

SE **Business**
HD **Aussie companies ripe for takeovers**
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If all the financial forecasts are correct, conditions are right for a surge in the number and size of corporate takeover deals across Australia in 2014.

An acceleration of the global economic recovery, rising **business** confidence, a lower Australian dollar, and a growing list of cashed-up corporate investors eager to **buy** up premium, undervalued assets around the world, will likely propel mergers and acquisitions activity.

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Factors such as low interest rates and improved funding options, mean potential buyers can raise affordable funds from banks or capital markets if they desire. In addition, general expectations that the Australian economy will slow means organic growth might be harder to come by – and so growth by **acquisition** could appear very attractive for some companies.

And, with the government taking aggressive steps to pay down sovereign debt, overall uncertainty about Australian financial risk is rapidly improving.

Takeover deals will come in all shapes and sizes, with some hostile and others representing a meeting of corporate minds. Cashed-up private **equity** firms and venture funds, including from the US and Europe, also are likely to be among the key takeover players.

Foreign companies are keen to invest here, a fact keeping the Foreign Investment Review **Board** busy. The FIRB was tested last year when it scrutinised but rejected a \$3.4 **billion** offer for grain co-operative GrainCorp by Canada's Archer Daniels Midland. It deemed the bid not to be in the national interest.

But scores of other foreign bids have been approved, including a large number from **China**. Just in the last few days Canadian **dairy** giant Saputo tightened its takeover hold on Victoria's Warrnambool **Cheese & Butter**, with its \$530 **million** deal enough to stave off stiff competition from Australian bidding rivals Bega **Cheese** and the Murray Goulburn co-operative.

New figures by research **firm** Dealogic show 1,393 **M&A** deals involving Australian companies, with a combined value of \$US86 **billion**, were announced last year.

The biggest was the \$7.5 **billion acquisition** of Singapore Power's Australian **energy** assets by **China's** power distributor State Grid, followed by the \$7 **billion** restructure of the Westfield property **group**, and the \$5.3 **billion sale** of Port Botany and Port Kembla by the NSW government to a consortium led by Industry Funds Management.

More big deals are on the cards, with infrastructure assets one of the biggest areas identified as the federal and state governments move to privatise industrial **operations** ranging from electricity generation and distribution to hospitals, roads, railway lines and rolling stock to ports.

While some experts predict the **mining** sector won't be a major area of takeover activity, the devaluing effect of lower prices for some metals and a lower Australian dollar will put many resources companies into the bidding zone.

Indeed, of current takeover deals underway involving Australian-listed companies, a high percentage relate to **mining** companies. Takeovers specialist Tom Elliott this week named in Eureka Report three listed companies that he has on his radar screen as hot buys. They include a listed mortgage broker, an online travel bookings **company**, and a major **oil** and gas producer. He also listed three well-known companies as wait/holds on the basis he expects there will be further activity in them over time. Elliott has a fine takeover record. He named Warrnambool **Cheese & Butter** as a takeover target last September, the day before Bega launched a surprise \$319 **million** bid for the **company**. Now he says it's time Warrnambool shareholders enjoyed the cream.

But there are plenty of potential takeover deals in other sectors. It's a case of picking the trends and buying into the opportunities.

This article is part of Eureka's 'It's Time' special series, which reveals investment strategies for 2014.

Tony Kaye is the Editor of Eureka Report. To read more go to www.eurekareport.com.au **Trial** Eureka Report free for 21 days. Register now at www.eurekareport.com.au

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