

# FINANCIAL REVIEW

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HD **Goodman bid wakes Europe food giant**  
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Parmalat has emerged as a potential interloper in Wilmar International and First Pacific's \$1.27 **billion** takeover bid for Goodman Fielder.

The French-owned **dairy group** saying Goodman's New Zealand **dairy** assets are of "strategic interest".

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Goodman Fielder, the maker of Wonder White **bread** and MeadowLea margarine, was quick to dismiss as opportunistic the 65¢-a-share offer from Singapore-listed agribusiness Wilmar and **Hong Kong** investment manager First Pacific.

As revealed by The Australian Financial Review, Goodman's adviser's Credit Suisse stepped up its defence this week by kicking off a **sale** process for the NZ **dairy business**. Wilmar and First Pacific have threatened to walk away if Goodman makes any "material asset sales".

Parmalat chief executive Craig Garvin declined to say whether he is considering making an offer, but he told AFR Weekend that he is watching the process. "Strategically, the NZ **dairy business** is of interest and we will keep an eye on it," he said.

Parmalat is a wholly-owned subsidiary of French **dairy** powerhouse Lactalis and owns the Pauls, Oak, Ice Break and Vaalia brands. Last month Mr Garvin said he would stay on the hunt for acquisitions after buying Western Australia's biggest **dairy** exporter, Harvey Fresh, for \$120 **million**.

CIMB analyst Alexander Beer thinks the **dairy business** is worth \$460 **million** to \$590 **million** assuming an 8.5 times to 11.9 times EBITDA multiple.

Goodman Fielder has suffered a series of earnings downgrades and writedowns in recent years and kicked off a strategic review of its **dairy business** in February – before Wilmar and First Pacific lobbied their offer.

Goodman is not chasing a **dairy** trade **sale** as its only course. It is also looking for joint venture or **equity** partners that can help fund a bigger push into the export market.

As highlighted by the \$500 **million**-plus takeover battle for Victorian **dairy** Warrnambool **Cheese & Butter**, there is red-hot demand for export facing **dairy** businesses that can feed Asia's hunger for **milk** powers, cheeses and infant formula. Credit Suisse will undoubtedly be making its pitch to WCB's new owner – Canada's Saputo. Lino Saputo Jnr has flagged his interest in making further acquisitions in Australia and NZ.

Bankers will also be chasing the losers in the takeover scrap, Bega **Cheese** and farmer co-operative Murray Goulburn. Before costs and taxes, Bega and Murray Goulburn reaped \$100 **million** and \$92 **million** respectively from selling their WCB stock to Saputo.

Both companies are looking for takeover targets, but it is understood neither Bega nor Murray Goulburn are interested in the Goodman **business**.

Goodman's NZ **dairy** operation generates about \$NZ500 **million** (\$462 **million**) in revenue, with about 10 per cent of that from exports, which primarily involve shipping long-life UHT **milk** to Asia under the Meadow Fresh **brand**.

The rest of the **milk** supply is processed into **dairy** products for NZ retail shelves. As Goodman's latest financial results show, margins can get squeezed when the cost of **milk** – which is based on export products – goes up and price increases cannot be passed onto consumers at supermarkets.

That Goodman's **dairy business** does not have its own **milk** pool is also likely to dissuade some bidders. Goodman has a long-term supply contract with Fonterra, enforced by government legislation, for 250 **million** litres of **milk** a year, but does not have its own farmer-suppliers.

It can source more **milk** but it is currently understood to be using about 220 **million** litres only.

Key points Parmalat chief says NZ **dairy** industry of strategic importance and will keep an eye on moves. Wilmar International and First Pacific threaten to walk away from bid should Goodman divest **dairy** arm.

**CO** fdgl : Goodman Fielder Ltd

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