Link, Dye & Durham talks collapse

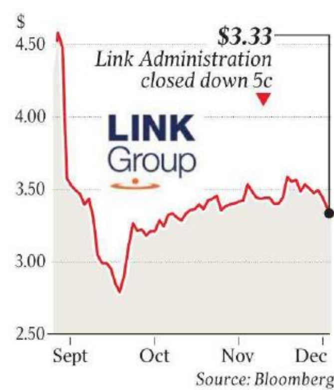
CLIONA O'DOWD

Link Administration has ceased talks with Canada's Dye & Durham, with the parties unable to agree on a fair price for part of Link's business and the suitor unable to solidify its offer with the necessary funding.

Link's move to finally walk away from any deal comes a full 12 months after Dye & Durham first lobbed a $3.5bn bid for all of the ASX-listed company. But the acquisition fell apart as hurdle after hurdle saw Dye & Durham reduce its offer price and tough markets made it difficult to finance.

The parties were hopeful of salvaging some kind of a deal, with Dye & Durham in October offering $1.27bn on a cash and debt-free basis for Link's corporate markets and BCM businesses, but even this proved fruitless, with Link on Thursday saying its suitor had attempted to change the terms of the conditional proposal over a drawn-out period.

"Despite best efforts and engagement with D&D over a period of over two months (a significantly longer period than D&D's proposed 10 business days), the conditional non-binding proposal has not been able to be progressed to a transaction that is certain, has committed financing, reflects appropriate value, and is on appropriate terms," the company told shareholders.



"The latest form of the conditional non-binding proposal from D&D involved a material portion of the consideration being deferred and payable after a two-year period. D&D also proposed a change in the businesses being acquired," it said.

Speaking with The Australian, Link chief executive Vivek Bhatia said he and his board had tried to deliver a better outcome for shareholders. "We gave it our best shot, but at some point in time we owe it to our teams, our people and our clients to actually give certainty. We've got a great business, it's strong and it's performing well ... so we are confident about our business," he said.

Dye & Durham said in a separate statement that it was not prepared to do a deal "at any price".

"We recently submitted a revised bid for only Link Group's corporate markets business at a price that reflects the deterioration in the revenue and earnings profile of the business since the start of the year," a spokesman for Dye & Durham said.

"While we continue to believe these businesses continue to have attractive characteristics and would be accretive to Dye & Durham, we are not willing to do a deal at any price. We believe what we proposed was in the best interest of our shareholders and Link Group shareholders alike. However, Link Group has rejected the offer and as a result, our conversations with Link Group have concluded without an agreement."

The last offer came just weeks after Dye & Durham's drawn-out takeover for all of Link fell over at the last hurdle, in the wake of demands from Britain's financial regulator that proved too rich for the Canadian group.

Britain's Financial Conduct Authority, days ahead of a September 30 deadline, demanded the suitor set aside £306m ($519m) to cover payouts linked to a failed Link-administered fund.

The FCA put this as a condition of its approval of the takeover, which spooked Dye & Durham even as Link vowed to fight penalties imposed on it over the collapse of the Woodford fund in 2019.

The regulatory roadblock led Dye & Durham to slash its $4.81-a-share offer, structuring the new deal as an upfront cash payment of $3.81 per share payable on implementation of the takeover scheme plus a contingent payment, subject to conditions.

The suitor proposed a $1 per share top-up payment to Link's shareholders if the FCA concluded, within two years, that Link was not liable for any redress payments related to the Woodford fund collapse.

Link rejected the revised $3.81-a-share offer, saying it would look at alternatives for the business, including an in-specie distribution of a minimum of 80 per cent of Link's 43 per cent shareholding in ASX-listed PEXA, "in order to maximise value for investors".

Link shares fell 1.5 per cent to close at $3.33. The stock is down 40 per cent this year.

Maggie Beer to rethink dairy sale

ELI GREENBLAT

Maggie Beer Holdings, which owns the food brands made famous by celebrity cook Maggie Beer, could bin its plans sell off its troubled Paris Creek Farms business and instead use the dairy asset to feed into the fast-growing premium cheese market.

In May, after a review of its dairy operations, Maggie Beer said it would sell Paris Creek Farms as well as St David Dairy as both businesses struggled in the wake of Covid-19 and flow-on effects of the pandemic, such as skill shortages, staff churn and higher milk haulage prices.

St David Dairy was later sold.

However, in an update on Thursday, the company said that after receiving a highly conditional and non-binding offer for Paris Creek Farms that the board believed offered fair value for the asset, the bidder was unable to move to a binding agreement on acceptable conditions.

