

HD Treasury may finally be **sold**--and likely dismembered.(Kohlberg Kravis Roberts & **Company** L.P. and Rhone Capital teamed up to **buy**Treasury **Wine** Estates)

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Victoria, Australia--After years of speculation, it looks like Australia's troubled Treasury **Wine** Estates may get a new owner.

Private **equity group**KKR & Co. LP teamed up with Rhone Capital to make a \$3.4 **billion** bid (all figures in Australian dollars unless otherwise noted) for the publicly traded **company**, then TPG Capital Management LP matched the move, sending Treasury stock above the offering price of \$5.20 per share to \$5.33 per share.

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Treasury had rejected an earlier, lower offer of \$2.9 **billion** (\$4.70 per share) by KKR in May. **China's** Bright Food **Group** was also interested but dropped out of the bidding, while another private **equity** fund, the Carlyle **Group**, was rumored to be placing a bid at press time.

With at least two bidders fighting over the world's largest publicly owned pure-play **wine company**, a deal seems likely.

The industry has expected a takeover of Treasury since late 2013.

Foster's Brewery spun out its **wine** assets in 2011 to form Treasury **Wine** Estates before it was in turn taken over by SABMiller.

While St. Helena, Calif.-based Beringer Vineyards was highly profitable before being acquired by Foster's, the U.S. operations in particular have suffered since then, and overall **company** profit dropped 38% in the six months ended in February. The **company** has warned of more losses ahead.

An Aug. 21 report should detail the impact of oversupply in Treasury's U.S. operations.

On June 25 the **company** said it would take a write-down of as much as \$260 **million** for the year ending June 30 as a result of overpayments for previous acquisitions, slowing sales of Cheap **wine** and write-offs of brands and property.

Its sales in **China** also have plummeted because of a government crackdown on luxury gifts. Interestingly, KKR owns part of VATS Liquor Chain Store Management, **China's** largest distributor of alcoholic beverages.

Though troubled, Treasury seems an attractive target for the right buyer. For one, it has \$2 **billion** in tax credits, partly resulting in a write-down of the value of its U.S. operations from the \$2.9 **billion** paid in 2000 to today's estimated value of \$900 **million**.

It's widely assumed that a buyer would reorganize the **company** and sell off assets including brands and property--or even split it geographically or between high-end and high-volume operations.

The **company** has 83 brands including some strong ones like Beringer (California), Pen-folds (Australia), Lindemans (Australia), Wolf Blass (Australia), Chateau St. Jean (California) and Greg Norman (Argentina, Australia and California).

Its other U.S. brands include Cellar No. 8 and Souverain in California's Sonoma County, and Stags' Leap Winery, Etude, St. Clement and Sledgehammer in Napa County, Calif.

Some of these brands would likely be attractive to strategic buyers in the industry or financial groups.

One possible issue for bidder TPG is U.S. tied-house laws. The large private **equity** fund owns Caesar's Entertainment, formerly Harrah's. U.S. and California regulations generally prohibit owners of alcoholic beverage producers from holding retail alcohol licenses.

It would be ironic if TPG is successful, for it **sold** Beringer to Foster's **Group** in 2000 for \$2.56 **billion**. TPG (then called Texas Pacific **Group**), along with Napa-based **wine** investment **firm** Silverado Partners, bought the Beringer **wine business** from Swiss consumer goods **company** Nestle SA for \$350 **million** (USD) in 1996..

Goldman Sachs is advising Treasury, while Nomura Holdings is reportedly advising the KKR-Rhone consortium.

CO brgfdc : Bright Food (Group) Co Ltd | kkr : KKR & Co. L.P. | rhcap : Rhone Capital LLC | trzwn : Treasury Wine Estates Ltd

IN i426 : Wine | i8150203 : Private Equity | i41 : Food/Beverages/Tobacco | i81502 : Trusts/Funds/Financial Vehicles | ialco : Alcoholic Beverages/Drinks | ialtin : Alternative Investments | ibevrge : Beverages/Drinks | icnp : Consumer Goods | ifinal : Financial Services | iinv : Investing/Securities | ifood : Food Products

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

RE usa : United States | austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania | namz : North America

IPD Trade

PUB Hiaring Company

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