

SE **Business**
HD **Plenty of takeover targets ripe for picking**
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IF ALL the financial forecasts are correct, the conditions are just 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, is likely to propel merger and **acquisition** activity.

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Add to this factors such as low interest rates and improved funding options, and general expectations that the Australian economy will slow to some degree making organic growth harder to come by – and growth by **acquisition** could appear very attractive for some companies.

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, are likely to be among the key takeover players.

Foreign companies are keen to invest here – a fact that will no doubt keep the decision makers at the Foreign Investment Review **Board** busy. The FIRB was tested last year when it scrutinised, and subsequently rejected, a \$3.4 **billion** offer for grain co-operative GrainCorp by Canada's Archer Daniels Midland. It deemed it not to be in the national interest.

But scores of other foreign bids have been approved, including a large number emanating from **China**.

Just in the last few days, the Canadian **dairy** giant Saputo has 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.

Figures just released by the research **firm** Dealogic show a total of 1393 **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 State Grid, **China's** key power distributor, followed by the \$7 **billion** restructure of the Westfield property **group**, and the \$5.3 **billion sale** of Port Botany and Port Kembla.

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 networks to hospitals, roads, railway lines and rolling stock, to ports.

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

Indeed, of the current takeover deals under way 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.

Elliott has an extremely good takeovers record. In fact, he specifically named Warrnambool **Cheese & Butter** as one his strong takeover targets in September last year – the day before Bega launched a surprise bid for the **company**.

Now, he says, it's time for Warrnambool shareholders to enjoy the cream. "At \$9.43 per share, WCB shareholders should take their money and look for the next opportunity in the agricultural space," Elliott says.

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 Report's 'It's Time' special series, in which we reveal winning investment strategies to accelerate your portfolio in 2014. TONY KAYE IS THE EDITOR OF EUREKA REPORT. READ MORE BY TONY KAYE AND OTHER EXPERTS AT WWW.EUREKAREPORT.COM.AU

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