

HD Australia's TreasuryWine rejects \$2.90-bn KKR bid

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Australia's TreasuryWine Estates, a former unit of Foster's Group, today said that it has rejected a A\$3.1 billion (\$2.90 billion) buyout offer from US private equity firm Kohlberg Kravis Roberts & Co (KKR) saying that the offer was too low.

"The Board of Treasury Wine Estates Limited announces that it has rejected a preliminary, indicative, non-binding and conditional proposal to acquire all of the shares of TWE at a price of \$4.70 cash per share from Kohlberg Kravis Roberts & Co. L.P. by way of a scheme of arrangement," the Melbourne-based company said in a statement.

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The board of Treasury Wine has concluded that the "proposal does not reflect the fundamental value of the company and it is therefore not in the best interests of shareholders," it added.

Treasury Wine said that it had received KKR's proposal on 16 April, and although KKR had requested the proposal be kept confidential, it was forced to go public after the New York-based private equity firm approached one or more of the company shareholders.

"The company learnt after the market closed last night that KKR (and advisors) had spoken to one or more of TWE's shareholders and therefore there is a risk that the confidentiality of the KKR proposal has been lost. Accordingly, to ensure there is an informed market for TWE shares, the company is making this announcement."

Treasury Wine, which has a market cap of A\$2.5 billion, was spun off by Foster's Group in 2011 after a decade-long expansion into wines in Australia and the US at a cost of nearly \$6 billion.

It has a unique portfolio of premium global brands, which includes iconic brands such as Beringer, Chateau St Jean, Lindemans, Wolf Blass, Penfolds, Rosemount, Wynns Coonawarra Estate, Stags' Leap Winery, Matua Valley, Etude, Castello di Gabbiano, Australia's Seppelt, Coldstream Hills, and Devil's Lair.

With over 12,000 hectares of vineyards, Treasury Wine employs over 4,000 winemakers, viticulturists, sales, distribution and support staff across 12 countries.

The company's first wine acquisition was Mildara Blass Ltd in 1996 for \$482 million while it paid \$2.6 billion in cash and debt for California's Beringer Wine Estates Holdings Inc in 2001. With its \$3.2-billion purchase of Southcorp Ltd in 2005, it cemented its ranking as the world's second-biggest winemaker behind Constellation Brands Inc.

The company newly appointed CEO Michael Clarke is currently restructuring the business with a focus on improving brand prioritisation and investment, and reducing overhead costs.

The 171 year-old company has seen net income shrink from A\$89.9 million in 2012 to A\$42.3 million last year despite revenues remaining flat at around A\$1.7 billion.

Post spin-off, media reports had speculated that China's Bright Food Group was mulling a bid for Treasury Wine, while early this month the company denied reports that French liquor giant Pernod Ricard and Constellation Brands of the US were separately keen on buying its US business.

CO autry : Australia Treasury | kkr : KKR & Co. L.P. | trzwn : Treasury Wine Estates Ltd

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