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HD **ASIAN BIDDERS DIG FOR DIRT, BUT WANT TO GET GOODMAN GOING IN REGION**

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SINGAPOREAN agribusiness giant Wilmar International and Hong Kong bid partner First Pacific will finally get an inside look at takeover target Goodman Fielder this week as they commence pre-acquisition due diligence on the company's accounts.

While the buyers will be looking for the usual dirt — and after four profit downgrades and $700 million in restructuring costs and writedowns over the past three years, they'll be wanting to make sure that no more are in the works — their main task will be to work out how much money they need to tip into the business to get it working again.

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Wilmar, the world's largest palm oil trader with a market valuation of $19.3 billion, could easily have made a $1.39bn offer for Goodman without the help of First Pacific, so their decision to team up fuelled early speculation that the bid partners planned to break up the company once they had executed the deal.

However, insiders say they're both playing a longer game — Wilmar has strong distribution networks in China and Malaysia, while First Pacific owns businesses in The Philippines and Indonesia, meaning any expansion of Goodman's business into the fast-growing Asian food market has twice as many ready-made opportunities.

Before they can consider introducing Praise mayonnaise and White Wings pancake mix to Filipino kitchens, the bidders plan to tip millions into a revamp of its existing manufacturing base.

In addition to higher input prices, Goodman boss Chris Delaney has blamed years of under-investment in the company's plants by past owners and managers for the company's latest downgrade, last month warning that full-year earnings would be 10-15 per cent below expectations.

Delaney's own cost-saving program, Project Renaissance, has seen Goodman's manufacturing footprint shrink from 53 plants in 2011 to its current level of 40, including six sites that were shed with the sale of the Integro oils, flour milling and Paradise biscuits divisions.

While a leaner production base should have cut costs as larger volumes were pushed through a smaller asset pool, it also increased operational risk, and baking plant breakdowns meant the company had to truck bread from more distant plants to service customers, thus increasing costs.

Fixing this reliability issue and installing machinery that is up-to-the-minute is at the top of Wilmar-First Pacific's to-do list — senior managers at Goodman should be compiling their Christmas wish lists ahead of management presentations expected to occur early next week.

Product innovation and marketing — two areas already being revamped under Delaney, who has restarted brand advertising for brands such as White Wings which customers had been allowed to ignore for years — are also likely to come in for attention as the likely new owners clock the competitive threat of supermarkets' private label brands.

However, unlike Meadow Lea, the cash is unlikely to be evenly applied — fresh baking may have accounted for 26.8 per cent of Goodman's earnings before interest and tax last financial year, but nobody's thinking about exporting loaves of **bread** to **China**.

Home ingredients, such as the market-leading Pampas frozen pastry, as well as dressings, sauces and vinegars, are therefore likely to capture a bigger share of investment funds.

Wilmar's plans will be closely watched by private equiteer CVC, which has a 43.5 per cent in ingredients **company** Green's Foods and has been mulling over an exit for the best part of two years, while Pacific **Equity** Partners will be watching for any implications for its New Zealand-based Griffin's Foods.Meanwhile, a planned **sale** of the NZ **dairy business**, which Credit Suisse has been shopping around to potential buyers for months, has been shelved following the Goodman **board**'s acceptance of the Wilmar-First Pacific offer of 71c per share last week.

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