

Herald Sun

SE **Business**
HD **ENDGAME BEGINS FOR CONTROL OF GOODMAN FIELDER**
BY JOHN BEVERIDGE
WC 622 words
PD 29 April 2014
SN Herald-Sun
SC HERSUN
ED HeraldSun
PG 26
LA English
CY © 2014 News Limited. All rights reserved.
LP

IN THE BLACK IT is not pleasant but perhaps it had to happen.

In the same month that I once again plastered an avoid on Goodman Fielder shares, a \$1.3 **billion** takeover offer at 65c a share has surfaced from Wilmar/First Pacific.

TD

While the offer was immediately rejected by the Goodman Fielder **board**, there is a good chance now that we are entering an end game with a final auction so that these two major shareholders can take out the **company**.

It will probably take something in the 70c a share range to budge the big institutional investors such as Perpetual and Ellerston Capital (who together speak for 24.3 per cent) but once the bidders get those two over the line, plus their own shareholding, the takeover game is virtually over.

For those who missed out on yesterday's handy 19 per cent gain in Goodman Fielder shares, I would like to point out that the bid actually confirms precisely what I was talking about.

The once storied collection of food brands such as Meadow Lea and Helga's has been restructured so many times by various owners that it is probably held together with cable ties.

However, its earnings keep falling relentlessly, with the latest consensus forecast of around \$230 **million** in earnings around half of the level achieved a few years back.

The entire **business** model of baking **bread** fresh centrally and then trucking it to supermarkets is under enormous strain compared to breads baked in store and as fast as Goodman Fielder cuts costs, profits fall faster.

This bid needs to be seen in that context — it is essentially a signal from some major shareholders that they are no longer going to sit around and watch their money go down the drain.

They believe it will be cheaper and more efficient to take out the **company** with a low ball bid and restructure it themselves.

That is why the bid is so cheap at just under eight times earnings, which really represents a change of control discount rather than a premium.

The skinny price reflects the dangers for the bidder of earnings deteriorating further plus the cost, risk and trouble of restructuring Goodman Fielder — hopefully for the final time.

On the positive side for the Wilmar/First Pacific joint venture, if it does grab Goodman Fielder it would inherit a "Western" **brand** portfolio that would no doubt help its efforts at penetrating the **Chinese** market.

There is no doubt that a good **business** could emerge from Goodman Fielder under new ownership but the avoid call stands at the current bid's inflated prices — in tandem with a sell for existing holders.

Biotechnology shares are notoriously hard to value but Prima Biomed is in an interesting position.

With around \$30 **million** of cash, the **company** is trading at less than \$50 **million**.

The problem is that the \$30 **million** will progressively get spent — barring an earlier deal with a large pharmaceutical **company** — so you are really buying the science cheap.

In this case Prima's revolutionary CVac immunotherapy treatment for ovarian cancer hit some major effectiveness hurdles in earlier trials.

Yesterday a new phase two trial started recruiting 210 women with the deadly cancer.

Unlike previous trials this one is aimed at greatly improving survival rates for women who go into remission using older treatments, which the science suggests CVac should be ideal for.

It is indeed a high risk/high reward stock, but with a very low share price and some cash in the bank it is a speculative **buy**. The Herald Sun accepts no responsibility for stock recommendations. Readers should contact a licensed financial adviser.

CO	fdgl : Goodman Fielder Ltd
IN	i41 : Food/Beverages/Tobacco icnp : Consumer Goods
NS	ccat : Corporate/Industrial News
RE	austr : Australia apacz : Asia Pacific ausnz : Australia/Oceania
PUB	News Ltd.
AN	Document HERSUN0020140428ea4t0008o