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Fosters' stock soars after fresh takeover bid

Australian Broadcasting Corporation

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Reporter: Emily Stewart

Shares in Australian brewing giant Foster's rose after it dismissed a \$9.5 billion takeover bid from SABMiller.

Transcript

TICKY FULLERTON: Shares in Foster's soared today as a concrete offer finally surfaced for the demerged beer business and its iconic brands.

SABMiller's \$10 billion bid was immediately dismissed as too low, with Foster's gambling that a better offer will emerge.

And in a statement this evening, SABMiller is clearly in for another round, saying it wants to negotiate with the Foster's board.

Here's Emily Stewart.

EMILY STEWART: SABMiller have put their first offer on the table, but \$9.5 billion wasn't enough to buy Australia's leading brewer.

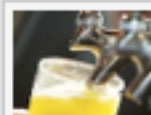
NATHAN BELL, RESEARCH ANALYST, INTELLIGENT INVESTOR: It's definitely too low.

EMILY STEWART: The South African brewer made an unsolicited cash bid to acquire all of Foster's shares for 4.90 each, that's an 8 per cent premium on yesterday's close of 4.53.

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News of the bid sent Foster's shares surging almost 13 per cent in opening trade to 5.11, its highest level in almost nine months.

But Foster's quickly rejected the offer and in a statement to the ASX it says: 'The board of Foster's believes the proposal significantly undervalues the company in the context of a change of control, and as such, it doesn't intend to take any further action in relation to it.'

NATHAN BELL: We think the board will probably be looking at a price of around \$AUS.50 so there's probably a 15 to 20 per cent premium.

ROGER MONTGOMERY, INDEPENDENT EQUITIES ANALYST: The board needs to create some competitive tension in order to extract the best possible price they can for Foster's shareholders.

EMILY STEWART: The offer comes a week after speculation Mexican brewer Modelo was planning to launch a joint bid for Foster's.

And analysts say this inflated the company's share price.

SABMiller is obviously very keen to buy Foster's, as it went to some lengths to amend its joint venture agreement with Coca-Cola Amatil in order to make the bid.

EMILY STEWART: Chief executive Graham Mackay says it's because the Australian company is the leading brewer in a stable profitable beer market.

GRAHAM MACKAY, CEO SABMILLER (company footage): It's very early days in this process. SABMiller is seeking engagement with the Foster's board via constructive discussion to see if together we can develop this proposal.

EMILY STEWART: Nathan Bell says it's likely SAB will come back with another offer.

NATHAN BELL: I think if they really are genuine about taking over Foster's and we think they are, then I think they would definitely have to up their bid and they will.

ROGER MONTGOMERY: By casting the wine business out Foster's is a much more valuable asset, its future value could actually rise substantially without the wine business.

EMILY STEWART: Foster's shares closed at \$5.14.