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LP Private equity giants run ruler over Woolies Global private equity groups [Blackstone](#) and [The Carlyle Group](#) are believed to have approached the [Woolworths](#) board in recent weeks about a potential takeover of the entire \$30 billion supermarket giant.

It is understood that the firms contacted the company and asked to engage, but no deal eventuated.

TD It is also unclear whether they were working in concert.

It follows speculation that both [Kohlberg Kravis Roberts](#) and [TPG Capital](#) made a \$1bn-plus offer for the company's Big W discount chain in recent months that was later rejected.

As previously flagged by this column, KKR was thought to be running the ruler over Woolworths.

However, it is understood that it is no longer an interested suitor. The speculation surrounding [Blackstone](#) and [Carlyle](#) has emerged ahead of the company's annual general meeting in Sydney on Thursday where it is likely to be pressed by investors about whether it will embark on asset sales, given its lagging share price and the weak performance of its Big W discount department store and Masters hardware store divisions.

[Woolworths](#) has investment bank Citi as its house adviser at a time that it is currently in search of a new chief executive under the guidance of its recently appointed chairman Gordon Cairns.

Mr Cairns was chair of department store David Jones, which also received takeover approaches, and he was likely to have ensured that Citi had a strong defence strategy in place when he joined the board, sources said. The investment banking community on Friday was largely playing down the likelihood of a takeover bid for [Woolworths](#) by a global private equity firm, arguing that finding close to \$20bn of equity to fund a \$40bn takeover would be unrealistic.

They said that when major private equity participants from the US controlled funds worth about \$20bn, such deals were more probable.

But these days, with funds far smaller, controlling about \$8bn, a [Woolworths](#) takeover was far-fetched.

Several groups would need to work in concert, they suggested. Others, however, disagree that the chances of major buyout firms considering a takeover of [Woolworths](#) are slim.

The country's largest supermarket operator, with 872 stores, also has a dominant market share in the discount department store and liquor markets, as well as running its loss-making Masters hardware chain.

Some believe a break-up could prove highly lucrative to private equity. One view is that they could eventually sell off the supermarket business to US giant [Walmart](#).

Adding to the legitimacy of the speculation is the fact that sentiment is improving in the US, the Australian dollar is at a 10-year low to the US dollar and debt is cheap, suggesting such a deal would be timely.

Compounding the argument is private equity's voracious appetite for cash flow. Woolworths is a strong generator of cash flow, and this could almost fund a deal for the buyout firms.

The interest in [Woolworths](#) comes at a time when US firms appear to have an increasing interest in Australia, particularly the financial services sector, thanks to strong US economic sentiment.

New York-listed Equifax this year launched a \$2bn-plus takeover for Veda, and last week it emerged that US giant [Western Union](#) had made a \$840m-plus takeover bid for online foreign exchange business [OzForex](#).

Typically, such businesses would target China, Europe and Taiwan, sources said. However, many believe the growth prospects for the Australian operations are strong, given they currently control only a fraction of the market.

Meanwhile, parties maintain Tatts is unlikely to receive a rival bid, with Tabcorp the most natural party to merge with the company.

Recent merger talks collapsed.

While an agreement on price was blamed, it is understood that the specific deal breaker was the fact that Tabcorp wanted to have both its chairman and chief executive at the helm at the new entity, rejecting Tatts' requests for a premium to compensate for the fact that Tabcorp's chairman Paula Dwyer and managing director David Attenborough would have the top management and board roles.

Debt fuels grid asset bid State Grid is believed to be funding its bid for the NSW transmission network [TransGrid](#) with 80 per cent debt.

The company is poised to lob a knockout bid in conjunction with Macquarie's infrastructure arm ahead of today's deadline for final offers to buy the asset.

Other global groups may also use this level of debt funding, which could count against some of the more conservative locally listed funds, which would have about 40 per cent debt capacity.

However, the Foreign Investment Review Board is expected to play a major role in the contest, with some questioning whether the Chinese government-owned State Grid will receive clearance.

State Grid and Macquarie are among the four final parties competing for the asset that is expected to sell for more than \$8 billion.

Elsewhere, [AES Corp](#), advised by [Goldman Sachs](#), is believed to be out of the contest to buy IFM's \$2bn renewable energy business Pacific Hydro, which is up for sale through Bank of America Merrill Lynch and Credit Suisse.

It comes with suggestions that a trade buyer could still be in discussions with private equity firm Affinity over a sale of its \$NZ700 million-plus poultry producer Tegel. This is despite the theory that the company had abandoned attempts to embark on a trade sale via Deutsche and [Goldman Sachs](#) and was now proceeding with a public float next year.

The market is betting that the most likely buyer would be Thai poultry producer [Charoen Pokphand](#).

Woodside eyes Origin Woodside Petroleum is believed to be examining Origin Energy's Perth basin asset for a potential acquisition, according to sources.

UBS is adviser on the sale of Origin Energy's Perth and Cooper basin assets in a process set to be launched early next year.

Macquarie typically advises Origin, but is thought to be bowing out of this contest, potentially to prevent any conflict of interest should it intend to bid for the assets via its Quadrant Energy joint venture which it holds with Brookfield.

However, Quadrant may face opposition from the Australian Competition and Consumer Commission on such an acquisition.

[Origin Energy's](#) decision to launch the sales process at the start of next year, as revealed by this column, is a move that could yield several hundred million dollars for the listed Sydney-based energy provider [Beach Energy](#) could be a potential contender for the Cooper assets, sources said.

CO crlylg : The Carlyle Group | kkr : KKR & Co. L.P. | blgrou : The Blackstone Group LP | wolwth : Woolworths Limited

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