"As discussions with potential new purchasers of the Paris Creek Farms asset continue, Maggie Beer Holdings is taking the opportunity to explore various betterment initiatives at Paris Creek Farms that may be able to support the strong growth in the group's cheese portfolio," the ASX update said.

"Given the increasing demand for the group's cheese products, Maggie Beer Holdings is assessing the value of retaining the Paris Creek Farms asset to support and protect our fast-growing cheese volumes, new product development, customer fulfilment, and to maintain our strong position in the speciality cheese category."

The company said Paris Creek Farms net sales for the 12 months to the end of November were 13 per cent ahead of the same time last year.

"Paris Creek Farms is a purpose-built and valuable dairy asset and Maggie Beer Holdings is being very disciplined and considered when determining the best way to extract value from the asset," the company said.

In a separate trading update also provided on Thursday, the company said net sales grew by 3.8 per cent in November 2022 compared to the Covid-19-elevated high of November 2021, and achieved 22.7 per cent growth over November 2020.

Its e-commerce net sales increased by 3.1 per cent in November 2022 compared to November 2021, and were 29 per cent higher than November 2020. Second quarter 2023 net sales to the end of November 2022 were 3.3 per cent ahead of the same time last year, with the key December trading period still to come.

Regional shopping centre sold for $280m

BEN WILMOT

Queensland fund manager Sentinel Property has sealed a long-running deal to buy Caneland Central in Mackay from a Lendlease-run fund for about $280m.

The deal continues the Warren Ebert-led manager's acquisition spree after it purchased two of the country's largest centres in just a year. Sentinel splashed out almost $400m for Darwin's Casuarina Square shopping centre in February and finalising the Caneland purchase confirms his status as a contrarian in the industry.

When he was out raising equity to back the purchase, Mr Ebert said the shopping centre was valued at $600m at its peak, and although such a steep fall-off is unlikely to be replicated across many centres it shows the dramatic rerating of retail assets.

Mr Ebert is successfully buying and raising fresh equity at a time when few others are even venturing into the larger end of the shopping centre market, with a series of campaigns to offload large retail property assets failing this year.

He has focused on buying regional malls in country centres which dominate their trade areas and have growing sales, rather than owning city malls which are under siege from e-commerce.

> 'Despite recent market volatility, the outlook for Australian retail remains positive'
>
> ANNE MACSPORRAN
> APPF RETAIL

Caneland is a dominant 65,964sq m regional shopping centre anchored by Myer, Coles, Woolworths, Target, Big W, and mini-majors and speciality tenants. It is the largest shopping centre in the region.

When pitching the trust, Mr Ebert said there were opportunities to remix the centre and bring in new brands, from larger cities and from offshore.

His maverick approach is working so far and metropolitan-based managers are continuing to unload unwanted assets, while smaller funds houses are buying up in cities such as Wollongong.

Sentinel is also buying on attractive metrics with the deal struck on a yield of about 7 per cent and, with leverage, the syndicate holding centre could perform at an even stronger level.

Lendlease confirmed that the Australian Prime Property Fund Retail had settled the deal after owning and running the centre since 2001. "Despite recent market volatility, the outlook for Australian retail remains positive, with sales remaining robust post the pandemic. Lendlease is changing the fund so it focuses more on mixed-use opportunities to cater to future lifestyle, technology and shopping needs," APPF Retail fund manager Anne MacSporran said.

Nick Willis and Sam Hatcher from JLL managed the sale.

Notably, the sale was the only transaction for a 100 per cent stake in a regional shopping centre to actually trade this year.

Mr Hatcher said such opportunities seldom come to market, adding that in the past decade only three of the 38 regional shopping centre assets sold were for 100 per cent interests with management rights.

Higher fares help Air NZ add another $100m to half-year earnings

ROBYN IRONSIDE

GETTY IMAGES

Industry-wide, airlines are expected to finish 2023 about $7bn in the black, amounting to a $17bn reversal of fortune in a year

Stronger sales of higher airfares has prompted Air New Zealand to raise its profit guidance by close to $100m for the six months to the end of December this year.

Instead of earlier expectations of earnings before interest and tax of between $NZ200m ($189m) and $NZ275m, the airline says it will make between $NZ295m and $NZ325m for the period.

The updated range was based on current forward sales, and the maintenance of capacity at 75 per cent of pre-pandemic levels.

The update also noted that fuel prices had moderated in recent weeks, adding almost $NZ20m to the airline's guidance range.

