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SE Business

HD FTA sparks retail takeover fears

BY Sue Mitchell

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LP Acquisitions

Retailers are being warned to brace for bids from overseas raiders as the weaker Australian dollar, falling share prices and low interest rates make domestic retailers more attractive to overseas buyers.

TD Interest is likely to come not only from large United States, British and South African retailers but Chinese companies and cashed up international private equity investors. The warning comes after South African retailer Woolworths' \$2.1 billion takeover of David Jones and New Zealand retailer Briscoe Group's failed bid for Kathmandu.

Bankers say Australia's bilateral trade agreement with China may prompt Chinese retailers who have been eyeing the Australian market to make their first move, following in the footsteps of Chinese food, dairy and property companies.

"We're noticing a lot more inbound interest from China companies across a number of sectors including retail, which we expect could translate into more Chinese investment," Rothschild Australia co-head Gareth Cope said.

"People think buyers will come out of the US because of the weaker Australian dollar, but in terms of inbound trends for mergers and acquisitions a lot of the flow is now out of Asia but priced in currencies linked to the US dollar."

Mr Cope said Australia was perceived to be a safe place to invest in and a more receptive market to Chinese investors than the US, particularly after new free-trade agreements, which had raised the Foreign Investment Review Board's screening threshold for "sensitive" sectors to \$1 billion.

"Four to five years ago Chinese buyers weren't ready, now they are," he said, citing construction company Jangho's \$198 million offer for Vision Eye Institute, Australia's biggest ophthalmic care provider.

"The Australian brand is strong in China but our domestic market is suffering headwinds, which are negatively impacting asset prices, and the weaker Australian dollar is creating opportunities for US-dollar-denominated strategic and financial buyers that were not there 12 months ago. That could well prompt some transactions," Mr Cope said.

The Australian dollar has fallen more than 30 per cent against the greenback since the end of 2012, from \$US1.04 to US71¢, and is tipped to fall further.

The share prices of many Australian retailers have fallen sharply, leaving them vulnerable to potential takeover approaches.

IN iretail : Retail | i64 : Retail/Wholesale

RE austr : Australia | china : China | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRICS Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

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