



RFG set for Brumby's as MBO fails

Teresa Ooi
Takeover

RETAIL Food Group's sweetened \$45.8 million takeover offer for Brumby's is on the brink of success following the capitulation of the rival management buyout team.

The MBO syndicate led by Brumby's managing director Michael Sherlock decided to back down from the takeover battle as the company's board of directors threw its weight behind RFG with an unanimous recommendation of its increased cash offer of \$3.40 a share for the bread chain.

The revised offer is an 88 per cent premium to Brumby's closing share price of \$1.80 on December 15 last year, just before RFG launched its hostile takeover of the company.

The MBO team's decision not to make a higher offer also led to Mr Sherlock's resignation.

"We weighed up all the issues and decided that instead of being a buyer of Brumby's, we are a seller," Mr Sherlock said.

"We have exceeded our limits and have elected not to make a higher offer." The MBO team, which in-

cluded Brumby's director Marcus Barlow and company secretary Steve Brown, has sold 3.9 per cent of its 21 per cent stake in the company to RFG, with the rest to be sold later on.

This has pushed RFG's stake in Brumby's to almost 20 per cent.

"This is a win-win for everyone," RFG chief executive Tony Alford said.

He said RFG would get 52 per cent

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Michael Sherlock, Brumby's managing director

control of Brumby's, with the board of directors selling its 15.6 per cent stake in the company in addition to the remaining 17.76 per cent held by the management buyout syndicate.

"It is almost a done deal," Mr Alford said.

Brumby's chairman Terry O'Dwyer said it was a good outcome.

"It's a very good deal for shareholders and franchisees and is pretty close to a perfect marriage," he said.

"The offer provides the best option for shareholders to maximise the value of their investment in Brumby's and is fully endorsed and recommended by the whole of Brumby's board."

RFG, the owner of Donut King and BB's cafe chain, launched a \$38 million takeover bid for Brumby's last December, but was trumped by a \$40 million MBO in January.

Brumby's has 321 bread stores, while RFG has 287 Donut King outlets and 71 BB's cafes.

Mr Alford also confirmed that the company was interested in Michel's Patisserie, a 350-franchise chain.

"We have been talking to the management of Michel's Patisserie, a high profile and well-managed cake chain.

"We will reinvigorate our discussions with Michel's once we have completed the takeover of Brumby's," Mr Alford said.

RFG shares closed unchanged at \$1.40.