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BREAKFAST DEALS: Centro squabble

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The remnants of Centro, crippled by the first chapter of the global financial crisis, are hanging together as the second chapter looms over debt markets. The fact that the group has managed to survive this long is truly remarkable and while its restructure deal looks all but assured, its former auditors, PricewaterhouseCoopers, are making sure that every last avenue to delay or derail the deal is exploited. But chief executive Robert Tsenin should know by 11am today if his efforts have been worth it. Spotless Group chairman Peter Smedley has come up with a clever way of keeping all parties happy without giving too much away to suitor Pacific Equity Partners, while Foster’s Group chairman David Crawford can officially call it a day. Meanwhile, the ACCC has given Arrow Energy the green light to grab Bow Energy, but one investment bank says Foxtel-Austar won’t be so lucky, TPG Telecom’s David Teoh is creeping after iiNet and Mark Carnegie says he and John Singleton are still thinking about Fairfax’s city radio assets.

Centro, PricewaterhouseCoopers

The future of Centro Properties and Centro Retail is going right down to the wire with the retail landlord’s former auditors making them earn their $3 billion restructure. PricewaterhouseCoopers lost its appeal against the scheme of arrangement yesterday with Justice Reginald Barrett ruling against its objections to Centro Properties’ allocation of $100 million to creditors and shareholders. However, PwC’s lawyers immediately asked for a stay of execution in order to read and assess the judgement and Justice Barrett conceded late yesterday. The news is expected to drop at 1100 AEDT.

PwC’s fate seems assured; they’ve lost, but Centro boss Robert Tsenin will be anxious to get the documents to the Australian Securities and Investments Commission because while the company’s debt is maturing on December 14, Fairfax reports comments from Centro’s lawyers that the documents need to be lodged by December 12 for the scheme to take effect. The Australian understands that while an appeal from PwC wouldn't prevent the merger from going ahead, the auditors could ask for another stay that would prevent the new company from being listed on that crucial day in December.

Charter Hall Office REIT, Macquarie Capital

Elsewhere in property, it looks like Charter Hall Office REIT is reportedly poised to accept an offer from a Macquarie-led consortium valued at $2.49 per security. Chairman Roger Davis has twice knocked back the consortium at lower prices, but the AFR reports that a combination of the latest offer being close to the net tangible asset backing value and a drop in interest rates has brought the target's board around. This will hand the portfolio over to Singapore's GIC Real Estate and Canada's Public Sector Pension Fund, while Charter Hall Group will maintain a 13.4 per cent stake in the target and continue to manage it.

Meanwhile, Commonwealth Superannuation Corporation has finalised its deal to grab a 50 per cent stake in the QV1 office tower in Perth, according to The West Australian. The newspaper says Dexus Property Group, the investment manager of the property, offloaded the stake on behalf of SAS Trustee Corporation. The sale, which is a very positive sign for the WA commercial property market, was handled by CBRE.

Spotless Group, Pacific Equity Partners

Spotless Group chairman Peter Smedley has come up with an ingenious way of appeasing frustrated shareholders, without giving too much away to predator Pacific Equity Partners. In exchange for PEP raising the indicative, non-binding, conditional proposal from $2.63 per share to $2.68 – $698 million to $711 million for the company as a whole – Smedley will give PEP a management presentation, which looks like it'll function as a partial due diligence, but he won't hand over a board recommendation. And as Business Spectator's Stephen Bartholomeusz points out, the presentation to PEP will be made public, increasing transparency for Spotless shareholders and giving them a window into the thinking of management.

Having spoken to the company's shareholders, Spotless knew that it had to find a way to engage with PEP in order to settle its increasingly hostile register, without giving away the farm. It appears to have worked on both accounts. According to The Australian, Orbis Investment Management

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managing director Simon Marais is “very happy with the outcome. And who knows? This could lead to Blackstone coming back with a higher offer,” Marais said.

Does he know something we don’t? There was strong speculation last month that another party was sitting on the sidelines watching the developments at Spotless closely. Whispers didn’t reveal the name of the player, but the strongest candidate was of course Blackstone Group, the old Spotless suitor, which failed to get the services company with a $2.50 per share offer in May.

Foster’s Group

Foster’s Group chairman David Crawford has successfully managed to get the brewer sold for $12.1 billion. A simple majority of shareholders and 75 per cent of total shares was needed in favour for the SABMiller deal to go through – those numbers were met easily at 87.2 per cent and 99.1 per cent, respectively. Foster’s shareholders will now receive $5.40 plus a final dividend of 13.25 cents for their shares in Australia’s last major locally-owned brewer. The Supreme Court of Victoria is expected to approve the takeover today, with Foster’s shares to stop trading sometime during the session.

According to The Australian, Crawford was not without remorse, saying that the company was challenged by the high Australian dollar and unfavourable conditions brought about by supermarket giants Woolworths and Wesfarmers. Patriots might be well advised to start drinking Coopers, which was swift to point out that it’s now Australia’s largest genuinely local brewer, but it’s hardly likely many beer drinkers will walk away from Foster’s just because they’re no longer a locally-owned icon – just look at Holden.

