



## Saputo Courting Warrnambool Cheese, but Will It Have to Pay a “Silly” Price?

### Description

*By Christine Conway*

Unless you're an Aussie, before a few weeks ago, you'd likely never heard of Warrnambool Cheese & Butter. Australian-owned for the last 125 years, this dairy producer is one of the largest milk processors in Australia, producing almost 900 million litres per year. It also makes other dairy products such as cheese, butter, and cream.

It's been reported that **Saputo** ([TSX:SAP](#)), the largest dairy processor in Canada, is interested in acquiring Warrnambool. Saputo announced a bid for the company of \$7.00 per share on October 7. This valued Warrnambool at approximately \$348 million.

Saputo has products in more than 40 countries, and is interested in expanding its presence in the Asian market. It does not have any manufacturing operations in Australia and views this acquisition as an appropriate fit.

### Another suitor

Warrnambool's board has recommended that shareholders take this offer, unless a better one is made. And there is, in fact, another suitor. On Sept. 12, before Saputo's offer, Bega Cheese published a press release titled "[Merger would put Bega Cheese and Warrnambool Cheese and Butter on World Stage](#)".

Bega Cheese is the largest cheese-cutting and packing company in Australasia, with annual sales over \$1 billion. Currently, 30% of Bega's production goes overseas, with a focus on the Middle East, Southeast Asia, and North Asia. Combining the two firms is something that Bega has been working on for a while. Warrnambool is publicly traded on the Australian Securities Exchange, and Bega already owns 18%.

However, Bega has done something interesting. In its press release on Sept. 12, it mentions that both Bega and Warrnambool have a large number of shareholders that are dairy farmers or are active in the farming community.

Bega also discusses things that would be important to other stakeholders (beyond just shareholders) — for instance, shared values and an emphasis for both companies on local communities and relationships with dairy farmers.

## Conclusion

Saputo has made a habit of expanding through acquisition. While the Warrnambool board and an independent expert are still recommending the Saputo offer, Bega Cheese has a significant equity stake and a vested interest in the future of Warrnambool.

Just yesterday, rumours of a higher bid from Saputo bid up shares of both Warrnambool and Bega Cheese. Australia's *The Standard* [quoted](#) one analyst as saying "the prices being offered for [Warrnambool Cheese & Butter] were entering 'silly prices' territory."

Needless to say, it will be interesting to see how this plays out.

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*Fool contributor Christine Conway does not own shares of any of the companies mentioned at this time. The Motley Fool has no positions in the stocks mentioned above at this time.*

## CATEGORY

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## TICKERS GLOBAL

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