SE Business

HD **Cashed-up investors on prowl for takeovers**

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IF ALL the financial forecasts are correct, the conditions are just right for a surge in corporate takeover deals across Australia this year.

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, are 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.

Cashed-up private **equity** firms and venture funds, including from the US and Europe, are likely to be 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 from **China**.

Just in the last few days, the Canadian **dairy** giant Saputo has tightened its takeover hold on Victoria's Warrnambool **Cheese** and **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 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.There are plenty of potential takeover deals. It's a case of picking the trends and buying into the opportunities.

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