In the 2022 financial year, Air New Zealand recorded a $NZ810m statutory loss – almost double the previous year's loss.

The poor result was attributed to New Zealand's extended border closure, with the country only fully reopening in July after trans-Tasman travel restarted in April.

At the annual results presentation, Air New Zealand CEO Greg Foran noted that airfares had increased as much as 50 per cent for international tickets, 45 per cent for trans-Tasman seats and 20 per cent for domestic seats.

He said the increases were necessary to counter the rising cost of fuel, and Air New Zealand was yet to see any "pushback" from customers, with demand for travel strong.

On Thursday, Air New Zealand acknowledged that capacity constraints were also having an impact on pricing, but indicated more flights were being added to alleviate this pressure.

At the same time, operational reliability was being bolstered by the addition of 2200 extra staff and two new A321neo aircraft.

"These new aircraft add an additional 200,000 seats per year into the domestic network and alongside the additional employees, will help ease capacity restraints," the update said.

No full-year guidance for 2023 was offered by Air New Zealand, with the update noting there were "many factors that could slow the airline's recovery and significantly impact earnings". They included ongoing fuel price volatility, global recessionary risks, continued inflationary pressures and rising costs.

Air New Zealand's guidance came as the International Air Transport Association predicted a return to profitability across the industry in the current financial year. Industry-wide, airlines were expected to finish 2023 about $7bn in the black, amounting to a $17bn reversal of fortune in the space of just one year.

IATA director-general Willie Walsh said resilience had been the hallmark for airlines during the pandemic, which had resulted in losses in excess of $200bn.

"As we look to 2023, the financial recovery will take shape with a first industry profit since 2019," he said. "That is a great achievement considering the scale of the financial and economic damage caused by government-imposed pandemic restrictions."

Qantas updated its own half-year profit guidance to between $1.35bn and $1.45bn on the back of strong travel demand, high airfares and capacity discipline.

In the previous corresponding period, Qantas recorded a $1.28bn underlying loss, which widened to a $1.86bn loss for the year. Virgin Australia and Rex also indicated they were now profitable after lean years in 2020 and 2021.

But official figures released last month shows domestic seat capacity in Australia remains below pre-pandemic levels. International capacity is still half that before the pandemic.

Air New Zealand shares closed up 1.4 per cent, or 1c, on back of Thursday's update, at 73c.

Potentia's Nitro offer 'inferior to Alludo'

JOSEPH LAM

Potentia Capital has sweetened a takeover bid for ASX-listed Nitro Software, offering $2 a share in a late Thursday increase.

In November, Nitro told investors that Potentia had sought access to due diligence to consider increasing its bid to outmanoeuvre a $500m offer made by Alludo, which had became legally binding earlier that month.

Nitro, a provider of cloud PDF and productivity software, told shareholders that Potentia's $1.80-a-share proposal was still inferior to the takeover bid from Alludo, which values it at $2 a share.

In a statement on Thursday, Potentia Capital said it would also add a new scrip alternative in its offer for Nitro shareholders who wanted to remain investors.

"This revised proposal is superior to the Alludo proposal, as it is subject to fewer conditions (including that it does not contain a minimum acceptance condition like the Alludo 50.1 per cent minimum acceptance condition) and currently open for acceptance, meaning shareholders could receive their consideration under the offer this calendar year, which Potentia believes is worth an extra 10c per share," it reads.

Alludo, a Canadian group, is backed by KKR and had been Nitro's preferred suitor.

"Following receipt of advice from its external financial and legal advisers, it was concluded that the revised Potentia proposal is not, and could not reasonably be considered to become, a superior proposal to the Alludo transaction," Nitro chair Kurt Johnson said in a statement in November, when Potentia's offer remained at $1.80 a Nitro share.

Potentia, an Australian firm that counts former MYOB boss Tim Reed and former Archer Capital executives among its senior ranks, is Nitro's biggest shareholder, owning 19.3 per cent.

Nitro chief executive Sam Chandler has held on to 7 per cent of the company he founded.

Other major shareholders include Australian Ethical, Spheria Asset Management and Battery Ventures, along with AustralianSuper and Alex Waislitz's Thorney Investment.

The Alludo bid was first made in late October, after the KKR-backed group said it had performed due diligence.

Alludo is looking to add to its suite of workplace and collaboration products, including CorelDRAW, PaintShop Pro and WordPerfect.

Nitro had already rebuffed a bid from Sydney-based Potentia in August that the board has described as "highly opportunistic" amid a wave of significant sharemarket tumult.

