

HD Penfolds targeted by **company** firmly in the red

BY By Eli Greenblat

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It is one of Australia's few successful globally recognised luxury brands, but could soon be rendered a glistening prize that sits aside Toys 'R' Us, Oreo cookies and Samsonite luggage in the bulging trophy cabinet of rapacious US corporate raider Kohlberg Kravis Roberts. Penfolds, the Australian **wine company** founded in 1844 by a young English doctor, could soon fall into foreign hands after New York-based KKR made a \$3.1 **billion** takeover bid for the **company** that owns Penfolds, as well as a swag of other well-known **wine** brands, Treasury **Wine** Estates. KKR, a US private **equity firm** that specialises in using mountains of borrowed money or debt to **buy**

companies, and then once it gains control, slashes costs, often before breaking the **business** up to flip to someone else, approached Treasury **Wine** last month with an offer of \$4.70 a share. KKR is the master of what is called in financial circles "leveraged buyouts", but it is unclear what its plans are for Treasury **Wine**, which owns Penfolds and a large portfolio of other well-known Australian brands such as Wolf Blass, Rosemount, Lindeman's and Seppelt. But it is Penfolds which is the jewel of its crown, a name that sits comfortably alongside global luxury logos such as Armani, Gucci, Porsche and Cartier and which can truly call itself Australia's only luxury **brand**. Treasury **Wine**, which in 2011 was

split off from brewer Foster's to become the world's largest listed pure-play **wine company**, has rejected KKR's initial offer but analysts believe it could start an avalanche of offers that could eventually mean the **company** is **sold**, most likely to a foreign investor. Mitchell Taylor, the managing director of Clare Valley winemaker Taylors whose family vineyard is two hours north of Penfolds' spiritual home in South Australia's Magill Estate, said he would be saddened to see Penfolds **sold** to overseas owners. "I believe it would be very sad to see jewels like Penfolds that was originally set up by a family

business, that this **brand** could be in the hands of overseas multinationals or private **equity**," he said. "As a family **business** I believe the **wine** industry works best with family businesses, we have got long-term vision and that's what the **wine** industry needs." Jacob's Creek **wine**, one of the biggest **wine** labels in the world and the second-most imported **wine** into **China**, is owned by French drinks giant Pernod Ricard. The 160-year-old **wine**-maker Hardys has passed through multiple owners and is now controlled by a private **equity firm**.

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CO kkr : KKR & Co. L.P. | toyrus : Toys R Us Inc | trzwn : Treasury Wine Estates Ltd

IN i41 : Food/Beverages/Tobacco | i426 : Wine | i64 : Retail/Wholesale | i654 : Specialty Stores | i6540030 : Hobby/Toy/Game Stores | i81502 : Trusts/Funds/Financial Vehicles | i8150203 : Private Equity | ialco : Alcoholic Beverages/Drinks | ialtin : Alternative Investments | ibevrge : Beverages/Drinks | icnp : Consumer Goods | ifinal : Financial Services | iinv : Investing/Securities | iretail : Retail

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