

# Herald Sun

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HD **YEAR SHAPES UP FOR MANY TAKEOVERS**  
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eureka report IF all the financial forecasts are correct, the conditions are just 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** up premium, undervalued assets around the world, 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 that potential buyers can raise affordable funds from banks or capital markets if they so desire. 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.

And, with the new government taking aggressive steps to pay down sovereign debt, overall uncertainty about Australian financial risk is rapidly improving.

Takeover deals will come in all shapes and sizes.

Cashed-up private **equity** firms and venture funds, including from the United States and Europe, also are likely to be among the 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 in the national interest.

But scores of other foreign bids have been approved.

Just in the last few days, the Canadian **dairy** giant Saputo has tightened its takeover hold on Victoria's Warrnambool **Cheese & 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 **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 much-needed 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.

Takeovers specialist Tom Elliott this week named in 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 on the basis that he expects there will be further activity in them over time.

Elliott has an extremely good takeovers record. In fact, he specifically named Warrnambool **Cheese & Butter** as one his strong takeover targets in September last year — the day before Bega launched a surprise \$319 **million** cash and scrip bid.

Now, he says, it's time for Warrnambool shareholders to enjoy the cream. "At \$9.43 per share, WCB shareholders should take their money and look for the next opportunity in the agricultural space," Elliott says.

But there are plenty of potential takeovers in other sectors. It's a case of picking the trends and buying into the opportunities.

Tony Kaye is the editor of Eureka Report. To read more by Tony and other experts, visit [www.eurekareport.com.au](http://www.eurekareport.com.au) Trial Eureka Report - FREE for 21 days Register now at [www.eurekareport.com.au](http://www.eurekareport.com.au)

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