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Nearly a year after its initial sale, Stanbroke Pastoral Company is being carved-up. Jane Milburn asks whether the sale was a corporate coup or a complete botch-up.

Prime cut

The ink was barely dry on the contract before the sell-up of Australia's biggest cattle empire began. Stanbroke Pastoral Company – with its 27 properties in Queensland and the Northern Territory spanning 11.7 million hectares and 490,000 head of cattle – took 40 years to create but less than a year to debone.

Stanbroke was undeniably a Queensland great. The company had symbolic as well as actual value for the Australian beef industry.

Its millions of hectares of grazing land provided the base for a complete paddock-to-plate package. From breeding and growing cattle, through to feedlot finishing and processing – there was even a retail outlet.

With great fanfare last year, the company then owned by AMP Life was put up for sale by tender.

In what was seen as something of a corporate coup, Nebo Holdings, led by former Stanbroke board member Peter Hughes and dominant partner Peter Menegazzo, snared the Stanbroke last September, for what in hindsight seems like a steal – $490 million.

There was talk at the time of keeping the 27 properties together to make the most of the economies of scale so strategically developed by past managers.

But is didn't take long for the carve-up to begin.

Within weeks, three properties (Lyndhurst, Rocky Bank and Carpentaria) were sold off.

Then in May this year, the stakes reached fever pitch when Menegazzo bought out his original partners for about $345 million (for 24 properties) and began systematically slicing off the company's jewels until the point where only 10 remain.

Around the cattle pens at the EKKA yesterday, there was confirmation two other properties are on the market, Barkly Downs (for $65 million) and Rocklands (for $60 million).

And Stanbroke's signature retail outlet Diamantina's has gone, although the brand itself remains.

The Nebo partners' buyout ramped up the total estimated value of the original Stanbroke holding to about $690 million, compared with the $490 million it had sold for just nine months earlier.

Hindsight is, of course, a wonderful thing, but it would not be surprising if Stanbroke's former owners – AMP Life policyholders – felt they had been dudded by at least $200 million.

Head of Australia's largest independent rural valuers, Kerry Herron, of Herron Todd White, had a foot in both camps – he's an AMP shareholder and was involved in the tender process on behalf of one of the unsuccessful bidding parties.

"I was very disappointed in the way AMP handled the whole thing. There were a number of other ways of managing the sale that would have brought much more money for shareholders – they were the big losers in all of this," Mr Herron said.

But Menagazzo's financial adviser, David Usasz, from PricewaterhouseCoopers said AMP handled the sale process according to the normal merchant-banking style adopted when a substantial asset with international appeal is on the market.

Doing a few simple sums, the original Stanbroke carried 490,000 head of cattle worth $600 each, which multiplies to $294 million. That means the 27 stations themselves had a collective value of just $200 million.

One of them alone – Tanbar in the Channel Country – has since been sold for $50 million. Either the Stanbroke empire was grossly undervalued, or people are prepared to pay a great premium for a "trophy" property.

Since its sale and resale, the Stanbroke strategy has been to drizzle properties on to the market creating a frenzy of interest and attracting staggeringly high prices.

With some of the nation's best properties appearing on the market for the first time in a generation, the self-created price flurry is unearthing what some in the sector describe as "ridiculous, way over the top" amounts of money for a slice of the action.

In a largely debt-funded strategy, Menegazzo has retained 10 Stanbroke properties to add to his existing four Gulf country stations and has purchased full ownership of Valley Beef meatworks.

Looked at nearly a year on, the buyout strategy was a smashing winner for the Nebo partners.

It, and the repercussions for the beef industry and property prices, are on the lips of cattlemen and observers alike around the beef judging and socialising circuit at EKKA this week.

Although Menegazzo is in town for strategy talks with the new Stanbroke team, he keeps a low profile and doesn't talk to the media.

But David Usasz says that during the initial tender process, the Nebo group simply put its best foot forward, put its best, unconditional, price on the table and was fortunate enough to win the prize.

Backed by Rabobank – which interestingly was both financial adviser to AMP and funded Nebo's winning bid – Menegazzo pulled off a stunning corporate coup that will write him into the history books.

