

Treasury Wine Estates a target for private equity groups after second offer within a week

By business editor Ian Verrender

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The bid for Penfolds has suddenly turned into an auction.

Treasury Wine Estates, the company behind the nation's most recognised winemaker, announced this morning another private equity group had expressed interest in pitching a \$5.20-a-share offer.

The new bid, believed to have come from American group TPG, matches last week's \$3.4 billion preliminary offer from Kohlberg Kravis Roberts (KKR) and Rhone Capital.

Treasury (TWE) has granted both consortia access to its books, increasing the chance that at least one will make a firm offer at the nominated price.

Treasury also owns Lindemans, Wynns, Rosemount, Wolf Blass and Rothbury Estates along with a host of boutique labels and has been a bitter disappointment for investors over the years.

It undermined the financial health of Foster's which purchased it in a hugely overvalued takeover of Southcorp a decade ago and then expanded into the US with a series of major takeovers – the biggest of which was Berringer Wine Estates – at exorbitant prices just as the global wine industry turned to glut.

In all Foster's spent almost \$9 billion assembling its global wine portfolio, which now is valued at about one third that price.

Three years ago, Foster's split itself in two with a demerger of its wine business after it unsuccessfully tried to sell the operation.

The beer arm was snapped up first when SAB Miller took control of Australia's biggest brewer, leaving Treasury to pick up the pieces as a stand-alone operation.

Just as the company appeared to be getting on its feet with a reorganisation of its US business, disaster again struck.

Last year it announced it would be forced to pour thousands of bottles of "undrinkable wine" down the drain in an effort to lift the quality of its inventory.

The resulting \$160 million write-down forced the resignation of chief executive David Dearie and effectively put the company on the market.

KKR approached TWE with an initial \$3.1 billion offer, or \$4.70 a share, in May that was rebuffed as insufficient.

Private equity firms routinely make non-binding offers, requesting access to a target's accounts before committing to a bid.

With two well-known rivals now in the ring, long suffering investors may at last see some sunshine.

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PHOTO: Another private equity group expresses interest in Treasury Wine Estates. (Penfolds: AAP)

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