

**SE** Investing  
**HD** **Saputo Inc eyeing more acquisitions beyond Australia's Warrnambool, CEO says**

**BY** Nicolas Van Praet

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MONTREAL - The ink isn't dry on its half-a-billion-dollar takeover of Australia's oldest dairy but Canadian milk and cheese maker Saputo Inc. is already talking about its next acquisition, saying there's plenty more industry consolidation to come.

"The runway still is very, very long" on global takeover opportunities, Saputo chief executive officer Lino Saputo Jr. told analysts and investors on the company's third quarter earnings call Thursday. "I'm very bullish on the market."

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The CEO said Saputo could swoop next in the United States, where the \$10-billion company holds a small percentage of overall volume despite its size, or in Brazil, where management has made several trips in recent years. The company is currently exporting into South America's largest economy from its manufacturing base in Argentina.

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Saputo increases stake in Australia's Warrnambool, on par with Murray Goulburn(  
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Saputo Inc willing to pay up to \$510M for Australian cheesemaker if it gets 90% of company's stock(  
<http://business.financialpost.com/2013/12/17/saputo-inc-makes-final-offer-for-australian-cheesemaker-warrnambool-cheese/> )

Takeovers could also materialize in New Zealand and Canada, Mr. Saputo said. The company bought Nova Scotia dairy cooperative Scotsburn's fluid milk business for \$61-million last month and there could be more such deals in a Canadian market where overall demand is declining, he said. Saputo and rivals Parmalat and Agropur control 75% of the milk market in Canada.

"The characteristic of this market is that the only way that you can find growth really is either to steal volume from your competitor or perhaps to make some acquisitions," said Mr. Saputo. "We feel very good about our position."

Montreal-based Saputo started in 1954 as a tiny outfit making a basket-full of mozzarella per day, which it delivered to Italian community customers by bicycle. Its first production facility came three years later as the pizza's popularity exploded in North America. Since then, the company has ballooned through acquisition, doing no fewer than 22 deals including the \$1.4-billion purchase of U.S.-based Morningstar Foods.

No takeover drew quite as much public attention through unpredictable turns as its latest deal for Australia-based Warrnambool Cheese and Butter, with two Australian dairy processors bidding against Saputo and nationalist sentiments coming to the fore. And none might be quite as key to the company's global growth going forward.

Saputo confirmed Thursday it controls 78.9% of Warrnambool shares. Its bid has increased to AU\$9.40 cash per share now that it has an interest of more than 75%. The offer runs to Feb.12.

If 100% of the shares are tendered to Saputo, the **company** will pay about \$520-**million** for Warrnambool. If they aren't, Saputo will treat the **business** as a subsidiary, operating as a separate entity and accounting for a minority interest in the overall net earnings.

"Irrespective of whether we have 100% or 90% or 80%, we are still very delighted with this transaction," Mr. Saputo said. "I think we can leverage some of the strength that Saputo has to make Warrnambool a much stronger player in the international markets."

Saputo has been interested in Australia for the better part of a decade. It coveted Warrnambool as a way to pierce further into the Asia Pacific region and take a piece of growing world demand for **dairy** protein.

**China**, in particular, is seen as a major potential buyer for imported **dairy** solids as its own domestic production of **milk** declines and its middle class continues to grow. Demand is also coming from Japan, Taiwan, the Middle East and Russia, Mr. Saputo said.

"There are only so many countries around the world that have the infrastructure and the capability to produce the **milk**. And this is why we thought that Australia was so key for us in terms of our long-term outlook as a **dairy** player on a global scale."

In future, Mr. Saputo said he's confident that demand for **milk** products will outpace supply. He said that's already materializing at the moment with a lift to international pricing.

For its latest quarter ended Dec.31, Saputo tallied a profit of \$144-**million** or 74¢ per share on revenue of \$2.3-**billion**. The quarter included a hit to international revenues of \$47-**million** as the Argentinian peso fell sharply against the Canadian dollar.

Saputo shares gained 1.5% to \$52.68 in trading Thursday. They've traded between \$46.01 and \$54.62 over the past year.

**CO** mryglb : Murray Goulburn Co-operative Company Limited | sapgrp : Saputo Inc

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