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Futuris's ITC seeks forest consolidation

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Futuris Corporation has made the first moves in an effort to consolidate the forestry industry through its listed subsidiary Integrated Tree Cropping.

ITC has agreed to pay \$80 million in cash and scrip for Neville Smith Group, Australia's largest privately owned hardwood processing business, and also yesterday acquired a 19.9 per cent stake in listed Tasmanian-based forestry group Forest Enterprises Australia for \$21.9 million, raising speculation that a takeover bid will soon follow.

Forest Enterprises and Neville Smith already have a wood export joint venture, Tasmanian Fibre, and boutique investment bank Mariner Corporate Finance has for some time acted on behalf of Forest Enterprises under a mandate to seek growth opportunities.

But FEA was said by sources close to the deal to have been a passive participant in the sale process, with ITC dealing directly with four major shareholders who handed over a portion of their equity to place FEA in play.

"We've had one discussion," Forest Enterprises chief executive officer Andrew White said. "We were certainly aware and we had a discussion about where we saw the future of the industry. We share a lot of common views."

ITC is to fund its consolidation program – it will pay \$40 million cash and \$40 million in scrip for 100 per cent of Neville Smith – via an \$80 million placement of shares at \$1.20 each to both Futuris and to institutional investors.

Other shareholders will be offered up to \$5000 of new ITC shares.