

# FINANCIAL REVIEW

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HD **TPG's tender playbook on Inghams**  
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Private **equity** group TPG has drawn on a familiar playbook in seeking to extract as much value as possible from its bumper \$880 **million purchase** of poultry business Inghams Enterprises.

Only a year after being ingested, the **acquisition** is already being touted by some as a **gold**-star deal in the buyout industry. TPG co-head of Asia Ben Gray is seeking to capitalise on the higher yield available from Inghams properties – relative to the chicken producing business that supply big name companies, including Woolworths and KFC.

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If the two Inghams property portfolios, spanning 53 properties in Australia and New Zealand, sell at the expected yield, the **sale** will come in at a tidy \$625 **million**. That's a big number relative to the price paid.

This is likely an early step towards an exit. It is also a reminder of how TPG and others handled the Myer **sale**. The subsequent **sale** and leaseback of Myer's Melbourne CBD district in mid-2007 netted about 1.2 times the total original **equity**. The **company** hit the local bourse about 18 month later. The Myer sharemarket listing was a boon for the vendors but not investors that piled into the stock (it has never traded above its issue price). The playbook is also being dusted off as TPG and co-investor The Carlyle Group explore spinning properties out of private hospital operator Healthscope, ahead of a trade **sale** or listing.

In the Inghams case, a property fund was a preliminary consideration by TPG but it has since drafted in agent CBRE to manage a **sale** and leaseback campaign. Danny Thomas and Mark Granter are ruling the roost for CBRE on the **sale**.

Expressions of interest were due on Tuesday as pension and sovereign wealth funds circled. The properties will likely be sold in two portfolios and the assets include breeder sheds and large chook processing facilities.

Rent from the properties is about \$50 **million** annually and the expectation is the portfolios will sell on a yield of about 8 per cent. It must be noted that banking sources suggest some properties were carved out of the Inghams **sale** ahead of the auction. The Ingham family, led by BRW rich-lister Bob Ingham, turned to then Investec Australia chairman David Gonski on the **sale** mandate in 2012. Gonski has a relationship of more than 30 years with the family. Tactical jousting

After trade buyers fell away, the race for the business was contested by Blackstone and its advisers, led by Barclays, which was tipped as the frontrunner.

TPG, advised by Macquarie Capital, started its run late, but elbowed aside Blackstone in the end. Succession planning issues, management profile and protracted timing put the initial public offering option on the back-burner. The jousting was tactical.

Gray flew into Sydney from **Hong Kong** to see Woolworths chief Grant O'Brien on February 28, to ensure a **firm** grip on its coveted distribution deal, and a binding deal was clinched soon after.

TPG sank about \$260 million of equity into the business and financed the remainder of the acquisition with borrowings from an eight-strong syndicate of lenders. While the TPG-led debt-for-equity deal to save Alinta in 2010 is seen as the private equity group's top deal in Australia, if the Inghams exit goes to plan, it will also rank highly.

TPG is thought to have removed some middle management roles, while natural attrition has also contributed to lower headcount. The Australian chicken meat federation expects chicken meat produced will rise to 1.2 million tonnes in Australia this financial year, up from 750,000 tonnes a decade ago. That is a positive, but TPG will be mindful of the competitive nature of the industry and the potential for overcapacity. No doubt bankers will keep a close eye on TPG's playbook.

**CO** inent : Inghams Enterprises Pty Ltd | tpgpar : TPG, Inc.

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