THE AUSTRALIAN

SE Business

HD DATAROOM

BY Edited by Bridget Carter and Gretchen Friemann

WC 1,112 words

PD 21 November 2014

SN The Australian

SC AUSTLN

ED Australian

PG 20

LA English

LP

Archer releases investors from fund ARCHER Capital, one of the country's top private **equity** firms, has taken the radical step of releasing investors from $300 **million** in commitments to its $1.5 **billion** fund, amid persistently tough conditions in the leveraged buyout market.

Archer raised its fifth fund in 2012 but has struggled to deploy the capital and decided in April last year to strike a deal with its investors, or limited partners, to unlock the money.

TD

Under the agreement the vehicle was shrunk to $1.2bn with an option to retain it at the original level of $1.5bn. However, that option has now lapsed, leaving Archer overseeing a far smaller fund.

Founder and partner Peter Wiggs confirmed the move to The Australian and said Archer was "putting the interests of its LPs first, as always".

While the releasing of commitments is virtually unprecedented in Australia, several buyout firms in the US have been forced into similar restructuring strategies as investor tolerance for idle capital wears thin in the post-crisis era. During the LBO boom years, private equiteers had the luxury of sitting on dry powder in colossal funds while still collecting 1.5 to 2 per cent in management fees.

Those days are long gone. Yet even in this period of greater scrutiny, few firms countenance a fund restructure since the costs of running a private **equity firm** and the expenses borne in scouring the market for deals are often prohibitively expensive.

Archer's decision, though, is expected to win the goodwill of its investors. While many of its LPs are based offshore, the **firm** has also drawn sizeable allocations from several superannuation funds, despite that industry's retreat from private **equity** in recent years. Unisuper and Victorian Funds Management Corp have both frozen new commitments to the sector while others are reducing the private **equity** managers to whom they extend money.

But the approbation of its investors may not be the only boon from Archer's restructure.

Private **equity** firms typically have to invest 75 per cent of a fund's capital before they can tap investors for more cash, so a smaller vehicle will also propel the **firm** towards the trigger point for a fresh fund raise.

According to sources, Archer has deployed about $400m of Fund V, accumulating investments such as baggage handler Aero-Care, which it bought from Next Capital for close to $200m.

Yet while the smaller deals have been flowing at a brisk pace, the large-scale LBOs are few and far between. A potential $3.4bn bid for **wine**-producer Treasury **Wine** Estates failed to gain traction despite interest from TPG and KKR.

Yellow fever, Kiwi style PLATINUM **Equity**, the US buyout **firm** that snapped up Telstra's yellow pages **business** Sensis earlier this year, is mulling another strike at the same industry as it circles New Zealand's yellow pages.

News of Platinum's latest potential foray comes amid growing speculation the firm intends to open an office in Australia once it achieves a larger portfolio.

Few though could have predicted it would chase another investment in a sector that continues to amass casualties as publishers navigate a treacherous course from print to online.

New Zealand's yellow pages has drafted in Macquarie Group to advise it on the mooted sale. But like its global peers, price expectations have fallen off a cliff.

In 2005, Sensis, publisher of the Yellow and White pages, was valued at $12 billion. Platinum hoovered up a 70 per cent stake in January for $454 million.

It's a similar story at NZ yellow pages, now in the hands of a clutch of hedge funds. In 2007, it sold for about $2.1bn. Many expect any sale to fetch less than $400m.

But Platinum is no stranger to the media - last year it closed its third successive buyout fund, worth $US3.75bn

Asians eye Devine SINGAPORE-BASED City Developments is believed to be closing in on the Leighton Holdingsbacked residential developer Devine.

The Brisbane-based company is almost half-owned by construction giant Leighton. Leighton flagged its intention to exit its stake as part of a wider selldown of its assets and the entire business was subsequently placed on the market through investment bank Goldman Sachs.

While the price being offered by City Developments is unclear, it is understood its offer was substantially higher than the one from its rival suitor, Proprium Capital Partners, an entity controlled by Morgan Stanley's real estate arm.

Devine was expected to sell for close to 10 per cent below the company's net tangible assets of $245 million.

City Developments is also circling Leighton Properties, which is up for sale through Bank of America Merrill Lynch and has been named as the frontrunner to secure the subsidiary.

The business, which has a $7bn development pipeline, is mooted to sell for about $500m.

Meanwhile, an agreement could be in the offing between Leighton, which is almost 70 per cent controlled by German groupHochtief, and China Communications Construction Company, surrounding the sales process for contractor John Holland. It is understood rival bidder Samsung has left the contest, leaving CCCC as the only contender

Pastoral guessing game TERRA Firma may be entertaining potential buyers for a partial stake in Australia's largest privately owned beef producer, Consolidated Pastoral Company, creating a guessing game among spectators as to the likely suitors.

But perhaps a more interesting question is what exactly is Consolidated Pastoral looking to buy.

One suggestion surrounding the potential targets on its list could be Macquarie Pastoral.

The fund, one of Australia's largest landholders, is backed by the asset management arm of the Bill and Melinda Gates Foundation.

Dutch pension fund APG is also an investor.

It has been fancied as a potential target for Consolidated Pastoral for some time, as speculation mounts that moves could be afoot to unseat Macquarie as manager if the fund's performance does not improve.

Macquarie and Consolidated Pastoral declined to comment.

A move by Terra Firma to introduce a part-owner for Consolidated Pastoral is thought to signal attempts to increase its firepower for a potential acquisition.

The group has Barclays as an adviser and has been receiving expressions of interest for both local and offshore groups.

Consolidate Pastoral earlier this month told The Australian it was pursuing partnership opportunities in China and Indonesia, and in new markets such as Vietnam, and was also focused on several potential land acquisitions in northern Australia.The **company** is backed by private **equity group** Terra Firma, which **purchased** it from the Packer family in 2009.

NS clbo : Leveraged Buyouts | c18 : Ownership Changes | c181 : Acquisitions/Mergers/Takeovers | cactio : Corporate Actions | ccat : Corporate/Industrial News | ncat : Content Types | nfact : Factiva Filters | nfcpin : C&E Industry News Filter

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB News Ltd.

AN Document AUSTLN0020141120eabl0000y

