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HD Treasury **Wine** Estates Receives Rival Takeover Bid From TPG; The Private-**Equity Firm** Offers Same Price as KKR, Rhone Bid

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SYDNEY—A takeover fight has broken out between two of the world's biggest buyout firms for an Australian winemaker that produces California's mass-market Beringer **brand** as well as the premium local Penfolds label.

U.S. private-**equity firm** TPG is behind a 3.38 **billion** Australian dollar (US\$3.14 **billion**) rival bid for Treasury **Wine** Estates Ltd. that matches one made days earlier by KKR & Co. and Rhone **Group** LLC, said a person familiar with the matter.

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The heightened level of bidding interest comes in spite of Treasury **Wine**'s troubles in the U.S., where it continues to face weak sales, and intensifying competition at home. Some analysts, however, have suggested potential acquirers could spin off the **company**'s more lucrative Penfolds **business**, or sell its more poorly performing U.S. assets, to justify a higher bid.

The world's second-biggest listed winemaker said Monday that it had received a nonbinding takeover proposal from a private-**equity firm** it didn't identify at A\$5.20 a share. Treasury **Wine** has given the new bidder access to its books, according to the **company**, which said the private-**equity firm**'s offer wouldn't necessarily **lead** to a formal proposal.

Last week, KKR and Rhone also offered A\$5.20 a share—10.6% above a A\$4.70-a-share proposal by KKR acting alone in April. KKR and Rhone have also been given permission to carry out due diligence.

"On a sum of the parts basis, TPG and KKR may believe that they can create some additional value by breaking up the **group**," said Brad King, a director and portfolio manager at Melbourne-based Armytage Private. "But assuming the **business** operates in its current state, A\$5.20 represents a pretty attractive price given the risks involved."

The vintner's shares rose as much as 4.3% in Sydney to A\$5.35 on Monday, a sign some investors expect the competing suitors to fight it out. Private-**equity** firms including KKR, Blackstone **Group** L.P. and TPG are flush with cash after taking advantage of buoyant share markets to sell earlier investments worth hundreds of **billions** of dollars.

Treasury **Wine** became more vulnerable to a takeover in July 2013, when poor sales of cheaper brands such as Beringer forced the **company** to destroy thousands of gallons of **wine** that had passed the drink-by date and book a A\$155 **million** write-down.

Problems have plagued Melbourne-based Treasury **Wine** since its 2011 spinoff from Australian brewer Foster's **Group**, which was later bought by SABMiller. Back then, a glut of Australian grapes and weak sales in the U.S. weighed on profit, contributing to a A\$1 **billion** write-down of the **business** before the spinoff.

TPG could be hoping to return Beringer back to its former glory, having already owned the **brand** back in the 1990s before selling it to Foster's in 2000.

In recent years, U.S. consumers have been developing a taste for more expensive wines than many of those currently produced for that market by Treasury **Wine**. The Australian dollar's stubborn strength has also made the winemaker's products less attractive than competing vintages from rival regions such as South America. The Australian dollar is currently worth around US\$0.93—down from around US\$1.05 just over a year ago—but remains high by historical standards.

Treasury **Wine** is also facing increasing competition in Australia from a wave of New Zealand imports, while a **Chinese** crackdown on extravagant gift-giving as part of an anticorruption drive has stalled sales in the world's second-biggest economy.

CO kkr : KKR & Co. L.P. | rhngl : Rhone Group LLC | trzwn : Treasury Wine Estates Ltd | tpgpar : TPG, Inc.

IN i426 : Wine | i8150203 : Private Equity | i41 : Food/Beverages/Tobacco | i81502 : Trusts/Funds/Financial Vehicles | ialco : Alcoholic Beverages/Drinks | ialtin : Alternative Investments | ibevrge : Beverages/Drinks | icnp : Consumer Goods | ifinal : Financial Services | iinv : Investing/Securities | i831 : Financial Investments | i83108 : Investment Advice

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