



# Delegat's higher bid backed

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Delegat's Wine Estate has lifted its takeover bid for Oyster Bay Marlborough Vineyards (OBV) to 208c, and received the backing of independent directors.

But the 208c is well short of the Marlborough grape grower's 486c net tangible asset backing a share, which was released with its annual result for the year to June 2010. That is the amount shareholders would receive if the company was wound up with assets sold for the values in the accounts and liabilities repaid.

The Delegat's bid is being made at a low point in the history of the local wine industry with wine prices and vineyard values falling.

The single largest shareholder behind Delegat's, the Cushing family with 4.19 per cent, was not giving the higher price a ringing endorsement yesterday.

David Cushing said "it is a step in the right direction" after Delegat's announced it was raising the offer from 180c to 208c. Oyster Bay shareholders are offered as an alternative one Delegat's share for every Oyster Bay share.

Christchurch real estate agent David Rankin has 3 per cent and could not be contacted yesterday but like the Cushings he regarded 180c as "too light".

Cushing said he would be reading the independent appraisal of the offer by Grant Samuel and Associates very carefully when it was released next week and he intended to speak with other shareholders with sizeable stakes in Oyster Bay.

Some of the independent appraisals used several assumptions that could play a critical part in the outcome of what was a fair price to pay. "I just want to have a critical look at it," Cushing said.

Oyster Bay has a long term supply agreement with Delegat's which takes all its grapes, an advantage Cushing said, when other vineyards have had to leave grapes on the vine because of an oversupply.

Delegat's set up Oyster Bay in 1999 through a public offer of shares and it now supplies 25 per cent of Delegat's grape needs.

The independent directors of Oyster Bay, 55 per cent owned by Delegat's, unanimously recommended acceptance. They are chairman Sandy Maier, Ruth Richardson and Mark Peters.

They hinted that it had taken a lot of work to achieve the increase in price and there were robust discussions with Delegat's over how Oyster Bay was valued.

The lift in price "follows several exchanges of views with Delegat's around appropriate valuation metrics which resulted in Delegat's raising the cash component of its takeover offer from 180c per OBV share to 208c per OBV share," the independent directors said.

Maier said the company would release its target company statement along with an independent appraisal next week to help shareholders make their decisions. The target company statement would contain the full details of the independent directors' decision to recommend acceptance, he said.

The independent directors approached Delegat's last month after a review of the company's capital structure by First NZ Capital which presented a number of options for the company.

Delegat's has fought a five year battle with maverick winegrower Peter Yealand over control of Oyster Bay and settled in July with a 180c a share deal with him for his 4.8 per cent stake.

Another shareholder, Elevation Capital, said last week in a newsletter to investors in its funds that Delegat's saw an opportunity when Oyster Bay's share price was weighed down by bad news about the wine industry.

Elevation fund manager Chris Swasbrook said he would be prepared to buy more Oyster Bay shares in a deeply discounted right issue that could be used to clear Oyster Bay's debt.

Swasbrook said the 180c offer valued Oyster Bay's land and vineyards at \$61,000 per hectare when the annual accounts for the June 2010 year implied a value of \$112,473 a hectare.

Swasbrook said the deal was a test for the independent directors and in his view "a case study for either the right way to act for minority investors or the wrong way to act."

Two weeks ago Delegat's paid more than \$2m for the Marlborough 23-hectare Gravitas winery in receivership. That implies it paid more than \$86,950 a hectare.

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