

Pernod Ricard acquires Vin & Sprit and becomes the co-leader of the global wine and spirits industry

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Pernod Ricard announced the signing of a contract with the Kingdom of Sweden for the acquisition of 100% of the shares of the Vin & Sprit Group, the owner of Absolut vodka. The acquisition does not include V&S' 10% interest in Beam Global Spirits & Wine, Inc.

This acquisition represents an outstanding opportunity for Pernod Ricard and will result in the Group becoming co-leader in the global wine & spirits industry.

Absolut: a unique asset which perfectly complements Pernod Ricard's portfolio of premium brands

Absolut is the number 1 premium vodka brand worldwide with around 11 million 9 litre cases sold in 2007 and is an iconic brand whose influence goes far beyond the wine & spirits universe. It is one of only four international spirits brands in the world which sells more than 10 million cases a year and has a specially attractive growth profile (+9% volume growth in 2007).

In the United States, Absolut is the top premium spirits brand, selling more than 5 million 9 litre cases. It has a unique brand image built around values of creativity, innovation and cultural leadership.

In the rest of the world, with close to 6 million cases sold in 2007, Absolut is one of the most global brands in the industry with a significant presence in all the continents and a strong perception as a leader in the premium vodka category.

Absolut fits perfectly with Pernod Ricard's strategy and further enhances the strength of our premium brands portfolio, complementing Chivas, Ballantine's, The Glenlivet, Jameson, Martell, Beefeater, Ricard, Malibu, Kahlua, Havana Club, Mumm, Perrier-Jouët, Jacob's Creek and Montana.

The acquisition of V&S also provides Pernod Ricard with a leading position in the Nordic wine & spirits market through its portfolio of local brands. In addition, V&S also brings other attractive opportunities, notably Cruzan rum, a dynamic brand in the United States (circa 600,000 cases sold in 2007 up +27%) and Level, the number 4 brand in the super-premium vodka category in the United States.

Pernod Ricard becomes the co-leader in the global wine & spirits industry

With the acquisition of V&S, Pernod Ricard becomes the co-leader in the global wine & spirits industry with:

- Global spirits volumes of 91 million cases(1)
- The number 1 position in premium spirits with a 27% market share(2).

In the United States, the largest spirits market worldwide, Pernod Ricard's position increases from number 4 to number 2 with a market share of close to 14%(3). V&S brands are currently distributed in the US by Future Brands (a joint venture held 49% by V&S and 51% by Fortune Brands) through a distribution agreement currently in place until beginning of 2012. From an operating stand point, V&S controls the marketing and A&P strategy for its brands. Furthermore, Absolut distributors are already largely aligned with Pernod Ricard's distributors in the US.

In the rest of the world, Absolut will benefit from the strength of Pernod Ricard's globally integrated distribution network, both in mature Western European markets as well as in high-growth emerging regions. Excluding the US and Nordic countries, V&S' brands are currently distributed through Maxxium, a joint venture between V&S, Fortune Brands, The Edrington Group and Remy Cointreau, each partner having a 25% shareholding. Pernod Ricard will exit Maxxium within 2 years from closing for a low contractual cost.

Pernod Ricard will therefore enhance the growth of Absolut in every region by combining its role as a brand-owner and its global footprint in conjunction with the existing distribution efforts of Future Brands and Maxxium. Pernod Ricard will immediately reap the benefit of Absolut's presence in its portfolio.

The acquisition of V&S will result in the end of the Stolichnaya distribution contract which Pernod Ricard will continue to perform during a short transitional period until SPI identifies a new distributor.

A transaction with strong value creation for Pernod Ricard's shareholders

The price paid for V&S by Pernod Ricard will be \1,450 million plus USD6,050 million, i.e. \5,280 million at the current Euro/USD exchange rate. Pernod Ricard will also assume net debt of \346 million as of 31 December 2007 resulting in a total enterprise value of \5,626 million.

V&S will pay the Swedish government a dividend of \85 million before closing of the transaction, and the purchase price of the shares will be increased by a pro-rated annual interest charge of 2.0% from 1st January 2008 until the effective closing date of the transaction. In exchange, Pernod Ricard will benefit from the full cash flow generated by V&S over this period.

The transaction will be financed through a new syndicated loan underwritten by six first-class banks: BNP Paribas, Calyon, JPMorgan, Natixis, The Royal Bank of Scotland plc and Société Générale. Pernod Ricard's opening leverage will be at circa 6x the new group's pro forma EBITDA, in line with leverage levels of the group after the Seagram and Allied Domecq transactions. Strong cash flow generation and strong EBITDA growth will allow for a fast deleveraging. The initial cost of debt should be around 5%.

This transaction will generate significant pre-tax synergies estimated at between \125 and 150 million on an annual basis. These synergies are expected to be fully extracted over two to four years, depending on the timing of exit from the Future Brands and Maxxium distribution agreements.

Based on V&S 2007 EBITDA of \270 million, the price paid corresponds to implied multiples of 20.8x EBITDA pre-synergies, or 14.2x post-synergies(4). Based on a V&S 2007 CAAP(5) of \400 million estimated by Pernod Ricard, the price implies CAAP multiples of 14.1x pre-synergies and 12.4x post-synergies. These multiples compare favorably to those observed on recent comparative transactions.

Altogether, this acquisition will reinforce the growth profile of Pernod Ricard and will generate significant value creation for Pernod Ricard's shareholders. The impact of the transaction on the earnings per share, excluding non-recurring items, is expected to be neutral in year one and significantly positive thereafter. The return on investment should exceed Pernod Ricard's cost of capital by year 4 at the latest.

Pernod Ricard is confident the transaction will be completed during summer 2008 after receiving the necessary regulatory clearances.

Patrick Ricard, Chairman and CEO of Pernod Ricard, stated: 'The acquisition of V&S by Pernod Ricard is a fantastic opportunity and represents our third transformational acquisition since the Seagram and Allied Domecq transactions. Absolut is an exceptional brand. Its integration within our portfolio of premium brands combined with the strength of our worldwide distribution network paves the way for outstanding growth prospects. We become thus the co-leader of the global wine and spirits industry.'

Pierre Pringuet, Managing Director, added: 'We are eager to welcome the V&S teams into the Pernod Ricard Group. The integration will be made easier by our decentralised organisation model. The integrity of the V&S group will be maintained and it will become a new 'brand-owner' and a distribution platform for the Group in Nordic countries.'

(1) source IWSR 'Western Style Spirits'

(2) source IWSR 'International Western Style Spirits' - excluding RTDs, wine and wine-based aperitifs, excludes agency brands, Pernod Ricard market view

(3) source IWSR « International Western Style Spirits »

(4) on the basis of \125 million synergies

(5) CAAP: Contribution After Advertising and Promotion expenses

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