard revaluations to A$75.1 million, as promotions instigated by previous management failed to generate sales.

Clarke, who started on March 31, blamed a weaker retail environment, tough competition and "entanglement" in the company's promotions of commercial and high-end brands in Australia. He plans to split the marketing and supply chains of those brands in 2015 to give them "separate focus".

U.S. earnings fell 7 percent to A$74.9 million and Asia earnings dropped 12.3 percent to A$47.7 million, as a crackdown in China on gifts to government officials hit sales.

Globally, the company that was spun off from Foster's Group in 2011 missed its own guidance with earnings of A$184.6 million compared with A$216.2 million the previous year.

In January, the company said it expected earnings between A$190 million and A$210 million for the year. On Thursday, the company said it hit its guidance if it adjusted earnings for foreign exchange rates, to A$193 million.

The company declined to give further guidance but Clarke, asked if net profit would improve in the current financial year, said 2015 would be a "reset year".

"I would hope that there's upside from here," he said.

TAKEOVER UNCHANGED

Treasury, viewed as ripe for a takeover since late 2013 when it first warned of U.S. problems, currently has its books opened to U.S. private equity giant KKR & Co LP and another private equity player, reported to be TPG Capital Management , for rival $3.1 billion takeover bids.

Clarke, who is leading the due diligence process, wouldn't discuss conversations with the potential buyers.

Treasury shares fell 2.5 percent to A$5.20 by late trading, on par with the two indicative offers from the private equity players, as investors weren't prepared to bet against a takeover bid despite the net loss.

"It has absolutely zero impact on the takeover bids," said CLSA analyst David Thomas, noting Treasury's balance sheet and cashflow appear consistent with last year.

(1 US dollar = 1.0812 Australian dollar) (Reporting by Byron Kaye; Editing by Lisa Shumaker and Stephen Coates)

RF Released: 2014-8-21T06:57:55.000Z

CO autry : Australia Treasury | kkr : KKR & Co. L.P. | tpgpar : TPG, Inc. | trzwn : Treasury Wine Estates Ltd

IN i426 : Wine | i41 : Food/Beverages/Tobacco | ialco : Alcoholic Beverages/Drinks | ibevrge : Beverages/Drinks | icnp : Consumer Goods | i81502 : Trusts/Funds/Financial Vehicles | i8150203 : Private Equity | ialtinv : Alternative Investments | ifinal : Financial Services | iinv : Investing/Securities

NS c151 : Earnings | ccat : Corporate/Industrial News | c15 : Performance | ncat : Content Types | nfact : Factiva Filters | nfcpin : FC&E Industry News Filter

RE austr : Australia | usa : United States | china : China | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia | namz : North America

IPD Business

IPC SERVICE:ABN

PUB Thomson Reuters (Markets) LLC

AN Document LBA0000020140821ea8l002if

