

SE Consumer Goods
HD **US buyout firms ready to battle for Australia's Penfolds wine**
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Two of America's most powerful buyout firms are set to lock horns over Australia's Penfolds wine after TPG entered the bidding against KKR for Treasury Wine Estates.

It is understood that rival Carlyle Group is also looking at the company but has yet to decide whether to make an approach, while Blackstone and Cerberus Capital Management are also being tipped as possible suitors.

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A week after Treasury opened its books to a joint offer worth A\$3.4 billion (£1.87 billion) from KKR and Rhône Capital, another US private equity firm, the Australian wine maker said it had received a second approach from "another global private equity investor".

The company, which has granted the new bidder similar access to its books, said that the firm in question had "requested its identity remain confidential for a period of time", although sources close to the process confirmed that it was TPG.

The two buyout rivals know the business well, having reportedly held discussions in 2010 about a joint bid for the company, then still part of Foster's, although the only suitor to break cover was Cerberus Capital, whose A\$2.5 billion bid for the wine assets was rejected as too cheap.

In its statement, Treasury said the new bidder had put a figure of A\$5.20 a share on the table, identical to KKR's price, which analysts said was aimed at gaining access to due diligence rather than as a guide as to what it would be willing to offer.

When Treasury announced last week that it was engaging with KKR, it said it was doing so on a "non-exclusive" basis. This has been widely interpreted as the hoisting of a formal "for sale" sign over the owner of Wolf Blass, Rosemount and Beringer wines.

In April, Treasury, which was spun off from the Foster's beer empire three years ago, rebuffed an offer from KKR worth A\$4.70 a share, although it has since remained the subject of heated takeover speculation.

It had been tipped to attract rival interest from the likes of China's Bright Food Group, Pernod Ricard of France and the US-based Constellation Brands, although none is thought likely to want the whole business.

Treasury has had a torrid time since it was spun off in 2011, caused by the high Australian dollar, a fall off in sales to China last year, Treasury's own decision to lift prices on other brands and a glut of stock in its US venture, where it was forced to destroy thousands of gallons of wine that had passed its sell-by date.

It is the Penfolds brand, founded in Adelaide in 1844 by Christopher Rawson Penfold, that is said to be the main attraction to the ranks of private equity. It generates up to 75 per cent of Treasury's profits and, according to analysts, there are higher volumes than usual of Penfold's high-end red wines resting in barrels, waiting to come on to the market over the next two to three years.

CO cercap : Cerberus Capital Management LP | rhcap : Rhone Capital LLC | trzwn : Treasury Wine Estates Ltd

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