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HD Appetite for risk grows in mergers and acquisitions

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LP **NETWORK** Ten and casino group [Echo Entertainment](#) head a list of companies ripe for takeover, according to research by Australia's biggest investment bank.

And the appetite for mergers and acquisitions is growing as business confidence recovers, the US economy improves and the number of bankruptcies slows, [Macquarie Group](#) says.

TD The outlook comes as separate research reveals the value of buyout deals involving Australian companies so far this year tips the scale at \$US54.9 billion (\$59.5 billion).

That tally, for proposed and completed acquisitions, is more than double the sum for the same period last year.

The growing appetite is evident in the scale of offers received in recent months.

Last week Treasury Wine Estates, owner of Penfolds, rejected US private equity group Kohlberg Kravis Roberts's \$3 billion offer.

South Australian natural gas distributor [Envestra](#) is assessing Hong Kong investor and shareholder [Cheung Kong Infrastructure](#)'s \$2.37 billion bid as well as fellow distributor [APA Group](#)'s \$2.1 billion offer.

Singapore oils trader Wilmar and Hong Kong investment group First Pacific have convinced the board of Australia's largest food products company, Goodman Fielder, to accept a \$1.37 billion bid.

Macquarie analysts say [Whitehaven Coal](#), explosives and chemicals makers [Orica](#) and [Incitec Pivot](#), telco M2 Group and wealth manager IOOF also make the grade.

In a note for investors, they say takeover targets typically have low price-to-earnings ratios, high dividend yields, low gearing levels and are out of favour with investors.

Ten last week announced it was axing breakfast show Wake Up and news bulletins to cut costs. About 150 jobs will go in the restructure under chief [Hamish McLennan](#).

Echo has also undergone a period of upheaval, albeit in the boardroom, ahead of a push by rival Crown Resorts into its key Sydney market.

At Whitehaven, weaker coal prices and continuing protests at its Maules Creek mine in northwestern New South Wales have taken a toll.

CMC Markets chief strategist Michael McCarthy said the conservative approach to capital management after the GFC was gradually passing, as appetite for risk improves around the globe. "We're comparing this year to a very weak period. There was a flurry of deals done in 2008, but since then it's all been about repairing the balance sheet," he said.

CO chknf : Cheung Kong Infrastructure Holdings Ltd | envest : Envestra Ltd. | kkr : KKR & Co. L.P. | mcqbnk : Macquarie Group Limited | trzwn : Treasury Wine Estates Ltd | hutwam : Hutchison Whampoa Limited

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