

# Media Release



13 November 2013

## ASX ANNOUNCEMENT

### **MURRAY GOULBURN ANNOUNCES INCREASED ALL CASH TAKEOVER OFFER FOR WARRNAMBOOL CHEESE AND BUTTER OF \$9.00 CASH PER SHARE**

Murray Goulburn Co-operative Co. Limited (MG) today announces a revised proposal to acquire all the issued shares in Warrnambool Cheese and Butter Factory Company Holdings Limited (WCB) via an off-market takeover offer for \$9.00 cash per share (the Revised Offer).

MG's Revised Offer represents compelling value for WCB shareholders and delivers them a demonstrably superior value outcome relative to all other competing proposals.

The Revised Offer underscores MG's commitment to acquiring WCB. MG believes the combination of MG and WCB will be very positive for MG, WCB and its shareholders, WCB suppliers, WCB employees, local communities and the Australian dairy industry. The combination of MG and WCB is also the only option available that delivers an Australian-owned and operated company with the scale, capacity, strength and momentum to service global growth opportunities, returning profits to dairy farmers and their communities.

#### **Highlights of MG's Revised Offer for WCB shareholders**

- \$9.00 cash per Warrnambool share, valuing WCB at \$505 million<sup>1</sup>, which represents:
  - 100% premium over the closing price of \$4.51 per WCB share on ASX on 11 September 2013, the last trading day prior to the announcement of the offer by Bega Cheese Limited (Bega);
  - 13% premium to Saputo Inc.'s (Saputo) revised \$8.00 cash per share offer announced to ASX on 25 October 2013; and
  - 24% premium to the implied value of Bega's offer, based on the closing price of Bega shares on ASX on 12 November 2013.
- Fully funded with MG having secured debt facilities from its existing financiers National Australia Bank Limited (NAB), Australia and New Zealand Banking Group Limited (ANZ) and Westpac Banking Corporation (WBC).

MG Managing Director, Gary Helou, said: "MG remains firmly committed to acquiring WCB. A combined MG and WCB will create a globally competitive dairy food company which will deliver many opportunities for Australian dairy farmers and their communities. WCB suppliers joining the enlarged co-operative will benefit from co-operative ownership focused on maximising farm-gate milk prices, including being able to participate in any future changes to MG's capital structure that may arise as a result of the review that was recently announced to MG suppliers."

<sup>1</sup> Based on 56,098,797 WCB shares outstanding (after the issue of new shares under WCB's existing performance rights plan, which are assumed to vest if MG's Revised Offer is to become unconditional).



MG Chairman, Philip Tracy, said: “MG, when combined with WCB, will be uniquely positioned with scale and capacity to capture the unfolding long-term opportunity in international dairy markets. The combined company will keep profits in Australia and return them to local farmers under the co-operative’s objectives of maximising farm-gate returns. This means that farming communities, including those in South-West Victoria and South Australia, will stand to benefit directly.”

### **Intentions for the business**

MG is committed to growing the combined MG/WCB business including providing opportunities for employees in a larger business, delivering enhanced value to existing WCB suppliers and continuing to support local communities. MG plans to invest capital to optimise and upgrade processing assets in Western Victoria including WCB’s existing Allansford facility. MG also looks forward to the opportunity of maintaining and extending existing joint venture and contractual relationships with current partners in the WCB business.

### **Offer conditions**

MG’s Revised Offer remains conditional on all conditions as set out in MG’s announcement on 18 October 2013, including:

- no objection by the ACCC or granting of authorisation by the Australian Competition Tribunal in relation to the proposed transaction;
- MG having a relevant interest in greater than 50% of WCB by close of the Revised Offer;
- no material new acquisitions, disposals or other commitments by WCB beyond certain financial thresholds; and
- no material adverse change or prescribed occurrence events occurring with respect to WCB.

MG is confident that the combination of MG and WCB will deliver positive outcomes to both MG and WCB suppliers and flow on benefits to the broader community as a whole. It will also create substantial public benefits with a large domestic supplier having the scale and strength to compete internationally and thereby grow Australian export volumes and revenues with profits going back to our shareholder’s local communities. MG is therefore confident in its approach to satisfying the ACCC/authorisation condition in relation to the Revised Offer. MG expects to lodge its application for merger authorisation with the Australian Competition Tribunal by the end of November.

### **Dividends**

The amount of any dividends declared or paid by WCB during the offer period will be deducted from the value of MG’s cash Offer. Consistent with MG’s previous proposal, should the WCB Board unanimously recommend that WCB shareholders accept the Revised Offer then MG intends to match Saputo’s revised proposal in relation to the payment of dividends, such that WCB may pay a special dividend or dividends (which will result in a corresponding reduction in the Revised Offer consideration) to utilise existing franking credits held by WCB. If this occurs, these franking credits may offer additional value for some shareholders, however this will be dependent on the tax position of individual shareholders.

### **Funding**

MG has committed financing facilities available from its existing lenders to fund the Revised Offer. As previously announced, MG has secured \$350 million of new facilities from NAB, ANZ and WBC in order to finance the transaction and assume WCB’s facilities to the extent required.



MG's Board and management believe that MG's level of leverage, post a successful transaction, is appropriate for a farmer owned co-operative structure in its current phase of significant growth and investment. The support of the financiers for these facilities reinforces MG's view that the rationale and financial metrics implied by the offer are attractive.

### **Timing**

MG expects to dispatch its Bidder's Statement containing detailed information relevant to the Revised Offer to all WCB shareholders by early December 2013.

### **Advisers**

Lazard is acting as financial adviser to MG and Herbert Smith Freehills is acting as legal adviser.

-ENDS-

### **Contacts**

For further information in relation to the Revised Offer, refer to the contact details below:

#### **MG and WCB Shareholders**

Toll Free: 1800 679 874 / (03) 9415 4172

#### **Media**

Murray Goulburn

Lynn Semjaniv: 0481 004 797

Nicole Devlin: 0499 084 642

#### Hintons

Angus Urquhart: 0402 575 684

**A copy of this release is available at [www.mgc.com.au](http://www.mgc.com.au)**

### **About Murray Goulburn**

Murray Goulburn (MG) is Australia's largest dairy food company. Each year it receives and processes approximately three billion litres or one third of Australia's milk. MG was formed in 1950 and remains 100% dairy farmer controlled, with over 2,400 Farmer-Shareholders and more than 2,000 employees. MG is Australia's largest dairy food exporter to the major markets of Asia, the Middle East and North Africa, and the Americas. MG produces a range of ingredient and nutritional products, supplies the food service industries globally and its flagship Devondale brand is sold nationally.