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HD **TWE shares soar on higher offer hopes**
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Investors are banking on a higher offer emerging for Treasury **Wine** Estates after a US investor emerged with a 5 per cent **stake** in the **company**, which has knocked back an indicative \$3.15 **billion** proposal from US private **equity firm** KKR.

Shares in TWE climbed yesterday as much as 44c, or 9.2 per cent, to a peak of \$5.24 — their highest level since July last year when the **company** unveiled a \$160 **million** writedown related to inventory issues in its US division.

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The stock finished at \$5.07, up 27c on the day and a 7.8 per cent premium to the indicative \$4.70 price KKR put to the TWE **board** on April 16. TWE revealed the rejected approach only this week when it was alerted to the fact KKR had approached some shareholders to canvass their views, thereby risking news of the move leaking to the market.

The TWE **board** has said the KKR proposal doesn't reflect the fundamental value of the **company**, given its own turnaround plans under new chief executive Michael Clarke, but has said it would consider any offer that would maximise shareholder value.

Analysts said the market clearly believed KKR had not led with its highest bid, while the emergence of US-based fund manager Harris Associates as a substantial shareholder only fuelled perception that TWE was under siege from foreign buyers.

Harris yesterday lodged a substantial shareholding notice with the Australian Securities Exchange declaring it had accumulated a 5.01 per cent **stake** in TWE since the start of the year.

Harris seeks out undervalued companies and already has major stakes in department store Myer and food manufacturer Goodman Fielder — which last week agreed to a \$1.4bn takeover from Singaporean agribusiness Wilmar and **Hong Kong** investment manager First Pacific.

Credit Suisse analyst Larry Gandler said KKR had yet to gain access to TWE's records and could yet make another proposal, adding that \$4.70 was so far above his own valuation of the **company** at \$3.15 a share that the **board** should engage with the bidders.

Analysts at Morgan Stanley said previous **wine** takeovers suggested the **company** could fetch \$5.18 a share, while CIMB analysts said KKR could pay \$5.10 a share. But one investment banker who has worked on deals opposite KKR said he wouldn't be surprised if the deal "fizzled out", noting the **firm** walked away from takeover talks with clothing and homewares wholesaler Pacific Brands in 2012 after initial talks failed to produce an agreement.

"They have no capacity to force the **board** to engage, and TWE has a new CEO, so the **board** is likely to be fairly committed to giving him some time to perform," the banker said.

"KKR would have to come back with a very significantly higher offer for the **board** to change their mind." JPMorgan analyst Stuart Jackson said there was also a high risk that TWE could downgrade its

earnings forecast for this financial year after warning that conditions had remained challenging since guidance was downgraded in January.

CO trzwn : Treasury Wine Estates Ltd

IN i41 : Food/Beverages/Tobacco | i426 : Wine | ialco : Alcoholic Beverages/Drinks | ibevrge : Beverages/Drinks | icnp : Consumer Goods

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