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HD **Goodman agrees cut-price takeover offer**

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SINGAPOREAN palm oil giant Wilmar and Hong Kong investment manager First Pacific are set to save $49 million on the acquisition of food manufacturer Goodman Fielder after the target company agreed to a 2.5c-per-share reduction in the offer price.

Goodman yesterday signed off on a deal to sell the company for 67.5c a share, which was above the 65c the company first rejected in April but below the subsequent 70c offer that prompted Goodman to allow the bidders access to its accounts the following month.

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Shareholders will also receive a final dividend of 1c per share for the past financial year.

Over four weeks of due diligence, it is understood the bidders did not uncover any major items of concern, but they concluded that the level of investment Goodman required to turn its fortunes around was higher than they had expected, prompting them to trim their offer from $1.37 billion to $1.32bn.

Goodman chairman Steve Gregg said he still believed the offer was a good deal. “In reaching our conclusion to unanimously recommend that shareholders vote in favour of the scheme, the board concluded that the proposal represented an attractive value outcome for shareholders,” Mr Gregg said.

“I believe it also represents a positive outcome for our employees, our customers and our consumers; it provides an opportunity to further leverage our strong consumer food brands in Australia and New Zealand to grow our business across the Asian region.” The decision was met with resignation by investors, who have watched Goodman deliver four profit downgrades over the past three years while announcing more than $1.1bn in restructuring costs and asset writedowns — including an impairment of between $300m and $400m announced yesterday to be taken against its baking and grocery divisions.

“We’re disappointed that the price has been lowered, but we support the chairman’s decision to accept the offer,” said Paul Skamvougeras, portfolio manager with 8.9 per cent shareholder Perpetual.

Perpetual and fellow institutional investor Ellerston in May sold a combined 4.8 per cent stake in Goodman to the bidders, lifting their stake to 14.9 per cent, and agreed to sell them a further 5 per cent tranche at 70c per share if the deal received approval from the Foreign Investment Review Board.

The Goodman board signed off on the lower offer late on Tuesday, agreeing to recommend the deal in the absence of a superior bid and subject to an independent Continued on Page 25 Continued from Page 19 expert declaring it is fair and reasonable and in the best interests of shareholders.

Negotiations over the terms of an implementation deed continued through the night, with agreement reached only shortly before the release of the document on Wednesday morning.

The deed includes a break fee of $13.2m payable to the bid consortium if directors change their recommendation on the offer without an independent expert declaring it is not in shareholders’ best interests, and allows the bidders to walk away if Goodman’s asset value falls by more than $100m or if its earnings fall by more than $30m.

Deutsche Bank analyst Michael Simotas said the outcome was frustrating for shareholders because Goodman Fielder “has been forthcoming with bad news and the capex and marketing investment required should not have come as a surprise to the purchasers”.

But he noted the bid price was still well above his fundamental valuation on Goodman stock of 54c per share, “so we believe the **company**’s decision to accept the offer was sound”.

The takeover will be put to a shareholder vote at a meeting expected to be held in November, with the deal being executed by the end of the year.Shares in Goodman closed down 2.5c at 65.5c yesterday.

CO	fdgl : Goodman Fielder Ltd
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