

SE Wealth  
HD **Catching the takeover fever**  
BY James Kirby  
WC 734 words  
PD 10 May 2014  
SN The Australian  
SC AUSTLN  
ED Australian  
PG 28  
LA English  
CY © 2014 News Limited. All rights reserved.

LP

The federal budget may distract for the few next days but very soon Joe Hockey is going to face a wave of key foreign takeover decisions. In the past fortnight, two major takeover bids have landed in our market and it is likely this burst of activity is just the beginning — takeover fever is upon us.

We might have seen it coming by simply looking overseas. Two of the biggest US takeover bids ever seen for European assets are in play just now: a \$US100 **billion** (\$107bn) “big pharma” bid from Pfizer for AstraZeneca and a very contentious \$14bn bid by GE Electric for engineering **group** Alstom of France.

TD

What has spurred the American move on Europe is the very same imperative that has Asia-based companies now moving in dramatic fashion on ASX-listed companies: low financing costs, strong **company** earnings and improved confidence.

Those factors underpin the bid by Wilmar of Singapore for consumer staples **group** Goodman Fielder and the same goes for **Hong Kong**-based Cheung Kong’s surprise late entry into the battle for local pipeline operator Envestra.

The other ingredient that might just have lit the fuse in our market is the decline of our dollar, which seems to be hovering for an extended period of time in the low US90c range, compared with hitting \$US1.10 this time three years ago.

These two latest substantial deals come hard on the heels of Woolworths of South Africa’s takeover of David Jones and the one that got away ... the attempt by Archer Daniels Midland of the US to **buy** grain **company** GrainCorp, which was rejected by the Treasurer.

GrainCorp was not a widely held stock and the controversy surrounding Hockey’s rejection of the bid was muted. But sooner or later we are going to get a foreign bid for a stock that has **millions** rather than thousands of shareholders and the road will not be easy.

Away from politics, the blitz of takeover activity should mean improved prices for a range of top stocks on the ASX, with some powerful share price action where bids are contested. We are seeing this now happening at Envestra, which already had a suitor in locally based APA, while we had a spectacular example earlier in the year when Warrnambool **Cheese & Butter**’s stock price tripled in roughly 12 months as interests from Canada, Japan and New Zealand all played a role in delivering a bonanza for shareholders in the Victorian food **group**.

As well, foreign predator activity provokes domestic initiative. We’re seeing the positive development of Australian stocks stepping up to lead global syndicates in local takeovers.

Needless to say investors should not **buy** stocks simply in the hope they will be a takeover target. Rather, they should seek out companies that are good value and offer a reasonable prospect of price improvement ... and the tasty prospect of a takeover bid can be icing on the cake.

Just now there are dozens of companies that would fit the bill, but here are three that match our criteria particularly well.

- Treasury Wines: The hapless spin-off from the old Foster's **group** has made one mistake after another. But now it has a new CEO, Michael Clarke, and a new plan — it also has rumours that a global drinks giant is circling — in fact it was recently forced to deny it was in negotiations with Pernod Ricard of France.
- Bega **Cheese**: Fonterra of New Zealand, Kirin of Japan and Saputo of Japan were all in the frame in the recent hotly contested bid for WBC. These groups in some combination may sooner or later take a tilt at the well-run Bega.
- Mortgage Choice: Tom Elliott, who runs a takeovers-based fund at Beulah Capital recently named this financial services stocks in Eureka Report as a target and it caught many investors by surprise. But again the stock is an attractive **company** on a stand-alone basis yet it has the attraction of being within the highly regarded and tightly held listed financial services sector. It also has Commonwealth Bank as a significant shareholder and the bank may move on its partly held asset in the same way that Cheung Kong, a key stakeholder in Envestra, has now moved to take over the pipeline operator.

James Kirby is managing editor of Eureka Report.

**CO** fdgl : Goodman Fielder Ltd

**IN** i41 : Food/Beverages/Tobacco | icnp : Consumer Goods

**NS** c181 : Acquisitions/Mergers/Takeovers | cacqu : Acquisitions | c18 : Ownership Changes | cactio : Corporate Actions | ccat : Corporate/Industrial News | ncat : Content Types | nfact : Factiva Filters | nfcpin : FC&E Industry News Filter

**RE** austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

**PUB** News Ltd.

**AN** Document AUSTLN0020140509ea5a00070