

SE Companies
HD **Australia body not against joint bid for Goodman**

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WC 678 words

PD 26 September 2014

SN Business Times Singapore

SC STBT

LA English

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Wilmar and Goodman would continue to be 'competitively constrained'

WILMAR International said on Thursday that the Australian Competition and Consumer Commission (ACCC) would not oppose its joint **acquisition** with **Hong Kong**'s First Pacific of Goodman Fielder, Australia's biggest food maker.

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Prized for top-selling Australian products like Meadow Lea margarines, White Wings cake mixes and **Gold**'N Canola, Goodman Fielder is the largest supplier of canola, soybean and sunflower **oil** to Australian retailers.

At the same time, Wilmar - led by chairman and CEO, Kuok Khoon Hong, 64 - has cornered the market Down Under in imported packaged oils which supermarkets sell under their private labels.

A review was conducted to study whether, as a result of the proposed **acquisition**, Wilmar and/or Goodman Fielder would be able to raise the prices of packaged vegetable oils.

"The ACCC determined that, following the proposed **acquisition**, Wilmar and Goodman Fielder would continue to be competitively constrained by alternative existing and potential suppliers," ACCC chairman Rod Sims said in a release posted on the commission's website.

Mr Sims noted that packaged vegetable **oil** can be readily imported from international suppliers. Wilmar supplies **oil** from its offshore facilities and there are other international suppliers capable of supplying the Australian market.

"Industry feedback also suggested that packaged vegetable **oil** is considered a commodity product with low levels of **brand** loyalty, making it easier for retailers to bypass their existing suppliers," Mr Sims said.

The ACCC also determined that the proposed **acquisition** was unlikely to raise competition concerns in any other markets in which Goodman Fielder or Wilmar is active.

Singapore-listed Wilmar, whose key businesses in Australia are in sugar (and associated with this, renewable **energy**) and edible oils, and **Hong Kong**-listed First Pacific, which operates through Indofood in Australia, made a joint takeover bid for Goodman Fielder at A\$0.675 a share. This offer, plus a final dividend of one Australian cent per Goodman Fielder share for the year ended June 30, 2014, to its shareholders, valued Goodman's **equity** at A\$1.45 **billion** (S\$1.7 **billion**).

Both had originally offered A\$0.65 a share in late April. However, that was dismissed by Goodman Fielder as "opportunistic".

The offer was later raised to A\$0.70 a share in May, after the support of Goodman Fielder's two largest shareholders - specialist fund manager Ellerston Capital (10.64 per cent) and investment management services **firm** Perpetual Investments (8.94 per cent) - was secured.

But after four weeks of due diligence led to concerns over the investments needed to turn the debt-ridden Aussie **bread** and spreads maker around, the offer was reduced to the current price.

Goodman Fielder has A\$549 million in debt and is in need of a massive recapitalisation with around A\$350 million in capital expenditure planned in the next couple of years.

Its board has supported the current offer, though it initially rejected the A\$0.65 offer.

A meeting of Goodman Fielder shareholders to approve the takeover had been expected to be held in late November, subject to regulatory approvals. However, the meeting has been pushed back to early 2015 because obtaining regulatory approval from China is taking longer than expected.

Wilmar has said Goodman Fielder's business is complementary to its consumer business. It said it could help Goodman Fielder secure ingredients of flour and edible oils at more competitive terms, and also introduce its products into China, where Wilmar has a strong distribution network.

At S\$3.12 a share, Wilmar is deemed fairly priced by some analysts.

For its fiscal second quarter ended June 30, 2014, Wilmar reported net profit fell 22 per cent from a year ago to US\$171 million. The results were below consensus, making up only a third of consensus full-year projections.

ART Australia's biggest food maker: Singapore-listed Wilmar and Hong Kong-listed First Pacific made a joint takeover bid for Goodman Fielder at A\$0.675 a share. - PHOTO: BLOOMBERG

CO fdgl : Goodman Fielder Ltd | auccc : Australian Competition and Consumer Commission

IN i411 : Vegetable Oils | irenewf : Renewable Energy Facility Construction | i010013202 : Oilseed (except Soybean) Farming | i0 : Agriculture | i01001 : Farming | i0100132 : Oilseed/Grain Farming | i41 : Food/Beverages/Tobacco | i502 : Heavy Construction | i5020044 : Power Station Construction | icnp : Consumer Goods | iconst : Construction | icre : Real Estate/Construction | ifood : Food Products

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AN Document STBT000020140925ea9q00003