IN THE AUSTRALIAN COMPETITION TRIBUNAL

MURRAY GOULBURN CO-OPERATIVE CO LIMITED
ACN 004 277 089

RE: PROPOSED ACQUISITION OF WARRNAMBOOL CHEESE
AND BUTTER FACTORY COMPANY HOLDINGS LIMITED ACN 071 945 232

Statement of: David Michael Noonan

Dated: 17 January 2014

I, David Michael Noonan of Freshwater Place, Level 15, 2 Southbank Boulevard, Southbank in the State of Victoria, Chief Financial Officer, say as follows:

1. I refer to my signed statements dated 28 November 2013 (November Statement) and 3 December 2013 (December Statement) in relation to the proposed acquisition of Warrnambool Cheese and Butter Factory Company Holdings Limited (WCB) by Murray Goulburn.

Synergies

2. In the November Statement, I provided calculations for synergies Murray Goulburn expects from the acquisition of WCB. All of Murray Goulburn’s cost savings and synergies have been calculated on a net basis. Any increases in costs (such as costs resulting from plants processing higher volumes) following the proposed acquisition have been fully considered and included in the synergy calculations.
3. When calculating the synergies for the proposed acquisition, Murray Goulburn did not include any revenue synergies from portfolio optimisation. A more conservative approach was adopted in the synergy calculations and all such revenue calculations were removed from the calculations. I do consider that revenue synergies are available and are likely to be achieved. However, it is difficult for Murray Goulburn to accurately calculate the potential revenue synergies as Murray Goulburn has not been able to conduct a due diligence of WCB’s business and therefore Murray Goulburn is unable to accurately determine WCB’s current selling prices and margins by product.

4. Listed below are a few examples of portfolio optimisation revenue related synergies that Murray Goulburn would expect to be available from a larger milk pool and more manufacturing assets that would result from the proposed WCB acquisition:

   (a)  

   (b)  

   (c) There will be an opportunity to swing a portion of production into the highest value products at different points in the commodity cycle given access to a larger milk pool and more manufacturing assets. This will provide additional opportunities for Murray Goulburn to maximise the value amongst different dairy products.

5. Murray Goulburn also adopted a conservative approach in its calculation of its interest cost of funding the proposed acquisition. In the November Statement at page 0023 of Confidential Annexure DMN8, it was shown that the interest cost of the proposed acquisition amounted to  

6.  

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7. Murray Goulburn estimates that, if Murray Goulburn owns between 50.1% and 90% of WCB (Partial Ownership), the level of synergies and public benefit will still be substantial. Under a Partial Ownership scenario, Murray Goulburn will have control of the WCB Board and in turn its management decisions. On the basis that a sound business case can be made for each initiative with appropriate agreements in place, the large majority of synergies can be achieved. A summary of the synergies in a Partial Ownership scenario is at Confidential Annexure DMN53. A table summarising the rationale behind the Partial Ownership synergy calculations is at Confidential Annexure DMN54. I do not believe that Partial Ownership would have any impact on the milk pool available to Murray Goulburn as compared to a full ownership scenario.

Efficiencies obtained due to acquisition of WCB

8. While Murray Goulburn always aims to drive efficiencies, there are a number of operational efficiencies that could not be achieved without the proposed acquisition. A few examples of these operational efficiencies, which are not exhaustive, are described further below:

(a) 

(b) 

(c)