

SE Leisure  
HD **Australian winemaker puts up For **Sale** sign**  
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The Australian **wine** maker behind Penfolds, Wolf Blass and Rosemount has put itself up for **sale** after receiving a A\$3.4 **billion** bid from KKR, the US private **equity firm**.

Treasury Wines Estates, which in April rebuffed an offer of A\$3.1 **billion** (£1.7 **billion**) from KKR, said that while it was now opening its books to the buyout **firm**, it was doing so on a “non-exclusive” basis, effectively opening the door to rival offers.

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KKR, which this time has boosted its firepower by teaming up with Rhône Capital, another US private **equity firm**, has pitched its bid at A\$5.20 a share, a 50 cent increase on its first offer of A\$4.70 share and a premium of 41 per cent over Treasury’s closing share price of A\$3.69 a share prior to its initial approach.

The Treasury **board** said that, although it had decided the improved offer meant it was “in the interests of its shareholders to engage further with KKR and Rhône”, the offer remained subject to several conditions, including completion of due diligence.

The **board** said that it would wait for a formal offer before considering whether the price was superior to the value that would be created by the new strategy put in place by Michael Clarke, the recently appointed chief executive of Treasury.

A recent upsurge in **wine** exports to **China** has helped repair expectations for Treasury’s prospects. Profits had crashed by 38 per cent in the six months to February 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.

Treasury, which in 2011 was spun off from Foster’s, the brewer, as a separately quoted **company**, has since April been tipped to attract rival interest from the likes of **China**’s Bright Food **Group**, France’s Pernod Ricard and the US-based Constellation Brands.

Shannon Rivkin, a director at Sydney’s Rivkin Securities, told Reuters: “Absolutely there are [rival bidders], they’ve now kind of set a starting point for the price. This is going to be the point now where anyone who has an interest will be able to have a look at the books as well.”

However, Olly Wehring, managing editor of Just-Drinks, the industry website, was less convinced. “While some parts of the **company** certainly carry appeal — such as the Penfolds **brand** and the US unit — the likelihood of a counter offer for Treasury in its entirety seems remote.”

It is the Penfolds **brand**, founded in Adelaide in 1844 by Christopher Rawson Penfold, that is said to be the main attraction to KKR. 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 onto the market over the next two to three years.

Under Mr Clarke, a former Kraft and Coca-Cola executive and erstwhile chief executive of Premier Foods, Treasury has unveiled a bold plan to bring forward the release of its latest prestige Penfolds Grange, Australia's most collected **wine**, to October instead of the usual May roll-out. The move was seen as pivotal part of Mr Clarke's strategy to accelerate Penfolds as a global **brand**.

Mr Clarke, who has dual Irish-South African nationality, is expected to stay on in the event of a takeover, having worked closely with KKR last year as an advisor on its unsuccessful bid for drinks brands Ribena and Lucozade, which GlaxoSmithKline eventually **sold** to Suntory of Japan.

Top six winemakers by volume (nine-litre cases) 2013

E&J Gallo 80.5m

Constellation Brands 60.7m

The **Wine Group** 46.8m

Castel 43.1m

Concha y Toro 30.4m

Treasury **Wine** Estates 29.4m

Source: IWSR

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