

Pernod Ricard wins bidding war for Absolut



An Absolut vodka bottling facility in Åhus, Sweden. (Bob Strong/Reuters)

Pernod Ricard, the French liquor company, on Monday won a hard-fought auction to buy the maker of Absolut vodka in a €5.63 billion deal.

The purchase of Vin & Sprit, which was put up for sale by the Swedish government, ends one of the most hotly contested auctions for a liquor brand in years. Among the original bidders were Diageo, Bacardi and Fortune Brands.

Absolut, which started in 1979 and is best known for its advertising campaign depicting its distinctive bottle, is the third-largest spirit brand in the world, behind Smirnoff vodka and Bacardi rum.

Last year, Vin & Sprit sold 88.8 million liters of Absolut vodka in 126 countries.

The transaction, worth \$8.9 billion, combines Absolut with Pernod Ricard's stable of brands, which include Seagram's gin, Havana Club rum, Chivas Regal Scotch whiskey, Jacob's Creek wines and Jameson Irish whiskey.

Pernod Ricard was built through a series of acquisitions, including its purchase of Allied Domecq and parts of Seagram from Vivendi in December 2000.

Pernod beat the favorite, Fortune Brands, which makes Jim Beam bourbon, to win control of one of the fastest-growing spirits brands - half of which is sold in the United States.

Analysts at HSBC hailed it as a "master stroke" but said the high cost of the deal proved that there were no cheap opportunities left in the fast-consolidating drinks sector.

While Sweden's government called the deal's price a victory for taxpayers, stock market traders said Pernod had overpaid and its stock fell a two-month low, wiping almost €700 million off the company's market value.

The sale of Vin & Sprit is the centerpiece of Sweden's largest-ever push to privatize state assets.

Pernod said a €12 billion syndicated loan would pay for the Swedish company and refinance existing Pernod debt.

Pernod shares fell 4.6 percent to €64.96 by midday in Europe. The shares have fallen 18 percent this year, underperforming the food and beverage sector by almost 8 percent.

"The combination of a full price and the amount of debt to be raised definitely seems to have unnerved certain investors," said Stephen Surpless, a senior analyst at Cantor Fitzgerald.

Pernod said the deal valued Vin & Sprit at 20.8 times its 2007 gross operating profit or 14.2 times after synergies from the deal.

"We got a very good price, to the benefit of the public economy, as well as a very good industrial home for the company," said Mats Odell, the Swedish minister for local government and financial markets.

"The businesses will remain intact and both production and marketing will continue in Sweden and the Nordic region."

Pernod was eager to buy a leading vodka to fill a hole in its drinks portfolio, but it had kept its options open by talking to the Russian authorities about buying the rights to Stolichnaya outside Russia where it already distributes the brand.

Pernod said the Vin & Sprit deal would mean the end of its distribution of Stolichnaya. Pernod would continue to distribute the brand on a temporary basis, it said.

Fortune said it would begin repurchasing its own shares after the defeat.

Sweden said the deal would not close before the summer.

It said Pernod was buying all of Vin & Sprit except the Swedish company's 10 percent stake in Beam Global Spirits & Wine.

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