Flinders Mines, Magnitogorsk Iron and Steel Works

Having thought it had nabbed a dazzling Russian suitor, Flinders Mines has been forced to explain that a court freeze on the Australian assets of Magnitogorsk Iron and Steel Works will not prevent its $554 million takeover of the iron ore company. Magnitogorsk’s local assets – including its stake in Fortescue Metals Group – were frozen on November 25 thanks to a dispute between the company, controlled by oligarch Viktor Rashnikov, and diversified miner Eurasian Natural Resources Corp. Court documents said the assets covered were worth $857.6 million. The Flinders board is

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continuing its support of the proposal that was stirred up after a strategic review from Citigroup.

ACCC, Bow Energy, Arrow Energy, Foxtel, Austar United Communications

Royal Dutch Shell and PetroChina have both breathed a sigh of relief after the Australian Competition and Consumer Commission said it would not stand in the way of the $535 million takeover of Bow Energy by their joint venture company Arrow Energy. Last month the consumer watchdog raised concerns after suspending its investigation into the bid to seek more information from east coast gas users. But ACCC boss Rod Sims says the takeover is unlikely to have a noticeable impact on domestic gas users and has therefore given the deal the green light. The consumer tsar has also given Virgin Blue Australia's alliance with Singapore Airlines the all clear.

More pressing on the mind of Sims will be the Foxtel-Austar United Communications merger, a $2 billion deal that comes on the heels of a court approval for the Metcash-Franklins merger. The court's decision appears to ground the ACCC's ability to oppose mergers and, after requesting more time to submit documents to the competition regulator, Foxtel's chances of getting its proposal across the line appear to have gone up. However, Morgan Stanley appears to disagree with that analysis. According to the Australian Financial Review, the investment bank believes that the ACCC will knock back the deal.

Rio Tinto

In resources, Rio Tinto has already taken 70.2 per cent of Hathor's shares as it moves towards a full takeover. The miner has extended the offer to allow Hathor shareholders enough time to send in their acceptances. Meanwhile, Rio has also been selected by the Queensland government as one of three "preferred respondents" to build terminals at the planned $9 billion coal port towards the state's north, according to The Australian. Also in the mix are Anglo American, Vale, Peabody Energy, New Hope Coal, Carabella Resources (a subsidiary of China's Meijin Energy Group), MacMines AustAsia, and Clive Palmer's Waratah Coal.

Separately, Ivanhoe Mines' Robert Friedland says he's confident that a solution to the Oyu Tolgoi copper project's electricity needs "is assured".

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The Mongolian project, ownership for which is shared with Rio, is considered one of the best of its kind in the world and it's also anticipated that Friedland will be facing a full takeover from the Australian miner when the conditions limiting its stake to 49 per cent expire over coming months.

iiNet, TPG Telecom

David Teoh isn't doing himself any favours if he doesn't like speculation that his company TPG Telecom is stalking rival ISP iiNet. The need for consolidation in the ISP market is palpable with a crowded suite of providers set to be whittled down in the post-NBN world as scale becomes crucial. TPG's stake in iiNet has now lifted from 5.14 per cent to 7.24 per cent. According to The Australian, sources say that iiNet managing director Michael Malone could find himself talking to Teoh on a much more regular basis with this creeping move designed to yield a seat at the board, not necessarily a platform to launch a bid. The news comes on an important day for future NBN players, with NBN Co set to release its preferred regulatory structure for the next three decades.

Wrapping up

Macquarie Radio Network just can't switch off its thoughts about Fairfax Media's radio assets. According to The Australian, 15.6 per cent shareholder in MRN Mark Carnegie – also a shareholder in Australian Independent Business Media which publishes Business Spectator – says John Singleton and himself are still interested in acquiring the metropolitan stations, especially 2UE and 3AW.

In agribusiness, Gunns Ltd has offloaded its Jarrah saw milling, processing and retail business in Western Australia to Brickworks for $6 million. And while we're in Tasmania, where the infamous Gunns pulp mill site is, Tatts Group has picked up the betting agency TAB Tasmania (Tote Tasmania) for $103 million, a figure that surprised Premier Lara Giddings on the upside.

In minerals, Western Australian junior Latin Resources shot up 27 per cent after signing a $52 million deal with China's Junefield High Value Metals Investments. Thirty million shares will be placed to Junefield at 28 cents, which was a 51 per cent premium to the company's last trading price, and Latin will receive a payment of $35 million in exchange for a 70 per cent of the Mariela iron ore project in Peru.

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And finally the Australian Financial Review reports that Mallesons has lost two partners in response to its merger with China's King & Wood and the paper's been told about 20 lawyers at the Beijing office are thinking about walking, while also in international news Ramsay Health Care is thought to be bidding for Montauban hospital in Toulouse, France.