Founded in Melbourne in 2005, Nitro began as a direct rival to Adobe's PDF offerings, but has since expanded to offer broader cloud-based software tools helping employees and customers share, sign, approve, track and collaborate on documents faster and more securely.

"Potentia expects that the Nitro board will now immediately recommend this revised offer to shareholders, on the basis of its superiority," the private equity group said.

"If Potentia ends up having relevant interests in less than 75 per cent of Nitro shares it will maintain Nitro's listing on ASX," it added, noting that the stake it controlled meant that Alludo's takeover proposal, which will be voted on in February, was "unlikely to succeed".

Nitro shares closed up 3c, or 1.5 per cent, at $2.06 on Thursday.

Despite the takeover interest, the company's shares are down 14 per cent since December 31.

'Inspiring leader' for key Baker McKenzie post

International law firm Baker McKenzie has appointed its Sydney-based Anne-Marie Allgrove as local national managing partner.

Ms Allgrove will succeed Anthony Foley in the position from July for a four-year term.

Ms Allgrove is already global chair of the firm's intellectual property and technology practice group, and chair of its Australian inclusion and diversity committee. She is a member of the global finance committee and a long-term member of the Australian business's management committee, having started as a clerk and worked in Baker McKenzie offices in London and Singapore.

According to The Australian's Partnership Survey published this year, Baker McKenzie had 86 local partners and 217 fee earners.

That made the firm larger than Johnson Winter & Slattery and Gadens but smaller than Gilbert + Tobin and Corrs Chambers Westgarth.

"Hopefully my appointment, and the recent appointment of other women to senior leadership roles in the legal profession, further contributes to normalising the advancement of women to senior leadership positions," Ms Allgrove said. "We have a unique offering in the market supporting our local and global clients on their most significant projects leveraging the strength of our practice and industry specialists and our global platform."

Mr Foley said Ms Allgrove had been recognised for her leadership in intellectual property, data and technology law, and was a "globally connected, empathetic and inspiring leader".

"She has been a pioneer in championing inclusion and diversity in our firm and communities. Anne-Marie's appointment comes at an exciting time for our firm and I'm confident that she will continue our growth and impact in the Australian market."

Ms Allgrove was an associate to former High Court judge William Deane.

JILL ROWBOTHAM

Change to Business Lending interest rates

The following rates are effective for Business products from 9 December 2022 unless otherwise noted.

Business Products	Interest rate (P.A.)
Residential Equity Rate (RER) [1]	7.10%
Variable Base Rate	9.18%
Corporate Overdraft Reference Rate	10.08%
Overdraft Index Rate	10.68%
Business Line of Credit Base Rate	9.18%
Business Line of Credit Reference Rate	8.88%
Corporate Credit Cards – Residentially Secured [2]	7.25% [3]
Business Credit Cards – Residentially Secured [2]	7.25% [3]
Corporate Credit Cards – Commercially Secured	13.49% [4]
Business Credit Cards – Commercially Secured	13.49% [4]
Simple Business Overdraft Rate	16.30%
Simple Business Overdraft Excess Drawing Rate	16.30%
Excess Debit Interest/Drawing Rate [5]	16.18%
Standard Variable Rate (Co-op)	7.30%

You can access further information on Business Banking Rates at commbank.com.au/business-fees

Things you should know: Rates are used as a basis to determine the applicable interest rate/s charged on all relevant loans. Interest margins may apply.

1. May be secured by residential property
2. Must be secured by residential property
3. Includes a margin of 0.15%p.a. over the Residential Equity Rate of 7.10%p.a. Interest rate effective date from 12 December 2022.
4. Includes a margin of - 1.06%p.a. over the Business Card Index Rate of 14.55%p.a. Interest rate effective date from 12 December 2022.
5. Maximum rate of 16.18%pa. Interest rate included in contractual documents. Outlined Excess Debit Interest/Drawing Rates may be used for your Business Overdraft, Business Transaction Account, Stream Working Capital Transaction Account, Society Cheque Account, Standard Business Cheque Account (interest bearing option), Standard Business Cheque Account (non-interest-bearing option), Overdraft Cheque Account, Agri Line of Credit; Business Line of Credit or Co-Operative Society Housing Loans.

Terms and Conditions, eligibility criteria, fees and charges will apply.
Issued by Commonwealth Bank of Australia ABN 48 123 123 124 AFSL and Australian Credit Licence 234945.

Visit us at commbank.com.au