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HD **Goodman looks for nod on deal**

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Goodman Fielder will seek feedback from key shareholders before deciding whether to agree to a watered-down takeover offer from Singapore agribusiness **group**Wilmar International and **Hong Kong** investment management **company** First Pacific.

Wilmar and First Pacific are understood to be seeking to reduce their 70¢ a share offer to around 67¢ or 68¢ a share, claiming that the consumer foods giant, which has been under pressure from the major supermarket chains for years, has underinvested in capital expenditure.

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Goodman Fielder shares were placed in a trading halt on Monday while the **board** considered the revised offer, details of which have not been revealed.

After lifting their proposed offer from 65¢ a share to 70¢ a share in May and securing the support of major shareholders Ellerston Capital and Perpetual Investments and a recommendation from the Goodman Fielder**board**, Wilmar and First Pacific now want to reduce the offer by 2¢ or 3¢ a share on the grounds that additional capital investment is required.

One major shareholder, who declined to be named, said he was disappointed by the development.

"I'd like to know the context of the lower price," he said.

Wilmar and First Pacific completed four weeks of due diligence at the weekend and were due to sign a scheme of arrangement implementation agreement this week.

Their 70¢ a share offer, plus a 1¢ a share dividend, was conditional on the completion of satisfactory due diligence. It is understood that the due diligence process uncovered no major issues or surprises.

Goodman issued a 15 per cent profit warning in April – triggering the initial offer – and flagged further non-cash impairment charges this year.

Wilmar and First Pacific appear to be taking advantage of Goodman Fielder's vulnerable position to slice $40 **million** to $60 **million** off their $1.4 **billion** price.

If the Goodman Fielder**board** refuses to recommend a lower offer, Goodman Fielder shares, which were trading at 52¢ before Wilmar and First Pacific made their initial approach, could fall significantly.

Goodman Fielder shares last traded at 68¢, a small discount to the offer.

Ellerston and Perpetual have entered into conditional share **sale** agreements to sell 4.8 per cent of their shares at 70¢ a share, lifting Wilmar and First Pacific's joint holding from 10.1 per cent to 14.9 per cent.

If Wilmar and First Pacific secure Foreign Investment Review **Board** approval, Ellerston and Perpetual have agreed to sell another 5 per cent at 70¢, taking the bidders' combined **stake** to 19.9 per cent.

The reduced offer price would apply to the balance of their shares. Perpetual holds 8.95 per cent and Ellerston 10.6 per cent.

Wilmar and First Pacific's attempt to reduce their offer price is likely to increase political scrutiny of the deal as the pair seek FIRB approval.

Wilmar's decision to exit Queensland Sugar's single-desk system – leaving cane growers exposed –has raised alarms about its plans for Goodman Fielder, one of Australia's largest consumer food manufacturers.

Queensland Senator Barry O'Sullivan said last month he would be extremely disappointed to see Goodman fall under foreign control.

Wilmar has been sitting on a 10.1 per cent **stake** since February 2012.

Many of Goodman's shareholders paid $2 a share in its $2.1 **billion** initial public offer in 2005 and have become frustrated with the **company** after years of restructuring and profit downgrades.

While the pair have made a joint bid and have ruled out splitting up Goodman's assets, it is believed that First Pacific is primarily interested in the NZ **dairy business**.

Sales of fresh and UHT **milk** to Asia currently account for about 10 per cent of the unit's revenues, but Goodman sees scope to boost sales significantly to take advantage of surging demand from **Chinese** consumers.

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