The Courier Mail

SE Business

HD Signs are right for takeovers extravaganza

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WC 616 words

PD 1 February 2014

SN The Courier-Mail

SC COUMAI

ED CourierMail

PG 67

LA English

LP

IF THE financial forecasts are correct, the 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 premium, undervalued assets will likely propel mergers and acquisitions activity.

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Add to this factors such as low interest rates and improved funding options, meaning potential buyers also can raise funds affordably from banks or capital markets.

In addition, general expectations that the Australian economy will slow to some degree means that organic growth might be harder to come by – and so growth by acquisition could appear very attractive for some companies.

With the Government taking aggressive steps to pay down sovereign debt, overall uncertainty about Australian financial risk is evaporating.

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 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 the bid not to be in the national interest.

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

In the past few days, the Canadian dairy giant Saputo has tightened its takeover grip 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 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 by the NSW Government to a consortium led by superannuation heavyweight 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 networks to hospitals, roads, railway lines and rolling stock, to ports.

And then there's **billions** of dollars of other assets set to come into play, including whole companies as well as parts of companies that are put up for **sale** to raise cash.

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 underway involving Australian-listed companies, a high percentage relate to **mining** companies.

Takeovers specialist Tom Elliott this week named in the 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 another three well-known companies as wait/holds.Tony Kaye is the Eureka Report editor. To read more go to www.eurekareport.com.au

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