

SE **Business**
HD **Treasury thirsty for acquisitions**
BY RICHARD GLUYAS, Beverages
WC 537 words
PD 22 August 2014
SN The Australian
SC AUSTLN
ED Australian
PG 19
LA English
CY © 2014 News Limited. All rights reserved.
LP

TREASURY **Wine** Estates has met its profit guidance and is scouring the US for **wine** deals at its favoured premium end of the market, as two potential private **equity** bidders continue due diligence at the world's second-biggest winemaker.

New chief executive Mike Clarke yesterday maintained a long Treasury tradition of asset writedowns, with a well-flagged \$280.6 **million** impairment charge, mainly related to 2011 pre-demerger acquisitions, contributing to a \$100.9m bottom-line loss.

TD

However, Treasury's \$193m in EBITs (earnings before interest, tax and the accounting standard on agriculture) in constant currency terms was within guidance range of \$190m-\$210m.

While Mr Clarke declined to offer any profit guidance for 2015, describing it as a reset year with a range of initiatives underway, he said the troubled Australasian unit had bottomed, after recording a 9.4 per cent slump in volumes and a 31.5 per cent slide in EBITs to \$75.1m. "I would hope there's upside from here," he said.

Two separate bidders — Kohlberg Kravis Roberts and junior partner Rhone Capital, as well as TPG Capital — have made \$5.20-a-share indicative bids for Treasury, valuing the winemaker's Penfolds, Rosemount, Lindemans and other brands at \$3.4 **billion**.

Mr Clarke and chief financial officer Tony Reeves are heading a small bid team, overseeing the due diligence process and trying to ensure there's minimal disruption to Treasury's transformation plan.

But the Treasury chief made it clear yesterday that he had his own acquisition agenda, which is largely focused on the premium end of the US market — the country's fastest-growing category.

Acquisitions were possible, he said, but so were alliances.

"You can rest assured they will be financially accretive to the organisation, if we were to progress on that front," he said.

Citi analyst Gino Rossi said Treasury's result was better than expected, but Australasia was still struggling.

"The 2015 financial year is likely to be another difficult year for Treasury," he said. "While the Penfolds release will provide a significant boost to growth, the **company** is facing other headwinds." Treasury shares eased 13c to the indicative bid price of \$5.20. At the troubled US **business**, EBITs increased by 12.1 per cent to \$74.9m, although on a constant currency basis it retreated 7 per cent to \$80m.

Treasury revealed it hadn't destroyed all the low-end commercial **wine** it had previously foreshadowed, following inventory problems.

Mr Clarke said there were also opportunities to accelerate growth in Asia, particularly in north Asian countries like **China**, Korea and Japan, where a shift in consumer preferences from beer to **wine** was underway. In its home market, Treasury would concentrate on selling its premium range.

Overall, while volumes fell 6.4 per cent, there was a 7.9 per cent rise in net revenue per case to \$56.85, indicating that Treasury was selling less **wine** but at higher prices, in line with the strategy. Mr Clarke said that people who were “outside looking in” at Treasury were supportive of the **group**’s turnaround, and he wanted to implement it regardless of the **company**’s owner.

CO trzwn : Treasury Wine Estates Ltd

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

NS cacqu : Acquisitions/Mergers | c18 : Ownership Changes | c181 : Acquisitions/Mergers/Shareholdings | cactio : Corporate Actions | ccat : Corporate/Industrial News | ncat : Content Types | nfact : Factiva Filters | nfcpin : C&E Industry News Filter

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB News Ltd.

AN Document AUSTLN0020140821ea8m0000n