But one of the smokescreens clouding the original tender process was whether or not the Stanbroke empire could, or would, remain intact.

A corporate carve-up was not fancied in traditional rural circles that, perhaps nostalgically, preferred that the Stanbroke entity be kept intact, built as it was on the Sir Sydney Kidman strategy of geographical spread for drought insulation and playing a leadership role within Australia's $11 billion cattle industry.

There was industry speculation about whether the other leading contender for Stanbroke, the Australian Agricultural Company then run by Peter Holmes a Court, would be more likely to "break up" Stanbroke or perhaps that AACo didn't put its "best price" on the table until it was too late.

Tender manager Marcus Derwin of AMP Henderson Global Investors said in a media release at the time of the original sale (September 9): "In making our final decision, many considerations were taken, including the final offer price and the bidders' intent to preserve Stanbroke Pastoral Company as an ongoing concern."

But keeping the show together was not a written condition of the tender and during AACo's failed attempt to secure a court injunction on the sale to Nebo Holdings, Marcus Derwin admitted that media release was incorrect.

The court subsequently "found there was no evidence that AMP failed to give priority to achieving the best price" and the Nebo sale proceeded.

AACo is poised to mount a further legal challenge in coming months, with new chief executive officer Don Mackay confirming the company is continuing with an action against AMP Life Limited and AMP Capital Investors Limited in regard to the sale of Stanbroke. As this action is currently before the Federal Court of Australia, the company has no further comment at this time.

In a statement yesterday, AMP said: "While AMP is unable to comment in detail on matters that are the subject of present court proceedings, AMP stands by the probity of the public tender process to sell Stanbroke and is satisfied it achieved a result in the best interests of AMP Life's policyholders."

"The fact that some properties later sold in a different market does not detract from the fact that AMP achieved a positive result for its policyholders at the time it sold Stanbroke."

It is history now that the winning Nebo partnership comprised Menegazzo with 50 percent, Hungry Jacks' owner Jack Cowin 25 percent, former Stanbroke board member Peter Hughes and his wife Jane 10 percent, and the remaining stake was spread among other Queensland grazing families, the Burnett and Rea families.

They all did very well out of the nine-month partnership, and Hughes, and another former Stanbroke board member Tim Fairfax, the Burnett and Rea families have all gone on to purchase some of the Stanbroke jewels themselves.

In recent weeks, Helen Springs sold for $60 million, Tanbar for $50 million, Lake Nash for $45 million, Elgin Downs for $38 million, Frankfield for $40 million, Alroy for $30 million, Beresford for $19 million and so it goes on.

Menegazzo has sold an estimated $420 worth of property assets since buying out the partners and the net result, says Usasz, is that "a substantial number of Australian rural families are delighted to own a share of Stanbroke".

The remaining properties are part of the new Stanbroke that builds on the Menegazzo family's potato-farming operation in southern states and has them positioned as the new cattle kings in the Australian beef industry.

Cattle Council of Australia president Keith Adams says all the action generated by recent property sales is incredibly positive for the cattle industry because it reinforces the great degree of confidence in the future.

BREAKOUT story

The Stanbroke break-up continued this week with the closure of the gourmet butcher store Diamantina's in Brisbane and the pending sale of Barkly Downs and Rocklands located west of Mount Isa.

This break-up has created a wonderful opportunity for Australian pastoralists to acquire prime holdings according to one of the early purchasers, Graeme Acton of Acton Land and Cattle Company, who bought Lyndhurst and Carpentaria in far north Queensland.

"All the properties that Stanbroke has sold have been bought by Australian pastoral families and the sales demonstrate these families have a lot of confidence in the industry.

"What is happening is a landmark occurrence in the industry and I think it is great that control of Stanbroke has stayed in Australia … It is commendable what Peter Menegazzo has done and I congratulate him and his family for their courage, foresight and optimism in pulling off the greatest coup ever seen in this nation."

But Mr Acton added: "If I was an AMP shareholder, I would be disappointed in the manner that Stanbroke was marketed because if the properties had originally been sold individually or in smaller groups then that would have generated a better return to investors."

Jane Milburn is a freelance writer and media consultant who undertook a short (four-week) contract job for AACo in July 2002