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HD **Takeovers Shares spike**

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Treasury says ignore KKR's $3.1b offer

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Treasury **Wine** Estates has made its case to investors to ignore a surprise $3.1 **billion** takeover bid from private **equity firm**KKR by pledging to slash its workforce by 5 per cent and the savings to fund a global marketing blitz to draw drinkers and retailers to its most-loved **wine** brands. But new chief executive Michael Clarke, who is staring down the barrel of a potentially protracted siege from KKR and other bidders that might emerge, also warned the next two months' trading were crucial for the winemaker and that the **company** might be forced to book painful write-downs to the value of its vineyards and **wine** inventory. New urgency was given to Mr Clarke's turnaround plans after Treasury **Wine** was forced to reveal on Tuesday it had been approached by KKR on April 16 with a takeover offer priced at $4.70 per share. Treasury **Wine** had held confidential talks with KKR since mid- April but said after the market closed on Monday night it had found the private **equity firm** and its advisers had spoken to one or more of its shareholders, and that talks had leaked, risking confidentiality and possibly leading to an uninformed market. It then decided to inform the market itself to safeguard its continuous disclosure obligations. For its part, KKR is denying any such leak had occurred and rather it was left "twiddling its thumbs" for five weeks with no proper engagement from Treasury **Wine**'s **board**. Last night the rapacious KKR was preparing to move to its next stage of its leveraged buyout play-book to gain control of Treasury **Wine** and is expected to ramp up pressure on the **board** to open its books and begin negotiating around its initial bid of $4.70 per share. Shares in Treasury **Wine** rocketed to a high of $4.93 when news of the takeover approach was released and later closed up 73ï¿½, or 17.9 per cent, at $4.80 - suggesting KKR will have to come back with a better offer to win over shareholders. The takeover battle could turn on the next two months and the release of full-year results slated for August. Mr Clarke, who would not be drawn directly on the merits of the KKR bid, conceded yesterday trading conditions had remained "difficult" since the **company**'s interim results announcement in February, although he would not go into detail as to where the pressures to its profits were coming from. It is expected the winemaker, which owns brands such as Penfolds, Wolf Blass and Rosemount, has met souring consumer demand especially acoss North America and the **China** market. Any impairments could endanger Treasury **Wine**'s previously promised pre-tax earnings guidance of $190 **million** to $210 **million** for 2013-2014 with the comings weeks crucial as the winemaker pushes through its biggest volumes in May and June. Admitting he was carrying on

with plans and budgets put in place by the former CEO, David Dearie, who was dumped in September, Mr Clarke implored shareholders to stick with Treasury **Wine** into the new financial year when his own strategy for turning around the **group** would be revealed. "I'**m** not going to do things that are short-term natured, I want to make sure this **company** has a longer term view on how we create value and turn the **company** around," Mr Clarke said at an investor briefing. "The longer term value of our **business** ... is not dependent on the next six weeks trading results, that I

feel very clear on. There is the short term delivery of the next six weeks and then the longer term of what is the **business** going to do over the next five-plus years." But in the short term there would be some quick changes. Mr Clarke yesterday unveiled his opening blueprint to rescue the **company**'s fortunes, with $35 **million** in cost savings this year to come from the loss of around 175 jobs or 5 per cent of its global workforce of more than 3500. He said Treasury Wine would focus the savings on marketing support for around 20 of its leading global and regional power brands.

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