

SE News  
HD **Why US raider wants to build \$3b new home on the Grange**  
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IN a nation swimming in a glut of top-end drops, one **wine** producer manages to go from strength to strength — and keep its **brand** name in the headlines.

Whether it is the \$3000 1959 bottle of Grange Hermitage that led to the downfall of NSW Premier Barry O'Farrell or the \$1800 bottle of Bin 170 Kalimna Shiraz that recently went on **sale** to mark its 170th anniversary, Penfolds **wine** is rarely out of the public eye.

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Now, akin to the eye-popping prices of its higher end bottles of **wine**, Penfolds is set to command a multi-**billion**-dollar price tag after its owner Treasury Wines revealed on Tuesday it had a \$3.04 **billion** takeover approach from a US private **equity group**, Kohlberg Kravis Roberts.

Despite the woes facing the Australian **wine** industry, Penfolds seems to be Teflon-coated. Aside from being immune to the lower prices hurting the bulk of the industry, sales of Penfolds' luxury brands have been booming — especially in **China**.

Penfolds, the maker of Grange Heritage, according to some estimates will make up to three-quarters of Treasury **Wine's** profits this year, despite being only one of its 80-odd brands. Treasury's other key brands include the Lindeman's, Rosemount Estate, Wolf Blass, Yellowglen and Seppelt.

Despite Treasury being worth \$2.6 **billion** in the sharemarket before this week's takeover bid, one analyst conservatively valued Penfolds on its own at \$3 **billion**.

"In our view, \$3 **billion** is a very low price for Penfolds," said Merrill Lynch **wine** industry analyst David Errington in a research note earlier this year.

Winemakers' Federation chief executive Paul Evans said: "Premium brands attract international attention because of their quality and their proposition, which is usually around unique blends or unique regions." Mr Evans said premium brands also played an important role in helping Australia's overall **wine** industry.

"It's very important, in fact it's critical, that those premium brands are doing well globally because they tend to attract attention to the rest of the Australian category, across all price points." In contrast to Penfolds, the bulk of the local **wine** industry has in recent years contended with increased export competition and a high dollar.

Domestically, where 77 per cent of **wine** sales are made through Woolworths and Coles, local producers have also been battling shelf space with the retailers' private labels (which make up to 18 per cent of sales) and imports. To make matters worse, per capita **wine** consumption in Australia has been falling.

That is a price that might have had founding English doctor Christopher Rawson Penfold order one of his own tonics. Dr Penfold, who believed in the medicinal benefits of **wine**, established the winery with his wife Mary on his then-Mackgill Estate outside Adelaide in 1844.

The bid for Treasury comes just days after Goodman Fielder, whose brands include White Wings, Praise, MeadowLea and Helga's **Bread**, recommended its shareholders accept a \$1.37 **billion** takeover bid from the Singaporean **group** Wilmar.† **BUSINESS** P36

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