

FINANCIAL REVIEW

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HD **DEXUS-GPT holiday tango for CPA**
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It was a phone call by GPT Group chief executive Michael Cameron to his counterpart at DEXUS Property Group on December 23 that spurred advisers into action, even as most investment bankers had their minds on last-minute Christmas presents.

The phone call to Darren Steinberg, the head of DEXUS, was received as he was starting his break in Western Australia, and had ramifications for the holiday plans of many advisers as well as DEXUS's top brass.

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Steinberg, in co-operation with Canada's Pension Plan Investment Board, had already endured a protracted bidding tussle for the Commonwealth Property Office Fund (CPA). The pre-Christmas conversation floated the idea of a compromise solution to hopefully put to an end to the stoush over the \$4 **billion** office tower landlord

Most of the communications happened remotely, including an army of bankers and spanning several continents, as many had already departed for their year-end holidays. Conference calls happened almost daily – bar a short hiatus on Christmas day.

Former Lend Lease executive Justin Louis, now a portfolio manager at CPPIB in **Hong Kong**, was heavily involved, as was head of strategy at DEXUS, Ross Du Vernet.

The joint venture group was mulling an agreement for GPT funds to acquire two additional interests in well known office towers on Collins Street in Melbourne and Shelley Street in Sydney.

While it came at an odd time Cameron's new proposal could solve the impasse and halt the bidding contest as analysts were beginning to question the prices being lobbied by the rival suitors. After Christmas Steinberg made a call to cut his holiday break short to shepherd the negotiations.

The structure of the agreement needed fine tuning, and the parties went back and forward.

Steinberg, the former head of real estate for Commonwealth Bank's wealth management arm, Colonial First State Global Asset Management, was well placed to **lead** the charge.

He was flanked by a swarm of bankers as they worked towards getting a transaction across the line. JPMorgan's boss of mergers Jon Gidney and banker Tim Ryan were on deck, as was Citigroup's mergers chief Simon Ranson.

Deutsche Bank's involvement was two-pronged as it was behind a forward contract DEXUS used to take a 15 per cent **stake** in its smaller rival, while Hugh Macdonald advised on the ensuing offers. Macquarie Capital's banker Brett Robson acted for CPPIB.

The DEXUS camp had already dubbed the transaction Project Pho – as one of the clan is thought to have a hankering for Vietnamese dishes.

On the GPT side of the table was seasoned banker and principal of boutique **firm**, Fort Street Advisers, Richard Hunt. Bank of AmericaMerrill Lynch's Adrian Sheldon was involved in the day-to-day and country head Kevin Skelton – who knows Cameron well from his stint at Commonwealth Bank of Australia, also weighed in at times.

The dialogue flowed more freely after the Christmas day festivities, and a first draft of the memorandum of understanding was presented to key players before the champagne flowed to ring in 2014.

There looked to be common ground and a mutually beneficial arrangement, with the obvious opt outs, and it built on a previous arrangement for GPT funds to acquire interests in two CPA assets.

The lawyers put their heads down on the minutiae of the **sale** contracts.

It was the first weekend in January and the DEXUS-CPPIB legal team were immersed in documents. The group at King & Wood Mallesons, led by avid cricket fan David Friedlander, pulled out the stops.

Needless to say Australia's demolition of the England cricket side on January 5 – to comfortably secure the sacred urn – helped accelerate proceedings.

Trading on the local bourse on January 6 was seasonally light and a few last minute hitches and awaiting the greenlight from those travelling in Asia and other jurisdictions, saw the announcement hit the screens hours after the sharemarket's close.

Under the memorandum, DEXUS will not be getting as many assets as the previous offer, enabling it to raise the cash component of its original offer. The aggregate ascribed value of the stakes in four towers came to \$679 **million**, and the addition of CPPIB's **stake** in Northland Shopping Centre took the total to \$1.2 **billion**. Already likely to reap higher success fees, advisers at UBS were closely watching. Real estate head Tim Church has spearheaded advice to the target's independent directors. CPA fund manager Charles Moore also rolled his sleeves up.

While this week's events appear to provide a good outcome for those involved the transaction is not set in stone. There is nothing that precludes GPT from coming in over the top.

Call and put options and the sales contracts for the transfers of holdings to GPT are conditional, and cannot be exercised unless the bidding party acquires a 90 per cent relevant interest.

DEXUS and CPPIB released a second supplementary bidder's statement on Friday noting the maximum \$150 **million** of extra cash would be required to be tipped in. It put the offer price, as at January 9, at \$1.242 per CPA unit, or \$1.243 under a second option that comprises a larger proportion of cash.

But bankers always prepare for a last minute flipper, and the next key date is January 14. If GPT doesn't match the rival offer for CPA by this date, which many believe is unlikely, it is game over.

CO cmpoff : Commonwealth Property Office Fund | dbrrrt : Dexus Property Group | gnprop : GPT Group

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