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HD Treasury **Wine** Estates Rejects KKR Takeover Offer

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SYDNEY-- Treasury **Wine** Estates Ltd. rejected a 3.05 **billion** Australian dollar (US\$2.85 **billion**) takeover bid from KKR & Co. L.P., pitched as the world's No. 2 vintner grapples with a string of setbacks including poor U.S. sales that forced it destroy thousands of gallons of **wine** last year.

The U.S. private-**equity firm** offered A\$4.70 per Treasury **Wine** share, representing a 15% premium to their closing price Monday of A\$4.07.

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News of the bid sent shares in Treasury **Wine**--the maker of vintages ranging from the mass-market Beringer **brand** to the prestigious Penfolds Grange--up 19% and above the offer price, indicating investors think KKR may return with a higher offer.

"KKR is looking to split it up, clean up the U.S. **business** for an eventual trade buyer, who can benefit from synergies," said Will Seddon, a portfolio manager at Sydney-based White Funds Management, which owns Treasury **Wine** shares. "There's a lot of debate about what the **company** is worth, but in our view the stock isn't cheap, so the offer price isn't a lowball number."

"KKR has no immediate comment on the matter," a Singapore-based spokesman for the **company** said in an e-mailed statement.

KKR's bid was made April 16 and had been kept confidential until Tuesday, when Treasury **Wine** decided to make it public after learning that KKR had approached some of its shareholders, risking a breach of confidentiality.

Seeking to arrest a fall in its share price over the past year, Treasury **Wine** in March appointed former food executive Michael Clarke as its new chief executive. Mr. Clarke, who once steered Kraft Food **Group** Inc.'s European **business** and has held senior positions at Coca-Cola Co., wants to turn the **company** around by focusing on its most profitable brands and slashing corporate overheads. A **company** spokesman said Tuesday the **company** intends to cut around 5% of staff, equating to about 175 positions.

"The **board** has considered the KKR proposal in the context of these renewed plans and concluded that the proposal does not reflect the fundamental value of the **company**," Treasury **Wine** said Tuesday.

The Melbourne-based **company** took a write-down of 155 **million** Australian dollars (US\$144 **million**) last year largely because of its problems in the U.S. The **wine** destruction, which involved crushing bottles with steamrollers, contributed to the departure of former CEO David Dearie in September.

Since then, the **company** has contended with further setbacks. An attempt to raise prices in Australia before the holiday season hurt sales. In **China**, demand for Treasury **Wine**'s bottles has been dented by an economic slowdown and as Beijing clamps down on extravagant gift-giving among businesses and government officials as part of an anticorruption drive.

Some analysts and investors have called on Treasury **Wine** to sell its U.S. **business**, or even look to create a new **company** for premium assets such as Penfolds that could be listed on the Australian Securities Exchange.

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

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