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HD **Takeovers to come thick and fast this year**

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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 this year.

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 is likely to propel mergers and acquisitions activity.

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Added to this are factors such as low interest rates and improved funding options, meaning 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 mean that organic growth might be harder to come by and so growth by **acquisition** could appear very attractive for some companies. And, with the federal election now finally over and 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, with some hostile and others representing a meeting of corporate minds.

Cashed-up private **equity** firms and venture funds are also 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 **board** was tested last year when it scrutinised, and subsequently rejected, a $3.4 **billion** offer for GrainCorp by Canada's Archer Daniels Midland. It deemed the bid not to be in the national interest.

But scores of other foreign bids have been approved, including a large number emanating from **China**.

Just in the past few days, the Canadian **dairy** giant Saputo has tightened its takeover hold on

Victoria's Warrnambool **Cheese** and **Butter**, with its $530 **million** deal enough to stave off stiff competition from Australian rivals Bega **Cheese** and Murray Goulburn.

Figures just released by research **firm** Dealogic show 1393 merger and **acquisition** 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 governments move to privatise industrial operations ranging from electricity generation and distribution networks to

hospitals, roads, ports, railway lines and rolling stock.

And then there's billions of dollars of other assets set to come into play, including parts of companies that are put up for sale to raise much-needed cash.

While some experts are predicting 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.

Indeed, of the current takeover deals under way involving Australian-listed companies, a high percentage relate to mining companies.

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 and Butter as one his strong takeover targets in September last year the day before Bega launched a surprise $319 million cash and scrip bid for the company.

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 said.

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

This article is part of Eureka Report's ``It's Time'' special series, in which we reveal winning investment strategies to accelerate your portfolio this year.

Tony Kaye is the editor of Eureka Report. To read more by him and other experts, go to www.eurekareport.com.au

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