

The Sydney Morning Herald

SE **Business**
HD **Woolworths buy top China liquor outlet**
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Retail - Beverages - Market tipped to grow

Woolworths Liquor **Group** managing director Brad Banducci says Summergate, the large alcoholic drinks distributor in **China** acquired by the **company** for \$US25 **million** (\$27 **million**), was able to increase sales in the past three months despite a tough market.

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The acquisition is one of the first by Woolworths overseas as it lifts its focus from domestic operations, where it faces slowing sales in its core supermarkets **business** and heavy losses in its Masters hardware operations.

Woolworths runs the 189-store Dan Murphy's liquor chain and the BWS chain, with 1230 outlets, in Australia as part of a liquor division that generates sales of \$7.4 **billion** annually.

Summergate generates annual sales of about \$US40 **million** and Mr Banducci said austerity measures imposed by **Chinese** authorities had crimped the market but not Summergate.

"It's managed to actually hold the line, and in the last three months has managed to grow."

Mr Banducci declined to comment on the price. Industry players suggested it may have **sold** for about \$US25 **million**.

Summergate is one of **China's** top drinks distributors and represents a portfolio of about 80 global brands. It also includes a fine-**wine** retail **business**, Pudao, with two stores in Shanghai and Beijing, along with a small online and direct retail operation.

Summergate has 13 offices and 11 distribution centres and employs more than 400 people. It was established in 1999 by businessmen Ian Ford and Brendan O'Toole.

Mr Ford, who is chief executive of Summergate, said the Woolworths buyout would accelerate a rollout of retail stores throughout **China**, telling Fairfax Media the **company** was looking to have about 20 stores in the next three to five years, via its Pudao Wines **brand**.

"We believe, as do Woolworths, that the market for imported **wine** into **China** will continue to grow rapidly in the years ahead," he said.

He said Summergate's sales had risen 28 per cent this year and was targeting growth above 30 per cent in 2015.

Mr Ford said imports of **wine** into **China** would be flat this year but were expected to grow by 10 per cent to 15 per cent in 2015.

"There has been a big shakeout in the market and consolidation is ongoing. But we strongly believe that imports of **wine** and spirits will over the longer term grow a lot faster than GDP, probably three to four times faster," he said.

Mr Banducci said the move was a low-risk way for Woolworths to start building a bigger **business** in **China** using its Langton's **wine business** as a platform.

Mr Banducci said negotiations had been going on for up to a year and the signing of the free-trade agreement between **China** and Australia was an added bonus during the past few weeks as negotiations were finalised.

"The FTA has made it all the more interesting," he said. It would "absolutely" enhance the deal.

CO wolwth : Woolworths Limited

IN iretail : Retail | i64 : Retail/Wholesale | i641 : Food Retailing | i6411 : Supermarkets/Grocery Stores
| i654 : Specialty Stores

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