HD **Wilmar bid too low: Goodman**

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GOODMAN Fielder is the latest Australian food manufacturer to attract the attention of foreign buyers.

The Goodman **board** has described the 65c-per-share offer from Wilmar and $5.1bn **Hong Kong** investment manager First Pacific as both undervalued and opportunistic, but signalled it was willing to negotiate, stopping short of rejecting the bid and appointing Credit Suisse as financial adviser.

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The offer arrives at a particularly vulnerable time for Goodman, coming just weeks after the April 2 earnings downgrade — the **company**'s fourth since 2011 — and warnings that further asset writedowns were likely this year following $700 **million** in write-offs over the past three years, sending Goodman's shares plummeting as much as 20 per cent to a 19-month low of 47.5c.

However, it underlines the strategic value of Australian food businesses to international investors, following a string of foreign takeovers of Australian food and agricultural businesses aimed at capitalising on the rapid growth of demand from nearby Asia, with Canadian **dairy** giant Saputo's $500m-plus takeover bid for Warrnambool **Cheese** & **Butter** merely the most high-profile example of a widespread trend.

Other recent deals include **China**'s Bright Food in January adding West Australian **cheese** and yoghurt producer Mundella to the Manassen Foods**business** it bought in 2011 and **Hong Kong**-based investor William Hui paying $70m in February for Melbourne **milk** supplier United **Dairy** Power, while US-owned Archer Daniels Midland offered $3.4bn for GrainCorp last year only to be knocked back by Joe Hockey.

Investors are expected to lobby the Goodman Fielder**board** this week to engage with the Wilmar-First Pacific consortium, which has appointed Merrill Lynch and UBS as advisers.

Paul Skamvougeras, deputy head of equities with 12 per cent shareholder Perpetual, said he agreed with the **board** that the offer was opportunistic but urged them to negotiate for a higher price.

"We are encouraging the **company** to continue the dialogue with Wilmar to extract higher value for shareholders," he said.

The deal is subject to a scheme of arrangement and due diligence scrutiny of Goodman's books, meaning it cannot proceed without agreement from the **board**.

Mr Skamvougeras said Goodman's recent profit downgrades had been largely driven by one-off factors, while attempts to sell off or find a joint venture partner for its $500m-plus **dairy business** could release some value for shareholders.

It is understood that Goodman Fielder was asking at least $500m for its **dairy** assets, based on recent comparable deals, while the Wilmar-First Pacific offer was believed to be aimed at retaining the **dairy business**.

Credit Suisse is understood to have previously offered the **dairy business** to **Chinese** companies Bright Foods and Mengniu**Dairy**, while New Zealand **dairy** giant Fonterra has also been mooted as a potential buyer.

Wilmar, which in 2011 paid $1.75bn for Australian sugar refiner Sucrogen — formerly known as CSR — has had its eye on Goodman since February 2012, when it accumulated a 10.1 per cent holding at 60c a share, establishing a blocking **stake** that effectively ruled out any rival bids.

The Singaporean **company**, valued at $19.3bn, subsequently made a overtures to the Goodman **board** but was rebuffed — something that was only revealed by Wilmar chairman Kuok Khoon Hong in August last year, when he also said he was now ready to sell Wilmar's **stake** if he could achieve "a good price'' — a move he has apparently decided against.

The bid consortium is pitching the 65c per share offer as a 23.8 per cent premium to Goodman's closing share price on April 23 and a 27.2 per cent premium on its weighted average share price since the April 2 downgrade.

However, both comparison figures exclude trading on April 24, when Goodman shares jumped as much as 10 per cent on what the bid team described as "abnormal volume" of 15 **million** shares — the last day of market trading before the two companies met to discuss the bid. Using that day's closing share price of 55c as a comparison, the offer price represents a premium of 18 per cent.

Even when the **company**'s $500m in debt is added to the offer price — as the buyers, Wilmar and First Pacific would become liable for the debt — the offer represents a multiple of only 7.9 times consensus forecasts for Goodman's earnings before interest, tax, depreciation and amortisation this financial year, a little over half the 14 times earnings Saputo paid for WCB.

However, market sources said Goodman had been unsuccessfully offered up for potential sale to private equity investors over the past year, diminishing the **company**'s negotiating power and the likelihood of a rival bidder emerging to prompt a higher bid.

Goodman shares closed at 63.5c, up 8.5c for the day.

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