

# Herald Sun

SE **Business**  
HD **SHORT WAY TO PAIN IS LIKE POURING WINE DOWN A DRAIN**  
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IN THE BLACK IT SEEMS the rash of mergers and acquisitions that have kept the US market buzzing for months has finally made it Down Under.

On the resources scene **Chinese** companies in particular have been very busy with Baosteel joining Aurizon to bid \$1.42 **billion** for Aquila Resources and Guandong Rising Asset Management bidding \$1.46 **billion** for **copper** and **gold** miner PanAust.

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Goodman Fielder has surrendered in the face of a \$1.37 **billion** bid from Singapore's Wilmar International and **Hong Kong**'s First Pacific.

And the race is on to see who will end up with Treasury **Wine** Estates, now that private **equity group**KKR's spurned \$3.1 **billion** bid has gone public.

This will be a really interesting battle and it certainly started off that way with an epic short squeeze on the market, which is why the shares jumped so hard when the news hit.

Don't let anyone tell you that there is nothing easier than to find an ailing **company** and scoop up profits by short selling the shares.

That strategy can certainly work but when something unexpected like yesterday's takeover action happens, shorting can **lead** to massive and instant pain.

Those TWE shorters simply had to **buy** around 52 **million** shares in a real hurry to cover their loss-making positions, which is why the sellers were playing hard to get and the price action was extreme.

In an uncanny similarity to what happened to short term boss John Pollaers at Foster's — the **company** which spawned TWE before being taken over by SABMiller — chief executive Michael Clarke has only been in the chair for seven weeks.

While he put out a statement about not running the **company** for the short term and being encouraged by the quality of TWE's assets, brands and people, chances are that he won't get an opportunity to implement his planned ramp up of the marketing spend and cost cutting exercise.

A conga line of bidders will be interested in different bits of the TWE empire and now that the auction has been announced, a **sale** of some sort is the most likely outcome.

What remains to be decided is whether a private **equity** player like KKR gets to do a slice and dice job or whether one of the big global beverage groups such as Constellation Brands, Pernod Ricard or others decide it might be cheaper and easier to do it themselves.

Both Constellation and Pernod have been specifically denied as bidders by the TWE **board** but now that the auction has effectively started, all of them will be running the ruler over TWE to see if it makes any sense as a bolt-on **acquisition**.

For those brave enough to successfully grab the falling knife and **buy** TWE recently, you have the option of selling into the short squeeze and bid speculation or hanging on to see what happens next.

You're a winner either way but you could always sell half and enjoy the ride. If you are not on the TWE register, there is probably a better than even chance of a higher bid but the easy gains are in the rear vision mirror.

Telstra's \$100 **million** wi-fi urban rollout is a crafty bid to build customer loyalty, take congestion off the mobile network and create a cheap mini-NBN. A long term **buy**. The Herald Sun accepts no responsibility for stock recommendations. Readers should contact a licensed financial adviser.

<b>CO</b>	fdgl : Goodman Fielder Ltd   trzwn : Treasury Wine Estates Ltd
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