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HD **Wilmar, First Pacific continue talks with Goodman Fielder after S$1.5b offer spurned**

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SINGAPORE — Wilmar International and a Hong Kong investment firm will continue discussions to acquire Australia's largest baker, Goodman Fielder, after their A$1.3 billion (S$1.5 billion) joint bid was rejected yesterday, as the Singapore-listed commodities giant seeks to capitalise on its strong distribution channels in China to expand into branded products.

The A$0.65-per-share all-cash bid from Wilmar and Hong Kong-listed First Pacific represented an 18.2 per cent premium to Goodman Fielder's previous close of trade on Thursday, but the Australian food giant and its largest shareholder Perpetual Investment said the offer "materially undervalued" the company.

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Had it been successful, it would have been Wilmar's biggest takeover since its A$1.5 billion purchase of CSR's Australian sugar business in 2010, Bloomberg data showed. In United States dollar terms, it would be the third-biggest food takeover in the Asia-Pacific of the past five years.

"The A$0.65 price does appear opportunistic, given that the recent profit downgrades have been driven by one-off factors that we think will reverse," said Mr Paul Skamvougeras, portfolio manager at Perpetual Investment, which owns 12 per cent of Goodman Fielder. "Having said that, however, we have encouraged the company to continue dialogue with Wilmar to extract value for shareholders."

Meanwhile, Wilmar and First Pacific, which will form a 50-50 joint venture for the bid, said they "will continue to seek engagement with the (Goodman Fielder) board about entering into due diligence".

Wilmar is the third-largest shareholder in Goodman Fielder, with a stake of 10 per cent. A successful takeover would add brands such as Meadow Fresh yogurt, Olive Grove margarine and Wonder White bread to Wilmar and First Pacific's Chinese and South-east Asia-based consumer businesses. Chinese shoppers prefer imported food and beverages due to concerns over local quality and food safety, according to focus-group analysis quoted in a report last November by the Hong Kong Trade Development Council.

Mr Carey Wong, research manager at OCBC Investment Research, said Wilmar could use its mature distribution channel in the region, particularly in China, to tap the surging demand for quality foods. "It only makes sense for them to increase the number of brands they can distribute through their channels. What they are offering is not made-in-China products, sold in the Chinese market that is very sceptical of local products," he said.

Australian and New Zealand food assets have become increasingly attractive to offshore investors, as the countries position themselves to provide for Asia's rapidly growing middle-class. In January, China's Bright Food Group said it had agreed to buy Australian dairy company Mundella Foods for an undisclosed sum, expanding the state-owned conglomerate's overseas reach and boosting its exposure to the growing dairy market.

Mr Don Williams, chief investment officer at Platypus Asset management, said that while Australia had high-quality businesses in the food-producing sector, Goodman Fielder has historically generated dreadful returns for shareholders.

"I am not sure if Goodman Fielder has any strategic value but it's a cheap **business** in the right space," he said.

Earlier this month, Goodman Fielder cut its earnings guidance for this year by as much as 15 per cent, saying that trading conditions had deteriorated and that planned measures to save on manufacturing and supply chain costs had been delayed. It added that it might face asset write-downs. AGENCIES

CO fdgl : Goodman Fielder Ltd

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RE austr : Australia | china : China | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

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