

HD *KKR Unlikely to Go Hostile With A\$3.05 Billion Offer - Source

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21 May 2014 01:04 ET *KKR Unlikely to Raise Treasury Wine Offer Without Due Diligence - Source

21 May 2014 01:04 ET *KKR Could Abandon Pursuit of Treasury Wine - Source

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21 May 2014 01:32 ET KKR Wants to See Treasury's Books Before Raising Bid

By Gillian Tan and Robb

M. Stewart

KKR & Co. L.P. is unlikely to raise its offer and could walk away if Treasury Wine Estates Ltd. doesn't open its books to the private-equity firm, a person familiar with the matter said Wednesday.

The Australian vintner said the day before that it had rebuffed as too low a preliminary offer from KKR that valued it at 3.05 billion Australian dollars (US\$2.82 billion). Some industry analysts have speculated KKR may sweeten its A\$4.70-a-share cash bid to secure a producer whose wines range from California's mass-market Beringer to premium Australian labels such as Penfolds Grange.

However, KKR is unlikely either to increase the offer without access to additional due diligence or turn hostile by pitching the bid directly to shareholders, the person said. The private-equity firm appears to be betting that shareholders, hoping for a higher price, will pressure Treasury to grant it due-diligence access, the person said.

Treasury on Tuesday said it chose to disclose the bid after learning that KKR had spoken to one or more of the wine company's shareholders. Treasury's board decided the offer, received in mid-April, didn't reflect the fundamental value of the company, and so doesn't intend to take any further action.

A spokesman for KKR declined to comment.

Problems have dogged Melbourne-based Treasury since it was spun off in 2011 from Foster's Group Ltd., the Australian brewer that later that year agreed to a takeover by SABMiller PLC. Poor U.S. sales last year forced it to destroy thousands of gallons of wine, leading to a A\$155 million write-down and contributing to the departure of former Chief Executive David Dearie in September.

On Tuesday, the company said conditions in Australia remain difficult, in part because of intense competition. It forecast a A\$35 million charge this financial year as it pushes through a program to cut costs by A\$35 million in fiscal 2015.

Treasury's board should engage with KKR, said Credit Suisse analysts Larry Gandler and Ben Levin in Melbourne, who had earlier valued the wine company at A\$3.15 a share, well below KKR's offer.

In a research report, the analysts suggested KKR might seek to grow Treasury's Australian and U.S. brands in China, where KKR is invested in liquor-store network Vats Liquor. Other analysts and investors have called on Treasury to sell its U.S. business or create a new listed company for premium assets such as Penfolds.

Treasury Wine, which is being advised by Goldman Sachs, said it held initial talks with KKR after being approached about a deal on April 16.

Shares in the **wine company** rose 5% Wednesday, to A\$5.04, adding to an 18% jump Tuesday. The price is down about 20% from a year ago.

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