

FINANCIAL REVIEW

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HD **Brambles cuts Goodpack takeover talks**
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Supply-chain logistics giant Brambles has been in discussions with Singapore-listed Goodpack about a potential takeover.

However, the **company** said talks did not progress and it broke off from "active discussions".

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On Wednesday, Goodpack – one of Brambles's only other listed peers – said it "has been approached by several parties in connection with a possible transaction, which may or may not **lead** to an offer for the shares of the **company**".

After inquiries from analysts, Brambles responded on Thursday, admitting it had in the recent past engaged in preliminary discussions with Goodpack.

"However, these discussions did not progress and Brambles is not currently in active discussions with Goodpack.

"Brambles will continue to monitor the situation."

Goodpack has a market value of about \$US1 **billion** (\$1.09 **billion**) but its shares have been running hot in recent trading, which may have prompted the statement to the market.

The founding Lam family owns about one-third of Goodpack stock, which complicates any discussions.

UBS analyst Simon Mitchell said based on consensus earnings forecasts for 2014, Goodpack was valued on a price to earnings multiple of 18 times and enterprise value to earnings before interest and tax multiple of 14.5 times.

"Brambles could still likely make an **acquisition** accretive using low-cost Asian and US dollar debt together with revenue synergies, however, a transaction around the current price would likely be viewed as rich by the market," Mr Mitchell said in a note to clients.

Brambles acquired pooled reusable plastics containers group IFCO Systems for \$US1.3 **billion** in 2011, representing an EV/EBIT multiple of 11 times. The pallets and logistics giant also acquired intermediate bulk container (IBC) group Pallecon for \$US177 **million** in December 2012, or 11.8 times EBIT. Interest in IBC market

Brambles is not as well penetrated in IBCs as it would like, and the Goodpack **acquisition** has long been viewed as a logical deal.

"They've [Brambles] made no secret that they want to be a pooling **company** rather than just a pallet **company**," Deutsche Bank analyst Cameron McDonald said. "They ... see themselves managing a pool of assets."

IBC companies provide bulk storage for goods before they go into the manufacturing process, such as bulk sugar before it is turned into a finished product, and, subsequently, put on pallets to go to retail shelves. Goodpack operates the world's largest fleet of steel IBCs, primarily servicing tyre and automotive manufacturers, general merchandising and chemical and juice producers. About 80 per cent of its revenue comes from supplying the rubber industry.

Goodpack has appointed Rippledote Capital Advisers as corporate adviser.

UBS and Bank of America Merrill Lynch advised Brambles on the \$1.5 billion demerger of its document management business Recall last year.

They are likely to have been retained in any negotiation with Goodpack.

Goodpack's statement that "discussions are ongoing" most likely refers to other parties. Australian pooling solutions group Loscam and China International Marine Containers Group have both been linked with Goodpack in the past. The business would also be attractive to private equity.

Brambles chief Tom Gorman said in February the company was looking to cut \$US100 million in overhead costs by 2019 and focus on hitting its 20 per cent return on capital target.

Brambles shares shed 19¢ to \$9.36 on Thursday. READ NEXT:

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